BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of GOLDEN STATE WATER COMPANY (U 133 W) for authorization to issue and sell additional debt and equity securities not exceeding the aggregate amount of $750,000,000 and other related requests.	Application XX-XX- (Filed January 22, 2024)

APPLICATION OF GOLDEN STATE WATER COMPANY (U 133 W) FOR AUTHORIZATION TO ISSUE AND SELL ADDITIONAL DEBT AND EQUITY SECURITIES

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I.
INTRODUCTION AND SUMMARY

Pursuant to Articles 5 and 6 of Chapter 4, Part 1, Division 1 of the California Public Utilities Code ("PU Code") and Rule 3.5 of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission"), by this application ("Application"), Golden State Water Company ("Golden State") requests that the Commission:

(1) Authorize Golden State to issue, sell and deliver, by public offering or private placement, securities not exceeding $750,000,000 in aggregate offering amount, said securities consisting of, but not limited to, (i) common shares and preferred shares ("New Equity Securities"), and (ii) bonds, debentures, notes, and other evidences of indebtedness ("New Debt Securities"), in each case on terms and conditions in accordance with this Application at any time (the New Equity Securities and the New Debt Securities, collectively, the "New Securities");[1]

[1] Golden State seeks such authorization pursuant to PU Code Sections 816 and 818. (Pub. Util. Code § 816 ("The power of public utilities to issue stocks and stock certificates or other evidence of interest or ownership and bonds, notes, and other evidences of indebtedness and to create liens on their property situated within this State is a special privilege, the right of supervision, regulation, restriction, and control of which is vested in the State, and such power shall be exercised as provided by law under such rules as the commission prescribes."); Pub. Util. Code § 818 ("No public utility may issue stocks and stock certificates, or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness payable at periods of more than 12 months after the date thereof unless, in addition to the other requirements of law it shall first have secured from the commission an order authorizing the issue, stating the amount thereof and the purposes to which the issue or the proceeds thereof are to be applied . . . .").)

(2) Authorize Golden State to use the net proceeds to be received from the New Securities for the purposes permitted under Section 817 of the PU Code, including, but not limited to, (i) the retirement and discharge of all or a portion of its then outstanding short-term debt issued for temporary financing of additions to Golden State's utility plant, (ii) reimbursement of Golden State for capital expenditures and for the acquisition of utility properties, and (iii) refunding existing long-term debt obligations;[2]

(3) Authorize Golden State to execute and deliver one or more indentures, supplemental indentures, or board resolutions and/or loan, credit or note purchase agreements or other agreements;[3]

(4) Authorize Golden State's evidences of indebtedness to be secured by Golden State's property, pursuant to Section 851;[4]

(5) Authorize Golden State to utilize interest rate management techniques to enhance its New Debt Securities in accordance with this Application;[5]

(6) Specify that the features enhancing debt securities and interest rate management techniques set forth in Sections VII and VIII, respectively, shall not be counted against Golden State's authorized amount of New Securities because these instruments would not affect the amount of the underlying securities issued;[6]

(7) Until the date that the authority granted pursuant to this Application is fully used, grant Golden State a waiver from the requirements of Section 818 of the PU Code and the holding company rules issued on June 18, 1998, in Decision 98-06-068, as they apply only to Golden State's short-term borrowing arrangements. The waiver would authorize Golden State to borrow under these arrangements and would

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[2] *See* Pub. Util. Code § 817 (setting forth the purposes for which a public utility may issue stocks and stock certificates or other evidence of interest or ownership, and bonds, notes, and other evidences of indebtedness payable at periods of more than 12 months); Pub. Util. Code § 818 (with regard to the issue of stocks and stock certificates, or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness payable at periods of more than 12 months, requiring that a public utility obtain an order from the Commission "authorizing the issue, stating the amount thereof and the purposes to which the issue or the proceeds thereof are to be applied").

[3] Pub. Util. Code § 816, *see supra*, note 1 (The power of public utilities to issue equity and debt instruments "is a special privilege and such power shall be exercised as provided by law *under such rules as the commission prescribes"* (emphasis added)); Pub. Util. Code § 819 (The Commission may by its order grant issuance of stocks and bonds "subject to such conditions as it deems reasonable and necessary.").

[4] *See* Pub. Util. Code § 851 (The mortgage or encumbrance of a public utility's property for qualified transactions valued in excess of $5 million requires prior authorization by the Commission.).

[5] Pub. Util. Code §§ 816 and 819, *see supra*, note 3.

[6] *Id*.

allow the short-term borrowings under these arrangements to remain outstanding for a maximum period of 24 consecutive months;[7]

(8) Specify that the authority granted pursuant to this Application does not have an expiration date;[8]

(9) Specify that the authority granted pursuant to this Application shall become effective upon the payment of fees prescribed by Sections 1904(b) and 1904.1 of the PU Code;[9] and

(10) Grant such other and further relief as the Commission may deem to be appropriate in this matter.[10]

A more complete statement of the authorization sought herein is set forth below.

II.
CORPORATE INFORMATION

Golden State is a public utility corporation engaged principally in the business of providing water service in portions of Los Angeles, Orange, San Bernardino, Ventura, Lake, San Luis Obispo, Sacramento, Imperial, Contra Costa, and Santa Barbara Counties. Golden State requests that copies of all communications and correspondence with regard to this Application be sent to:

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[7] *Id.*; *see*, *also*, Pub. Util. Code § 823(c) (requiring the consent of the Commission in order for a public utility to issue notes for periods in excess of 12 months after the date of issuance, if such notes and all other notes payable at periods of not more than 12 months after the date of issuance on which such public utility is primarily or secondarily liable would exceed 5 percent of the par value of the other securities then outstanding).

[8] Pub. Util. Code §§ 816 and 819, *see supra*, note 3.

[9] *Id.*; *see*, *also*, Pub. Util. Code § 1904(b) (setting forth the fees that the Commission shall charge and collect for a certificate authorizing an issue of bond, notes or other evidences of indebtedness); Pub. Util. Code § 1904.1 (setting forth the fees that the Commission shall charge and collect for a certificate authorizing an issue of stock).

[10] Pub. Util. Code § 701 ("The commission may supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.").

with a copy to:

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Golden State was organized as a California corporation on December 31, 1929. In July 1998, Golden State became a wholly-owned subsidiary of American States Water Company ("ASWC"). A copy of Golden State's bylaws is filed herewith as Attachment A. A copy of Golden State's Restated Articles of Incorporation is filed herewith as Attachment B.

III.
BACKGROUND

Golden State's most recent financing authority was granted by Commission Decision (D.) 20-05-010, issued May 13, 2020 (and subsequently modified by D.21-04-004, as noted below). The authority that the Commission granted to Golden State in D.20-05-010 has no expiration date and, in such respect, is consistent with prior Commission decisions D.00-12-054 and D.07-02-014.[11] Per request number 8 set forth above, Golden State is respectfully requesting that the Commission similarly specify that the authority granted in this proceeding will not have an expiration date, such that it will remain in effect until fully utilized. This request conforms to the Commission's established practice, as reflected in D.20-05-010, D.00-12-054 and D.07-02-014.

In D.20-05-010, the Commission (A) authorized Golden State to (i) issue, sell and deliver up to $465.0 million in aggregate principal offering amount of new securities including common shares, bonds, debentures and notes to cover its operational needs consistent with the

[11] D.20-05-010 at Ordering Paragraph No. 2.

requirements of PU Code Sections 817 and 818, except as authorized in Ordering Paragraph No. 11 (and described in clause (C), below), and (ii) use with discretion certain debt enhancement and interest rate features to improve the terms and conditions of new debt securities, lower the overall cost of new debt securities, and manage potential interest rate increases, and to exclude such new debt enhancement and interest rate management features from its authorized new debt securities; (B) recognized that the Commission's "New Financing Rule" set forth in D.12-06-015 exempted Golden State from the Commission's Competitive Bidding Rule for the issuance of debt securities; and (C) granted Golden State a waiver from the requirements of Section 818 of the PU Code and the holding company rules issued on June 18, 1998 in D.98-06-068 as they apply only to Golden State's short-term borrowing arrangements, which waiver authorizes Golden State to borrow under these arrangements and allows the short-term borrowings under these arrangements to remain outstanding for a maximum period of 24 consecutive months, but requires Golden State to submit a Tier 2 Advice Letter for a new waiver before the expiration of each 24-month period.[12]

Under the authority granted by D.20-050-010, in July 2020, Golden State issued new unsecured private placement notes totaling $160.0 million. During the fourth quarter of 2020, Golden State also issued common stock to its parent (ASWC) totaling $60.0 million. Golden State used the proceeds from those debt and equity issuances to pay-off all outstanding short-term borrowings, in compliance with the condition that its short-term borrowings may

[12] Ordering Paragraph No. 2 of D.21-04-004 modified Ordering Paragraph No. 13 of D.20-05-010 as follows (with modifications shown in bold and underlined):

a. "Golden State Water Company must submit a Tier 2 Advice Letter for a new waiver before the expiration of each twenty-four-month period **from the date of this decision (Decision 20-05-010), no later than March 31, 2022 and March 31, 2024**."

remain outstanding for no more than 24 consecutive months. As of December 31, 2020, Golden State had no outstanding short-term borrowings.

Thereafter, Golden State made additional short-term borrowings on May 24, 2021. In January 2023, also under the authority granted by D.20-050-010, Golden State issued additional unsecured private placement notes totaling $130.0 million and additional common stock to ASWC totaling $10.0 million. Golden State used both proceeds received in January 2023 to pay off its short-term borrowings. As of December 31, 2023, the remaining authority amount under D.20-05-010 totals $105.0 million.[13] Golden State intends to use the remaining authorized amount of $105.0 million during 2024 and 2025, as this amount does not expire and therefore remains valid and in full effect until used,[14] and, accordingly, is not part of the New Securities being requested in this Application.

Upon termination of its previous short-term borrowing arrangement, on June 28, 2023, Golden State (i) entered into a new credit agreement for short-term borrowings provided by a syndicate of banks and financial institutions and (ii) borrowed under that new syndicated credit facility to repay in full all borrowings made under the previous short-term borrowing arrangement during the interim period since January 2023. Golden State's new credit agreement provides $200.0 million of unsecured short-term borrowings under a revolving credit facility to support its operations and capital expenditures. The borrowing capacity under this new credit agreement may be expanded up to an additional amount of $75.0 million of short-term borrowings, subject to the lenders' approvals. Pursuant to D.20-05-010, Golden State's borrowings under its new credit facility are allowed to remain outstanding for a maximum period

[13] $465.0 million *minus* $160.0 million *minus* $60.0 million *minus* $130.0 million *minus* $10.0 million *equals* $105.0 million.

[14] D.20-05-010 at Ordering Paragraph No. 2.

of 24 consecutive months, such that the borrowing made on June 28, 2023 may remain outstanding through June 28, 2025.

Golden State anticipates substantial cash requirements in the next several years in upgrading aging infrastructure, investing in various capital projects, ensuring reliable water supply as demands increase, meeting environmental regulations, refinancing short-term debt, and increasing operational flexibility. In addition, Golden State has approximately $118 million of long-term debt that will be maturing, starting in 2026 and continuing through 2029,[15] which it will need to refinance with the issuance of New Securities. As a result, over the next seven years, Golden State anticipates a need for up to $750 million of New Securities. Therefore, Golden State requests herein authority to issue various kinds of New Securities. The types of New Securities that Golden State requests authority to issue, and their features, are described in Sections V - VII, below.

IV.
USE OF PROCEEDS FROM SALE OF SECURITIES

Golden State would use the proceeds from the sale of the New Securities, after payment and discharge of obligations incurred for expenses incident to their issue and sale, to discharge all or a portion of Golden State's then existing short-term debt obligations and, to the extent there are proceeds remaining, for other purposes permitted by Section 817 of the PU Code, including to provide for the acquisition of property and for the construction, completion,

[15] Specifically, the following:

Amount of Notes:	**Interest Rate:**	**Expiration Year:**
$7.73 million	5.5%	2026
$40 million	5.87%	2028
$15 million	6.81%	2028
$40 million	6.59%	2029
$15 million	3.45%	2029

extension or improvement of Golden State's facilities, refunding of existing long-term debt obligations, and for other projected cash requirements. A seven-year projection of cash requirements during the calendar years 2023 through 2029[16] is reflected in the Statements of Cash Flow, attached as Attachment D.

V.
DESCRIPTION OF THE NEW EQUITY SECURITIES

Golden State hereby seeks authority to issue and sell the New Equity Securities for the purposes set forth in Section IV. The New Equity Securities include common shares and preferred shares, as described below.

Common shares. Golden State, by this Application, hereby seeks authority to issue, sell and deliver from time-to-time common shares to its parent, ASWC, for capital expenditures and other purposes permitted by Section 817 of the PU Code.

Preferred Shares.[17] Golden State's sale of preferred shares, if any, would be effected through the offering and sale of such shares to the public, by private placements with institutional or other investors, or to its parent. Golden State has not yet determined the amount, timing of the sale, or securities features. Golden State would establish these prior to offering preferred shares, if any, based on its funding requirements, and prevailing and anticipated market conditions. The terms and conditions of such securities may include, without limitation, liquidation preferences, dividend preferences or requirements, and redemption features.

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[16] Although Golden State is filing this Application in 2024, the projection of cash requirements shows calendar years 2023 (pending completion of 2023's year-end close) through 2029 to provide a more complete picture of how both the financing authority from D.20-05-010 and the requested New Securities are being or are planned to be utilized.

[17] Currently, Golden State's Articles of Incorporation do not permit the issuance of preferred shares. Accordingly, prior to issuing preferred shares, if any, Golden State would take the necessary steps to amend its Articles of Incorporation. Upon doing so, Golden State would submit such amended Articles of Incorporation to the Commission.

As of this time, Golden State has not entered into any purchase agreement and does not anticipate doing so with ASWC or any other party until the actual requirement for the issuance of the New Equity Securities is determined. Golden State seeks authority at this time to issue the New Equity Securities, rather than waiting until its board of directors has made a determination to issue New Equity Securities or until all agreements have been executed, so as to have authority, when and if necessary, to sell the New Equity Securities in an expeditious and efficient manner and to receive a timely equity infusion.

VI.
DESCRIPTION OF THE NEW DEBT SECURITIES

Golden State seeks authority to issue the New Debt Securities so that it may expeditiously secure indebtedness at the lowest possible cost and with the most favorable terms that are consistent with the capital requirements of Golden State. The fluctuating conditions of the financial market do not allow Golden State to ascertain, at this time, which of its New Debt Securities (or combination thereof) would provide the most favorable terms to Golden State. Golden State intends to determine the precise characteristics and methods associated with the issuance of each type of New Debt Security at the time of sale with due regard for existing and anticipated financial market conditions. Such characteristics and methods include, among others, the amount, price, terms and conditions, and interest rate (which may be, among others, fixed, adjustable, variable, or set by auction or remarketing). The following describes the types of New Debt Securities that may be issued and the types of market terms commonly associated with each type of New Debt Security.

Bonds and Debentures: Golden State anticipates that bonds or debentures would be sold for cash at an interest rate to be determined by Golden State's board of directors, or a committee thereof, in light of market conditions at the time of sale. The interest rate may be fixed, adjustable or variable or set by auction or remarketing or other rate setting procedures. Bonds or debentures sold at a discount may bear no interest or interest at a rate below the market rate at the time of issuance. Golden State anticipates that the bonds or debentures could range in maturity from nine months to 40 years or more and could be non-redeemable or may be redeemable at the option of Golden State at any specified time or upon the occurrence of specified events, and from time to time, prior to maturity. The redemption features of the bonds or debentures may provide for redemption without a premium or for redemption (A) at redemption prices ranging from (i) an amount equal to the principal amount plus a premium, expressed as a percentage of the principal amount, which premium may possibly decrease over time, to (ii) 100% of the principal amount of the bonds or debentures by the year of maturity, (B) under some type of "make-whole" formula, or (C) utilizing a combination of both methods or another formula, plus, in each case, accrued interest.

Bonds or debentures may not be redeemable for a specified period or until the occurrence of a specified event, may be redeemable at the option of the holder in specified circumstances, may be redeemed at the option of Golden State, or may be required to be redeemed upon the occurrence of certain specified events.

The bonds or debentures may be secured (including mortgage bonds) or unsecured, may be convertible into New Equity Securities, may be issued at par or with an original issue discount, may be subordinated to other debt of Golden State, and may contain other terms customary in transactions of this type.

In order to issue bonds or debentures in the public markets, Golden State anticipates that it would be required to enter into one or more new indentures or supplemental indentures and each series of the bonds or debentures, if issued, would be issued in accordance with the provisions of supplemental indentures or board resolutions to be executed and delivered by Golden State. Such supplemental indentures or board resolutions would set forth, among other things, the aggregate principal amount, interest rate, redemption and sinking fund requirements, and the maturity date of that series of bonds or debentures. Golden State hereby requests authorization to execute and deliver, as necessary, new indentures, supplemental indentures, or board resolutions in the form that Golden State believes appropriate and that reflects the terms of the bond or debenture.

The bonds or debentures may be sold on a firm commitment ("underwritten"), or agency ("best efforts") basis. When the bonds or debentures are sold on a firm commitment basis, the underwriting investment banker or syndicate buys the entire issue at a specified price from Golden State, relieving Golden State from the risk and responsibility of selling and distributing the bonds or debentures. Subsequently the underwriter sells the issue to other investors. When the bonds or debentures are sold on an agency basis, the investment banker will act as a broker for Golden State and will use its best efforts to sell the issue at a stipulated price; Golden State bears the risk if the entire issue is not sold.

Notes: Golden State anticipates that notes would be sold for cash at an interest rate to be determined by Golden State's board of directors, or a committee thereof, in light of market conditions at the time of sale. The notes may be secured or unsecured and may be issued either by public offering or by private placement with institutions and other investors. The interest rate may be fixed, adjusted or variable, or set by auction or remarketing or other rate setting procedures. Notes sold at a discount may bear no interest or interest at a rate below the market rate at the time of issuance. Golden State anticipates that notes would mature anytime from nine months to 30 years after issuance. At the option of Golden State, the notes may be: (i) non-redeemable, (ii) not redeemable for a specified period or until the occurrence of a specified event, or (iii) redeemable at the option of the holder or have other redemption features.

The redemption features of the notes may provide for redemption without a premium or for redemption (A) at redemption prices ranging from (i) an amount equal to the principal amount plus a premium, expressed as a percentage of the principal amount, with such premium possibly decreasing over time, to (ii) 100% of the principal amount of the notes by the year of maturity, (B) under some other type of "make-whole" formula, or (C) utilizing a combination of both methods or another formula, plus, in each case, accrued interest.

The notes may be convertible into New Equity Securities, may be issued at par or with an original issue discount and may contain other terms customary in transactions of this type.

If issued by public offering, notes may be issued pursuant to (A) an Indenture dated September 1, 1993 (the "Indenture"), which was filed with the Commission in connection with Golden State's issuance of its Series A Medium-Term Notes, or (B) supplemental indentures or board resolutions as provided by the Indenture. Alternatively, Golden State may be required to enter into one or more new indentures or supplemental indentures. Supplemental indentures or board resolutions pursuant to the Indenture or new indenture would set forth, among other things, the principal amount, the interest rate, and the maturity date of that series of notes and the redemption features and other features, if any, of the notes.

Notes may also be issued by private placement with similar features. Through a negotiated process, the agreement with a lender or investor would set forth, among other things, the principal amount, the interest rate, and the maturity date of that series of notes and the redemption features and other features, if any, of the notes. Golden State hereby requests authorization to execute and deliver, as necessary, new indentures, supplemental indentures, board resolutions, or negotiated agreements in the form that Golden State believes appropriate and that reflects the terms of the notes.

Similar to the bonds and debentures, the notes may be sold on a firm commitment or agency basis.

Loans: Golden State may obtain loans with a maturity of greater than one year, pursuant to term loans with banks, insurance companies, private debt funds, business development companies, or other financial institutions on a negotiated basis. Golden State may obtain such loans either when loans can result in an overall cost of money lower than that available through the issuance of alternative New Debt Securities or when Golden State finds that interest rates or other circumstances appear unfavorable or that it is otherwise unable to issue alternative New Debt Securities on acceptable terms.

Loans, if obtained, would be obtained pursuant to credit, loan or other financing agreements. Such agreements would set forth, among other things, the principal amount, the interest rate, the maturity of the debt, and whether amounts repaid could be re-borrowed. The loans may also provide for reimbursement of amounts drawn under letters of credit issued to Golden State by a bank or other financial institution or financial guaranty insurance issued by an insurance company. Golden State hereby requests authorization to execute and deliver, as necessary, credit, loan or other financing agreements, reimbursement obligations under letters of credit or financial guaranty insurance or other security or guarantees as necessary, in the form that Golden State believes appropriate and that reflects the terms of the loans.

Tax-Exempt Debt: Golden State anticipates that, from time to time, the cost of the New Debt Securities may be reduced by indirectly obtaining funds through securities issued by one or more political subdivisions (the "Authority") and unconditionally guaranteeing, or otherwise securing, such obligations of the Authority in respect of such Authority's issuance of tax-exempt debt in connection with the financing of a portion of Golden State's capital expenditures. Golden State anticipates the potential use of this tax-exempt option whenever its facilities qualify for tax-exempt financing under Federal or State law, and to the extent such funds for tax-exempt financing are available. In order to obtain the benefits of tax-exempt financing, Golden State would engage in one or more financing arrangements with the Authority. Although actual arrangements may vary, such financing arrangements are frequently structured substantially as follows:

(1) The Authority would issue and sell one or more series of its bonds, notes, debentures, or other securities (the "Authority Securities") to a group of underwriters who would ultimately market such Authority Securities to investors;

(2) Concurrent with the sale and delivery of such Authority Securities, Golden State would enter into a loan agreement or other form of security agreement or a sale-leaseback agreement with the Authority; and

(3) Concurrent with the sale and delivery of such Authority Securities, Golden State would issue and deliver to the Authority, in consideration of the Authority's obligations set forth in (2), above, the New Debt Securities (the terms and conditions of such New Debt Securities to be substantially consistent with the terms and conditions of the Authority Securities) or would unconditionally guarantee or otherwise secure such Authority's obligations in respect to the Authority Securities, including through obtaining letters of credit or financial guaranty insurance. All rights, title, and interest of such Authority in the New Debt Securities would be assigned to a trustee under an indenture, pursuant to which the Authority Securities would be issued, as security for the purchasers of the Authority Securities.

Golden State hereby requests authorization to execute and deliver, as necessary, such agreements, letters of credit or other security or guarantees as may be necessary, in the forms that Golden State believes appropriate and that reflect the terms of the tax-exempt debt financing arrangements.

VII.
FEATURES TO ENHANCE NEW DEBT SECURITIES

Golden State hereby requests authorization to include at its discretion one or a combination of put options, call options, and sinking fund provisions, each of which is described below, to enhance the New Debt Securities. Such features will be used as appropriate to improve the terms and conditions to Golden State and to lower Golden State's overall costs for the benefit of its customers. Golden State further requests that these instruments not be counted against its authorized amount of New Securities because these instruments would not affect the amount of the underlying securities issued.

Put Option. Golden State anticipates that from time to time the cost of the New Debt Securities may be reduced by the inclusion of a put option. This feature would allow the holders of the New Debt Securities to require Golden State to repurchase all or a portion of each holder's securities. This feature would give the New Debt Securities holders, under certain circumstances, the right to require Golden State to buy the New Debt Securities back from the New Debt Securities holders. New Debt Securities holders are often willing to accept a lower interest rate in exchange for the protection against rising interest rates offered by a put option.

Call Option. Golden State anticipates that from time to time, the overall cost of the New Debt Securities may be reduced by the inclusion of a call option. This feature would allow Golden State to retire, fully or partially, a New Debt Security before the scheduled maturity date. The key benefit of such a feature is that it permits Golden State, should market rates fall, to replace the New Debt Securities issue with a lower-cost issue, thus producing a positive net benefit to ratepayers. This feature is the reverse of a put option and is beneficial when interest rates are anticipated to be lower over time. Call options are usually available with a premium, but in light of the flexibility it provides towards portfolio management, can in certain circumstances be a valuable tool and lower total portfolio costs.

Sinking Fund. Golden State anticipates that, from time to time, the cost of the New Debt Securities may be reduced by the use of a sinking fund. A sinking fund typically operates in one of two ways: (A) Golden State may set aside a sum of money periodically so that, at the maturity date of the New Debt Securities, there is a pool of cash available to redeem the issue, or (B) Golden State may periodically redeem a specified portion of the New Debt

Securities. Although it has been the case that at times, for issuers of investment-grade debt, the market has not valued the sinking fund option sufficiently to warrant its use, Golden State wishes to preserve the ability to use this feature should a market preference for such an option be indicated.

VIII.
INTEREST RATE MANAGEMENT TECHNIQUES

Golden State requests authorization to utilize at its discretion one or more of the following interest rate management techniques, each of which is described below, in connection with the issuances of New Debt Securities and/or preferred stock: treasury locks; treasury options; forward-starting interest rate swaps; spread locks; spread option; interest rate swaps; delayed-draw feature; and caps and collars. These management techniques may be used as appropriate to minimize Golden State's exposure to potential interest rate increases for the benefit of its customers. Further, Golden State requests that these techniques not be counted against the authorized amount of New Securities because such instruments do not affect the amount of the underlying securities that would be issued by Golden State.

Treasury lock. Golden State may utilize this technique to lock in the Treasury yield component of Golden State's borrowing cost. When Golden State is planning to issue New Debt Securities or preferred stocks, it can enter into a contract to sell short either Treasury securities or Treasury security futures, with the contract maturity comparable to date of the planned issuance. If interest rates rise, Golden State will cover its short Treasury position at a profit, which will be offset by the higher interest cost of the newly issued securities. If interest rates decline, Golden State will cover its short Treasury position at a loss, but the loss will be offset by the lower cost on the newly issued securities.

Treasury option. Golden State may also utilize Treasury options as an alternative to the Treasury lock. The Treasury put options give the right but not the obligation to the purchaser of the option to sell Treasury securities at a specified yield (the "strike yield"). With a purchased Treasury put option, if interest rates rise above the put option's strike yield, Golden State will exercise the put, in which case, the resulting profit offsets the increased cost of borrowing. If interest rates decline, Golden State may let the put option expire and issue New Securities at the current lower interest rates.

Forward-starting interest rate swap. Golden State may use a forward-starting interest rate swap to lock in a fixed-rate prior to the issuance of floating-rate New Debt Securities, if it anticipates interest rates will increase by the time of the issuance.

Spread lock. Golden State may lock in the credit spread by using derivatives like a credit spread forward. Typically, the interest rate of debt is the sum of a spread ("credit spread") and the interest rate of a Treasury security of the same maturity. For example, the interest rate of the proposed 10-year debt can be quoted as 100 basis points (1.0%) over the 10-year Treasury bond. Even when the underlying Treasury yield remains stable, the credit spread may fluctuate depending on general market conditions. If Golden State enters into a credit spread forward contract, when the credit spread increases, the credit spread forward will generate a profit, offsetting the higher cost of the newly issued New Debt Securities or preferred stocks. If the credit spread declines, the loss from the credit spread forward will be offset by the lower cost of the newly issued securities.

Spread option. Golden State may use credit spread options as an alternative to credit spread forwards. With a purchased credit spread call option, if the spread increases over the specified spread level (the "strike spread") Golden State will exercise the option and use the profit to offset the higher cost of the newly issued securities. If the spread declines below the strike spread, Golden State may let the option expire and retain the lower cost of newly issued securities.

Interest rate swap. Golden State anticipates that, from time to time, its exposure to potential interest rate risk can be minimized by the use of interest rate swaps. An interest rate swap is a contractual agreement between two parties to exchange a series of payments for a stated period. In a typical interest rate swap, one party issues fixed-rate debt while another issues floating rate debt, and the two swap interest payment obligations based on a notional principal amount. Golden State may enter into interest rate swap contracts to convert floating interest rates to fixed interest rates in order to minimize potential interest rate risk to the ratepayers.

Delayed-draw feature. Golden State may desire to include a delayed-draw provision in its term debt agreements that allows flexibility regarding when Golden State will draw funds under such debt agreements. Delayed-draw provisions in term loan agreements allow borrowers to withdraw predefined amounts of a total approved loan amount over time, rather than receiving the full loan amount upfront upon execution of the debt agreement. The withdrawal periods are typically set in advance.

Cap and collar. Golden State anticipates that, from time to time, in order to reduce ratepayers' exposure to interest rate risk on variable-rate securities, Golden State may enter into a cap or collar contract. Under the cap contract, even if the variable rates increase over the cap (ceiling) rate, Golden State will only pay the cap rate. Under a collar contract the effective variable interest rates will remain between a cap rate and a floor rate. When the interest rates are higher than the cap rate, Golden State will only pay the cap rate. When the rates are lower than the floor rate, Golden State will pay the floor rate. A collar contract generally allows for a lower cap rate than a similar cap contract would allow.

IX.
NEW FINANCING RULE

Rules adopted in Commission Decision No. 12-06-015 issued on June 7, 2012 (referred to as "New Financing Rule")[18] replaced the Competitive Bidding Rule under Commission Decision No. 38614, as amended in Commission Decision Nos. 49941, 75556, and 81908 and Commission Resolutions No. F-591 and No. F-616. Among the changes, the New Financing Rule allows utilities to choose whether to issue debt via competitive or negotiated bid, as long as the basis for the method is chosen to achieve the lowest cost of capital; requires utilities with $25 million or more of operating revenues to make every effort to encourage, assist, and recruit Women-, Minority-, Disabled Veteran-Owned Business Enterprises ("WMDVBE") in being appointed as lead underwriter, book runner or co-manager of debt offerings; eliminates the notification and form of communication requirement for the solicitation of bids; has new requirements for the use of debt enhancement features; and provides additional exemptions applicable to use of the New Financing Rule.

Supplier Diversity Program. In compliance with Sections 8281-8286 of the PU Code and the Commission's General Order 156, Golden State implemented its Utility Supplier Diversity Program ("USDP") in 2004. Golden State's USDP endeavors to maximize vendor opportunities with women, minority, disabled veteran, lesbian, gay, bisexual, and transgender business owners ("WMDVLGBTE") to supply Golden State with needed products and services. In Golden State's 2022 Annual Report on the Utilization of WMDVLGBTE, Golden State reported that 33.7% of its 2022 annual procurement expenditures were awarded to WMDVLGBTE firms. Golden State continues to educate employees about USDP and participates in outreach events for WMDVLGBTE businesses.

[18] D.12-06-015 adopted the New Financing Rule and General Order 24-C.

Golden State commits to use its best efforts to encourage the participation of diverse suppliers in any transaction conducted under the requested authorization in this Application. In addition, where diverse suppliers are unavailable or unqualified to perform the subject services, Golden State will use its best efforts to encourage the secondary use of diverse suppliers by its elected suppliers, within the spirit of its supplier diversity program. Golden State will continue its commitment to use its best efforts to encourage the participation of diverse suppliers on future financings.

X.
AUTHORIZATION TO ALLOW SHORT-TERM BORROWINGS TO REMAIN OUTSTANDING FOR A PERIOD UP TO 24 CONSECUTIVE MONTHS

Section 818 of the PU Code ("Section 818") and the holding company rules issued on June 18, 1998 in D.98-06-068 restrict the issuance of short-term debt to a 12-month period. Both rules require a utility to receive prior approval from the Commission of any indebtedness payable at periods of more than 12 months after the date of issuance. Consistent with previous Commission decisions, including D.07-02-014, D.12-11-034 and D.20-05-010, which repeatedly granted Golden State's request to waive the requirements of Section 818, Golden State is again requesting in this Application that the Commission waive the requirements of Section 818 and the holding company rules only as they apply to Golden State's short-term borrowings under its borrowing arrangements described below, and that it be allowed to increase the period of time that its short-term borrowings under such arrangements be outstanding from the statutory maximum period of 12 months to a maximum period of 24 consecutive months, with such waiver to remain in effect until the date that the financing authority granted pursuant to this Application is fully used.

Golden State uses amounts borrowed under borrowing arrangements (e.g., its revolving credit facility) for working capital purposes and such borrowings are managed as short-term debt. Under Golden State's existing short-term borrowing arrangements, amounts are borrowed and repaid based on Golden State's monthly cash needs to fund current operations. On a month-to-month basis, Golden State can be in a net borrowing or net payment position depending on its cash availability, but in any event, absent the waiver, such net outstanding borrowings would be required to be brought down to zero at least once every 12 months in accordance with Section 818 and the holding company rules. With the waiver requested herein, Golden State would be allowed to bring the balance down to zero at least once every 24 consecutive months. Even with the waiver, Golden State will continue using amounts borrowed under its short-term borrowing arrangements for working capital purposes and will continue to manage such borrowings as short-term debt.

Such a waiver would give Golden State greater flexibility to defer the issuance of long-term debt and equity in the face of potential market disruptions in order to repay short-term borrowings under its short-term borrowing arrangements. Moreover, allowing the waiver to remain in effect until the financing authority granted in this proceeding is fully utilized would afford Golden State additional flexibility to go out to the market for long-term debt at times when favorable borrowing rates are available. Such a waiver also would reduce the costs of obtaining long-term capital by enabling Golden State to issue larger amounts of long-term debt less frequently. Given the cost of issuance for long-term debt, it is more cost effective to accumulate shorter-term debt in order to eventually issue a larger amount of long-term debt in a given issue. In granting the corollary request in Decision 12-11-034, the Commission recognized that it had authorized such exceptions for other utilities when good cause was shown and the purpose of the debt securities was specifically identified.[19] In connection with that waiver, the Commission found that Golden State's short-term borrowing rate was significantly lower than its long-term

[19] Decision 12-11-034 at Finding of Fact No. 12.

debt rate.[20] The Commission also explained that issuing more short-term debt in order to accumulate debt securities, so that larger long-term debt securities could be issued less frequently, was a reasonable basis on which to authorize Golden State to issue short-term debt over a 24-month term.[21] The Commission's reasoning remains equally true today. Accordingly, the waiver requested herein from the requirements of Section 818 and the holding company rules issued on June 18, 1998 in D.98-06-068, as they apply only to Golden State's short-term borrowing arrangements, is warranted.

XI.
PROPOSED CATEGORIZATION, NEED FOR HEARING AND PROPOSED SCHEDULE

In accordance with Rule 7.1(a), Golden State provides the following information concerning "the proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule."

With regard to the Commission's discretion to categorize a proceeding under Rule 7.1(e), Golden State proposes to categorize this Application as a "ratesetting" proceeding within the meaning of Rule 1.3(g). Golden State files with this Application as Attachments A through F supplemental information pertaining to the authorizations requested in this Application as required by Rule 3.5(e) and as may facilitate the Commission's review of this Application as contemplated by PU Code Section 819.[22] Golden State believes that no hearing is necessary in this proceeding and respectfully requests that the Commission find that no hearing is necessary in respect of this Application. *Ex parte* grant of the authorizations sought herein at the earliest

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[20] Decision 12-11-034 at Finding of Fact No. 13.

[21] Decision 12-11-034 at 15.

[22] *See* Pub. Util. Code § 819 ("To enable it to determine whether it will issue the order, the commission may . . . examine such witnesses, books, papers, documents, and contracts, and require the filing of such data as it deems of assistance.").

possible date will permit Golden State to proceed with its proposed financings in an expeditious manner. Such expeditious treatment will, in turn, allow Golden State to pursue its utility objectives in a timely and cost-effective manner to the benefit of ratepayers.

If, however, the Commission finds that a public hearing is necessary, Golden State requests that such hearing be conducted as soon as practicable. Golden State is prepared to proceed with any necessary hearing.

Golden State proposes the following procedural schedule:

EVENT	DATE
Application filed	January 22, 2024
Protests filed, if any	30-days after notice of filing in the Commission's Daily Calendar (approx. March 1, 2024)
ALJ Draft Decision	May 1, 2024
Comments on Draft Decision	May 20, 2024
Final Commission Decision	May 30, 2024

The issues in this proceeding are whether Golden State should be authorized, pursuant to and consistent with the PU Code sections referenced above, to issue the securities described herein for the purposes and with the features (including the waivers) described herein and without any expiration date on the authority to issue such securities, to utilize one or more of the interest rate management techniques described herein, and whether Golden State should be authorized, where appropriate, to be exempt from the Commission's Competitive Bidding Rule. Golden State is unaware of any specific objections that any party might raise to any of these issues.

XII.
ATTACHMENTS

Attachments A through F described below are incorporated into this Application:

- *Attachment A* contains a copy of Golden State's bylaws.
- *Attachment B* contains a copy of Golden State's Restated Articles of Incorporation.
- *Attachment C* contains Golden State's Financial Statements (balance sheets and statements of income) as of and for the year ended December 31, 2022 and the nine months ended September 30, 2023, and Supplemental Information to the Financial Statements.
- *Attachment D* contains the following statements:

  1. Capitalization ratios as of September 30, 2023 and projected ratios as of December 31, 2023 through 2029, which include the effects of the issuance of $750,000,000 in New Securities, the authority for which is requested in this Application, and the utilization of the remaining authorized securities under D.20-05-010;
  2. Statements of Golden State's capital to reflect actual expenditures for 2022, budgeted expenditures projected for 2023 and 2024 as approved by its board of directors, or a committee thereof, and projected expenditures for 2025 through 2029;
  3. Statements of Cash Flow estimated for the years ending December 31, 2023 through 2029 and actual for the year ended December 31, 2022; and
  4. Summary of the Uses and Sources of Funds estimated for the years ending December 31, 2023 through 2029 and actual for the year ended December 31, 2022.

- *Attachment E* contains the latest proxy statement of ASWC, which was filed with the U.S. Securities and Exchange Commission on April 7, 2023.
- *Attachment F* contains the latest available financial statements (Form 10-Q) of ASWC and Golden State as of September 30, 2023, which were filed with the U.S. Securities and Exchange Commission on November 6, 2023.

XIII.
REQUESTED AUTHORIZATIONS

WHEREFORE, Golden State respectfully requests that the Commission:

(1) Authorize Golden State to issue, sell and deliver by public offering or private placement securities not exceeding $750,000,000 in aggregate offering amount, said New Securities consisting of, but not limited to, (i) New Equity Securities consisting of common shares and preferred shares, and (ii) New Debt Securities consisting of bonds, debentures, notes, and other evidences of indebtedness, in each case on terms and conditions in accordance with this Application at any time;[23]

(2) Authorize Golden State to use the net proceeds to be received from the New Securities for the purposes permitted under Section 817 of the PU Code, including (i) the retirement and discharge of all or a portion of its then outstanding short-term debt issued for temporary financing of additions to Golden State's utility plant, (ii) reimbursement of Golden State for capital expenditures and for the acquisition of utility properties, and (iii) refunding existing long-term debt obligations;[24]

(3) Authorize Golden State to execute and deliver one or more indentures, supplemental indentures, or board resolutions and/or loan, credit or note purchase agreements or other agreements;[25]

(4) Authorize Golden State's evidences of indebtedness to be secured by Golden State's property, pursuant to Section 851; [26]

(5) Authorize Golden State to utilize interest rate management techniques to enhance its New Debt Securities in accordance with this Application; [27]

(6) Specify that the features enhancing debt securities and interest rate management techniques set forth in Sections VII and VIII, respectively, shall not be counted against Golden State's authorized amount of New Securities because these instruments would not affect the amount of the underlying securities issued;[28]

(7) Until the date that the authority granted pursuant to this Application is fully used, grant Golden State a waiver from the requirements of Section 818 of the PU Code and the holding company rules issued on June 18, 1998, in Decision 98-06-068, as they apply only to Golden State's short-term borrowing arrangements. The waiver

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[23] Pub. Util. Code §§ 816 and 818, *see supra*, note 1.

[24] Pub. Util. Code §§ 817 and 818, *see supra*, note 2.

[25] Pub. Util. Code §§ 816 and 819, *see supra*, note 3.

[26] Pub. Util. Code § 851, *see supra*, note 4.

[27] Pub. Util. Code §§ 816 and 819, *see supra*, note 3.

[28] *Id*.

would authorize Golden State to borrow under these arrangements and would allow the short-term borrowings under these arrangements to remain outstanding for a maximum period of 24 consecutive months;[29]

(8) Specify that the authority granted pursuant to this Application does not have an expiration date;[30]

(9) Specify that the authority granted pursuant to this Application shall become effective upon the payment of fees prescribed by Sections 1904(b) and 1904.1 of the PU Code;[31] and

(10) Grant such other and further relief as the Commission may deem to be appropriate in this matter.[32]

DATED: at San Dimas, California on January 22, 2024.

Respectfully submitted,

GOLDEN STATE WATER COMPANY

By: <u>*/s/ Jon G. Pierotti*</u>
Jon G. Pierotti
Vice President - Regulatory Affairs

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[29] *Id.*; *see*, *also*, Pub. Util. Code § 823(c), *see supra*, note 7.

[30] Pub. Util. Code §§ 816 and 819, *see supra*, note 3.

[31] *Id.*; *see*, *also*, Pub. Util. Code §§ 1904(b) and 1904.1, *see supra*, note 9.

[32] Pub. Util. Code § 701, *see supra*, note 10.

VERIFICATION

With respect to the within Application, the undersigned certifies that he holds the position indicated below his name; that he is authorized to make this verification for and on behalf of said entity; that he has read the Application and knows the contents thereof; and that the same is true of his own knowledge and belief, except as to those matters which are thereon stated upon his information or belief, and as to those matters, he believes them to be true.

The undersigned declares under penalty of perjury that the foregoing is true and correct.

Executed on January 22, 2024, in the City of San Dimas, California.

Jon Pierotti Digitally signed by Jon Pierotti
Date: 2024.01.22 06:13:09 -08'00'

Jon G. Pierotti
Vice President – Regulatory Affairs
Golden State Water Company

ATTACHMENT A

As amended through May 10, 2011

Exhibit 3.2

BYLAWS

**for the regulation, except
as otherwise provided by statute or
its Restated Articles of Incorporation,
of
Golden State Water Company
(a California corporation)**

ARTICLE I. Offices.

Section 1. PRINCIPAL EXECUTIVE OFFICE. The principal executive office of the corporation shall be fixed and located at such place as the Board of Directors (herein called the "Board") shall determine. The Board is hereby granted full power and authority to change said principal executive office from one location to another.

Section 2. OTHER OFFICES. Branch or subordinate offices may at any time be established by the Board at any place or places.

ARTICLE II. Meetings of Shareholders.

Section 1. PLACE OF MEETINGS. Meetings of shareholders shall be held either at the principal executive office of the corporation or at any other place within or without the State of California which may be designated either by the Board or by the written consent of all persons entitled to vote thereat, given either before or after the meeting and filed with the Secretary.

Section 2. ANNUAL MEETINGS. The annual meetings of shareholders shall be held on such date and at such time as may be fixed by the Board.

Section 3. SPECIAL MEETINGS. Special meetings of the shareholders, for any purpose or purposes whatsoever, may be called at any time by the Board, the Chairman of the Board, the President, or by the holders of shares entitled to cast not less than ten percent of the votes at such meeting.

ARTICLE III. Directors.

Section 1. POWERS. Subject to limitations of the Articles, these Bylaws and of the California General Corporation Law as to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board.

Section 2. NUMBER OF DIRECTORS. The authorized number of directors shall be not less than six or more than eleven until changed by amendment of the Articles or by a

Bylaw duly adopted by the shareholders amending this Section 2. The exact number of directors shall be fixed, within the limits specified, by the Board from time to time in a resolution adopted by a majority of the directors. The exact number of directors shall be ten until changed as provided in this Section 2.

ARTICLE IV. Officers.

Section 1. OFFICERS. The officers of the corporation shall be a President, a Secretary, and a Chief Financial Officer. The corporation may also have, at the discretion of the Board, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board may from time to time determine.

Section 2. PRESIDENT. The President shall be the general manager and chief executive officer of the corporation and has, subject to the control of the Board, general supervision, direction and control of the business and officers of the corporation. The President shall preside at all meetings of the shareholders and at all meetings of the Board. The President has the general powers and duties of management usually vested in the office of president and general manager of a corporation and has such other powers and duties as may be prescribed by the Board.

Section 3. SECRETARY. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board may order, a book of minutes of all meetings of the shareholders, the Board and its committees, and a share register or a duplicate share register.

The Secretary shall give, or cause to be given, notice of all the meetings of the shareholders and of the Board and any committees thereof required by the Bylaws or by law to be given, shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 4. CHIEF FINANCIAL OFFICER. The Chief Financial Officer is the chief financial officer of the corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, and shall send or cause to be sent to the shareholders of the corporation such financial statements and reports as are by law or these Bylaws required to be sent to them. The books of account shall at all times be open to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the Board. The Chief Financial Officer shall disburse the funds of the corporation as may be ordered by the Board, shall render to the President and the directors, whenever they request it, an account of all transactions as Treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board.

ARTICLE V. Other Provisions.

Section 1. ANNUAL REPORT TO SHAREHOLDERS. The annual report to shareholders referred to in Section 1501 of the California General Corporation Law is expressly waived, but nothing herein shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to shareholders.

Section 2. CONSTRUCTION AND DEFINITIONS. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the General Provisions of the California Corporations Code and in the California General Corporation Law shall govern the construction of these Bylaws.

ARTICLE VI. Amendments.

These Bylaws may be amended or repealed either by approval of the outstanding shares (as defined in Section 152 of the California General Corporation Law) or by the approval of the Board; provided, however, that after the issuance of shares, a bylaw specifying or changing a fixed number of directors or the maximum or minimum number or changing from a fixed to a variable number of directors or vice versa may be adopted only by approval of the outstanding shares, and a bylaw reducing the fixed number or the minimum number of directors to a number less than five shall be subject to the provisions of Section 212(a) of the California General Corporation Law.

ARTICLE VII. Indemnification.

Section 1. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

(a) Each person who was or is a party or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the corporation, or of any predecessor corporation, or is or was a director or officer who is or was serving at the request of the corporation as a director, officer, employee or other agent of another corporation, a partnership, joint venture, trust or other enterprise (including service with respect to corporation-sponsored employee benefit plans), whether the basis of such proceeding is alleged action or inaction in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall, subject to the terms of any agreement between the corporation and such person, be indemnified and held harmless by the corporation to the fullest extent permissible under California law and the corporation's Articles, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith; provided, however, that amounts paid in settlement of a proceeding shall be payable only if the settlement is approved in writing by the corporation. Such indemnification shall continue as to a person who has ceased to be a director or officer for acts performed while a director or officer and shall inure to the benefit of his or her heirs, executors and administrators. Notwithstanding the foregoing, the corporation shall indemnify any such person in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of the corporation. The right to indemnification conferred in this Article shall include the right to be paid by the corporation the expenses incurred in defending any proceeding in advance of final disposition to the fullest extent permitted by law, provided, however, that the payment under this Article of such expenses in advance of the final disposition of a proceedings shall be conditioned upon the delivery to the corporation of a written request for such advance and of an undertaking by or on behalf of the director or officer to repay all amounts so advanced if it shall be ultimately determined that such director or officer is not entitled to be indemnified.

(b) Notwithstanding the foregoing or any other provisions under this Article, the corporation shall not be liable under this Article to indemnify a director or officer against expenses, liabilities or losses incurred or suffered in connection with, or make any advances with respect to, any proceeding against a director or officer: (i) as to which the corporation is prohibited by applicable law from paying as an indemnity, (ii) with respect to expenses of defense or investigation, if such expenses were or are incurred without the corporation's consent (which consent may not be unreasonably withheld), (iii) for which payment is actually made to the director or officer under a valid and collectible insurance policy maintained by the corporation, except in respect of any excess beyond the amount of payment under such insurance, (iv) for which payment is actually made to the director or officer under an indemnity by the corporation otherwise than pursuant to this Bylaw Article, except in respect of any excess beyond the amount of payment under such indemnity, (v) based upon or attributable to the director or officer gaining in fact any personal profit or advantage to which he or she was not legally entitled, (vi) for an accounting of profits made from the purchase or sale by the director or officer of securities of the corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law, or (vii) based upon acts or omissions involving intentional misconduct or a knowing and culpable violation of law.

Section 2. INDEMNIFICATION OF EMPLOYEES AND AGENTS. A person who was or is a party or is threatened to be made a party to or is involved in any proceeding by reason of the fact that he or she is or was an employee or agent of the corporation or is or was an employee or agent of the corporation who is or was serving at the request of the corporation as an employee or agent of another enterprise, including service with respect to corporation-sponsored employee benefits plans, whether the basis of such action is alleged action or inaction in an official capacity or in any other capacity while serving as an employee or agent, may, upon appropriate action by the corporation and subject to the terms of any agreement between the corporation and such person, be indemnified and held harmless by the corporation up to the fullest extent permitted by California law and the corporation's Articles, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith.

Section 3. RIGHT OF DIRECTORS AND OFFICERS TO BRING SUIT. If a claim under Section 1 of this Article is not paid by the corporation or on its behalf within 90 days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant also shall be entitled to be paid the expense of prosecuting such claim.

Section 4. SUCCESSFUL DEFENSE. Notwithstanding any other provision of this Article, to the extent that a director or officer has been successful on the merits or otherwise (including the dismissal of a proceeding without prejudice or the settlement with the written consent of the corporation of a proceeding without admission of liability) in defense of any proceeding referred to in Section 1 or in defense of any claim, issue or matter therein, such director or officer shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

Section 5. INDEMNITY AGREEMENTS. The corporation may enter into agreements with any director, officer, employee or agent of the corporation providing for indemnification to the fullest extent permissible under applicable law and the corporation's Articles.

Section 6. SUBROGATION. In the event of payment by the corporation of a claim under Section 1 of this Article, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnified person, who shall execute all papers required and shall do everything that may be necessary or appropriate to secure such rights, including the execution of such documents necessary or appropriate to enable the corporation effectively to bring suit to enforce such rights.

Section 7. NON-EXCLUSIVITY RIGHTS. The right to indemnification provided by this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

Section 8. INSURANCE. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, a partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under California law.

Section 9. EXPENSES AS A WITNESS. To the extent that any director, officer or employee of the corporation is by reason of such position a witness in any action, suit or proceeding, he or she will be indemnified against all costs and expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

Section 10. NONAPPLICABILITY TO FIDUCIARIES OF EMPLOYEE BENEFIT PLANS. This article does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation. The corporation shall have power to indemnify such trustee, investment manager or other fiduciary to the extent permitted by subdivision (f) of Section 207 of the California General Corporation Law.

Section 11. SEPARABILITY. Each and every paragraph, sentence, term and provision of this Article is separate and distinct so that if any paragraph, sentence, term or provision shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the corporation and the claimant, the broadest possible indemnification permitted under applicable law.

Section 12. EFFECT OF REPEAL OR MODIFICATION. Any repeal or modification of this Article shall not adversely affect any right of indemnification of a director, officer, employee or agent of the corporation existing at the time of such repeal or modification with respect to any action or omission occurring prior to such repeal or modification.

ATTACHMENT B

Exhibit 3.1

**CERTIFICATE OF AMENDMENT
OF
RESTATED ARTICLES OF INCORPORATION
OF
SOUTHERN CALIFORNIA WATER COMPANY,
A California corporation**

Floyd E. Wicks and Robert J. Sprowls certify that:

1. They are the duly elected and acting President and Chief Executive Officer and Chief Financial Officer, Senior Vice President-Finance and Secretary, respectively, of the corporation named above.

2. The Restated Articles of Incorporation of the corporation are amended by amending Article One to read as follows:

NAME

One: The name of the corporation is Golden State Water Company.

3. The above amendment has been approved by the Board of Directors of the corporation.

4. The above amendment was approved by the vote of the sole shareholder of the corporation in accordance with Section 902 of the California Corporations Code; the total number of outstanding shares of each class entitled to vote with respect to the amendment was 122 Common Shares, all of which voted in favor of the above amendment.

We further declare under penalty of perjury under the law of the State of California that the matters set forth in this certificate are true and correct of our own knowledge:

September 16, 2005

/s/ Floyd E. Wicks
Floyd E. Wicks
President and Chief Executive Officer

/s/ Robert J. Sprowls
Robert J. Sprowls
Chief Financial Officer, Senior Vice President-Finance and Secretary

[SEAL]

RESTATED ARTICLES OF INCORPORATION
OF
SOUTHERN CALIFORNIA WATER COMPANY
(As Amended July 1, 1998)

Name

One: The name of the corporation is SOUTHERN CALIFORNIA WATER COMPANY.

Purpose

Two: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporation Code.

Authorized Shares

Three: The total number of shares which the corporation is authorized to issue is 1,000 shares of Common Stock.

Director Liability

Four: The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

Indemnification of Agents

Five: The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with agents, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the corporation and its shareholders.

ATTACHMENTS C and D

Attachment C
Golden State Water Company
Balance Sheets
As of September 30, 2023 and December 31, 2022
(Unaudited)

Assets

(in thousands)	September 30, 2023	December 31, 2022
Utility Plant		
Utility plant, at cost	$ 2,239,809	$ 2,147,643
Less - Accumulated depreciation	(542,886)	(530,925)
Net utility plant	1,696,923	1,616,718
Other Property and Investments	35,524	34,655
Current Assets		
Cash and cash equivalents	88	370
Accounts receivable - customers, less allowance for doubtful accounts	30,352	23,107
Unbilled receivable	18,351	15,006
Other accounts receivable, less allowance for doubtful accounts	2,342	2,721
Intercompany receivable	528	621
Income taxes receivable from Parent	-	1,692
Materials and supplies	6,495	6,120
Regulatory assets - current	32,355	14,028
Prepayments and other current assets	4,915	4,464
Total current assets	95,426	68,129
Other Assets		
Operating lease right-of-use assets	8,292	9,208
Regulatory assets	28,511	-
Other	13,329	12,598
Total other assets	50,132	21,806
Total Assets	$ 1,878,005	$ 1,741,308

Attachment C (continued)
Golden State Water Company
Balance Sheets
As of September 30, 2023 and December 31, 2022
(Unaudited)

Capitalization and Liabilities

(in thousands)	September 30, 2023	December 31, 2022
Capitalization		
Common shares, no par value, no stated value	$ 370,680	$ 358,123
Retained earnings	317,845	285,783
Total common shareholder's equity	688,525	643,906
Long-term debt	540,646	411,748
Total capitalization	1,229,171	1,055,654
Current Liabilities		
Long-term debt - current	353	399
Accounts payable	58,380	65,944
Accrued other taxes	15,197	14,501
Accrued employee expenses	11,695	11,233
Accrued interest	7,449	4,364
Income taxes payable to Parent	27,314	-
Operating lease liabilities	1,783	1,788
Other	10,806	10,152
Total current liabilities	132,977	108,381
Other Credits		
Intercompany note payable	-	129,000
Note payable to banks	103,000	-
Advances for construction	63,941	64,331
Contribution in aid of construction - net	149,586	147,918
Deferred income taxes	142,932	138,788
Regulatory liabilities	-	40,602
Unamortized investment tax credits	1,028	1,082
Accrued pension and other postretirement benefits	33,820	33,421
Operating lease liabilities	6,998	7,878
Other	14,552	14,253
Total other credits	515,857	577,273
Total Capitalization and Liabilities	$ 1,878,005	$ 1,741,308

Attachment C (continued)
Golden State Water Company
Statements of Income
For the Nine Months Ended September 30, 2023 and Twelve Months Ended December 31, 2022
(Unaudited)

(in thousands)	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2022
Operating Revenue		
Water	$ 345,851	$ 340,602
Total operating revenue	345,851	340,602
Operating Expenses		
Water purchased	55,590	75,939
Power purchased for pumping	9,514	11,861
Groundwater production assessment	15,188	19,071
Supply cost balancing accounts	16,200	(8,643)
Other operation	22,001	28,117
Administrative and general	44,211	58,358
Depreciation and amortization	26,890	34,805
Maintenance	7,518	9,559
Property and other taxes	14,733	19,080
Total operating expenses	211,845	248,147
Operating Income	134,006	92,455
Other Income and Expenses		
Interest expense	(23,140)	(22,742)
Interest income	4,356	1,083
Other, net	2,041	(680)
Total other income and expenses	(16,743)	(22,339)
Income before income tax expense	117,263	70,116
Income tax expense	29,674	16,346
Net Income	$ 87,589	$ 53,770

Attachment C (continued)
Golden State Water Company
Supplemental Information to the Financial Statements
Issuances of Debt & Equity Outstanding as of September 30, 2023

(a) Amount and type of stock authorized by Articles of Incorporation and amount oustanding.

	Outstanding	Authorized
Common shares	171 no par value no stated value	1,000 shares
Preferred stock	None	None

(b) Mortgages

Golden State does not have any mortgaged debt outstanding as of September 30, 2023.

(c) Amount of long tem debt issued (in thousands).

	Amount Outstanding as of September 30, 2023	Year Issued	Annual Interest Paid
Notes / Debentures			
6.81% notes due 2028	$15,000	1998	$1,022
6.59% notes due 2029	$40,000	1999	$2,636
7.875% notes due 2030	$20,000	2001	$1,575
7.23% notes due 2031	$50,000	2001	$3,615
6.00% notes due 2041	$62,000	2011	$3,720
Private Placement Notes			
3.45% notes due 2029	$15,000	2009	$518
5.87% notes due 2028	$40,000	2005	$2,348
2.17% notes due 2030	$85,000	2020	$1,845
2.90% notes due 2040	$75,000	2020	$2,175
5.12% notes due 2033	$100,000	2023	$5,120
5.22% notes due 2038	$30,000	2023	$1,566
Tax-Exempt Obligations			
5.50% notes due 2026	$7,730	1996	$425
State Water Project due 2035	$1,729	1994	$183
Other Debt Instruments			
ARRA obligation due 2033	$2,588	2011	$106
	$544,047		
Less: Current maturities (per Financial Statements)	(353)		
Debt issuance costs	(3,048)		
Per Financial Statements (included in Total Capitalization)	**$540,646**		

Attachment D

1 - Golden State Water Company Statement of Capitalization Ratios

(in Thousands Except Percentage)

	Recorded *September 30, 2023*	Projected as of December 31, 2023	2024	2025	2026	2027	2028	2029
Long Term Debt [1] [2]	$ 540,999	$ 540,747	$ 540,850	$ 720,230	$ 712,593	$ 872,044	$ 817,124	$ 1,011,224
Common Equity [2]	688,525	700,820	781,928	946,565	958,240	1,136,614	1,229,427	1,352,761
Total Capitalization	$ 1,229,524	$ 1,241,567	$ 1,322,778	$ 1,666,796	$ 1,670,834	$ 2,008,658	$ 2,046,550	$ 2,363,985
Capital Ratio								
Debt	44.0%	43.6%	40.9%	43.2%	42.6%	43.4%	39.9%	42.8%
Equity	56.0%	56.4%	59.1%	56.8%	57.4%	56.6%	60.1%	57.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

[1] Includes current portion of long term debt, net of debt issuance costs

[2] Includes financing requested in this application.

	2023[3]	2024	2025	2026	2027	2028	2029	Total 2023 - 2029
Schedule of Security Issuances*								
New Debt Issuance	$ 130,000	$ -	$ 180,000	$ -	$ 160,000	$ -	$ 250,000	$ 720,000
New Equity Issuance	10,000	45,000	95,000	-	100,000	-	25,000	275,000
Total Security Issuance	$ 140,000	$ 45,000	$ 275,000	$ -	$ 260,000	$ -	$ 275,000	$ 995,000

[3] Remaining Authority from Decision D.20-05-010	$ 105,000
Total New Securities Requested in this Application	750,000
	$ 855,000

*schedule assumes the Commission will grant Golden State a waiver from the requirements of Section 818 of the California Public Utiliti

(3) In D.20-05-010, the Commission authorized Golden State to issue, sell and deliver up to $465.0 million in aggregate principal offering amount of new debt and equity securities. In 2020, Golden State issued unsecured private placment notes totaling $160 million and common stock to its parent, ASWC, totaling $60 million. In 2023, Golden State issued additional unsecured private placement notes totaling $130.0 million and additional common stock to ASWC totaling $10.0 million. As of December 31, 2023, the remaining authority amount under D.20-05-010 totals $105.0 million ($465.0 million *minus* $160.0 million *minus* $60.0 million *minus* $130.0 million *minus* $10.0 million *equals* $105.0 million).

Attachment D (continued)

2 - Golden State Water Company Projected Capital Expenditures Included in Statement of Cash Flows

(in Thousands)

	Actual	Projected							
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total 2023 - 2029**
Golden State									
Plant Additions & New Capital Budgets									
Land, land rights & other intangible plant	$ 1,281	$ 423	$ 170	$ 1,884	$ 3,643	$ 5,298	$ 5,298	$ 5,298	$ 22,014
Source of water supply	13,387	1,705	27,046	66,284	54,789	79,681	79,681	79,681	388,867
Transmission and distribution	80,093	63,286	60,783	68,552	83,758	121,812	121,812	121,812	641,814
Water treatment	6,867	12,564	15,591	16,652	8,697	12,648	12,648	12,648	91,449
Pumping	19,222	11,959	4,059	4,181	4,306	6,262	6,262	6,262	43,292
General plant	11,548	9,591	22,222	18,729	15,522	22,574	22,574	22,574	133,786
CWIP (various construction work in progress)	12,752	54,063	93,766	29,325	11,466	16,675	16,675	16,675	238,646
Total Company-Funded (1)	145,150	153,591	223,637	205,607	182,181	264,951	264,951	264,951	1,559,868
New Business	1,580	7,349	5,550	5,702	5,858	6,019	6,184	6,354	43,015
Total Included in the Statement of Cash Flows	$ 146,730	$ 160,939	$ 229,187	$ 211,309	$ 188,039	$ 270,970	$ 271,135	$ 271,305	$ 1,602,883

(1) The company-funded capital expenditure forecast for the years 2024 - 2026 totals $611.4 million and is consistent with the capital budgets requested in the pending water general rate case application filed in August 2023, which consisted of new capital budgets and capital dollars to complete work-in-progress. The years 2027 - 2029 is the start of a new rate cycle and Golden State has assumed increasing capital expenditure levels.

Attachment D (continued)
3 - Golden State Water Company Statements of Cash Flow
(in Thousands)

	Actual	Projected							
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total 2023 - 2029**
Cashflow from Operating Activities	$ 94,508	$ 54,341	$ 129,106	$ 133,694	$ 185,058	$ 191,746	$ 174,744	$ 228,115	$ 1,096,804
Cashflow from Investing Activities (CapEx)	(146,730)	(160,939)	(229,187)	(211,309)	(188,039)	(270,970)	(271,135)	(271,305)	(1,602,883)
Cashflow from Financing Activities									
Proceeds from issuance of Common Shares to Parent	-	10,000	45,000	95,000	-	100,000	-	25,000	275,000
Proceeds from issuance of long-term debt	-	130,000	-	180,000	-	160,000	-	250,000	720,000
Repayments of long-term debt	(377)	(1,326)	(353)	(370)	(8,116)	(403)	(55,421)	(55,433)	(121,423)
Dividends paid	(27,000)	(55,400)	(49,100)	(38,000)	(103,000)	(42,400)	(45,400)	(48,578)	(381,878)
Net short-term borrowings & other	79,444	26,150	101,338	(159,014)	114,097	(137,973)	197,211	(127,799)	14,010
Total Cashflow from Financing Activities	52,067	109,423	96,885	77,615	2,981	79,224	96,390	43,189	505,709
Total net cash provided	(155)	2,825	(3,195)	0	(0)	0	(0)	(0)	(370)
Cash and Cash Equivalents, Beginning of Period	525	370	3,195	(0)	0	(0)	0	0	370
Cash and Cash Equivalents, End of Period	$ 370	$ 3,195	$ (0)	$ 0	$ (0)	$ 0	$ 0	$ (0)	$ (0)

Supplement to Attachment D
4 - Golden State Water Company - Uses and Sources of Funds
(in Thousands)

	Actual 2022	Projected 2023	2024	2025	2026	2027	2028	2029	Total 2023 - 2029
Estimated Uses of Funds									
Capital expenditures	$ 146,730	$ 160,939	$ 229,187	$ 211,309	$ 188,039	$ 270,970	$ 271,135	$ 271,305	$ 1,602,883
Repayments of long-term debt	377	1,326	353	370	8,116	403	55,421	55,433	121,423
Dividends paid to parent	27,000	55,400	49,100	38,000	103,000	42,400	45,400	48,578	381,878
Total Uses of Funds	**$ 174,107**	**$ 217,665**	**$ 278,640**	**$ 249,680**	**$ 299,155**	**$ 313,772**	**$ 371,956**	**$ 375,316**	**$ 2,106,184**
Estimated Sources of Funds									
Cash from operating activities	$ 94,508	$ 54,341	$ 129,106	$ 133,694	$ 185,058	$ 191,746	$ 174,744	$ 228,115	$ 1,096,804
Cash from financing activities - debt & equity securities	**-**	**140,000**	**45,000**	**275,000**	**-**	**260,000**	**-**	**275,000**	**995,000**
Net short-term borrowings & other	79,444	26,150	101,338	(159,014)	114,097	(137,973)	197,211	(127,799)	14,010
Total Source of Funds	**$ 173,952**	**$ 220,491**	**$ 275,444**	**$ 249,680**	**$ 299,155**	**$ 313,773**	**$ 371,956**	**$ 375,315**	**$ 2,105,814**
Difference Between Use and Source	**$ (155)**	**$ 2,825**	**$ (3,195)**	**$ 0**	**$ (0)**	**$ 0**	**$ (0)**	**$ (0)**	**$ (370)**
Cash balance, beginning of period	$ 525	$ 370	$ 3,195	$ (0)	$ 0	$ (0)	$ 0	$ 0	$ 370
Cash balance, end of period	**$ 370**	**$ 3,195**	**$ (0)**	**$ 0**	**$ (0)**	**$ 0**	**$ 0**	**$ (0)**	**$ (0)**

	2024	2025	2026	2027	2028	2029
Financing Authority Remaining under Decision D.20-05-010 as of December 31, 2023	**$ 105,000**	**$ 105,000**	**$ 105,000**	**$ 105,000**	**$ 105,000**	**$ 105,000**
Financing Authority - Requested in this Application	750,000	750,000	750,000	750,000	750,000	750,000
	$ 855,000	$ 855,000	$ 855,000	$ 855,000	$ 855,000	$ 855,000
Amount utilized	(45,000)	(275,000)	0	(260,000)	0	(275,000)
Remaining amount available for use	**$ 810,000**	**$ 535,000**	**$ 535,000**	**$ 275,000**	**$ 275,000**	**$ -**

ATTACHMENT E

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-12

American States Water Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee paid previously with preliminary materials.

☐ Fee computed on table in exhibit required by Item 25(b) per Exchange Act Rules 14a-6(i)(1) and 0-11.

American States Water Company

American States Water Company

Proxy Statement for the 2023 Annual Meeting of Shareholders

American States Water Company

Notice of 2023 Annual Meeting of Shareholders

Date	Time	Location	Record Date
May 23, 2023	11:00 a.m., Pacific Time	www.virtualshareholdermeeting.com/AWR2023	March 24, 2023

AGENDA

1. To elect the following directors to class III of the board of directors to serve until the annual meeting in 2026 or until their successors are duly elected and qualified:
   Mr. Thomas A. Eichelberger
   Mr. Roger M. Ervin
   Mr. C. James Levin;
2. To approve the 2023 Non-Employee Directors Stock Plan;
3. Advisory vote to approve the compensation of our named executive officers;
4. Advisory vote on the frequency of the vote on the compensation of our named executive officers;
5. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm; and
6. To transact any other business which may properly come before the 2023 annual meeting or any adjournment thereof.

By order of the board of directors:

Eva G. Tang
Corporate Secretary

San Dimas,
California
April 7, 2023

Important Notice Regarding the Availability of Proxy Materials

For the Annual Meeting of Shareholders to Be Held on May 23, 2023

Pursuant to rules adopted by the Securities and Exchange Commission, we have elected to furnish our proxy statement, a proxy card and our Annual Report on Form 10-K for the year ended December 31, 2022 primarily via the Internet at *www.proxyvote.com*. As a result, on or about April 7, 2023, we are mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials. This Notice contains instructions on how to access our proxy materials over the Internet and how to request a paper copy of our proxy materials. On or about April 7, 2023, we are mailing to all our remaining shareholders a paper copy of our proxy materials. If, however, we are unable to mail a paper copy to a shareholder because the shareholder lives in an area where the common carrier has suspended mail service, we will make a good faith effort to deliver the proxy materials to you. Shares must be voted either by telephone, Internet or by completing and returning a proxy card as provided in our proxy statement. Shares cannot be voted by marking, writing on and/or returning this Notice or any other notice regarding our proxy materials.

Instructions for Attending the 2023 Annual Meeting

We are holding the 2023 annual meeting through a virtual meeting format by electronic transmission via the Internet.

As described in the proxy materials for the annual meeting, shareholders of record at the close of business on March 24, 2023, the record date, will be entitled to participate in the virtual annual meeting. American States Water Company shareholders of record may attend the virtual annual meeting by entering their 16-digit control number at www.virtualshareholdermeeting.com/AWR2023. Beneficial owners may also participate in the annual meeting if the owner's broker, bank or other shareholder of record provides that option to you. The control number is included with the proxy card or notice previously provided to you. Online access to the meeting will begin at 10:45 a.m., Pacific Time on May 23, 2023 and the meeting will start at 11:00 a.m., Pacific Time. During the meeting, shareholders will have an opportunity to vote and submit questions electronically.

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2023 Proxy Statement

The Securities and Exchange Commission, or SEC, has adopted rules to allow us to elect to use the Internet as our primary means of furnishing our proxy statement, electronic proxy card and our Annual Report on Form 10-K for the year ended December 31, 2022 to our shareholders. As a result, on or about April 7, 2023, we are mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials referred to herein as the Notice. The Notice contains instructions on how to access our proxy materials over the Internet at www.proxyvote.com and how to request a paper copy of our proxy materials. The proxy materials will be posted on the Internet no later than the date we begin mailing the Notice. On or about April 7, 2023, we are mailing to all remaining shareholders a paper copy of our proxy materials. If, however, we are unable to mail a paper copy to a shareholder because the shareholder lives in an area where the common carrier has suspended mail service, we will make a good faith effort to deliver the proxy materials to you. We are sending a Notice or proxy materials to each of our shareholders of record in connection with the solicitation by our board of directors of proxies to be voted at our 2023 annual meeting and any adjournments thereof.

We have set the record date for determining the shareholders entitled to vote at the 2023 annual meeting as of the close of business on March 24, 2023. As of March 24, 2023, we had 36,976,284 common shares outstanding. We do not have any other outstanding equity securities. Each of our common shares is entitled to one vote.

We are holding the 2023 annual meeting through a virtual meeting format by electronic transmission at www.virtualshareholdermeeting.com/AWR2023 at 11:00 a.m., Pacific Time.

INFORMATION ABOUT THE 2023 ANNUAL MEETING

What is the purpose of the 2023 annual meeting?

At our 2023 annual meeting, we will ask our shareholders to elect directors to class III who will serve until our annual meeting of shareholders in 2026 or until our shareholders duly elect their qualified successors. We will ask shareholders to approve the 2023 Non-Employee Directors Stock Plan, or 2023 directors plan. We are also seeking advisory votes on the compensation that we pay our named executive officers, commonly referred to as a “say-on-pay” proposal, and on how frequently we should seek a “say-on-pay.” Finally, we will ask shareholders to ratify the appointment of PricewaterhouseCoopers LLP as the company’s independent registered public accounting firm and to vote on any other matter, which may properly come before the 2023 annual meeting.

Even if you can attend the 2023 annual meeting, we encourage you to vote early using the mail, telephone or Internet methods described on the next page.

Who may attend the 2023 annual meeting?

We are holding the 2023 annual meeting through a virtual meeting format by electronic transmission. We encourage you to vote your shares prior to the annual meeting. You are a shareholder of record if your shares are registered directly in your name. We mailed this proxy statement or the Notice directly to you if you are a shareholder of record.

To attend our 2023 annual meeting, please visit www.virtualshareholdermeeting.com/AWR2023. Shareholders or their legal proxies must enter the 16-digit control number found on the proxy card, voting instruction form or other proxy materials. Online access to the annual meeting will open 15 minutes prior to the start of the annual meeting. Once admitted to the annual meeting, attendees may:

- listen to and participate in the annual meeting,
- submit questions germane to the matters to be voted at the 2023 annual meeting, and
- vote or change a previously submitted vote.

How may I vote my shares at the 2023 annual meeting?

If you are the shareholder of record or a legal proxy holder, you may vote your shares by entering your 16-digit control number at www.virtualshareholdermeeting.com/AWR2023. The control number is included with the proxy card or notice previously provided to you. Participants in the 401(k) plan of Golden State Water Company may not vote their 401(k) shares at the 2023 annual meeting since the 401(k) plan trustee is the shareholder of record of these shares.

How may I vote my shares without attending the 2023 annual meeting?

All proxies that shareholders properly sign *and* return will be voted at the 2023 annual meeting or any adjournment thereof in accordance with the instructions indicated on the proxy. You may vote your shares without attending the 2023 annual meeting by mail, telephone or Internet.

Voting by Mail

- If you received a paper copy of the proxy materials, you may sign, date and return your proxy card in the pre-addressed, postage-paid envelope provided.

Voting by Telephone

- You may vote by proxy using the toll-free telephone number listed on the proxy card. Please have your Notice or the proxy card in hand before calling.
- If your shares are held through a brokerage firm, bank or other shareholder of record, you may vote by telephone *only if* the shareholder of record (broker, bank or other shareholder of record) offers that option to you.
- Votes submitted by telephone must be received by 11:59 p.m., Eastern Time, on May 22, 2023 to be voted at the 2023 annual meeting. Participants in Golden State Water Company's 401(k) plan may vote their 401(k) plan shares by telephone but must do so by the date set forth below.

Voting by Internet

- You may also vote by proxy using the Internet. The Internet address is www.proxyvote.com, which is also listed on the Notice and the proxy card. Please have the proxy card or Notice in hand before going online. You may also view our proxy statement and 2022 annual report at this website. If your shares are held through a brokerage firm, bank or other shareholder of record, you may vote by the Internet *only if* the shareholder of record (broker, bank or other shareholder of record) offers that option to you.
- Votes submitted by Internet must be received by 11:59 p.m., Eastern Time, on May 22, 2023 to be voted at the 2023 annual meeting. Participants in Golden State Water Company's 401(k) plan may vote their 401(k) plan shares by Internet but must do so by the date set forth below.

Regardless of whether you attend the 2023 annual meeting, we encourage all our shareholders to vote using one of the methods described above. You may change your vote by submitting another proxy. The submission of the second proxy will revoke your prior proxy.

Participants in Golden State Water Company's 401(k) plan may vote their 401(k) plan shares by mail, phone or Internet as described above. Votes submitted by telephone or using the Internet must be received by 11:59 p.m., Eastern Time, on May 18, 2023 in order for us to forward your instructions to the 401(k) plan trustee. The trustee will vote 401(k) plan shares as to which no directions are received in the same ratio as 401(k) plan shares with respect to which directions are received from other participants in the 401(k) plan, unless contrary to the Employee Retirement Income Security Act of 1974.

Please bear in mind that your execution of a proxy will not affect your right to attend the 2023 annual meeting or any adjournment thereof and vote at the virtual annual meeting.

How may I cast my vote?

In the election of directors, you may vote your shares for the nominees in the following manner:

- **"FOR ALL"** of the nominees,
- **"WITHHOLD ALL"** of the nominees, or
- **"FOR ALL EXCEPT,"** you may withhold your authority to vote for any individual nominee(s) by marking the "For All Except" box and writing the number(s) of the nominee(s) on the line provided for any individual nominee(s) for whom you choose to withhold your authority to vote.

With respect to the vote to approve the 2023 directors plan, the advisory vote to approve the compensation of our named executive officers and the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, you may vote your shares in the following manner:

- **"FOR,"**
- **"AGAINST,"** or
- **"ABSTAIN."**

In addition, you will be asked to express your view as to whether we should hold a "say-on-pay" advisory vote every one, two or three years. You may also abstain from voting on this matter.

Each share is entitled to one vote on each of these matters.

May I cumulate my votes for a director?

You may not cumulate your votes for a director (i.e., cast for any candidate a number of votes greater than the number of common shares that you hold on the record date) unless you or another shareholder:

- places the candidate's name in nomination prior to the voting; and
- prior to the voting, gives notice of an intention to cumulate votes at the 2023 annual meeting.

If you or any other shareholder gives notice prior to voting of an intention to cumulate votes, then all shareholders may cumulate their votes for candidates who have been nominated.

How does the board recommend that I vote at the 2023 annual meeting?

Our board recommends that you vote your shares:

- **"FOR ALL"** of the nominees for class III director;
- **"FOR"** the 2023 directors plan;
- **"FOR"** approval of the compensation of the named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and any related material disclosed in this proxy statement, referred to herein as a "say-on-pay" advisory vote;
- **"FOR"** a "say-on-pay" advisory vote once per year, and
- **"FOR"** the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm.

How will the named proxies vote if I send in my proxy without voting instructions?

The named proxies will vote **"FOR ALL"** of the board's nominees to be elected as directors, **"FOR"** the 2023 directors plan, **"FOR"** the approval of the compensation of the named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and any related materials disclosed in this proxy statement, **"FOR"** a "say-on-pay" advisory vote every year, and **"FOR"** the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm if you send in your proxy without voting instructions. The named proxies will also vote in favor of such other matters as are incident to the conduct of the 2023 annual meeting, unless otherwise instructed.

How will the named proxies vote if a nominee is unable to serve as director?

In the event any one or more of the nominees is withdrawn from nomination as a director or is unable to serve for any reason, a contingency not now anticipated, the named proxies may vote for a substitute nominee or nominees, unless otherwise instructed by a shareholder on his or her proxy.

What vote is required to approve each of the proposals?

Proposal 1

Candidates for the board of directors receiving the highest number of affirmative votes of the shares entitled to vote at the 2023 annual virtual meeting or by proxy (up to the number of directors to be elected) will be elected. Votes cast against a candidate or votes withheld will have no legal effect. Brokers are *not* authorized to vote on this proposal unless you instruct otherwise.

Proposal 2

A majority of our common shares present at the 2023 annual meeting in person or by proxy must vote in favor of the 2023 directors plan and the total vote cast must represent over 50% in interest of all shares entitled to vote on the proposal in order for grants of restricted stock units to be made under the 2023 directors plan. Abstentions on this proposal will have the effect of a vote against the proposal. Brokers are *not* authorized to vote on this proposal unless you instruct otherwise.

Proposal 3

The compensation of the named executive officers, as disclosed pursuant to the compensation rules of the SEC, including the compensation discussion and analysis, compensation tables and any related material disclosed in this proxy statement will be approved upon an affirmative vote of a majority of our common shares represented at the virtual annual meeting or by proxy and voting, provided that the shares voting affirmatively also constitute at least a majority of the required quorum at the 2023 annual meeting. Abstentions on this proposal will not be considered as a vote cast for or against this proposal. Brokers are *not* authorized to vote on this proposal unless you instruct otherwise. This vote is advisory and non-binding on the company, the compensation committee and the board.

Proposal 4

We are requesting your views regarding whether a "say-on-pay" advisory vote should be held every one, two or three years. We are not seeking your approval of the board's recommendation to hold a "say-on-pay" advisory vote every year. Brokers are *not* authorized to vote on this proposal unless you instruct otherwise. This vote is advisory and non-binding on the company and the board.

Proposal 5

The appointment of PricewaterhouseCoopers LLP, as our independent registered public accounting firm, will be ratified by the affirmative vote of those present at the virtual annual meeting or by proxy and voting, provided that the shares voting affirmatively also constitute at least a majority of the required quorum at the 2023 annual meeting. Abstentions on this proposal will not be considered as a vote cast for or against this proposal. Brokers are authorized to vote on this proposal unless you instruct otherwise.

What happens if cumulative voting for directors occurs?

If we conduct voting for directors by cumulative voting, then you may cast a number of votes equal to the number of directors authorized multiplied by the number of shares you have a right to vote. You may cast your votes for a single candidate or you may distribute your votes on the same principle among as many candidates in whatever proportion you desire.

The accompanying proxy will grant the named proxies discretionary authority to vote cumulatively if cumulative voting applies. Unless you instruct the named proxies otherwise, the named proxies will vote *equally* for each of the candidates for the office of director; provided, however, that if sufficient numbers of our shareholders exercise cumulative voting rights to elect one or more candidates, the named proxies will:

- determine the number of directors they may elect,
- select such number from among the named candidates,
- cumulate their votes, and
- cast their votes for each candidate among the number they are entitled to vote.

What is the quorum requirement for the 2023 annual meeting?

A quorum is present if shareholders holding a majority of shares entitled to vote on the record date are present at the 2023 annual meeting, either at the virtual annual meeting or by proxy. We will count shares represented by proxies that reflect abstentions and broker non-votes as present and entitled to vote for purposes of determining the presence of a quorum. The term “broker non-vote” refers to shares held by brokers or nominees who have not received instructions on how to vote from the beneficial owners or persons entitled to vote if the broker or nominee indicates on the proxy that the broker or nominee does not have discretionary power to vote on the matter.

Who bears the costs of proxy distribution and solicitation?

We will bear the entire cost of preparing, assembling, printing and mailing proxy statements and the costs of any additional materials which the board may furnish to you. We may solicit proxies by U.S. mail in the case of beneficial owners that own 1,000 or more shares or, in the case of all other shareholders, brokers, banks and other nominees, by mailing a notice containing instructions on how to access our proxy materials and vote. We have engaged the services of Morrow Sodali LLC, 470 West Avenue, Stamford, Connecticut 06902 for $8,000 to assist us in soliciting proxies. We may also solicit proxies by telephone, or personally, by directors, officers and regular employees of the company who will receive no extra compensation for performing these services.

What does it mean if I receive more than one proxy or voting instruction card?

It means your shares are either registered differently or appear in more than one account. Please provide us with voting instructions for *all* proxy and voting instruction cards that you receive.

Who will serve as inspector of election?

The board of directors has appointed Broadridge Financial Solutions, Inc. to act as the inspector of election. The inspector of election will count all votes cast, whether at the virtual annual meeting or by proxy.

How is an annual meeting adjourned?

Shareholders may adjourn an annual meeting by the affirmative vote of a majority of the shares represented at the annual meeting, whether at the virtual annual meeting or by proxy, even if a quorum is not present. In the absence of a quorum at the 2023 annual meeting, no business may be transacted at the 2023 annual meeting other than an adjournment.

We are not required to give you notice of an adjournment of an annual meeting if we announce the time and place of the adjournment at the annual meeting at which the adjournment takes place. We must, however, give you notice of the adjourned meeting if the adjournment is for more than 45 days or, if after the adjournment, we set a new record date for the adjourned meeting.

BOARD STRUCTURE AND COMMITTEES

Overview of the board in 2022

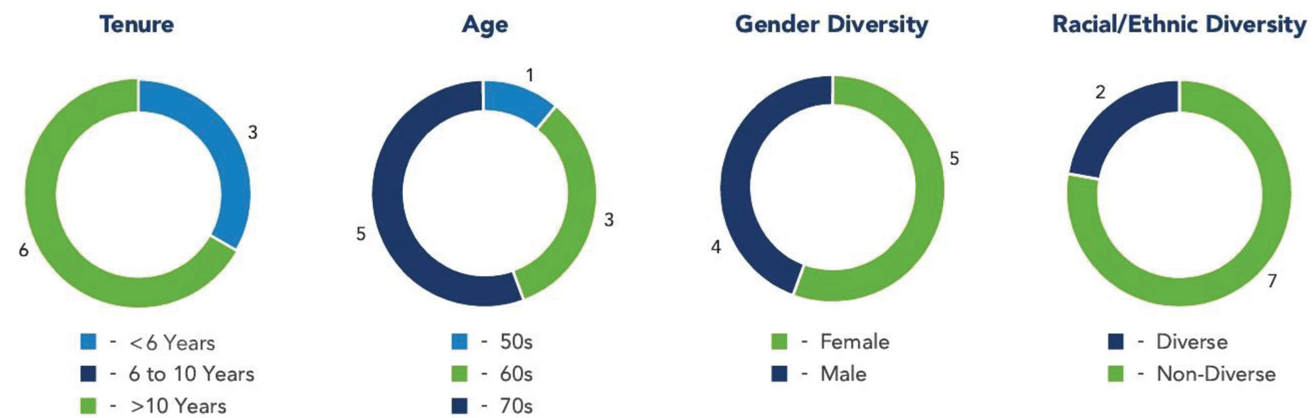
Composition and Independence

- Total of nine current directors - all independent directors, except for president and chief executive officer
- Directors have a diverse mix of skills, experience and backgrounds
- Independent, non-executive chairman of the board
- Independent chair and members of all board committees of the company, other than the ASUS committee
- Limited public company directorships outside of the company and its subsidiaries (no director "overboarding" concerns)
- Board and committee ability to hire outside advisors, independent of management

Accountability

- Age term limit
- Annual board and committee evaluations
- Regularly-held executive sessions
- Robust director equity ownership guidelines
- Independent board evaluation of president and chief executive officer performance

Other board characteristics



OVERVIEW OF THE BOARD IN 2022

Name	Audit and Finance Committee	Nominating and Governance Committee	Compensation Committee	ASUS Committee
Sarah J. Anderson[1]	Member			
Diana M. Bontá		Chairperson	Member	
Steven D. Davis	Member	Member		
John R. Fielder	Chairperson			Member
Mary Ann Hopkins			Member	Chairperson
Anne M. Holloway[2]				
C. James Levin		Member	Chairperson	Member
Janice F. Wilkins[1][3]	Member			Member
Robert J. Sprowls[4]				Member

- Chairperson - Member

(1) Audit Committee Financial Expert

(2) Chairman of the Board and ex-officio member of all committees with no voting rights

(3) Ms. Wilkins also serves as enterprise risk management liaison between the board and management

(4) President and Chief Executive Officer

How is the board of directors structured?

The board of directors currently consists of nine directors, with an independent non-management director serving as its chair. The board is divided into three classes (class I, class II and class III). Shareholders elect directors in each class to serve for a three-year staggered term expiring in successive years or until shareholders duly elect their successors. The term of the class I directors will expire at the 2024 annual meeting. The term of the directors of class II will expire at the 2025 annual meeting. The term of the class III directors elected at this annual meeting will expire at the 2026 annual meeting.

Ms. Holloway, the chairman of the board, is a non-voting ex-officio member of all committees of the board, is the presiding director for executive sessions of the board and acts as lead director of the board.

The board holds executive sessions of the board following regularly scheduled meetings and on an as-needed basis. Some of these sessions are non-management executive sessions. Currently, Mr. Sprowls, who is also president and chief executive officer of the company, is the only employee director that participates in executive sessions of the board. He does not participate in non-management executive sessions. The board held five executive sessions of the board in 2022, all of which included a non-management executive session.

The board of directors has determined that all members of the board in 2022, other than Mr. Sprowls, were independent directors of the company. The board believes that this leadership structure, in which the chair is an independent director acting as the lead director, ensures a greater role for the other independent directors in the oversight of the company and active participation of the independent directors in setting agendas and

establishing priorities and procedures for the board. The board further believes that this leadership structure is preferred by a significant number of our shareholders. The board has used this leadership structure since the formation of the company as a holding company in 1998.

What are the board's oversight responsibilities?

The board's oversight function includes, among other things, the following specific responsibilities:

- Selecting and overseeing the chief executive officer of the company;
- Together, with the chief executive officer of the company, reviewing the job performance of executive officers on an annual basis;
- Planning for senior management development and succession;
- Reviewing, understanding and monitoring the implementation of the company's strategic plans;
- Overseeing appropriate policies of corporate conduct and compliance with laws;
- Reviewing and understanding the company's risk assessment and overseeing the company's risk management processes;
- Reviewing, understanding and overseeing the company's annual operating plans and budgets;
- Focusing on the integrity and clarity of the company's financial statements and financial reporting;
- Advising management on significant issues facing the company;
- Reviewing and approving significant corporate actions;
- Reviewing management's plans for disaster preparedness, physical and cybersecurity and emergency communications;
- Nominating directors and committee members;
- Overseeing management's adoption and implementation of corporate governance, social responsibility and environmental policies and procedures; and
- Overseeing legal and ethical compliance.

How does the board oversee enterprise risks?

The board does not manage risk. Rather the board oversees enterprise risk management, or ERM, performed under the direction of the senior management team. The board satisfies this responsibility by obtaining information from each committee chair regarding the committee's risk oversight activities and the ERM liaison between the board and management and from regular reports directly from officers, the management sustainability oversight team and other key management personnel responsible for risk identification, risk management and risk mitigation strategies. The reporting processes are designed to provide visibility to the board about the identification, assessment and management of critical risks and management's risk mitigation strategies.

On a quarterly basis, management discusses critical risks including any newly identified critical risks and the implementation status of plans to mitigate these risks, with the ERM liaison and the committees that are in charge of the risks within their areas of responsibility. Each committee chair and the ERM liaison provide a report to the full board regarding the critical risks discussed, management's mitigation plans and implementation of the ERM program and other matters relevant to the risk oversight responsibilities of the board, including without limitation, COVID-19 risks, regulatory, accounting, tax, climate change and cybersecurity risks. On an annual basis, management also provides to the ERM liaison, each committee and the board an updated list of all critical and medium risks identified by management, an assessment of the company's financial exposure should the risk not be mitigated and management's assessment of the probability of an event occurring given the company's mitigation plans. Each committee chair and the ERM liaison review and comment on this information. Thereafter, each committee chair and the ERM liaison report to the full board on the results of its consideration of enterprise risks within its area of responsibility.

The audit and finance committee considers financial risks and exposures, particularly financial reporting, tax, accounting, disclosure and internal control over financial reporting, financial policies, investment guidelines, credit and liquidity matters, the investments for the company's retirement plans, and the design and performance of the internal audit, ethics and compliance functions. The audit and finance committee receives regular reports from the internal auditor of the company to assist it in overseeing financial risks and has direct authority over the company's independent registered public accounting firm.

The nominating and governance committee considers risks and exposures relating to corporate governance and succession planning for the board and the chief executive officer. The nominating and governance committee is also responsible for making recommendations regarding the delegation of risk oversight responsibilities to committees of the board and the policies and procedures for coordinating the risk oversight responsibilities of the board, the ERM liaison and each of the committees and the board.

The compensation committee considers risks associated with executive and employee compensation programs, including retirement plans, with a particular focus on performance-based compensation. We discuss further how this committee assesses the risks associated with the different components of executive compensation under the heading "Compensation Discussion and Analysis - Risk Considerations."

The ASUS committee was established by the board to oversee the risks and exposures associated with the company's contracted services operations at American States Utility Services, Inc. and its subsidiaries, or ASUS.

Bear Valley Electric Service, Inc., or BVES, a wholly-owned subsidiary of the company, has a safety and operations committee comprised of its directors to oversee risks associated with its electric utility operations as required by California Public Utilities Code Section 8389(e)(3), including oversight of the implementation of its wildfire mitigation plan. The company has no directors who also serve on BVES' board.

What is the board's role in succession planning and management of human resources?

The board, with the assistance of the compensation committee, oversees succession planning and leadership development of the chief executive officer and other officers, directors and managers of the company. In addition to reviewing the company's succession planning processes, the compensation committee reviews the development plans that are being utilized to strengthen the skills and qualifications of candidates for leadership positions in the company. The compensation committee recommends to the board actions that the committee believes should be taken in light of the operations needs of the company and its talent pool to enable the company to attract, motivate and retain the right people in the right positions now and into the future. The compensation committee also considers actions that should be taken in the event of a sudden loss of the chief executive officer or other officers, directors or managers.

The director of the human capital management department reports to the compensation committee quarterly on the hiring of new employees, employee terminations, vacancies, employees eligible for retirement and the use of temporary employees. The director also provides information to the board on the diversity demographics of the company and the company's equitable pay practices.

The nominating and governance committee is responsible for matters related to board succession planning. You may find additional information on characteristics that the nominating committee considers in nominating a candidate for the board under the heading "Nominating and Governance Committee - How does the nominating and governance committee assess candidates to fill vacancies on the board?"

What are the procedures for changing the number of directors?

Under our bylaws, the board of directors may increase the authorized number of directors up to eleven without obtaining shareholder approval so long as we list our common shares on the New York Stock Exchange. We currently have nine directors on our board. The board of directors may also decrease the number of authorized directors to no less than six without obtaining shareholder approval. If the number of authorized directors is decreased to six, then the board will cease to be classified; provided, that the decrease in the number of directors cannot shorten the term of any incumbent director.

Unless otherwise approved by our shareholders, the board of directors will cease to be classified if our common shares are not listed on the New York Stock Exchange.

How are vacancies filled on the board of directors?

A majority of the remaining directors may fill vacancies on the board, except those existing because of a removal of a director, though less than a quorum. If the board consists of only one director, the sole remaining director may fill all vacancies on the board. Each director so elected will hold office until the end of the term of the director who has been removed, or until the director's successor has been duly elected and qualified. Our shareholders also have the right to elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors.

Under what circumstances may a director be removed from the board?

Under California law, a member of the board of directors may be removed:

- by the board of directors as the result of a felony conviction or court declaration of unsound mind,
- by the shareholders without cause, or
- by court order for fraudulent or dishonest acts or gross abuse of authority or discretion.

Generally, shareholders may not remove a director if the votes cast against removal are sufficient to elect the director if voted cumulatively at an election of directors held at the time of removal. In addition, no director may be removed by shareholders by written consent unless all shareholders vote for removal of the director.

What standing committees does the board of directors have?

The board has three standing committees:

- an audit and finance committee,
- a nominating and governance committee, and
- a compensation committee.

Each committee operates under a written charter, which identifies the purpose of the committee and its primary functions and responsibilities. Copies of these committee charters are available on our website at www.aswater.com.

The board has also established another committee, known as the ASUS committee, to oversee our contracted services business.

How often did the board and each of the standing committees meet during 2022?

During 2022:

- directors met, as a board, seven times;
- the audit and finance committee met six times;
- the nominating and governance committee met four times; and
- the compensation committee met eight times.

No board member in 2022 attended less than 85% of the meetings of the board. All of the standing committee members in 2022 attended 100% of the committee meetings of any committee in which he or she was a member.

NOMINATING AND GOVERNANCE COMMITTEE

What are the functions of the nominating and governance committee?

The nominating and governance committee assesses qualifications of candidates to fill vacancies on the board and makes recommendations to the board regarding candidates to fill these vacancies. The nominating and governance committee also:

- recommends to the board changes in the company's corporate governance policies and ethics policies and procedures and CEO and board succession;
- oversees the company's environmental, social and governance practices;
- reviews and oversees management's preparation of our ESG Report and code of conduct which is posted on the company's website at www.aswater.com;
- reviews shareholder proposals received by the company and makes recommendations to the board regarding appropriate actions to take in response to any such proposals;
- periodically reviews needs of the board and each of the committees of the board and whether there is a need for refreshment of the board; and
- is responsible for new director orientation programs and the ongoing education for directors on business, industry, corporate governance, legal developments and other appropriate topics.

How does the nominating and governance committee assess candidates to fill vacancies on the board?

The nominating and governance committee assesses nominees for directors based on a number of qualifications, including:

- a reputation for integrity, honesty and adherence to high ethical standards;
- holding or having held a generally recognized position of leadership;
- business acumen, business or governmental experience and an ability to exercise sound business judgment in matters that relate to our current and long-term objectives;
- an interest and ability to understand the sometimes conflicting interests of our various constituencies, including shareholders, employees, customers, regulators, creditors and the general public;
- an interest and ability to act in the interests of all shareholders;
- an ability to work constructively with groups with diverse perspectives and to tolerate opposing viewpoints;
- a commitment to service on the board, including commitment demonstrated by prior board service; and
- a willingness to challenge and stimulate management.

Each director, other than the chief executive officer of the company, is also expected to satisfy the independence requirements of the board. In addition to the criteria set forth above, the nominating and governance committee considers how the skills and attributes of each individual candidate or incumbent director work together to create a board that is collegial, engaged and effective in performing its duties. In order to achieve this objective, the committee believes that the background and qualifications of the directors, considered as a group, should provide a significant mix and diversity of professional and personal experience, knowledge and skills that will allow the board to fulfill its responsibilities. The committee construes the concept of diversity broadly so as to include a variety of opinions, perspectives, personal experiences and backgrounds and other differentiating characteristics, including gender and ethnicity.

The process used by the committee in assessing candidates for director is a subjective one. The committee has considered knowledge, skills and experience in the following areas to be helpful to the board in selecting nominees for director:

- finance
- accounting
- engineering
- real estate
- construction
- government contracting
- legal
- public utility and/or other regulated industry
- corporate governance
- customer and community service

For information on the specific backgrounds and qualifications of our current directors, see “Proposal 1: Election of Directors.”

As part of its annual self-assessment process, the board also evaluates itself and/or directors on a variety of criteria, including:

- independence
- commitment, time and energy devoted to service on the board
- overall contributions to the board
- attendance at, and preparation for, board and committee meetings
- effectiveness as chair of the board
- collegiality
- understanding the role of the board and the committees on which he or she serves
- judgment and appropriateness of comments
- skill set relative to board needs
- understanding of the company’s business, industry and risks
- opportunity to engage and stimulate management

The nominating and governance committee generally considers candidates recommended by board members, professional search firms, shareholders and other persons, in addition to board members whose terms may be expiring. The way in which the nominating and governance committee evaluates a new person as a nominee does not differ based on who makes the nomination.

Absent extraordinary circumstances, the board may not nominate a director for election after he or she reaches the age of 75. Ms. Wilkins, a class III director is not eligible to be nominated to serve on the board of directors in 2023 as she is 78.

On August 10, 2022, Sarah J. Anderson provided the company with advance written notice of her plans to resign as a member of the boards of directors of our company and Golden State Water Company, or GSWC, effective

February 8, 2023. Ms. Anderson’s resignation as a director was purely for personal/family reasons and does not stem from any disagreement with the boards or the company’s management on any matters relating to the company’s operations, policies or practices. Ms. Anderson provided the advance notice to allow the boards sufficient time to find her replacement and to minimize disruption of the important work of the boards.

The nominating and governance committee began the process of seeking two new candidates for directors in 2023 due to the retirement of Ms. Anderson in February 2023 and Ms. Wilkins following the annual meeting in 2023. In July 2022, the committee discussed with the board its efforts to recruit new directors and reported that it had received eleven resumes for review and conducted interviews with five potential candidates. The committee also discussed whether it was advisable to utilize a search firm to identify candidates with expertise in finance and utilities, but ultimately did not do so. Following the July meeting, three retired utility audit partners were identified through the connections of one of the current directors. Each of these former audit partners was interviewed by the chair of the board, the chair of the nominating and governance committee and the president and CEO.

In November 2022, the committee discussed the biographies of two potential candidates for director in 2023, Thomas A. Eichelberger, formerly an audit partner at Deloitte & Touche LLP, and Roger M. Ervin, a principal at Rosewood Global Advisors, LLC and former President and Chief Executive Officer at Blumont Engineering Solutions, Inc. The chair of the committee noted that board members had already interviewed Mr. Eichelberger on October 31, 2022 and that future interviews were planned with the board for Mr. Ervin. The board, upon recommendation of the nominating and governance committee, nominated Mr. Eichelberger to serve as a class III director of the company effective February 8, 2023 at the February 7, 2023 meeting of the board. He is standing for election along with other class III directors at the annual meeting in 2023. Mr. Ervin was nominated to serve as a class III director of the company of the board on February 7, 2023 following interviews with the board.

If Mr. Eichelberger and Mr. Ervin are elected as a director, only three non-employee directors of our board will be over 70 and will have served on the board for more than 10 years.

What is the role of the board in the nomination process?

In addition to the process discussed above, the board considered the nominating and governance committee’s recommendations on all the nominees, the board then nominated director candidates the board deemed most qualified for election at the 2023 annual meeting, taking into account the background, qualifications and age of each of the other members of the board.

If a vacancy or a newly created board seat occurs between annual meetings, the board is responsible for filling the vacancy or newly created board seat in accordance with our bylaws as described above under the heading, “How are vacancies filled on the board of directors?”

How does the board and each of its committees assess performance?

The nominating and governance committee uses an outside law firm to assist it in conducting an annual performance and needs assessment of the board. Each board member is asked to submit both a subjective and objective assessment of the board as well as suggestions on how to improve board functioning and whether there are any strategic aspects of the company’s business that might merit additional board attention. The results of this assessment are summarized by outside counsel and then distributed to the nominating and governance committee and the board for discussion. Each of the committees also discusses its performance annually.

Who are the members of the nominating and governance committee?

Dr. Bontá is the chair of the nominating and governance committee. Mr. Davis and Mr. Levin are members of this committee. Ms. Holloway is a non-voting ex-officio member of this committee.

How may a shareholder nominate a person to serve on the board?

You may submit the name of a person for election as a director either by submitting a recommendation to the nominating and governance committee or by directly submitting a name for consideration at a shareholders meeting. In either event, you must submit the name of the nominee in writing to our corporate secretary at our corporate headquarters between February 23, 2024 and March 9, 2024, in order for your nominee to be considered for election as a director at the 2024 annual meeting under the company's bylaws. If we change the 2024 annual meeting date by more than 30 days from the date of our 2023 annual meeting or the date a special meeting is held, you will have another opportunity to submit nominations. In this case, the corporate secretary must receive your nomination at our corporate headquarters no later than the close of business on the tenth day following the earlier of the date on which we mail you notice of the meeting or we publicly disclose the meeting date.

Under the company's bylaws, your notice to the corporate secretary must contain:

- all information that the SEC requires us to disclose in our proxy statement about the nominee;
- a consent by the nominee to be named in the proxy statement and to serve as a director if elected;
- the name and address of the record and beneficial owner, if any, of the shares making the nomination; and
- the number of shares held.

If you submit a name for consideration by the nominating and governance committee, we may also ask you to provide other information reasonably related to the recommended individual's qualifications as a nominee. The person recommended should be able to, upon request and with reasonable advance notice, meet with one or more members of the nominating and governance committee and/or the board of directors to inquire into the nominee's qualifications and background and otherwise to be interviewed for purposes of the nomination.

Under SEC rules, if you plan to submit a name directly for nomination as a director at a shareholder meeting and intend to solicit at least 67% of our common shares entitled to vote at that meeting, you must notify the company of your intent to do so no later than March 24, 2024 and, comply with all other requirements of the Securities Exchange Act of 1934 in connection with soliciting shareholders to vote for your nominee.

We have made no material changes in 2023 to these procedures for the nomination of directors, but may do so if we amend our bylaws in 2023 to require you to comply with a deadline earlier than March 24, 2024, the deadline set forth under SEC rules. We may also require you to comply with additional procedures.

Have we paid fees to any third party to assist us in evaluating or identifying potential nominees to the board?

We have not paid any fees for assistance in identifying potential candidates to fill a vacancy on the board since our previous annual meeting.

Did we receive any nominations for director from certain large beneficial owners of our common shares?

Since our previous annual meeting, we have not received any nominations from a shareholder or a group of shareholders owning more than 5% of our outstanding common shares.

AUDIT AND FINANCE COMMITTEE

Who are the members of the audit and finance committee?

Mr. Fielder is the chair of the audit and finance committee. Ms. Anderson, Mr. Davis, and Ms. Wilkins were members of this committee in 2022. Ms. Holloway is a non-voting ex-officio member of this committee. Mr. Eichelberger became a member of the committee in February 2023 upon the retirement of Ms. Anderson from the board.

Does the audit and finance committee have any audit committee financial experts?

The board of directors determined in 2022 that:

- all members of the audit and finance committee were financially literate,
- Ms. Anderson and Ms. Wilkins were "audit committee financial experts," and
- all members of the audit and finance committee were independent under the standards set forth in Rule 10A-3 of the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

Audit and Finance Committee Report

Functions of the Audit and Finance Committee

The audit and finance committee:

- reviews significant public documents containing financial statements provided to shareholders and regulatory agencies and reviews all periodic reports filed with the SEC;
- discusses with the company's independent registered public accounting firm its plans, if any, to use the work of internal auditors;
- reviews the internal audit function, including its competence and objectivity and proposed audit plans for the coming year, including intended levels of support for and coordination with the external audit process;
- discusses with the internal auditors and the company's independent registered public accounting firm, the financial statements and the results of the audit;
- discusses significant management judgments and/or accounting estimates used in the preparation of the financial statements;
- discusses with the company's independent registered public accounting firm any significant matters regarding internal controls over financial reporting that have come to its attention during the conduct of the audit;
- reviews the qualifications of our independent registered public accounting firm and appoints (and has sole authority to terminate) our independent registered public accounting firm;
- reviews and approves fees charged by our independent registered public accounting firm;
- reviews and evaluates the effectiveness of our process for assessing significant financial risks and the steps management takes to minimize these financial risks;
- reviews and makes recommendations to the board of directors regarding related party transactions;
- reviews accounting and financial human resources;

- establishes procedures for the receipt, retention and treatment of complaints that the company receives regarding accounting, internal controls or auditing matters and for the confidential anonymous submission by our employees of concerns regarding questionable accounting or auditing matters or related party transactions; and
- oversees the company's compliance with legal and regulatory requirements that we believe could have a significant impact on its financial statements.

Management has the primary responsibility for our financial statements, internal controls, disclosure controls and the financial reporting process. PricewaterhouseCoopers LLP, our registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards and issuing a report based on its findings. The audit and finance committee is responsible for monitoring and overseeing our financial reporting process. PricewaterhouseCoopers LLP reports directly to the audit and finance committee and, if requested, the board of directors.

Discussions with Independent Auditors

PricewaterhouseCoopers LLP provided to the audit and finance committee the written disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit and finance committee concerning independence, and the audit and finance committee discussed with PricewaterhouseCoopers LLP the independent accountant's independence. The audit and finance committee also reviewed and discussed our audited consolidated financial statements with PricewaterhouseCoopers LLP and matters related to the audit required by the Public Company Accounting Oversight Board, including the firm's evaluation of our internal control over financial reporting and the overall quality of our financial reporting.

Discussions with Management

The committee reviewed and discussed with management the company's audited consolidated financial statements for 2022. Management has represented to the audit and finance committee that our internal controls over financial reporting have no material weaknesses and that management prepared the company's consolidated financial statements in accordance with generally accepted accounting principles.

Recommendation for Inclusion in Form 10-K

Based upon the audit and finance committee's discussions with management and PricewaterhouseCoopers LLP, the audit and finance committee's review of the representations of management and the reports and presentations of PricewaterhouseCoopers LLP to the audit and finance committee, the audit and finance committee recommended that the board of directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC.

This report is submitted by:

John R. Fielder, Chair
Steven D. Davis, Member
Thomas A. Eichelberger, Member
Janice F. Wilkins, Member

COMPENSATION COMMITTEE

What are the functions of the compensation committee?

Our compensation committee, which consists entirely of independent directors:

- reviews the performance of our executive officers in January of each year and at the time of the hiring or promotion of an executive officer;
- selects a compensation consultant to assist the committee in evaluating the amount or form of executive and director compensation;
- approves the salary for each executive officer, including the salary of Mr. Sprowls, the president and chief executive officer of the company, for ratification by the independent members of the board;
- makes stock awards for each executive officer and manager pursuant to our equity compensation plans;
- sets performance standards and makes awards under our equity and non-equity compensation plans;
- approves objective and discretionary cash bonuses for executive officers;
- approves the amount of stock awards following the end of the performance period based upon the satisfaction of objective performance criteria;
- reviews and makes recommendations to the board regarding long-term compensation strategies and changes in the executive compensation program and the terms of our employee benefit and pension plans;
- reviews trends in executive compensation and considers changes in accounting principles and tax laws that impact executive compensation;
- makes recommendations to the board regarding the terms of employment and severance arrangements applicable to specific executive officers;
- reviews and makes recommendations to the board regarding the compensation of directors;
- administers the 2016 Stock Incentive Plan, or 2016 plan, for employees, the 2003 Non-Employee Directors Stock Plan, or 2003 directors plan, and the 2013 Non-Employee Directors Stock Plan, or 2013 directors plan, for non-employee directors;
- monitors and oversees human capital management functions and makes recommendations to the board regarding human capital management policies and procedures, including attracting, developing and retaining talent, diversity and inclusion, pay equity, employee safety, performance management, administration and compliance and integrity and culture of the company; and
- reviews and discusses with management the Compensation Discussion & Analysis section of this proxy statement.

The compensation committee has the authority, in its discretion, to hire, retain, terminate and oversee the work of compensation consultants, independent counsel and other advisers to assist the committee in evaluating the amount or form of executive or director compensation. Before retaining any compensation consultant, independent counsel or other such advisers, the compensation committee is required to consider those factors specified in the Dodd-Frank Act and the rules and regulations promulgated by the SEC thereunder and such other factors that the compensation committee deems appropriate that may affect the independence of such consultants, counsel or advisers. Unless otherwise provided by the board, the compensation committee does not have the authority to delegate its authority to a subcommittee.

What fees have we paid for services provided by our compensation consultant and its affiliates?

The compensation committee engaged Pearl Meyer to prepare a survey of executive and director compensation trends and pay practices of other companies and to make recommendations to the compensation committee regarding the amount and types of compensation to be paid to our executive officers and directors in 2022 (hereafter referred to as the engagement). The aggregate amount of fees paid to Pearl Meyer for the 2022 engagement was $96,549. The compensation committee had the sole authority to appoint Pearl Meyer, to oversee the compensation services provided by Pearl Meyer and to approve the compensation paid to Pearl Meyer for these services.

Is our compensation consultant independent?

The compensation committee believes that the consulting advice that it has received from Pearl Meyer was objective. The committee has assessed the independence of Pearl Meyer pursuant to SEC rules and concluded that no conflicts of interest exist between the company and Pearl Meyer (or any individuals working on the company's account on behalf of Pearl Meyer). In reaching such determination, the committee considered the following factors, all of which were attested to or affirmed by Pearl Meyer:

- During 2022, Pearl Meyer provided no services to and received no fees from the company other than in connection with the engagement.
- The amount of fees paid or payable by the company to Pearl Meyer for services provided during the 2022 calendar year represented less than 1% of Pearl Meyer's total revenue for the same period.
- Pearl Meyer has adopted and implemented a policy to prevent conflicts of interest or other independence issues.
- There are no business or personal relationships between any member of the Pearl Meyer team assigned to the engagement and any member of the compensation committee, other than in respect of the engagement, or any work performed by Pearl Meyer for any other company, board of directors or compensation committee for whom such committee member also serves as an independent director.
- There are no business or personal relationships between any member of the Pearl Meyer team assigned to the engagement or Pearl Meyer itself and any executive officer of the company other than in respect of the engagement.
- No individual on the Pearl Meyer team assigned to the engagement maintains any direct individual position in the stock of the company.

Compensation Committee Interlocks and Insider Participation

Mr. Levin is the chair of the compensation committee. Dr. Bontá, and Ms. Hopkins are members of this committee. Ms. Holloway is a non-voting ex-officio member of this committee.

The board has determined that no member of this committee during 2022 has or had a material relationship with the company, either directly or indirectly as a partner, shareholder or officer of an organization that has a material relationship with us or any other relationship with the company that the board of directors determined would affect the independence of that member.

No member of this committee during 2022 is or was a current or former officer or employee of the company or any of its subsidiaries. None of the executive officers of the company is (or has been during the past three years) a member of the board of directors or the compensation committee of any company on which any of our directors serves as an executive officer, director or member of the compensation committee. No compensation committee member during 2022 or any entity in which such member has a 5% or more interest or by whom such member is employed has received any consulting, advisory or other compensatory fees paid by the company or any of its subsidiaries, other than fees received by such member for serving on our board of directors, serving on or attending meetings of committees of our board, and acting as a liaison between the board and/or its committees and management on matters specified by the board. We are not aware of any facts or circumstances that would make any member of the compensation committee during 2022 an affiliate of the company.

GOVERNANCE OF THE COMPANY

Is each of our board and committee members independent?

Based on information solicited from each director, the board has determined that Ms. Anderson, Dr. Bontá, Mr. Davis, Mr. Fielder, Ms. Holloway, Ms. Hopkins, Mr. Levin and Ms. Wilkins do not have a material relationship with us, either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with us and are otherwise independent under the corporate governance standards of the New York Stock Exchange. The board also determined that Mr. Eichelberger and Mr. Ervin satisfy these standards. Mr. Sprowls does not satisfy these standards. We have not adopted any other categorical standards for determining whether a board member is independent. None of our directors in 2022 or Mr. Eichelberger or Mr. Ervin is prohibited from serving on our board of directors by the interlocking director rules of the Federal Energy Regulatory Commission.

The board has also affirmatively determined that all members of the audit and finance committee, nominating and governance committee and compensation committee, including Ms. Holloway, were independent directors under the corporate governance listing standards of the New York Stock Exchange and that all members of the audit and finance committee were independent under the standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934.

No member of the audit and finance committee served on more than three public company boards during 2022.

Do we have any relationships with any executive officers?

No executive officer or Mr. Eichelberger or Mr. Ervin or any of his or her immediate family members had any indebtedness to us or any transactions or proposed transactions with us since January 2022.

What procedures do we use for reviewing and approving transactions between us and our directors and executive officers?

We have adopted a code of conduct and guidelines on significant governance issues, which include policies and procedures regarding relationships between us and our directors and executive officers. Information about how to obtain a copy of the code of conduct and guidelines on significant governance issues is set forth in this proxy statement under the heading, "Obtaining Additional Information from Us."

Under the company's guidelines on significant governance issues, directors are expected to make business opportunities relating to the company's business available to the company before pursuing the opportunity for the director's own or another's account. Neither the board nor the audit and finance committee has approved any other guidelines that would permit a director or executive officer to engage in any transactions or actions that would create a conflict of interest. All conflict of interest transactions must be approved by disinterested members of the board and the audit and finance committee in accordance with California law and the rules of the New York Stock Exchange.

Our code of conduct prohibits any director or executive officer from engaging in any transactions or other actions, which create a conflict of interest, except under guidelines approved by the board or the audit and finance committee. A conflict of interest arises if a director or executive officer takes an action or has interests that may make it difficult for the director or executive officer to act objectively or effectively and include:

- causing the company or any of its subsidiaries to employ or retain a family member as an employee or consultant;
- causing the company or any of its subsidiaries to do business with any businesses in which the director, executive officer or any family member stands to gain personally;

- making investments which may impair the ability of the director or executive to make decisions on behalf of the company;
- taking advantage of business opportunities relating to the company's business or that are discovered through the use of corporate property, information or position for personal gain, without first offering the opportunity to the company; or
- competing with the company.

Our guidelines on significant governance issues also require each director to disclose to the board any financial or personal interest in any transaction that comes before the board for approval. Each director and executive officer is also required to disclose annually any relationships with the company and to declare that all such relationships during the prior year have been disclosed. Our board did not consider any transactions in which any member of the board or executive officer had an interest in 2022 or any related party transactions subject to disclosure under Auditing Standard No. 2410.

We do not provide loans, loan guarantees or otherwise extend credit, directly or indirectly, to any of our executive officers or directors.

Have any of our directors, executive officers or affiliates been involved in certain legal proceedings during the past ten years?

None of our current executive officers, directors in 2022, nominees for director, or any affiliate or owner of more than 5% of our common shares has been a party adverse to us in any material legal proceeding or been involved in any legal proceedings that the SEC has identified as being material to the evaluation of the ability or integrity of a director or executive officer.

What is our policy regarding attendance by board members at our annual meetings?

We adopted a policy that each director should make every reasonable effort to attend each annual meeting of shareholders. All directors in 2022 were present at our 2022 annual meeting.

What is the process for shareholders and other interested persons to send communications to our board?

You or any interested person may, at any time, communicate in writing with the chair of the board who presides at regularly scheduled board meetings and executive sessions, any particular director or non-management directors as a group, by writing to our corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773. We will provide copies of written communications received at this address to the relevant director or the non-management directors as a group unless the corporate secretary, in her reasonable judgment, considers the communications to be improper for submission to the intended recipient(s). Examples of communications considered improper for submission include customer complaints, solicitations, ordinary work employee grievances, communications that do not relate directly or indirectly to our business, and communications that relate to improper or irrelevant topics.

What are the requirements for submission of shareholder proposals?

If you want us to include your shareholder proposal in our proxy materials for the 2024 annual meeting, you must submit the proposal to our corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773. Our corporate secretary must receive your proposal no later than December 7, 2023. Your proposal must also satisfy the other requirements for shareholder proposals set forth in Rule 14a-8 under the Securities Exchange Act of 1934.

A shareholder making a shareholder proposal should state as clearly as possible the course of action that the shareholder believes we should follow. If we place a shareholder proposal on the proxy card, we will provide, in the form of proxy, the means for other shareholders to specify, by checking a box, as to whether they want to approve, disapprove or abstain from voting on the shareholder proposal.

Under our Bylaws, if you want your shareholder proposal to be considered at the 2024 annual meeting and you have not met the deadline for us to include your shareholder proposal in our proxy materials, you may nevertheless submit your proposal for consideration at the 2024 annual meeting if you comply with the following procedures.

You must deliver or mail your notice to our corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773 stating that you intend to submit a shareholder proposal at our 2024 annual meeting. Our corporate secretary must receive your notice between February 13, 2024 and March 10, 2024, unless we change our 2024 annual meeting date by more than 30 days from the date of our 2023 annual meeting, in which case, our corporate secretary must receive your notice no later than the close of business on the tenth day following the day on which we mail you notice of the meeting or the date on which we publicly disclose the date of the meeting.

Under SEC rules, if you plan to submit a proposal at the annual meeting and intend to solicit at least 67% of the shares entitled to vote at that meeting, you must notify the company of your intent to do so no later than March 24, 2024 and comply with all other rules of the SEC. The company may amend its Bylaws in 2023 to require notice prior to March 24, 2024, the deadline that is specified under SEC rules. We may also require you to comply with additional procedures.

Your notice to our corporate secretary must include for each matter you propose to bring before the 2024 annual meeting:

- a brief description of the matter you intend to bring before the 2024 annual meeting;
- reasons for bringing such matter before the 2024 annual meeting;
- the name and address of the record and beneficial owner, if any, of the shares making the proposal;
- the number of our common shares you own; and
- any material interest you have in the matter.

ENVIRONMENTAL STEWARDSHIP AND CORPORATE SOCIAL RESPONSIBILITY

We have a sustainability oversight management team which is responsible for the policies and operational controls of environmental, health, safety and social risks. The nominating and governance committee has oversight responsibilities for our sustainability policies and practices.

Environmental policies and practices

Highlights of some of our environmental policies and practices include:

- California is home to our regulated utilities, GSWC and BVES, and is one of the leading states in the nation in setting environmentally-sensitive policies with which we must comply;
- The company has developed a greenhouse gas emissions reduction target of 60% by 2035, based on 2020 baseline numbers;
- The company held board education on environmental, social and governance trends and the status of the implementation by management of strategic plan initiatives relating to environmental and social matters;
- Our regulated utilities over the past five years have invested $690.7 million in company-funded capital, improving water and electric reliability and reducing water loss throughout our water systems;
- BVES spent more than $20 million of capital expenditures for wildfire mitigation projects in 2020-2022;
- ASUS spent $483.4 million to renew and replace utility infrastructure, and made $638.6 million of upgrades to utility infrastructure on military bases since commencing its first military privatization contract in 2004;
- GSWC has reduced the number of water leaks by nearly 28% over the past three years;
- GSWC heavily promotes conservation through tiered rates for almost all of its customers, education, free conservation kits, customer rebates, and meter installation programs;
- With the help of our incentive programs and the public's awareness of the need to conserve, since 2007 GSWC customers have used 36.5% less water per customer;
- Drinking water provided by GSWC meets or exceeds state and federal drinking water standards and we follow stringent environmental regulation and testing requirements;
- GSWC participates in efforts to protect groundwater basins from over-use and contamination;
- GSWC has multiple sources of drinking water, with approximately 50% coming from its own groundwater sources;
- GSWC considers the potential impacts of climate change in its water supply portfolio planning and its overall infrastructure replacement plans, including an evaluation of water supplies, water quality and water demand changes;
- The number of kilowatt hours used per customer at BVES is down by 4% since 2007;
- Approximately 38.5% of power for our electric utility business comes from renewable energy sources;
- BVES has entered into an agreement to construct two 10 megawatt substations to serve Snow Summit's snow-making load which would replace Snow Summit's aging diesel generating capacity; this project is subject to obtaining a permit from the US Forest Service. If completed, this project would reduce GHG emissions from snow-making operations at Snow Summit;

- BVES issued an RFP in 2022 for construction of a solar and battery facility to be owned by BVES. This project is subject to acceptance by BVES of a satisfactory proposal for the project, obtaining a permit from San Bernardino County and CPUC approval;
- BVES educates its customers on its energy rebate program, which encourages innovation and conservation and offers bill credits to customers who install solar or wind generating facilities that produce renewable energy in excess of their on-site energy use;
- Approximately 5% of the energy consumed by our electric customers is generated by customer-owned renewable energy sources (solar);
- ASUS utilizes agricultural as the sole sewage sludge disposal method by partnering with local farmers;
- ASUS operates and maintains wastewater treatment facilities that have biological nutrient removal capabilities to reduce/remove high concentrations of nitrogen and phosphorus from the wastewater stream; and
- ASUS is in compliance with the removal rates for all constituents required under its wastewater treatment plant operating permits.

Social responsibility policies and practices

Highlights of our social responsibility policies and practices include:

- Compensation for our leadership team is linked to performance on metrics for customer satisfaction, supplier diversity and employee safety;
- We seek to promote the benefits of diversity in all of our business activities and oppose discrimination of any kind with a formal nondiscrimination policy, as well as a Diversity & Inclusion Policy. Our commitment includes recruiting, hiring, and retaining employees from diverse backgrounds and experiences, creating awareness of diversity issues and benefits, and fostering a supportive environment where inclusivity is expected. Our workforce is currently representative of the U.S. workforce population in terms of ethnic diversity;
- More than one-half of our board members in 2022 were women and the chair of the board is a woman;
- 34.2% of our regulated utilities' expenditures in 2022 were with diverse suppliers, and our regulated utilities have exceeded the CPUC's targets in total for utilization of suppliers that are women, minority, disabled veteran, and lesbian, gay, bisexual and transgender business enterprises for ten consecutive years of 21.5% through 2021 and 22.0% for 2022;
- 70.5% of subcontract work at ASUS was awarded to small businesses in 2022;
- We have adopted Emergency Preparedness and Response Plans that include employee training and exercises, customer communication protocols and strategic cybersecurity and physical security initiatives;
- For the safety of the communities it serves, BVES has adopted a wildfire mitigation plan that meets California statutory requirements for such plans. This plan includes hardening critical electric utility facilities in high wildfire threat areas, increased inspection and maintenance of the transmission and distribution system, enhancing redundancies based on the estimated probability/impact of natural disasters (such as wildfires), installing sectionalizing switches to minimize the impact of public safety power shut-offs and instituting a comprehensive customer communications program in the event of a public safety power shut-off;
- We have comprehensive health and safety plans, policies and training programs to educate employees about workplace hazards and to protect employees from workplace injuries. This program was enhanced in 2020, 2021 and 2022 to cover COVID-19 risks;

- We have not made significant job cuts affecting more than 5% of our total workforce for over ten years. In 2022, there were no pay reductions and no changes in our bonus programs. Furthermore, we made no job cuts in 2020, 2021 and 2022 due to COVID-19, and we provided up to an additional 80 hours of sick time for use by employees with any COVID-19 related issues through December 31, 2022;
- We engage with our customers, community leaders and military personnel through various live and online programs, volunteer hours, and charitable contributions; and
- There were no employment-related deaths during the past five years.

STOCK OWNERSHIP

Are there any large owners of our common shares?

The following table identifies shareholders who owned more than 5% of our outstanding common shares on March 31, 2023.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class[4]
Common Shares	BlackRock Inc. 55 East 52nd Street New York, NY 10055	6,861,839[1]	18.56%
	State Street Corporation State Street Financial Center One Lincoln Street Boston, MA 02111	6,132,858[2]	16.59%
	The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	4,668,822[3]	12.63%

(1) Based on Schedule 13G/A filed with the SEC on January 26, 2023, BlackRock Inc. has sole voting power over 6,789,392 of our common shares and sole dispositive power over 6,861,839 of our common shares.

(2) Based on Schedule 13G/A filed with the SEC on February 9, 2023, State Street Corporation has shared voting power over 3,487,595 of our common shares and shared dispositive power over 3,754,493 of our common shares. In addition, SSGA Funds Management, Inc., a subsidiary of State Street Corporation, has shared voting power over 2,370,991 of our common shares and shared dispositive power over 2,378,365 of our common shares.

(3) Based on Schedule 13G/A filed with the SEC on February 9, 2023, The Vanguard Group, Inc. has shared voting power over 64,504 of our common shares, sole dispositive power over 4,571,021 of our common shares and shared dispositive power over 97,801 of our common shares.

(4) Percent of class is calculated based upon the number of our common shares outstanding on March 31, 2023, plus any shares which a person has the right to acquire on or prior to May 30, 2023.

How much stock do directors and executive officers own?

We are providing you information in the table below regarding the number of our common shares beneficially owned by our directors, nominees and executive officers as of March 31, 2023, including common shares which each director and executive officer has a right to acquire on or prior to May 30, 2023.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Sarah J. Anderson	12,794	*
Diana M. Bontá	12,582	*
Steven D. Davis	1,026	*
Thomas A. Eichelberger	—	*
Roger M. Ervin	—	*
John R. Fielder	13,217	*
Anne M. Holloway	19,659	*
Mary Ann Hopkins	2,082	*
C. James Levin	5,136	*
Janice F. Wilkins	16,739	*
Robert J. Sprowls	158,799	*
Eva G. Tang	44,219	*
Paul J. Rowley	6,142	*
Christopher H. Connor	165	*
Gladys M. Farrow	6,696	*
Directors and Executive Officers as a Group	304,886(1)	0.82%(2)

* *Less than 1%*

(1) We have not included in this table common shares relating to dividend equivalents that may be received by our directors and executive officers with respect to dividends declared by the board after March 31, 2023 or restricted stock units which the directors will have a right to acquire on the date of the 2023 annual meeting pursuant to the 2023 directors plan if shareholders approve this plan.

(2) Percent of class is calculated based upon the number of our common shares outstanding on March 31, 2023, plus any shares a person has the right to acquire on or prior to May 30, 2023.

Delinquent Section 16(a) Reports

We have adopted procedures to assist our directors and executive officers in complying with Section 16(a) of the Securities Exchange Act of 1934, including assisting directors and executive officers with preparing and filing statements on Form 3, Form 4 and, if applicable, Form 5. We believe, on the basis of our review of the statements filed by directors and executive officers in 2022, that the following statements on Form 4 were filed late:

- Ms. Farrow, Mr. Hodges, Mr. Kubiak, Mr. Pillai, Mr. Rowley, Mr. Sprowls, and Ms. Tang filed Form 4 three days late with respect to restricted stock units granted to them on February 4, 2022. In addition, Ms. Miller filed Form 4 seventeen days late with respect to restricted stock units granted to her on June 5, 2022.

PROPOSAL 1: ELECTION OF DIRECTORS

We provide information on the following pages about each of our directors, including his or her age, years of service as a director of the company, educational background, business experience, service on other boards and community service activities. The process used by the board in nominating directors is a subjective one and is based on the recommendations of the nominating and governance committee, the background, qualifications and age of each of the other members of the board, considered as a group, and the evaluation of the performance of each director based on previous service on the board, board committees and as liaisons between management and the board or a committee or otherwise working on matters specified by the board.

The ages of the directors reported on the following pages are as of March 31, 2023.

What is the experience of each nominee for election as a director?

Our board of directors has nominated three persons as class III directors for a three-year term expiring at the end of our annual meeting of shareholders in 2026 or until their successors are duly elected and qualified.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR ALL" OF THE NOMINEES LISTED BELOW.

Mr. Thomas A. Eichelberger

Independent Director

Age: 63

Director Since
February 2023

Committee(s):

Audit and Finance

Key Skills:

Accounting,
Public Utility Regulation,
Industry Knowledge,
Leadership

Background

Mr. Eichelberger had a career in public accounting for over 37 years, retiring in May 2022 as an Audit Partner at Deloitte & Touche LLP. He served complex companies with a primary focus on serving large utility holding companies with rate-regulated subsidiaries in the electric, gas, and water industries. He also served large non-regulated utility affiliates with significant investments in wind and solar projects. Prior to 2002 when he began his career at Deloitte, he was at Arthur Andersen LLP. He is a Certified Public Accountant in Florida and Georgia, a member of the American Institute of Certified Public Accountants and Georgia Society of Certified Public Accountants.

He is on the Board of Food for Thought Outreach, a local non-profit organization in Santa Rosa Beach, Florida and a former member of the Board of Directors of the Ashford Dunwoody YMCA. He was also active in the Volunteer Income Tax Assistance Program in Atlanta for many years.

He received a Master of Science in Management from Georgia Institute of Technology and a Bachelor of Science from the University of Notre Dame.

Independent Director

Age: 63

Not A Previous Director

Key Skills:

Leadership,

Government Contracting,

Audit and Finance,

Information Technology

Mr. Roger M. Ervin

Background

Mr. Ervin joins American States Water with over 35 years of experience leading public and private sector organizations including serving in various director roles. Most recently, he retired after serving as President and Chief Executive Officer of Blumont, Inc. from 2014 to 2020. Blumont provides global engineering and management support services for the US Government, UK Government and the United Nations in more than 20 countries. Prior to serving at Blumont, he was a member of the leadership team at LMI Consulting, a 50+ year old US government contractor that provides operational and infrastructure support to the US Department of Defense, Department of State and US intelligence agencies.

Mr. Ervin served as the Secretary of Revenue for the State of Wisconsin from 2007-2011 during which time he led the restructuring of agency operations, a rewrite of the state's tax code and positioned the agency for the digital age. He has had additional government experience, including serving in US Department of State, US Department of Commerce and The African Development Bank.

Currently, he serves as a Principal Partner of a small consulting firm, Rosewood Global Advisors, and as an Adjunct Professor at the Robert M. LaFollette School of Public Policy at the University of Wisconsin-Madison. He served previously as an Adjunct Professor at the University of Wisconsin School of Business instructing students on the principles of Strategic Management.

Since 2020, he has been a director and member of the audit committee of Ascendium Education Group, a non-profit and for-profit student loan corporation. He is also a member of the Board of Visitors at the LaFollette School of Public Policy and has served on the audit and finance committees of several other not for profits since 1995.

He has an MBA from the University of Wisconsin-Madison and a Bachelor of Science degree from Tulane University.

Mr. C. James Levin

Independent Director

Age: 68

Director Since: 2020

Committee(s):
Compensation (Chair),
Nominating and
Governance, ASUS

Key Skills:
Legal,
Industry Knowledge,
Corporate Governance,
Acquisitions

Background

Mr. Levin has been a corporate lawyer in Los Angeles, California for over 35 years. In June 2019, he retired from Winston & Strawn LLP where he had practiced as a corporate partner and then of counsel since joining the firm in 2010. Prior to joining that firm, Mr. Levin was a corporate partner at O'Melveny & Myers LLP, having joined the firm in 1981 as an associate.

Mr. Levin specialized in corporate law, including securities, corporate governance, and mergers and acquisitions. He served as the chair or co-chair of the mergers and acquisitions group of O'Melveny & Myers LLP for a number of years. He provided legal advice as outside counsel on various corporate matters to American States Water Company and its subsidiaries for a number of years prior to joining the board.

Mr. Levin currently serves on the Board of Trustees and is the chair of the finance committee of the Descanso Gardens Foundation, a non-profit corporation dedicated to the support and operation of this public garden in Southern California.

Mr. Levin has a BA degree from DePauw University, an MBA from Kellogg Graduate School of Management at Northwestern University and a JD from the Northwestern Pritzker School of Law.

What is the experience of our other directors?

Our Board has three class I directors with terms expiring at the end of the annual meeting in 2024.

Mr. Steven D. Davis

Independent Director

One Public Company Board

Age: 67

Director Since: 2021

Committee(s):

Audit and Finance, and Nominating and Governance

Key Skills:

Leadership,

Accounting/Finance,

Public Utility Regulation,

Industry Experience

Background

Mr. Davis has over 37 years' experience in the public utility industry. He most recently served as Corporate Group President, Utilities, of Sempra Energy from January 2017 until March 2018. As Corporate Group President he was responsible for the operations of San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCal Gas) and electric utilities in Chile and Peru. Prior to serving as Corporate Group President, he served as Executive Vice President, External Affairs and Corporate Strategy of Sempra Energy from September 2015 until December 2016. He was President and Chief Operating Officer of SDG&E from 2014 until September 2015 and has also served in various other executive positions at Sempra Energy, SDG&E and SoCal Gas, including serving as Senior Vice President, Chief Financial Officer and External Relations at SDG&E and SoCal Gas, and in other executive positions with responsibilities in the areas of investor and community relations, customer service and distribution operations.

Since 2019, Mr. Davis has been a director of Williams Industrial Services Group, Inc. He previously served as a director of SoCal Gas from November 2015 until March 2018 and as a director of SDG&E from 2011 until March 2018.

Mr. Davis has served on a number of non-profit boards of directors, including the U.S. Chamber of Commerce and Edison Electric Institute from 2015-2018 and the California Chamber of Commerce from 2012-2016. He also served on the Board of Trustees of the Campanile Foundation from 2008-2014.

Mr. Davis graduated from San Diego State University with a Bachelors of Business Administration (Accounting).

Mr. John R. Fielder

Independent Director

Age: 77

Director Since: 2013

Committee(s):

Audit and Finance (Chair), and ASUS

Key Skills:

Leadership,

Public Utility Regulation,

Industry Experience,

Information Technology

Background

Mr. Fielder has over 40 years of experience in the public utility industry. Prior to his retirement, he was President of Southern California Edison Company from October 2005 until his retirement on December 31, 2010. As President, he was responsible for operations support, customer service, information technology, environmental affairs, state regulatory and public affairs and employee relations. Prior to his position as President, Mr. Fielder held various leadership positions at Southern California Edison Company, including Senior Vice President of Regulatory Affairs for 14 years and Vice President of Information Services.

He has served on a number of not-for-profit boards during his career. He currently serves as the chairman of the Long Beach Memorial Medical Center/Hospital governing board, and previously served on the hospital's foundation board and investment committee. Since 2006, he has also served as a member of the board of the Rancho Los Cerritos Foundation, which supports a historic property and museum in Long Beach, California, and has served on the finance committee of the Foundation since 2012. He also served a two-year term as chair of the board of the Long Beach Aquarium of the Pacific in 2011 and 2012 and a term as the chair of the audit committee of the Aquarium in 2013 and 2014. In addition, he has served on the board development committee of Long Beach BLAST, a program to connect college students with youth facing adversity. He has also served on various industry association boards during his career.

He has a BA degree from the University of California, Santa Barbara, an MBA from the University of California, Los Angeles, and a law degree from Pepperdine School of Law.

Ms. Anne M. Holloway

Chairman of the Board of Directors

Independent Director

Age: 70

Director Since: 1998

Committee(s):

Non-voting ex-officio member of all committees

Key Skills:

Leadership,

Finance,

Strategic Planning,

Corporate Governance

Background

Ms. Holloway is retired. She was a partner at Navigant Consulting, Inc., a provider of financial and strategic consulting services to Fortune 500 companies, governments and governmental agencies from 1999 to 2000. She served as President of Resolution Credit Services Corp., a subsidiary of Xerox Financial Services, from 1992 to 1999 where she was responsible for, among other things, the successful resolution of financial guarantees on troubled tax-exempt bonds, the restructuring of debt and negotiation with the Resolution Trust Corporation. She also served as Chief Operating Officer of International Insurance Company, another company in the Resolution Group, where she was responsible for operations, human resources and technology. Prior to joining the Resolution Group, Ms. Holloway held various management positions with Shawmut National Corporation, a financial services company.

She currently serves on the board and the finance and audit committee of the Michael J. Fox Foundation for Parkinson's Research. She served as the chair of the Board of Trustees of Sacred Heart Schools in Atherton, California from 2008 to 2012. After she completed her chair role, she continued to support the school on the site management and development committees until 2013. Until 2018, she had served as co-chair for the nominating and governance committee for City Year San Jose/Silicon Valley, a national organization that works with AmeriCorps volunteers to reduce dropout rates and improve high school proficiency locally in San Jose, California.

She holds a BA degree from Newton College of the Sacred Heart and an MBA from Boston University. She has completed the Harvard Business School Executive Management program. In December 2018, she completed the Distinguished Careers Institute at Stanford University.

Our Board has three class II directors with terms expiring at the end of the annual meeting in 2025.

Dr. Diana M. Bontá

Independent Director

Age: 72

Director Since: 2007

Committee(s):

Nominating and Governance (Chair), Compensation

Key Skills:

Leadership, Public Relations, Government, Corporate Governance

Background

Dr. Bontá has been the President and Chief Executive Officer of The Bontá Group since June 2013. The Bontá Group provides consulting services in the healthcare area. Previously, Dr. Bontá served as the President and Chief Executive Officer of The California Wellness Foundation, a private independent foundation with a mission to improve the health of people in California. She has also served as the Vice President of Public Affairs of the Kaiser Foundation Health Plan and Hospitals, Southern California Region, where she was responsible for setting the Region's public policy agenda and providing leadership and oversight of public affairs programs and support for Kaiser Permanente's external communications and reputation management. Dr. Bontá also served as the first Latina director of the California Department of Health Services. Prior to serving as director of the California Department of Health Services, Dr. Bontá served as director of the Department of Health and Human Services of the City of Long Beach, California.

She has been a trustee of the Annie E. Casey Foundation since 2008. She is also a board member of the New Hope Medical Foundation, and has been a member of the board of directors and of the foundation board of trustees at Children's Hospital of Los Angeles since 2019. Previously, Dr. Bontá was a board member at the Archstone Foundation from 2009-2021 and had served as the chair of its board of directors and audit committee.

She has served as a commissioner of the City of Los Angeles Board of Fire Commissioners as an appointee of Mayor Antonio Villaraigosa, and as a director/trustee of the Charles R. Drew University of Medicine and Science. She served as a director/trustee on the Department of Health and Human Services Minority Health Committee, as an appointee of both California Governors Gray Davis and Arnold Schwarzenegger to the Board of Trustees of the Health Professions Education Foundation.

She holds doctorate and master's degrees in public health from the University of California, Los Angeles (UCLA). She has held an appointment as an adjunct professor at UCLA's School of Public Health since 1999 and is a registered nurse.

Independent Director

Age: 58

Director Since: 2019

Committee(s):

ASUS (Chair) and Compensation

Key Skills:

Leadership,

Engineering,

Government Contracting,

Strategic Planning

Ms. Mary Ann Hopkins

Background

Ms. Hopkins has over 33 years of progressive experience in engineering and management with an emphasis on infrastructure, water, environmental, defense, security and intelligence markets, including serving the U.S. government. She has served in several leadership positions at Arcadis NV, a global design, engineering and consulting company based in the Netherlands, since 2016. She is currently the Chief Growth Officer and a member of the Arcadis Executive Leadership Team and is responsible globally for Strategy, Sales and Business Development and Marketing and Communications. From 2012 until 2016, she was a Group President of Parsons Corporation, an international engineering, construction, technical and management services firm whose customers include the U.S. government. As Group President, she was responsible for worldwide operations of the Federal Unit of Parsons serving the primary markets of infrastructure, environmental, defense, security and intelligence. Prior to her promotion to Group President, she has served in various other executive and management capacities at Parsons since 1989.

She has been a member of the board of directors and the audit, risk and compliance committee and the finance committee at Blumont since 2016. Blumont provides global engineering and management support services primarily for the US Government, UK Government and the United Nations in more than 20 countries and includes delivering humanitarian assistance, building infrastructure and creating economic opportunities.

She has a BS and a master's degree in civil engineering from Syracuse University and attended the Advanced Management Program at Duke University. She is a registered Professional Engineer in Virginia.

Mr. Robert J. Sprowls

President and Chief Executive Officer

Age: 65

Director Since: 2009

Committee(s):

ASUS

Key Skills:

Leadership,

Industry Experience,

Accounting/Finance,

Strategic Planning

Background

Mr. Sprowls is the sole management member of the board of directors and has served as President and Chief Executive Officer of the company since 2009 and Chief Financial Officer (CFO) for more than four years prior to that. He also has served as President and Chief Executive Officer of subsidiaries Golden State Water Company and American States Utility Services, Inc. and its subsidiaries since 2009. Mr. Sprowls has more than 35 years of experience in business strategy, operations management, corporate finance and business problem-solving for regulated utilities, utility holding companies and highly competitive, non-regulated utility affiliates. Prior to joining American States Water Company, Mr. Sprowls spent 21 years at CILCORP Inc., or CILCORP, a public utility holding company whose largest subsidiary, Central Illinois Light Company, served approximately 250,000 electric and gas utility customers. During his tenure with CILCORP, Mr. Sprowls held positions as President, Business Unit Leader – Energy Delivery, CFO and Treasurer of Central Illinois Light Company, CFO of a non-regulated subsidiary of CILCORP, QST Enterprises Inc., and Vice President and Treasurer of CILCORP. Mr. Sprowls left CILCORP and Central Illinois Light Company following the sale of the company to Ameren Corporation in 2003.

He is currently a member of the board of directors of the National Association of Water Companies, a non-profit organization representing private water companies, and has previously served as its President and a member of its Executive Committee. He has served on the board of directors of CILCORP Inc. and Central Illinois Light Company. He has been a member of the Southern California Leadership Council, past chairman and a member of the board of directors of the Illinois Energy Association, a past chairman and a member of the board of directors of Goodwill Industries of Central Illinois and a committee chairman for the Heart of Illinois United Way Campaign.

He holds a BA degree in economics and business administration from Knox College in Illinois and a master's degree in business administration with a concentration in accounting and finance from Bradley University, also in Illinois. He is a Certified Public Accountant (inactive) and a Certified Management Accountant.

Ms. Anderson retired from the board on February 8, 2023.

Ms. Sarah J. Anderson

Independent Director

Age: 72

Director Since: 2012

Committee(s):

Audit and Finance

Key Skills:

Accounting,

Internal Controls,

Corporate Governance,

Leadership

Background

Ms. Anderson retired from Ernst & Young LLP in 2008 where she served for 24 years, 21 years of which she served as an advisory services partner. She served many clients, both public and private, across various industries, including utilities, government and service industries. Ms. Anderson served in multiple leadership positions at Ernst & Young LLP, including serving as the managing partner of both the company's Orange County and Riverside offices.

She previously served on the board of directors from 2012 through 2022 and was the audit committee chair of Reliance Steel & Aluminum Company as well as a member of their nominating and governance committee. She previously served on the board of managers of Kaiser Ventures, LLC as the chair of its audit committee from November 2010 until its liquidation in May 2013.

She is a life director of the Pacific Symphony after serving as an active board member for 15 years. She served as chair of the board of the Pacific Symphony from 2009 to 2013. She previously served on the board of the South Coast Repertory Theater from 2015 - 2022 and had served as vice chair of development for the theater and on its finance committee.

She has been recognized by the Orange County Business Journal as a leading woman in business and has previously been honored with the Athena Award as a Business Woman of Achievement by the YWCA and the Greater Riverside Chambers of Commerce.

She has a BS degree in business administration with a concentration in accounting from Northeastern University. She is a licensed California CPA (inactive) and is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. She also served on the California Board of Accountancy from 2006 until 2013.

Ms. Wilkins will be retiring from the board after the 2023 annual meeting. She will continue to serve as a Class III director of the board until her successor is duly elected to the board at the 2023 annual meeting.

Independent Director

Age: 78

Director Since: 2011

Committee(s):

Audit and Finance, ASUS and ERM Liaison

Key Skills:

Accounting/Finance,

Internal Audit,

Corporate Governance,

Leadership

Ms. Janice F. Wilkins

Background

Ms. Wilkins retired as Vice President of Finance and the Director of Internal Audit for Intel Corporation in June 2010 where she was responsible for global internal audit, investigations, and ethics and compliance operations staffs. During her 29-year career with Intel, she held various operational and corporate finance controllership, management and executive positions and managed the human resource organization responsible for U.S. compensation and benefits.

She has been a member of the Institute of Internal Auditors and Financial Executives International. She has also been involved in professional organizations such as the Conference Board, the Audit Director Roundtable, the Compliance and Ethics Leadership Council of the Corporate Executive Board, the General Auditors' Council of Manufacturers' Alliance and the National Association of Corporate Directors.

She served as a member of the Board of Trustees and the audit committee of Golden Gate University. She also previously served as a member of the Board of Trustees of Sacred Heart Schools in Atherton, California, where she chaired the audit committee from 2008-2013. In addition, she was a member of the Links, Inc., an organization that promotes and engages in educational, civic and inter-cultural activities to enrich the lives of members of the African-American community. She served on the Executive Board and as Treasurer of the Peninsula Bay Chapter of the Links, Inc. Ms. Wilkins was a member of the Board of Trustees of her alma mater, Xavier University, in New Orleans where she chaired the business affairs committee. Ms. Wilkins has also served as a member of the Finance Council of St. Pius Church in Redwood City, California.

In 2001, Ms. Wilkins was recognized by *Ebony Magazine* as one of the top-ranking African American women in corporate America. In 2004, she was named Outstanding Businesswoman of the Year by the Gamma Nu Chapter of Iota Lambda Sorority, with recognition from the U.S. Senator from California, a California State Senator, and the Mayor of San Francisco.

Ms. Wilkins holds a BS degree in accounting from Xavier University in New Orleans, Louisiana, and an MBA from Golden Gate University in San Francisco, California.

***

How did we compensate our directors in 2022?

We paid fees to each of our directors quarterly in cash and made awards of restricted stock units to our directors in 2022 pursuant to the terms of the 2013 directors plan. We also reimbursed each of our directors in 2022 for expenses incurred in the performance of his or her duties as a director.

DIRECTOR(1) COMPENSATION FOR 2022

Name	Fees Paid or Earned in Cash ($)	Stock Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Anne M. Holloway	$225,000	$40,000	$97	$265,097
Sarah J. Anderson	139,378	40,000	773	180,151
Dr. Diana M. Bontá	146,500	40,000	97	186,597
Steven D. Davis	138,907	40,000	97	179,004
John R. Fielder	152,522	40,000	462	192,984
Mary Ann Hopkins	144,637	40,000	97	184,734
C. James Levin	157,500	40,000	97	197,597
Janice F. Wilkins	146,000	40,000	1,157	187,157

(1) Mr. Sprowls, the president and chief executive officer of the company in 2022, was also a director of the company. We did not pay him any additional compensation for his services as a director or member of any committee.

(2) The amounts in this column reflect the aggregate fair value of the awards on the grant date, computed in accordance with FASB's accounting guidance ASC Topic 718. We provide information regarding the assumptions used in calculation of these amounts in Note 13 to our audited financial statements for the year ended December 31, 2022 in our Annual Report on Form 10-K filed with the SEC. We did not make any other form of stock award to any director in 2022.

(3) We provide our board members and the executive officers of the company and its subsidiaries a blanket accident insurance policy. The policy is intended to provide coverage for traveling on company business or on assignment for the benefit of our company and its subsidiaries. We allocated the premiums paid for blanket accident insurance equally to our board members and executive officers of the company and its subsidiaries. We also compensate our board members for the related cost of travel and meals of their spouses when attending regular board and committee meetings.

Director Fees

We paid fees to non-employee directors of the board in 2022 for services rendered on the following basis, payable in equal quarterly installments:

- to each non-employee director, an annual retainer of $125,000 for service on the board;
- to Ms. Holloway, an additional annual retainer of $100,000 for her services as chair of the board;
- to Ms. Anderson, additional retainers of $8,963 for her services as chair of the audit and finance committee from January 1, 2022 to May 23, 2022 and $5,415 for her services as a member of the audit and finance committee thereafter;
- to Dr. Bontá, additional annual retainers of $14,000 for her services as chair of the nominating and governance committee and $7,500 for her services as a member of the compensation committee;
- to Mr. Davis, additional partial year retainers of $2,967 for his services as a member of the compensation committee from January 1, 2022 to May 23, 2022, and $5,440 for his service as a member of the audit and finance committee from May 24, 2022 to December 31, 2022, and an additional annual retainer of $5,500 for his services as a member of the nominating and governance committee;

- to Mr. Fielder, additional retainers of $13,599 for his services as chair of the audit and finance committee from May 24, 2022 to December 31, 2022 and $3,560 for his services as a member of the audit and finance committee prior to his appointment as chair, and additional retainers of $6,132 for his service as chair of the ASUS committee from January 1, 2022 to May 23, 2022 and $4,231 as a member of ASUS committee thereafter;
- to Ms. Hopkins, additional retainers of $9,368 for her services as chair of ASUS committee from May 24, 2022 to December 31, 2022 and $2,769 for her services as a member of the ASUS committee prior to her appointment as chair, and an additional annual retainer of $7,500 for her services as a member of the compensation committee;
- to Mr. Levin, additional annual retainers of $20,000 for his services as chair of the compensation committee, $5,500 for his services as a member of the nominating and governance committee and $7,000 for his services as a member of ASUS committee; and
- to Ms. Wilkins, additional annual retainers of $9,000 for her services as a member of the audit and finance committee, $7,000 for her services as a member of the ASUS committee and $5,000 for serving as the ERM liaison.

Stock Awards

We granted restricted stock units to each non-employee director on the date of the annual meeting in 2022 for services rendered as a director in an amount equal to an amount established by the board prior to the annual meeting divided by the closing price of our common shares on the trading day immediately preceding the date of the annual meeting as shown on *The Wall Street Journal* website (www.wsj.com).

Restricted stock units granted vested 90 days after the grant date. Until vested, each non-employee director received restricted stock units on the dividend record date in an amount equal to the cash dividends payable on this date on a number of shares equal to the aggregate number of restricted stock units credited to each non-employee director's restricted stock unit account divided by the closing price of our common shares on the dividend payment date, as shown on *The Wall Street Journal* website (www.wsj.com), which we refer to as dividend equivalents.

Each non-employee director who received an award of restricted stock units in 2003 through 2008 in the form of retirement stock units was also credited in 2022 with restricted stock units on each dividend record date in an amount equal to the cash dividends payable on this date on a number of shares equal to the aggregate number of undistributed restricted stock units credited to each non-employee director's restricted stock unit account divided by the closing price of our common shares on the dividend record date, as shown on *The Wall Street Journal website* (www.wsj.com). Dr. Bontá and Ms. Holloway are the only current directors who have received awards of retirement stock units.

Other Compensation Plans for Directors

We have no incentive compensation, deferred compensation or pension plans for non-employee directors.

What are our stock ownership guidelines for directors?

Requirement	Restrictions
3X Annual Retainer	No Sale Until Guidelines Met

Under our director stock ownership guidelines, we have requested each non-employee member of our board to accumulate and hold common shares of the company, restricted stock units or other equity equivalents (other than stock options) granted by the company equal in value to at least three times his or her annual retainer for board service. Non-employee directors are also prohibited from selling or transferring common shares acquired by vesting of restricted stock units until he or she satisfies these requirements. The nominating and governance committee may suspend or adjust these guidelines if the nominating and governance committee determines that the guidelines are unduly burdensome by reason of personal circumstances affecting a director, are unduly affected by temporary declines in the price of our common shares or there has been a recent change in the compensation of directors. We have not exempted any of our directors from compliance with these guidelines. We consider these guidelines to have been satisfied once the minimum ownership requirements have been satisfied regardless of subsequent changes in the market value of our common shares. Each member of our board in 2022, other than Mr. Davis and Ms. Hopkins, owns common shares, restricted stock units or other equity equivalents granted by the company at least equal in value to three times his or her annual retainer. As a result, neither can sell any of our common shares acquired upon vesting of restricted stock units until they meet this threshold. Ms. Hopkins was elected to the board at the 2019 annual meeting and Mr. Davis was elected to the board in 2021.

EXECUTIVE OFFICERS

What has been the business experience of our executive officers during the past five years?

We have set forth the principal occupation of each of our executive officers in the following table. Unless otherwise specified, the principal position of the executive officer is with American States Water Company. Mr. Sprowls, Ms. Tang and Ms. Farrow are also officers of each of our direct and indirect subsidiaries, other than Bear Valley Electric Service, Inc. The age of each executive officer is current as of March 31, 2023.

EXECUTIVE EXPERIENCE TABLE

Name	Principal Occupation and Experience	Age	Held Current Position Since
Robert J. Sprowls	President and Chief Executive Officer	65	January 2009
Eva G. Tang	Senior Vice President – Finance, Chief Financial Officer, Corporate Secretary and Treasurer(1)	67	November 2008
Paul J. Rowley	Senior Vice President – Regulated Water Utility of Golden State Water Company; Vice President – Water Operations of Golden State Water Company from January 2016 until November 2021	58	December 2021
Christopher H. Connor	Senior Vice President of American States Utility Services, Inc. and its subsidiaries; Vice President at Jacobs Engineering Group Inc. from 2016 until February 2022	52	February 2022
Gladys M. Farrow	Vice President – Finance, Treasurer and Assistant Secretary of Golden State Water Company and Treasurer and Assistant Secretary of American States Utility Services, Inc. and its subsidiaries(2)	58	November 2008
Patrick M. Kubiak	Vice President – Asset Management of Golden State Water Company; Field Technology Services Manager of Golden State Water Company from August 2018 until March 2021; Associate Director of Navigant Consulting, Inc. from 2014 until 2018	39	April 2021
Susan P. Miller	Vice President of American Sates Utility Services, Inc. and its subsidiaries; Director of Operations at American States Utility Services, Inc. and its subsidiaries from January 1, 2018 through May 2022, Utility Manager at American States Utility Services, Inc. and its subsidiaries from January 1, 2016 through December 31, 2017	55	June 2022
Jon G. Pierotti	Vice President – Regulatory Affairs of Golden State Water Company; Regulatory Affairs Manager of Golden State Water Company from June 2016 until March 2022	39	March 2022
Sunil K. Pillai	Vice President – Environmental Quality of Golden State Water Company; Water Quality Manager of Golden State Water Company from October 2015 until February 2020	54	February 2020
David R. Schickling	Vice President – Operations of Golden State Water Company; General Manager of Golden State Water Company from August 2019 until June 2022; Director of	65	July 2022

Public Works at the City of Whittier from March 2016 until April 2019

(1) Ms. Tang is not the Treasurer at any of the subsidiaries of American States Water Company.

(2) Ms. Farrow also serves as Assistant Secretary of American States Water Company.

Compensation Discussion and Analysis

In this section, we describe the philosophy and objectives of our executive compensation programs, explain the compensation decision-making process, summarize the individual components of total compensation for our named executive officers and provide you with our assessment of our compensation program in 2022. We provide more detailed information regarding the compensation paid to our named executive officers during the past three years in the tables following this section and in the narrative discussion after each of these tables. For 2022, our named executive officers and their positions included:

- Robert J. Sprowls, President and Chief Executive Officer;
- Eva G. Tang, Senior Vice President – Finance, Chief Financial Officer, Corporate Secretary and Treasurer;
- Paul J. Rowley, Senior Vice President – Regulated Water Utility of Golden State Water Company;
- Christopher H. Connor, Senior Vice President – American States Utility Services, Inc., and
- Gladys M. Farrow, Vice President – Finance, Treasurer and Assistant Secretary of Golden State Water Company.

We also provide information comparing our performance to our peer group. You can find information about the composition of our peer group in this section under the heading “Compensation Committee Process.” The compensation committee made its decisions regarding compensation of our named executive officers in 2022 based, in part, on this peer group information. We have compared our financial performance during the past three and five years to members of our peer group.

Financial Highlights

The company’s recorded consolidated diluted earnings in 2022 of $2.11 per share (GAAP measure) was adversely affected by the impact of a delay in receiving a final decision from the CPUC on determining GSWC’s rates for the years 2022 - 2024 (the Delay), which would have increased 2022’s consolidated diluted earnings by approximately $0.38 per share based on the settlement agreement reached by GSWC with the Public Advocates Office at the CPUC in November 2021. The company will retroactively record rates for the full year 2022 when the CPUC decides the general rate case. Furthermore, included in the 2022 results were significant losses of $5.2 million, or approximately $0.10 per share on investments held to fund one of the company's retirement plans due to financial market conditions. If GSWC had timely received a decision on its general rate case based on the settlement agreement and excluding the investment losses, the company would have achieved an adjusted diluted earnings of $2.59 per share (non-GAAP measure). For the 10-year period ended December 31, 2022, the company achieved a compound annual growth rate (CAGR) of 4.1% in its recorded consolidated diluted earnings per share or a CAGR of 6.3% as adjusted for the Delay and the investment losses. It also achieved a 9.2% CAGR in dividends during the 10-year period.

Over the past five years, we also achieved a:

- 2.3% CAGR in consolidated diluted earnings per share, or 8.2% as adjusted if there had been no Delay and no investment losses in 2022, and adjusted for a one-time gain on the sale of assets in 2017 totaling $8.3 million or $0.13 per share;
- 8.9% CAGR in dividends, and
- 7.7% CAGR in net utility plant at the regulated utilities (invested $690.7 million in company-funded capital expenditures).

Additional facts regarding the company’s financial performance can be found under the heading “Financial Reports” on the company’s website at www.aswater.com.

The following table compares our cumulative total shareholder return, including reinvested dividends, for the five years ended December 31, 2022 to the cumulative total shareholder return, including reinvested dividends, for the same period of the S&P 500 and the members of our 2022 peer group.

Approach to Compensation

The compensation committee desires to implement the company's executive compensation program in a manner that will enable the company to:

- attract, retain and motivate talented and experienced executives;
- provide fair, equitable and reasonable compensation to each executive officer;
- reward job performance; and
- further align the interests of our executive officers with those of our shareholders and customers.

We also link compensation for our executives to performance on metrics for customer satisfaction, supplier diversity, employee safety and capital investment for reliability and water quality.

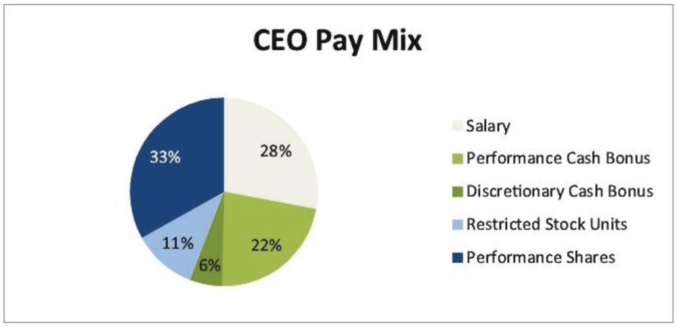
Executive Compensation Practices at a Glance

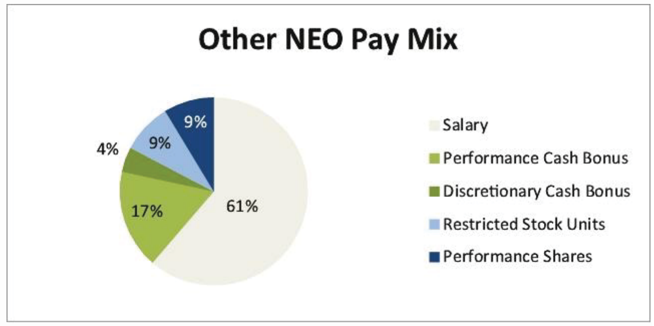
WHAT WE DO	WHAT WE DO NOT DO
✓ **Pay for Performance Absolute and Relative:** We link pay to performance and shareholder and customer interests by weighting a portion of total direct compensation to the achievement of a balanced mix of performance metrics, both internal and relative to our peers, established in advance by the compensation committee	✗ **No Employment Agreements:** We do not have employment agreements with any of our executive officers
✓ **Generally, at least 50% of Long-Term Equity Awards Are Performance-Based:** At least 75% of long-term equity awards to the CEO have been in the form of performance shares tied to three-year performance objectives. Generally, at least 50% of long-term equity awards to executive officers are in the form of performance shares tied to three-year performance objectives	✗ **No "Single Trigger" Cash Severance Payments, Equity Awards or Tax Gross Ups:** We do not have "single trigger" cash severance payments or equity awards paid solely because of the occurrence of a change of control event and do not provide tax gross ups
✓ **Thoughtful Peer Group Analysis:** The compensation committee reviews external market data when making compensation decisions and annually reviews our peer group with our independent compensation consultant	✗ **No Hedging in Company Securities:** We have a policy prohibiting executives and directors from engaging in any hedging transaction with respect to company equity securities
✓ **Compensation Risk Assessment:** The compensation committee conducts an annual assessment of whether the company's executive or broad-based compensation programs encourage excessive risk taking	✗ **No Pledging Company Securities:** We have a policy generally prohibiting pledges of company securities by our executives and directors unless the nominating and governance committee approves in advance. No officer or director has pledged shares since the policy was implemented
✓ **Stock Ownership Guidelines:** Executives are subject to stock ownership guidelines equal to a multiple of their annual base salaries (3x for the CEO, 1.5x for senior vice presidents and 1x for vice presidents); directors are also subject to stock ownership guidelines and restrictions on sales of common shares until they own stock equal to 3x their annual cash retainer	✗ **No Repricing, Repurchasing or Discounting of Options:** We do not reprice or repurchase underwater awards and we do not grant options at a discount to fair market value on the date of grant
✓ **"Clawback" Policy:** Our clawback policy provides for the recoupment of cash and stock incentive compensation from an executive officer if, as a result of a financial restatement, the compensation committee determines that the company would have paid the executive officer less than he or she was paid prior to the restatement	✗ **No Guaranteed Bonuses:** We do not provide guaranteed minimum bonuses or uncapped incentives under our annual cash incentive plan

2022 Pay Mix

The principal elements of our compensation program include a base salary, annual cash incentives (a portion of which is based on achieving financial, operational and customer service objectives during the year), and annual equity grants (a portion of which is based on achieving financial and operational performance objectives during a three-year performance period). We refer to the combination of these elements of compensation as total direct compensation.

The compensation committee set the target percentages presented in the charts below for each component of total direct compensation in 2022 based on 26 pay periods, assuming that each named executive officer would earn the aggregate target during the year in annual cash incentives and at the target level following the end of the three-year performance period for the performance stock awards. As these charts show, approximately 72% and 39% of target total direct compensation (salary, bonus and equity) is variable (or at-risk) for our CEO and other named executive officers (NEO), respectively.





In determining the target percentages for each component of total direct compensation, the compensation committee considered the practices of our 2022 peer group, how well the company's pay levels are aligned with performance compared to the company's 2022 peer group, the views and practices of the CPUC in setting rates, the practices of the two water utilities regulated by the CPUC that are members of our 2022 peer group, the preference of proxy advisory firms for significant portions of total direct compensation to consist of variable pay based on the satisfaction of objective performance targets and the prior year's performance of the executive officer. The compensation committee also believes that it is generally important for more of the compensation of the chief executive officer to be dependent on performance than that of the other executive officers.

The mix of total direct compensation awarded in 2022 which will be received by a named executive officer (which does not include the actuarial calculation of the change in pension value or other compensation shown in the Summary Compensation Table) may be different from the target mix depending upon a variety of factors, the value of some of which cannot yet be determined. The factors affecting actual total direct compensation awarded in 2022 that have not yet been determined include:

- the company's financial and operational performance for the three-year performance period with respect to the performance measures set forth in the executive's applicable performance stock award agreement for this period;
- the value of the company's common shares upon the vesting of time vested restricted stock units awarded to the executive in 2022 and the value of dividend equivalent rights on dividends paid after 2022 on these restricted stock units (no restricted stock units awarded to an executive in 2022 vested in 2022); and
- the value of the company's common shares following the determination of the number of common shares to be received by a named executive officer based upon satisfaction of the objective performance criteria set forth in the performance stock award agreements for the three-year performance period and the time vesting of these awards, together with the value of any dividend equivalent rights thereon.

Alignment of CEO Pay with Performance

During the review of our overall executive compensation program in January 2022 and January 2023, our consultant (Pearl Meyer) reviewed the relationship between realizable total direct compensation of our CEO and our performance for the three, three-year periods ended December 31, 2020, December 31, 2021 and December 31, 2022. These reviews were conducted to assist the compensation committee in understanding the degree of alignment between realizable total direct compensation delivered to the CEO during these three-year periods and our performance relative to our peer group. For purposes of this review, company performance is defined as total shareholder return (including reinvested dividends) over the respective three-year period. For the three-year period ended December 31, 2021, total direct peer group realizable compensation is defined as the sum of:

- Actual base salaries paid over the three-year period ended December 31, 2021;
- Actual short-term cash incentives (bonuses) earned over the three-year period ended December 31, 2021;
- Cumulative “in-the-money” value as of December 31, 2021 of any stock options granted over the prior three-year period;
- Cumulative value as of December 31, 2021 of any restricted shares or restricted stock units granted over the prior three-year period and payouts of performance shares made for completed performance periods; and
- The value as of December 31, 2021 of any performance shares at target for any incomplete performance periods.

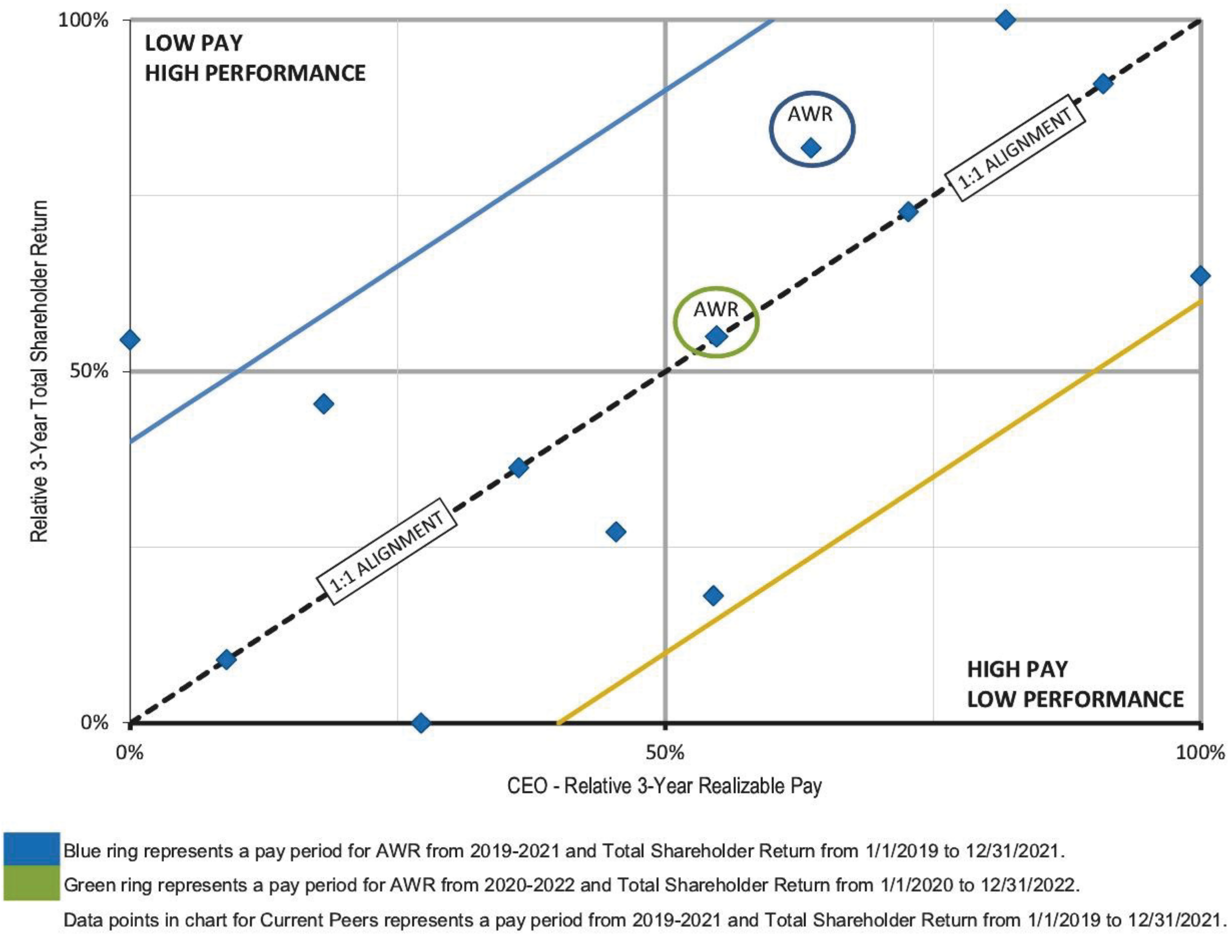
As a second comparison, we also reviewed our CEO’s pay for performance using realizable pay from January 1, 2020 to December 31, 2022 compared to total shareholder return (including reinvested dividends) over the same period. Peer company pay is based on 2020 and 2021 actual pay with an estimate of 2022 pay equal to 2021 since 2022 pay information for most of our peers was not available at the time of this analysis.

For all performance periods, the company’s performance has been equal to or greater than its relative CEO pay rank for the peer group. We believe that this indicates an efficient compensation plan design relative to performance achieved.

Performance Period(1)	Total Shareholder Return Relative Rank	Pay Relative Rank (CEO)
2018–2020	91st Percentile	73rd Percentile
2019–2021	82nd Percentile	64th Percentile
2020–2022	55th Percentile	55th Percentile

(1) 2019-2021 and 2020-2022 performance periods are compared to the current peer group. 2018-2020 performance period is compared to our 2022 peer group comprised of Allete, Inc., California Water Service Group, Chesapeake Utilities Corporation, Essential Utilities, Inc., MGE Energy, Inc., Northwest Natural Holding Company, Northwestern Corporation, Otter Tail Corporation, SJW Group, South Jersey Industries, Inc., and Unitil Corporation.

The following chart further illustrates the pay for performance analysis of our CEO using realizable pay relative to each member of our current peer group over the two pay periods, 2019-2021 and 2020-2022.



Compensation Committee Process

The compensation committee annually reviews our executive compensation program in order to assess whether the program continues to meet the objectives of the program. The compensation committee typically engages a compensation consultant to assist the committee.

The compensation committee engaged Pearl Meyer in August 2011 as a compensation consultant to the committee. After a consideration of the merits of engaging a new compensation consultant compared to the benefits of retaining Pearl Meyer and an independence assessment of Pearl Meyer, the committee decided to extend the engagement of Pearl Meyer for 2022. In conducting its independence assessment, the compensation committee concluded that no conflicts of interest existed between the company and Pearl Meyer (or any individuals working on the company's account on behalf of Pearl Meyer). We provide additional information regarding this assessment under the heading "Compensation Committee - Is our compensation consultant independent?"

The compensation committee considers compensation information from a selected group of companies by first reviewing the performance of our executive compensation program in the prior year and then determining executive compensation for the current year. As part of the process of selecting a peer group, Pearl Meyer identifies and selects a peer group of companies with input from management. The final peer group in each year is then approved by the compensation committee.

Our current peer group is presented below:

ALLETE, Inc.	Northwest Natural Holding Company
Avista Corporation	Northwestern Corporation
California Water Service Group	Otter Tail Corporation
Chesapeake Utilities Corporation	SJW Group
Essential Utilities, Inc.	South Jersey Industries, Inc.
MGE Energy, Inc.	

Owing to the limited number of similarly sized water utilities (with annual revenues between $100 million and $2.25 billion), a group of companies was selected as our current peer group based on similarity in industry (water, gas and electric utilities) and size. Avista Corporation was added to our current peer group and Unitil Corporation was excluded from our current peer group so that the market capitalization of the company would be closer to the 50th percentile of the peer group of companies. The peer group of companies used in determining executive compensation in 2021 and 2022 included Unitil, but did not include Avista Corporation.

Three members of the current peer group are principally in the water industry, two of which are also regulated by the CPUC, the regulator of the company's principal subsidiary. The compensation committee often gives greater weight to the practices of the two CPUC-regulated companies since the company competes with these companies for executive talent and is subject to similar regulatory oversight. In addition, the compensation committee believes that the financial and operational performance of these companies and the compensation programs of these companies are particularly relevant since the ability of these companies to earn their authorized rate of return and to obtain rate adjustments for changes in employee compensation are also affected to some extent by the rules, regulations and practices of the CPUC. These companies are, to some extent, also affected by the same weather, climate and economic conditions as the company. The other companies in our current peer group are utilities or utility holding companies.

The compensation committee considered the competitive assessment of the company's executive compensation program provided by Pearl Meyer in January 2022 based on information derived by Pearl Meyer from the peer group and Towers Watson-2021 Top Management Compensation Survey (all industries) and two confidential/proprietary general industry surveys. The survey information was summary in nature, did not identify any particular company and did not contain any information regarding the compensation program of any particular company. Accordingly, the compensation committee did not consider the compensation practice of any company, other than the compensation practices of members of our 2022 peer group in January 2022, in designing any of the company's compensation plans.

Pearl Meyer noted in the competitive assessment provided to the compensation committee that, in the aggregate, actual total direct compensation of the executive officers of the company was below the 50^{th} percentile. Target total direct compensation was set between the 25^{th} and 50^{th} percentile. All the members of the company's peer group used a mix of financial and non-financial goals in determining both short-term incentive and long-term incentive compensation of executives. Nine of the members of the company's 2022 peer group also used both performance-based and time-based vehicles in granting stock awards, although the company's CEO long-term incentive compensation is slightly more weighted towards performance-based compensation than its peers. The other two peers used performance-based long-term incentive awards exclusively.

In addition to the information provided by Pearl Meyer, the compensation committee considered:

- the chief executive officer's subjective assessment of the company's performance and the performance of individual executive officers;
- the recommendations of the chief executive officer for adjustments in the base salary and incentive compensation of other executive officers;
- a subjective assessment by individual directors of the company's performance and the performance of the chief executive officer and other members of the management team;
- a subjective assessment of whether the company's compensation program properly incents management;
- objective measures of the company's financial, operational and customer service performance established in the company's short-term incentive program;
- objective measures of the company's financial performance used in establishing performance criteria for performance stock awards under the company's employee stock plan;
- the views of proxy advisory firms; and
- the views of the CPUC regarding the company's compensation programs or practices, to the extent known.

Risk Consideration

The compensation committee has conducted a review of the company's incentive compensation programs, the safeguards in place to prevent fraud by management in manipulating the company's compensation programs and the potential risks associated with certain scenarios assuming management misreported the company's performance for the purposes of inflating results under the company's incentive compensation plans. The compensation committee has also considered whether the company's overall compensation program encourages unnecessary or excessive risk taking and has concluded that it does not.

Pay Mix

Base salaries, which constitute the largest component of total direct compensation for all employees of the company, other than the CEO, are fixed in amount and thus should not encourage excessive risk taking.

Balanced Performance Measures

The compensation committee considers a variety of factors in awarding additional cash compensation based on the performance of its executive officers, including factors based on earnings performance, customer satisfaction, employee safety, supplier diversity, improvements in operations and internal controls. The committee believes that, because of this mix of factors, the company's short-term cash incentive program appropriately balances risk and the committee's desire to compensate executives for accomplishments that are important to the company's customers and shareholders.

The compensation committee also makes awards of restricted stock units and performance stock to executive officers. Restricted stock units and performance stock awards granted vest at the rate of 33% in the first year, 33% in the second year and 34% in the third year and, with respect to performance stock awards, provide for determination of whether the performance criteria have been satisfied after the end of a three-year performance period, subject to limited exceptions. In addition, we may not repurchase any options granted to any executive officer or manager or reprice any options awarded to any executive officer or manager. The compensation committee believes that these features of our equity plans further discourage excessive risk taking by executives. In addition, the vesting schedule serves as a retention vehicle for executive officers and managers.

Recoupment Policy

In order to mitigate risks that may be associated with performance-based compensation, the compensation committee maintains a clawback policy to recoup cash and equity performance-based compensation payments if:

- we calculated the amount of the compensation based on achieving financial results that were subsequently subject to an accounting restatement due to material noncompliance with a financial reporting requirement under the securities laws,
- we identified the need for the accounting restatement within three years after the date of the filing of financial results that were subsequently restated, and
- we would have paid a lesser amount to the executive officer based on the restated financial results.

All awards made to executives under our 2016 plan and all awards made under our short-term cash incentive plan are subject to this policy and any rights to repayment that the company may have under Section 304 of the Sarbanes-Oxley Act of 2002 and other applicable laws.

In February 2023, the New York Stock Exchange approved new rules regarding the recoupment of performance-based compensation in the event that a company is required to prepare an accounting restatement due to material non-compliance with any financial reporting requirements under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. These rules become effective 60 days after the SEC approves the new rules. We intend to revise our recoupment policy to comply with these rules prior to the effective date.

Anti-Hedging Policy; Anti-Pledging Policy

We adopted a policy that prohibits hedging or monetization transactions, such as prepaid variable contracts, equity swaps, collars and exchange funds that allow an officer or director to lock in much of the value of his or her holdings of our common shares, often in exchange for all or part of the potential for the upside appreciation in our common shares. We have also adopted a policy that prohibits our officers or directors from holding our common shares in a margin account and, absent a waiver by the nominating and governance committee, the pledging of our common shares as collateral for a loan by our officers and directors. The nominating and governance committee may only grant a waiver of our anti-pledging policy if the officer or director desires to pledge our common shares as collateral for a loan and has established, to the satisfaction of the nominating and governance committee, that the officer or director is able to repay the loan without resorting to the pledged securities. Each of our officers, directors and nominees has represented to us that he or she has not purchased any financial instrument designed to hedge or offset any decrease in the market value of any company common shares held, directly or indirectly, by such officer, director or nominee, held any of our securities in a margin account or pledged any of our common shares as collateral for a loan since the adoption of this policy. We have not adopted any policy prohibiting hedging or pledging by any employee who is not an officer.

In addition to establishing and reviewing our compensation program, the compensation committee also examines the pay practices and policies relating to all employees of the company. Based on this examination, the compensation committee has concluded that our pay practices and policies do not appear to involve risks that could have a material adverse effect on us.

Elements of Executive Compensation

Our compensation program consists of base salary, short-term cash incentives, stock awards, retirement benefits, severance arrangements and welfare and other benefits and perquisites. We discuss each of these elements in more detail on the next page. The compensation committee considers each of these elements independently before assessing whether its overall compensation program is competitive with that of our peer group and other companies with which the company competes for executive talent.

Base Salary

We pay a base salary to enable us to attract and retain talented executive officers and to provide a fixed base of compensation commensurate with the individual responsibilities, performance and experience of each of our executives.

The compensation committee considered the following factors in setting the base salaries of individual named executive officers in 2022:

- the competitiveness of the compensation of each named executive officer compared to executive officers of our 2022 peer group in comparable positions,
- the desire to compensate named executive officers in comparable positions in a similar manner,
- a subjective assessment of each named executive's performance during 2021 including his or her performance in the areas of our business over which he or she had individual responsibility, and
- a review of the company's financial performance and management's accomplishments during 2021.

After consideration of the factors described above, the compensation committee increased the base salary of Mr. Sprowls by 4.7% and the base salary of Ms. Tang and Ms. Farrow by 6.0%. The base salary of Mr. Rowley remained the same as he was promoted in December 2021. Mr. Connor was hired in February of 2022.

Short-Term Cash Incentives

We granted short-term cash performance incentive awards to motivate named executives to maximize our performance from a financial, operations and customer service perspective. We believe that the performance incentives set forth in our annual short-term cash incentive program will encourage achievement of our objectives. Our customers and shareholders benefit if we achieve our customer service objectives. Our customers and shareholders also benefit if we can attract capital at a lower cost as a result of improved financial performance.

In March 2022, the compensation committee approved a short-term cash incentive program, which gave each named executive officer the opportunity to receive:

- 80% of each executive's target incentive based on achieving objective performance criteria in 2022, and
- 20% of each executive's target incentive based on a subjective assessment by the compensation committee of the executive officer's performance in 2022 following the end of the year.

Under this program, the compensation committee approves specific performance metrics for each named executive officer for the objective cash incentive depending on his or her responsibilities within the company, established minimums, targets and maximums for each objective, and weights each executive's goals so that target achievement of all performance metrics will result in target cash incentive payout for the year for the objective portion of the award. The compensation committee may, in its discretion, reduce an award below the level earned for each of the criteria or upon the failure to satisfy other objective criteria, but may not in any event, increase the amount of the bonus above the level specified for that criteria. The target cash incentive as a percentage of base salary was 100%, 35.90%, 35.90%, 37.85% and 29.90% for Mr. Sprowls, Ms. Tang, Mr. Rowley, Mr. Connor and Ms. Farrow, respectively.

Information regarding the performance goals for 2022 applicable to our named executive officers and actual performance are set forth in the table below along with the level of achievement in 2022. Compliance with performance goals is determined by the compensation committee in accordance with the terms of the short-term performance incentive program and adjustments were made to the Budget and performance goals, as applicable, on the basis of generally accepted accounting principles or other objective performance measures. The performance goals differ depending upon whether an executive officer is an administrative officer, a GSWC operations officer or an ASUS officer. Mr. Sprowls, Ms. Tang and Ms. Farrow are GSWC administrative and general officers, Mr. Rowley is a GSWC operations officer and Mr. Connor is an ASUS officer.

PERFORMANCE GOALS

PAYOUT PERCENTAGES FOR GSWC ADMINISTRATIVE AND GENERAL OFFICERS

Performance Measure	Performance Target	Actual Performance	Target Payout Percentage	Actual Payout Percentage
Adjusted EPS – AWR Consolidated[1]	100% of Budget	Between Target and Maximum 103.2% of Adjusted Budget	20.0%	22.4%
Adjusted EPS – Regulated Utilities (RU)[2]	100% of Budget	Between Target and Maximum 105.9% of Adjusted Budget	20.0%	22.9%
Adjusted EPS – ASUS[2]	100% of Budget	Between Target and Maximum 102.2% of Adjusted Budget	10.0%	10.4%
Capital Expenditures – RU[3]	≥ $135 million	At Maximum $167.5 million	10.0%	15.0%
Customer Complaints – Regulated Water Utility (RWU)	≤ 0.065%	Between Target and Maximum 0.062%	5.0%	5.2%
Supplier Diversity – RU	≥ 28.5%	At Maximum 34.2%	5.0%	7.0%
SOX Deficiencies – RU[4]	No MW, No SD and No more than 1 CD	At Maximum No MW, No SD and No CD	5.0%	6.0%
SOX Deficiencies – ASUS[4]	No MW, No SD and No CD	At Target	5.0%	5.0%
Objective Bonus Total		**Above Target**	**80.0%**	**93.9%**

PAYOUT PERCENTAGES FOR GSWC OPERATIONS OFFICERS

Performance Measure	Performance Target	Actual Performance	Target Payout Percentage	Actual Payout Percentage
Adjusted EPS – RWU(2)	100% of Budget	Between Target and Maximum 104.7%	40.0%	44.7%
Capital Expenditures – RWU(3)	≥$125 million	At Maximum $149.9 million	16.0%	24.0%
Customer Complaints – RWU	≤ 0.065%	Between Target and Maximum 0.062%	6.0%	6.2%
Supplier Diversity – RWU	≥ 28.0%	At Maximum 33.7%	6.0%	8.0%
Safety - Recordable Work Incidents – RWU	12	Did Not Meet Threshold 18	6.0%	0.0%
SOX Deficiencies – RU(4)	No MW, No SD & No more than 1 CD	At Maximum No MW, No SD and No CD	6.0%	7.0%
Objective Bonus Total		**Above Target**	**80.0%**	**89.8%***

* Line item does not total due to rounding.

PAYOUT PERCENTAGES FOR ASUS OFFICERS

Performance Measure	Performance Target	Actual Performance	Target Payout Percentage	Actual Payout Percentage
Adjusted EPS – ASUS(2)	100% of Budget	Between Target and Maximum 102.2%	40%	42.1%
Direct Operating Margin – ASUS(5)	≥ Budget	At Maximum Above Budget	12.5%	22.0%
Direct Construction Margin – ASUS(5)	≥ Budget	Did Not Meet Threshold Below Budget	12.5%	0.0%
Expense Optimization – ASUS(5)	≤ 99% of Budget	Between Target and Maximum 98%	6.0%	7.9%
Safety – Recordable Incident Rate – ASUS	≤ 3.0	At Maximum 2.4	4.0%	6.0%

SOX Deficiencies – ASUS	No MW, No SD & No CD	At Target	5.0%	5.0%
Objective Bonus Total		**Above Target**	**80.0%**	**83.1%***

* Line item does not total due to rounding.

(1) Consolidated “EPS” was computed on the basis of fully diluted earnings per share determined in accordance with generally accepted accounting principles (GAAP). Actual performance was determined by the compensation committee based on the Budget approved by the board of directors prior to the adoption of the short-term incentive program and actual earnings determined in accordance with GAAP in, each case, adjusted to remove (1) expenses associated with new business development at GSWC and BVES, (2) the performance of the Rabbi Trust assets and (3) COVID-19 expenses related to travel, including lodging and meal expenses. The Budget was also adjusted due to the delay in receiving a decision in the water general rate case since the performance goals were set on the assumption that the company would record water rates for 2022 based on the terms of the November 2021 settlement agreement.

(2) "Adjusted EPS" for the Budget and actual earnings for each of the subsidiaries was determined on the same basis as set forth in footnote (1).

(3) "Capital Expenditures" refers to capital expenditures recorded in the company's financial statements.

(4) The term "CD" refers to a control deficiency, the term "SD" refers to a significant deficiency and the term "MW" refers to a material weakness.

(5) These measures for ASUS were adjusted to remove the continued impact of COVID-19 (related to travel and related costs such as lodging and meals).

The adjustments discussed above, in the aggregate, resulted in an increase in the objective bonus payouts from that which would have been paid if such adjustments had not been made to the Budget and actual results, except for Mr. Connor, primarily due to adjustments made due to the delay in the water general rate case and the performance of the Rabbi Trust assets. In each case, the objective bonus payout was less than the maximum objective bonus payable under each named executive officer's award agreement and our CEO's relative pay rank for the period 2020-2022 continues to be aligned with relative total shareholder return of our current peer group.

The compensation committee recognizes that these objective measures do not encompass all the objectives of the company in a given year and may not fully reflect the company's performance depending on outside factors such as weather, water quality, water supply and other factors beyond the control of the executive. As a result, the payout structure includes a limited discretionary bonus component based on a subjective assessment of the performance of each executive officer by the compensation committee after the end of the year, taking into account the assessment of each executive officer by the independent directors after considering the chief executive officer's assessment of the performance of each of the other executive officers during the year and the total overall compensation of the named executive officer.

The discretionary bonus payout under the short-term cash incentive award made to Mr. Sprowls for 2022 was 160.0% of the target aggregate discretionary reward. The discretionary bonus payout under short-term cash incentive awards made to Ms. Tang and Ms. Farrow was 145.0%, Mr. Rowley was 140.0% and Mr. Connor was 120.0% of the target aggregate discretionary award.

Equity Awards

The compensation committee considered the following factors in determining the amount and type of equity awards to be made to the chief executive officer and to named executive officers who were either senior vice presidents or vice presidents in January 2022:

- the past practices of the committee in awarding equity,
- a desire to have a higher percentage of the compensation of the chief executive officer of the company consist of equity, and
- a comparison of the design of our equity compensation programs to that of our peers.

The policy of the compensation committee is generally to grant all equity awards to named executive officers through a combination of time-vested restricted stock units and performance stock awards in order to base a significant portion of equity compensation on achieving objective performance goals established by the compensation committee.

The compensation committee also concluded in January 2022 that 75% of the value of Mr. Sprowls' equity awards should be based upon the satisfaction of performance conditions and that approximately 50% of the value of equity awards to Ms. Tang, Mr. Rowley, Mr. Connor, and Ms. Farrow should be subject to the satisfaction of performance conditions. The compensation committee determined the amount of the equity awards made in January 2022 based on the target equity value and determined the number of shares based on the average closing price of the company's common shares for the thirty days ending on January 28, 2022 for each of the named executive officers, other than Mr. Connor. The compensation committee determined the amount of the equity awards made to Mr. Connor in March 2022 based on the target equity value and determined the number of shares based on the closing price of the company's common shares on March 11, 2022.

Each equity award granted in 2022 generally vests over a three-year period, provided that, with respect to performance stock awards, the performance criteria have been satisfied at the end of the three-year performance period. The compensation committee believes that granting equity awards with three-year vesting periods creates a substantial retention incentive and encourages the named executive officers to focus on the company's long-term business objectives and stock performance.

Each time-vested restricted stock unit and performance stock award granted in 2022 provides for the accumulation of dividend equivalent rights through the service or performance period and were paid only to the extent the employee vested in the underlying restricted stock unit or performance stock award. The compensation committee believes that granting stock units with dividend equivalent rights helps align the interests of the named executive officers with the interests of the shareholders of a utility holding company who, in many cases, purchase and retain the stock of the holding company based on the dividends that the holding company consistently pays. Dividends have also historically been an important component of our total shareholder return.

The time-vested restricted stock units and performance stock awards further provided that if the named executive officer's employment terminated because of a change in control event (other than for cause, death or disability) or the executive terminated his or her employment for good reason, in each case, within two years following the change in control, each restricted stock unit and performance stock award would have vested upon termination of employment free of restrictions. The compensation committee believed that the vesting of equity awards permits named executive officers whose employment would have been terminated as a result of the change in control to share in the value that they created for shareholders at the same time that the shareholders recognize that value upon a change in control.

The performance criteria set forth in the 2022 performance awards for the 2022-2024 performance period were the same as those established in the 2020 performance award agreements and the mix of performance criteria for performance awards at target was the same as set forth in the table below for the 2020 performance awards for Mr. Sprowls, Ms. Tang, Mr. Rowley and Ms. Farrow. The performance criteria applicable to the performance award made to Mr. Connor in 2022 was based 25% on total shareholder return at target, 35% on ASUS cumulative net earnings at target and 40% on ASUS new base acquisition success rate at target.

The tables below set forth the mix of performance criteria and number of restricted stock units earned by each named executive officer based upon satisfaction of the performance criteria set forth in each named executive officer's 2020 performance award agreement. Satisfaction of the criteria is based on objective performance measures certified by the Compensation Committee in March 2023.

2020 PERFORMANCE AWARDS

Mix of Performance Criteria for Performance Award				
Executive	Total Shareholder Return	Aggregate GSWC Operating Expense Levels(1)	ASUS Cumulative Net Earnings(2)	Total
Robert J. Sprowls	25.0%	50.0%	25.0%	100.0%
Eva G. Tang	25.0%	50.0%	25.0%	100.0%
Paul J. Rowley	25.0%	75.0%	—	100.0%
Gladys M. Farrow	25.0%	50.0%	25.0%	100.0%

Percent of Shares Earned Relative to Target Shares					
Executive	Total Shareholder Return(1)	Aggregate GSWC Operating Expense Levels(2)	ASUS Cumulative Net Earnings(3)	Total	Number of Shares Earned
Robert J. Sprowls	14.3%	50.0%	12.5%	76.8%	7,999
Eva G. Tang	14.3%	50.0%	12.5%	76.8%	556
Paul J. Rowley	14.3%	75.0%	—	89.3%	465
Gladys M. Farrow	14.3%	50.0%	12.5%	76.8%	400

(1) The company's total shareholder return in 2022 exceeded two members of its peer group resulting in a payout percentage of 57.14% of target.

(2) GSWC's water segment operating expense level was $295.9 million resulting in a payout percentage of 100% of target.

(3) ASUS cumulative net earnings were $53.2 million resulting in a payout percentage of 50% of target.

Retirement Benefits

We provide retirement benefits that we believe are comparable to the benefits provided by other members of our current peer group to attract, retain and motivate talented and experienced executives. Our retirement benefit programs are also intended to provide fair, equitable and reasonable compensation to our named executive officers and to assist in the retention of our named executive officers. The change in the pension value of each named executive officer may, however, differ markedly from that of members of our current peer group due to differences in the age and time of service of the executive officers of the company compared to that of executives in comparable positions in members of our peer group. Changes in pension value also differ by executive due to differences in cash compensation, the age of the executive and the number of years of service with the company.

Total compensation of our named executive officers was impacted by changes in pension values under our pension plan and supplemental retirement plan. Mr. Sprowls' total compensation decreased by $1,059,234 in 2022 including a decrease of $1,184,796 in the change in pension values compared to last year even though we made no changes in the terms of our pension plan or supplemental retirement plan. Excluding the change in pension value, Mr. Sprowls' total compensation in 2022 increased by $125,562 due primarily to an increase in his "at-risk" related compensation (stock awards and objective short-term cash incentives). The change in the pension values is affected by changes in actuarial assumptions, such as mortality and discount rates. In 2022, the pension value change was negative primarily due to an increase in the discount rate. Under SEC rules, changes in pension values that are negative must be shown as zero in the Summary Compensation Table.

We have no non-qualified deferred compensation arrangements.

Welfare and Other Benefits and Perquisites

We provide welfare and other benefits that we believe are comparable to the benefits provided by other members of our peer group and other perquisites that we believe are reasonable to attract, retain and motivate talented and experienced executives. Except as described under the heading “How were certain named executive officers compensated in 2022?” and in this section, we provide the same benefits to named executive officers as we provide to other employees of the company.

We do not have any employment agreements with any of our named executive officers.

Stock Ownership Guidelines

We have requested each of our named executive officers to own common shares, restricted stock units, and other equity equivalents, including common shares held in our 401(k) plan, equal in value to:

- 3.0 times his salary for Mr. Sprowls, as the chief executive officer;
- 1.5 times his or her salary for Ms. Tang, Mr. Rowley, and Mr. Connor who are senior vice presidents; and
- 1.0 time her annual salary for Ms. Farrow, who is a vice president, and each of our other vice presidents.

We consider these guidelines to have been satisfied once the minimum ownership requirements are met regardless of subsequent changes in the market value of our common shares. Mr. Sprowls, Ms. Tang, Mr. Rowley and Ms. Farrow satisfied these guidelines in 2022. Mr. Connor currently does not meet the guidelines as he was hired in February 2022.

The nominating and governance committee may suspend or adjust these guidelines if they determine that the required holding of any named executive officer is unduly burdensome by reason of personal circumstances affecting a named executive officer or is the result of recent significant changes in the compensation of the named executive officer.

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Form 10-K for the year ended December 31, 2022 by incorporation by reference to this proxy statement.

This report is submitted by:

C. James Levin, Chair
Diana M. Bontá, Member
Mary Ann Hopkins, Member

How were certain of our named executive officers compensated in 2022?

We compensated each of our named executive officers in 2022 as more particularly described below. Unless otherwise specified, the principal position of the named executive officer is with American States Water Company. We also reimbursed each of these executive officers for expenses incurred in the performance of his or her duties as a named executive officer.

SUMMARY COMPENSATION TABLE(1)

Name and Principal Position	Year	Salary ($)(2)	Bonus ($)(3)	Stock Awards ($)(4)	Non-Equity Incentive Plan Compensation ($)(5)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(6)	All Other Compensation ($)(7)	Total ($)	Total Excluding Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)
Robert J. Sprowls President and Chief Executive Officer	2022	$899,231	$288,000	$1,421,725	$845,100	$—	$29,138	$3,483,194	$3,483,194
	2021	859,538	280,000	1,348,531	842,800	1,184,796	26,763	4,542,428	3,357,632
	2020	860,409	246,000	1,249,773	702,180	2,841,864	25,911	5,926,137	3,084,273
Eva G. Tang Senior Vice President-Finance, Chief Financial Officer, Corporate Secretary and Treasurer	2022	531,719	55,418	125,156	179,439	—	22,381	914,113	914,113
	2021	501,768	52,269	164,848	170,744	672,657	25,611	1,587,897	915,240
	2020	498,127	44,910	130,186	151,309	983,479	19,616	1,827,627	844,148
Paul J. Rowley Senior Vice President-Regulated Water Utility of Golden State Water Company(8)	2022	400,000	40,208	125,156	128,953	—	27,688	722,005	722,005
	2021	295,727	25,256	95,259	86,375	228,502	24,434	755,553	527,051
Christopher H. Connor Senior Vice President-Regulated Water Utility of Golden State Water Company(9)	2022	310,097	34,064	117,782	117,947	N/A	57,445	637,335	637,335
Gladys M. Farrow Vice President-Finance, Treasurer and Assistant Secretary of Golden State Water Company	2022	329,240	28,580	90,016	92,539	—	23,690	564,065	564,065
	2021	310,694	26,955	124,866	88,053	199,431	19,222	769,221	569,790
	2020	308,412	22,909	93,748	77,183	696,875	20,689	1,219,816	522,941

(1) We did not grant any stock option awards during the past three years.

(2) This column sets forth the amount paid to each named executive officer during the calendar year based on 26 pay periods in 2022 except for Mr. Connor, 26 pay periods in 2021 and 27 pay periods in 2020. Mr. Connor was hired in February 2022.

(3) This column sets forth the amounts paid to a named executive officer as a discretionary bonus for 2020, 2021 and 2022 under the short-term cash incentive plan.

(4) This column sets forth the aggregate fair value of the stock awards on the date of grant computed in accordance with FASB ASC Topic 718. We provide information regarding the assumptions used in the calculation of the value of these awards in Note 13 to our financial statements for the year ended December 31, 2022. Stock awards consist of time vested restricted stock units and performance stock awards in the form of restricted stock units. For the performance stock awards granted in 2022 subject to performance conditions that have not been satisfied, we assumed that each executive officer would earn performance stock awards at the target level with a value of $1,066,271, $62,624, $62,624, $58,891, and $45,008, for Mr. Sprowls, Ms. Tang, Mr. Rowley, Mr. Connor, and Ms. Farrow,

respectively. If each named executive officer was instead to earn performance stock awards for awards granted in 2022 at the maximum level, the grant date fair value of stock awards granted to Mr. Sprowls, Ms. Tang, Mr. Rowley, Mr. Connor, and Ms. Farrow in 2022 would be $1,865,951, $109,615, $101,776, $129,568, and $78,764, respectively.

(5) Each named executive officer, earned non-equity incentive compensation based upon a percentage of base salary and satisfaction of performance criteria under the short-term cash incentive programs approved by the compensation committee.

(6) This column sets forth the sum of the change in the value of the pension plan and the supplemental retirement plan for each of the named executive officers at December 31, 2022. The change in the combined pension and supplemental retirement values under the Golden State Water Company Pension Plan, or pension plan, and the Supplemental Executive Retirement Plan, or SERP, for 2022, for Mr. Sprowls, Ms. Tang, Mr. Rowley and Ms. Farrow were negative. Mr. Connor is not eligible to participate in the pension plan, and the change in the pension value (as compared to prior year values) under the SERP for 2022 is not applicable to Mr. Connor because he did not become a participant in the plan until 2022. The combined values were negative because the increase in accrued benefits was not sufficient to offset the increase in the discount rate used to calculate the pension and SERP values for these named executive officers in 2022 compared to the discount rate used in 2021. See the Pension Benefits Table for additional information regarding the retirement age assumptions used in making these calculations. We provide additional information regarding the assumptions used to calculate the change in pension value in Note 12 to our audited financial statements in our Form 10-K for the year ended December 31, 2022. We do not sponsor any non-qualified deferred compensation plans.

(7) We provide information on the amount and types of benefits included under the heading "All Other Compensation" in the table on the next page.

(8) Mr. Rowley was not a named executive officer in 2020.

(9) Mr. Connor was not a named executive officer in 2021 or 2020.

The following table provides information regarding the amount and types of benefits included under the heading "All Other Compensation" in the previous table.

ALL OTHER COMPENSATION

Name	Year	Employer 401(k) Matching Contribution ($)	Insurance ($)(1)	Personal Use of Company Car ($)(2)	Other Compensation ($)(3	Total All Other Compensation ($)
Robert J. Sprowls	2022	$ 13,050	$ 11,480	$ 4,439	$169	$ 29,138
	2021	12,825	11,481	2,287	170	26,763
	2020	12,600	10,721	2,421	169	25,911
Eva G. Tang	2022	13,050	2,306	6,856	169	22,381
	2021	12,825	2,307	5,824	4,655	25,611
	2020	12,600	2,087	4,760	169	19,616
Paul J. Rowley(4)	2022	13,050	2,019	11,700	919	27,688
	2021	12,825	1,256	6,483	3,870	24,434
Christopher H. Connor(5)	2022	10,191	1,316	2,836	43,102	57,445
Gladys M. Farrow	2022	13,050	995	9,476	169	23,690
	2021	12,825	996	5,231	170	19,222
	2020	12,600	920	4,097	3,072	20,689

(1) We provide group term life insurance to each of our employees and their families. In the event of the death of an employee or a family member, his or her beneficiary is entitled to receive up to $50,000 under the group life insurance policy. We also provide each employee with $50,000 of accidental death and dismemberment insurance, which pays additional benefits if an employee suffers a covered accidental loss resulting in death, dismemberment or paralysis. The cost per employee was determined by equally allocating to each of our employees, including the executive officers, the total cost of the policy. In addition, we provide our board members and executive officers a blanket accident insurance policy. The policy is intended to provide coverage for traveling on company business or on assignment for the benefit of our company. We allocated the premiums for coverage under the blanket accident insurance policy equally to our board members and executive officers. Each of our executive officers elected to participate in a term life insurance program, which pays beneficiaries of the policy an amount equal to approximately two times the executive officer's salary in the event of his or her death. The cost in 2022 for each of Mr. Sprowls, Ms. Tang, Mr. Rowley, Mr. Connor, and Ms. Farrow was $11,244, $2,070, $1,783, $1,098, and $759, respectively.

(2) The value is based on an estimate of the aggregate incremental costs incurred by us for the personal use of company-provided automobiles by each of our named executive officers.

(3) The amounts in this column include, among other things, a holiday bonus paid to each of our active employees, anniversary grant to Mr. Rowley based upon his 15 years of service and reimbursement of our CEO and senior executive officers for participating in a physical examination. Mr. Connor received a $40,000 sign-on bonus in 2022. One-half of this bonus must be repaid if Mr. Connor is not employed by ASUS for at least two years.

(4) Mr. Rowley was not a named executive officer in 2020.

(5) Mr. Connor was not a named executive officer in 2021 or 2020.

Equity Compensation

During each of the last three years, we granted time-vested restricted stock units to each of our named executive officers. Each of these time-vested restricted stock units is payable at the rate of 33% one year after the grant date, 33% two years after the grant date and 34% three years after the grant date. There are, however, some exceptions to this rule in certain circumstances following termination of employment for death, disability, change in control or retirement. Employment must be terminated within two years after the change in control (other than for cause) or the named executive officer has terminated his or her employment for good reason within two years after the change in control in order for the change in control exception to apply. The named executive officer must be at least 55 years of age and the sum of the employee's age and years of service must be equal to or greater than 75 at the time of retirement in order for the retirement exception to apply.

All the time-vested restricted stock unit awards granted to Mr. Sprowls, Ms. Tang and Ms. Farrow are vested pursuant to the Rule of 75, however, they may not receive any common shares in exchange for these restricted stock units prior to the set payout date that the restricted stock unit vests absent retirement, death, disability or a termination of employment following a change in control event.

We awarded each of our named executive officer's performance stock awards in the form of restricted stock units that vest at the rate of 33% on December 31 of the year of the grant, 33% on December 31 of the year following the year of the grant and 34% on December 31 two years following the year of the grant, subject to the satisfaction of the performance conditions set forth in the award agreement. There are, however, some exceptions to this rule in certain circumstances following termination of employment for death, disability, change in control or retirement. Employment must be terminated within two years after the change in control (other than for cause) or the named executive officer has terminated his or her employment for good reason within two years after the change in control in order for the change in control exception to apply. The named executive officer must be at least 55 years of age and the sum of the employee's age and years of service must be equal to or greater than 75 at the time of retirement in order for the retirement exception to apply. All the performance stock awards granted to Mr. Sprowls, Ms. Tang, and Ms. Farrow are vested pursuant to the Rule of 75, subject to the satisfaction of the performance conditions set forth in the award agreement.

The performance criteria applicable to the awards granted in 2022 were: total shareholder return relative to a defined peer group, GSWC's water segment operating expense level, ASUS cumulative net earnings and ASUS new base acquisition success rate criteria. The compensation committee defined for each named executive officer the proportion of performance stock awards allocated to each performance criteria based on his or her role within the company as described under "Compensation, Discussion and Analysis - Equity Awards."

We also awarded each of our named executive officers restricted stock units in an amount equal to the quarterly cash dividends payable on our common shares times the number of restricted stock units or performance awards granted to the named executive officer, but not yet payable pursuant to the terms of his or her restricted stock unit or performance stock award agreement divided by the closing price of our common shares on the dividend payment date as provided in the 2016 plan. We refer to these types of awards as dividend equivalent rights. Restricted stock units awarded pursuant to dividend equivalent rights vest and are payable on the same basis as the underlying restricted stock units on which these restricted stock units were earned.

You can find information regarding the performance conditions applicable to the awards granted in 2022 following the "Grants of Plan-Based Awards" table. You may also find information regarding the performance goals for each of these performance criteria for performance stock awards granted in 2022 under the heading "What plan-based awards did we make to these named executive officers in 2022?"

Non-Equity Incentive Compensation

During the past three years, each of our named executive officers received short-term cash incentive awards based upon achieving objective financial, operations and customer service performance goals set at target, threshold and maximum levels under our short-term cash incentive program. The objective bonus of each named executive officer is determined based on payout percentages established by the compensation committee in March of each year for each performance measure. The performance measures and payout percentages vary depending upon whether the named executive is an administrative officer of GSWC, an operations officer of GSWC, or an officer of ASUS. Mr. Sprowls, Ms. Tang and Ms. Farrow are administrative officers of GSWC. Mr. Rowley is an operations officer of GSWC. Mr. Connor is an officer of ASUS.

In addition, each named executive officer is granted a discretionary bonus based upon a subjective assessment of the individual performance of each named executive officer by the compensation committee. 80% of the target aggregate bonus is based upon satisfaction of the performance goals described under the heading “Compensation Discussion and Analysis - Short-Term Cash Incentives” and 20% of the target aggregate bonus is based upon the subjective assessment of individual performance by the compensation committee. The amount of the bonus for 2022 based upon the objective performance criteria is set forth in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table for each named executive officer. The amount of the discretionary bonus for 2022 is disclosed in the Bonus column in the Summary Compensation Table.

The compensation committee determined the target aggregate bonus for each named executive officer as a percentage of the base salary of each named executive officer and made changes in 2022 based on an assessment of each officer’s compensation relative to market. Target bonuses for each named executive officer who was an officer of the company during the year, were:

- 100.0% in 2022, 100.0% in 2021, and 90.0% in 2020 for the president and chief executive officer;
- 35.9% in 2022, 34.7% in 2021, and 33.5% in 2020 for Ms. Tang;
- 29.9% in 2022, 28.9% in 2021, and 27.6% in 2020 for Ms. Farrow;
- 35.9% in 2022 and 28.9% in 2021 for Mr. Rowley. Mr. Rowley was not a named executive officer in 2020; and
- 37.85% in 2022 for Mr. Connor. Mr. Connor was not an executive officer of the company in 2021 or 2020.

The payout percentages for the satisfaction of the performance criteria in 2022 are set forth under the caption “Compensation, Discussion and Analysis - Short-Term Cash Incentives.”

The performance criteria for short-term cash incentive awards in 2021 and 2020 were based on similar types of performance criteria. The objective bonus payout under short-term cash incentive awards made to Mr. Sprowls, Ms. Tang and Ms. Farrow for 2021 was 98.0% as compared to the objective bonus target. The objective bonus payout under short-term cash incentive awards made to Mr. Sprowls, Ms. Tang and Ms. Farrow for 2020 was 94.0% as compared to the objective bonus target. The objective bonus payout under short-term cash incentive awards made to Mr. Rowley for 2021 was 102.6% as compared to the objective bonus target. Mr. Rowley was not a named executive officer in 2020. Mr. Connor was not a named executive officer in 2021 or 2020.

You can find additional information regarding our short-term cash incentive program under the heading “Compensation, Discussion and Analysis - Short-Term Cash Incentives,” including definitions for each of the performance measures.

Other Compensation

We have a 401(k) plan under which employees may invest a percentage of their pay, up to a maximum amount prescribed by law. We provide matching contributions for each of our employees who participate in the plan of 100% up to the first 3% of eligible compensation deferred and 50% of the next 3% of eligible compensation deferred. Each of our named executive officers is entitled to participate in this plan on the same basis as other employees, subject to the limits imposed by the Internal Revenue Code.

We provide all active full-time employees with medical, dental and vision benefits and life insurance coverage. All employees are required to pay 15% of the company's premiums for medical, dental and vision benefits, except for certain other employees at subsidiaries of ASUS. Mr. Connor is required to pay these premiums on the same basis as other NEOs. We pay all premiums for life insurance coverage in the amount of $50,000 for all employees and their families, plus additional benefits if any employee suffers a covered accidental loss resulting in death, dismemberment or paralysis, except for certain other employees at subsidiaries of ASUS. Mr. Connor receives the same benefits as other NEOs. We also have employee assistance, an anniversary award for reaching certain years of service and holiday bonus programs. Each of our named executive officers is entitled to these benefits on the same basis as other employees. In addition, in 2022 we offered a term life insurance program to all officers of the company and its subsidiaries with premiums payable by the company. Under this program, the officer's primary beneficiaries are entitled to a benefit in an amount equal to approximately two-times the officer's base salary in the event of the officer's death. All of the named executive officers elected to participate in this program.

All active full-time employees at GSWC and ASUS and all active managers and exempt-employees at subsidiaries of ASUS, receive time off with pay for vacation, holiday and sick leave in accordance with company policy. Other employees at ASUS subsidiaries have different benefit packages. Executives receive vacation accrual based on the number of their continuous months of service, with 1 to 60 months of service earning 20 days per year of vacation; 61 to 120 months of continuous service earning 25 days of vacation per year and 121 or more months of continuous service earning 26 days of vacation per year. Named executive officers receive sick leave benefits on the same basis as all other employees. Accrued vacation days that are not used in any year are carried over to the next year, provided that, effective January 1, 2012, the number of accrued and unused vacation days for each employee is subject to a cap equal to the total number of vacation days that such employee can accrue over a two-year period. When an employee reaches the cap, vacation accruals for the employee will cease until vacation days are used. When an employee's accrual rate increases because of increased service with the company, the employee's cap will increase accordingly. All employees are entitled to a cash payment, based on their then current salary, for any accrued, but unused, vacation days upon termination of employment as required by California law.

Each of our named executive officers is entitled to the benefits of a travel insurance policy provided by the company and the use of a company-owned car. Upon termination of employment, each named executive is entitled to purchase his or her company-owned car at the wholesale price for such car taking into account the mileage on the car.

Under the company's relocation policy, the company will reimburse named executive officers for covered relocation expenses, subject to specified limits. Under the terms of this policy, an officer is required to reimburse us for any expenses paid by us if the officer resigns or is terminated for misconduct and/or poor performance within 24 months after having commenced work at a new assigned work location. The compensation committee believes that it is appropriate for us to claw back any relocation expenses paid to an officer under these circumstances. No relocation expenses were paid to any named executive officer during the past three years.

Under the terms of a senior executive health examination program, the chief executive officer and each of our senior vice presidents and vice presidents is entitled to be reimbursed for the costs of an executive physical examination at least once every two years. The maximum permitted reimbursement for a physical examination is $4,000 at least once every two years.

Total Compensation

The proportion of salary, bonus and non-equity incentive plan compensation to total compensation in 2022 set forth in the Summary Compensation Table for Mr. Sprowls, Ms. Tang, Mr. Rowley, Mr. Connor, and Ms. Farrow, was 58.3%, 83.9%, 78.8%, 72.5% and 79.8% of total compensation, respectively. The proportion of equity compensation to total compensation set forth in the Summary Compensation Table for 2022 for Mr. Sprowls, Ms. Tang, Mr. Rowley, Mr. Connor, and Ms. Farrow was 40.8%, 13.7%, 17.3%, 18.5% and 16.0% of total compensation, respectively. The compensation committee has not adopted any policy regarding the allocation of total compensation among the various components of total compensation.

What plan-based awards did we make to these named executive officers in 2022?

We granted restricted stock units for both time-vested and performance-based equity awards to each of our named executive officers in 2022 as more particularly described below. Each of the named executive officers also received a cash award under our short-term performance incentive plan based upon the satisfaction of certain performance criteria. The amount of this award is reflected in the Summary Compensation Table under the Non-Equity Incentive Compensation column and the award terms are summarized under the non-equity incentive compensation section.

GRANTS OF PLAN-BASED AWARDS IN 2022

		Estimated Future Payouts Under Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock Awards
Name	Grant Date	Threshold (#)(2)	Target (#)(3)	Maximum (#)(4)	(#)	($)(5)
Robert J. Sprowls	1/31/22				3,854.0	$355,454
	1/31/22	5,161.2	11,561.0	20,231.5		1,066,271
Eva G. Tang	1/31/22				678.0	62,532
	1/31/22	303.1	679.0	1,188.5		62,624
Paul J. Rowley	1/31/22				678.0	62,532
	1/31/22	303.1	679.0	1,103.5		62,624
Christopher H. Connor	3/11/22				702.0	58,891
	3/11/22	313.5	702.0	1,544.5		58,891
Gladys M. Farrow	1/31/22				488.0	45,008
	1/31/22	217.9	488.0	854.0		45,008

(1) These calculations assume that (i) the number of members of the company's peer group at the end of the performance period will be seven, (ii) the compensation committee will not make any downward adjustment in the amount of the award following the end of the performance period, and (iii) the executive officer will continue to be employed by or provide service to the company throughout the performance period or will be vested pursuant to the Rule of 75.

(2) This calculation assumes that the executive officer will achieve the minimum performance level established by the compensation committee for each performance condition set forth in the performance stock award granted to the named executive officer in 2022. The performance required to achieve the total shareholder return minimum condition, the aggregate GSWC operating expense level minimum condition, the ASUS cumulative net earnings minimum condition and the ASUS new base acquisition minimum success rate in the performance stock awards granted in 2022 is 28.57%, 50.00%, 50.00%, and 50.00% of the target performance level, respectively.

(3) This calculation assumes that the named executive officer will achieve the target performance level established by the compensation committee for each performance condition set forth in the performance stock award granted to the named executive officer in 2022.

(4) This calculation assumes that the named executive officer will achieve the maximum performance level established by the compensation committee for each performance condition set forth in the performance stock award granted to the named executive officer in 2022. The performance required to achieve the total shareholder return maximum condition, the aggregate GSWC operating expense level maximum condition, the ASUS cumulative net earnings maximum condition and ASUS new base acquisition maximum success rate is 200%, 150%, 200% and 250% of the target performance level, respectively.

(5) We provide information regarding the assumptions used to calculate the value of time-vested restricted stock units and performance stock granted on January 31, 2022 pursuant to the 2016 plan in Note 13 to our audited financial statements in our Form 10-K for the year ended December 31, 2022.

Mr. Sprowls, Ms. Tang and Ms. Farrow can earn between 0% to 175.0%, Mr. Rowley can earn between 0% to 162.5%, and Mr. Connor can earn between 0% to 220% of the target amount set forth in the 2022 named executive officer's performance award depending on the company's performance against the performance goals during the performance period, which consist of the following metrics: 25% of the performance stock awards granted at target are based on the company's total shareholder return compared to the total shareholder return of the company's defined peer group, referred to as the total shareholder return criteria and 75% of the performance stock awards will be earned based upon the satisfaction of one or more of the following performance conditions: aggregate GSWC operating expense level, ASUS cumulative net earnings and ASUS new base acquisition success rate. The performance period commenced on January 1, 2022 and ends on December 31, 2024. The performance goals for Mr. Sprowls, Ms. Tang and Ms. Farrow are based on the total shareholder return, the aggregate GSWC operating expense level (50% of award) and the ASUS cumulative net earnings criteria (25% of award). The performance stock award for Mr. Rowley is based on the total shareholder return criteria and the aggregate GSWC operating expense level criteria (75% of award). The performance stock award for Mr. Connor is based on the total shareholder return criteria, ASUS cumulative net earnings criteria (35% of award) and ASUS new base acquisition success rate (40% of award). Adjustments permitted to be made to performance shares awards described in the 2016 plan may be made in addition to the adjustments described below. If the U.S. government does not award at least two of the targeted new bases to all competitors, including ASUS, the payout for the performance period will be made at target for the new base acquisition success rate criteria.

We disclose in the tables set forth below the performance goals for each of these performance criteria for performance stock awards granted in 2022:

2022 PERFORMANCE TARGETS AND PAYOUT PERCENTAGES FOR TOTAL SHAREHOLDER RETURN(1)

Total Shareholder Return	Payout as a Percentage of Target
≥ 7 members of the Peer Group	200.00%
≥ 6 members of the Peer Group	171.43%
≥ 5 members of the Peer Group	142.86%
≥ 4 members of the Peer Group	114.29%
≥ 3 members of the Peer Group	85.71%
≥ 2 members of the Peer Group	57.14%
≥ 1 member of the Peer Group	28.57%

(1) The total shareholder return criteria refers to total shareholder return during the performance period, including the reinvestment of dividends. The defined peer group for this purpose consists of the following water utilities: American Water Works Company, Inc., Artesian Resources Corporation, California Water Service Group, Essential Utilities, Inc., Middlesex Water Company, SJW Group and The York Water Company.

2022 PERFORMANCE TARGETS AND PAYOUT PERCENTAGES FOR AGGREGATE GSWC OPERATING EXPENSE LEVEL(1)

Aggregate GSWC Operating Expense Level	Payout as a Percentage of Target
≤$303.3 million	150%
>$303.3 million and ≤$309.3 million	125%
>$309.3 million and ≤$329.3 million	100%
>$329.3 million and ≤$335.3 million	75%
>$335.3 million and ≤$341.3 million	50%
>$341.3 million	0%

(1) The aggregate GSWC operating expense level criteria refers to the cumulative operating expenses of GSWC as reported in the Form 10-Ks filed with the SEC for the period beginning January 1, 2022 and ending on the last day of the performance period, as adjusted to remove (i) water supply, depreciation and amortization and maintenance expenses as reported in such Form 10-Ks, (ii) public relations, legal and other professional services expenses of GSWC during the performance period applicable to defending GSWC from condemnation considerations and actions applicable to GSWC, (iii) any costs of defense, costs of settlement and judgments incurred in connection with claims arising from water quality incidences accruing during the performance period which are incurred in connection with claims determined by the compensation committee to be extraordinary events, (iv) write-offs associated with decisions or actions of the CPUC applicable to the financial statements in the performance period for GSWC, (v) gross-up of certain surcharges authorized by the CPUC to recover previously incurred costs recorded pursuant to generally accepted accounting principles, and (vi) pension cost net of any regulatory adjustment included in operating expenses resulting from the two-way pension balancing account as authorized by the CPUC, and (vii) external regulatory expenses associated with the general rate case and cost of capital proceedings at the CPUC.

2022 PERFORMANCE TARGETS AND PAYOUT PERCENTAGES FOR ASUS CUMULATIVE NET EARNINGS[(1)]

ASUS Cumulative Net Earnings	Payout as a Percentage of Target
≥$57.6 million	200%
≥$54.6 million and <$57.6 million	150%
≥$51.6 million and <$54.6 million	125%
≥$45.6 million and <$51.6 million	100%
≥$42.6 million and <$45.6 million	75%
≥$39.6 million and <$42.6 million	50%
<$39.6 million	0%

(1) The ASUS cumulative net earnings criteria refers to the cumulative net income of ASUS and its subsidiaries for the period beginning January 1, 2022 and ending on the last day of the performance period, less the amount, if any, of adjustments made to our contract pricing due to the Tax Cuts and Jobs Act of 2017.

2022 PERFORMANCE TARGETS AND PAYOUT PERCENTAGES FOR ASUS NEW BASE ACQUISITION SUCCESS RATE

New Base Acquisition Success Rate	Payout as a Percentage of Target
100.0%	250%
77.8%	200%
55.5%	150%
33.3%	100%
16.7%	50%
0%	0%

What equity awards granted to these named executive officers were outstanding at the end of the year?

Each named executive officer had the restricted stock unit and equity incentive plan awards outstanding at December 31, 2022 described in the table below. Equity awards made to each named executive officer, other than Mr. Rowley and Mr. Connor, have vested but are not yet payable. Information regarding the installment payment dates for these awards is provided in the footnotes following this table.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2022[1]

	Stock Awards			
Name	Number of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested ($)[2]	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Rights or Other Rights That Have Not Vested[8]	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested[2][8]
Robert J. Sprowls	(3)	(3)	43,683	$4,042,862
Eva G. Tang	(4)	(4)	3,092	286,165
Paul J. Rowley	1,306[5]	120,870[5]	2,077	192,226
Christopher H. Connor	711[6]	65,803[6]	1,565	144,841
Gladys M. Farrow	(7)	(7)	2,295	212,402

(1) All options held by the named executive officers have been exercised as of December 31, 2022.

(2) We determined the market value of restricted stock units and performance share awards that have not vested by multiplying the number of unvested restricted stock units and unvested performance share awards outstanding on December 31, 2022 by the closing price of our common shares on December 30, 2022, as reported on *The Wall Street Journal* website (www.wsj.com). The closing price of our common shares on December 30, 2022, as so reported, was $92.55.

(3) Restricted stock unit awards made to Mr. Sprowls in the amount of 8,112 shares have vested pursuant to the Rule of 75 but have not yet been paid out. At December 31, 2022, these awards had a market value of $750,766.

(4) Restricted stock unit awards made to Ms. Tang in the amount of 1,669 shares have vested pursuant to the Rule of 75 but have not yet been paid out. At December 31, 2022, these awards had a market value of $154,466.

(5) Of this amount, 186 restricted stock units vested on January 27, 2023, 228 restricted stock units vested on January 30, 2023, 193 restricted stock units will vest on January 31, 2023, 18 restricted stock units will vest on December 9, 2023, 228 restricted stock units will vest on January 30, 2024, 199 restricted stock units will vest on January 31, 2024, 19 restricted stock units will vest on December 9, 2024, and the remaining will vest on January 30, 2025.

(6) Of this amount, 235 restricted stock unit vested on March 10, 2023, 235 restricted stock units will vest on March 10, 2024, and the remaining will vest on March 10, 2025.

(7) Restricted stock unit awards made to Ms. Farrow in the amount of 1,229 shares have vested pursuant to the Rule of 75 but have not yet been paid out. At December 31, 2022, these awards had a market value of $113,744.

(8) We assumed for the purpose of this disclosure that each named executive officer would earn performance stock awards at the maximum level for the 2021 and 2022 grant. The value listed includes dividend equivalent rights granted as of December 31, 2022 on these awards. Although the performance share awards granted to Mr. Sprowls, Ms. Tang and Ms. Farrow have vested pursuant to the Rule of 75, they have not been earned since the performance conditions have not been met and will only be determined at the end of the performance period.

Did any named executive officers exercise options or have other stock awards vest in 2022?

All our named executive officers had outstanding awards of restricted stock units vest in 2022. No restricted stock or stock options vested in 2022. No options were exercised in 2022.

OPTION EXERCISES AND STOCK VESTED IN 2022(1)

	Stock Awards	
Name	No. of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting ($)(1)(2)
Robert J. Sprowls	20,666(3)	$1,100,785
Eva G. Tang	3,178(4)	133,459
Paul J. Rowley	1,109	98,240
Christopher H. Connor	—	—
Gladys M. Farrow	2,401(5)	103,399

(1) We determined the value realized on vesting of restricted stock units based on the closing market price of our common shares on the date of vesting as reported on *The Wall Street Journal* website (www.wsj.com).

(2) Includes performance stock award granted in 2020 which vested in 2022.

(3) Out of 20,666 shares fully vested in 2022, Mr. Sprowls acquired 4,098 common shares on February 4, 2022, upon the payout of restricted stock units with a market value of $367,520 on the date of acquisition. Mr. Sprowls is entitled to acquire the remaining 16,568 common shares, which were not payable during 2022, because of the immediate vesting of these common shares under the Rule of 75. Mr. Sprowls acquired 3,988 of these common shares on February 10, 2023 with a market value of $369,091 on the date of acquisition. On March 15, 2023, Mr. Sprowls acquired 8,455 of these common shares (including 38 common shares with respect to dividends declared on February 7, 2023 pursuant to dividend equivalent rights on these shares) with an aggregate market value of $733,265 on the date of acquisition. Mr. Sprowls was entitled to acquire the remaining 4,125 common shares, which were not payable during 2022, because of the vesting of these common shares under the Rule of 75. Mr. Sprowls has the right to acquire 1,295 of these common shares within 30 days from January 30, 2024, 1,496 of these common shares within 30 days from January 31, 2024 and 1,334 of these common shares within 30 days from January 30, 2025 as a result of the previous vesting of the 4,125 restricted stock units, the value of which was not realized during 2022, plus common shares with respect to dividends declared after December 31, 2022 on these common shares pursuant to dividend equivalent rights on these shares until the date of acquisition of these shares.

(4) Out of 3,178 shares fully vested in 2022, Ms. Tang acquired 920 common shares on February 4, 2022, upon the payout of restricted stock units with a market value of $82,491 on the date of acquisition. Ms. Tang is entitled to acquire the remaining 2,258 common shares, which were not payable during 2022, because of the immediate vesting of these common shares under the Rule of 75. Ms. Tang acquired 841 of these common shares on February 10, 2023 with a market value of $77,847 on the date of acquisition. On March 15, 2023, Ms. Tang acquired 588 of these common shares (including 3 common shares with respect to dividends declared on February 7, 2023 pursuant to dividend equivalent rights on these shares) with an aggregate market value of $50,968 on the date of acquisition. Ms. Tang was entitled to acquire the remaining 829 common shares, which were not payable during 2022, because of the vesting of these common shares under the Rule of 75. Ms. Tang has the right to acquire 228 of these common shares within 30 days from January 30, 2024, 366 of these common shares within 30 days from January 31, 2024 and 235 of these common shares within 30 days from January 30, 2025 as a result of the previous vesting of the 829 restricted stock units, the value of which was not realized during 2022, plus common shares with respect to dividends declared after December 31, 2022 on these common shares pursuant to dividend equivalent rights on these shares until the date of acquisition of these shares.

(5) Out of 2,401 shares fully vested in 2022, Ms. Farrow acquired 674 common shares on February 4, 2022, upon the payout of restricted stock units with a market value of $60,476 on the date of acquisition. Ms. Farrow acquired 75 common shares on March 14, 2022, upon the payout of restricted stock units with a market value of $6,255 on the date of acquisition. Ms. Farrow is entitled to acquire the remaining 1,652 common shares, which were not payable during 2022, because of the immediate vesting of these common shares under the Rule of 75. Ms. Farrow acquired 619 of these common shares on February 10, 2023 with a market value of $57,290 on the date of acquisition. On March 14, 2023, Ms. Farrow acquired 423 of these common shares (including 2 common shares with respect to dividends declared on February 7, 2023 pursuant to dividend equivalent rights on these shares) with an aggregate market value of $36,668 on the date of acquisition. Ms. Farrow was entitled to acquire the remaining 610 common shares, which were not payable during 2022, because of the vesting of these common shares under the Rule of 75. Ms. Farrow has the right to acquire 164 of these common shares within 30 days from January 30, 2024, 277 of these common shares within 30 days from January 31, 2024 and 169 of these common shares within 30 days from January 30, 2025 as a result of the previous vesting of the 610 restricted stock units, the value of which was not realized during 2022, plus common shares with respect to dividends declared after December 31, 2022 on these common shares pursuant to dividend equivalent rights on these shares until the date of acquisition of these shares.

What pension benefits are payable to these named executive officers?

We provide information in the table below reflecting the present value of the accumulated retirement benefits provided to each of our named executive officers as of December 31, 2022.

PENSION BENEFITS(1)

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(4)
Robert J. Sprowls(2)	Pension Plan	18	$1,118,734
	Supplemental Retirement Plan	18	9,987,056
Eva G. Tang(2)	Pension Plan	26	1,614,634
	Supplemental Retirement Plan	26	3,833,629
Paul J. Rowley(2)	Pension Plan	15	834,818
	Supplemental Retirement Plan	15	682,676
Christopher H. Connor(3)	Pension Plan	—	—
	Supplemental Retirement Plan	—	47,016
Gladys M. Farrow(2)	Pension Plan	19	1,109,018
	Supplemental Retirement Plan	19	1,114,373

(1) The present value of the accumulated benefit is based on the age when the Executive Officer would be eligible to retire with full benefits, which is at age 62 for participants with sufficient service. Mr. Sprowls and Ms. Tang are already eligible to retire with full benefits, therefore their calculations are based on their current ages. The present value for Mr. Rowley and Ms. Farrow is based on age 62. Mr. Connor will not be eligible to retire from the supplemental retirement plan with full benefits until age 65. If we had assumed that Mr. Rowley and Ms. Farrow would retire at age 65, the normal retirement age under each of these plans, the present value of the accumulated benefit under the pension plan as of December 31, 2022 would instead be $672,432, and $897,568, respectively. If we had assumed that Mr. Rowley, Mr. Connor and Ms. Farrow would retire at age 65, the present value of the accumulated benefit under the supplemental retirement plan as of December 31, 2022 would be $551,096, $47,016 and $903,066, respectively.

(2) Mr. Rowley and Ms. Farrow were eligible to retire with a 31.67% and 34.17% reduction in benefits, respectively, at December 31, 2022. Mr. Sprowls and Ms. Tang are eligible to retire with full benefits. If we had assumed that Mr. Rowley and Ms. Farrow retired at December 31, 2022, the present value of accumulated benefits for the pension plan would be $717,331 and $964,024, respectively, and the present value of accumulated benefit for the supplemental retirement plan would be $585,334 and $949,819, respectively.

(3) Mr. Connor is currently not eligible for any benefits under the supplemental retirement plan.

(4) We used the same assumptions to calculate the change in pension value in Note 12 to our audited financial statements in our Form 10-K for the year ended December 31, 2022, except that retirement age is assumed to be the earliest date on which any of the named executive officers may retire under the plan without any benefit reduction due to age. We ignored for the purpose of this calculation what actuaries refer to as pre-retirement decrements.

Each of our named executive officers is a participant in the pension plan except for Mr. Connor who was hired in 2022. This plan is a defined benefit pension plan available to all eligible employees hired prior to January 1, 2011 who are 21 years or older and have completed 1,000 hours of service in the first year of employment or in any subsequent plan year. The normal retirement benefit is 2% of an employee's five highest consecutive years' average earnings multiplied by the number of years of credited service, up to a maximum of 40 years, reduced by a percentage of primary social security benefits. Normal retirement age is 65. An employee must have five years of service in order to receive benefits under this plan. For purposes of this plan, compensation includes a named executive officer's salary and all other reportable compensation received by the executive, except bonuses, the imputed value of the personal use of company-owned vehicles, unused vacation pay, severance pay and long-term incentive program payments, up to the maximum amount permitted under the Internal Revenue Code (which was $305,000 at January 1, 2023). Any employee hired after December 31, 2010 is eligible for participation in a defined contribution plan.

We also provide each of our named executive officers pension benefits under the supplemental executive retirement plan (SERP).

Each named executive officer who is also a participant in the pension plan has the right to receive a benefit under the terms of the SERP equal to the sum of 2% of average compensation for each year of service before 2006 plus 3% of average compensation for each year of service after 2005, up to a combined maximum of 60% of average compensation, less a percentage of primary social security benefits and amounts payable to the executive under the pension plan. For purposes of the SERP, compensation includes all compensation included under the pension plan (without regard to qualified plan compensation limits) and cash incentive compensation. Average compensation is in general the average of the highest 5 consecutive years of compensation. For executives who were also employed by the company on January 1, 2006, the benefit is the greater of the benefit under the formula described in the previous sentence or the benefit under the old plan formula. Under the old plan formula, each executive was entitled to receive a benefit equal to the sum of 2% of average compensation for each year of service, up to a maximum of 40 years, less a percentage of primary social security benefits and amounts payable to the executive under the pension plan. Other than Mr. Connor, each of the named executive officers is a participant in the pension plan.

Each named executive officer who is not a participant in the pension plan has the right to receive a benefit under the terms of the SERP equal to 2.5% of average compensation, less a percentage of primary social security benefits, multiplied by the number of years of service up to 20 years. Mr. Connor is the only named executive officer who is not a participant in the pension plan.

Under the terms of each of the plans, an employee who is eligible may retire and receive benefits at age 55, with a 50% reduction in his or her benefits for early commencement. An employee who retires after age 55 but before age 62 will also receive benefits reduced for early commencement. The amount of the reduction will depend upon the employee's age at the date payment of his or her benefits begins and whether the sum of his or her age and completed years of service, as of the date of his or her termination, is equal to or greater than 80. An employee who retires at or after age 62 but before age 65 will also receive benefits reduced for early commencement based on his or her age at retirement unless the sum of his or her age and completed years of service, as of the date of his or her termination, is equal to or greater than 80, in which case the employee will be entitled to full, unreduced benefits. Under the terms of the supplemental retirement plan, an employee who is vested will begin receiving benefits within 60 days following the later of separation from service, age 55 or an age over 55 previously elected by the employee, subject to any delay required under Section 409A of the Internal Revenue Code.

We did not make payments to any named executive officer under the supplemental pension plan during the last year.

Do any named executive officers participate in a non-qualified deferred compensation plan or otherwise receive post-retirement compensation?

None of our named executive officers are participants in a non-qualified deferred compensation plan, other than the supplemental retirement plan described above.

What do we estimate we will pay each of our named executive officers in the event his or her employment is terminated because of a change in control?

Assuming that the employment of each of our named executives was terminated on December 31, 2022, the change in control agreement was in effect on December 31, 2022, a change in control occurred on that date under the change in control agreements and the terms of awards made under the 2016 plan and based on the assumptions set forth in the footnotes below, we estimate that we would have made the following payments to our named executive officers:

CHANGE IN CONTROL BENEFITS(1)

Payments and Benefits	Robert J. Sprowls	Eva G. Tang	Paul J. Rowley	Christopher H. Connor	Gladys M. Farrow
Payments					
Base Salary Benefit	$2,691,000	$1,591,577	$800,000	$1,121,250	$985,504
Bonus Benefit	2,691,000	571,376	287,200	424,382	294,666
Pension Plan and Supplemental Retirement Plan Benefits(2)	1,195,754	—	341,688	223,051	280,240
Benefits					
Welfare and Fringe Benefits(3)	105,241	77,718	49,334	63,567	62,889
Purchase of Automobile Benefit(4)	3,079	3,267	3,733	3,776	2,066
Restricted Stock Units Benefit(5)	750,766	154,466	120,870	65,803	113,744
Performance Stock Awards(6)	2,310,245	163,485	118,274	65,843	121,354
Total	**$9,747,085**	**$2,561,889**	**$1,721,099**(7)	**$1,967,672**	**$1,860,463**(7)

(1) We have assumed, for purposes of preparing this table, that we would make all change-in-control payments to each named executive officer in July 2023. We have excluded for the purpose of this calculation, amounts paid to each named executive officer for accrued, but unpaid base salary and vacation pay payable within ten days after termination of employment.

(2) In calculating the single sum actuarial equivalent, we used an interest rate equal to 4.57% and the mortality table named and described in detail in Section A.1 of the pension plan, after reduction, if any, of the benefit using the "Regular Factors" under Section A.4 of the pension plan, and each named executive officer's age at December 31, 2022, less a percentage of primary social security benefits. Ms. Tang has already accrued the maximum percentage that may be accrued under the supplemental retirement plan so a change in control will have no impact on her supplemental retirement plan benefits.

(3) Welfare benefits include (i) 85% of dental, medical and vision insurance premiums paid by the company for each named executive officer, under the insurance plans currently offered by the company, (ii) each named executive officer's pro rata share of the group term life insurance and accidental death and dismemberment premiums, (iii) reimbursement of health club dues for each named executive officer, up to a maximum of $1,800 a year, (iv) reimbursement for a health examination for each named executive officer, up to a maximum of $4,000 biannually, and (v) executive life insurance policy for each of the named executive officers. Welfare benefit amounts were calculated based on these benefits for a period of three years after termination of employment for Mr. Sprowls and Ms. Tang and two years after termination of employment for each of the other named executive officers. We assumed, for the purposes of this table, that each executive officer would be reimbursed up to the maximum amount for health club benefits and biannual health examination.

(4) We estimated the value of this benefit as the difference between (i) the wholesale value of the company car which the named executive officer has the right to purchase at the wholesale value, and (ii) the retail value of the car as shown in a national auto research publication.

(5) We measured the fair value of restricted stock units which were not converted to shares at December 31, 2022 assuming the price of our common shares on the date of each executive's termination of employment was $92.55.

(6) We measured the fair value of 2021 and 2022 performance stock award units which were not converted to shares as of December 31, 2022 assuming the price of our common shares on the date of each named executive officer's termination of employment was $92.55.

(7) This named executive officer's payment will be reduced to the extent necessary so that no portion of such payment will be subject to excise tax under Section 4999 of the Internal Revenue Code, provided that the reduction will result in the executive retaining a greater amount of the payment on an after-tax basis (after taking into account federal, state and local income taxes and payroll taxes).

These change in control agreements were terminated on December 31, 2022 so if a change in control had taken place on that date, no change in control benefits would have been made to any named executive officer.

What is our CEO to median employee pay ratio?

We estimated the median of the 2022 total annual compensation of our employees, excluding Mr. Sprowls, to be $82,672, using the same median employee identified in 2020. As permitted by SEC rules, we used the same median employee because there have been no changes in our employee population that we reasonably believe would result in a significant change to this pay ratio disclosure. We selected our median employee based on the annual gross wages reflected in our payroll records in 2020 for each of our employees on December 31, 2020. In 2020, we annualized the compensation of employees who did not work a full year, but did not make any other adjustments to our calculation of annual compensation. We then computed the median employee's 2022 total annual compensation using the same methodology used in calculating Mr. Sprowls' total annual compensation in the Summary Compensation Table. The 2022 total annual compensation of Mr. Sprowls set forth on the Summary Compensation Table is $3,483,194. The ratio of the total annual compensation of Mr. Sprowls to the estimated total annual compensation of our median employee in 2022 was 42.1 to 1. We believe this pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules.

Because the SEC rules for identifying the median employee and calculating the pay ratio based on that employee's total annual compensation allow companies to use a variety of methodologies, to apply certain exclusions and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to our pay ratio, as other companies may utilize different methodologies, exclusions, estimates and assumptions in calculating their pay ratios. These companies may also operate in different industries and different geographic locations, be of a different size, have different revenues, earnings and market capitalization and be subject to different regulations than the company.

Pay Versus Performance

We use a variety of performance measures to determine the amount and type of incentive compensation awarded to our executives in order to align executive compensation with performance. We also consider a variety of matters in determining the types of compensation that we award to our executives with a view to the impact of our compensation program on the long-term performance of the company.

The following table has been prepared in accordance with 402(v) of Regulation S-K and only considers the impact of three performance measures on the compensation that the SEC considers to have been actually paid to our named executive officers and is only a one-year snap shot of the relationship between pay and performance of the company. As a result, an assessment of the alignment of the pay of our President and Chief Executive Officer (PEO) and our other named executive officers (NEOs) with performance considered by our compensation committee differs from that we are required to present in the tables and graphs below in accordance with SEC rules.

Pay Versus Performance Table

					Value of $100 Initial Fixed Investment Based on TSR			
Year	Summary Compensation Table Total for PEO	Compensation Actually Paid to PEO(1)	Average Summary Compensation Table Total for Non-PEO NEOs(2)	Average Compensation Actually Paid to Non-PEO NEOs(1)	Total Shareholder Return(3)	Peer Group Total Shareholder Return(3)	Net Income (millions)	Adjusted EPS – AWR Consolidated(4)
2022	$3,483,194	$3,896,729	$709,380	$782,979	112.32	123.66	$78.4	$2.23
2021	$4,542,428	$5,214,978	$877,912	$847,883	123.32	144.50	$94.3	$2.48
2020	$5,926,137	$3,048,843	$1,556,224	$745,626	93.25	117.02	$86.4	$2.30

(1) Compensation actually paid (CAP) to our PEO and the average CAP for our remaining NEOs for each year as determined under SEC rules. CAP for our PEO and average CAP for other NEOs represents the "Total" compensation reported in the Summary Compensation Table for each year shown, adjusted as set forth below. We did not grant any stock options during the past three years and no equity or cash incentive compensation was forfeited in 2022 for the PEO and other NEOs listed in the table. Awards are considered unvested if the executive was not entitled to receive common shares during 2022 for the award.

(2) The other NEOs in 2020 were Eva G. Tang, Denise L. Kruger, Bryan K. Switzer and Gladys M. Farrow. The other NEOs in 2021 were Eva G. Tang, Paul J. Rowley, Gladys M. Farrow, Bryan K. Switzer and Denise L. Kruger. Ms. Kruger retired as Senior Vice President-Regulated Water Utility of GSWC on July 9, 2021. Her total compensation reported in the Summary Compensation Table was $598,932, including $22,181 in change in pension value and non-qualified deferred compensation earnings, $144,215 paid upon termination of her employment for her unused accrued vacation pay based on her then current salary as required by California law and $20,405 in consulting fees paid in 2021 for services rendered after termination of employment. Mr. Rowley was promoted to Senior Vice President-Regulated Water Utility of GSWC in December 2021. The other NEOs in 2022 were Eva G. Tang, Paul J. Rowley, Christopher H. Connor and Gladys M. Farrow. Mr. Connor was hired as the Senior Vice President-Operations of ASUS on February 28, 2022.

(3) Based on an initial investment of $100 and cumulative total shareholder return, including reinvestment of dividends, of the company and a customized peer group of seven water utilities (American Water Works Company Inc., Artesian Resources Corporation, California Water Service Group, Essential Utilities Inc., Middlesex Water Co, SJW Group and The York Water Co.) weighted by market capitalization.

(4) This is not a generally accepted accounting principles measure (non-GAAP measure).

PEO Summary Compensation Total to CAP Reconciliation

	2022	2021	2020
Summary Compensation for PEO Robert J. Sprowls	**$3,483,194**	**$4,542,428**	**$5,926,137**
Deduction for Amounts Reported under the “Stock Awards” Column in the Summary Compensation Table	(1,421,725)	(1,348,531)	(1,249,773)
Fair Value of Equity Awards Granted during the year that Remain Unvested as of Year-End	1,446,224	1,842,513	975,262
Change in Fair Value of Awards Granted in Prior Years that were Unvested as of Year-End	(189,461)	283,632	(192,212)
Change in Fair Value of Awards Granted in Prior Years that Vested during year	(202,488)	269,134	(243,686)
Change in Dividends or Dividend Equivalents as of Year-End	59,723	89,298	65,555
Deduction for Change in the Actuarial Present Values reported under the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” Column of the Summary Compensation Table	—	(1,184,796)	(2,841,864)
Increase for Service Cost and, if applicable, Prior Service Cost for Pension Plans	721,262	721,300	609,424
Compensation Actually Paid for PEO	**$3,896,729**	**$5,214,978**	**$3,048,843**

Average other NEOs Summary Compensation Total to CAP Reconciliation:

	2022	2021	2020
Average Summary Compensation for NEOs	**$709,380**	**$877,912**	**$1,556,224**
Deduction for Amounts Reported under the “Stock Awards” Column in the Summary Compensation Table	(114,528)	(119,944)	(111,967)
Fair Value of Equity Awards Granted during the year that Remain Unvested as of Year-End	118,941	161,085	94,328
Change in Fair Value of Awards Granted in Prior Years that were Unvested as of Year-End	(12,930)	28,407	(16,297)
Change in Fair Value of Awards Granted in Prior Years that Vested during year	(13,645)	15,336	(14,131)
Change in Dividends or Dividend Equivalents as of Year-End	3,880	7,336	5,942
Deduction for Change in the Actuarial Present Values reported under the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” Column of the Summary Compensation Table	—	(246,858)	(866,673)
Increase for Service Cost and, if applicable, Prior Service Cost for Pension Plans	91,881	124,609	98,200
Average Compensation Actually Paid for NEOs	**$782,979**	**$847,883**	**$745,626**

Pay Versus Performance Tabular List

We believe the following performance measures represent the most important financial performance measures used by us to link CAP for our PEO, Ms. Tang and Ms. Farrow for the year ended December 31, 2022. Total shareholder return and aggregate GSWC operating expense level are performance measures used in making performance share awards. Each of the other performance measures is used in making awards under our short-term cash incentive and performance share award programs to these NEOs. All of these performance measures are non-GAAP measures.

- Adjusted EPS – AWR Consolidated
- Adjusted EPS – Regulated Utilities (RU)
- Aggregate GSWC Operating Expense Level
- ASUS Earnings
- Total Shareholder Return

We believe the following performance measures represent the most important financial performance measures used by us to link CAP for Mr. Rowley for the year ended December 31, 2022. Total shareholder return and aggregate GSWC operating expense level are performance measures used in making performance share awards to Mr. Rowley. Each of the other performance measures is used in making awards under our short-term cash incentive program to Mr. Rowley. All of these performance measures are non-GAAP measures.

- Adjusted EPS – Regulated Water Utility (RWU)
- Aggregate GSWC Operating Expense Level
- Capital Expenditures – RWU
- Total Shareholder Return

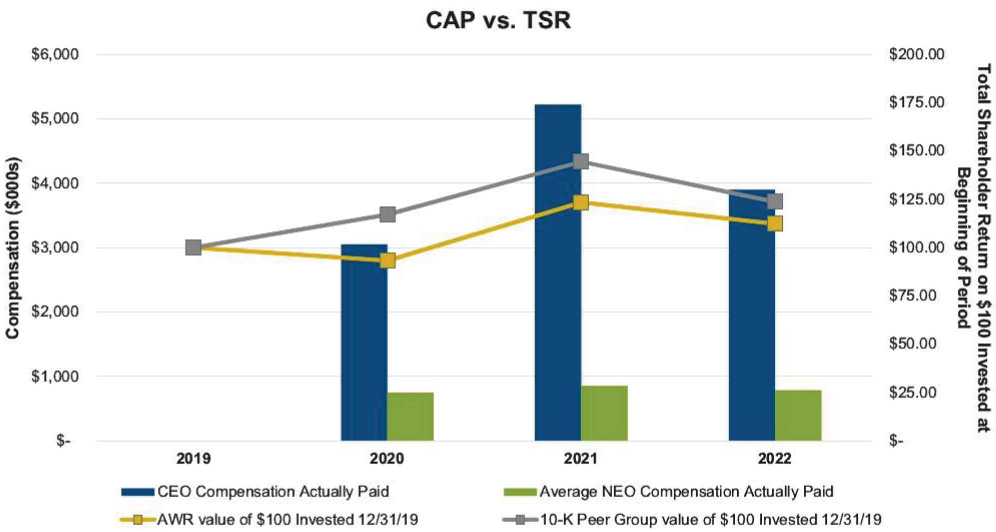
We believe the following performance measures represent the most important financial performance measures used by us to link CAP for Mr. Connor for the year ended December 31, 2022. Total shareholder return and ASUS new base acquisition success rate are performance measures used in making performance share awards to Mr. Connor. Each of the other performance measures is used in making awards under our short-term cash incentive and performance share award programs to Mr. Connor. All of these performance measures are non-GAAP measures.

- ASUS Earnings
- ASUS New Base Acquisition Success Rate
- Direct Operating Margin – ASUS
- Direct Construction Margin – ASUS
- Total Shareholder Return

For additional details regarding the performance measures that we use in determining short-term cash incentive compensation and long-term equity compensation, please see the discussion in in “Executive Officers - Compensation Discussion and Analysis” section.

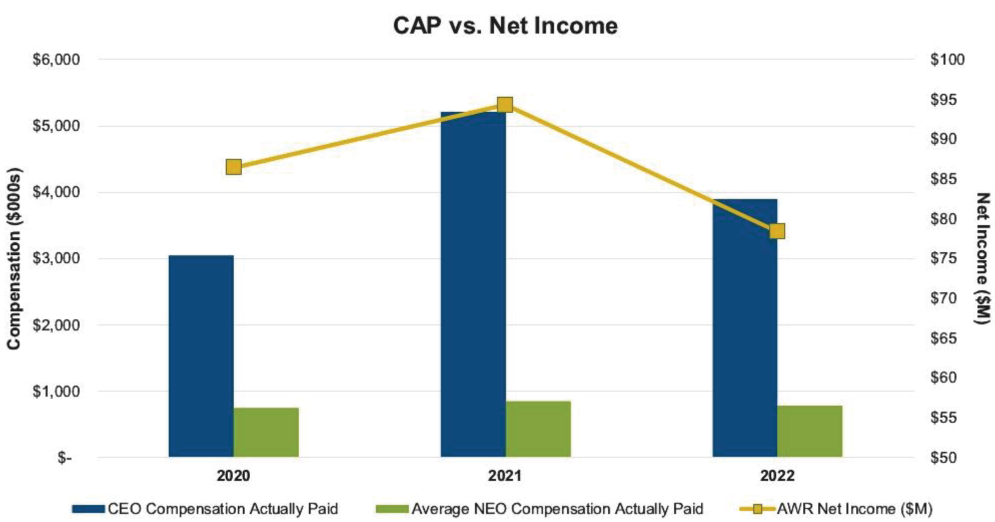
CAP Versus TSR Graph

The graph below compares CAP for the PEO and average CAP of the other NEOs shown in the Pay Versus Performance Table to TSR. In accordance with SEC guidance, the returns of the seven utilities included in the peer group are weighted according to their respective market capitalizations. Two of the companies represent at least 80% of the peer group. Twenty-five percent of the amount of the performance share awards made to each of the NEOs in each year is based on TSR.



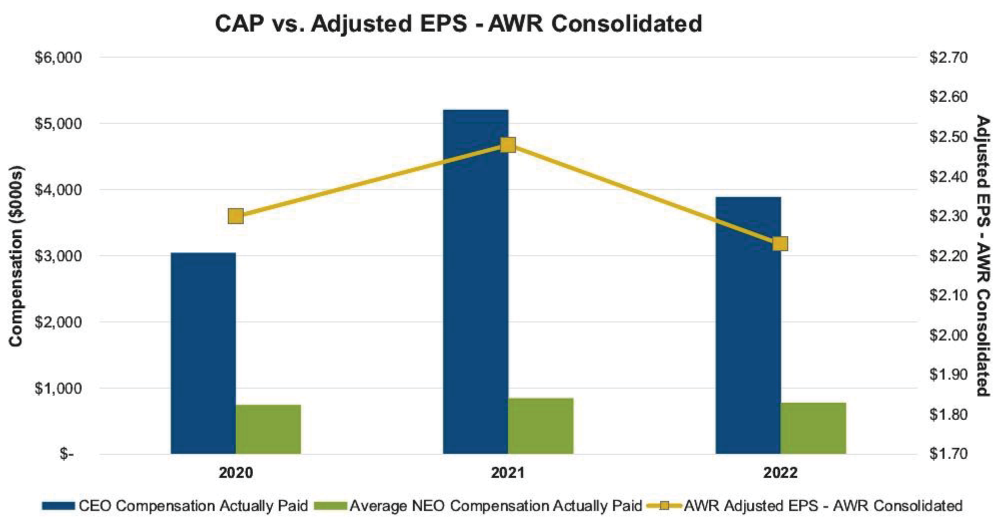
CAP Versus Net Income Graph

The graph below compares CAP for the PEO and average CAP of the other NEOs shown in the Pay Versus Performance Table to recorded Net Income. The company's Net Income results in 2022 of $78.4 million was adversely affected by the Delay in GSWC's general rate case and significant losses on investments held to fund one of the company's retirement plans due to financial market conditions. If GSWC had timely received a decision on its general rate case based on the settlement agreement reached by GSWC with the Public Advocates Office at the CPUC in November 2021 and not incurred significant investment losses, Net Income would have been $96.2 million in 2022. We do not use Net Income as a performance measure in any of our incentive compensation programs.



CAP Versus Company Selected Metric

The graph below compares CAP for the PEO and average CAP of the other NEOs shown in the Pay Versus Performance Table to Adjusted EPS - AWR Consolidated as the Company Selected Performance Measure. This is a non-GAAP performance measure. Adjusted EPS-AWR Consolidated was used in determining the amount of the short-term incentive compensation of Mr. Sprowls, Ms. Tang and Ms. Farrow in each year presented in the Pay Versus Performance Table. Although neither Mr. Rowley nor Mr. Connor were compensated based on this performance measure, Adjusted EPS was used in determining short-term incentive compensation in each of the years in which they were NEOs based upon the earnings of the subsidiary for which they worked using the same types of adjustments that were permitted to be made to the Adjusted EPS - AWR Consolidated performance measure to the extent applicable to the EPS of that subsidiary. There are no performance measures under either our short-term cash incentive program or our performance share award programs applicable to all the NEOs, other than relative total shareholder return. The Adjusted EPS – AWR Consolidated for 2022 in the graph below of $2.23 per share was not adjusted for the Delay in GSWC's general rate case. If GSWC had timely received a decision on its general rate case, the Adjusted EPS – AWR Consolidated for 2022 would have been higher by approximately $0.38 per share, or $2.61 per share.



PROPOSAL 2: APPROVAL OF 2023 NON-EMPLOYEE DIRECTORS STOCK PLAN

The company currently maintains the 2013 Non-Employee Directors Stock Plan, or the 2013 directors plan. Pursuant to the 2013 plan, non-employee directors are entitled to receive stock-based compensation upon the date of each annual meeting. The 2013 directors plan expires on May 20, 2023. Except for the 2003 directors plan, the company does not have any incentive, deferred compensation or pension plans for non-employee directors.

The board adopted the 2023 Non-Employee Directors Stock Plan, the 2023 directors plan, for the purpose of continuing to provide the non-employee directors with stock-based compensation. The 2023 directors plan will be effective as of May 23, 2023, subject to shareholder approval at the 2023 annual meeting. The grants provided to non-employee directors are described in the “Specific Benefits” section below.

What benefits will be paid to directors under the 2023 directors plan?

The compensation committee has approved an award of restricted stock units with a fair market value of $40,000 to directors immediately after the annual meeting in 2023, if shareholders approve the 2023 directors plan. The amount or number of restricted stock units authorized by the 2023 directors plan for each future year during the term of the 2023 directors plan is not currently determinable because the number of restricted stock units depends on future variables such as the amount of restricted stock units awarded, stock prices, the amount of dividends paid, if any, and the number of eligible directors. In no event, however, will more than 250,000 restricted stock units be granted during the term of the 2023 directors plan to non-employee directors without shareholder approval.

There are no differences between the number of our common shares that were issued to non-employee directors under the 2013 directors plan and the number of our common shares that would have been issued under the 2023 directors plan in 2022 if that plan had been in effect in 2022 instead of the 2013 directors plan.

What are the terms of the 2023 directors plan?

The principal terms of the 2023 directors plan are summarized below. The following summary is qualified in its entirety by reference to the full text of the 2023 directors plan, which is attached as Attachment A to this proxy statement. The terms of the 2023 directors plan are substantially the same as those in the 2013 directors plan, other than the difference in term and the new limitations on the number of shares that may be granted under the plan and the limitations on equity and total compensation of a non-employee director in any year.

Purpose

The purpose of the 2023 directors plan is to attract, motivate and retain non-employee directors by providing them with stock-based compensation and to encourage directors to increase their stock ownership in the company.

Eligibility

Only the company’s non-employee directors are eligible to participate in the 2023 directors plan. There will be 8 non-employee directors on the board immediately following the election of directors.

Administration

The board has appointed the compensation committee to administer the 2023 directors plan. The compensation committee has broad authority under the 2023 directors plan, including, for example, the authority:

- to construe and interpret the 2023 directors plan and to resolve any questions concerning the amount of benefits payable to a participant (except that no member of the committee may participate in a decision relating solely to his or her benefits),
- to determine adjustments to the terms of the 2023 directors plan in response to extraordinary transactions,
- to maintain all necessary records for administration of the 2023 directors plan, and
- to make and publish forms, rules and procedures for the administration of the 2023 directors plan.

Shares Authorized

The board has authorized an aggregate of 250,000 common shares that may be issued or delivered under the 2023 directors plan. The maximum number of common shares that may be delivered to any individual in a calendar year is 5,000 shares, subject to the limitations on total compensation described below. Each share limit and award under the 2023 directors plan is subject to adjustment for certain changes in the company's capital structure, reorganizations and other extraordinary events as described below.

If grants contemplated would exceed aggregate limits under the 2023 directors plan, the company will prorate any new credits of restricted stock units among the participants. If no additional common shares are available for issuance, participants will not be credited additional restricted stock units and dividend equivalent rights will instead be paid in cash.

The 2023 directors plan does not limit the authority of the board or the compensation committee to grant awards or authorize any other compensation under any other plan or authority.

Type of Awards

The 2023 directors plan authorizes the grant of restricted stock units.

Restricted Stock Units

A restricted stock unit represents an unfunded bookkeeping entry which serves as a unit of measurement relative to one common share for purposes of determining the amount of the payment. Subject to limited exceptions, all restricted stock units are payable solely in common shares. Stock units credited under the 2023 directors plan are at all times fully vested and non-forfeitable ninety days after the date of grant.

Annual Restricted Stock Unit Awards

If shareholders approve the 2023 directors plan, as of the date of each annual meeting of the shareholders commencing in 2023, the account of each non-employee director in office immediately following the annual meeting will be credited with restricted stock units equal to (1) an amount established by the board of directors prior to the annual meeting divided by (2) the fair market value of common shares on the last trading date prior to such annual meeting, subject to the limitations described above under the "Shares Authorized" section and the limitations on compensation paid to non-employee directors described below under the "Limitations on Annual Compensation of Non-Employee Directors" section.

Restricted stock unit awards are at all times fully vested 90 days after the date of grant. Restricted stock units credited to an eligible director's restricted stock unit account under the 2023 directors plan will become payable on the vesting date. The distribution will be made in a lump sum as soon as practicable, but no later than 30 days, following the applicable vesting date.

Dividend Equivalents

As of each dividend payment date, each eligible director's restricted stock unit account will be credited with a number of restricted stock units equal to an amount that represents the dividends that would have been payable as of the dividend payment date on the number of units then credited to his or her restricted stock unit account divided by the fair market value of a common share on the dividend payment date. Dividend equivalent restricted stock units are paid at the same time and in the same manner as the restricted stock units to which they relate, subject to limitations on the number of common shares that may be issued under the 2023 directors plan.

Restrictions on Transfer

Subject to customary exceptions, restricted stock units are generally non-transferable, except by will or the laws of descent and distribution or beneficiary designation.

Adjustment

The number, maximums and kind of shares available for issuance or transfer under the 2023 directors plan and outstanding restricted stock units are subject to adjustment for extraordinary dividends or distributions of property to the company's shareholders and upon certain reorganizations, merger, combination, consolidations, recapitalizations, reclassifications, stock splits, stock dividends, asset sales or other similar events.

Termination of or Changes to the 2023 directors plan or Awards

The board may amend or terminate the 2023 directors plan (including outstanding awards) and does not contemplate seeking shareholder approval for amendments except to the extent required by applicable law or rules of the New York Stock Exchange or otherwise deemed necessary or advisable by the board. However, no amendment or termination may cancel or adversely affect a participant's rights with respect to amounts or restricted stock units credited to his or her restricted stock unit account, without his or her consent, except as otherwise provided in the 2023 directors plan. The 2023 directors plan will remain in effect until May 22, 2033 or until otherwise terminated in accordance with the terms of the 2023 directors plan.

Securities Underlying Restricted Stock Units

The market value per share of our outstanding common shares at the close of the stock market on March 31, 2023 was $88.89. The company intends to register 250,000 common shares under the 2023 directors plan under the Securities Act of 1933. Common shares issued under the 2023 directors plan will be listed on the New York Stock Exchange.

Limitations on Annual Compensation of Non-Employee Directors

The maximum amount of compensation that may be paid to any non-employee director in any calendar year without shareholder approval is $950,000. Maximum compensation for this purpose consists of

- the grant date fair value of restricted stock units granted during the year determined in accordance with generally accepted accounting principles,
- the fees paid for service as a director, chair, committee member or chair during the year, and
- the value of any dividend equivalent payments paid to a director pursuant to any awards granted in a previous year (excluding for this purpose dividend equivalent payments made to a director on retirement from the board under the terms of the 2003 Non-Employee Directors Stock Plan).

What is the federal income tax treatment of grants under the 2023 directors plan?

The federal income tax consequences of the 2023 directors plan under current federal law are summarized in the following discussion of general tax principles applicable to the 2023 directors plan. This summary is not intended to be exhaustive and does not describe state or local tax consequences.

Awards

The company is generally entitled to deduct, and the participant will recognize taxable income in, an amount equal to the fair market value of the common shares distributed in payment of restricted stock units at the time of payment.

Section 409A

To the extent that Section 409A of the Internal Revenue Code is applicable, we intend to administer the 2023 directors plan and any grants made thereunder in a manner consistent with the requirements of Section 409A, and any regulations and other guidance promulgated with respect to Section 409A by the U.S. Department of Treasury or Internal Revenue Service. All awards under the 2023 directors plan are intended either (i) to be exempt from Section 409A or (ii) to comply with Section 409A, and the compensation committee intends to administer the 2023 directors plan in a manner consistent with that intent.

What securities have we authorized for issuance under equity compensation plans?

We have made stock awards to our executive officers and managers under the 2016 plan. We provide information regarding the securities which have been issued and which are available for issuance under these plans in the table set forth below as of December 31, 2022. This table does not include any common shares that may be issued under our 401(k) plan or any common shares available for issuance under the 2013 non-employee directors plan since no more shares may be issued under the terms of that plan.

Future awards under the 2023 directors plan will be made in accordance with the terms of the 2023 directors plan.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights[1]	Weighted-average exercise price of outstanding options, warrants and rights[2]	Number of securities remaining available for future issuance under equity compensation plans (excluding securities Reflected in the first column)[3]
Equity compensation plans approved by shareholders	137,229	N/A	983,694
Equity compensation plans not approved by shareholders	—	—	—
Total	137,229	N/A	983,694

(1) Amount shown in this column consists of 25,486 time-vested restricted stock units outstanding under the 2016 plan (including dividend equivalents thereon with respect to declared dividends), 89,676 performance awards at the maximum level (including dividend equivalents thereon with respect to declared dividends) outstanding under the 2016 employee plan, and 22,067 restricted stock units (including dividend equivalents thereon with respect to declared dividends) outstanding under the 2003 non-employee directors plan. Excludes shares remaining available for issuance under the 2013 non-employee directors plan because no more shares may be issued under the terms of that plan.

(2) Amount shown in this column is for options granted only. As of December 31, 2022, there are no options outstanding.

(3) Amount shown in this column consists of 192,630 shares available under the 2003 non-employee directors plan, and 791,064 shares available under the 2016 plan. The only shares that may be issued under the 2003 non-employee directors plan are pursuant to dividend equivalent rights on dividends not yet declared with respect to restricted stock units previously granted to Ms. Holloway and Dr. Bontá under the 2003 non-employee directors plan.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” APPROVAL OF THE 2023 DIRECTORS PLAN.

PROPOSAL 3: ADVISORY VOTE TO APPROVE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

This proposal to approve the compensation of our named executive officers, commonly referred to as a "say-on-pay" proposal, is provided pursuant to section 14A of the Securities Exchange Act of 1934 and gives our shareholders the opportunity to express their views on the compensation of our named executive officers as described in this proxy statement. This vote is not binding and is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our shareholders to vote "**FOR**" the following resolution at the 2023 annual meeting:

> RESOLVED, that the compensation of our named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, compensation tables and related materials disclosed in this proxy statement, is hereby APPROVED.

Target aggregate total direct compensation of Mr. Sprowls, Ms. Tang, Mr. Rowley and Ms. Farrow increased modestly in 2022. Actual aggregate total direct compensation of these named executive officers were below the market median determined by Pearl Meyer based on 2022 proxy statement information for members of the current peer group approved by the compensation committee, blended with data obtained by Pearl Meyer from three industry surveys. Mr. Connor was not hired until 2022.

Based upon an assessment of the realizable direct compensation of our CEO compared to CEOs in our peer group for each respective period, our CEO's realizable compensation rank was at the 73^{rd} percentile rank when assessing 2018 to 2020 and 64^{th} percentile when assessing 2019 to 2021 pay and performance. Our total shareholder return rank (including reinvestment dividends) was at the 91^{st} percentile rank for the 2018 to 2020 period and at the 82^{nd} percentile for the 2019 to 2021 period. Our CEOs realizable direct compensation was at the 55^{th} percentile when assessing 2020 to 2022 pay and performance. Our total shareholder return rank (including reinvestment dividends) was at the 55^{th} percentile for the 2020 to 2022 period. As a result, despite the impact of the Delay on our financial statements, our CEO pay rank has been either at or below our total shareholder return rank. Further information regarding the alignment of our CEO's pay with total shareholder return is provided under "Compensation Discussion and Analysis - Alignment of CEO Pay with Performance."

In recent years, the compensation committee has made an increasing percentage of the total compensation of an executive officer in the form of equity awards. Approximately 75% of the value of all stock awards made to Mr. Sprowls and approximately 50% of the value of stock awards made to Ms. Tang, Mr. Rowley, Mr. Connor and Ms. Farrow in 2022 were also dependent upon the satisfaction of performance criteria over a three-year performance period. The remainder of the stock awards were time vesting awards, which vest over a three-year period.

Approximately 95.8% of the votes cast for or against our "say-on-pay" proposal in 2022 were cast in favor of the compensation of our named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and related materials disclosed in our 2022 proxy statement. Abstentions were not counted as a vote either for or against this proposal.

This "say-on-pay" vote is advisory, and therefore not binding on us, the compensation committee or the board. However, the board and the compensation committee intend to review the voting results and will seek to determine the causes of a negative vote, if significant. Shareholders who wish to communicate with the board of directors or management regarding our executive compensation program or other matters may do so in the manner described under "Governance of the Company - What is the process for shareholders and other interested persons to send communications to our board?"

If no voting specification is made on a properly returned or voted proxy card, the named proxies will vote "**FOR**" this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

PROPOSAL 4: ADVISORY VOTE ON FREQUENCY OF VOTE ON COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

This proposal gives our shareholders another opportunity to express their views regarding how frequently a "say-on-pay" vote should be held. Shareholders will be able to specify one of four choices for this proposal on their proxy card: three years, two years, one year or abstain. Unlike the "say-on-pay" vote, shareholders are not being asked to approve or disapprove the board's recommendation regarding how frequently to hold a "say-on-pay" vote. Instead, shareholders will be asked whether they favor us holding a "say-on-pay" vote every one, two or three years. The company currently holds a "say-on-pay" vote annually.

After careful consideration, the board recommends that the "say-on-pay" advisory vote continue to be held annually. The board concluded that an annual vote is the appropriate frequency for the following reasons:

- An annual vote was favored by a majority of our shareholders in 2011, when the first "say-on pay" vote was held;
- An annual vote enables all shareholders to give the board more frequent feedback on the company's executive compensation program, including any changes that may have been made to the company's executive compensation program during the year;
- Shareholders have come to expect an annual vote as this is what the company has done in the past and is the procedure adopted by a majority of Russell 3,000 companies; and
- An annual vote is preferred by a majority of institutional investors, proxy advisory firms and corporate governance advocates.

This advisory vote on the frequency of a "say-on-pay" vote is not binding on the board.

Notwithstanding the board's recommendation and the outcome of the shareholder vote, the board may, in the future, decide to conduct advisory votes on a more or less frequent basis and may vary its practice based on factors, such as discussions with shareholders, views expressed by others and the adoption of material changes to our compensation programs. The board will disclose its position on the frequency of advisory votes on "say-on-pay" in a Form 8-K, after due consideration of the results of the advisory vote on this "say-on-pay" proposal in accordance with the rules and regulations of the Securities and Exchange Commission.

Brokers are *not* authorized to vote on this proposal unless they are instructed otherwise. If no voting specification is made on a properly returned or voted proxy card on this proposal, the named proxies will vote for an annual "say-on-pay" vote.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" AN ANNUAL "SAY-ON-PAY" ADVISORY VOTE

PROPOSAL 5: RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit and finance committee has appointed PricewaterhouseCoopers LLP, or PwC, as our independent registered public accounting firm for the year ended December 31, 2023, subject to reconsideration if our shareholders do not ratify this appointment.

PwC has served as our registered public accounting firm since 2002 and reports directly to the audit and finance committee. In determining whether to reappoint PwC as our registered public accounting firm in January 2023, the audit and finance committee considered many factors, including:

- the quality of its discussions with the audit and finance committee and the board and the performance of the lead audit partner and the audit team assigned to our account;
- the potential impact of changing our registered public accounting firm;
- the overall strength and reputation of the firm based upon, among other things, PwC’s most recent Public Company Accounting Oversight Board inspection report and the results of peer review and self-review examinations;
- the results of management’s and the audit and finance committee’s annual evaluations of the qualifications, performance and independence of PwC;
- PwC’s independence program and its processes for maintaining independence; and
- the appropriateness of PwC’s fees on an absolute basis and as compared to its peer firms.

We expect representatives of PwC to attend the 2023 annual virtual meeting. They will have an opportunity to make a statement at the 2023 annual virtual meeting, if they desire to do so. They will also be available to respond to appropriate questions from you if you attend the 2023 annual virtual meeting.

What are the audit and finance committee’s pre-approval policies and procedures?

The audit and finance committee has adopted a policy statement regarding the approval of audit, audit-related, tax and other services provided by our registered public accounting firm. This policy statement specifies guidelines and procedures we will use to assist us in maintaining the independence of our registered public accounting firm and complying with Sections 201 and 202 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations promulgated by the SEC. The audit and finance committee administers this policy statement. The policy statement established the four categories of permitted services described on the next page, the reporting procedure for each category of permitted services, prohibited services and the pre-approval process we use for each category of permitted service.

The audit and finance committee has reviewed the advisability and acceptability of utilizing our external auditor, PwC, for non-audit services. In reviewing this matter, the committee focused on the ability of our external auditor to maintain its independence. Based on input from management and the committee’s review of procedures established by PwC, the committee finds that it is both advisable and acceptable to employ our external auditor for certain limited non-audit services from time to time.

Principal Accounting Fees and Services

The aggregate fees billed or fees we expect to be billed to us by PwC for the years ended December 31, 2022 and 2021 are as follows:

Type of Fee	2022	2021
Audit Fees	$1,502,000	$1,456,500
Tax Fees	37,520	35,000
All Other Fees	900	900
Total	**$1,540,420**	**$1,492,400**

Audit Fees

Audit fees represent the aggregate fees billed, or fees we expect to be billed, for professional services rendered in connection with the audit of our annual financial statements (including the audit of internal control over financial reporting), a review of our financial statements included in our Form 10-Qs filed with the SEC, audits of the company's subsidiaries and other services normally provided by our accountants in connection with statutory or regulatory filings and engagements. The audit fees also include out-of-pocket expenses incurred in providing audit services.

Audit-Related Fees

Audit-related fees represent the aggregate fees billed, or fees we expect to be billed, for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements and are not included in audit fees. On a quarterly basis, the audit and finance committee approves a specific quarterly limit on the amount of audit-related fees for non-audit services. Management is also required to report the specific engagements to the committee and obtain specific pre-approval from the committee. We did not incur any audit-related fees in 2022 or 2021.

Tax Fees

Tax fees represent the aggregate fees billed, or fees we expect to be billed, for professional services for tax compliance, tax advice and tax planning, including tax return review, review of tax laws and regulations and cases and other support in connection with complying with federal and state tax reporting and payment requirements. All tax fees have been pre-approved by the audit and finance committee.

All Other Fees

We incurred fees to the advisory branch of PwC in 2022 and 2021, respectively for $900 for obtaining access to SEC disclosure checklists prepared by PwC. These fees were pre-approved by the audit and finance committee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

OTHER MATTERS

Our management knows of no business, other than that mentioned above, to be transacted at the 2023 annual meeting. Unless otherwise instructed, the named proxies intend to vote in accordance with their judgment on any other matter that may properly come before the 2023 annual meeting.

OBTAINING ADDITIONAL INFORMATION FROM US

This proxy statement incorporates by reference certain information from our financial statement footnotes in our Form 10-K for the year ended December 31, 2022. We undertake, on written or oral request, to provide you (or a beneficial owner of our securities entitled to vote), without charge, a copy of our annual report on Form 10-K for the year ended December 31, 2022 as filed with the SEC, including our financial statements and schedules. You should address your requests to the corporate secretary at American States Water Company, 630 East Foothill Boulevard, San Dimas, California 91773, telephone number 909-394-3600.

Unless we have been instructed otherwise, shareholders sharing the same address are receiving, as applicable, Notices in a single envelope or only one copy of our proxy statement. If we are sending a Notice, the envelope contains a unique control number that each shareholder may use to access our proxy materials and vote. If we are mailing a paper copy of our proxy materials, each shareholder at the shared address receives a separate proxy card. We will, however, deliver promptly a separate copy of this proxy statement to a shareholder at a shared address to which a single copy of this proxy statement was delivered, upon written or oral request on or prior to May 9, 2023. You may direct this request to us at the address or telephone number listed above. If you share an address with another shareholder and wish to receive a single copy of this proxy statement, instead of multiple copies, you may direct this request to us at the address or telephone number listed above.

If you received our proxy materials in the U.S. mail and would like to reduce the costs incurred by us in mailing proxy materials to you, you can consent to receiving future proxy materials, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions on your proxy card to vote by using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

You may visit our website at www.aswater.com to view the charters of our audit and finance committee, nominating and governance committee and compensation committee. We also provide a copy of our code of conduct and guidelines on significant governance issues on this website. You can find this information on our website by clicking on “Governance” and then clicking on “Committee Charters and Governance Documents.” You can also find information about environmental, social and governance matters by clicking on “ESG” on this website.

AMERICAN STATES WATER COMPANY

2023 NON-EMPLOYEE DIRECTORS STOCK PLAN

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AMERICAN STATES WATER COMPANY
2023 NON-EMPLOYEE DIRECTORS STOCK PLAN

Section 1. General Description

The American States Water Company 2023 Non-Employee Directors Stock Plan (the Plan) provides for grants of stock units to non-employee directors. The purposes of the Plan are (a) to attract, motivate and retain eligible directors of the Company by providing to them stock-based compensation, and (b) to encourage directors to increase their stock ownership in the Company.

Section 2. Definitions

Whenever the following terms are used in this Plan they shall have the meaning specified below unless the context clearly indicates to the contrary:

"**Account**" means the bookkeeping account maintained by the Company on behalf of each Participant that is credited with Award Units and Dividend Equivalents in accordance with Section 4.

"**Award Units**" means Stock Units credited pursuant to Sections 4.1 and any Dividend Equivalents credited thereon pursuant to Section 4.2.

"**Board**" means the Board of Directors of the Company.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Common Stock**" means the Common Shares of the Company, subject to adjustment pursuant to Section 5.

"**Committee**" means the Board, the Compensation Committee or any other Committee of the Board acting under delegated authority from the Board.

"**Company**" means American States Water Company, a California corporation, and its successors and assigns.

"**Dividend Equivalent**" means, with respect to a Participant's Account, the amount of cash dividends or other cash distributions paid by the Company on that number of shares of Common Stock that is equal to the number of Stock Units then credited to the Participant's Account as of the applicable measurement date for the dividend or other distribution, which amount shall be allocated as additional Stock Units to the Participant's Account pursuant to Section 4.2.

"**Distribution Date**" means the date that is ninety days following the date of each grant.

"**Effective Date**" means May 23, 2023, subject to shareholder approval at the 2023 annual meeting of shareholders.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time.

"**Fair Market Value**" on any date means (1) if the stock is listed or admitted to trade on a national securities exchange, the closing price of the stock listed on The Wall Street Journal website (www.online.wsj.com), of the principal national securities exchange on which the stock is so listed or admitted to trade, on such date, or, if there is no trading of the stock on such date, then the closing price of the stock as quoted on such website on the next preceding date on which there was trading in such shares; (2) if the stock is not listed or admitted to trade on a national securities exchange, the last price for the stock on such date, as furnished by the National Association of Securities Dealers, Inc. (NASD) through the NASDAQ National Market Reporting System or a similar organization if the NASD is no longer reporting such information; (3) if the stock is not listed or admitted to trade on a national securities exchange and is not reported on the National Market Reporting System, the mean between the bid and asked price for the stock on such date, as furnished by the NASD or a similar organization; or (4) if the stock is not listed or admitted to trade on a national securities exchange, is not reported on the National Market Reporting System and if bid and asked prices for the stock are not furnished by the NASD or a similar organization, the value as established by the Committee at such time for purposes of this Plan.

"**Non-Employee Director**" means a member of the Board who is not an officer or employee of the Company or a subsidiary.

"**Participant**" means any person who has been granted Award Units under this Plan.

"**Plan**" means the American States Water Company 2023 Non-Employee Directors Stock Plan.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Stock**" means a share of Common Stock.

"**Stock Unit or Unit**" means a non-voting unit of measurement which is deemed for bookkeeping and payment purposes to represent one outstanding share of Common Stock of the Company solely for purposes of determining benefits under this Plan, established pursuant to the grant of Award Units under Sections 4.1, or in respect of Dividend Equivalents under Section 4.2, and payable solely in a share of Stock, on a one-for-one basis.

"**2023 Annual Meeting**" means the Company's 2023 annual meeting of shareholders.

Section 3. Effective Date; Duration

The effective date of the Plan is May 23, 2023, subject to approval of the Company's shareholders at their 2023 annual meeting. No awards may be granted under the Plan after May 22, 2033. The Plan shall continue in effect until all matters relating to Stock Units and the administration of the Plan have been completed and all payments of benefits have been made.

Section 4. Stock Units Awards

4.1 Annual Award.

(a) As of the date of each annual meeting of the shareholders commencing in 2023, the Account of each Non-Employee Director in office immediately following the annual meeting shall be credited with a number of Stock Units (the Compensation Stock Units) equal to (1) an amount established by the Board of Directors prior to the annual meeting divided by (2) the Fair Market Value of Common Stock on the last trading date prior to such annual meeting; provided that, in no event, may such amount exceed the limitations set forth in Section 6.1 and Section 6.4.

(b) Annual grants that would otherwise exceed the maximum number of shares allotted for issuance under the Plan contained in Section 6.1 shall be prorated within such limitation pursuant to Section 6.2.

4.2 Crediting of Dividend Equivalents to Accounts.

(a) As of each dividend payment date, a Non-Employee Director's Account shall be credited with additional Stock Units in an amount equal to the Dividend Equivalents representing dividends payable as of such dividend payment date on a number of shares equal to the aggregate number of Units credited to the Participant's Account divided by the Fair Market Value of a share of Common Stock on the dividend payment date.

(b) Stock Units credited in respect of Dividend Equivalents shall be paid in Stock at the same time and the same manner as the Stock Units to which they relate.

4.3 Units and Other Amounts Vest Immediately. All Units or other amounts credited to a Non-Employee Director’s Account shall be at all times fully vested and not subject to a risk of forfeiture ninety days after the date of grant.

4.4 Distribution of Benefits. Notwithstanding anything herein to the contrary, the portion of a Non-Employee Director’s Account attributable to Stock Units granted pursuant to Section 4.1 (and any Dividend Equivalents attributable to such Stock Units) shall be distributed in accordance with this Section 4.4.

(a) Commencement of Benefits Distribution. With respect to each grant of Stock Units to a Non-Employee Director, the Non-Employee Director shall be entitled to receive such Stock Units (including Dividend Equivalents applicable to such Stock Units) on the Distribution Date.

(b) Manner of Distribution. Upon the Distribution Date for each grant, the Company shall, subject to Section 6.2, deliver to the Participant (or his or her Beneficiary, as applicable) a number of shares of Stock equal to the number of Stock Units (as adjusted pursuant to Section 5, if applicable) to which the Participant is then entitled under the terms of Section 4.4. Such distribution shall be made in a lump sum as soon as administratively practicable, but no later than 30 days, following the applicable Distribution Date.

Section 5. Changes in Capital Structure

5.1 Adjustments. Upon (or, as may be necessary to effect the adjustment, immediately prior to): any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split; any merger, combination, consolidation, or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock; or any exchange of Common Stock or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; then the Committee shall equitably and proportionately adjust (1) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of awards (including the specific share limits, maximums and numbers of shares set forth elsewhere in this Plan), (2) the number, amount and type of shares of Common Stock (or other securities or property) subject to any outstanding awards, (3) the grant of any outstanding awards, and/or (4) the securities, cash or other property deliverable upon payment of any outstanding awards, in each case to the extent appropriate to preclude the enlargement or dilution of rights and benefits under such awards.

It is intended that, if possible, any adjustments contemplated by the preceding paragraph be made in a manner that satisfies applicable legal, tax (including, without limitation and as applicable in the circumstances, Section 424 of the Code, Section 409A of the Code) and accounting (so as to not trigger any charge to earnings with respect to such adjustment) requirements.

Without limiting the generality of Section 7.3, any good faith determination by the Committee pursuant to this Section 5.1 shall be conclusive and binding on all persons.

5.2 Corporate Transactions-Assumption or Termination of Awards. Upon the occurrence of any of the following: any merger, combination, consolidation, or other reorganization; any exchange of Common Stock or other securities of the Company; a sale of all or substantially all the business, stock or assets of the Company; a dissolution of the Company; or any other event in which the Company does not survive (or does not survive as a public company in respect of its Common Stock); then the Committee may make provision for a cash payment in settlement of, or for the assumption, substitution or exchange of any or all outstanding share-based awards or the cash, securities or property deliverable to the holder of any or all outstanding share-based awards, based upon, to the extent relevant under the circumstances, the distribution or consideration payable to holders of the Common Stock upon or in respect of such event.

The Committee may adopt such valuation methodologies for outstanding awards as it deems reasonable in the event of a cash or property settlement.

In any of the events referred to in this Section 5.2, the Committee may take such action contemplated by this Section 5.2 prior to such event (as opposed to on the occurrence of such event) to the extent that the Committee deems the action necessary to permit the participant to realize the benefits intended to be conveyed with respect to the underlying shares.

Without limiting the generality of Section 7.3, any good faith determination by the Committee pursuant to its authority under this Section 5.2 shall be conclusive and binding on all persons.

Section 6. Shares Subject to the Plan; Share Limits; Compensation Limits

6.1 Shares Available for Issuance. Subject to adjustment under Section 5 and the provisions of Section 6.4, the aggregate number of shares of Stock that may be issued or delivered under the Plan shall not exceed 250,000 shares, and the aggregate number of shares of Stock that may be delivered to any individual in a calendar year shall not exceed 5,000 shares. Stock delivered by the Company under the Plan shall be shares of authorized and unissued shares of Stock and shall be fully paid and non-assessable when issued.

6.2 Share Limits; Cut Backs. If any award or crediting of Stock Units would cause the sum of the shares of Stock previously issued and shares issuable under outstanding awards under the Plan to exceed the maximum number of shares authorized under the Plan, the Company shall prorate among the Non-Employee Directors the award of Stock Units. If and for so long as no available share authorization remains, no additional Stock Units shall be credited and cash shall be paid in lieu of dividend equivalents under Section 4.2 for such duration.

6.3 Fractional Shares; Minimum Issue. Fractional share interests may be accumulated but shall not be issued. Cash will be paid or transferred in lieu of any fractional share interests that remain upon a distribution under the Plan.

6.4 Compensation Limits. The total amount of compensation that may be paid to any Non-Employee Director in any calendar year may not exceed $950,000 based on (a) the grant date fair value of Stock Units granted in a calendar year determined in accordance with generally accepted accounting principles, (b) the fees paid for service as a director, chair, committee member or chair during such calendar year, and (c) the value of any dividend equivalent payments paid pursuant to any awards granted in a previous year (excluding for this purpose dividend equivalent payments made to a director on retirement from the board under the terms of the 2003 Non-Employee Directors Stock Plan).

Section 7. Administration

7.1 The Administrator. The Administrator of this Plan shall be the Compensation Committee; provided that the Board may from time to time appoint the Board as a whole or any other Committee to serve as administrator of this Plan. The participating members of any Committee so acting shall include, as to decisions in respect of participants who are subject to Section 16 of the Exchange Act, only those members who are Non-Employee Directors (as defined in Rule 16b-3 promulgated under the Exchange Act). Members of any Committee so acting shall not receive any additional compensation for administration of this Plan.

7.2 Committee Action. A member of the Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant in this Plan. Action of the Committee with respect to the administration of this Plan shall be taken pursuant to a majority vote or (assuming compliance with Section 7.1) by unanimous written consent of its members.

7.3 Rights and Duties; Delegation and Reliance; Decisions Binding. Subject to the limitations of this Plan, the Committee shall be charged with the general administration of this Plan and the responsibility for carrying out its provisions, and shall have powers necessary to accomplish those purposes, including, but not by way of limitation, the following:

(a) To construe and interpret this Plan;

(b) To resolve any questions concerning the amount of benefits payable to a Participant (except that no member of the Committee shall participate in a decision relating solely to his or her own benefits);

(c) To make adjustments under Section 5 and all other determinations required by this Plan;

(d) To maintain all the necessary records for the administration of this Plan; and

(e) To make and publish forms, rules and procedures for the administration of this Plan.

The determination of the Committee made in good faith as to any disputed question or controversy and the Committee's determination of benefits payable to Participants, including decisions as to adjustments under Section 5, shall be conclusive and binding for all purposes of this Plan. In performing its duties, the Committee shall be entitled to rely on information, opinions, reports or statements prepared or presented by: (i) officers or employees of the Company whom the Committee believes to be reliable and competent as to such matters; and (ii) counsel (who may be employees of the Company), independent accountants and other persons as to matters which the Committee believes to be within such persons' professional or expert competence. The Committee shall be fully protected with respect to any action taken or omitted by it in good faith pursuant to the advice of such persons. The Committee may delegate ministerial, bookkeeping and other non-discretionary functions to individuals who are officers or employees of the Company.

Section 8. Amendment and Termination; Shareholder Approval

8.1 Amendment and Termination. Subject to Section 8.2, the Board shall have the right to amend this Plan in whole or in part from time to time or may at any time suspend or terminate this Plan; provided, however, that, except as contemplated by Section 5, no amendment or termination shall cancel or otherwise adversely affect in any way, without his or her written consent, any Participant's rights with respect to Stock Units credited to his or her Account. Any amendments authorized hereby shall be stated in an instrument in writing, and all Participants shall be bound by such amendment. Changes contemplated by Section 5 shall not be deemed to constitute changes or amendments for purposes of this Section 8.1.

8.2 Shareholder Approval. The Plan, any grant, action, crediting or vesting prior to shareholder approval, shall be subject to approval of the Plan by the shareholders of the Company and, to the extent required under applicable law or listing agency rule, required by the provisions of Section 8.1, or deemed necessary or advisable by the Board, any amendment to the Plan shall be subject to shareholder approval.

Section 9. Miscellaneous

9.1 Limitation on Participants' Rights. Participation in this Plan shall not give any person the right to continue to serve as a member of the Board or any rights or interests other than as expressly provided herein. This Plan shall create only a contractual obligation on the part of the Company as to such amounts and shall not be construed as creating a trust or fiduciary relationship between the Company, the Board, the Committee, and any Participant or other person. This Plan, in and of itself, has no assets. Participants shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, on their Accounts, and rights no greater than the right to receive the Common Stock (or equivalent value as a general unsecured creditor) with respect to Accounts. Participants shall not be entitled to receive actual dividends or to vote Shares until after delivery of the Shares.

9.2 Beneficiaries.

(a) Beneficiary Designation. Upon forms provided by the Company each Non-Employee Director may designate in writing the Beneficiary or Beneficiaries (as defined in Section 9.2(b)) whom such Non-Employee Director desires to receive any amounts payable under the Plan after his or her death. Beneficiary designation forms shall be effective on the date that the form is received by the Corporate Secretary. A Non-Employee Director may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation in writing with the Corporate Secretary. However, if a married Non-Employee Director wishes to designate a person other than his or her spouse as Beneficiary, such designation shall be consented to in writing by the spouse. The Non-Employee Director may change any election designating a Beneficiary or Beneficiaries without any requirement of further spousal consent if the spouse's consent so provides. Notwithstanding the foregoing, spousal consent shall not be necessary if it is established that the required consent cannot be obtained because the spouse cannot be located or because of other circumstances prescribed by the Committee. The Company and the Committee may rely on the Non-Employee Director's designation of a Beneficiary or Beneficiaries last filed in accordance with the terms of the Plan.

(b) Definition of Beneficiary. A Participant's "Beneficiary" or "Beneficiaries" shall be the person, persons, trust or trusts (or similar entity) designated by the Participant or, in the absence of a designation, entitled by will or the laws of descent and distribution to receive the Participant's benefits under this Plan in the event of the Participant's death, and shall mean the Participant's executor or administrator if no other Beneficiary is identified and able to act under the circumstances.

9.3 Non-Transferability. A Participant's rights and interests under the Plan in respect to Stock Units, including amounts payable or Stock deliverable under or in respect thereof, may not be assigned, pledged, or transferred except in the event of a Participant's death, to a designated beneficiary as provided in Section 9.2(b) above, or in the absence of such designation, by will or the laws of descent and distribution.

The above transfer restrictions shall not apply to transfers to the Company or transfers pursuant to a court order.

9.4 Obligations Binding Upon Successors. Obligations of the Company under this Plan shall be binding upon successors of the Company.

9.5 Governing Law; Severability. The validity of this Plan and any agreements entered into under the Plan or any of its provisions shall be construed, administered and governed in all respects under the laws of the State of California. If any provisions of this Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9.6 Compliance with Laws. This Plan and the offer, issuance and delivery of shares of Common Stock and/or the payment of benefits under this Plan are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law) and to such approvals by any listing, agency or any regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to prior registration or such restrictions as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as it may reasonably request to assure such compliance.

9.7 Limitations on Rights Associated with Units. A Non-Employee Director's Account shall be a memorandum account on the books of the Company. The Units credited to a Non-Employee Director's Account shall be used solely as a device for the determination of the number of shares of Stock to be distributed to the Participant in accordance with this Plan. The Units shall not be treated as property or as a trust fund of any kind. No Participant shall be entitled to any voting or other shareholder rights with respect to Units credited under this Plan. The number of Units credited to a Participant's Account shall be subject to adjustment in accordance with Section 5 and the terms of this Plan.

9.8 Plan Construction. It is the intent of the Company that transactions pursuant to this Plan satisfy and be interpreted in a manner that satisfies the applicable conditions for exemption under Rule 16b-3 promulgated under the Exchange Act (Rule 16b-3) so that, to the extent consistent therewith, the crediting of Units and the payment of Stock will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder.

9.9 Headings Not Part of Plan. Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of the provisions hereof.

9.10 Section 409A. It is the intent that the payments under this Plan shall comply with or be exempt from Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively, Code §409A), and accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance with or exempt from Code §409A. A termination of service shall not be deemed to have occurred for purposes of this Plan unless such termination is also a "separation from service" within the meaning of Code §409A. Notwithstanding any other payment schedule provided herein to the contrary, if the Non-Employee Director is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code §409A, then to the extent required under Code §409A such payment shall be delayed until the six month anniversary of such termination or the Non-Employee Director's death.

American States
Water Company

630 East Foothill Boulevard, San Dimas, California 91773
909-394-3600 www.aswater.com

AMERICAN STATES WATER COMPANY
630 EAST FOOTHILL BOULEVARD
SAN DIMAS, CA 91773

SCAN TO
VIEW MATERIALS & VOTE

VOTE BY INTERNET
Before The Meeting - Go to **www.proxyvote.com or scan the QR Barcode above**

Use the Internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:59 PM Eastern Time on May 22, 2023 for shares held directly and by 11:59 PM Eastern Time on May 18, 2023 for shares held in a 401(k) Plan. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

During The Meeting - Go to **www.virtualshareholdermeeting.com/AWR2023**

You may attend the meeting via the Internet and vote during the meeting. Have the information that is printed in the box marked by the arrow available and follow the instructions.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions. Vote by 11:59 PM Eastern Time on May 22, 2023 for shares held directly and by 11:59 PM Eastern Time on May 18, 2023 for shares held in a 401(k) Plan. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

V09527-P84243 KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RETURN THIS PORTION ONLY

AMERICAN STATES WATER COMPANY

The Board of Directors recommends you vote FOR ALL of the nominees listed below:

	For All	Withhold All	For All Except
1. Election of Class III Directors	☐	☐	☐

To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

____

Nominees:

01) Thomas A. Eichelberger
02) Roger M. Ervin
03) C. James Levin

The Board of Directors recommends you vote FOR the following proposals 2, 3 and 5 and 1 Year on proposal 4:

	For	Against	Abstain
2. To approve the 2023 Non-Employee Directors Stock Plan.	☐	☐	☐
3. Advisory vote to approve the compensation of our named executive officers.	☐	☐	☐

	1 Year	2 Years	3 Years	Abstain
4. Advisory vote on the frequency of the vote on the compensation of our named executive officers.	☐	☐	☐	☐

	For	Against	Abstain
5. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm.	☐	☐	☐

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

V09528-P84243

AMERICAN STATES WATER COMPANY
2023 ANNUAL MEETING OF SHAREHOLDERS
May 23, 2023
This Proxy is solicited on behalf of the Board of Directors

The undersigned hereby appoints Anne M. Holloway and Diana M. Bontá, and each or any of them, proxies of the undersigned, each with full power of substitution, to vote in their discretion at the Annual Meeting of Shareholders of the Company (the "Annual Meeting") and any adjournments thereof. The Annual Meeting will be held on Tuesday, May 23, 2023 at 11:00 AM, Pacific Time, virtually at www.virtualshareholdermeeting.com/AWR2023.

This proxy, when properly executed, will be voted in the manner described herein by the undersigned shareholder(s) and the named proxies will, in their sole discretion, vote such shares on any other matters that may properly come before the meeting or any adjournments thereof. **If no direction is made, this proxy will be voted FOR ALL the listed Nominees, FOR proposals 2, 3, and 5, and FOR an annual advisory vote on the compensation of our named executive officers**. Further, if cumulative voting rights for the Election of Directors (Item 1) are exercised at the meeting, the proxies will cumulatively vote their shares as provided in the proxy statement. The proxies will vote in favor of the election of a person as a director if a nominee named in the proxy statement is unable to serve or for good cause will not serve and on such other matters as are incident to the conduct of the Annual Meeting, unless otherwise instructed.

Continued and to be signed on reverse side

ATTACHMENT F

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended September 30, 2023

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from to

Commission file number 001-14431

American States Water Company

(Exact Name of Registrant as Specified in Its Charter)

California	**95-4676679**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
630 E. Foothill Blvd San Dimas CA	**91773-1212**
(Address of Principal Executive Offices)	(Zip Code)

(909) 394-3600
(Registrant's Telephone Number, Including Area Code)
Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)
Commission file number 001-12008

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading symbol	Name of each exchange on which registered
Common shares	**AWR**	**New York Stock Exchange**

Golden State Water Company

(Exact Name of Registrant as Specified in Its Charter)

California	**95-1243678**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
630 E. Foothill Blvd San Dimas CA	**91773-1212**
(Address of Principal Executive Offices)	(Zip Code)

(909) 394-3600
(Registrant's Telephone Number, Including Area Code)
Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)
Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading symbol	Name of each exchange on which registered
None	**None**	**None**

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American States Water Company	Yes ☒	No ☐
Golden State Water Company	Yes ☒	No ☐

Indicate by check mark whether Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the Registrant was required to submit such files).

American States Water Company	Yes ☒	No ☐
Golden State Water Company	Yes ☒	No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

American States Water Company

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

Golden State Water Company

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

Indicate by check mark whether Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

American States Water Company	Yes ☐	No ☒
Golden State Water Company	Yes ☐	No ☒

As of November 3, 2023, the number of Common Shares outstanding of American States Water Company was 36,980,592 shares. As of November 3, 2023, all of the 171 outstanding Common Shares of Golden State Water Company were owned by American States Water Company.

Golden State Water Company meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Form, in part, with the reduced disclosure format for Golden State Water Company.

AMERICAN STATES WATER COMPANY
and
GOLDEN STATE WATER COMPANY
FORM 10-Q

INDEX

PART I

Item 1. Financial Statements

General

The basic financial statements included herein have been prepared by Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments consisting of normal recurring items and estimates necessary for a fair statement of results for the interim period have been made.

It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto in the latest Annual Report on Form 10-K of American States Water Company and its wholly owned subsidiary, Golden State Water Company.

Filing Format

American States Water Company ("AWR") is the parent company of Golden State Water Company ("GSWC"), Bear Valley Electric Service, Inc. ("BVES") and American States Utility Services, Inc. and its subsidiaries ("ASUS").

This quarterly report on Form 10-Q is a combined report being filed by two separate Registrants: AWR and GSWC. For more information, please see Note 1 of the Notes to Consolidated Financial Statements and the heading titled "General" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." References in this report to "Registrant" are to AWR and GSWC collectively, unless otherwise specified. GSWC makes no representations as to the information contained in this report other than with respect to itself.

Forward-Looking Information

This Form 10-Q and the documents incorporated herein contain forward-looking statements intended to qualify for the "safe harbor" from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current estimates, expectations and projections about future events and assumptions regarding these events and include statements regarding management's goals, beliefs, plans or current expectations, taking into account the information currently available to management. Forward-looking statements are not statements of historical facts. For example, when we use words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "may" and other words that convey uncertainty of future events or outcomes, we are making forward-looking statements. We are not able to predict all the factors that may affect future results. We caution you that any forward-looking statements made by us are not guarantees of future performance and the actual results may differ materially from those in our forward-looking statements.

Factors affecting our financial performance are summarized under *Forward-Looking Information* and under "Risk Factors" in our Form 10-K for the period ended December 31, 2022 filed with the SEC. Please consider our forward-looking statements in light of these risks as you read this Form 10-Q. We qualify all of our forward-looking statements by these cautionary statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED BALANCE SHEETS
ASSETS
(Unaudited)

(in thousands)	September 30, 2023	December 31, 2022
Property, Plant and Equipment		
Regulated utility plant, at cost	$ 2,433,884	$ 2,321,712
Non-utility property, at cost	39,239	38,285
Total	2,473,123	2,359,997
Less - Accumulated depreciation	(622,652)	(606,231)
Net property, plant and equipment	1,850,471	1,753,766
Other Property and Investments		
Goodwill	1,116	1,116
Other property and investments	37,767	36,907
Total other property and investments	38,883	38,023
Current Assets		
Cash and cash equivalents	8,604	5,997
Accounts receivable — customers (less allowance for doubtful accounts of $4,136 in 2023 and $4,387 in 2022)	32,600	26,206
Unbilled receivable	24,248	20,663
Receivable from the U.S. government (Note 2)	51,564	34,974
Other accounts receivable (less allowance for doubtful accounts of $53 in 2023 and 2022)	6,755	4,215
Income taxes receivable	59	3,901
Materials and supplies	16,218	14,623
Regulatory assets — current	32,355	14,028
Prepayments and other current assets	6,525	5,450
Purchase power contract derivative at fair value (Note 5)	1,525	11,847
Contract assets (Note 2)	11,232	9,390
Total current assets	191,685	151,294
Other Assets		
Unbilled revenue — receivable from the U.S. government (Note 2)	5,854	6,456
Receivable from the U.S. government (Note 2)	44,480	50,482
Contract assets (Note 2)	2,776	5,592
Operating lease right-of-use assets	8,512	9,535
Regulatory assets	47,557	5,694
Other	15,011	13,532
Total other assets	124,190	91,291
Total Assets	$ 2,205,229	$ 2,034,374

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
(Unaudited)

(in thousands, except number of shares)	September 30, 2023	December 31, 2022
Capitalization		
Common shares, no par value		
Authorized: 60,000,000 shares		
Outstanding: 36,980,592 shares in 2023 and 36,962,241 shares in 2022	$ 262,884	$ 260,158
Earnings reinvested in the business	508,453	449,391
Total common shareholders' equity	771,337	709,549
Long-term debt	575,459	446,547
Total capitalization	1,346,796	1,156,096
Current Liabilities		
Notes payable to banks	37,000	255,500
Long-term debt — current	353	399
Accounts payable	71,829	84,849
Income taxes payable	28,627	1,848
Accrued other taxes	17,369	16,257
Accrued employee expenses	14,817	13,996
Accrued interest	8,952	5,308
Regulatory liabilities	2,245	4,574
Contract liabilities (Note 2)	596	903
Operating lease liabilities	1,909	1,892
Other	11,310	10,996
Total current liabilities	195,007	396,522
Other Credits		
Notes payable to banks	236,500	22,000
Advances for construction	63,961	64,351
Contributions in aid of construction - net	149,586	147,918
Deferred income taxes	156,438	149,677
Regulatory liabilities	—	40,602
Unamortized investment tax credits	1,028	1,082
Accrued pension and other postretirement benefits	34,111	33,636
Operating lease liabilities	7,087	8,090
Other	14,715	14,400
Total other credits	663,426	481,756
Commitments and Contingencies (Note 9)		
Total Capitalization and Liabilities	$ 2,205,229	$ 2,034,374

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022
(Unaudited)

(in thousands, except per share amounts)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Operating Revenues				
Water	$ 116,231	$ 100,799	$ 345,851	$ 265,561
Electric	8,956	8,919	30,688	29,028
Contracted services	26,509	25,266	93,980	71,572
Total operating revenues	151,696	134,984	470,519	366,161
Operating Expenses				
Water purchased	23,216	20,304	55,590	58,115
Power purchased for pumping	4,291	3,878	9,514	9,182
Groundwater production assessment	5,990	5,650	15,188	14,726
Power purchased for resale	2,383	2,673	9,838	9,186
Supply cost balancing accounts	723	640	15,126	(6,160)
Other operation	10,429	9,696	30,261	28,028
Administrative and general	20,982	21,594	66,032	65,030
Depreciation and amortization	10,184	10,117	31,645	30,402
Maintenance	4,097	3,408	11,026	10,120
Property and other taxes	6,034	5,942	17,884	17,247
ASUS construction	11,616	10,742	46,554	31,263
Total operating expenses	99,945	94,644	308,658	267,139
Operating Income	51,751	40,340	161,861	99,022
Other Income and Expenses				
Interest expense	(11,691)	(7,331)	(31,900)	(19,246)
Interest income	2,125	667	5,792	1,387
Other, net	(1,073)	338	2,243	(2,370)
Total other income and expenses, net	(10,639)	(6,326)	(23,865)	(20,229)
Income before income tax expense	41,112	34,014	137,996	78,793
Income tax expense	9,547	8,360	33,503	19,026
Net Income	$ 31,565	$ 25,654	$ 104,493	$ 59,767
Weighted Average Number of Common Shares Outstanding	36,977	36,958	36,974	36,953
Basic Earnings Per Common Share	$ 0.85	$ 0.69	$ 2.82	$ 1.61
Weighted Average Number of Diluted Shares	37,071	37,042	37,064	37,034
Fully Diluted Earnings Per Common Share	$ 0.85	$ 0.69	$ 2.82	$ 1.61
Dividends Paid Per Common Share	$ 0.4300	$ 0.3975	$ 1.2250	$ 1.1275

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF CHANGES
IN COMMON SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(Unaudited)

	Nine Months Ended September 30, 2023			
	Common Shares		Reinvested Earnings in the Business	
(in thousands)	Number of Shares	Amount		Total
Balances at December 31, 2022	36,962	$ 260,158	$ 449,391	$ 709,549
Add:				
Net income			34,407	34,407
Issuances of Common Shares under stock-based compensation plans	14	—		—
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		1,587		1,587
Dividend equivalent rights on stock-based awards not paid in cash		47		47
Deduct:				
Dividends on Common Shares			14,695	14,695
Dividend equivalent rights on stock-based awards not paid in cash			47	47
Balances at March 31, 2023	36,976	$ 261,792	$ 469,056	$ 730,848
Add:				
Net income			38,521	38,521
Issuances of Common Shares under stock-based compensation plans	1	—		—
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		396		396
Dividend equivalent rights on stock-based awards not paid in cash		42		42
Deduct:				
Dividends on Common Shares			14,699	14,699
Dividend equivalent rights on stock-based awards not paid in cash			42	42
Balances at June 30, 2023	36,977	$ 262,230	$ 492,836	$ 755,066
Add:				
Net income			31,565	31,565
Issuances of Common Shares under stock-based compensation plans	4	—		—
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		606		606
Dividend equivalent rights on stock-based awards not paid in cash		48		48
Deduct:				
Dividends on Common Shares			15,900	15,900
Dividend equivalent rights on stock-based awards not paid in cash			48	48
Balances at September 30, 2023	36,981	$ 262,884	$ 508,453	$ 771,337

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF CHANGES
IN COMMON SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(Unaudited)

	Nine Months Ended September 30, 2022			
	Common Shares		Reinvested Earnings in the Business	
(in thousands)	Number of Shares	Amount		Total
Balances at December 31, 2021	36,936	$ 258,442	$ 427,505	$ 685,947
Add:				
Net income			14,162	14,162
Issuances of Common Shares under stock-based compensation plans	20	—		—
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		801		801
Dividend equivalent rights on stock-based awards not paid in cash		41		41
Deduct:				
Dividends on Common Shares			13,485	13,485
Dividend equivalent rights on stock-based awards not paid in cash			41	41
Balances at March 31, 2022	36,956	$ 259,284	$ 428,141	$ 687,425
Add:				
Net income			19,951	19,951
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		338		338
Dividend equivalent rights on stock-based awards not paid in cash		34		34
Deduct:				
Dividends on Common Shares			13,489	13,489
Dividend equivalent rights on stock-based awards not paid in cash			34	34
Balances at June 30, 2022	36,956	$ 259,656	$ 434,569	$ 694,225
Add:				
Net income			25,654	25,654
Issuances of Common Shares under stock-based compensation plans	5	—		—
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		315		315
Dividend equivalent rights on stock-based awards not paid in cash		40		40
Deduct:				
Dividends on Common Shares			14,690	14,690
Dividend equivalent rights on stock-based awards not paid in cash			40	40
Balances at September 30, 2022	36,961	$ 260,011	$ 445,493	$ 705,504

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited)

	Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**
Cash Flows From Operating Activities:		
Net income	$ 104,493	$ 59,767
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,327	30,688
Provision for doubtful accounts	1,238	833
Deferred income taxes and investment tax credits	919	(1,098)
Stock-based compensation expense	3,095	2,439
(Gain) loss on investments held in a trust	(2,084)	6,445
Other — net	(41)	263
Changes in assets and liabilities:		
Accounts receivable — customers	(7,632)	(1,760)
Unbilled receivable	(2,983)	4,393
Other accounts receivable	(2,540)	3,179
Receivables from the U.S. government	(10,588)	5,333
Materials and supplies	(1,595)	(1,281)
Prepayments and other assets	403	520
Contract assets	974	(3,993)
Regulatory assets/liabilities	(86,070)	(14,065)
Accounts payable	(8,108)	(575)
Income taxes receivable/payable	30,621	947
Contract liabilities	(307)	996
Accrued pension and other postretirement benefits	48	(3,070)
Other liabilities	4,348	(28)
Net cash provided (used)	56,518	89,933
Cash Flows From Investing Activities:		
Capital expenditures	(136,131)	(122,056)
Other investing activities	952	321
Net cash provided (used)	(135,179)	(121,735)
Cash Flows From Financing Activities:		
Receipt of advances for and contributions in aid of construction	7,205	5,489
Refunds on advances for construction	(3,839)	(3,941)
Repayments of long-term debt	(334)	(377)
Proceeds from the issuance of long-term debt, net of issuance costs	129,665	34,826
Net changes in notes payable to banks	(5,222)	36,000
Dividends paid	(45,294)	(41,664)
Other financing activities	(913)	(1,236)
Net cash provided (used)	81,268	29,097
Net change in cash and cash equivalents	2,607	(2,705)
Cash and cash equivalents, beginning of period	5,997	4,963
Cash and cash equivalents, end of period	$ 8,604	$ 2,258
Non-cash transactions:		
Accrued payables for investment in utility plant	$ 35,287	$ 37,510
Property installed by developers and conveyed	$ 1,555	$ 511

The accompanying notes are an integral part of these consolidated financial statements.

GOLDEN STATE WATER COMPANY
BALANCE SHEETS
ASSETS
(Unaudited)

(in thousands)	September 30, 2023	December 31, 2022
Utility Plant		
Utility plant, at cost	$ 2,239,809	$ 2,147,643
Less - Accumulated depreciation	(542,886)	(530,925)
Net utility plant	1,696,923	1,616,718
Other Property and Investments	35,524	34,655
Current Assets		
Cash and cash equivalents	88	370
Accounts receivable — customers (less allowance for doubtful accounts of $4,057 in 2023 and $4,143 in 2022)	30,352	23,107
Unbilled receivable	18,351	15,006
Other accounts receivable (less allowance for doubtful accounts of $53 in 2023 and 2022)	2,342	2,721
Intercompany receivable	528	621
Income taxes receivable from Parent	—	1,692
Materials and supplies	6,495	6,120
Regulatory assets — current	32,355	14,028
Prepayments and other current assets	4,915	4,464
Total current assets	95,426	68,129
Other Assets		
Operating lease right-of-use assets	8,292	9,208
Regulatory assets	28,511	—
Other	13,329	12,598
Total other assets	50,132	21,806
Total Assets	$ 1,878,005	$ 1,741,308

The accompanying notes are an integral part of these financial statements.

GOLDEN STATE WATER COMPANY
BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
(Unaudited)

(in thousands, except number of shares)	September 30, 2023	December 31, 2022
Capitalization		
Common Shares, no par value:		
Authorized: 1,000 shares		
Outstanding: 171 shares in 2023 and 170 in 2022	$ 370,680	$ 358,123
Earnings reinvested in the business	317,845	285,783
Total common shareholder's equity	688,525	643,906
Long-term debt	540,646	411,748
Total capitalization	1,229,171	1,055,654
Current Liabilities		
Long-term debt — current	353	399
Accounts payable	58,380	65,944
Accrued other taxes	15,197	14,501
Accrued employee expenses	11,695	11,233
Accrued interest	7,449	4,364
Income taxes payable to Parent	27,314	—
Operating lease liabilities	1,783	1,788
Other	10,806	10,152
Total current liabilities	132,977	108,381
Other Credits		
Intercompany note payable	—	129,000
Notes payable to banks	103,000	—
Advances for construction	63,941	64,331
Contributions in aid of construction — net	149,586	147,918
Deferred income taxes	142,932	138,788
Regulatory liabilities	—	40,602
Unamortized investment tax credits	1,028	1,082
Accrued pension and other postretirement benefits	33,820	33,421
Operating lease liabilities	6,998	7,878
Other	14,552	14,253
Total other credits	515,857	577,273
Commitments and Contingencies (Note 9)		
Total Capitalization and Liabilities	$ 1,878,005	$ 1,741,308

The accompanying notes are an integral part of these financial statements.

GOLDEN STATE WATER COMPANY
STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Operating Revenues				
Water	$ 116,231	$ 100,799	$ 345,851	$ 265,561
Total operating revenues	116,231	100,799	345,851	265,561
Operating Expenses				
Water purchased	23,216	20,304	55,590	58,115
Power purchased for pumping	4,291	3,878	9,514	9,182
Groundwater production assessment	5,990	5,650	15,188	14,726
Supply cost balancing accounts	788	885	16,200	(5,682)
Other operation	7,509	7,273	22,001	20,908
Administrative and general	14,548	14,362	44,211	43,945
Depreciation and amortization	8,610	8,475	26,890	25,573
Maintenance	3,002	2,526	7,518	7,193
Property and other taxes	5,034	4,995	14,733	14,440
Total operating expenses	72,988	68,348	211,845	188,400
Operating Income	43,243	32,451	134,006	77,161
Other Income and Expenses				
Interest expense	(8,383)	(5,950)	(23,140)	(16,650)
Interest income	1,608	325	4,356	562
Other, net	(1,045)	(70)	2,041	(3,070)
Total other income and expenses, net	(7,820)	(5,695)	(16,743)	(19,158)
Income before income tax expense	35,423	26,756	117,263	58,003
Income tax expense	8,830	6,831	29,674	14,623
Net Income	$ 26,593	$ 19,925	$ 87,589	$ 43,380

The accompanying notes are an integral part of these consolidated financial statements.

GOLDEN STATE WATER COMPANY
STATEMENTS OF CHANGES
IN COMMON SHAREHOLDER'S EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(Unaudited)

	Nine Months Ended September 30, 2023			
	Common Shares		Reinvested Earnings in the Business	
(in thousands, except number of shares)	**Number of Shares**	**Amount**		**Total**
Balances at December 31, 2022	170	$ 358,123	$ 285,783	$ 643,906
Add:				
Net income			27,463	27,463
Issuance of Common Share to Parent	1	10,000		10,000
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		1,603		1,603
Dividend equivalent rights on stock-based awards not paid in cash		44		44
Deduct:				
Dividends on Common Shares			24,700	24,700
Dividend equivalent rights on stock-based awards not paid in cash			44	44
Balances at March 31, 2023	171	$ 369,770	$ 288,502	$ 658,272
Add:				
Net income			33,533	33,533
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		320		320
Dividend equivalent rights on stock-based awards not paid in cash		39		39
Deduct:				
Dividends on Common Shares			14,700	14,700
Dividend equivalent rights on stock-based awards not paid in cash			39	39
Balances at June 30, 2023	171	$ 370,129	$ 307,296	$ 677,425
Add:				
Net income			26,593	26,593
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		507		507
Dividend equivalent rights on stock-based awards not paid in cash		44		44
Deduct:				
Dividends on Common Shares			16,000	16,000
Dividend equivalent rights on stock-based awards not paid in cash			44	44
Balances at September 30, 2023	171	$ 370,680	$ 317,845	$ 688,525

The accompanying notes are an integral part of these financial statements.

GOLDEN STATE WATER COMPANY
STATEMENTS OF CHANGES
IN COMMON SHAREHOLDER'S EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(Unaudited)

	Nine Months Ended September 30, 2022			
	Common Shares		Reinvested	
(in thousands, except number of shares)	Number of Shares	Amount	Earnings in the Business	Total
Balances at December 31, 2021	170	$ 356,530	$ 259,156	$ 615,686
Add:				
Net income			8,567	8,567
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		742		742
Dividend equivalent rights on stock-based awards not paid in cash		39		39
Deduct:				
Dividends on Common Shares			13,500	13,500
Dividend equivalent rights on stock-based awards not paid in cash			39	39
Balances at March 31, 2022	170	$ 357,311	$ 254,184	$ 611,495
Add:				
Net income			14,888	14,888
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		274		274
Dividend equivalent rights on stock-based awards not paid in cash		31		31
Deduct:				
Dividends on Common Shares			13,500	13,500
Dividend equivalent rights on stock-based awards not paid in cash			31	31
Balances at June 30, 2022	170	$ 357,616	$ 255,541	$ 613,157
Add:				
Net income			19,925	19,925
Stock-based compensation, net of taxes paid from shares withheld from employees related to net share settlements (Note 4)		317		317
Dividend equivalent rights on stock-based awards not paid in cash		37		37
Deduct:				
Dividend equivalent rights on stock-based awards not paid in cash			37	37
Balances at September 30, 2022	170	$ 357,970	$ 275,429	$ 633,399

The accompanying notes are an integral part of these financial statements.

GOLDEN STATE WATER COMPANY
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited)

	Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**
Cash Flows From Operating Activities:		
Net income	$ 87,589	$ 43,380
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,489	25,773
Provision for doubtful accounts	1,147	784
Deferred income taxes and investment tax credits	(581)	(1,433)
Stock-based compensation expense	2,853	2,194
(Gain) loss on investments held in a trust	(2,084)	6,445
Other — net	146	248
Changes in assets and liabilities:		
Accounts receivable — customers	(8,392)	(1,678)
Unbilled receivable	(3,345)	2,344
Other accounts receivable	379	1,723
Materials and supplies	(375)	61
Prepayments and other assets	997	163
Regulatory assets/liabilities	(81,854)	(12,549)
Accounts payable	(2,869)	3,918
Intercompany receivable/payable	53	25
Income taxes receivable/payable from/to Parent	29,006	3,197
Accrued pension and other postretirement benefits	(2)	(3,175)
Other liabilities	3,439	(152)
Net cash provided (used)	53,596	71,268
Cash Flows From Investing Activities:		
Capital expenditures	(113,921)	(107,668)
Other investing activities	303	224
Net cash provided (used)	(113,618)	(107,444)
Cash Flows From Financing Activities:		
Proceeds from issuance of Common Shares to Parent	10,000	—
Receipt of advances for and contributions in aid of construction	7,205	5,489
Refunds on advances for construction	(3,839)	(3,941)
Repayments of long-term debt	(334)	(377)
Proceeds from the issuance of long-term debt, net of issuance costs	129,665	—
Net change in intercompany borrowings	(129,000)	63,000
Net borrowings on notes payable to banks	102,278	—
Dividends paid	(55,400)	(27,000)
Other financing activities	(835)	(1,134)
Net cash provided (used)	59,740	36,037
Net change in cash and cash equivalents	(282)	(139)
Cash and cash equivalents, beginning of period	370	525
Cash and cash equivalents, end of period	$ 88	$ 386
Non-cash transactions:		
Accrued payables for investment in utility plant	$ 33,832	$ 36,144
Property installed by developers and conveyed	$ 1,555	$ 511

The accompanying notes are an integral part of these financial statements.

AMERICAN STATES WATER COMPANY AND SUBSIDIARIES
AND
GOLDEN STATE WATER COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — Summary of Significant Accounting Policies

Nature of Operations: American States Water Company ("AWR") is the parent company of Golden State Water Company ("GSWC"), Bear Valley Electric Service, Inc. ("BVES"), and American States Utility Services, Inc. ("ASUS") (and its wholly owned subsidiaries: Fort Bliss Water Services Company ("FBWS"), Terrapin Utility Services, Inc. ("TUS"), Old Dominion Utility Services, Inc. ("ODUS"), Palmetto State Utility Services, Inc. ("PSUS"), Old North Utility Services, Inc. ("ONUS"), Emerald Coast Utility Services, Inc. ("ECUS"), Fort Riley Utility Services, Inc. ("FRUS"), Patuxent River Utility Services LLC ("PRUS"), and Bay State Utility Services LLC ("BSUS")) . The subsidiaries of ASUS are collectively referred to as the "Military Utility Privatization Subsidiaries." AWR, through its wholly owned subsidiaries, serves over one million people in ten states.

GSWC and BVES are both California public utilities. GSWC is engaged in the purchase, production, distribution and sale of water throughout California serving approximately 264,000 customer connections. BVES distributes electricity in several San Bernardino County mountain communities in California serving approximately 24,700 customer connections. The California Public Utilities Commission ("CPUC") regulates GSWC's and BVES's businesses in matters including properties, rates, services, facilities, and transactions between GSWC, BVES, and their affiliates.

ASUS, through its wholly owned subsidiaries, operates, maintains and performs construction activities (including renewal and replacement capital work) on water and/or wastewater systems at various U.S. military bases pursuant to initial 50-year firm fixed-price contracts. These contracts are subject to annual economic price adjustments and modifications for changes in circumstances, changes in laws and regulations, and additions to the contract value for new construction of facilities at the military bases. ASUS also from time to time performs construction services on military bases as a subcontractor or pursuant to a task order agreement.

On August 15, 2023, ASUS was awarded a new 50-year contract by the U.S. government to operate, maintain, and provide construction management services for the water distribution and wastewater collection and treatment facilities at Naval Air Station Patuxent River, a United States Navy air station located in Maryland. The initial firm fixed-price value of the contract is estimated at $349 million over a 50-year period and is subject to annual economic price adjustments. This initial value is also subject to adjustment based on the results of a joint inventory of assets to be performed during the transition period. ASUS will assume operations at Naval Air Station Patuxent River following the completion of a 6-month transition period.

On September 29, 2023, ASUS was awarded a new 15-year contract by the U.S. government that is different than its existing 50-year contracts to operate, maintain, and provide construction management services for the water distribution and wastewater collection and treatment facilities at Joint Base Cape Cod ("JBCC") located in Massachusetts. Under this contract, ASUS will have the opportunity to perform work at JBCC through the periodic issuance of task orders by the U.S. government for up to a maximum initial firm fixed-price value of $45.0 million over a 15-year period, subject to adjustments as task orders are issued. In September 2023, the first task order was issued with a value of $2.3 million to perform an evaluation, construction and transition services that are scheduled for completion in 2024.

There is no direct regulatory oversight by the CPUC over AWR or the operations, rates or services provided by ASUS or any of its wholly owned subsidiaries.

Basis of Presentation: The consolidated financial statements and notes hereto are presented in a combined report filed by two separate Registrants: AWR and GSWC. References in this report to "Registrant" are to AWR and GSWC, collectively, unless otherwise specified. AWR owns all of the outstanding common shares of GSWC, BVES and ASUS. ASUS owns all of the outstanding common stock of the Military Utility Privatization Subsidiaries. The consolidated financial statements of AWR include the accounts of AWR and its subsidiaries. These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Intercompany transactions and balances have been eliminated in the AWR consolidated financial statements.

The consolidated financial statements included herein have been prepared by Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The December 31, 2022 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. In the opinion of management, all adjustments consisting of normal, recurring items, and estimates necessary for a fair statement of the results for the interim periods have been made. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Form 10-K for the year ended December 31, 2022 filed with the SEC.

Related Party and Intercompany Transactions: As discussed below under *Liquidity and Financing Activities*, prior to AWR and GSWC entering into new separate credit agreements in June 2023 that replaced AWR's previous credit agreement, AWR borrowed under its credit facility and provided funds to both GSWC and ASUS in support of their operations. Under AWR's new credit facility, AWR borrows and continues to provide funds to ASUS in support of its operations and AWR parent. GSWC's new credit facility provides support for its water operations. BVES has a separate credit facility to support its operations.

Furthermore, GSWC, BVES and ASUS provide and/or receive various support services to and from their parent, AWR, and among themselves. GSWC has allocated certain corporate office administrative and general costs to its affiliates, BVES and ASUS, using allocation factors approved by the CPUC. GSWC allocated corporate office administrative and general costs to BVES of approximately $707,000 and $663,000 during the three months ended September 30, 2023 and 2022, and $2.8 million and $2.1 million during the nine months ended September 30, 2023 and 2022, respectively. GSWC allocated corporate office administrative and general costs to ASUS of approximately $1.1 million and $1.3 million during the three months ended September 30, 2023 and 2022, respectively, and $3.8 million and $4.0 million during the nine months ended September 30, 2023 and 2022.

In January 2023, the Board of Directors approved the issuance of one GSWC Common Share to AWR for $10.0 million. In January 2023, GSWC issued $130.0 million in unsecured long-term notes in a private placement. GSWC used the proceeds from both the issuance of equity and long-term debt to pay-off all intercompany borrowings from AWR. On June 28, 2023, GSWC borrowed for the first time under its new syndicated credit facility and used the proceeds to again pay-off its short-term intercompany borrowings due to AWR. The CPUC requires GSWC to pay-off all intercompany borrowings it has from AWR within a 24-month period. GSWC's borrowings under its new credit facility will also be required to be paid-off in full within a 24-month period.

Liquidity and Financing Activities: On June 28, 2023, AWR and GSWC, each entered into new unsecured revolving credit agreements with a term of five years provided by a syndicate of banks and financial institutions. Both credit agreements will mature in June 2028. In connection with the new credit agreements, AWR and GSWC incurred legal and other fees totaling $566,000 and $802,000, respectively. The syndicated credit facilities replaced AWR's previous credit agreement with a sole bank where AWR had a borrowing capacity of $280.0 million to support both GSWC and ASUS operations. Funds from the new facilities were used to pay-off in all outstanding borrowings under AWR's prior credit facility and GSWC's outstanding intercompany borrowings from AWR.

Under the new syndicated revolving credit facilities, AWR and GSWC have a borrowing capacity of $150.0 million and $200.0 million, respectively. The borrowing capacity for each of the credit facilities may be expanded up to an additional $75.0 million subject to the lenders' approval. On November 6, 2023, AWR's credit facility was amended to increase the borrowing capacity from $150.0 million to $165.0 million to provide additional support to ASUS and AWR parent. In connection with the increase in borrowing capacity, the amendment also provides for the addition of a new bank to the existing syndicate group participating in AWR's credit facility. The aggregate amount that may be outstanding under letters of credit for AWR and GSWC is $10.0 million and $20.0 million, respectively. Loans may be obtained under the credit facilities at the option of AWR/GSWC and bear interest at rates based on either a base rate plus an applicable margin or an adjusted term secured overnight financing rate ("SOFR") determined by the SOFR administrator, currently the Federal Reserve Bank of New York, plus an applicable margin. The applicable margin depends upon AWR's and GSWC's respective credit ratings. AWR's outstanding borrowings under its credit facility of $133.5 million as of September 30, 2023 have been classified as non-current liabilities on AWR's Consolidated Balance Sheet. GSWC's outstanding borrowings under its credit facility of $103.0 million as of September 30, 2023 have been classified as non-current liabilities on GSWC's Balance Sheet.

Both credit agreements contain affirmative and negative covenants and events of default customary for credit facilities of this type, including, among other things, affirmative covenants relating to compliance with law and material contracts, and negative covenants relating to additional indebtedness, liens, investments, restricted payments and asset sales. AWR and GSWC are not permitted to have a total capitalization ratio (as defined in the respective credit agreements) greater than 0.65 to 1.00 at the end of any quarter. Default under any indebtedness of any subsidiary of AWR, other than BVES, will result in a default under AWR's credit agreement. However, a default under any indebtedness of any subsidiary of AWR will not result in a default under GSWC's credit agreement.

BVES has a separate revolving credit facility without a parent guaranty that supports its electric operations and capital expenditures. On June 16, 2023, BVES's credit agreement was amended to increase the borrowing capacity from $35.0 million to $50.0 million. In addition, the amendment to the credit agreement also (i) extended the credit facility to July 1, 2026, (ii) converted the interest rate on new borrowings to the benchmark rate of SOFR, plus a margin, and (iii) provides an option to increase the facility by an additional $25.0 million, subject to lender approval. BVES's revolving credit facility is considered a short-term debt arrangement by the CPUC. BVES has been authorized by the CPUC to borrow under this credit facility for a term of up to 24 months. Borrowings under this credit facility are, therefore, required to be fully paid off within a 24-month period. BVES's pay-off period for its credit facility ends in August 2024. Accordingly, the $37.0 million outstanding under BVES's credit facility has been classified as a current liability in AWR's Consolidated Balance Sheet as of September 30, 2023.

Note 2 — Revenues

Most of Registrant's revenues are derived from contracts with customers, including tariff-based revenues from its regulated utilities at GSWC and BVES. ASUS's initial 15-and 50-year firm fixed-price contracts with the U.S. government are considered service concession arrangements under ASC 853, *Service Concession Arrangements*. Accordingly, the services under these contracts are accounted for under Topic 606—*Revenue from Contracts with Customers,* and the water and/or wastewater systems are not recorded as Property, Plant and Equipment on Registrant's balance sheets.

Although GSWC and BVES have a diversified customer base of residential, commercial, industrial, and other customers, revenues derived from residential and commercial customers generally account for approximately 90% of total water and electric revenues. Most of ASUS's revenues are derived from the U.S. government. For the three and nine months ended September 30, 2023 and 2022, disaggregated revenues from contracts with customers by segment were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Water:				
Tariff-based revenues	$ 102,225	$ 90,998	$ 301,144	$ 247,108
Surcharges (cost-recovery activities)	1,107	672	1,982	2,018
Other	674	625	2,060	1,714
Water revenues from contracts with customers	104,006	92,295	305,186	250,840
WRAM under/(over)-collection (alternative revenue program)	12,225	8,504	40,665	14,721
Total water revenues **(1)**	116,231	100,799	345,851	265,561
Electric:				
Tariff-based revenues	8,424	8,891	30,416	29,824
Surcharges (cost-recovery activities)	138	29	404	88
Electric revenues from contracts with customers	8,562	8,920	30,820	29,912
BRRAM under/(over)-collection (alternative revenue program)	394	(1)	(132)	(884)
Total electric revenues	8,956	8,919	30,688	29,028
Contracted services:				
Water	16,504	16,142	58,103	43,862
Wastewater	10,005	9,124	35,877	27,710
Contracted services revenues from contracts with customers	26,509	25,266	93,980	71,572
Total AWR revenues	$ 151,696	$ 134,984	$ 470,519	$ 366,161

(1) Water revenues for the nine months ended September 30, 2023 includes approximately $30 million from the impact of retroactive new rates for the full year of 2022 as a result of the CPUC's approval of GSWC's general rate case (Note 3). Furthermore, the CPUC also issued a final decision in June 2023 on GSWC's cost of capital proceeding. As a result of the final cost of capital decision (Note 3), the nine months ended September 30, 2023 water revenues include an increase of $6.4 million, from the reversal of revenues subject to refund due to a change in estimate from what had been recorded during 2022.

The opening and closing balances of the receivable from the U.S. government, contract assets, and contract liabilities from contracts with customers, which are related entirely to ASUS, were as follows:

(dollars in thousands)	**September 30, 2023**	**December 31, 2022**
Unbilled receivables	$ 10,661	$ 10,125
Receivable from the U.S. government	$ 96,044	$ 85,456
Contract assets	$ 14,008	$ 14,982
Contract liabilities	$ 596	$ 903

Unbilled receivables and Receivable from the U.S. government represent receivables where the right to payment is conditional only by the passage of time.

Contract Assets - Contract assets are assets of ASUS and consist of unbilled revenues recognized from work-in-progress construction projects, where the right to payment is conditional on something other than the passage of time. The classification of this asset as current or noncurrent is based on the timing of when ASUS expects to bill these amounts.

Contract Liabilities - Contract liabilities are liabilities of ASUS and consist of billings in excess of revenue recognized. The classification of this liability as current or noncurrent is based on the timing of when ASUS expects to recognize revenue. Revenues for the three and nine months ended September 30, 2023, which were included in contract liabilities at the beginning of the period were not material. Contracted services revenues recognized during the three and nine months ended September 30, 2023 from performance obligations satisfied in previous periods were also not material.

As of September 30, 2023, AWR's aggregate remaining performance obligations, which are entirely from the contracted services segment, were $4.0 billion. ASUS expects to recognize revenue on these remaining performance obligations over the remaining term of each of the contracts, which range from 15 to 50 years. Each of the contracts with the U.S. government is subject to termination, in whole or in part, prior to the end of its contract term for convenience of the U.S. government.

Note 3 — Regulatory Matters

In accordance with accounting principles for rate-regulated enterprises, GSWC and BVES record regulatory assets, which represent probable future recovery of incurred costs from customers through the ratemaking process, and regulatory liabilities, which represent probable future refunds that are to be credited to customers through the ratemaking process. At September 30, 2023, GSWC and BVES had approximately $67.1 million of regulatory liabilities, net of regulatory assets, not accruing carrying costs. Of this amount, (i) $74.4 million of regulatory liabilities are excess deferred income taxes arising from the lower federal income tax rate under the Tax Cuts and Jobs Act enacted in December 2017 that are being refunded to customers, (ii) $2.6 million of net regulatory assets relates to the underfunded position in Registrant's pension and other retirement obligations (not including the two-way pension balancing accounts), and (iii) a $1.5 million regulatory liability related to a memorandum account authorized by the CPUC to track unrealized gains and losses on BVES's purchase power contracts over the term of the contracts. The remainder relates to other items that do not provide for or incur carrying costs including flowed-through deferred income taxes.

Regulatory assets represent costs incurred by GSWC and/or BVES for which they have received or expect to receive rate recovery in the future. In determining the probability of costs being recognized in other periods, GSWC and BVES consider regulatory rules and decisions, past practices, and other facts or circumstances that would indicate if recovery is probable. If the CPUC determines that a portion of either GSWC's or BVES's regulatory assets are not recoverable in customer rates, the applicable utility must determine if it has suffered an asset impairment that requires it to write down the asset's value. Regulatory assets are offset against regulatory liabilities within each ratemaking area. Amounts expected to be collected or refunded in the next twelve months have been classified as current assets and current liabilities by ratemaking area. Regulatory assets, less regulatory liabilities, included in the consolidated balance sheets are as follows:

(dollars in thousands)	September 30, 2023	December 31, 2022
GSWC		
2022/2023 general rate case memorandum accounts (unbilled revenue)	$ 55,140	$ —
Water revenue adjustment mechanism, net of modified cost balancing account	46,597	31,803
COVID-19 memorandum accounts	3,543	3,478
Excess deferred income taxes	(70,515)	(71,870)
Other regulatory assets	26,381	19,964
Other regulatory liabilities	(280)	(9,949)
Total GSWC	$ 60,866	$ (26,574)
BVES		
Derivative instrument memorandum account (Note 5)	(1,525)	(11,847)
Wildfire mitigation and other fire prevention related costs memorandum accounts	16,370	13,007
Other regulatory assets	10,136	7,965
Other regulatory liabilities	(8,180)	(8,005)
Total AWR	$ 77,667	$ (25,454)

Regulatory matters are discussed in the consolidated financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 2022 filed with the SEC. The discussion below focuses on significant matters and developments since December 31, 2022.

Water General Rate Case and the 2022/2023 General Rate Case Memorandum Accounts:

On June 29, 2023, the CPUC adopted a final decision in GSWC's general rate case application for all of its water regions and its general office that determines new water rates for the years 2022–2024. The assigned administrative law judge at the CPUC had issued a proposed decision on April 13, 2023 that, among other things, (i) adopted the full settlement agreement between GSWC and the Public Advocates Office at the CPUC ("Public Advocates") that resolved all issues related to the 2022 annual revenue requirement in the general rate case application, and (ii) allowed for additional increases in adopted revenues for 2023 and 2024 subject to an earnings test and inflationary index values at the time of filing for implementation of the new rates. The final decision issued on June 29, 2023 is consistent in all material respects with the proposed decision issued in April. The new 2022 rates, once approved, became effective and retroactive to January 1, 2022. As a result, the impact of retroactive rates for the full year of 2022 were reflected in the 2023 first quarter results as it became probable based on the proposed decision that the approved retroactive rates would be permitted to be billed to customers in the future. Upon receiving the final decision, GSWC filed for the implementation of new 2023 rate increases that went into effect on July 31, 2023. However, the new rates for 2023 were retroactive to January 1, 2023 and because of the proposed decision, the second-year rate increases have been reflected in the results of operations beginning in the 2023 first quarter and through the nine months ended September 30, 2023.

Due to the delay in finalizing the water general rate case, water revenues billed to customers for the year ended December 31, 2022 and for the period from January 1, 2023 to July 30, 2023 were based on 2021 adopted rates. GSWC was authorized to create general rate case memorandum accounts to track the revenue differences between the 2021 adopted rates and the new 2022 and 2023 rates authorized by the CPUC. As of September 30, 2023, there is an aggregate cumulative amount of $55.1 million in the general rate case memorandum accounts that GSWC began recording as regulatory assets upon receiving the proposed decision, and relates to unbilled water revenues recognized during the three and nine months ended September 30, 2023. This amount represents the difference between the 2021 adopted rates billed to customers and the rates authorized in the final decision for the full year of 2022 and the 2023 second-year rate increases recorded from January 1 to July 30, 2023. In October 2023, GSWC filed advice letters and surcharges were implemented to recover the cumulative retroactive rate differences over 36 months.

<u>Alternative-Revenue Programs:</u>

GSWC currently records the difference between what it bills its water customers and that which is authorized by the CPUC using the Water Revenue Adjustment Mechanism (“WRAM”) and the Modified Cost Balancing Account (“MCBA”) approved by the CPUC. The over- or under-collection of the WRAM is aggregated with the MCBA over- or under-collection for the corresponding ratemaking area and bears interest at the current 90-day commercial-paper rate.

As of September 30, 2023, GSWC had an aggregated regulatory asset of $46.6 million, which is comprised of a $51.2 million under-collection in the WRAM accounts and a $4.6 over-collection in the MCBA accounts. During the nine months ended September 30, 2023, GSWC recorded additional net under-collections in the WRAM/MCBA accounts of approximately $34.9 million related to the 2023 year that resulted largely from lower-than-adopted water usage as authorized in the general rate case decision. In addition, GSWC recorded a net reduction of $9.8 million of under-collections during the first quarter of 2023 to reflect the cumulative full-year impact of 2022 based on authorized 2022 amounts approved in the general rate case decision for both the WRAM and MCBA accounts. On July 27, 2023, the CPUC approved the recovery of all pre-2023 WRAM/MCBA balances. Accordingly, GSWC has implemented surcharges and surcredits to recover/refund all of its WRAM/MCBA balances accumulated as of December 31, 2022.

As required by the accounting guidance for alternative revenue programs, GSWC is required to collect its WRAM balances within 24 months following the year in which an under-collection is recorded. As of September 30, 2023, there were no significant WRAM under-collections that were estimated to be collected beyond this 24 month period.

<u>Cost of Capital Proceeding:</u>

On June 29, 2023, a final decision was adopted by the CPUC in the cost of capital proceeding that, among other things, (i) adopts GSWC’s requested capital structure of 57% equity and 43% debt; (ii) adopts a cost of debt of 5.1% for GSWC as compared to 6.6% previously authorized; (iii) adopts a return on equity of 8.85% for GSWC as compared to 8.9% previously authorized; (iv) allows for the continuation of the Water Cost of Capital Mechanism (“WCCM”) through December 31, 2024; and (v) adopts the new cost of capital for the three-year period commencing January 1, 2022 through December 31, 2024. Based on the Company's assessment of the final decision issued in June, all adjustments to rates are to be prospective and not retroactive. GSWC filed an advice letter that implemented the new cost of capital effective July 31, 2023.

Following the receipt of the final decision adopted on June 29 in the cost of capital proceeding, management updated its analysis and reassessed the accounting estimates recorded to date related to GSWC’s lower cost of debt. Accordingly, GSWC recorded a change in its estimate that resulted in an increase to water revenues during the nine months ended September 30, 2023 in the amount of $6.4 million as a result of reversing its regulatory liability for revenues subject to refund that it had recorded during 2022.

The WCCM adjusts the return on equity and rate of return on rate base between the three-year cost of capital proceedings only if there is a positive or negative change of more than 100 basis points in the average of the Moody’s Aa utility bond rate as measured over the period October 1 through September 30. If there is a positive or negative change of more than 100 basis points, the return on equity is adjusted by one half of the difference. For the period from October 1, 2021 through September 30, 2022, the Moody’s Aa utility bond rate increased by 102.8 basis points from the benchmark, which triggered the WCCM adjustment. GSWC recognized revenues for the period from January 1 through July 30, 2023 and all of 2022 based on the previously authorized return of equity of 8.9% that had also been billed to water customers through the same period. On June 30, 2023, GSWC filed an advice letter to establish the WCCM for 2023, which increased GSWC's 8.85% adopted return on equity in the decision to 9.36% effective July 31, 2023. Additionally, for the period from October 1, 2022 through September 30, 2023, the Moody's Aa utility bond rate increased by 139.7 basis points from the benchmark, which again triggered another WCCM adjustment. On October 12, 2023, GSWC filed an advice letter to establish the WCCM for 2024, which has been approved by the CPUC and will increase GSWC's 9.36% adopted return on equity to 10.06% effective January 1, 2024.

COVID-19 Emergency Memorandum Accounts:

The CPUC had authorized GSWC and BVES to track incremental costs, including bad debt expense, in excess of what is included in their respective revenue requirements incurred as a result of the pandemic in COVID-19 emergency-related memorandum accounts. As of September 30, 2023, GSWC and BVES had approximately $3.5 million and $500,000, respectively, in regulatory asset accounts related to bad debt expense in excess of their revenue requirements, the purchase of personal protective equipment, additional incurred printing costs, and other incremental COVID-19-related costs, which GSWC and BVES intend to file with the CPUC for future recovery. Emergency-related memorandum accounts are well-established cost recovery mechanisms authorized as a result of a state/federal declared emergency, and are therefore recognized as regulatory assets for future recovery. As a result, the amounts recorded in the COVID-19 emergency-related memorandum accounts have not impacted GSWC's or BVES's earnings. On April 10, 2023, the Biden Administration terminated the COVID-19 national emergency. The COVID-19 emergency-related memorandum accounts for GSWC and BVES expired when the COVID-19 national emergency ended and no additional amounts will be included in these memorandum accounts.

The CPUC requires that amounts tracked in GSWC's and BVES's COVID-19 memorandum accounts for unpaid customer bills be first offset by any (i) federal and state relief for water or electric utility bill debt, and (ii) customer payments through payment plan arrangements, prior to receiving recovery from customers at large. After these offsets are made, GSWC will file with the CPUC for recovery of the remaining balance. BVES intends to include the remaining balance in its COVID-19 memorandum account for recovery once all alternative sources of funding have been exhausted and credited to eligible customer accounts.

In 2022, the CPUC's moratoriums on service disconnections for nonpayment for water and electric customers ended. Accordingly, service disconnections due to nonpayment resumed in June 2022 for delinquent residential customers.

BVES Regulatory Assets:

Wildfire Mitigation and Other Fire Prevention Related Costs Memorandum Accounts

The CPUC adopted regulations intended to enhance the fire safety of overhead electric power lines. Those regulations included increased minimum clearances around electric power lines. BVES was authorized to track incremental costs incurred to implement the regulations in a fire hazard prevention memorandum account for the purpose of obtaining cost recovery in a future general rate case. In August 2019, the CPUC issued a final decision on the electric general rate case, which set new rates for BVES through the year 2022. Among other things, the decision authorized BVES to record incremental costs related to vegetation management, such as costs for increased minimum clearances around electric power lines, in a CPUC-approved memorandum account for future recovery. As of September 30, 2023, BVES had approximately $10.9 million in incremental vegetation management costs recorded as a regulatory asset, which has been included in a new general rate case application filed with the CPUC in August 2022 for future recovery. The incremental costs related to vegetation management included in the memorandum account will be subject to review during the pending general rate case proceeding.

California legislation enacted in September 2018 requires all investor-owned electric utilities to submit an annual wildfire mitigation plan ("WMP") to the CPUC for approval. The WMP must include a utility's plans on constructing, maintaining and operating its electrical lines and equipment to minimize the risk of catastrophic wildfire. In December 2022, the Office of Energy Infrastructure Safety under the California Natural Resources Agency approved BVES's 2022 WMP update. In February 2023, the CPUC ratified BVES's current WMP. As of September 30, 2023, BVES has approximately $5.5 million related to expenses accumulated in its other WMP memorandum accounts that have been recognized as regulatory assets for future recovery.

All capital expenditures and other incremental costs incurred through September 30, 2023 as a result of BVES's WMPs are not currently in rates and have been filed for future recovery in BVES's general rate case application. These costs will be subject to review during BVES's general rate case proceeding.

2023 Winter Storm Other Regulatory Asset

BVES activated a catastrophic emergency memorandum account ("CEMA") to track the incremental costs incurred in response to a severe winter storm that occurred during certain weeks of the first and second quarters of 2023. The governor of California declared a state of emergency for the storm. Incremental costs of approximately $1.3 million were incurred and included in the CEMA account, which has been recorded as a regulatory asset as of September 30, 2023 for future recovery. The incremental costs included in the CEMA account will be subject to review and approval by the CPUC. CEMA accounts are well-established cost recovery mechanisms authorized as a result of a state/federal declared emergency, and are therefore recognized as regulatory assets for future recovery. As a result, the amounts recorded in this CEMA account did not impact BVES's earnings.

Other Regulatory Assets:

Other regulatory assets represent costs incurred by GSWC or BVES for which they have received or expect to receive rate recovery in the future. Registrant believes that these regulatory assets are supported by regulatory rules and decisions, past practices, and other facts or circumstances that indicate recovery is probable. If the CPUC determines that a portion of either GSWC's or BVES's regulatory assets are not recoverable in customer rates, the applicable entity must determine if it has suffered an asset impairment that requires it to write down the regulatory asset to the amount that is probable of recovery.

Note 4 — Earnings per Share/Capital Stock

In accordance with the accounting guidance for participating securities and earnings per share ("EPS"), Registrant uses the "two-class" method of computing EPS. The "two-class" method is an earnings allocation formula that determines EPS for each class of common stock and participating security. AWR has participating securities related to restricted stock units that earn dividend equivalents on an equal basis with AWR's Common Shares, and that have been issued under AWR's stock incentive plans for employees and the non-employee directors stock plans. In applying the "two-class" method, undistributed earnings are allocated to both common shares and participating securities.

The following is a reconciliation of Registrant's net income and weighted average Common Shares outstanding used for calculating basic net income per share:

Basic:	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
(in thousands, except per share amounts)	**2023**	**2022**	**2023**	**2022**
Net income	$ 31,565	$ 25,654	$ 104,493	$ 59,767
Less: (a) Distributed earnings to common shareholders	15,900	14,690	45,294	41,664
Distributed earnings to participating securities	46	38	124	104
Undistributed earnings	15,619	10,926	59,075	17,999
(b) Undistributed earnings allocated to common shareholders	15,574	10,897	58,913	17,955
Undistributed earnings allocated to participating securities	45	29	162	44
Total income available to common shareholders, basic (a)+(b)	$ 31,474	$ 25,587	$ 104,207	$ 59,619
Weighted average Common Shares outstanding, basic	36,977	36,958	36,974	36,953
Basic earnings per Common Share	$ 0.85	$ 0.69	$ 2.82	$ 1.61

Diluted EPS is based upon the weighted average number of Common Shares, including both outstanding shares and shares potentially issuable in connection with restricted stock units granted under AWR's stock incentive plans for employees and directors, and net income. There were no stock options outstanding as of September 30, 2023 and 2022 under these plans. At September 30, 2023 and 2022, there were 106,879 and 96,629 restricted stock units outstanding, respectively, including performance shares awarded to officers of the Company.

The following is a reconciliation of Registrant's net income and weighted average Common Shares outstanding for calculating diluted net income per share:

Diluted:	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
(in thousands, except per share amounts)	**2023**	**2022**	**2023**	**2022**
Common shareholders earnings, basic	$ 31,474	$ 25,587	$ 104,207	$ 59,619
Undistributed earnings for dilutive stock-based awards	45	29	162	44
Total common shareholders earnings, diluted	$ 31,519	$ 25,616	$ 104,369	$ 59,663
Weighted average common shares outstanding, basic	36,977	36,958	36,974	36,953
Stock-based compensation (1)	94	84	90	81
Weighted average common shares outstanding, diluted	37,071	37,042	37,064	37,034
Diluted earnings per Common Share	$ 0.85	$ 0.69	$ 2.82	$ 1.61

(1) All of the 106,879 and 96,629 restricted stock units at September 30, 2023 and 2022, respectively, were included in the calculation of diluted EPS for the three and nine months ended September 30, 2023 and 2022.

During the nine months ended September 30, 2023 and 2022, AWR issued 18,351 and 24,612 common shares related to restricted stock units, respectively.

During the nine months ended September 30, 2023 and 2022, AWR paid $913,000 and $1.2 million, respectively, to taxing authorities on employees' behalf for shares withheld related to net share settlements. During the nine months ended September 30, 2023 and 2022, GSWC paid $835,000 and $1.1 million, respectively, to taxing authorities on employees' behalf for shares withheld related to net share settlements. These payments are included in the stock-based compensation caption of the statements of equity.

During the three months ended September 30, 2023 and 2022, AWR paid quarterly dividends of approximately $15.9 million, or $0.4300 per share, and $14.7 million, or $0.3975 per share, respectively. During the nine months ended September 30, 2023 and 2022, AWR paid quarterly dividends of approximately $45.3 million, or $1.2250 per share, and $41.7 million, or $1.1275 per share, respectively.

During the nine months ended September 30, 2023, GSWC issued one Common Share to AWR for $10.0 million. Proceeds from the stock issuance were used to pay down a portion of intercompany borrowings owed to AWR as described in Note 1.

During the three months ended September 30, 2023, GSWC paid dividends of $16.0 million to AWR. During the three months ended September 30, 2022, GSWC did not pay a dividend to AWR. ASUS paid a $14.7 million dividend to AWR during this period. During the nine months ended September 30, 2023 and 2022, GSWC paid dividends of $55.4 million and $27.0 million, respectively, to AWR.

Note 5 — Derivative Instruments

BVES had entered into long-term fixed price contracts to purchase power over three- and five-year terms. These long-term contracts will expire during the fourth quarter of 2024 and are subject to the accounting guidance for derivatives and require mark-to-market derivative accounting. In July 2023, the CPUC approved a new power purchase agreement between BVES and a third party to procure renewable portfolio standard eligible energy and renewable energy credits as a bundled product. BVES will begin taking power under this long-term contract during the fourth quarter of 2024 to replace the existing expiring contracts. The new contract provides for the purchase of electricity during a delivery period from November 1, 2024 through December 31, 2035. Under this contract, there is an embedded derivative that also requires mark-to-market accounting.

The CPUC authorized the use of a regulatory asset and liability memorandum account to offset the mark-to-market entries required by the accounting guidance. Accordingly, all unrealized gains and losses generated from derivative instruments in purchase power contracts are deferred on a monthly basis into a non-interest-bearing regulatory memorandum account that tracks the changes in fair value of the derivative throughout the terms of the contracts. As a result, these unrealized gains and losses do not impact Registrant's earnings. As of September 30, 2023, there was a $1.5 million derivative asset at fair value for the derivatives in the power purchase contracts, with a corresponding regulatory liability recorded in the derivative instrument memorandum account as a result of overall fixed prices under BVES's purchase power contracts being lower than future energy prices. The notional volume of derivatives remaining under these long-term contracts as of September 30, 2023 was 715,221 megawatt hours.

The accounting guidance for fair value measurements applies to all financial assets and financial liabilities that are measured and reported on a fair value basis. Under the accounting guidance, Registrant has made fair value measurements that are classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; or

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

To value the derivatives in the purchase power contracts, BVES utilizes various inputs that include quoted market prices for energy over the duration of the contracts. The market prices used to determine the fair value for the derivative instruments were estimated based on independent sources such as broker quotes and publications that are not observable in or corroborated by the market. When such inputs have a significant impact on the measurement of fair value, the instruments are categorized as Level 3. Accordingly, the valuation of the derivatives within BVES's purchase power contracts have been classified as Level 3 for all periods presented.

The following table presents changes in the fair value of the Level 3 derivatives for the three and nine months ended September 30, 2023 and 2022. The change in fair value was due to the change in market energy prices during the three and nine months ended September 30, 2023 and 2022.

(dollars in thousands)	For The Three Months Ended September 30, 2023	For The Three Months Ended September 30, 2022	For The Nine Months Ended September 30, 2023	For The Nine Months Ended September 30, 2022
Fair value at beginning of the period	$ 4,657	$ 8,114	$ 11,847	$ 4,441
Unrealized (losses) gains on purchase power contracts	(3,132)	(545)	(10,322)	3,128
Fair value at end of the period	$ 1,525	$ 7,569	$ 1,525	$ 7,569

Note 6 — Fair Value of Financial Instruments

For cash and cash equivalents, accounts receivable, accounts payable and short-term debt, the carrying amount is assumed to approximate fair value due to the short-term nature of these items.

Investments held in a Rabbi Trust for the supplemental executive retirement plan (“SERP”) are measured at fair value and totaled $29.6 million as of September 30, 2023 and $27.5 million as of December 31, 2022. All equity investments in the Rabbi Trust are Level 1 investments in mutual funds. The investments held in the Rabbi Trust are included in “Other Property and Investments” on Registrant's balance sheets.

The table below estimates the fair value of long-term debt held by AWR and GSWC, respectively. The fair values as of September 30, 2023 and December 31, 2022 were determined using rates for similar financial instruments of the same duration utilizing Level 2 methods and assumptions. Changes in the assumptions will produce different results.

(dollars in thousands)	September 30, 2023 Carrying Amount	September 30, 2023 Fair Value	December 31, 2022 Carrying Amount	December 31, 2022 Fair Value
Financial liabilities:				
Long-term debt—AWR (1)	$ 579,047	$ 523,698	$ 450,373	$ 424,151

(dollars in thousands)	September 30, 2023 Carrying Amount	September 30, 2023 Fair Value	December 31, 2022 Carrying Amount	December 31, 2022 Fair Value
Financial liabilities:				
Long-term debt—GSWC (2)	$ 544,047	$ 492,499	$ 415,373	$ 391,198

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(1) Excludes debt issuance costs of approximately $3.2 million and $3.4 million as of September 30, 2023 and December 31, 2022, respectively.

(2) Excludes debt issuance costs of approximately $3.0 million and $3.2 million as of September 30, 2023 and December 31, 2022, respectively.

Note 7 — Income Taxes

AWR’s effective income tax rate (“ETR”) was 23.2% and 24.6% for the three months ended September 30, 2023 and 2022, respectively, and was 24.3% and 24.1% for the nine months ended September 30, 2023 and 2022, respectively. GSWC’s ETR was 24.9% and 25.5% for the three months ended September 30, 2023 and 2022, respectively, and was 25.3% and 25.2% for the nine months ended September 30, 2023 and 2022, respectively.

The AWR and GSWC ETRs differed from the federal corporate statutory tax rate of 21% primarily due to (i) state taxes; (ii) permanent differences, including certain tax effects from stock compensation; (iii) the ongoing amortization of the excess deferred income tax liability; and (iv) differences between book and taxable income that are treated as flowed-through adjustments in accordance with regulatory requirements (principally from plant, rate-case, and compensation-related items). As regulated utilities, GSWC and BVES treat certain temporary differences as being flowed-through in computing its income tax expense consistent with the income tax method used in its CPUC-jurisdiction rate making. Flowed-through items either increase or decrease tax expense and thus impact the ETR.

Note 8 — Employee Benefit Plans

The components of net periodic benefit costs for Registrant's pension plan, postretirement medical benefit plan and SERP for the three and nine months ended September 30, 2023 and 2022 were as follows:

	For The Three Months Ended September 30,					
	Pension Benefits		Other Postretirement Benefits		SERP	
(dollars in thousands)	2023	2022	2023	2022	2023	2022
Components of Net Periodic Benefits Cost:						
Service cost	$ 705	$ 1,411	$ 33	$ 30	$ 312	$ 298
Interest cost	2,581	1,850	26	13	411	256
Expected return on plan assets	(2,617)	(3,291)	(119)	(147)	—	—
Amortization of prior service cost	110	109	—	—	—	—
Amortization of actuarial (gain) loss	—	—	(242)	(478)	(8)	145
Net periodic benefits costs under accounting standards	779	79	(302)	(582)	715	699
Regulatory adjustments - deferred	(27)	—	—	—	—	—
Total expense (benefit) recognized, before surcharges and allocation to overhead pool	$ 752	$ 79	$ (302)	$ (582)	$ 715	$ 699

	For The Nine Months Ended September 30,					
	Pension Benefits		Other Postretirement Benefits		SERP	
(dollars in thousands)	2023	2022	2023	2022	2023	2022
Components of Net Periodic Benefits Cost:						
Service cost	$ 2,397	$ 4,233	$ 99	$ 96	$ 936	$ 894
Interest cost	7,607	5,550	77	45	1,233	768
Expected return on plan assets	(7,863)	(9,873)	(358)	(441)	—	—
Amortization of prior service cost	326	327	—	—	—	—
Amortization of actuarial (gain) loss	—	—	(724)	(1,302)	(24)	435
Net periodic benefits costs under accounting standards	2,467	237	(906)	(1,602)	2,145	2,097
Regulatory adjustments - deferred	(211)	—	—	—	—	—
Total expense (benefit) recognized, before surcharges and allocation to overhead pool	$ 2,256	$ 237	$ (906)	$ (1,602)	$ 2,145	$ 2,097

In September 2023, Registrant contributed approximately $2.9 million to its pension plan.

As authorized by the CPUC in the water and electric general rate case decisions, GSWC and BVES each utilize two-way balancing accounts to track differences between the forecasted annual pension expenses in rates, or expected to be in rates, and the actual annual expense recorded in accordance with the accounting guidance for pension costs. During the three and nine months ended September 30, 2023, GSWC's actual pension expense was higher than the amounts included in water customer rates by $27,000 and $211,000, respectively. GSWC's actual pension expense was lower than the amounts included in water customer rates for the three and nine months ended September 30, 2022. BVES's actual expense was lower than the amounts included in electric customer rates for all periods presented. Over-collections are recorded as a reduction in revenues. As of September 30, 2023, GSWC and BVES had over-collections in their two-way pension balancing accounts of $1,138,000 and $205,000, respectively, included as part of regulatory assets and liabilities (Note 3).

Note 9 — Contingencies

Environmental Clean-Up and Remediation at GSWC:

GSWC has been involved in environmental remediation and cleanup at one of its plant sites that contained an underground storage tank which was used to store gasoline for its vehicles. This tank was removed from the ground in July 1990 along with the dispenser and ancillary piping. Since then, GSWC has been involved in various remediation activities at this site. Analysis indicates that off-site monitoring wells may be necessary to document effectiveness of remediation.

As of September 30, 2023, the total amount spent to clean up and remediate GSWC's plant facility was approximately \$6.3 million, of which \$1.5 million has been paid by the State of California Underground Storage Tank Fund. Amounts paid by GSWC have been included in rate base and approved by the CPUC for recovery. As of September 30, 2023, GSWC has a regulatory asset and an accrued liability for the estimated additional cost of \$1.3 million to complete the cleanup at the site. The estimate includes costs for continued activities of groundwater cleanup and monitoring, future soil treatment and site-closure-related activities. The ultimate cost may vary as there are many unknowns in remediation of underground gasoline spills and this is an estimate based on currently available information. Management also believes it is probable that the estimated additional costs will continue to be approved in rate base by the CPUC.

Contracted Services:

Most of ASUS's utility privatization contract services are provided to the U.S. government pursuant to the terms of the initial 15-and 50-year firm, fixed-price contracts and additional firm, fixed-price contracts subject to annual economic price adjustments. ASUS also, from time to time, performs construction services on military bases as a subcontractor or pursuant to a task order agreement. Entering into contracts with the U.S. government subjects ASUS to potential government audits or investigations of its business practices and compliance with government procurement statutes and regulations. ASUS had been under a civil government investigation over bidding and estimating practices used in certain capital upgrade projects and has fully cooperated with the investigation. In July 2023, ASUS and the U.S. government entered into an agreement that settles civil and monetary claims by the U.S. government. This settlement did not have a material impact on Registrant's financial statements.

Other Litigation:

Registrant is also subject to other ordinary routine litigation incidental to its business, some of which may include claims for compensatory and punitive damages. Management believes that rate recovery, proper insurance coverage and reserves are in place to insure against, among other things, property, general liability, employment, and workers' compensation claims incurred in the ordinary course of business. Insurance coverage may not cover certain claims involving punitive damages. Registrant does not believe the outcome from any pending suits or administrative proceedings will have a material effect on Registrant's consolidated results of operations, financial position, or cash flows.

Note 10 — Business Segments

AWR has three reportable segments: water, electric and contracted services. GSWC has one segment, water. On a stand-alone basis, AWR has no material assets or liabilities other than its equity investments in its subsidiaries, note payables to bank, deferred taxes and intercompany note receivables.

All GSWC and BVES business activities are conducted in California. Activities of ASUS and the Military Utility Privatization Subsidiaries are conducted in California, Florida, Kansas, Maryland, Massachusetts, New Mexico, North Carolina, South Carolina, Texas and Virginia. Some of ASUS's wholly owned subsidiaries are regulated by the state in which the subsidiary primarily conducts water and/or wastewater operations. Fees charged for operations and maintenance and renewal and replacement services are based upon the terms of the contracts with the U.S. government, which have been filed, as appropriate, with the commissions in the states in which ASUS's subsidiaries are incorporated.

The tables below set forth information relating to AWR's operating segments and AWR parent. The utility plant balances are net of respective accumulated provisions for depreciation. Capital additions reflect capital expenditures paid in cash and exclude U.S. government-funded and third-party prime contractor funded capital expenditures for ASUS, and property installed by developers and conveyed to GSWC and BVES.

	As Of And For The Three Months Ended September 30, 2023				
(dollars in thousands)	Water	Electric	Contracted Services	AWR Parent	Consolidated AWR
Operating revenues	$ 116,231	$ 8,956	$ 26,509	$ —	$ 151,696
Operating income (loss)	43,243	2,049	6,204	255	51,751
Interest expense (income), net	6,775	760	394	1,637	9,566
Net property, plant and equipment	1,696,923	137,299	16,249	—	1,850,471
Depreciation and amortization expense **(1)**	8,610	776	798	—	10,184
Income tax expense (benefit)	8,830	(154)	1,430	(559)	9,547
Capital additions	37,349	9,947	186	—	47,482

	As Of And For The Three Months Ended September 30, 2022				
(dollars in thousands)	Water	Electric	Contracted Services	AWR Parent	Consolidated AWR
Operating revenues	$ 100,799	$ 8,919	$ 25,266	$ —	$ 134,984
Operating income (loss)	32,451	2,337	5,553	(1)	40,340
Interest expense (income), net	5,625	355	(27)	711	6,664
Net property, plant and equipment	1,584,888	115,379	17,885	—	1,718,152
Depreciation and amortization expense **(1)**	8,475	709	933	—	10,117
Income tax expense (benefit)	6,831	478	1,347	(296)	8,360
Capital additions	40,684	4,711	109	—	45,504

	As Of And For The Nine Months Ended September 30, 2023				
(dollars in thousands)	Water	Electric	Contracted Services	AWR Parent	Consolidated AWR
Operating revenues	$ 345,851	$ 30,688	$ 93,980	$ —	$ 470,519
Operating income (loss)	134,006	7,783	19,854	218	161,861
Interest expense (income), net	18,784	1,987	948	4,389	26,108
Net property, plant and equipment	1,696,923	137,299	16,249	—	1,850,471
Depreciation and amortization expense **(1)**	26,890	2,283	2,472	—	31,645
Income tax expense (benefit)	29,674	794	4,621	(1,586)	33,503
Capital additions	113,921	20,985	1,225	—	136,131

	As Of And For The Nine Months Ended September 30, 2022				
(dollars in thousands)	Water	Electric	Contracted Services	AWR Parent	Consolidated AWR
Operating revenues	$ 265,561	$ 29,028	$ 71,572	$ —	$ 366,161
Operating income (loss)	77,161	7,973	13,894	(6)	99,022
Interest expense (income), net	16,088	763	(264)	1,272	17,859
Net property, plant and equipment	1,584,888	115,379	17,885	—	1,718,152
Depreciation and amortization expense (1)	25,573	2,049	2,780	—	30,402
Income tax expense (benefit)	14,623	1,645	3,399	(641)	19,026
Capital additions	107,668	13,485	903	—	122,056

(1) Depreciation computed on GSWC’s and BVES’s transportation equipment is recorded in other operation expenses and totaled $160,000 and $97,000 for the three months ended September 30, 2023 and 2022, respectively, and totaled $683,000 and $286,000 for the nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023, approximately $212,000 of additional depreciation expense on GSWC's transportation equipment was recorded that relates to the cumulative retroactive impact for the full year of 2022 approved in the CPUC final decision in GSWC's general rate case that resulted from an increase to the transportation equipment composite depreciation rates that are retroactive to January 1, 2022.

The following table reconciles total net property, plant and equipment (a key figure for ratemaking) to total consolidated assets (in thousands):

	September 30,	
	2023	2022
Total net property, plant and equipment	$ 1,850,471	$ 1,718,152
Other assets	354,758	264,423
Total consolidated assets	$ 2,205,229	$ 1,982,575

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion and analysis provides information on AWR's consolidated operations and assets, and includes specific references to AWR's individual segments and its subsidiaries: (i) GSWC, AWR's regulated water utility segment, (ii) BVES, AWR's regulated electric utility segment, (iii) ASUS and its subsidiaries, collectively, AWR's contracted services segment, and (iv) AWR parent where applicable. The subsidiaries of ASUS are collectively referred to as the "Military Utility Privatization Subsidiaries."

Included in the following analysis is a discussion of AWR's operations in terms of earnings per share by business segment and AWR parent, which equals each business segment's earnings divided by AWR's weighted average number of diluted common shares. The gains and losses generated on the investments held to fund one of the Company's retirement plans during the nine months ended September 30, 2023 and 2022 have been excluded when communicating the results to help facilitate comparisons of AWR's performance from period to period. In addition, both the impact of retroactive rates related to the full year 2022 recorded during the nine months ended September 30, 2023 resulting from the final decision on the water general rate case, and the impact from the estimates of revenues subject to refund recorded in 2022 and changes to estimates recorded in 2023 following the receipt of a final cost of capital decision in June of 2023 have been excluded when communicating AWR's consolidated and water segment results for the three months ended September 30, 2022 and the nine months ended September 30, 2023 and 2022 to help facilitate comparisons of the Company's performance from period to period.

All of the measures discussed above are derived from consolidated financial information but are not presented in our financial statements that are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States. These items constitute "non-GAAP financial measures" under Securities and Exchange Commission rules, which supplement our GAAP disclosures but should not be considered as an alternative to the respective GAAP measures. Furthermore, the non-GAAP financial measures may not be comparable to similarly titled non-GAAP financial measures of other registrants.

AWR uses earnings per share by business segment as an important measure in evaluating its operating results and believes it provides investors with clarity surrounding the performance of its segments. AWR reviews this measurement regularly and compares it to historical periods and to its operating budget. A reconciliation to AWR's consolidated diluted earnings per share prepared in accordance with GAAP is included in the discussion under the section titled "*Summary of Third Quarter Results by Segment*" and "*Summary of Year-to-Date Results by Segment.*"

Overview

Factors affecting our financial performance are summarized under *"Risk Factors"* in our Form 10-K for the period ended December 31, 2022 filed with the SEC.

Water and Electric Segments:

GSWC's and BVES's revenues, operating income, and cash flows are earned primarily through delivering potable water to homes and businesses in California and electricity in the Big Bear area of San Bernardino County, California, respectively. Rates charged to GSWC and BVES customers are authorized by the CPUC. These rates are intended to allow recovery of operating costs and a reasonable rate of return on capital. GSWC and BVES plan to continue seeking additional rate increases in future years from the CPUC to recover operating and supply costs and receive reasonable returns on invested capital. Capital expenditures in future years at GSWC and BVES are expected to remain at substantially higher levels than depreciation expense. When necessary, GSWC and BVES may obtain funds from external sources in the capital markets and through bank borrowings.

General Rate Case Filings and Other Matters:

Water General Rate Case for the years 2025–2027:

On August 14, 2023, GSWC filed a general rate case application for all its water regions and the general office. This general rate case will determine new water rates for the years 2025 – 2027. Among other things, GSWC requested capital budgets of approximately $611.4 million for the three-year rate cycle. GSWC also requested the continuation of mechanisms to accommodate fully decoupled revenues and sales, and track differences between recorded and CPUC-authorized supply-related expenses. In an August 2020 decision, the CPUC discontinued the use of the Water Revenue Adjustment Mechanism ("WRAM") and the Modified Cost Balancing Account ("MCBA") at water utilities, which GSWC implemented in 2008, but would be discontinued for GSWC after 2024. However, on September 30, 2022, the governor of California signed Senate Bill ("SB") 1469. Effective January 1, 2023, SB 1469 allows Class A water utilities, including GSWC, to continue requesting the use of a revenue decoupling mechanism in their next general rate case. With the passage of SB 1469, GSWC's request to continue using a revenue decoupling mechanism will be subject to CPUC approval. A decision in the water general rate case is scheduled for the fourth quarter of 2024, with new rates to become effective January 1, 2025.

Water General Rate Case for the years 2022–2024:

On June 29, 2023, the CPUC adopted a final decision in GSWC's general rate case application for all of its water regions and its general office that determines new water rates for the years 2022–2024 retroactive to January 1, 2022. The assigned administrative law judge at the CPUC had issued a proposed decision on April 13, 2023 that, among other things, (i) adopted the full settlement agreement between GSWC and the Public Advocates Office at the CPUC ("Public Advocates") that resolved all issues related to the 2022 annual revenue requirement in the general rate case application, and (ii) allowed for additional increases in adopted revenues for 2023 and 2024 subject to an earnings test and inflationary index values at the time of filing for implementation of the new rates. The final decision issued on June 29, 2023 is consistent in all material respects with the proposed decision issued in April. The impact of retroactive rates for the full year of 2022 and the estimated second-year rate increases had been reflected in the 2023 first quarter results as it became probable based on the proposed decision that the approved retroactive rates for the full year of 2022 and the new rates for 2023 would be permitted to be billed to customers in the future. The impact of retroactive rates for the full year of 2022 as well as the final 2023 second-year rate increases for 2023 have been reflected in the results of operations for the nine months ended September 30, 2023.

The settlement agreement approved in the final decision (i) authorizes GSWC to invest approximately $404.8 million in capital infrastructure over the three-year cycle (excluding advice letter projects); (ii) increases the 2022 adopted revenues (excluding the advice letter project revenues) by approximately $30.3 million, or $0.59 per share, as compared to the 2021 adopted revenues, and increases the 2022 adopted supply costs by $9.6 million, or $0.19 per share, as compared to the 2021 adopted supply costs, which combined is an increase of $0.40 per share; and (iii) adopts new operating expense levels for 2022 including a higher depreciation expense resulting from overall higher composite depreciation rates based on a new depreciation study adopted in the decision.

Upon receiving the final decision, GSWC filed for the implementation of new 2023 rate increases that went into effect on July 31, 2023. Due to the delay in finalizing the water general rate case, water revenues billed to customers for the year ended December 31, 2022 and for the period from January 1, 2023 to July 30, 2023 were based on 2021 adopted rates. As a result of receiving the final decision that approves the settlement agreement in its entirety, the impact of retroactive new rates for the full year of 2022 of $0.38 per share has been reflected in the nine months ended September 30, 2023 results and included primarily (i) the increase in 2022's adopted revenues and supply costs, or $0.40 per share discussed above; and (ii) a higher overall depreciation expense for 2022 of approximately $790,000, or $0.02 per share, resulting from updated composite depreciation rates adopted in the final decision, which are reflected in the 2022 adopted revenue requirement. The second-year rate increases for 2023 have also been reflected in the three and nine months ended September 30, 2023. Through September 30, 2023, this included increases in revenues of approximately $36.8 million, or $0.72 per share, compared to the adopted 2021 rates recorded in the same period in 2022, and increases in supply costs of approximately $8.0 million, or $0.16 per share, which combined is an increase of $0.56 per share for the nine months ended September 30, 2023.

GSWC filed for the implementation of new 2023 rate increases that became effective on July 31, 2023. In October 2023, GSWC also filed with the CPUC to recover all retroactive rate amounts accumulated in memorandum accounts for the full 2022 year and for 2023 through July 30, 2023. Surcharges were implemented to recover the cumulative retroactive rate differences over 36 months. As of September 30, 2023, there is an aggregate cumulative balance of $55.1 million in CPUC-approved general rate case memorandum accounts that have been recognized as regulatory assets with a corresponding increase in unbilled water revenues.

Cost of Capital Proceeding:

Investor-owned water utilities serving California are required to file their cost of capital applications on a triennial basis. GSWC filed a cost of capital application with the CPUC in May 2021. On June 29, 2023, the CPUC adopted a final decision that, among other things, (i) adopted GSWC's requested capital structure of 57% equity and 43% debt; (ii) adopted a cost of debt of 5.1% for GSWC as compared to 6.6% previously authorized; (iii) adopted a return on equity of 8.85% for GSWC as compared to 8.9% previously authorized; (iv) allows for the continuation of the Water Cost of Capital Mechanism ("WCCM") through December 31, 2024; and (v) adopts the new cost of capital for the three-year period commencing January 1, 2022 through December 31, 2024. Based on the final decision issued in June 2023, all adjustments to rates are prospective and not retroactive. GSWC filed an advice letter that implemented the new cost of capital effective July 31, 2023.

Following the receipt of the final decision in the cost of capital proceeding, management updated its analysis and reassessed the accounting estimates recorded to date related to GSWC's lower cost of debt. Accordingly, GSWC recorded during the nine months ended September 30, 2023 a change in estimate that resulted in an increase to water revenues in the amount of $6.4 million, or $0.13 per share, as a result of reversing its regulatory liability for revenues subject to refund that it had recorded during 2022. Of the $6.4 million recorded in 2022, $1.9 million, or $0.04 per share, and $5.0 million, or $0.10 per share, were recorded during the three and nine months ended September 30, 2022, respectively.

The WCCM adjusts the return on equity and rate of return on rate base between the three-year cost of capital proceedings only if there is a positive or negative change of more than 100 basis points in the average of the Moody's Aa utility bond rate as measured over the period October 1 through September 30. If there is a positive or negative change of more than 100 basis points, the return on equity is adjusted by one half of the difference. For the period from October 1, 2021 through September 30, 2022, the Moody's Aa utility bond rate increased by 102.8 basis points from the benchmark, which triggered the WCCM adjustment. GSWC recognized revenues for the period from January 1 through July 30, 2023 and all of 2022 based on the previously authorized return of equity of 8.9% that had also been billed to water customers through the same period. On June 30, 2023, GSWC filed an advice letter to establish the WCCM for 2023, which increased GSWC's 8.85% adopted return on equity in the decision to 9.36% effective July 31, 2023. Additionally, for the period from October 1, 2022 through September 30, 2023, the Moody's Aa utility bond rate increased by 139.7 basis points from the benchmark, which again triggered the WCCM adjustment. On October 12, 2023, GSWC filed an advice letter to establish the WCCM for 2024, which has been approved by the CPUC and will increase GSWC's 9.36% adopted return on equity to 10.06% effective January 1, 2024.

Electric General Rate Case for the years 2023–2026:

On August 30, 2022, BVES filed a general rate case application that will determine new electric rates for the years 2023 – 2026. In February 2023, a scoping memo and ruling that set the final schedule and scope of issues in BVES's general rate case proceeding was issued by the CPUC. Based on the schedule issued, a proposed decision is scheduled in the fourth quarter of 2023. Electric revenues billed to customers for the nine months ended September 30, 2023 were based on 2022 adopted rates and will remain in effect until finalization of the pending general rate case application. On December 15, 2022, the CPUC approved a decision for BVES to establish a general rate case memorandum account that makes the new 2023 rates effective and retroactive to January 1, 2023. When a decision is issued in the electric general rate case, cumulative adjustments will be recorded at that time.

Among other things, BVES requested (i) capital budgets of approximately $62.0 million for the four-year rate cycle, and another $6.2 million for a large line replacement capital project to be filed for revenue recovery through an advice letter when the project is completed, and (ii) a capital structure for BVES of 61.8% equity and 38.2% debt, a return on equity of 11.25%, an embedded cost of debt of 5.51%, and a return on rate base of 9.05%. Included in the general rate case application is a request for recovery of all capital expenditures and other incremental costs incurred over the last few years in connection with BVES's wildfire mitigation plans that are currently not included in customer rates. These costs will be subject to review by the CPUC during the general rate case proceeding.

Contracted Services Segment:

ASUS's revenues, operating income and cash flows are earned by providing water and/or wastewater services, including operation and maintenance services and construction of facilities for the water and/or wastewater systems at various military installations, pursuant to an initial 15- or 50-year firm fixed-price contract and additional firm fixed-price contracts. The contract price for each of these contracts is subject to annual economic price adjustments. Additional revenues generated by contract operations are primarily dependent on annual economic price adjustments, and new construction activities under contract modifications with the U.S. government or agreements with other third-party prime contractors or task order agreements with the U.S. government. ASUS's subsidiaries continue to enter into U.S. government-awarded contract modifications and agreements with third-party prime contractors for new construction projects at the military bases served. Earnings and cash flows from modifications to the initial 15- or 50-year contracts with the U.S. government, agreements with third-party prime contractors, and task orders with the U.S. government for additional construction projects may or may not continue at current levels in future periods.

Entering into contracts with the U.S. government subjects ASUS to potential government audits or investigations of its business practices and compliance with government procurement statutes and regulations. ASUS had been under a civil government investigation over bidding and estimating practices used in certain capital upgrade projects and has fully cooperated with the investigation. In July 2023, ASUS and the U.S. government entered into an agreement that settles civil and monetary claims by the U.S. government. This settlement did not have a material impact on Registrant's financial statements.

On August 15, 2023, ASUS was awarded a new 50-year contract by the U.S. government to operate, maintain, and provide construction management services for the water distribution and wastewater collection and treatment facilities at Naval Air Station Patuxent River, a United States Navy air station located in Maryland. The initial firm fixed-price value of the contract is estimated at $349 million over a 50-year period and is subject to annual economic price adjustments. This initial value is also subject to adjustment based on the results of a joint inventory of assets to be performed during the transition period. ASUS will assume operations at Naval Air Station Patuxent River following the completion of a 6-month transition period.

On September 29, 2023, ASUS was awarded a new 15-year contract by the U.S. government that is different than its existing 50-year contracts to operate, maintain, and provide construction management services for the water distribution and wastewater collection and treatment facilities at Joint Base Cape Cod ("JBCC") located in Massachusetts. Under this contract, ASUS will have the opportunity to perform work at JBCC through the periodic issuance of task orders by the U.S. government for up to a maximum initial firm fixed-price value of $45 million over a 15-year period, subject to adjustments as task orders are issued. In September 2023, the first task order was issued with a value of $2.3 million to perform an evaluation, construction and transition services that are scheduled for completion in 2024.

Summary of Third Quarter Results by Segment

The table below sets forth the third quarter diluted earnings per share by business segment and for the parent company:

	Diluted Earnings per Share		
	Three Months Ended		
	9/30/2023	9/30/2022	CHANGE
Water	$ 0.72	$ 0.54	$ 0.18
Electric	0.04	0.04	—
Contracted services	0.12	0.12	—
AWR (parent)	(0.02)	(0.01)	(0.01)
Consolidated diluted earnings per share, as recorded (GAAP)	0.85	0.69	0.16
Adjustment to GAAP measure:			
Impact of revenues subject to refund recorded in 2022*	—	0.04	(0.04)
Consolidated diluted earnings per share, as adjusted (Non-GAAP)*	$ 0.85	$ 0.73	$ 0.12
Water diluted earnings per share, as adjusted (Non-GAAP)*	$ 0.72	$ 0.58	$ 0.14

Note: Certain amounts in the table above may not foot or crossfoot due to rounding.

* The adjustment to recorded diluted earnings per share relates to the water segment. The water segment's adjusted earnings for 2022 exclude the impact of accounting estimates made in 2022 for revenues subject to refund related to the pending cost of capital proceeding at that time, and as shown separately in the table above. The lower revenues recorded during the three months ended September 30, 2022 totaled $1.9 million, or $0.04 per share, based on the estimate of revenues subject to refund that were subsequently reversed in June 2023 upon receiving the final decision in the cost of capital proceeding making all adjustments to rates prospective and not retroactive.

For the three months ended September 30, 2023, AWR's recorded consolidated diluted earnings were $0.85 per share, as compared to $0.69 per share for the same period in 2022, an increase of $0.16 per share, which includes a favorable variance of $0.04 per share resulting from the impact of accounting estimates made in the third quarter of 2022 for revenues subject to refund related to the pending cost of capital proceeding at that time shown separately in the table above. With the receipt of a final decision on the cost of capital proceeding in June 2023, the regulatory liability related to the estimate was reversed in the second quarter of 2023. Excluding this impact from the third quarter of 2022, for the three months ended September 30, 2022, adjusted consolidated diluted earnings were $0.73 per share, compared to adjusted and recorded consolidated earnings of $0.85 per share for the three months ended September 30, 2023, an adjusted increase of $0.12 per share, or a 16.4% increase, largely due to new 2023 water rates approved in GSWC's final decision in the general rate case proceeding received in June 2023.

The following is a computation and reconciliation of diluted earnings per share from the measure of operating income by business segment as disclosed in Note 10 to the Unaudited Consolidated Financial Statements, to AWR's consolidated fully diluted earnings per common share (as recorded), for the three months ended September 30, 2023 and 2022:

	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
(in thousands, except per share amounts)	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Operating income (loss) (Note 10)	$ 43,243	$ 32,451	$ 2,049	$ 2,337	$ 6,204	$ 5,553	$ 255	$ (1)	$ 51,751	$ 40,340
Other (income) and expenses, net	7,820	5,695	754	243	428	(65)	1,637	453	10,639	6,326
Income tax expense (benefit)	8,830	6,831	(154)	478	1,430	1,347	(559)	(296)	9,547	8,360
Net income (loss)	$ 26,593	$ 19,925	$ 1,449	$ 1,616	$ 4,346	$ 4,271	$ (823)	$ (158)	$ 31,565	$ 25,654
Weighted Average Number of Diluted Shares	37,071	37,042	37,071	37,042	37,071	37,042	37,071	37,042	37,071	37,042
Diluted earnings (loss) per share	$ 0.72	$ 0.54	$ 0.04	$ 0.04	$ 0.12	$ 0.12	$ (0.02)	$ (0.01)	$ 0.85	$ 0.69

Note: Certain amounts in the table above may not foot or crossfoot due to rounding.

Water Segment:

For the three months ended September 30, 2023, recorded diluted earnings from the water utility segment were $0.72 per share, as compared to $0.54 per share for the same period in 2022, an increase of $0.18 per share, which includes a favorable variance of $0.04 per share from the impact of accounting estimates made in the third quarter of 2022 for revenues subject to refund related to the pending cost of capital proceeding at that time, which were subsequently reversed during the second quarter of 2023 as previously discussed above.

Excluding the impact of estimates made in the third quarter of 2022 for revenues subject to refund related to the pending cost of capital proceeding at that time, adjusted diluted earnings for the third quarter of 2022 at the water segment were $0.58 per share, as compared to adjusted and recorded diluted earnings of $0.72 per share for the third quarter of 2023, an adjusted increase at the water segment of $0.14 per share, or a 24.1% increase, due largely to the following items:

- An increase in water operating revenues of approximately $13.5 million was largely as a result of the second-year rate increases related to the three months ended September 30, 2023, partially offset by the prospective change in the new cost of capital effective July 31, 2023 that lowered GSWC's authorized return on rate base. The return on rate base was revised to reflect the new authorized cost of debt which decreased from 6.6% to 5.1%, offset by a higher return on equity which increased from 8.9% to 9.36%. In June 2023, GSWC filed for the implementation of new 2023 rates upon receiving the final decisions on the general rate case and cost of capital proceedings both of which became effective July 31, 2023. The increase in water revenues during the third quarter of 2023 represents the difference from the 2021 adopted rates recorded in the three-month period ended September 30, 2022 and the 2023 second-year increases recorded during the same period ended in 2023.

- An increase in water supply costs of $3.6 million, which consist of purchased water, purchased power for pumping, groundwater production assessments and changes in the water supply cost balancing accounts. Adopted supply costs for the third quarter of 2023 were based on 2023 authorized amounts approved in the final CPUC decision in the water general rate case application. Actual water supply costs are tracked and passed through to customers on a dollar-for-dollar basis by way of the CPUC-approved water supply cost balancing accounts. The increase in water supply costs results in a corresponding increase in water operating revenues and has no net impact on the water segment's profitability.

- An overall increase in operating expenses of $1.1 million (excluding supply costs) due primarily to increases in (i) overall labor costs and other employee-related benefits, (ii) other operation-related expenses resulting primarily from higher water treatment and chemical costs, (iii) maintenance expense, (iv) administrative and general expenses resulting largely from higher outside-services costs, and (v) depreciation and amortization expenses resulting from additions to utility plant and the higher composite depreciation rates based on a revised depreciation study approved in the final decision on the water general rate case.

- An increase in interest expense (net of interest income) of $1.2 million resulting primarily from an overall increase in interest rates, as well as an overall increase in total borrowing levels to support, among other things, the capital expenditure programs at GSWC, partially offset by higher interest income earned on regulatory assets bearing interest at the current 90-day commercial-paper rate, which increased compared to 2022's rates, as well as an increase in the level of regulatory assets recorded that resulted, in large part, from the final decision on the water general rate case that had been delayed.

- An overall increase in other expenses (net of other income) of $1.2 million due primarily to an increase in the non-service cost components related to GSWC's benefit plans resulting from changes in actuarial assumptions including expected returns on plan assets. However, as a result of GSWC's two-way pension balancing accounts authorized by the CPUC, changes in total net periodic benefits costs related to the pension plan have no material impact to earnings.

- Changes in certain flowed-through income taxes and permanent items included in GSWC's income tax expense for the three months ended September 30, 2023 as compared to the same period in 2022 that favorably impacted the water segment's earnings. As a regulated utility, GSWC treats certain temporary differences as being flowed-through in computing its income tax expense consistent with the income tax method used in its CPUC-jurisdiction rate making. Changes in the magnitude of flowed-through items either increase or decrease tax expense, thereby affecting diluted earnings per share.

Electric Segment:

Diluted earnings from the electric utility segment for the three months ended September 30, 2023 were flat compared to the same period in 2022, largely resulting from not having new rates in 2023 while awaiting the processing of the pending electric general rate case that will set new rates for 2023 – 2026, while also experiencing continued increases in overall operating expenses and interest costs that were mostly offset by favorable changes in certain flowed-through income taxes. When a decision is issued in the electric general rate case, new rates are expected to be retroactive to January 1, 2023 and cumulative adjustments will be recorded at that time.

Contracted Services Segment:

Diluted earnings from the contracted services segment for the three months ended September 30, 2023 were consistent when compared to the same period in 2022. The contracted services segment is expected to contribute $0.45 to $0.49 per share for the full 2023 year.

AWR (Parent):

For the three months ended September 30, 2023, the diluted loss from AWR (parent) increased by $0.01 per share compared to the same period in 2022 due primarily to an increase in interest expense resulting from higher short-term interest rates and higher borrowings under AWR's revolving credit facility, as well as changes in state unitary taxes.

Summary of Year-to-Date Results by Segment

The table below sets forth the year-to-date diluted earnings per share by business segment and for the parent company:

	Diluted Earnings per Share		
	Nine Months Ended		
	9/30/2023	9/30/2022	CHANGE
Water	$ 2.36	$ 1.17	$ 1.19
Electric	0.14	0.16	(0.02)
Contracted services	0.38	0.29	0.09
AWR (parent)	(0.06)	(0.01)	(0.05)
Consolidated diluted earnings per share, as recorded (GAAP)	2.82	1.61	1.21
Adjustments to GAAP measure:			
Impact of retroactive rates related to the full year of 2022 from the final decision in the water general rate case (approximately $0.30 per share relates to the first nine months of 2022)*	(0.38)	—	(0.38)
Impact related to the final cost of capital decision*	(0.13)	0.10	(0.23)
Consolidated diluted earnings per share, as adjusted (Non-GAAP)*	$ 2.31	$ 1.71	$ 0.60
Water diluted earnings per share, as adjusted (Non-GAAP)*	$ 1.85	$ 1.27	$ 0.58

* All adjustments to recorded diluted earnings per share relate to the water segment. The water segment's adjusted earnings for 2023 exclude the impact of retroactive rates related to the full year of 2022 resulting from the final CPUC decision in the general rate case previously discussed, and for 2023 and 2022 they exclude the impact of estimates and changes in estimates resulting from revenues subject to refund related to the cost of capital proceeding, both shown separately in the table above.

For the nine months ended September 30, 2023, AWR's recorded consolidated diluted earnings were $2.82 per share, as compared to $1.61 per share for the same period in 2022, an increase of $1.21 per share, which includes: (i) the impact of retroactive new rates related to the full 2022 year of $0.38 per share as a result of receiving a final decision in the water general rate case as previously discussed and shown separately in the table above, and (ii) a net favorable variance of $0.23 per share, also shown separately in the table above, related to the impact of the final cost of capital decision that resulted in the reversal during the nine months ended September 30, 2023 of revenues subject to refund of $6.4 million, or $0.13 per share, due to a change in estimate from what had been recorded during 2022, of which $5.0 million, or $0.10 per share, was related to the nine months ended September 30, 2022. Excluding these items from both periods, for the nine months ended September 30, 2023 and 2022, adjusted consolidated diluted earnings were $2.31 per share and $1.71 per share, respectively, an adjusted increase of $0.60 per share.

Also included in the results for the nine months ended September 30, 2023 were gains totaling $2.1 million, or $0.04 per share, on investments held to fund one of the Company's retirement plans as compared to losses of $6.4 million, or $0.13 per share, for the same period in 2022, a net increase in earnings of $0.17 per share, both due to financial market conditions.

Excluding the gains and losses on investments from both periods, the impact of retroactive rates recorded in 2023 related to the full year of 2022, and the impact of estimates and changes in estimates from the cost of capital proceeding from both periods, adjusted consolidated diluted earnings for the nine months ended September 30, 2023 were $2.27 per share as compared to adjusted diluted earnings of $1.84 per share for the same period in 2022, an adjusted increase of $0.43 per share, or a 23.4% increase, largely due to new 2023 water rates approved in GSWC's final decision in its general rate case proceeding.

The following is a computation and reconciliation of diluted earnings per share from the measure of operating income by business segment as disclosed in Note 10 to the Unaudited Consolidated Financial Statements, to AWR's consolidated fully diluted earnings per common share, for the nine months ended September 30, 2023 and 2022:

	Water		Electric		Contracted Services		AWR (Parent)		Consolidated (GAAP)	
(in thousands, except per share amounts)	YTD 2023	YTD 2022	YTD 2023	YTD 2022	YTD 2023	YTD 2022	YTD 2023	YTD 2022	YTD 2023	YTD 2022
Operating income (loss) (Note 10)	$ 134,006	$ 77,161	$ 7,783	$ 7,973	$ 19,854	$ 13,894	$ 218	$ (6)	$ 161,861	$ 99,022
Other (income) and expenses, net	16,743	19,158	1,959	431	1,042	(374)	4,121	1,014	23,865	20,229
Income tax expense (benefit)	29,674	14,623	794	1,645	4,621	3,399	(1,586)	(641)	33,503	19,026
Net income (loss)	$ 87,589	$ 43,380	$ 5,030	$ 5,897	$ 14,191	$ 10,869	$ (2,317)	$ (379)	$ 104,493	$ 59,767
Weighted Average Number of Diluted Shares	37,064	37,034	37,064	37,034	37,064	37,034	37,064	37,034	37,064	37,034
Diluted earnings (loss) per share	$ 2.36	$ 1.17	$ 0.14	$ 0.16	$ 0.38	$ 0.29	$ (0.06)	$ (0.01)	$ 2.82	$ 1.61

Water Segment:

For the nine months ended September 30, 2023, recorded diluted earnings from the water utility segment were $2.36 per share, as compared to $1.17 per share for the same period in 2022, an increase of $1.19 per share, which includes (i) the impact of retroactive new rates for the full year of 2022 of $0.38 per share (shown separately in the Summary of Year-to-Date Results by Segment table above), (ii) a net favorable variance of $0.23 per share (shown separately in the Summary of Year-to-Date Results by Segment table above) from the impact of the final cost of capital decision that resulted in the reversal of $6.4 million, or $0.13 per share, during the nine months ended September 30, 2023 of revenues subject to refund due to a change in estimates from what had been recorded during 2022 of which $5.0 million, or $0.10 per share, was recorded during the nine months ended September 30, 2022, and (iii) a net favorable variance of $0.17 per share from gains totaling $2.1 million, or $0.04 per share, recorded during the nine months ended September 30, 2023 on investments held to fund a retirement plan, as compared to losses of $6.4 million, or $0.13 per share, recorded during the same period in 2022.

Excluding the gains and losses on investments from both periods, the impact of retroactive rates recorded in 2023 related to the full year of 2022, and the impact of estimates and changes in estimates from the cost of capital proceeding from both periods, adjusted diluted earnings for the nine months ended September 30, 2023 at the water segment were $1.81 per share as compared to adjusted diluted earnings of $1.40 per share for the same period in 2022, an adjusted increase at the water segment of $0.41 per share, or a 29.3% increase, due primarily to the following items:

- An increase in water operating revenues of approximately $38.2 million largely as a result of the second-year rate increases for 2023 that are retroactive to January 1, 2023 and have been reflected in the results for the nine months ended September 30, 2023, partially offset by the impact of the prospective change in the new cost of capital effective July 31, 2023 as previously discussed. GSWC filed for the implementation of new 2023 rates upon receiving the final decisions in June 2023 in both its general rate case and cost of capital proceedings. The increase in water revenues during the nine months of 2023 represents second-year rate increases compared to 2021 adopted rates for the same period in 2022.
- An increase in water supply costs of $8.0 million, which consists of purchased water, purchased power for pumping, groundwater production assessments and changes in the water supply cost balancing accounts. Adopted supply costs for the first nine months of 2023 were based on 2023 authorized amounts approved in the final CPUC decision in the water general rate case. Actual water supply costs are tracked and passed through to customers on a dollar-for-dollar basis by way of the CPUC-approved water supply cost balancing accounts. The increase in water supply costs results in a corresponding increase in water operating revenues and has no net impact on the water segment's profitability.
- An overall increase in operating expenses of $2.7 million (excluding supply costs) mainly due to increases in (i) overall labor costs and other employee-related benefits, (ii) outside-services costs, and (iii) depreciation and amortization expenses resulting from additions to utility plant and the higher composite depreciation rates based on a revised depreciation study approved in the water general rate case.
- An overall increase in interest expenses (net of interest income) of $3.4 million resulting primarily from an increase in interest rates, as well as an overall increase in total borrowing levels to support, among other things, the capital expenditure programs at GSWC, partially offset by higher interest income earned on regulatory assets bearing interest at the current 90-day commercial-paper rate, which increased compared to 2022's rates, as well as an increase in the level of regulatory assets recorded resulting, in large part, from the decision on the water general rate case that had been delayed.

- An overall increase in other expenses (net of other income) of $3.4 million due primarily to an increase in the non-service cost components related to GSWC's benefit plans resulting from changes in actuarial assumptions including expected returns on plan assets. However, as a result of GSWC's two-way pension balancing accounts authorized by the CPUC, changes in total net periodic benefit costs related to the pension plan have no material impact to earnings.
- Changes in certain flowed-through income taxes and permanent items included in GSWC's income tax expense for the nine months ended September 30, 2023 as compared to the same period in 2022 that favorably impacted the water segment's earnings. As a regulated utility, GSWC treats certain temporary differences as being flowed-through in computing its income tax expense consistent with the income tax method used in its CPUC-jurisdiction rate making. Changes in the magnitude of flowed-through items either increase or decrease tax expense, thereby affecting diluted earnings per share.

Electric Segment:

Diluted earnings from the electric utility segment decreased $0.02 per share for the nine months ended September 30, 2023 as compared to the same period in 2022, largely resulting from not having new rates in 2023 while awaiting the processing of the pending electric general rate case that will set new rates for 2023 – 2026, while also experiencing continued increases in overall operating expenses and interest costs that were partially offset by favorable changes in certain flowed-through income taxes. When a decision is issued in the electric general rate case, new rates are expected to be retroactive to January 1, 2023 and cumulative adjustments will be recorded at that time.

Contracted Services Segment:

Diluted earnings from the contracted services segment increased $0.09 per share for the nine months ended September 30, 2023 as compared to the same period in 2022, largely due to an increase in construction activity due to timing differences of when construction work was performed in 2023 as compared to the same period in 2022, and an increase in management fee revenue resulting from the resolution of various economic price adjustments, partially offset by higher overall operating expenses (excluding construction expenses) and interest costs as compared to the same period of 2022. The contracted services segment is expected to contribute $0.45 to $0.49 per share for the full 2023 year.

AWR (Parent):

For the nine months ended September 30, 2023, diluted loss from AWR (parent) increased by $0.05 per share compared to the same period in 2022 due primarily to an increase in interest expense resulting from higher short-term interest rates and higher borrowings made under AWR's revolving credit facility, as well as changes in state unitary taxes.

The following discussion and analysis for the three and nine months ended September 30, 2023 and 2022 provides information on AWR's consolidated operations and assets and, where necessary, includes specific references to AWR's individual segments and subsidiaries: GSWC, BVES, and ASUS and its subsidiaries.

Consolidated Results of Operations — Three Months Ended September 30, 2023 and 2022 (amounts in thousands, except per share amounts):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
OPERATING REVENUES				
Water	$ 116,231	$ 100,799	$ 15,432	15.3 %
Electric	8,956	8,919	37	0.4 %
Contracted services	26,509	25,266	1,243	4.9 %
Total operating revenues	151,696	134,984	16,712	12.4 %
OPERATING EXPENSES				
Water purchased	23,216	20,304	2,912	14.3 %
Power purchased for pumping	4,291	3,878	413	10.6 %
Groundwater production assessment	5,990	5,650	340	6.0 %
Power purchased for resale	2,383	2,673	(290)	(10.8)%
Supply cost balancing accounts	723	640	83	13.0 %
Other operation	10,429	9,696	733	7.6 %
Administrative and general	20,982	21,594	(612)	(2.8)%
Depreciation and amortization	10,184	10,117	67	0.7 %
Maintenance	4,097	3,408	689	20.2 %
Property and other taxes	6,034	5,942	92	1.5 %
ASUS construction	11,616	10,742	874	8.1 %
Total operating expenses	99,945	94,644	5,301	5.6 %
OPERATING INCOME	51,751	40,340	11,411	28.3 %
OTHER INCOME AND EXPENSES				
Interest expense	(11,691)	(7,331)	(4,360)	59.5 %
Interest income	2,125	667	1,458	218.6 %
Other, net	(1,073)	338	(1,411)	*
	(10,639)	(6,326)	(4,313)	68.2 %
INCOME BEFORE INCOME TAX EXPENSE	41,112	34,014	7,098	20.9 %
Income tax expense	9,547	8,360	1,187	14.2 %
NET INCOME	$ 31,565	$ 25,654	$ 5,911	23.0 %
Basic earnings per Common Share	$ 0.85	$ 0.69	$ 0.16	23.2 %
Fully diluted earnings per Common Share	$ 0.85	$ 0.69	$ 0.16	23.2 %

* not meaningful

Operating Revenues:

General

GSWC and BVES rely upon approvals by the CPUC of rate increases to recover operating expenses and to provide for a return on invested and borrowed capital used to fund utility plant. ASUS relies on economic price and equitable adjustments by the U.S. government in order to recover operating expenses and provide a profit margin for ASUS. Current operating revenues and earnings may be negatively impacted if the Military Utility Privatization Subsidiaries do not receive adequate rate relief or adjustments in a timely manner. ASUS's earnings are also impacted by the level of additional construction projects at the Military Utility Privatization Subsidiaries, which may or may not continue at current levels in future periods.

Water

For the three months ended September 30, 2023, revenues from water operations increased by $15.4 million to $116.2 million as compared to the same period in 2022. The increase in water revenues was largely due to the second-year rate increases for 2023 effective as of January 1, 2023, partially offset by the impact of the prospective change in the new cost of capital effective July 31, 2023. Because water revenues recorded during the three months ended September 30, 2022 were based on 2021 adopted rates, the increase in water revenues during the third quarter of 2023 represents the difference from the 2021 adopted rates recorded in 2022 and the 2023 second-year increases recorded during the three months period ended September 30, 2023.

Billed water consumption for the third quarter of 2023 was lower by approximately 4.1% as compared to the same period in 2022 due primarily to overall above average rainfall in California in 2023 as compared to 2022. Currently, changes in consumption generally do not have a significant impact on recorded revenues due to the CPUC-approved WRAM that is in place in all but one small rate making area. GSWC records the difference between what it bills its water customers and what is authorized by the CPUC in the WRAM accounts as regulatory assets or liabilities.

Electric

Electric revenues for the three months ended September 30, 2023 remained flat compared to the same period in 2022 as new rates for 2023 have yet to be approved. Electric usage for the third quarter of 2023 was lower by 2.4% compared to the same period in 2022. Due to the CPUC-approved Base Revenue Requirement Adjustment Mechanism, which adjusts certain revenues to adopted levels authorized by the CPUC, changes in usage do not have a significant impact on earnings.

Contracted Services

Revenues from contracted services are composed of construction revenues (including renewal and replacements) and management fees for operating and maintaining water and/or wastewater systems at various military bases. For the three months ended September 30, 2023, revenues from contracted services increased by $1.2 million to $26.5 million as compared to $25.3 million for the same period in 2022. The increase was largely due to higher construction activity and an increase in management fee revenue from annual economic price adjustments as compared to the same period of 2022.

ASUS's subsidiaries continue to enter into U.S. government-awarded contract modifications, agreements with third-party prime contractors for new construction projects at the military bases served and task order agreements. Earnings and cash flows from modifications to the initial 50-year contracts with the U.S. government and agreements with third-party prime contractors for additional construction projects, which may or may not continue at current levels in future periods.

Operating Expenses:

Supply Costs

Total supply costs at the regulated utilities comprise the largest segment of total consolidated operating expenses. Supply costs accounted for approximately 36.6% and 35.0% of total operating expenses for the three months ended September 30, 2023 and 2022, respectively.

Water segment supply costs

Two of the principal factors affecting water supply costs are the amount of water produced and the source of the water. Generally, the variable cost of producing water from wells is less than the cost of water purchased from wholesale suppliers. The actual percentages of purchased water for the three months ended September 30, 2023 and 2022 were approximately 44% for both periods, as compared to the authorized adopted percentages of 44% and 37% for the three months ended September 30, 2023 and 2022, respectively.

Under the current CPUC-approved MCBA, GSWC tracks adopted and actual expense levels for purchased water, power purchased for pumping and pump taxes. GSWC records the variances (which include the effects of changes in both rate and volume) between adopted and actual purchased water, purchased power and pump tax expenses. GSWC recovers from, or refunds to, customers the amount of such variances. GSWC tracks these variances individually for each water ratemaking area.

Supply costs for the water segment consist of purchased water, purchased power for pumping, groundwater production assessments and changes in the water supply cost balancing accounts. For the three months ended September 30, 2023 and 2022, water supply costs consisted of the following amounts (in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water purchased	$ 23,216	$ 20,304	$ 2,912	14.3 %
Power purchased for pumping	4,291	3,878	413	10.6 %
Groundwater production assessment	5,990	5,650	340	6.0 %
Water supply cost balancing accounts *	788	885	(97)	(11.0)%
Total water supply costs	$ 34,285	$ 30,717	$ 3,568	11.6 %

* The sum of the water and electric supply-cost balancing accounts are shown on AWR's Consolidated Statements of Income and totaled $723,000 and $640,000 for the three months ended September 30, 2023 and 2022, respectively.

Purchased water costs for the third quarter of 2023 increased to $23.2 million as compared to $20.3 million for the same period in 2022 largely due to increases in wholesale water costs. The increase in power purchased for pumping was due to increases in electricity provider rates. Groundwater production assessments increased largely due to pump tax rate increases, partially offset by a decrease in well production compared to the three months ended September 30, 2022.

For the three months ended September 30, 2023, the water supply cost balancing account had a $788,000 over-collection as compared to an $885,000 over-collection during the same period in 2022. The decrease in over-collection was primarily due to updated adopted supply costs from the final decision received in the water general rate case proceeding and a decrease in customer water usages, partially offset by increases in overall actual supply costs.

Electric segment supply costs

Supply costs for the electric segment consist primarily of purchased power for resale, the cost of natural gas used by BVES's generating unit, the cost of renewable energy credits and changes in the electric supply cost balancing account. For the three months ended September 30, 2023 and 2022, electric supply costs consisted of the following amounts (in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Power purchased for resale	$ 2,383	$ 2,673	$ (290)	(10.8)%
Electric supply cost balancing account *	(65)	(245)	180	(73.5)%
Total electric supply costs	$ 2,318	$ 2,428	$ (110)	(4.5)%

* The sum of the water and electric supply-cost balancing accounts are shown on AWR's Consolidated Statements of Income and totaled $723,000 and $640,000 for the three months ended September 30, 2023 and 2022, respectively.

For the three months ended September 30, 2023, the cost of power purchased for resale to BVES's electric customers decreased by $290,000 to $2.4 million as compared to $2.7 million during the same period in 2022 due to a decrease in customer usage and lower average prices per megawatt-hour that include all fixed costs. The average price per megawatt-hour, including fixed costs, decreased from $77.47 for the three months ended September 30, 2022 to $68.33 for the same period in 2023. The under-collection in the electric supply cost balancing account decreased by $180,000 as compared to the three months ended September 30, 2022 due to lower customer usage.

Other Operation

The primary components of other operation expenses include payroll costs, materials and supplies, chemicals and water treatment costs and outside-service costs of operating the regulated water systems, including the costs associated with water transmission and distribution, pumping, water quality, meter reading, billing, and operations of district offices and the electric system. Registrant's contracted services operations incur many of the same types of expenses. For the three months ended September 30, 2023 and 2022, other operation expenses by business segment consisted of the following (dollar amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 7,509	$ 7,273	$ 236	3.2 %
Electric Services	1,096	814	282	34.6 %
Contracted Services	1,824	1,609	215	13.4 %
Total other operation	$ 10,429	$ 9,696	$ 733	7.6 %

The increase in other operation expenses at the water segment was primarily due to higher operation-related labor and water treatment and chemicals costs. The increase in other operation expenses at the electric segment was due primarily to higher outside-services costs. The increase at the contracted services segment was due primarily to higher operation-related labor, tools, and outside services.

Administrative and General

Administrative and general expenses include payroll costs related to administrative and general functions, all employee-related benefits, insurance expenses, outside legal and consulting fees, regulatory-utility-commission expenses, expenses associated with being a public company and general corporate expenses charged to expense accounts. For the three months ended September 30, 2023 and 2022, administrative and general expenses by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 14,548	$ 14,362	$ 186	1.3 %
Electric Services	1,972	2,026	(54)	(2.7)%
Contracted Services	4,717	5,205	(488)	(9.4)%
AWR (parent)	(255)	1	(256)	*
Total administrative and general	$ 20,982	$ 21,594	$ (612)	(2.8)%

* not meaningful

Administrative and general expenses increased at the water segment due, in large part, to an increase in outside-services, labor and employee-related expenses, partially offset by a decrease in the service cost component of GSWC's defined-benefit pension plan. Due to GSWC's two-way pension balancing accounts authorized by the CPUC, changes in total net periodic benefit costs related to the pension plan have no material impact on earnings.

Administrative and general expenses decreased at the electric segment primarily due to a decrease in outside services costs, partially offset by an increase in labor and employee-related expenses. The decrease at the contracted services segment was mainly due to a decrease in outside services and legal expenses. During the three months ended September 30, 2023, administrative and general expenses at AWR (parent) reflect the reversal of a previous accrual that was favorably resolved.

Depreciation and Amortization

For the three months ended September 30, 2023 and 2022, depreciation and amortization by business segment consisted of the following (dollar amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 8,610	$ 8,475	$ 135	1.6 %
Electric Services	776	709	67	9.4 %
Contracted Services	798	933	(135)	(14.5)%
Total depreciation and amortization	$ 10,184	$ 10,117	$ 67	0.7 %

The overall increase in depreciation and amortization expenses resulted from additions to utility plant and other fixed assets at the regulated utilities, and higher composite depreciation rates at the water segment based on a revised depreciation study approved in the final decision in the water general rate case.

Maintenance

For the three months ended September 30, 2023 and 2022, maintenance expense by business segment consisted of the following (dollar amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 3,002	$ 2,526	$ 476	18.8 %
Electric Services	212	131	81	61.8 %
Contracted Services	883	751	132	17.6 %
Total maintenance	$ 4,097	$ 3,408	$ 689	20.2 %

Overall maintenance expense increased at all segments due to both higher planned and unplanned maintenance costs as compared to the same period in 2022.

Property and Other Taxes

For the three months ended September 30, 2023 and 2022, property and other taxes by business segment consisted of the following (dollar amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 5,034	$ 4,995	$ 39	0.8 %
Electric Services	533	474	59	12.4 %
Contracted Services	467	473	(6)	(1.3)%
Total property and other taxes	$ 6,034	$ 5,942	$ 92	1.5 %

ASUS Construction

For the three months ended September 30, 2023, construction expenses for contracted services were $11.6 million, an increase of $874,000 compared to the same period in 2022 primarily due to an increase in construction activity resulting from timing differences of when such work was performed in 2023 as compared to the same period of 2022.

Interest Expense

For the three months ended September 30, 2023 and 2022, interest expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 8,383	$ 5,950	$ 2,433	40.9 %
Electric Services	1,074	474	600	126.6 %
Contracted Services	596	205	391	190.7 %
AWR (parent)	1,638	702	936	133.3 %
Total interest expense	$ 11,691	$ 7,331	$ 4,360	59.5 %

AWR's borrowings consist of bank notes under revolving credit facilities, while GSWC and BVES borrowings consist of revolving credit facilities and long-term debt issuances. Consolidated interest expense increased as compared to the same period in 2022 resulting primarily from an increase in total borrowing levels to support, among other things, the capital expenditures program at the regulated utilities, as well as an overall increase in average interest rates.

Interest Income

For the three months ended September 30, 2023 and 2022, interest income by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 1,608	$ 325	$ 1,283	*
Electric Services	314	119	195	163.9 %
Contracted Services	202	232	(30)	(12.9)%
AWR (parent)	1	(9)	10	(111.1)%
Total interest income	$ 2,125	$ 667	$ 1,458	218.6 %

* not meaningful

For the three months ended September 30, 2023, overall interest income increased by $1.5 million as compared to the same period in 2022 due primarily to higher interest income earned on regulatory assets at the water and electric segments bearing interest at the current 90-day commercial-paper rate, which have increased compared to 2022's rates, as well as an overall increase in regulatory assets recorded as a result of the final decision in the water general rate case adopted in June 2023.

Other Income and (Expenses), net

For the three months ended September 30, 2023 and 2022, other income and (expenses), net by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ (1,045)	$ (70)	$ (975)	*
Electric Services	6	112	(106)	(94.6)%
Contracted Services	(34)	38	(72)	(189.5)%
AWR (parent)	—	258	(258)	(100.0)%
Total other income and (expenses), net	$ (1,073)	$ 338	$ (1,411)	*

* not meaningful

For the three months ended September 30, 2023, other expenses (net of other income) increased mostly as a result of the increase in the non-service cost components of net periodic benefit costs related to the Company's defined-benefit pension plan and other retirement benefits. However, as a result of GSWC's and BVES's two-way pension balancing accounts authorized by the CPUC, changes in total net periodic benefit costs related to the pension plan have no material impact to earnings. This was partially offset by a decrease in losses recorded on investments held to fund one of the Company's retirement plans during the three months ended September 30, 2023 of $1.0 million, as compared to losses of $1.3 million incurred during the same period in 2022, both due to financial market conditions.

Income Tax Expense

For the three months ended September 30, 2023 and 2022, income tax expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 8,830	$ 6,831	$ 1,999	29.3 %
Electric Services	(154)	478	(632)	(132.2)%
Contracted Services	1,430	1,347	83	6.2 %
AWR (parent)	(559)	(296)	(263)	88.9 %
Total income tax expense	$ 9,547	$ 8,360	$ 1,187	14.2 %

Consolidated income tax expense for the three months ended September 30, 2023 increased by $1.2 million primarily due to an increase in pretax income as compared to the same period in 2022. AWR's ETR was 23.2% and 24.6% for the three months ended September 30, 2023 and 2022, respectively. GSWC's ETR was 24.9% and 25.5% for the three months ended September 30, 2023 and 2022, respectively. The recorded income tax benefit at BVES for the three months ended September 30, 2023 was primarily due to changes in certain flowed-through taxes during 2023. The increase in AWR (parent)'s tax benefit during the three months ended September 30, 2023 as compared to the same period in 2022 was primarily due to an increase in pretax loss at AWR (parent) resulting from higher interest expense, as well as changes in state unitary taxes.

Consolidated Results of Operations — Nine Months Ended September 30, 2023 and 2022 (amounts in thousands, except per share amounts):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
OPERATING REVENUES				
Water	$ 345,851	$ 265,561	$ 80,290	30.2 %
Electric	30,688	29,028	1,660	5.7 %
Contracted services	93,980	71,572	22,408	31.3 %
Total operating revenues	470,519	366,161	104,358	28.5 %
OPERATING EXPENSES				
Water purchased	55,590	58,115	(2,525)	(4.3)%
Power purchased for pumping	9,514	9,182	332	3.6 %
Groundwater production assessment	15,188	14,726	462	3.1 %
Power purchased for resale	9,838	9,186	652	7.1 %
Supply cost balancing accounts	15,126	(6,160)	21,286	*
Other operation	30,261	28,028	2,233	8.0 %
Administrative and general	66,032	65,030	1,002	1.5 %
Depreciation and amortization	31,645	30,402	1,243	4.1 %
Maintenance	11,026	10,120	906	9.0 %
Property and other taxes	17,884	17,247	637	3.7 %
ASUS construction	46,554	31,263	15,291	48.9 %
Total operating expenses	308,658	267,139	41,519	15.5 %
OPERATING INCOME	161,861	99,022	62,839	63.5 %
OTHER INCOME AND EXPENSES				
Interest expense	(31,900)	(19,246)	(12,654)	65.7 %
Interest income	5,792	1,387	4,405	*
Other, net	2,243	(2,370)	4,613	(194.6)%
	(23,865)	(20,229)	(3,636)	18.0 %
INCOME BEFORE INCOME TAX EXPENSE	137,996	78,793	59,203	75.1 %
Income tax expense	33,503	19,026	14,477	76.1 %
NET INCOME	$ 104,493	$ 59,767	$ 44,726	74.8 %
Basic earnings per Common Share	$ 2.82	$ 1.61	$ 1.21	75.2 %
Fully diluted earnings per Common Share	$ 2.82	$ 1.61	$ 1.21	75.2 %

* not meaningful

Operating Revenues:

<u>General</u>

GSWC and BVES rely upon approvals by the CPUC of rate increases to recover operating expenses and to provide for a return on invested and borrowed capital used to fund utility plant. ASUS relies on economic price and equitable adjustments by the U.S. government in order to recover operating expenses and provide a profit margin for ASUS. Current operating revenues and earnings can be negatively impacted if the Military Utility Privatization Subsidiaries do not receive adequate rate relief or adjustments in a timely manner. ASUS's earnings are also impacted by the level of additional construction projects at the Military Utility Privatization Subsidiaries, which may or may not continue at current levels in future periods.

<u>Water</u>

For the nine months ended September 30, 2023, revenues from water operations increased by $80.3 million to $345.9 million as compared to the same period in 2022. The increase in water revenues was largely because of the adoption of a final decision in the water general rate case that included the impact of retroactive newly adopted rates for the full year of 2022 of $30.3 million, as well as the second-year rate increases for 2023, partially offset by the impact of the prospective change in the new cost of capital effective July 31, 2023. In addition, as a result of receiving a final decision in the cost of capital proceeding in June 2023, GSWC recorded a change in its estimates during the nine months ended September 30, 2023 that resulted in the reversal of revenues subject to refund of $6.4 million that had been recorded in 2022 as adjustments to rates from the final cost of capital decision are to be prospective and not retroactive.

Billed water consumption for the nine months ended September 30, 2023 was lower by 12.0% as compared to the same period in 2022 due primarily to overall above average rainfall in California during the first nine months of 2023 as compared to the same period in 2022, which was one of the driest on record. Currently, changes in consumption generally do not have a significant impact on recorded revenues due to the CPUC-approved WRAM that is in place in all but one small rate-making area. GSWC records the difference between what it bills its water customers and what is authorized by the CPUC in the WRAM accounts as regulatory assets or liabilities.

<u>Electric</u>

Electric revenues for the nine months ended September 30, 2023 increased by $1.7 million to $30.7 million due, in large part, to the final decision adopted in the water general rate case proceeding that updates the costs allocated from the general corporate office to the electric segment. The final decision authorizes an increase in the allocation ratio to the electric segment. The increase in general corporate office expenses allocated to the electric segment also includes a corresponding and offsetting increase in adopted electric revenues as provided in BVES's last general rate case proceeding, resulting in no impact to earnings. There was also an increase in electric revenues from an advice letter filing related to a completed capital project.

Electric usage for the nine months ended September 30, 2023 was lower by 0.7% compared to the same period in 2022. Due to the CPUC-approved Base Revenue Requirement Adjustment Mechanism, which adjusts certain revenues to adopted levels authorized by the CPUC, changes in usage do not have a significant impact on earnings.

<u>Contracted Services</u>

Revenues from contracted services are composed of construction revenues (including renewal and replacements) and management fees for operating and maintaining the water and/or wastewater systems at various military bases. For the nine months ended September 30, 2023, revenues from contracted services increased by $22.4 million to $94.0 million as compared to $71.6 million for the same period in 2022. The increase was largely due to higher construction activity and an increase in management fee revenue from annual economic price adjustments as compared to the same period of 2022.

Operating Expenses:

Supply Costs

Total supply costs at the regulated utilities comprise the largest segment of total consolidated operating expenses. Supply costs accounted for approximately 34.1% and 31.8% of total operating expenses for the nine months ended September 30, 2023 and 2022, respectively.

Water segment supply costs

Two of the principal factors affecting water supply costs are the amount of water produced and the source of the water. Generally, the variable cost of producing water from wells is less than the cost of water purchased from wholesale suppliers. The overall actual percentages of purchased water for the nine months ended September 30, 2023 and 2022 were approximately 44% and 45%, respectively, as compared to the authorized adopted percentages of 42% and 35% for the nine months ended

September 30, 2023 and 2022, respectively. The higher actual percentage of purchased water as compared to the adopted percentage resulted from a higher volume of purchased water costs due to several wells being out of service.

Under the current CPUC-approved MCBA, GSWC tracks adopted and actual expense levels for purchased water, power purchased for pumping and pump taxes. GSWC records the variances (which include the effects of changes in both rate and volume) between adopted and actual purchased water, purchased power and pump tax expenses. GSWC recovers from, or refunds to, customers the amount of such variances. GSWC tracks these variances individually for each water ratemaking area.

Supply costs for the water segment consist of purchased water, purchased power for pumping, groundwater production assessments and changes in the water supply cost balancing accounts. For the nine months ended September 30, 2023 and 2022, water supply costs consisted of the following amounts (in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water purchased	$ 55,590	$ 58,115	$ (2,525)	(4.3)%
Power purchased for pumping	9,514	9,182	332	3.6 %
Groundwater production assessment	15,188	14,726	462	3.1 %
Water supply cost balancing accounts *	16,200	(5,682)	21,882	**
Total water supply costs	$ 96,492	$ 76,341	$ 20,151	26.4 %

* The sum of the water and electric supply-cost balancing accounts are shown on AWR's Consolidated Statements of Income and totaled $15,126,000 and $(6,160,000) for the nine months ended September 30, 2023 and 2022, respectively.

** not meaningful

Purchased water costs during the nine months ended September 30, 2023 decreased to $55.6 million as compared to $58.1 million for the same period in 2022 largely due to decreases in water consumption and production that was driven by overall above-average rainfall in 2023 and from overall improvements in drought conditions in 2023 as compared to 2022, partially offset by increases in wholesale water costs. The increase in power purchased for pumping was due to increases in electricity provider rates. Groundwater production assessments increased due to increases in pump tax rates during the nine months ended September 30, 2023 as compared to the same period in 2022.

For the nine months ended September 30, 2023, the water supply cost balancing account had a $16.2 million over-collection as compared to a $5.7 million under-collection during the same period in 2022. The change in water supply cost balancing accounts was primarily due to updated adopted supply costs from the final decision in the water general rate case proceeding received in June 2023. This increase includes the full year impact of 2022 to reflect newly adopted supply costs retroactive to January 1, 2022, with a corresponding and offsetting increase in adopted water revenues, resulting in no impact to earnings.

Electric segment supply costs

Supply costs for the electric segment consist primarily of purchased power for resale, the cost of natural gas used by BVES's generating unit, the cost of renewable energy credits and changes in the electric supply cost balancing account. For the nine months ended September 30, 2023 and 2022, electric supply costs consisted of the following amounts (in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Power purchased for resale	$ 9,838	$ 9,186	$ 652	7.1 %
Electric supply cost balancing account *	(1,074)	(478)	(596)	124.7 %
Total electric supply costs	$ 8,764	$ 8,708	$ 56	0.6 %

* The sum of the water and electric supply-cost balancing accounts are shown on AWR's Consolidated Statements of Income and totaled $15,126,000 and $(6,160,000) for the nine months ended September 30, 2023 and 2022, respectively.

For the nine months ended September 30, 2023, the cost of power purchased for resale to BVES's electric customers increased to $9.8 million as compared to $9.2 million during the same period in 2022 primarily due to higher average prices per megawatt-hour. The average price per megawatt-hour, excluding certain fixed costs, increased from $76.32 for the nine months ended September 30, 2022 to $82.25 for the same period in 2023. The increase in under-collection in the electric supply cost balancing account during the nine months ended September 30, 2023 compared to the same period in 2022 was due primarily to increases in energy prices experienced since 2022.

Other Operation

The primary components of other operation expenses include payroll costs, materials and supplies, chemicals and water treatment costs and outside-service costs of operating the regulated water systems, including the costs associated with water transmission and distribution, pumping, water quality, meter reading, billing, and operations of district offices and the electric system. Registrant's contracted services operations incur many of the same types of expenses. For the nine months ended September 30, 2023 and 2022, other operation expenses by business segment consisted of the following (dollar amounts in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 22,001	$ 20,908	$ 1,093	5.2 %
Electric Services	2,923	2,330	593	25.5 %
Contracted Services	5,337	4,790	547	11.4 %
Total other operation	$ 30,261	$ 28,028	$ 2,233	8.0 %

For the nine months ended September 30, 2023, the increase in other operation expenses at the water segment was due primarily to higher operation-related labor, transportation and outside-service costs, partially offset by lower water treatment costs. As a result of receiving the final decision in the water general rate case, the increase at the water segment also included a cumulative depreciation adjustment for 2022 of $212,000 on GSWC's transportation equipment, which is recorded in other operation expenses.

The increase at the electric segment was due primarily to operation-related labor, outside services and transportation expenses. Transportation costs were higher due, in part, to increases in fuel costs compared to the same period in 2022. The increase at the contracted services segment was due primarily to higher operation-related labor, tools, and outside services.

Administrative and General

Administrative and general expenses include payroll costs related to administrative and general functions, all employee-related benefits, insurance expenses, outside legal and consulting fees, regulatory-utility-commission expenses, expenses associated with being a public company and general corporate expenses charged to expense accounts. For the nine months ended September 30, 2023 and 2022, administrative and general expenses by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 44,211	$ 43,945	$ 266	0.6 %
Electric Services	6,556	5,995	561	9.4 %
Contracted Services	15,483	15,084	399	2.6 %
AWR (parent)	(218)	6	(224)	*
Total administrative and general	$ 66,032	$ 65,030	$ 1,002	1.5 %

* not meaningful

Administrative and general expenses increased at the water segment due, in large part, to an increase in outside-service costs, labor and employee-related expenses, partially offset by a decrease in the service cost component of GSWC's defined-benefit pension plan. Due to GSWC's two-way pension balancing accounts authorized by the CPUC, changes in total net periodic benefit costs related to the pension plan have no material impact to earnings. In addition, there was a reduction of approximately $447,000 to reflect the final decision in the water general rate case that authorized the recovery of previously incurred administrative and general expenses that were being tracked in CPUC-authorized memorandum accounts.

Administrative and general expenses increased at the electric segment primarily due to an increase in labor costs and a higher allocation of costs from the general corporate office because of the allocation ratio update authorized in the final decision on the water general rate case. The increase in general corporate office expenses allocated to the electric segment also includes a corresponding and offsetting increase in adopted electric revenues, resulting in no impact on earnings.

Administrative and general expenses increased at the contracted services segment due to an increase in labor, legal and other outside-services costs.

Administrative and general expenses at AWR (parent) during the nine months ended September 30, 2023 reflect the reversal of a previous accrual that was favorably resolved.

Depreciation and Amortization

For the nine months ended September 30, 2023 and 2022, depreciation and amortization by business segment consisted of the following (dollar amounts in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 26,890	$ 25,573	$ 1,317	5.1 %
Electric Services	2,283	2,049	234	11.4 %
Contracted Services	2,472	2,780	(308)	(11.1)%
Total depreciation and amortization	$ 31,645	$ 30,402	$ 1,243	4.1 %

The water general rate case final decision approves overall higher composite depreciation rates based on a revised depreciation study. The increase in composite depreciation rates increases the adopted water revenue requirement, with a corresponding increase in adopted depreciation expense, resulting in no impact to net earnings. The overall increase in depreciation and amortization expenses at the water segment included the retroactive impact for the full year of 2022 of $576,000. In addition, the increase to depreciation and amortization was also attributed to additions to utility plant and other fixed assets at the regulated utilities.

Maintenance

For the nine months ended September 30, 2023 and 2022, maintenance expense by business segment consisted of the following (dollar amounts in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 7,518	$ 7,193	$ 325	4.5 %
Electric Services	810	622	188	30.2 %
Contracted Services	2,698	2,305	393	17.0 %
Total maintenance	$ 11,026	$ 10,120	$ 906	9.0 %

Maintenance expense was higher at each of the business segments as compared to the same period in 2022.

Property and Other Taxes

For the nine months ended September 30, 2023 and 2022, property and other taxes by business segment consisted of the following (dollar amounts in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 14,733	$ 14,440	$ 293	2.0 %
Electric Services	1,569	1,351	218	16.1 %
Contracted Services	1,582	1,456	126	8.7 %
Total property and other taxes	$ 17,884	$ 17,247	$ 637	3.7 %

Property and other taxes increased at the water segment primarily due to an increase in franchise fees resulting from higher water revenues, partially offset by favorable property tax adjustments resulting from changes in property tax assessments for certain counties. In addition, there was an increase in property taxes at the electric segment resulting from an increase in capital additions and higher assessed values, and an increase in gross receipts taxes at the contracted services segment from higher construction activity.

ASUS Construction

For the nine months ended September 30, 2023, construction expenses for contracted services were $46.6 million, increasing $15.3 million compared to the same period in 2022 primarily due to an increase in construction activity resulting from timing differences of when such work was performed in 2023 as compared to the same period of 2022.

Interest Expense

For the nine months ended September 30, 2023 and 2022, interest expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 23,140	$ 16,650	$ 6,490	39.0 %
Electric Services	2,860	970	1,890	194.8 %
Contracted Services	1,530	371	1,159	312.4 %
AWR (parent)	4,370	1,255	3,115	248.2 %
Total interest expense	$ 31,900	$ 19,246	$ 12,654	65.7 %

AWR's borrowings consist of bank notes under revolving credit facilities, while GSWC and BVES borrowings consist of revolving credit facilities and long-term debt issuances. Consolidated interest expense increased as compared to the same period in 2022 resulting primarily from an increase in total borrowing levels to support, among other things, the capital expenditures program at the regulated utilities, as well as an overall increase in average interest rates both short- and long-term. On January 13, 2023, GSWC issued $130.0 million unsecured notes in a private placement consisting of $100.0 million in aggregate notes at a coupon rate of 5.12% due January 31, 2033, and $30.0 million in aggregate notes at a coupon rate of 5.22% due January 31, 2038. Also, in April 2022, BVES issued $35.0 million in unsecured notes in a private placement consisting of 10 and 15 year term notes with interest rates at 4.548% and 4.949%, respectively.

Interest Income

For the nine months ended September 30, 2023 and 2022, interest income by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 4,356	$ 562	$ 3,794	*
Electric Services	873	207	666	*
Contracted Services	582	635	(53)	(8.3)%
AWR (parent)	(19)	(17)	(2)	11.8 %
Total interest income	$ 5,792	$ 1,387	$ 4,405	*

* not meaningful

The overall increase in interest income was due primarily to higher interest income earned on regulatory assets at the water and electric segments bearing interest at the current 90-day commercial-paper rates, which have increased since 2022, as well as an overall increase in regulatory assets recorded as a result of the final decision in the water general rate case, partially offset by lower interest income recognized on certain construction projects at the contracted services segment as compared to the same period in 2022.

Other Income and (Expenses), net

For the nine months ended September 30, 2023 and 2022, other income and (expenses), net by business segment, consisted of the following (dollar amounts in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 2,041	$ (3,070)	$ 5,111	(166.5)%
Electric Services	28	332	(304)	(91.6)%
Contracted Services	(94)	110	(204)	(185.5)%
AWR (parent)	268	258	10	3.9 %
Total other income and (expenses), net	$ 2,243	$ (2,370)	$ 4,613	(194.6)%

For the nine months ended September 30, 2023, other income (net of other expenses) increased mostly because of gains of $2.1 million recorded on investments held to fund one of the Company's retirement plans, as compared to losses of $6.4 million incurred during the same period in 2022, both due to financial market conditions. This was partially offset by an increase in the non-service cost components of net periodic benefit costs related to the Company's defined-benefit pension plan and other retirement benefits. However, as a result of GSWC's and BVES's two-way pension balancing accounts authorized by the CPUC, changes in total net periodic benefit costs related to the pension plan have no material impact to earnings.

Income Tax Expense

For the nine months ended September 30, 2023 and 2022, income tax expense by business segment, including AWR (parent), consisted of the following (dollar amounts in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ CHANGE	% CHANGE
Water Services	$ 29,674	$ 14,623	$ 15,051	102.9 %
Electric Services	794	1,645	(851)	(51.7)%
Contracted Services	4,621	3,399	1,222	36.0 %
AWR (parent)	(1,586)	(641)	(945)	147.4 %
Total income tax expense	$ 33,503	$ 19,026	$ 14,477	76.1 %

Consolidated income tax expense for the nine months ended September 30, 2023 increased by $14.5 million primarily due to an increase in pretax income as compared to the same period in 2022. AWR's ETR was 24.3% and 24.1% for the nine months ended September 30, 2023 and 2022, respectively. GSWC's ETR was 25.3% and 25.2% for the nine months ended September 30, 2023 and 2022, respectively. The increase in AWR (parent)'s tax benefit during the nine months ended September 30, 2023 as compared to the same period in 2022 was primarily due to an increase in pretax loss at AWR (parent) resulting from higher interest expense, as well as changes in state unitary taxes.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that are important to the portrayal of AWR's financial condition, results of operations and cash flows and require the most difficult, subjective or complex judgments of AWR's management. The need to make estimates about the effect of items that are uncertain is what makes these judgments difficult, subjective and/or complex. Management makes subjective judgments about the accounting and regulatory treatment of many items. These judgments are based on AWR's historical experience, terms of existing contracts, AWR's observance of trends in the industry, and information available from other outside sources, as appropriate. Actual results may differ from these estimates under different assumptions or conditions.

The critical accounting policies used in the preparation of Registrant's financial statements that it believes affect the more significant judgments and estimates used in the preparation of its consolidated financial statements presented in this report are described in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in Registrant's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC. There have been no material changes to Registrant's critical accounting policies.

Liquidity and Capital Resources

AWR

AWR's regulated business is capital intensive and requires considerable capital resources. A portion of these capital resources is provided by internally generated cash flows from operations. AWR anticipates that interest expense will increase in future periods due to the need for additional external capital to fund construction programs at its regulated utilities and if market interest rates continue to increase. In addition, as the capital investment program continues to increase, AWR and its subsidiaries anticipate they will need to access external financing more often. AWR believes that costs associated with capital used to fund construction at GSWC and BVES will continue to be recovered through water and electric rates charged to customers.

AWR funds its operating expenses and pays dividends on its outstanding Common Shares primarily through dividends from its wholly owned subsidiaries. The ability of GSWC and BVES to pay dividends to AWR is restricted by California law. Under these restrictions, approximately $688.5 million was available for GSWC to pay dividends to AWR on September 30, 2023. Approximately $69.9 million was available for BVES to pay dividends to AWR as of September 30, 2023. ASUS's ability to pay dividends to AWR is dependent upon state laws in which each Military Utility Privatization Subsidiary operates, as well as ASUS's ability to pay dividends under California law.

When necessary, AWR obtains funds from external sources through the capital markets and from bank borrowings. Access to external financing on reasonable terms depends on the credit ratings of AWR and GSWC and current business conditions, including that of the water utility industry in general, as well as conditions in the debt or equity capital markets.

On June 28, 2023, AWR and GSWC each executed new credit agreements with terms of five years provided by a syndicate of banks and financial institutions for a total combined unsecured revolving credit facilities of $350.0 million. These syndicated credit facilities replaced AWR's previous credit agreement with a sole bank. AWR previously borrowed under a revolving credit facility with a borrowing capacity of $280.0 million and provided funds to both GSWC and ASUS in support of their operations through intercompany borrowing agreements on terms that are similar to that of the credit facility. AWR's new credit agreement provided for a $150.0 million unsecured revolving credit facility to support AWR parent and its contracted services subsidiary, while GSWC's credit agreement provides for a $200.0 million unsecured revolving credit facility to support its water operations and capital expenditures. Both credit facilities may be expanded up to an additional $75.0 million, subject to the lenders' approval. On November 6, 2023, AWR's credit facility was amended to increase the borrowing capacity from $150.0 million to $165.0 million to provide additional support to AWR parent and its contracted services subsidiary. In connection with the increase in borrowing capacity, the amendment also provides for the addition of a new bank to the existing syndicate group participating in AWR's credit facility. AWR's and GSWC's outstanding borrowings under the new credit facilities were $133.5 million and $103.0 million, respectively, as of September 30, 2023. AWR may seek additional capital of $150 million - $200 million through equity offerings over the next three years beginning in 2024, including potentially through an at-the-market program.

BVES has a separate revolving credit facility without a parent guaranty, which was amended on June 16, 2023, to increase the borrowing capacity from $35.0 million to $50.0 million. The amendment to BVES's credit agreement also included (i) the extension of the credit facility to mature on July 1, 2026, (ii) conversion of the interest rate on new borrowings to the benchmark rate Secured Overnight Financing Rate ("SOFR"), and (iii) an option to increase the facility by an additional $25.0 million, subject to lender approval. The CPUC requires BVES to completely pay off all borrowings under its revolving credit facility within a 24-month period. BVES's pay-off period for its credit facility ends in August 2024. Accordingly, the $37.0 million outstanding under BVES's credit facility has been classified as a current liability in AWR's Consolidated Balance Sheet as of September 30, 2023. On June 13, 2023, BVES filed a financing application with the CPUC, pending approval, that requests the authorization for the issuance and sale of additional long-term debt and equity securities of up to $120.0 million.

In July 2023, Standard and Poor's Global Ratings ("S&P") downgraded AWR's credit rating from A+ to A, while affirming GSWC's A+ credit rating. S&P also revised the outlook for both companies from negative to stable. In January 2023, Moody's Investors Service ("Moody's") affirmed its A2 rating with a stable outlook for GSWC. Securities ratings are not recommendations to buy, sell or hold a security, and are subject to change or withdrawal at any time by the rating agencies. Management believes that AWR's and GSWC's sound capital structures and strong credit ratings, combined with its financial discipline, will enable AWR to access the debt and equity markets. However, unpredictable financial market conditions in the future may limit its access or impact the timing of when to access the market, in which case AWR may choose to temporarily reduce its capital spending.

AWR's ability to pay cash dividends on its Common Shares outstanding depends primarily upon cash flows from its subsidiaries. AWR intends to continue paying quarterly cash dividends on or about March 1, June 1, September 1 and December 1, subject to earnings and financial conditions, regulatory requirements and such other factors as the Board of Directors may deem relevant. On October 30, 2023, AWR's Board of Directors approved a fourth quarter dividend of $0.43 per share on AWR's Common Shares. Dividends on the Common Shares will be paid on December 1, 2023 to shareholders of record at the close of business on November 15, 2023. Registrant has paid Common Share dividends every year since 1931, and has increased the dividends received by shareholders each calendar year for 69 consecutive years, which places it in an exclusive group of companies on the New York Stock Exchange that have achieved that result. AWR's quarterly dividend rate has grown at a compound annual growth rate ("CAGR") of 9.4% over the last five years. AWR's current policy is to achieve a CAGR in the dividend of more than 7% over the long-term.

Cash Flows from Operating Activities:

Cash flows from operating activities have generally provided sufficient cash to fund operating requirements, including a portion of construction expenditures at GSWC and BVES, and construction expenses at ASUS, and to pay dividends. AWR's future cash flows from operating activities are expected to be affected by a number of factors, including, among other things, utility regulation; changes in tax law; maintenance expenses; inflation; compliance with environmental, health and safety standards; production costs; customer growth; per-customer usage of water and electricity; weather and seasonality; conservation efforts; compliance with local governmental requirements, including mandatory restrictions on water use; the lingering effects of the COVID-19 pandemic on its customers' ability to pay utility bills; and required cash contributions to pension and post-retirement plans. Future cash flows from contracted services subsidiaries will depend on new business activities, existing operations, the construction of new and/or replacement infrastructure at military bases, timely economic price and equitable adjustment of prices, and timely collection of payments from the U.S. government and other prime contractors operating at the military bases, and any adjustments arising out of an audit or investigation by federal governmental agencies. For further information regarding the risks faced by Registrants, see *Item 1A, Risk Factors*, in our annual report on Form 10-K for the period ended December 31, 2022.

ASUS funds its operating expenses primarily through internal operating sources, which include U.S. government funding under 50-year contracts for operations and maintenance costs and construction activities, as well as investments by, or loans from, AWR. ASUS, in turn, provides funding to its subsidiaries. ASUS's subsidiaries may also from time to time provide funding to ASUS or other subsidiaries of ASUS.

Cash flows from operating activities are primarily generated by net income, adjusted for non-cash expenses such as depreciation and amortization, and deferred income taxes. Cash generated by operations varies during the year. Net cash provided by operating activities of AWR was $56.5 million for the nine months ended September 30, 2023 as compared to $89.9 million for the same period in 2022. During the first quarter of 2022, GSWC and BVES received $9.5 million and $321,000, respectively, in COVID-19 relief funds from the state of California to aid customers in paying delinquent water and electric customer bills incurred during the pandemic. There were no similar relief funds received during the first nine months of 2023.

The decrease in operating cash flows was also due to a 12.0% decrease in billed water consumption, as well as the delay in receiving the water general rate case final decision as billed water revenues in 2022 and 2023 through July 30 were based on 2021 adopted rates pending a final CPUC decision, while operating expenses continued to rise primarily due to inflation. A final decision from the CPUC was received on June 29, 2023 on the water general rate case with 2022 and 2023 rates retroactive to January 1, 2022 and 2023, respectively. GSWC filed for the implementation of new 2023 rate increases that went into effect on July 31, 2023. In addition, GSWC filed for the recovery of retroactive rate amounts accumulated through July 30, 2023 related to the new 2022 and 2023 rates, and surcharges were implemented in October 2023 to recover the cumulative retroactive rate differences over 36-months. Furthermore, the decrease in operating cash flows was also due to differences in the timing of vendor payments, and the timing of billing of and cash receipts for construction work at military bases. The billings (and cash receipts) for this construction work generally occur at completion of the work or in accordance with a billing schedule contractually agreed to with the U.S. government and/or other prime contractors. Thus, cash flow from construction-related activities may fluctuate from period to period with such fluctuations representing timing differences of when the work is being performed and when the cash is received for payment of the work.

These decreases in operating cash flows were partially offset by differences in the timing of income tax payments between the two periods. The timing of cash receipts and disbursements related to other working capital items also affected the change in net cash provided by operating activities.

Cash Flows from Investing Activities:

Net cash used in investing activities was $135.2 million for the nine months ended September 30, 2023 as compared to $121.7 million for the same period in 2022, which is mostly related to capital expenditures at the regulated utilities. AWR invests capital to provide essential services to its regulated customer base, while working with the CPUC to have the opportunity to earn a fair rate of return on investment. AWR's infrastructure investment plan consists of both infrastructure renewal programs (to replace infrastructure, including those to mitigate wildfire risk) and major capital investment projects (to construct new water treatment, supply and delivery facilities, and electric facilities). The regulated utilities may also be required from time to time to relocate existing infrastructure in order to accommodate local infrastructure improvement projects. Projected capital expenditures and other investments are subject to periodic review and revision.

For the year 2023, the regulated utilities' company-funded capital expenditures are expected to be between $155 million and $170 million, barring any delays resulting from changes in capital improvement schedules due to supply-chain issues.

Cash Flows from Financing Activities:

AWR's financing activities include primarily: (i) the proceeds from the issuance of Common Shares, (ii) the issuance and repayment of long-term debt and notes payable to banks, (iii) the proceeds from unsecured new revolving credit facilities for AWR, GSWC and BVES, and (iv) the payment of dividends on Common Shares. In order to finance new infrastructure, GSWC also receives customer advances (net of refunds) for, and contributions in aid of, construction. Borrowings on AWR's new credit facility is used to support AWR parent and its contracted services subsidiary, and borrowings on GSWC and BVES's credit facilities are used to fund GSWC and BVES capital expenditures, respectively, until long-term financing is arranged. Overall debt levels are expected to increase to fund the costs of the capital expenditures that will be made by the regulated utilities.

Net cash provided by financing activities was $81.3 million for the nine months ended September 30, 2023 as compared to cash used of $29.1 million during the same period in 2022. The increase in net cash provided by financing activities in 2023 was due primarily to an increase in total borrowing levels necessary to support operations affected by a decrease in cash flows from operating activities and to support, among other things, the capital expenditures program at the regulated utilities. In January 2023, GSWC issued $130.0 million of unsecured notes in a private placement and used the proceeds to pay down the majority of its outstanding intercompany borrowings from AWR, which in turn used the proceeds to pay down outstanding borrowings under the AWR credit facility at that time.

On June 28, 2023, AWR and GSWC each executed new unsecured syndicated credit facilities to replace AWR's previous credit agreement with a sole bank. During the nine months ended September 30, 2023, AWR had a net decrease in borrowings from all of its credit facilities of $5.2 million, while during the nine months ended September 30, 2022, AWR had a net increase in borrowings on its credit facilities of $36.0 million.

GSWC

GSWC funds its operating expenses, payments on its debt, dividends to AWR on its outstanding common shares, and a portion of its construction expenditures through internal sources. Internal sources of cash flow are provided primarily by retention of a portion of earnings from operating activities. Internal cash generation is influenced by, among other things, factors such as weather patterns, conservation efforts, environmental regulation, litigation, changes in tax law and deferred taxes, changes in supply costs and regulatory decisions affecting GSWC's ability to recover these supply costs, timing of rate relief, increases in maintenance expenses and capital expenditures, surcharges authorized by the CPUC to enable GSWC to recover expenses previously incurred from customers, and CPUC requirements to refund amounts previously charged to customers. Internal cash flows may also be impacted by delays in receiving payments from GSWC customers due to the lingering effects of the COVID-19 pandemic. For further information regarding the risks faced by Registrants, see *Item 1A, Risk Factors*, in our annual report on Form 10-K for the period ended December 31, 2022.

GSWC may, at times, utilize external sources for long-term financing, as well as obtain funds from equity investments from its parent, AWR, to help fund a portion of its operations and construction expenditures. On June 28, 2023, GSWC executed its own separate credit agreement that provides for a $200.0 million unsecured revolving credit facility to support GSWC's operations and capital expenditures. GSWC's borrowing capacity under this credit agreement may be expanded up to an additional $75.0 million, subject to the lenders' approval. Previously, AWR borrowed under a revolving credit facility and provided funds to GSWC in support of its operations under intercompany borrowing arrangements.

In January 2023, GSWC issued (i) one Common Share to AWR for $10.0 million, and (ii) $130.0 million in unsecured long-term notes in a private placement. GSWC used the proceeds from both the issuance of equity and long-term debt to pay-off all intercompany borrowings from AWR. On June 28, 2023, GSWC borrowed for the first time under its new syndicated credit facility and used the proceeds to again pay-off its short-term intercompany borrowings due to AWR. The CPUC requires GSWC to pay-off all intercompany borrowings it has from AWR within a 24-month period. GSWC's borrowings under its new credit facility will also be required to be paid-off in full within a 24-month period.

In addition, GSWC receives advances and contributions from customers, home builders and real estate developers to fund construction necessary to extend service to new areas. Advances for construction are generally refundable at a rate of 2.5% in equal annual installments over 40 years. Utility plant funded by advances and contributions is excluded from rate base. GSWC amortizes contributions in aid of construction at the same composite rate of depreciation for the related property.

Cash Flows from Operating Activities:

Net cash provided by operating activities was $53.6 million for the nine months ended September 30, 2023 as compared to $71.3 million for the same period in 2022. During the first quarter of 2022, GSWC received $9.5 million in COVID-19 relief funds from the state of California to provide assistance to customers for delinquent water bills incurred during the pandemic. There were no similar relief funds received during the nine months ended September 30, 2023. The decrease in operating cash flow was also due to a 12.0% decrease in billed water consumption, as well as the delay in receiving the final water general rate case decision as billed water revenues in 2022 and in 2023 through July 30 were based on 2021 adopted rates pending a final CPUC decision, while operating expenses continued to rise due to inflation. A final decision from the CPUC was received on June 29, 2023 on the water general rate case with 2022 and 2023 rates retroactive to January 1, 2022 and 2023, respectively. Upon receiving the decision, GSWC filed for the implementation of new 2023 rate increases that went into effect on July 31, 2023. In addition, GSWC filed for the recovery of retroactive rate amounts accumulated through July 30, 2023 related to the new 2022 and 2023 rates, and surcharges were implemented in October 2023 to recover the cumulative retroactive rate differences over 36-months. The decrease in operating cash flows was also due to differences in the timing of vendor payments. These decreases in operating cash flows were partially offset by differences in the timing of income tax payments between the two periods. The timing of cash receipts and disbursements related to other working capital items also affected the change in net cash provided by operating activities.

Cash Flows from Investing Activities:

Net cash used in investing activities was $113.6 million for the nine months ended September 30, 2023 as compared to $107.4 million for the same period in 2022, which is mostly related to spending under GSWC's infrastructure investment plans that are consistent with capital budgets authorized in its general rate cases.

Cash Flows from Financing Activities:

Net cash provided by financing activities was $59.7 million for the nine months ended September 30, 2023 as compared to $36.0 million net cash used for the same period in 2022. The increase in net cash provided by financing activities in 2023 was due primarily to an increase in total borrowing levels necessary to support water operations affected by a decrease in cash flows from operating activities and to support, among other things, the capital expenditures program at GSWC.

In January 2023, GSWC issued $130.0 million of unsecured notes in a private placement and $10.0 million of equity to AWR. GSWC used the proceeds from both issuances to pay-off all of its outstanding intercompany borrowings from AWR at that time. On June 28, 2023, GSWC entered into an unsecured revolving credit facility. GSWC used the proceeds from the borrowings under the new credit facility to again pay-off all of its intercompany borrowings owed to AWR. The CPUC required GSWC to fully pay-off all intercompany borrowings it had from AWR within a 24-month period. GSWC's borrowings under its new credit facility will also be required to be paid-off in full within a 24-month period.

Contractual Obligations and Other Commitments

Registrant has various contractual obligations, which are recorded as liabilities in the consolidated financial statements. Other items, such as certain purchase commitments, are not recognized as liabilities in the consolidated financial statements but are required to be disclosed. In addition to contractual maturities, Registrant has certain debt instruments that contain an annual sinking fund or other principal payments. Registrant believes that it will be able to refinance debt instruments at their maturity through public issuance, or private placement, of debt or equity. Annual payments to service debt are generally made from cash flows from operations.

See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments"* section of the Registrant's Form 10-K for the year ended December 31, 2022 filed with the SEC for a discussion of contractual obligations and other commitments.

Contracted Services

Under the terms of utility privatization contracts with the U.S. government, each contract's price is subject to an economic price adjustment ("EPA") on an annual basis. In the event that ASUS (i) is managing more assets at specific military bases than were included in the U.S. government's request for proposal, (ii) is managing assets that are in substandard condition as compared to what was disclosed in the request for proposal, (iii) prudently incurs costs not contemplated under the terms of the utility privatization contract, and/or (iv) becomes subject to new regulatory requirements, such as more stringent water-quality standards. ASUS is permitted to file, and has filed, requests for equitable adjustment ("REAs"). The timely filing for and receipt of EPAs and/or REAs continues to be critical in order for the Military Utility Privatization Subsidiaries to recover increasing costs of operating, maintaining, renewing and replacing the water and/or wastewater systems at the military bases it serves.

During sequestration or automatic spending cuts, the Military Utility Privatization Subsidiaries did not experience any earnings impact to their existing operations and maintenance and renewal and replacement services, as utility privatization contracts are an "excepted service." With the expiration of sequestration, similar issues including further sequestration pursuant to the Balanced Budget and Emergency Deficit Control Act may arise as part of the fiscal uncertainty and/or future debt-ceiling limits imposed by Congress. Any future impact on ASUS and its operations through the Military Utility Privatization Subsidiaries will likely be limited to (a) the timing of funding to pay for services rendered, (b) delays in the processing of EPAs and/or REAs, (c) the timing of the issuance of contract modifications for new construction work not already funded by the U.S. Government, and/or (d) delays in solicitation for and/or awarding of new contracts under the Department of Defense utility privatization program.

At times, the Defense Contract Audit Agency and/or the Defense Contract Management Agency may, at the request of a contracting officer, perform audits/reviews of contractors for compliance with certain government guidance and regulations, such as the Federal Acquisition Regulations and Defense Federal Acquisition Regulation Supplements. Certain audit/review findings, such as system deficiencies for government-contract-business-system requirements, may result in delays in the resolution of filings submitted to and/or the ability to file new proposals with the U.S. government.

Regulatory Matters

An update on various regulatory matters is included in the discussion under the section titled *"Overview"* in this Form 10-Q's "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." The discussion below focuses on key regulatory matters and developments.

Water Segment:

Recent Changes in Rates

Rates that GSWC is authorized to charge are determined by the CPUC in general rate cases. Water revenues billed to customers for the year ended December 31, 2022 and from January 1, 2023 through July 30, 2023 were based on 2021 adopted rates. On June 29, 2023, GSWC received a final decision on its water general rate case application that determines new rates for 2022 and 2023 and are effective and retroactive to January 1, 2022 and January 1, 2023, respectively. The impact of retroactive rates for the full year of 2022 and the second-year 2023 rate increases have been reflected in the results for the nine months of 2023. GSWC filed for the implementation of new 2023 rate increases effective on July 31, 2023. In October, GSWC also filed for the recovery of all retroactive amounts for 2022 and 2023 accumulated up to the effective date of the new 2023 rates, or July 30, 2023. Surcharges were implemented in October 2023 to recover these cumulative retroactive rate differences over 36 months, which through September 30, 2023 totaled $55.1 million and were included in CPUC-authorized general rate case memorandum accounts recognized as regulatory assets.

Water General Rate Case for the years 2025–2027

On August 14, 2023, GSWC filed a general rate case application for all its water regions and the general office. This general rate case will determine new water rates for the years 2025 – 2027. Among other things, GSWC requested capital budgets of approximately $611.4 million for the three-year rate cycle. GSWC also requested the continuation of mechanisms to accommodate fully decoupled revenues and sales and track differences between recorded and CPUC-authorized supply-related expenses. In an August 2020 decision, the CPUC discontinued the use of the WRAM and the MCBA at water utilities, which GSWC implemented in 2008, but would be discontinued for GSWC after 2024. However, on September 30, 2022, the governor of California signed Senate Bill ("SB") 1469. Effective January 1, 2023, SB 1469 allows Class A water utilities, including GSWC, to continue requesting the use of a revenue decoupling mechanism in their next general rate case. With the passage of SB 1469, GSWC's request to continue using a revenue decoupling mechanism will be subject to CPUC approval. A decision in the water general rate case is scheduled for the fourth quarter of 2024, with new rates to become effective January 1, 2025.

Cost of Capital Proceeding

On June 29, 2023, a final decision was adopted by the CPUC in the cost of capital proceeding that, among other things, (i) adopts GSWC's requested capital structure; (ii) adopts a cost of debt of 5.1% for GSWC as compared to 6.6% previously authorized; (iii) adopts a return on equity of 8.85% for GSWC as compared to 8.9% previously authorized; (iv) allows for the continuation of the Water Cost of Capital Mechanism ("WCCM") through December 31, 2024; and (v) adopts the new cost of capital for the three-year period commencing January 1, 2022 through December 31, 2024. Based on the final decision issued in June, all adjustments to rates are prospective and not retroactive. GSWC filed an advice letter that implemented the new cost of capital effective July 31, 2023.

On June 30, 2023, GSWC filed an advice letter to establish the WCCM for 2023, which increased the 8.85% adopted return on equity in the decision to 9.36% effective July 31, 2023. Additionally, on October 12, 2023, GSWC filed an advice letter to establish the WCCM for 2024, which has been approved by the CPUC and will increase GSWC's 9.36% adopted return on equity to 10.06% effective January 1, 2024.

Electric Segment:

Recent Changes in Rates

On August 30, 2022, BVES filed a new general rate case application with the CPUC to determine new rates for the years 2023–2026. Electric revenues billed to customers for the nine months ended September 30, 2023 were based on 2022 adopted rates and will remain in effect until finalization of the pending general rate case application. On December 15, 2022, the CPUC approved a decision for BVES to establish a general rate case memorandum account that makes the new 2023 rates effective and retroactive to January 1, 2023. Because new rates are expected to be retroactive to January 1, 2023, when a decision is issued in the electric general rate case, cumulative adjustments will be recorded at that time. Based on the established schedule in this proceeding, a proposed decision is scheduled for the fourth quarter of 2023.

See also *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Matters"* section of the Registrant's Form 10-K for the year-ended December 31, 2022 filed with the SEC for a discussion of other regulatory matters.

Environmental Matters

AWR's subsidiaries are subject to stringent environmental regulations. GSWC is required to comply with the safe drinking water standards established by the U.S. Environmental Protection Agency ("U.S. EPA") and the Division of Drinking Water ("DDW"), under the State Water Resources Control Board ("SWRCB"). The U.S. EPA regulates contaminants that may have adverse health effects that are known or likely to occur at levels of public health concern, and the regulation of which will provide a meaningful opportunity for health risk reduction. The DDW, acting on behalf of the U.S. EPA, administers the U.S. EPA's program in California. Similar state agencies administer these rules in the other states in which Registrant operates.

GSWC currently tests its water supplies and water systems according to, among other things, requirements listed in the Federal Safe Drinking Water Act ("SDWA"). GSWC works proactively with third parties and governmental agencies to address issues relating to known contamination threatening GSWC water sources. GSWC also incurs operating costs for testing to determine the levels, if any, of the constituents in its sources of supply, and additional expense to treat contaminants in order to meet the federal and state maximum contaminant level standards and consumer demands. GSWC expects to incur additional capital costs as well as increased operating costs to maintain or improve the quality of water delivered to its customers in light of anticipated stress on water resources associated with watershed and aquifer pollution, drought impacts, as well as to meet future water quality standards and consumer expectations. The CPUC ratemaking process provides GSWC with the opportunity to recover prudently incurred capital and operating costs in future filings associated with achieving water quality standards. Management believes that such incurred and expected future costs should be authorized for recovery by the CPUC.

Drinking Water Proposed Maximum Contaminant Levels:

In March 2023, the U.S. EPA proposed maximum contaminant levels ("MCLs") for various individual and specific chemicals that are referred to as perfluoroalkyl substances ("PFAS") compounds in drinking water. When finalized, the proposed regulation will require public water systems to monitor and treat water for these chemicals. It will also require water systems to notify its customers and reduce the levels if it exceeds the regulatory standards. The U.S. EPA anticipates finalizing and adopting this rule by 2024. Once the rule is finalized, water systems will be required to comply with the MCLs after a specified implementation period, which is currently anticipated to be three years from the rule-adoption date. These proposed MCLs, once finalized, are expected to increase GSWC's water treatment and other operating costs. The CPUC has authorized GSWC to track incremental costs, including laboratory testing and monitoring costs, customer and public notification costs, and chemical and operating treatment costs, incurred as a result of PFAS contamination in a memorandum account to be filed with the CPUC for future recovery.

See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Environmental Matters"* section of the Registrant's Form 10-K for the year-ended December 31, 2022 filed with the SEC for a discussion of environmental matters applicable to AWR and its subsidiaries.

Water Supply

See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—California Drought"* section of the Registrant's Form 10-K for the year-ended December 31, 2022 filed with the SEC for a discussion of water supply issues. The discussion below focuses on significant matters and changes since December 31, 2022.

The California Legislature passed two bills in 2018 that provide a framework for long-term water-use efficiency standards and drought planning and resiliency. The framework sets aggressive water use objective standards and performance metrics that water suppliers will be required to meet by the year 2030 with interim milestones. A key milestone is the establishment of an indoor water use standard of 55 gallons per capita per day ("gpcd") until 2025. Legislation signed by the Governor into law in September 2022 has set more stringent indoor standard targets than initially set forth in the 2018 legislation. The indoor standard will now be set at 47 gpcd in 2025 and then reduced to 42 gpcd in 2030 (previously had been set at 52.5 gpcd and 50 gpcd, respectively). The California State Water Resource Control Board ("SWRCB") began a formal rulemaking process on August 18, 2023, that is expected to be considered for adoption as a final regulation for overall conservation standards by early 2024. Each purveyor will have an overall water use objective that will include both an indoor standard as well as outdoor use standards.

California's 2022-23 water year ended on September 30, 2023 with improved water supply conditions. The water year began as a potentially fourth driest consecutive year of drought. However, a series of atmospheric storm events occurring during the first half of 2023 followed by Tropical Storm Hilary in August brought record breaking precipitation throughout California and the Southwest. At the start of 2023, California Department of Water Resources ("DWR") initially set the California State Water Project ("SWP") allocations at 5%. However, due to improved precipitation and snow levels experienced state-wide, DWR increased the SWP allocation to 75%, and as a result, the Metropolitan Water District of Southern California ("MWD") lifted restrictions that had impacted SWP dependent service areas of Simi Valley and Claremont that had been in place since mid-2022. DWR again increased the SWP allocation to 100% on April 20, 2023, which is the first time the full contracted SWP allocation has been at this level since 2006.

As a result of improved drought conditions, several of the key reservoirs in the State of California, including Lake Oroville and San Luis Reservoir, have been replenished to capacity or nearing capacity, thus bolstering California's water available in storage. The 2023-24 water year, which began October 1, 2023, is looking promising with Lake Oroville at 73% of capacity and the San Luis Reservoir at 81% capacity. A wet winter is currently projected and as of October 31, 2023 the U.S. Drought Monitor reported that approximately 6% of California was "abnormally dry" with no areas characterized in any level of drought.

Prolonged drought conditions still exist on the Colorado River System, which was experiencing historically low reservoir levels in Lake Mead and Lake Powell in early 2023. This resulted in urgent action to reduce water demand on the lower river by 2 to 4 million acre feet annually as requested by the US Bureau of Reclamation (the "Bureau"). The Bureau prepared a supplemental environmental impact statement with options that may result in modifications to current agreements. This may result in water delivery cuts by all of the lower states including California. However, California along with the other two lower river states issued a plan in late May of 2023, which calls for a water use reduction of 3 million acre-feet through the end of 2026. Conditions in the Colorado River Watershed showed similar beneficial responses to more precipitation in the 2022-23 water year resulting in gains of a combined 4.5 million acre feet in Lake Powell and Lake Mead combined. Lake Powell saw a rise in water levels of 44 feet and Lake Mead saw a rise of 21 feet.

Other Climate Change Matters

Climate change is one area that we focus on as we develop and execute our business strategy and financial planning, both in the short- and long-term. The risks posed by climate variability increase the need for us to plan for and address supply resiliency. Climate change has also impacted electric utilities in California increasing wildfire risks and requiring the need to develop robust wildfire mitigation plans. We address these and other climate change risks by planning, assessing, mitigating, and investing in our infrastructure for the long-term benefit of our communities. See *"Item 1. Business Overview"* section of Registrant's Form 10-K for the year-ended December 31, 2022 filed with the SEC for a discussion of climate change planning, risks and opportunities.

Cybersecurity Matters

The increase in cyberattacks results in a greater threat to water, wastewater and electric utility systems and thereby the safety and security of our communities. We continue to increase our investments in information technology to monitor and address these threats and attempted cyber-attacks, and to improve our posture in addressing security vulnerabilities. See *"Item 1. Business"* section of Registrant's Form 10-K for the year-ended December 31, 2022 filed with the SEC for a discussion of cybersecurity matters.

New Accounting Pronouncements

Registrant is subject to newly issued requirements as well as changes in existing requirements issued by the Financial Accounting Standards Board. There are no current accounting pronouncements that Registrant believes will significantly impact its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Registrant is exposed to certain market risks, including fluctuations in interest rates, commodity price risk primarily relating to changes in the market price of electricity at BVES, and other economic conditions. Market risk is the potential loss arising from adverse changes in prevailing market rates and prices.

The quantitative and qualitative disclosures about market risk are discussed in *Item 7A-Quantitative and Qualitative Disclosures About Market Risk*, contained in Registrant's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC.

There have been no material changes to our quantitative and qualitative disclosures about market risk from what was previously disclosed in Registrant's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), Registrant has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO"), of the effectiveness, as of the end of the fiscal quarter covered by this report, of the design and operation of Registrant's "disclosure controls and procedures" as defined in Rule 13a-15(e) and 15d-15(e) promulgated by the SEC under the Exchange Act. Based upon that evaluation, the CEO and the CFO concluded that Registrant's disclosure controls and procedures, as of the end of such fiscal quarter, were adequate and effective to ensure that information required to be disclosed by Registrant in the reports that Registrant files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Registrant's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls over Financial Reporting

There has been no change in Registrant's internal control over financial reporting during the quarter ended September 30, 2023, that has materially affected or is reasonably likely to materially affect Registrant's internal control over financial reporting.

PART II

Item 1. Legal Proceedings

Registrant is subject to ordinary routine litigation incidental to its business, some of which may include claims for compensatory and punitive damages. No legal proceedings are pending, which management believes to be material. Management believes that rate recovery, proper insurance coverage and reserves are in place to insure against, among other things, property, general liability, employment, and workers' compensation claims incurred in the ordinary course of business. Insurance coverage may not cover certain claims involving punitive damages.

Item 1A. Risk Factors

There have been no significant changes in the risk factors disclosed in our 2022 Annual Report on Form 10-K filed with the SEC.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchase of Equity Securities

The following table provides information about repurchases of Common Shares by AWR during the third quarter of 2023:

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares That May Yet Be Purchased under the Plans or Programs (1)(3)
July 1 – 31, 2023	551		$ 81.27	—	—
August 1 – 31, 2023	7,690		$ 85.74	—	—
September 1 – 30, 2023	17,327		$ 81.92	—	—
Total	25,568	(2)	$ 83.19	—	

(1) None of the Common Shares were purchased pursuant to any publicly announced stock repurchase program.

(2) These Common Shares were acquired on the open market for employees pursuant to GSWC's 401(k) plan and for participants in the Common Share Purchase and Dividend Reinvestment Plan.

(3) Neither the 401(k) plan nor the Common Share Purchase and Dividend Reinvestment Plan contain a maximum number of Common Shares that may be purchased in the open market.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosure

Not applicable

Item 5. Other Information

(a) On October 30, 2023, AWR's Board of Directors approved a fourth quarter dividend of $0.43 per share on AWR's Common Shares. Dividends on the Common Shares will be paid on December 1, 2023 to shareholders of record at the close of business on November 15, 2023.

(b) The Bylaws of AWR were amended on October 31, 2023 to provide new procedures that must be followed by shareholders who wish to nominate directors at an annual meeting or special meeting of this corporation.

Nominations by shareholders must be made pursuant to timely notice in writing to the Corporate Secretary. To be timely as to the 2024 annual meeting, a shareholder's notice must be received at our principal executive offices no earlier than February 3, 2024 and no later than February 24, 2024; provided, however, that if the date of the 2024 annual meeting is changed by more than 30 days from such anniversary date of the 2023 annual meeting, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting at which directors are to be elected, a shareholder's notice must be received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. In no event may the public announcement of an adjournment or postponement of a meeting commence a new time period (or extend any time period) for the giving of a shareholder's notice.

Nominations must be in proper written form and contain the information specified in Article II Section 14 of our Bylaws, including a representation that the shareholder or shareholders will solicit at least 67% of AWR's common shares held of record on the record date for the meeting. The shareholder or shareholders must also comply with all other procedures specified in Section 14 of the Bylaws.

(c) During the quarter ended September 30, 2023, no officer or director adopted, terminated, or modified any Rule 10b5-1 plans or non-Rule 10b5-1 plans.

Item 6. Exhibits

(a) The following documents are filed as Exhibits to this report:

3.1	Amended and Restated By-Laws of American States Water Company (1)
3.2	By-laws of Golden State Water Company incorporated by reference to Exhibit 3.2 of Registrant's Form 8-K filed May 13, 2011 (File No. 1-14431)
3.3	Amended and Restated Articles of Incorporation of American States Water Company, as amended, incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K filed June 19, 2013
3.4	Restated Articles of Incorporation of Golden State Water Company, as amended, incorporated herein by reference to Exhibit 3.1 of Registrant's Form 10-Q for the quarter ended September 30, 2005 (File No. 1-14431)
4.1	Indenture, dated September 1, 1993 between Golden State Water Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, as supplemented, incorporated herein by reference to Exhibit 4.01 of Golden State Water Company Form S-3 filed December 12, 2008 (File No. 333-156112)
4.2	Note Purchase Agreement dated as of October 11, 2005 between Golden State Water Company and Co-Bank, ACB incorporated by reference to Exhibit 4.1 of Registrant's Form 8-K filed October 13, 2005 (File No. 1-14431)
4.3	Description of Common Shares incorporated by reference to Exhibit 4.3 to Registrant's Form 10-K for the year ended December 31, 2019
4.4	Description of Debt Securities incorporated by reference to Exhibit 4.4 to Registrant's Form 10-K for the year ended December 31,2021
10.1	Second Sublease dated October 5, 1984 between Golden State Water Company and Three Valleys Municipal Water District incorporated herein by reference to Registrant's Registration Statement on Form S-2, Registration No. 33-5151
10.2	Loan Agreement between California Pollution Control Financing Authority and Golden State Water Company, dated as of December 1, 1996 incorporated by reference to Exhibit 10.7 of Registrant's Form 10-K for the year ended December 31, 1998 (File No. 1-14431)
10.3	Water Supply Agreement dated as of June 1, 1994 between Golden State Water Company and Central Coast Water Authority incorporated herein by reference to Exhibit 10.15 of Registrant's Form 10-K with respect to the year ended December 31, 1994 (File No. 1-14431)
10.4	2003 Non-Employee Directors Stock Purchase Plan, as amended, incorporated herein by reference to Exhibit 10.4 to Registrant's Form 8-K filed on May 20, 2015 (File No. 1-14431) (2)
10.5	Dividend Reinvestment and Common Share Purchase Plan incorporated herein by reference to American States Water Company Registrant's Form S-3D filed November 12, 2008 (File No. 1-14431)
10.6	Change in Control Agreement between American States Water Company or a subsidiary and certain executives incorporated herein by reference to Exhibit 10.6 to Registrant's Form 10-K for the year ended December 31, 2022 (2)
10.7	Golden State Water Company Supplemental Executive Retirement Plan, amended and restated, incorporated herein by reference to Exhibit 10.7 to Registrant's Form 10-Q filed on May 2, 2022 (2)
10.8	Credit Agreement of American States Water Company dated June 28, 2023, as amended (1)
10.9	Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments revised October 31, 2023 (1)
10.10	Officer Relocation Policy incorporated herein by reference to Exhibit 10.5 to the Registrant's Form 8-K filed on July 31, 2009 (2)
10.11	Credit Agreement of Golden State Water Company dated June 28, 2023 incorporated by reference to Registrant's Form 8-K filed on July 5, 2023
10.12	2016 Stock Incentive Plan incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on May 19, 2016 (2)
10.13	2023 Non-Employee Directors Plan incorporated by reference herein to Exhibit 10.1 to the Registrant's Form 8-K filed on May 26, 2023 (2)

10.14	Form of Restricted Stock Award Agreement for officers with respect to time-vested restricted stock awards under the 2016 Stock Incentive Plan after December 31, 2017 incorporated by reference to Exhibit 10.1 of Form 8-K filed on November 3, 2017 (2)
10.15	Note Purchase Agreement dated July 8, 2020 incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed July 14, 2020
10.16	Form of 2021 Performance Award Agreement incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed February 5, 2021 (2)
10.17	Separation Agreement and General Release of Claims dated August 10, 2021 incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on August 13, 2021 (2)
10.18	Retirement Agreement and General Release of Claims effective January 14, 2022, incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on January 21, 2022 (2)
10.19	Contract for Professional Services effective June 15, 2022 incorporated by reference from Exhibit 10.2 to Form 8-K filed on January 21, 2022 (2)
10.20	Form of 2022 Performance Award Agreement incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed February 4, 2022 (2)
10.21	Form of 2023 Performance Award Agreement incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed February 10, 2023 (2)
10.22	Form of Indemnification Agreement for directors and officers incorporated by reference herein to Exhibit 10.24 to the Registrant's Form 10-K for the year ended December 31, 2022 (2)
10.23	Short-Term Incentive Program incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed on March 31, 2023 (2)
10.24	Form of 2023 Short-Term Incentive Program Award Agreement incorporated by reference to Exhibit 10.2 of Registrant's Form 8-K filed on March 31, 2023 (2)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for AWR (1)
31.1.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for GSWC (1)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for AWR (1)
31.2.1	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for GSWC (1)
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3)
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema (3)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (3)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (3)
101.LAB	XBRL Taxonomy Extension Label Linkbase (3)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (3)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) Filed concurrently herewith
(2) Management contract or compensatory arrangement
(3) Furnished concurrently herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized and as its principal financial officer.

AMERICAN STATES WATER COMPANY ("AWR"):

By: /s/ EVA G. TANG
Eva G. Tang
Senior Vice President - Finance, Chief Financial Officer, Corporate Secretary and Treasurer

GOLDEN STATE WATER COMPANY ("GSWC"):

By: /s/ EVA G. TANG
Eva G. Tang
Senior Vice President - Finance, Chief Financial Officer and Secretary

Date: November 6, 2023