



**2019**

**Corporate  
Social  
Responsibility  
Report**

AMERICAN STATES WATER COMPANY





**34%**

SINCE 2007, TOTAL WATER USAGE BY GSWC CUSTOMERS IS DOWN ~34% WHILE THE NUMBER OF CUSTOMER CONNECTIONS HAS INCREASED

**\$6,870**

COMPANYWIDE, OUR INVESTMENT PER CUSTOMER CONNECTION WAS \$6,870 IN 2019

**5,300**

COMPANYWIDE, OUR EMPLOYEES CONTRIBUTED 5,300 VOLUNTEER HOURS TO VARIOUS COMMUNITY EVENTS AND ACTIVITIES IN 2019

**62.5%**

WOMEN ON THE BOARD REPRESENT 62.5%, OR 5 OUT OF 8 INDEPENDENT DIRECTORS

## Providing communities with safe, reliable service.



**American States Water Company was founded in 1929 on the simple idea of building a successful business by providing communities with safe, reliable water service.** Nine decades later, we're a larger, more diversified company, but the proposition at the heart of our business remains the same. Delivering dependable service for communities is an all-encompassing focus; it is what we do.

We celebrated our 90th year in business in 2019, enjoying sustained growth over that period. This growth was realized by balancing the needs of our customers, shareholders, employees and the communities in which we serve, with the needs of the environment in which we operate. Our leadership team considers it a privilege to operate in this great country of ours and we are focused on conserving the many resources with which we have been entrusted. California is one of the leading states in the nation in setting environmentally-sensitive policies. We have proven ourselves in this environmentally-conscious state as well as the other states where our business is currently done.

We are committed to upholding high environmental, social responsibility and governance (ESG) standards through our delivery of clean, safe and reliable water, wastewater and electric services to our customers. We are also committed to proactively maintaining the integrity of our systems, managing a strong water supply portfolio and an increasingly renewable electric supply portfolio, and planning for climate variability issues and risks. We are proud of our longstanding conservation efforts, and of our workplace culture, in which we strive for diversity and inclusion while prioritizing employee safety and well-being. In fact, compensation for our leadership team is linked to performance on metrics for customer satisfaction, supplier diversity and employee safety.

Never have water and energy, both vital to our human existence, played such a pivotal role in our communities than it does today. Maintaining a sustainable operation is our commitment, and my hope is that the information contained in this report provides insight into this commitment.

**Robert J. Sprowls**  
*President and CEO*

# Table of Contents

CSR HIGHLIGHTS	4
ABOUT OUR COMPANY	8
Overview and Service Area	8
Mission and Values	10
Operational Properties	11
Regulated Utilities	11
Contracted Services	12
Fiscal Responsibility	13
GOVERNANCE, ETHICS, HUMAN RIGHTS AND RISK MANAGEMENT	14
Corporate Governance	14
Governance Structure	15
Board Diversity	15
Key Corporate Governance Metrics	15
Sustainability Oversight	15
Board Commitment	15
Business Ethics	16
Our Commitment to Basic Business Principles	16
Compliance and Ethics	16
Anti-Corruption and Bribery	16
Code of Conduct	17
Vendor Selection and Expectations	17
Human Rights	18
Respect of Human Rights and the Law	18
Risk Management	19
Enterprise Security Risk Management	19
STAKEHOLDER ENGAGEMENT	20
Our Stakeholders	20
Industry Association Memberships	21
Policy Influence	21
Political Contributions	21
SERVING OUR COMMUNITIES	22
Overview	22
Community Activities	23
GSWC	23
BVES	24
ASUS	25
CUSTOMER FOCUS	26
Customer Service	26
GSWC	27
BVES	28
ASUS	29
Education	30
Water Access and Affordability	31
Protecting Customer Data	31

INFRASTRUCTURE INVESTMENTS	32
The Need for Investment	32
Our Approach	33
Customer Benefits	35
ECONOMIC IMPACT AND SUPPLIER DIVERSITY	36
ENVIRONMENTAL IMPACT AND WATER SUPPLY	37
Environmental Guidelines	37
Climate Variability	38
Climate Impact Planning	38
Water Supply	38
Risks to our Water Supply	39
Risk Mitigation Efforts	39
Safeguarding our Water Supply	39
Water Sources	39
ASUS	39
WATER EFFICIENCY AND CONSERVATION	40
Golden State Water Company	40
Reducing Water Loss	40
Customer Conservation	42
Regulatory Mechanisms	43
ASUS Conservation	43
WATER QUALITY	44
Stringent Environmental Regulation and Testing	45
Addressing Water Quality Risks	46
Programs and Research	47
RENEWABLE ENERGY AND OTHER CONSERVATION	48
Renewable Energy	48
Conservation by our Electric Customers	48
Reduced Energy Consumption	49
Other Conservation Efforts	49
OUR WORKFORCE	50
Occupational Health and Safety	51
Safety Performance	51
Policies	52
Responsibility	52
Safety Initiatives	52
Talent Acquisition, Development and Retention	55
Employees	55
Compensation and Benefits	56
Workplace Policies and Protections	56
Wage and Hour Practices	57
Labor Relations	57
Leadership and Succession Planning	58
Recruitment	58
Learning and Development	59
RECOGNITION	61

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



# CSR Highlights

AMERICAN STATES WATER COMPANY BELIEVES THAT ITS INCREASING EMPHASIS ON ENVIRONMENTAL, SOCIAL RESPONSIBILITY AND GOVERNANCE (ESG) ISSUES IS FUNDAMENTAL TO TRANSPARENCY, FAIRNESS AND ACCOUNTABILITY. THE FOLLOWING ARE KEY COMPONENTS OF THESE EFFORTS. FURTHER DETAILS CAN BE FOUND IN THE BODY OF THIS REPORT.

## 1

### SAFE AND RELIABLE SERVICE

Proactive investments are made to replace and protect our infrastructure

Companywide, our investment per customer connection was \$6,870 in 2019

\$1 out of every \$2.70 collected from our customers went back into infrastructure at GSWC during the past two years

GSWC’s capital improvement program has totalled \$580.5 million in the past five years, improving water and electric reliability and reducing water loss throughout our water systems

ASUS has spent over \$314.6 million to renew and replace all infrastructure, and performed over \$581.9 million of capital upgrades since inception

We plan for and address risks posed by climate variability and other events, ensuring supply and resiliency in order to provide uninterrupted service

Our drinking water meets or exceeds state and federal drinking water standards, and we follow stringent environmental regulation and testing

Annual Water Quality/Consumer Confidence Reports are published for all our customers

Multiple water sources are used at our regulated water business, including 50-60% from our own groundwater sources

No water outages occurred in our service areas during one of the worst droughts in California during the 2012-2016 time period

GSWC continues to assess additional water supply, including participation in desalination proposals, imported supplies, as well as various recycled water opportunities

## 2

### WATER EFFICIENCY AND CONSERVATION

Total water usage by GSWC customers is down ~34% since 2007 while the number of customer connections has increased

We heavily promote conservation through conservation/tiered rates, education, events, free water conservation kits, and customer rebates and programs

Our water utility has an established Water Audit and Leak Detection program

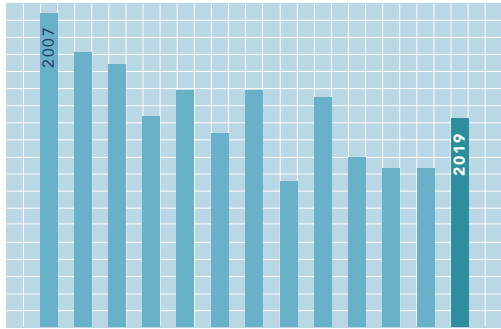
We have reduced the number of water leaks by nearly 40% over the last four years

“Non-Revenue” water, including water leakage/loss, represented 7.9% of total company production for the period 2017-2019

### TOTAL WATER USAGE



### TOTAL ELECTRIC USAGE



## 3

### REDUCING ENVIRONMENTAL IMPACT

California, home to our regulated utility, is one of the leading states in the nation in setting environmentally-sensitive policies

Total customer electric usage is down more than 6% since 2007 while the number of customer connections has increased

Bear Valley Electric Service continues a 10-year agreement for the purchase of renewable energy credits which allows it to meet the California Public Utilities Commission’s (CPUC’s) Renewable Portfolio Standard (RPS) requirements. In 2020, BVES’s renewable power will represent 33% of total electric supply purchases. RPS requirements continue to escalate, reaching 50% by 2026 and 100% carbon free by 2045

Approximately 5% of the energy consumed by our electric customers is now generated by customer-owned renewable sources (solar)

We educate our electric customers on our energy rebate program, which encourages innovation and conservation. These efforts have helped to save millions of kilowatt hours of electricity

We offer bill credits to BVES customers who install a solar-or wind-generating facility that produces renewable energy in excess of their on-site use

Many initiatives are used to reduce energy use in our operations

4

OUR BROADER IMPACT

We respect, promote and protect human rights in a number of ways as it relates to our business

The company’s Board of Directors has adopted a policy of providing access to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes in all states in which we operate through operations, programs, and/or services authorized by applicable federal and state laws and regulations or approved by applicable regulatory bodies

GSWC’s spend with diverse suppliers for 2019 was 29.4%, a four-fold increase since the inception of our Supplier Diversity Program in 2003. We also met the three category goals (women, disabled veteran and minority) established by the CPUC, for the fourth consecutive year.

At ASUS, 85.8% of subcontract work was awarded to small business designated firms in 2019

We employ over 800 employees in nine states, and create hundreds more jobs, stimulating the economies in our communities through water, wastewater and electric system improvements

We engage with a variety of stakeholders to help identify risks and opportunities as it relates to our business, helping us better set business and sustainability strategies

Our Environmental Guidelines commit to protecting the environment, ensuring the health and safety of our employees, our customers, and the diverse communities where we operate

5

CUSTOMER AND COMMUNITY SERVICE

More than one million people are served through our water and electric regulated utilities, as well as U.S. military personnel, families and civilians on 11 military bases through our contracted services business

We strive for best-in-class customer service, providing quality, reliable water, wastewater and electric service each and every day

Customers are our top priority. Communication is key, using various technology methods to educate and inform regarding water quality, conservation, system improvements, and long-term system and service resiliency

GSWC’s Community Engagement Program establishes commitments for increased service hours and philanthropic giving over the next five years to support the efforts of programs that empower and enrich the lives of our youth and ensure water resources will be available for future generations

ASUS is considered by the federal government and the various military installations as one of the preeminent providers of water and wastewater operations, maintenance and capital construction on military installations across the country

Companywide, our employees contributed 5,300 volunteer hours to various community events and activities in 2019



6

CORPORATE GOVERNANCE

8 of 9 Board members are independent

Women on the Board represent 5 out of 8 independent directors, or 62.5%

7 of 12 (58%) Board members and senior officers are women

The roles of Chairman of the Board and CEO are separated

75% of the CEO’s long-term equity awards are performance-based

The company maintains a clawback policy for its performance-based executive compensation

The company does not maintain a poison pill

7

OUR WORKFORCE

Our employees are the foundation of our success. We challenge ourselves to attract, develop and retain the talent we need

Helping our employees thrive, we develop programs that seek to sustain and strengthen efforts in the areas of health and wellness, safety, recruitment, development, retention and employee protections

Strong Occupational Health and Safety practices reduce injuries, keep our workforce healthy, and reduce operating costs

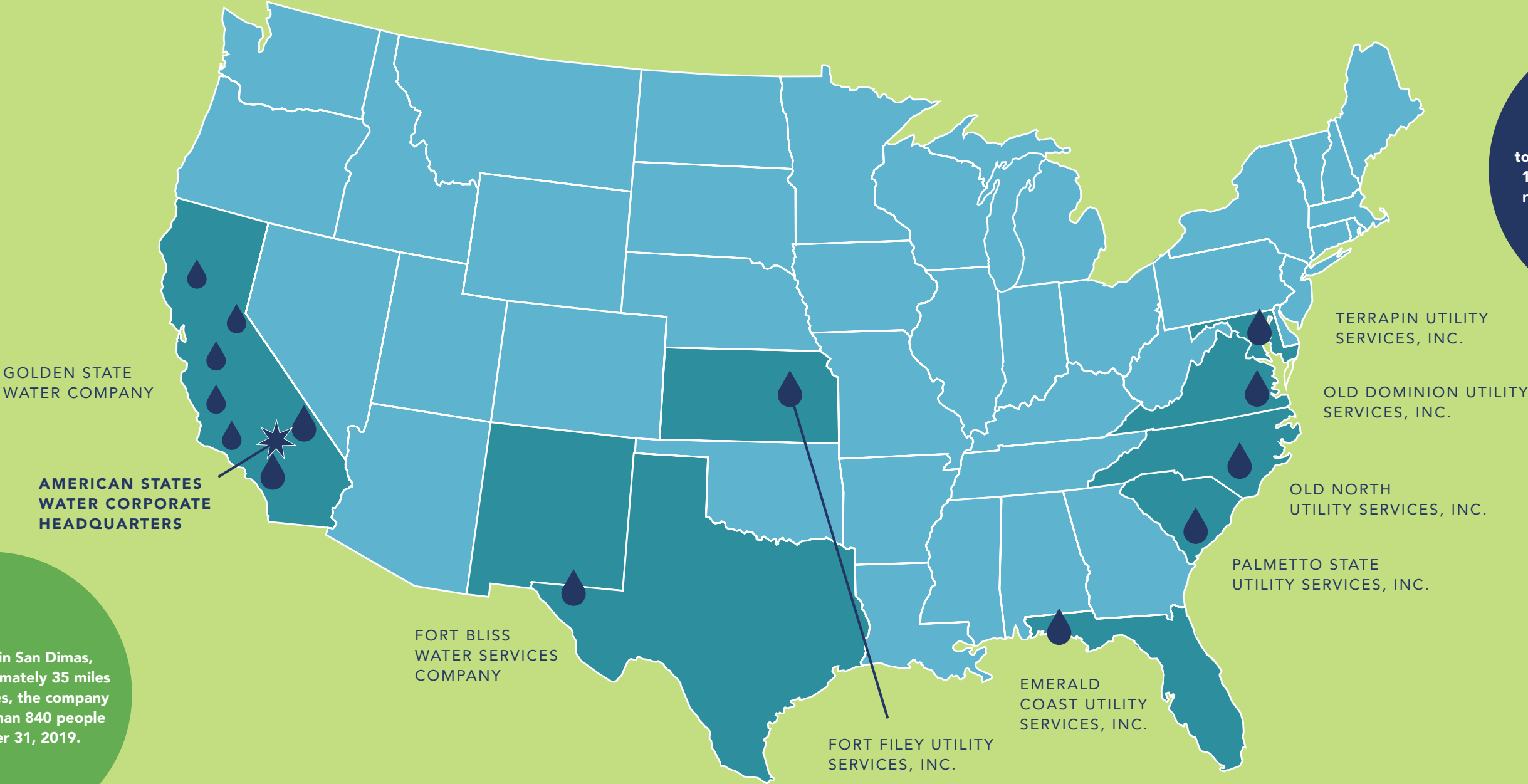
Multiple employee protections are in place, including a non-discrimination policy and other protections that result in a positive, fair corporate environment

Our workforce is representative of the U.S. population in terms of ethnic diversity

# About Our Company

## OVERVIEW AND SERVICE AREA

**American States Water Company is the parent of Golden State Water Company and American States Utility Services, Inc., serving over one million people in nine states.** Through its utility subsidiary, Golden State Water Company, the company provides water service to approximately 261,000 customer connections located within more than 80 communities in Northern, Coastal and Southern California. The company also distributes electricity to approximately 24,000 customer connections in the City of Big Bear Lake and surrounding areas in San Bernardino County, California. Through its contracted services subsidiary, American States Utility Services, Inc., the company provides operations, maintenance and construction management services for water distribution and wastewater collection and treatment facilities located on eleven military bases throughout the country under 50-year privatization contracts with the U.S. government.



American States Water Company has paid dividends to shareholders every year since 1931, increasing the dividends received by shareholders each calendar year since 1954.

Headquartered in San Dimas, California, approximately 35 miles east of Los Angeles, the company employed more than 840 people as of December 31, 2019.



# About Our Company CONT.

## MISSION AND VALUES

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

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

INTEGRITY	Building trust through honest communication and doing what is right
TEAMWORK	Maximizing efficiency through collaboration and individual strengths
RESPECT	Valuing diversity and treating all stakeholders with fairness
EXCELLENCE IN SERVICE	Striving for excellence and quality in everything we do
ACCOUNTABILITY	Taking ownership of one’s actions

## OPERATIONAL PROPERTIES

**Regulated Utilities** Golden State Water Company, or GSWC, founded in 1929, is our regulated water and electric utility business in California, and represented 76% of American States Water Company’s (AWR’s) 2019 revenues. Water oftentimes travels from underground aquifers or above ground sources through filtration systems and miles of pipes to our customers. Providing “best in class” customer care and water that meets all federal and state-mandated requirements through highly skilled employees is the cornerstone of our business. Delivering water to GSWC’s customers requires over 2,700 miles of pipelines which support more than 261,000 service connections. GSWC’s assets also include over 26,000 fire hydrants, 140 tanks with the capacity to store more than 110 million gallons of water, 240 wells and 385 boosters. The company has 72,399 acre feet of adjudicated groundwater rights and surface water rights and 11,335 acre feet of surface water rights per year. It also has a significant number of unadjudicated water rights, which have not been quantified and are not subject to predetermined limitations, but are typically measured by historical usage.

GSWC also provides electric service to approximately 24,400 customers in the City of Big Bear Lake and surrounding areas in San Bernardino County, California, through Bear Valley Electric Service, or BVES. BVES owns and operates 87.8 miles of overhead and 2.7 miles of underground 34.5 kv sub-transmission lines, 488.6 miles of overhead and 89.1 miles of underground distribution lines, 13 substations, and a natural gas-fueled 8.4 MW peaking generation facility.



OPERATIONAL PROPERTIES

**Contracted Services** American States Utility Services, Inc., or ASUS, is the contracted services subsidiary of AWR, and provides operations, maintenance and construction management services for water distribution and wastewater collection and treatment facilities on U.S. military installations through privatization contracts. Through subsidiaries, ASUS currently operates, maintains and performs construction activities at eleven military bases in eight states under 50-year contracts with the U.S. government. Since being awarded its first contract in 2004, ASUS continues to be a significant player in the utility privatization arena, and has gained a large market share of this business.

Following are a list of states, ASUS subsidiaries that manage the 50-year contracts, and military bases that we serve:



FISCAL RESPONSIBILITY

**Maintaining strong fiscal responsibility provides funding to enable us to be good stewards of the environment.** For Golden State Water Company, we must balance the need for maintaining and improving the reliability of our water and electricity infrastructure with the overall cost to our customers. Our investment in GSWC’s capital improvement program has totalled \$580.5 million in the past five years. Operating and maintaining, as well as renewing and replacing water and wastewater systems by ASUS at military bases also involves a delicate balance of reliability and cost. ASUS has spent over \$314.6 million to renew and replace all infrastructure, and performed over \$581.9 million of capital upgrades since inception.

Experienced management, committed employees, efficient operations and prudent investment to improve service and reliability to our customers have made us a strong company. The financial highlights below give a snapshot of the company’s performance over the past five years.

FINANCIAL HIGHLIGHTS

Dollars in millions, except per share amounts	2019	2018	2017	2016	2015
Operating Revenues <sup>(1)(2)</sup>	\$471.5	\$436.8	\$440.6	\$436.1	\$458.6
Operating Income <sup>(1)(2)(3)</sup>	124.8	101.0	118.8	114.2	118.9
Diluted EPS <sup>(1)</sup>	2.24	1.72	1.75	1.62	1.60
Dividends Paid per Share	1.160	1.060	0.994	0.914	0.874
Capital Additions	151.9	126.6	113.1	129.9	87.3

<sup>(1)</sup> 2017 excludes a gain on the sale of assets of \$8.3 millio or \$0.13 per share. 2019 excludes revenues of \$2.3 million, or \$0.04 per share, related to the retroactive impact to the full year 2018 of the electric general rate case.  
<sup>(2)</sup> Beginning in 2018, reflects lower revenues for recovery of a lower federal corporate income tax rate due to tax reform.  
<sup>(3)</sup> Before Income Taxes and Interest (net).

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



# Governance, Ethics, Human Rights and Risk Management

## CORPORATE GOVERNANCE

**Sound corporate governance practices support our corporate strategies, culture and reputation.** It begins by having a high quality, diverse Board of Directors, who are charged with overseeing the establishment of policies to ensure American States Water Company is operating and performing in a manner consistent with its mission, values and the company's Code of Conduct. The Board is comprised of individuals with diverse experience and perspectives and is committed to pursuing best practices from a corporate governance standpoint. The Board has adopted formal Guidelines on Significant Governance Issues. This, and other governance documents, can be found on the American States Water Company website.



## GOVERNANCE STRUCTURE

Our corporate governance structure helps to ensure accountability and integrity across the organization. Our Board of Directors has the following standing committees:

- Audit and Finance
  - Compensation
  - Nominating and Governance
  - ASUS
  - Electric Safety and Operations
- Committee charters, governance documents and committee compositions are available on our website.

## KEY CORPORATE GOVERNANCE METRICS

- 8 of 9 Board members are independent
- Women on the Board represent 5 out of 8 independent directors, or 62.5%
- 7 of 12 (58%) Board members and senior officers are women
- The roles of Chairman of the Board and CEO are separated
- 75% of the CEO's long-term equity awards are performance-based
- The company maintains a clawback policy for its performance-based executive compensation
- The company does not maintain a poison pill

## BOARD COMMITMENT

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

## BOARD DIVERSITY

We continue to strive for diversity and inclusion across our company, including on our Board of Directors, which represents a mix of experience and expertise to help the company meet its long-term business goals. We also have a commitment to gender equality at all levels of our company. At the Board level, more than half of our Board members are women, including Anne Holloway as our Chairman of the Board. This is considerably more than the 20% of seats held by women overall on Boards of companies in the Russell 3000.

## SUSTAINABILITY OVERSIGHT

American States Water Company believes it is critical that key, informed members of its organization focus on sustainability issues and reporting. The Nominating and Governance Committee of the Board of Directors provides oversight at the Board level. The Corporate Social Responsibility (CSR) report and the issues and disclosures contained within, is reviewed by the Nominating and Governance Committee every two years.

The company's Sustainability Oversight team is responsible for the policies and operational controls of environmental, health and safety and social risks. Members include the President and CEO; Senior Vice President - Finance, Chief Financial Officer; Senior Vice President - Regulated Utilities; Senior Vice President, ASUS; and Investor Relations.

The parent company directs the efforts of the two wholly-owned subsidiaries, Golden State Water Company (GSWC) and American States Utility Services (ASUS).



# Governance, Ethics, Human Rights and Risk Management

CONT.

## BUSINESS ETHICS

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



### OUR COMMITMENT TO BASIC BUSINESS PRINCIPLES

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

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



### COMPLIANCE AND ETHICS

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

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



### ANTI-CORRUPTION AND BRIBERY

American States Water Company and its subsidiaries are committed to succeeding based on the quality of our people and our services. We comply with all anti-corruption and bribery laws wherever we conduct business. Such laws make it illegal to bribe a governmental official to obtain or retain business or an improper advantage. Anti-corruption laws prohibit giving anything of value, such as a payment, gift, or bribe, to obtain the influence of officials, candidates, or political parties.



### CODE OF CONDUCT

American States Water Company and its subsidiaries are committed to and believe in adhering to the highest standards of business conduct. Our Code of Conduct (Code) provides the guidelines for maintaining a legally compliant and ethical workforce. At its core, the Code requires all employees to ensure compliance with all applicable state and federal regulations and laws.

The Code covers, among other topics, political activities and political contributions, anti-corruption and bribery, securities trading, environmental protections, health and safety, conflicts of interests, personal and professional conduct, government investigations, records management, prohibitions of discrimination and harassment, confidentiality, and privacy. The company has a zero tolerance policy for any form of discrimination or harassment. Specifically, we prohibit any unlawful discrimination or harassment on the basis of race, color, religion, national origin, ancestry, ethnicity, physical disability, mental disability, legally protected medical condition (i.e., cancer-related or genetic characteristic or information; pregnancy, childbirth or related medical conditions), marital status, sex, gender identity or expression, sexual orientation, age, veteran status, or any other basis protected by federal, state, or local law.

We recognize our Code and related policies are more effective when employees, suppliers, and contractors trust they can report a potentially unsafe, unethical or compliance related concern without fear of retaliation. To encourage sharing of these concerns, we provide a wide range of reporting channels.

Employees are expected to report a concern to their supervisor, any other member of management or Human Capital Management, or the Fraud, Waste, and Ethics Hotline. The Hotline is operated by an independent third party and is available by telephone or webpage 24 hours a day, seven days a week, and provides the option to report anonymously. Every report to the Hotline is investigated, and all Hotline reports and investigations are overseen by the Audit Committee Chair of the Board of Directors. Suppliers and contractors may also report potentially unsafe or unethical conduct or other compliance related concerns via the Hotline.

To emphasize the importance of ethics and compliance, we require all new employees to complete training on the topics covered by the Code and other policies. They are required to review and sign the Code during orientation, and all employees are required to review and sign the Code every other year. This applies to our Employee Handbook as well. In addition, posters are prominently displayed at every facility operated by a company entity to remind employees of the Fraud, Waste, and Ethics Hotline and the importance of reporting any potential compliance concern. Any employee who does not comply with applicable laws and corporate policies is subject to disciplinary action, including termination.

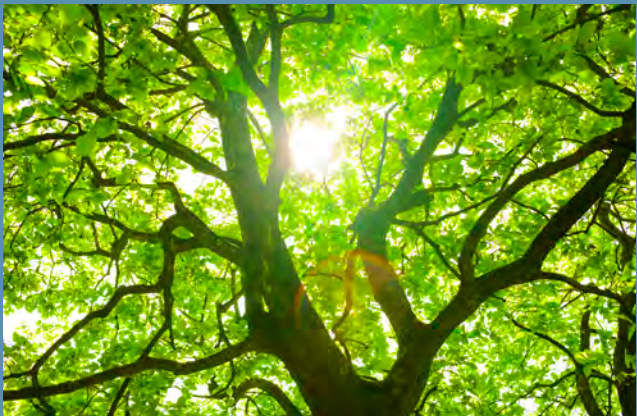


### VENDOR SELECTION AND EXPECTATIONS

Our parent company and its subsidiaries work to select dependable and reputable suppliers and contractors and monitor their performance. This plays an important role in limiting risk, and ensuring that our business partners meet our standards and expectations.

All qualified vendors are issued and required to comply with the company's Vendor Code of Conduct. The Vendor Code of Conduct, located on the company's website, sets forth the high business standards and expectations that apply to all vendors that conduct business with the company, and are based on the company's core values of Integrity, Teamwork, Respect, Excellence in Service, and Accountability.

When a subsidiary identifies a need that would be best met by a third party, its procurement personnel identify qualified vendors. Procurement policies specify the insurance certificate and legal review requirements as well as the contract management procedures that must be followed. It is important to note that all vendors are rigorously vetted to ensure, among other things, that they are properly licensed, certified, insured, reputable, and not in violation of safety or other laws before they are qualified to do business with any of our entities. Once qualified and selected, the performance of all contractors is monitored to ensure all work is satisfactory and in compliance with legal and regulatory, including health and safety requirements. We have zero tolerance for and will immediately terminate a business partnership if any vendor fails to act with integrity; fails to maintain a strong health and safety performance; fails to respect employee rights, such as freedom of association and collective bargaining; fails to minimize the impact on the environment consistent with our standards; and/or fails to comply with applicable laws and regulations, which includes compliance with all wage and hour mandates, child or forced labor, involuntary servitude, or other human rights violations.





HUMAN RIGHTS

**American States Water Company and its subsidiaries respect human rights.** With all of our operations situated in the U.S., and working within a strong regulatory framework, human rights are constitutionally protected, and do not constitute a material risk for us.

There are several ways we strive to promote and protect human rights in our business:



RESPECT OF HUMAN RIGHTS AND THE LAW

**We are committed to respecting all human rights as required by all laws of the United States and each of its states where we operate.** Moreover, we are committed to respecting all human rights as outlined by the Universal Declaration of Human Rights, and its two corresponding covenants, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights.

American States Water Company and its subsidiaries are committed to meeting or exceeding all laws and regulations wherever we conduct our business activities. The company expects every employee to know the laws and policies that apply to their activities, and to conduct them with uncompromising honesty and integrity. In fact, all employees are expected and directed to comply with all laws and regulations as well as all business conduct policies relating to the company's activities. These same expectations and directives apply to any of our business partners, such as suppliers and contractors, that transact with the company.

RISK MANAGEMENT

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

Enterprise Security Risk Management

With the protection of our technology systems, facilities, and customer and employee information in mind, our goals are to:

- Ensure the cybersecurity of our operational technology systems;
- Comply with security and data privacy regulations; and
- Protect the physical security of our employees, facilities and assets

Our security team conducts regular internal security reviews and top tier third parties skilled on external security assessments, using the results to develop improvement initiatives and further enhance security controls of company assets and systems.

Cyber and Digital Security

We have implemented security measures and will continue to devote significant resources to address any security vulnerabilities in an effort to prevent cyberattacks. These efforts are aimed to avoid water, wastewater or electric system problems, customer service disruptions, compromised important data or systems, or other situations that could result in unintended release of customer or employee information. Moreover, if a computer security breach affects our systems or results in the unauthorized release of sensitive data, our reputation could be materially damaged.

We rely on our computer, information and communications technology systems in connection with the operation of our business, especially with respect to customer service and billing, accounting and the monitoring and operation of our treatment, storage and pumping facilities. Our computer and communications systems and operations could be damaged or interrupted by weather, natural disasters, telecommunications failures, cyber-attacks or acts of war or terrorism or similar events or disruptions.

Our cybersecurity program is consistent with industry best practices, including NIST Cybersecurity Framework. The Framework provides organization and structure

to today's multiple approaches to cybersecurity by assembling standards, guidelines, and practices that are working effectively in industry today. We have used the Framework to develop a comprehensive Defense-in-Depth plan that guides the acquisition and implementation of tools to ensure we continue to build a strong platform for protecting our customers and ourselves.

As a regulated water utility, Golden State Water Company regularly evaluates risks to its operations and systems. As required under the America's Water Infrastructure Act (AWIA) of 2018, we are completing risk assessments for all our public water systems that serve a population of at least 3,300 meet all the requirements of the Act. In 2002, the Environmental Protection Agency (EPA) developed the Vulnerability Self-Assessment Tool (VSAT) for community water systems. For AWIA, EPA modified and updated the tool to meet the requirements under the new law. The VSAT methodology implements the ANSI/AWWA J100 Standards, *Risk and Resilience Management of Water and Wastewater Systems*. We are using these tools in addition to other specialized methodologies for specific business functions, such as asset management and cybersecurity, to ensure our assessments are both detailed and specific to GSWC's operations. While the VSAT tool looks at each system's risk individually, we are ensuring corporate risk and resiliency is also considered by taking a holistic approach to evaluating interdependences of specific assets. Through this augmented approach, both natural hazards and malevolent acts are evaluated for each individual system and the enterprise.

In addition, we must comply with privacy rights regulations such as The California Consumer Privacy Act (CCPA), a state statute that became effective January 1, 2020 which enhances the privacy rights and consumer protections for California residents. Among other things, the CCPA establishes statutory damages for victims of data security breaches, and provides additional rights for consumers to obtain their data from any business that has their personally identifying information.

Physical Security

GSWC utilizes a variety of physical security measures to protect its facilities. GSWC also considers advances in security and emergency preparedness technology and relevant industry developments in developing its capital-improvement plans.

The Military Utility Privatization Subsidiaries operate facilities within the boundaries of military bases, which provide limited access to the general public. To further enhance security, all office and warehouse facilities are protected with keycard access required at all access points and are monitored with security camera systems. In prior years, certain additional upgrades were completed to system operational facilities at various military bases through contract modifications funded by the U.S. government.

# Stakeholder Engagement

## OUR STAKEHOLDERS

American States Water Company and its subsidiaries engage with a variety of stakeholders, as we collaborate, inform, listen and respond to views or concerns. This helps identify risks and opportunities as it relates to our business and helps us better set business and sustainability strategies.

The following summarizes our key stakeholders and identifies some of the engagement mechanisms relevant to each group:

<div>CUSTOMERS</div> <div>24/7 call center, customer service offices, customer satisfaction and service quality surveys, social media, focus groups, open houses, and plant tours</div>	<div>COMMUNITIES</div> <div>Community members, leaders and public officials, public meetings and open houses, local events, volunteering, and speaker opportunities</div>	<div>EMPLOYEES</div> <div>Staff meetings, focus groups, internal communications through various channels, and face-to-face meetings with company leadership</div>	<div>MEDIA</div> <div>Open houses, facility tours, editorial meetings, and press releases</div>
<div>SUPPLIERS</div> <div>Vendor diversity program, vendor meetings, and prequalification opportunities</div>	<div>REGULATORS</div> <div>Meetings, regular oral and written communication, and plant and facility tours</div>	<div>INVESTORS</div> <div>Quarterly earnings calls, investor calls and meetings, presentations, regulatory filings, and quarterly and annual reports</div>	<div>GOVERNMENTAL AGENCIES</div> <div>Update calls, meetings and system tours</div>
<div>NON-GOVERNMENTAL ORGANIZATIONS</div> <div>Partnerships for staffing</div>	<div>CREDIT RATING AGENCIES</div> <div>Annual meetings and periodic discussions</div>	<div>ESG RATING AGENCIES</div> <div>Data and information requests and general communications</div>	<div>INDUSTRY ASSOCIATIONS</div> <div>Memberships, meetings, and conferences</div>

## INDUSTRY ASSOCIATION MEMBERSHIPS

We belong to the following industry organizations at the local, state and national level.

- American Water Works Association (AWWA)
- National Association of Water Companies (NAWC)
- Water Environment Federation (WEF)
- California Water Association (CWA)
- Water Research Foundation
- California Foundation on the Environment and Economy
- Southern California Leadership Council
- The National Groundwater Association
- Pacific Policy Institute
- Water Education Foundation

At the local levels, we are active members and partners with numerous industry-related organizations, chamber groups, local water associations, pumper groups, groundwater basin management associations, economic development corporations, and various technical committees. These associations and committees work together to develop improved business relationships, sustainability plans and operational guidelines to improve overall effectiveness, and create reports to share information with key stakeholder groups. We work closely with our colleagues in the industry to advocate for reasonable regulation, ensure all stakeholders are considered and improve the overall effectiveness of utility operations.

### Policy Influence

We are committed to industry leadership and work on a non-partisan basis with federal, state and local agencies to support effective environmental, health and safety, water, wastewater and energy standards and regulations. Additionally, we are actively involved in supporting our regulators and state governments to fulfill their goals, from finding solutions to bring clean water to disadvantaged communities, to ensuring a lasting supply of limited water resources is available for many generations to come. Our utility experts work directly with governmental leaders, non-governmental organizations, and other parties on identifying and implementing specific solutions to these difficult problems.

### Political Contributions

AWR has policies in place to govern political contributions, and we follow all public reporting requirements in each jurisdiction. Our Political Contribution Policy, adopted by the Board of Directors, outlines acceptable practices for political contributions. Our Board of Directors reviews our policy and political contributions on an annual basis.

As part of the company's commitment to good governance principles and transparency, and in accordance with our Board-approved Political Contribution Policy, we publicly disclosure the following:

#### LOBBYING ACTIVITY

<http://cal-access.sos.ca.gov/Lobbying/Employers/Detail.aspx?id=1145517&vi>

#### POLITICAL CONTRIBUTIONS

<http://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1009283&session=2019>





Our employees contributed a combined total of 5,300 volunteer hours to various community events and activities in 2019.

## COMMUNITY ACTIVITIES

*Below are just a few examples of our community contributions:*

### GOLDEN STATE WATER COMPANY

**Community Giving:** GSWC continues to support programs that empower and enrich the lives of our youth and ensure water resources will be available for future generations. We recognize that our financial contributions to programs like the H.Y.D.E Out Teen Center in Rancho Cordova and Gardena Chamber of Commerce's Operation Backpack event make a big impact on our youth.



**Service Hours:** Through our Community Engagement Program, GSWC encourages employees to remain active in our communities, and implemented service hour guidelines for all salaried members of our team. This initiative is designed to increase our levels of support and engagement and maximize our reach through service organizations and community activities.

**Operation Gobble:** Each year, GSWC works in partnership with elected officials and community leaders to distribute Thanksgiving turkeys to charitable organizations that serve families and individuals with limited resources through the Operation Gobble program. Since 1990, GSWC has donated more than 249,000 turkeys to community-based organizations like the Salvation Army, the Boys and Girls Clubs of America, local churches and other non-profits.

**School Programs:** For years, GSWC and BVES have supported our local schools, participating in career days, literacy activities, and sponsoring STEM programs. Our Community Engagement Program aims to impact even more children in the coming years through education and the promotion of healthy, active lifestyles.

**Service Organizations and Community Leadership:** GSWC makes it a priority to remain active in organizations like Chambers of Commerce and Rotary Clubs that lead and serve our communities, and recently reached the 50-year milestone as a member of the Cypress and Rosemead chambers. Our employees also serve as Board members and volunteers for educational foundations, food banks and other critical community programs.

## Serving our Communities

### OVERVIEW

**A utility plays a unique role in a community.** We're tied to residents' daily lives, and to the overall strength of the places we serve, in a way many businesses aren't. Beyond providing service that our customers can depend on, community engagement remains a priority across all of our businesses. We demonstrate the importance of remaining a valued community partner through contributions of dollars, time, energy and resources.

GSWC is proud to be a trusted partner in the more than 80 communities we serve throughout California. We are more than just the local water and electric provider – we live, work and play in the neighborhoods we serve, and we honor our commitment to strengthen our local communities through engagement, support and philanthropy. ASUS's operations at the eleven military bases are located in eight states. In addition to providing excellent service to the U.S. government under our 50-year contracts, our ASUS subsidiaries also provide community outreach initiatives.

American States Water Company and its subsidiaries do not have service territories in areas designated as Indigenous regions or lands.



# Serving our Communities CONT.

## BEAR VALLEY ELECTRIC SERVICE

### HOLIDAY DINNERS

BVES partners with the Big Bear Lake Elks Lodge #1787 and local elected officials each year to provide holiday dinners to local families with limited resources. In 2019, BVES donated 152 turkey dinners to community-based organizations including the American Association of University Women-Big Bear Valley Branch, American Legion Post 584, Soroptomist International of Big Bear Valley, St. Columba's Episcopal Church and St. Joseph's Catholic Church.

### UTILITIES FOOD DRIVE CHALLENGE

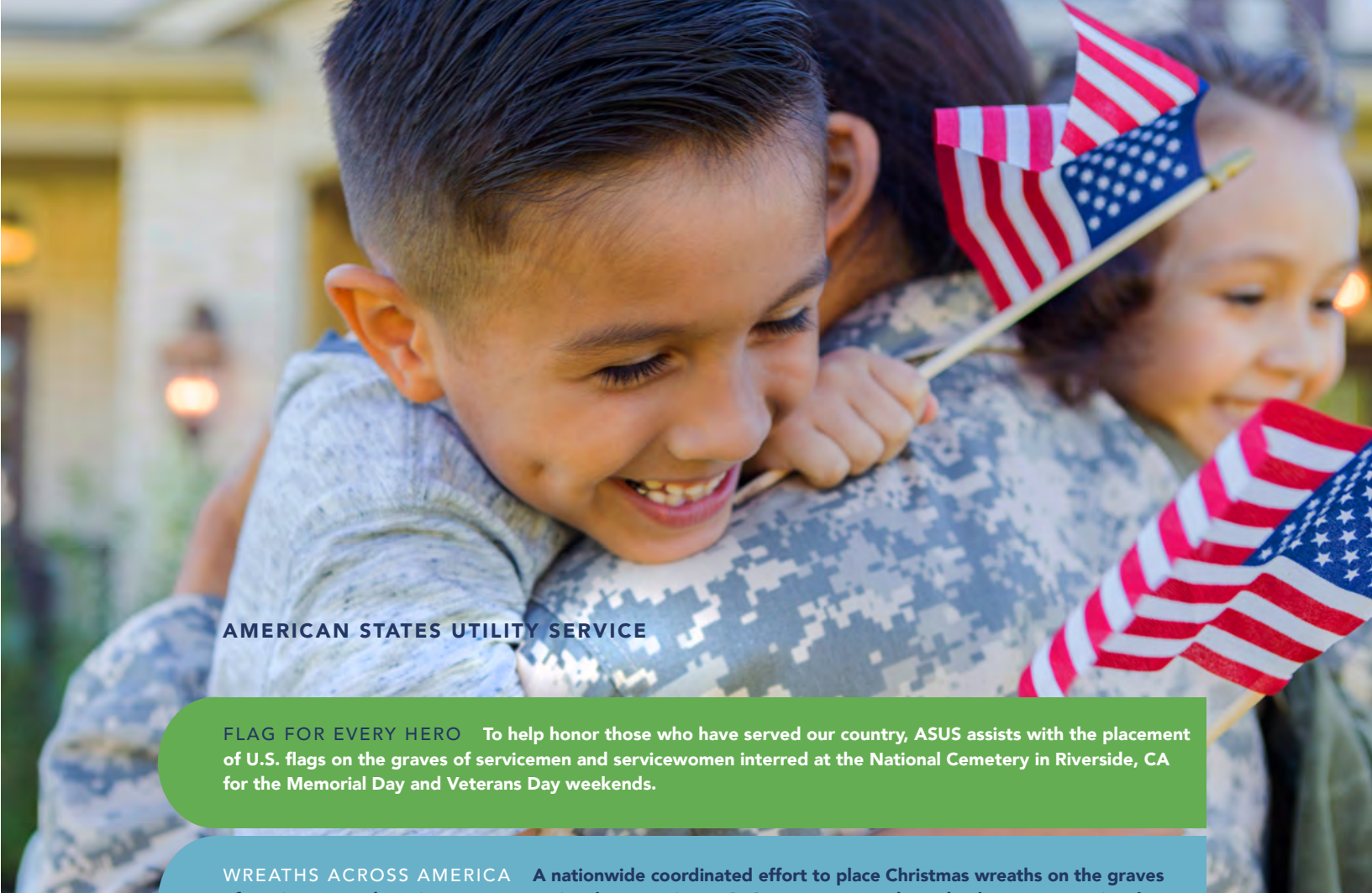
BVES organized and led the 5th annual Utilities Food Drive Challenge, a month-long food drive conducted in partnership with fellow local utilities. The event gathered \$4,188 in donations for nonperishable items for our local food bank.

### JUNIOR ACHIEVEMENT DAY

BVES continues to support Junior Achievement of Southern California through an annual sponsorship of and participation in the organization's JA Day, a unique learning experience designed to create partnerships between local businesses and schools. For the 2019 JA Day, BVES taught two fifth grade classes about the free market system, the necessary job skills for today's business environment and how the innovation of entrepreneurs contributes to a thriving economy.

### EARTH DAY EXPO

Each year, BVES hosts an Earth Day Expo attracting over 800 people in partnership with the City of Big Bear Lake, Department of Water and Power for local students and the community at large to learn about ways to protect and preserve the environment. Dozens of local organizations participate by hosting booths at the event that support the year's theme, whether that be protecting our species or environmental sustainability.



## AMERICAN STATES UTILITY SERVICE

**FLAG FOR EVERY HERO** To help honor those who have served our country, ASUS assists with the placement of U.S. flags on the graves of servicemen and servicewomen interred at the National Cemetery in Riverside, CA for the Memorial Day and Veterans Day weekends.

**WREATHS ACROSS AMERICA** A nationwide coordinated effort to place Christmas wreaths on the graves of servicemen and servicewomen at national cemeteries. ASUS sponsors wreaths and volunteers at national cemeteries across the United States on Wreath Day.

**SCHOLARSHIP PROGRAM** Since 2015, ASUS has provided scholarships to qualifying dependent children of active, full-time U.S. military members stationed at bases served by ASUS. In 2019, seven scholarships were awarded to dependent children of active, full-time U.S. military members and/or honorably discharged veterans.

**FISHER HOUSE** ASUS subsidiaries raise money for Fisher House facilities, which provides housing and dining at no cost for families of military members receiving medical treatment at bases served.

**ASUS CARES** This is an internally-created community outreach event to support active duty military and veterans. Through networking with our government contacts, family and friends, ASUS is able to connect with locally deployed military units in need of care packages from home. All ASUS office and subsidiary locations participate in this companywide event during the week of September 11th in honor of Patriot Day – National Day of Service and Remembrance.

**OPERATION HOMEFRONT** Operation Homefront's Back-to-School campaign purchases, packs and distributes thousands of backpacks to military children in need ranging from Kindergarten through High School. A number of ASUS' subsidiary locations are able to support and volunteer with this effort.

**LUKE'S WINGS** Luke's Wings is a non-profit dedicated to the support of the wounded, ill and injured service members and veterans by providing no cost flights to families to visit their loved one during recovery and rehabilitation.





## Customer Focus

### CUSTOMER SERVICE

**Our customers are a top priority.** More than one million Californians, as well as military personnel, their families and civilians on 11 military bases around the country, depend on us to provide quality, reliable water, wastewater and electric service each and every day. Our customers deserve great service, and we go the extra mile to provide it.

### GOLDEN STATE WATER COMPANY

At Golden State Water Company, we have been putting customers first for more than 90 years, and our approach to customer engagement provides us great opportunities to engage, learn, inform and build trust with our customers. Customer service is more than just what we do, it's who we are. GSWC's team of more than 500 employees are wholly committed to achieving consistent standards of customer service excellence. In fact, part of our officers' and managers' compensation is directly tied to customer satisfaction.

We are proud to provide best-in-class customer service; however, we are always looking to raise the bar, building upon our connection with customers and utilizing new technology to improve the way we serve.

*Below are some of the services that set us apart:*

- 1. We always answer your call.** GSWC has friendly and knowledgeable representatives available to answer calls from customers whenever they need us. We were one of the first in the industry to open an in-house 24-hour Call Center, because our service doesn't stop when traditional business hours end.
- 2. Dynamic digital communications.** GSWC believes communication is a key factor in customer satisfaction, and our digital communications program helps us to provide important, real-time information to customers in a cost-effective way.
  - Our gswater.com website serves as a hub for customer information and resources, providing companywide and local sections that utilize videos, graphics and interactive content to engage and educate customers.
  - Our social media platforms, including our @GoldenStateH2O handle on Twitter and Facebook page provide multiple ways for a customer to engage with us.
  - GSWC's e-communications platform reaches customers and community leaders, providing an efficient resource to share important updates directly to inboxes. GSWC disseminates our Waterways e-newsletter and other important updates via the e-communications platform.
- 3. Language is no barrier.** Our Customer Service Center is equipped to take calls in English and Spanish, and we offer a dedicated 800 line that enables us to communicate with customers in a variety of other languages. Many of our written communications are available in five languages or more, meeting a variety of customer communication needs.
- 4. We listen.** At the end of every call, customers are invited to participate in a customer service survey to rate their satisfaction with the service they received. This data is analyzed to help GSWC measure and continually improve our customer service performance.
- 5. Self-Service convenience.** "MyGSWater" self-service online portal allows customers to conduct a wide range of services from the convenience of their computers or smart devices.



Customer Focus CONT.

BEAR VALLEY ELECTRIC SERVICE

The Bear Valley Electric Service (BVES) team works hard to provide our customers with superior customer service and dependable power. We do it each and every day, safely and with confidence. As a small community located in the San Bernardino Mountains, the Big Bear community is very tight knit, and the majority of customers we serve are our family, friends and neighbors. They know they can always count on us to get the job done, and our approach to customer service further instills that trust.

Our dynamic and convenient customer service operation emphasizes real-time, one-on-one interaction with our customers and allows us to provide same-day service to resolve almost every customer issue. We take pride in meeting customers where they are, and we do this by:

1.

FLEXIBLE PAYMENT  
OPTIONS

Offering several bill payment options so customers can choose the one that best fits their needs. Whether that be stopping by our local office to pay with cash, mailing in a check or managing their account online, our goal is to create a seamless customer experience.



2.

TECHNOLOGY  
OPTIONS

Providing an option for customers to sign up for electric service online, either via a smartphone or computer.



3.

LANGUAGE  
OPTIONS

Posting high-importance information in the primary languages spoken by our customers.

AMERICAN STATES UTILITY SERVICES

ASUS’s dedicated, cross-functional team consists of nearly 300 water, wastewater and infrastructure experts that provide a robust value stream to the military and civilian personnel we serve. ASUS is considered by the federal government and the various military installations it serves as one of the preeminent providers of water and wastewater operations, maintenance and capital construction on military installations across the country. With ASUS managing utilities at the bases, the U.S. military can focus on their core competency of defending our nation.

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

PARTNERING

We partner with the military on water and wastewater construction efforts as the installations expand and evolve to meet the resiliency requirements of the 21st century

MAXIMIZING

We maximize the experience of ASUS personnel in achieving quality and reliability standards consistently above the industry norms and the expectations of the military services

RECAPITALIZING

We recapitalize utility systems over a 50-year period to elevate them to private industry standards and enhance the reliability provided to end users

IMPLEMENTING

We implement water quality improvements, thereby decreasing water quality inquiries, while also developing installation-based water conservation efforts to meet increased demand

OFFERING

We offer a great customer service culture, industry knowledge and community involvement



Customer Focus CONT.

EDUCATION

GSWC

At GSWC, we offer a variety of customer education opportunities, through our social channels listed above, as well as through a variety of in person conversations. We use our website and social channels to share the facts about the need for infrastructure investment and what our company is doing to ensure a dependable water system is available now and into the future. We provide resources on water conservation, sharing the concern for the impacts of climate variability and the importance of careful use of our precious resources. We share timely information about water quality, keeping our customers current on emerging contaminants and what we’re doing to protect the safety of the water supply. We also offer a speaker’s bureau for community groups and classroom resources for teachers to help our communities stay informed and engaged in water issues.

BVES

BVES utilizes a variety of modern and traditional communications channels to educate customers on topics from electric service, rates and customer assistance programs to wildfire mitigation efforts and Public Safety Power Shutoffs. Our website serves as the central hub for all customer-related information, while we use our Facebook page (@BearValleyElectricService) to disseminate timely service updates, provide conservation tips and post about our community engagement efforts. Our customer service representatives also function as effective customer education tools because we equip them with the knowledge necessary to answer any questions customers may have when visiting our local office or calling us.

ASUS

Through our Community Outreach Programs, the ASUS Educational Program reaches our communities through partnerships with local schools, housing partners and installation Morale, Welfare and Recreation Program on topics such as water conservation, hydrologic cycle, water resource management, how water and wastewater are treated and Fats, Oils and Grease (FOG). This is accomplished either in a classroom setting or through participation in community events. ASUS also utilizes its social media channels to educate through helpful tips and awareness.

WATER ACCESS  
AND AFFORDABILITY

Our Board of Directors has adopted a policy of providing access to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes in all states in which we operate through operations, programs, and/or services authorized by applicable federal and state laws and regulations or approved by applicable regulatory bodies.

Programs

We recognize that some customers may have difficulty covering expenses. At GSWC, we offer a monthly credit for low-income residential customers through the California Alternate Rates for Water (CARW) program. Non-profit group living facilities, agricultural employee housing facilities and migrant farm-workers may also be eligible to receive a monthly credit. Bear Valley Electric Service’s low-income customers may qualify for assistance through the Energy Saving Assistance Program to low-income customers. Additionally, GSWC’s and BVES’s Military Family Relief Program (MFRP) offers protection for qualified military personnel during periods of full-time deployment. We also offer payment plans to our customers, giving them options to make smaller payments on outstanding bills without incurring penalties.

PROTECTING  
CUSTOMER DATA

We have implemented security measures and will continue to devote significant resources to address any security vulnerabilities in an effort to prevent cyberattacks that will compromise our customer’s personal information. Not only is this the responsible thing to do, but preserving the trust our customers place in us, as well as the company’s reputation, is vital.

In addition, we must comply with privacy rights regulations such as The California Consumer Privacy Act (CCPA), a state statute that became effective January 1, 2020 which enhances the privacy rights and consumer protections for California residents. Among other things, the CCPA establishes statutory damages for victims of data security breaches, and provides additional rights for consumers to obtain their data from any business that has their personally identifying information.



## Infrastructure Investments



### THE NEED FOR INVESTMENT

**Our capital investment programs are critical to ensure we can continue delivering reliable, high-quality water, wastewater and electric service without interruption.** As a utility company, our operating strategy is dependent on having a reliable infrastructure in place.

Our company prides itself on developing assets that create sustainable, long-term value. With our installed utility plant asset base of more than \$1.8 billion at cost, and average annual company-funded capital investments over the last three years of more than \$120 million per year toward renewing and improving these assets, we make infrastructure investments with a long-term perspective. Besides replacing deteriorating systems, we have the opportunity to build and replace for the future, taking into account climate resilience, operating risks, and new design standards.

The nation's aging water infrastructure continues to draw much attention as failures of public systems are far too common. Proactive investments in our systems to replace and protect our infrastructure are more important than ever to avoid the costly and sometimes dangerous effects of deferring maintenance. We continually invest to improve our water systems by upgrading both treatment and delivery systems across all of our service territories and military bases. We also invest toward more efficient operations and maintenance of wastewater systems at the military bases we serve. At our Bear Valley Electric division, we work to ensure the safety and reliability of our electric service by upgrading distribution facilities through capital improvement projects. We are also pursuing clean renewable energy sources that are reliable and economical for our customers.

### OUR APPROACH

**We focus on proactive pipeline replacement to avoid costly and dangerous main leaks or failures.** Golden State Water Company utilizes the KANEW model, an asset management software program, to help us identify the rate of proper main replacement, based on main age, type and installation conditions. The model takes into consideration the risks associated with failure, and proposes a replacement schedule to reduce this risk. It is also used in conjunction with our own database of pipeline failure rates, including detailed leak data and analysis, as we identify specific pipelines to address, and when. In addition, we utilize our detailed hydraulic models, which help us identify potential water quality, pressure and other issues within our distribution system. These hydraulic models are key in maintaining excellent service and optimizing system performance.

In addition to our Pipeline Replacement Program, we focus on our above ground infrastructure, completing a full site condition assessment at each facility to govern our maintenance and replacement decisions. These site condition assessments take into account the most current codes and standards, operational safety, risk of failure and efficiency of equipment. We then utilize these assessments, along with water quality considerations and service requirements, to prioritize our investment – striving to stretch our budgets to gain the most benefit for our customers, both in the short and long term.

**We are proud of our replacement cycle, which is better than 100-year, compared to an industry average of approximately a 250-year replacement rate.**

At our electric business, Bear Valley Electric Service uses a risk based decision making process, in which safety risks are quantitatively evaluated and mitigation programs and projects are developed and assessed. The process yields a list of mitigation programs and projects and quantifies the risk benefit (reduction) and the risk spend ratio (risk benefit divided by equivalent annual cost). This process allows BVES to better evaluate projects in terms of risk reduction and select the best alternatives where an alternative exists.

The company's commitment to investing in our infrastructure is unwavering. GSWC's capital improvement program has totalled \$580.5 million in the past five years, while ASUS has spent over \$314.6 million to renew and replace all infrastructure, and performed over \$581.9 million of capital upgrades since inception.





# Infrastructure Investments CONT.

## CUSTOMER BENEFITS

**Ultimately, it's our customers that benefit from sound infrastructure investments.** Maintaining and upgrading our infrastructure provides essential services to the customers and communities we serve. In fact, at our regulated utility, \$1 out of every \$2.70 collected from our customers goes back into infrastructure in the past two years. Companywide, our investment per customer connection was more than \$6,800 in 2019, an increase from \$5,600 in 2015.

**To keep customer rates affordable, we balance the need to invest to keep our systems safe and reliable with the increase to our customers' bills.**

We also know that new and ongoing projects in our communities can cause disruption. We employ a robust customer communication program to inform and educate our customers about work in their neighborhoods. We take care to install sound barriers and other screening to lessen the impact of our construction on the community. We coordinate with the cities and communities in which we serve to schedule projects that coincide with their public works projects, minimize impacts to schools and businesses, and address specific community expectations. We strive to leave streets and pavement in better condition than when we started, keep our construction sites clean and safe, and be mindful of our plant sites' impacts with the neighborhood by including appropriate landscaping, fencing and features consistent with the area.

On the military bases we serve, the most important aspect of the work we do is minimizing the interruptions to military base missions. We have seen a steady downward trend in the number of unplanned outages as a result of our capital improvement program. Other benefits include the ability to deliver high quality water and improved water pressure in neighborhoods that serve military family housing.





# Economic Impact and Supplier Diversity

Through our investments in capital infrastructure, as well as ongoing operations, we generate significant economic benefits to the local and regional economies where we do business. We employ over 800 employees in nine states, providing jobs as well as the indirect economic effects that result. In addition, we pay federal, state and local taxes in these areas. We are also committed to utilizing a diverse set of suppliers who will provide the highest level of service and quality, as well as being reflective of our communities.

# Environmental Impact and Water Supply

## ENVIRONMENTAL GUIDELINES

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

### GSWC AND BVES

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

We continue to increase the inclusion of diverse business enterprises in procurement opportunities. Our percentage of spend has increased with diverse vendors from 7.5% in 2004, when we started our Supplier Diversity Program, to 29.4% in 2019, exceeding the CPUC’s target of 21.5%. 2019 marked the seventh consecutive year that GSWC exceeded the CPUC goal for spending with diverse suppliers. Meeting this goal is one of our top priorities. Additionally, we met the goals for each of the CPUC’s sub-categories, including Minority-Owned Business Enterprises, Women-Owned Business Enterprises, and Service Disabled Veteran-Owned Businesses, for the fourth consecutive year.

Our efforts have been recognized by minority organizations in the last few years for our contributions toward economic development and providing equal opportunities for diverse suppliers.

### ASUS

On a wider geographical scale, much of the work performed at the ASUS military subsidiaries is done by firms based in proximity to the installations we serve. For 2019, ASUS continued to focus on subcontracting to small business designated firms. Of this subcontract work, 85.8% was awarded to these firms (including Veteran-Owned, Woman-Owned, Small Disadvantaged, Historically Underutilized Business (HUB) Zone, Small Disadvantaged Veteran-Owned and Alaska Native Corporation entities), as defined by the Small Business Administration.

ASUS views small business utilization as a core corporate responsibility and fundamentally necessary to deliver best value to the military. By focusing on the local, small businesses near the bases we serve, we help secure jobs for local families. As a result of this continued focus, our support for the following groups is approximately two times our contractual goal: veteran-owned small businesses, women-owned small businesses, and small-disadvantaged businesses. Currently, 16 of the top 20 subcontractors doing work for ASUS are small business designated firms.



OUR OPERATIONS STRIVE TO COMPLY WITH ALL APPLICABLE REGULATIONS AND REQUIREMENTS

WE EMPLOY MANAGEMENT SYSTEMS AND PROCEDURES SPECIFICALLY DESIGNED TO MINIMIZE THE USE OF HAZARDOUS MATERIALS, ENERGY AND OTHER NATURAL RESOURCES, TO MINIMIZE THE GENERATION OF WASTE AND TO ENABLE RECYCLING AND REUSE OF MATERIALS

WE MINIMIZE ENERGY AND WATER USAGE IN OUR BUILDINGS, VEHICLES AND PROCESSES TO CONSERVE SUPPLIES AND MINIMIZE OUR CONSUMPTION OF NON-RENEWABLE NATURAL RESOURCES

WE PURCHASE PRODUCTS AND SERVICES THAT ARE ENVIRONMENTALLY FRIENDLY



# Environmental Impact and Water Supply

CONT.

## CLIMATE VARIABILITY

The risks posed by climate variability increase the need for us to plan for and address supply resiliency. We address these risks by planning, assessing, mitigating, and investing in our infrastructure for the long-term benefit of our communities. As a provider of an essential product and service, our primary goal is to ensure service is uninterrupted.

### Climate Impact Planning

GSWC considers the potential impacts of climate change in its water supply portfolio planning and its overall infrastructure replacement plans. We evaluate how water supplies, water quality and water demands may change, including mitigation strategies to ensure water continues to reach our customers.

Wildfires and other climate driven events are increasingly impacting all utilities. GSWC continues to intensify its programs to protect its water and electric customers. Examples include hardening critical GSWC facilities in the CPUC’s High Fire Threat Areas, integrating generators installed for Public Safety Power Shutdown (PSPS) events with Supervisory Control and Data Acquisition (SCADA) for our water systems, and enhancing system redundancies based on probability/impact of natural disasters such as wildfires.

For our electric business, BVES has focused on climate impact planning as well, and has developed a comprehensive wildfire mitigation plan. This includes a strong customer communications program in the event of a PSPS.

## WATER SUPPLY

During 2019, GSWC delivered approximately 111 million gallons of water to its customers each day. A reliable, sufficient supply of water is essential to our customers and communities. As a water utility, we are charged with not only delivering quality water each and every day, but doing all we can to plan for an adequate supply of water for generations to come. In California, where we serve our regulated water customers, we must be extra diligent to plan and prepare in a state with a history of drought conditions. As a result of prudent planning, conservation efforts, and customer outreach, during one of the worst droughts in California that ended in 2016, the company experienced no water outages in our service areas.

GSWC has a diverse water supply portfolio which includes adjudicated groundwater rights, surface water rights, and a number of unadjudicated water rights to help meet supply requirements. The productivity of GSWC’s groundwater resources varies from year to year depending upon a variety of factors, including natural replenishment from snow-melt or rainfall, the availability of imported replenishment water, the amount of water previously stored in groundwater basins, natural or manmade contamination, legal production limitations, and the amount and seasonality of water use by GSWC’s customers and others.

GSWC also manages a portfolio of water supply arrangements with water wholesalers who may import water from outside the immediate service area. For example, GSWC has contracts with various governmental entities (principally member agencies of The Metropolitan Water District of Southern California (MWD)) and other parties to purchase water through a total of 58 connections for distribution to customers, in addition to numerous emergency connections.

## WATER SUPPLY (CONT.)

### Risks To Our Water Supply

There are risks to maintaining adequate water quality and/or supply, either from climate variability or other events. They include droughts, changes in weather patterns, natural disasters, wildfires, contamination, decisions or actions restricting the use of water from our sources, and/or pumping of groundwater, and contamination or acts of terrorism or vandalism. We include these potential events in our strategic planning process as we aim to avoid service interruptions.

### Risk Mitigation Efforts

Our goal is to maintain adequate and high-quality water supplies. We do this in a number of ways, including monitoring water levels, short- and long-term water supply planning, having a diverse water supply, developing contingency plans, water efficiency and conservation efforts, and maintaining a strong infrastructure.

GSWC actively participates in efforts to protect groundwater basins from over-use and from contamination. In some periods, these efforts may require reductions in groundwater pumping and increased reliance on alternative water resources. GSWC also participates in implementation of California’s Sustainable Groundwater Management Act.

We carefully monitor the water levels to help ensure operational efficiencies when pumping and identify any impacts on the aquifer. We use groundwater models in certain areas and work with other pumpers in our same basins to monitor the amount of water in the aquifer to help ensure withdrawals match refills.

Our water sources are listed below. Over the long term, we are acting to secure additional supplies from desalination and increase use of reclaimed water, where appropriate and feasible to reduce stress on our water supplies. And in fact, in emergency situations, we have supplied our customers with bottled water until the emergency situation has been resolved.



### Water Sources

In 2019, approximately 53% of GSWC’s supply came from groundwater production wells situated throughout GSWC’s service areas. GSWC supplemented its groundwater production with wholesale purchases from MWD member agencies and regional water suppliers (roughly 44% of total demand) and with authorized diversions from rivers (roughly 3%) under contracts with the United States Bureau of Reclamation (Bureau) and the Sacramento Municipal Utility District (SMUD). GSWC also utilizes recycled water supplies to serve recycled water customers in several service areas. GSWC continually assesses its water rights and groundwater storage assets.

The company has 72,400 acre feet of adjudicated groundwater rights and 11,300 acre feet of surface water rights. It also has a significant number of unadjudicated water rights, which have not been quantified and are not subject to predetermined limitations, but are typically measured by historical usage. We remain intent on preserving the ever-increasing value of these water rights to serve our customers.

We obtain our water supplies for GSWC from a variety of sources, which vary among our water systems. Certain systems obtain all of their supply from water that is pumped from aquifers within our service areas; some systems purchase all of their supply from wholesale suppliers; some systems obtain their supply from treating surface water sources; and other systems obtain their supply from a combination of wells, surface water sources and/or wholesale suppliers.

The specific sources of GSWC’s water are listed on the Annual Water Quality/Consumer Confidence Report for each system located on GSWC’s website at <http://www.gswater.com/annual-water-quality-reports/>.

### Safeguarding our Water Supply

To safeguard our long-term water supply, we promote conservation, work to minimize water leakage throughout our infrastructure and utilize water reuse strategies in areas of limited supply. In addition, we use customer education to ensure reliable water supply to customers. Our use of a tiered block rate structure has also increased conservation by our customers. Under this pricing structure, the cost per unit of water increases as the customer uses more water. Refer to the “Water Efficiency and Conservation” section for further information.







We live in a fragile environment with limited natural resources and water. As stewards of this precious resource, we are dedicated to promoting water efficiency and conservation.

As part of our Pipeline Management Program, we have reduced the number of leaks by nearly **40% over the last four years**, from 840 in 2015 to 507 in 2019.

We also work to minimize pressure fluctuations within pipelines, which reduces leakage and the stress on pipes. Additionally, more carefully managing pressure within the distribution system can optimize pumping efficiency, resulting in lower power demands.

## Water Efficiency and Conservation

At American States Water Company, we understand the delicate balance with nature and have a longstanding commitment to protecting our environment and ensuring resources are managed responsibly.

### GOLDEN STATE WATER COMPANY

#### Reducing Water Loss

Golden State Water takes pride in reducing water loss caused by leaks. We have an aggressive Pipeline Management Program (PMP) to address the continuous need to repair and replace our vast pipeline infrastructure. The PMP program with KANEW was first implemented in 2007, and as a result, GSWC has experienced a downward trend in the number of leaks beginning in 2009, with more significant decreases seen after 2010. The KANEW model is an asset management software program used to identify and model appropriate pipe replacement rates based on a number of risk factors, such as age, material and installation conditions. The goal of the PMP is to address pipeline management strategies using industry-recognized standards such as those published by the American Water Works Association (AWWA), National Association of Clean Water Agencies (NACWA), and others. The PMP consists of three components: (1) risk assessment of existing systems, (2) KANEW modeling, (3) pipeline replacement prioritization and (4) hydraulic models.

**Leak Detection Program** Our water utility has an established Water Audit and Leak Detection program in order to identify leaks in our water system and correct them as soon as possible. Once a Water Audit/Water Loss report is reviewed, the operations team reviews the results to determine if the amount of “unaccounted for” water exceeds established tolerance levels to warrant conducting a Leak Detection Audit.

GSWC utilizes a sonic leak detection sound amplification instrument, including ground microphone and a leak correlator, to survey and pinpoint leaks. The information is used to determine corrective measures.

**“Non-Revenue” Water** “Non-Revenue” water represents the sum of specific types of water loss, including water leakage/loss, theft and meter inaccuracies, and represented approximately 7.9% of total company production for the period 2017-2019. Our water audits use AWWA water audit software and we report these results to the State annually.

**NO-DES Flushing to Save Water** Water providers like Golden State Water must flush the distribution system periodically to ensure we can continue delivering reliable, quality water to customers. Flushing helps to remove mineral and sediment deposits that accumulate in the underground pipes over time.

Conservation and eco-sustainability are important priorities for Golden State Water, which is why we have added NO-DES (Neutral Output-Discharge Elimination System) flushing units to our fleet. NO-DES flushing units help us limit the amount of water discharged while flushing the distribution system, ensuring we can conserve water while maintaining high levels of water quality. The NO-DES units can also be utilized as mobile pumping and water treatment units during emergencies.



# Water Efficiency and Conservation

GOLDEN STATE WATER COMPANY (CONT.)

## Customer Conservation

We work closely with our customers and the CPUC to encourage water conservation. We communicate conservation programs on our bills and on our gswater.com website to educate customers about the efficient use of water. **We anticipate spending more than \$3 million for the period 2019-2021 on conservation programs.** Some of our conservation initiatives and water efficiency improvement efforts include:

- Tiered-rate structures
- Free high-efficiency fixtures
- Rebate programs
- Leak detection kits
- Landscape irrigation programs
- Elementary school programs and kit distributions
- Commercial direct install programs
- California Alternative Rates for Water (income qualified) programs
- Water-saving tips on our website and in social media
- Educational literature and customer workshops
- Community events
- Partnerships with the EPA and other organizations on public education
- Events such as “Fix-A-Leak Week” and “May is Water Awareness Month”
- California Water Efficiency Partnership and Alliance for Water Efficiency memberships, which offer progressive research support, educational information and tools for our customers

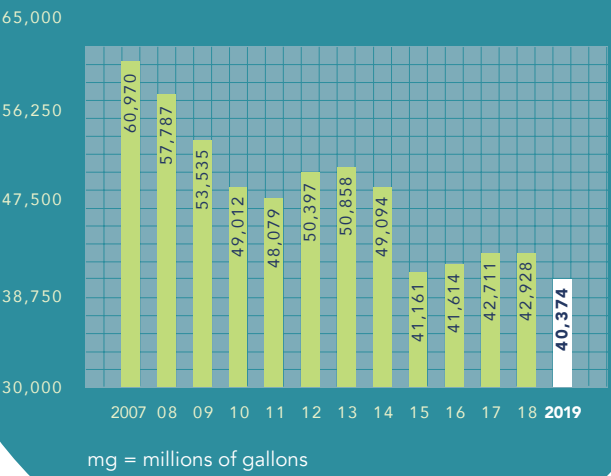
Our full-time Water-Use Efficiency staff is dedicated to education and helping our customers make informed decisions about efficient water use and conservation, as well as distributing complimentary water conservation kits through our school education program, which include high efficiency showerheads and faucet aerators, drip irrigation kits and positive shut-off hose nozzles.

**As a result of strong conservation efforts, water usage by GSWC customers is down ~34% since 2007, while our number of customer connections have increased over that same period.**

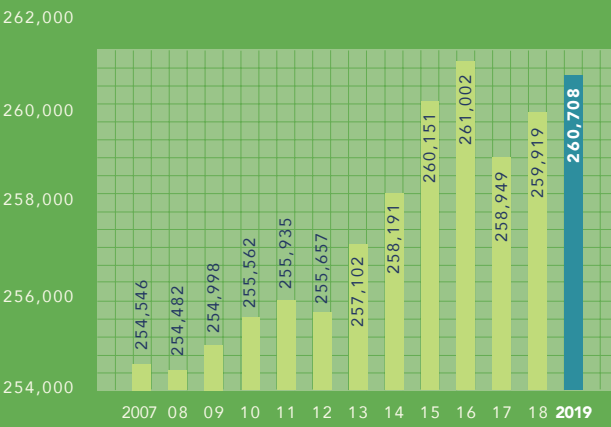
GSWC utilizes a tiered rate structure in many of our service areas to encourage conservation and reward customers who use water responsibly. With our tiered-rate structure, those who use less water have lower water bills.

Given California’s drought and water supply conditions, conservation is more important than ever. In 2017, the Governor of California ended the drought State of Emergency in most of California, and State agencies released a long-term plan to better prepare the State for future droughts, referred to as “Making Conservation a California Way of Life.” Building on the successes and lessons learned from California’s most recent five-year drought, the plan establishes a framework for long-term water use that reflects the state’s diverse climate, landscape and demographic conditions. Achieving the plan’s goals will help all of California better prepare for future droughts.

TOTAL WATER USAGE (MG)



NUMBER OF CUSTOMER CONNECTIONS



## Regulatory Mechanisms

California has adopted a Water Revenue Adjustment Mechanism (WRAM) and Base Revenue Requirement Mechanism (BRRAM), which decouple revenues from sales. GSWC is permitted to collect state utility commission-authorized revenue for a given period, which is not exclusively tied to the volume of water sold or electricity usage during that period.

The idea behind the WRAM and BRRAM is that it ensures the company and its subsidiaries cover fixed costs while promoting conservation, resulting in decreased usage, or revenues. Implementing this alternative regulatory mechanism removes a disincentive to promote conservation.

## ASUS CONSERVATION

**Facing a number of environmental concerns, the government has set many conservation goals for its military establishments.** As a Utility Privatization (UP) partner for these installations, ASUS has been offered the unique opportunity to create innovative ways for the military to meet these goals, and we are proud to play a major role in this extremely important endeavor for sustainability.

When working with such a precious resource as water, it is our responsibility to continue developing these initiatives - not only for efficiency’s sake, but for the well-being of our entire country’s future. We have targeted a number of methods for usage conservation, including storm-water management, overflow reduction, and minimizing potable water consumption.

The results of these conservation efforts have been significant. ASUS’s capital improvement and operations/management programs have, based on 2019 data, reduced water usage and wastewater effluent discharge ranging from 10% to 56% at bases served since the Utility Privatization contracts were awarded. This equates to an approximate \$7.6 million annual savings to the Government. This is even more remarkable when considering the population density growth at these bases average 19%. Our UP contracts provide all of those savings directly to the installation served.



## Water Quality

**If we do nothing else, we must ensure our customers receive quality water that they consume and use on a daily basis.** That is our focus and we've devoted significant resources to do so. High quality water is essential to our customer's health, the trust they place in us as their water provider, as well as our company's reputation. In recent years, public concern regarding water quality around the country has grown. Water utilities face increasing scrutiny and regulation to effectively manage their water quality, and that continues to be our top priority.

OUR DRINKING WATER MEETS OR EXCEEDS STATE AND FEDERAL DRINKING WATER STANDARDS, WHICH ARE SET TO ENSURE THE WATER OUR CUSTOMERS RECEIVE IS SAFE. IN FACT, WE WORK TO MEET COMPLIANCE STANDARDS AHEAD OF ESTABLISHED DEADLINES.

### STRINGENT ENVIRONMENTAL REGULATION AND TESTING

**AWR's subsidiaries are subject to stringent environmental regulations.** We are required to comply with the safe drinking water standards established by the U.S. Environmental Protection Agency (U.S. EPA) and the California State Water Resources Control Board (SWRCB) Division of Drinking Water (DDW). 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 AWR operates.

Our subsidiaries currently test their water supplies and water systems according to, among other things, requirements listed in the Federal Safe Drinking Water Act (SDWA). We work proactively with third parties and governmental agencies to address issues relating to known contamination threatening our water sources, and test to determine the levels, if any, of the constituents in our sources of supply. We treat for numerous man-made and naturally occurring contaminants to ensure water delivered to customers meets or exceeds all safety standards. We expect to maintain or improve the quality of water delivered to our customers in light of anticipated stress on water resources associated with watershed and aquifer pollution, as well as to meet future water quality standards and consumer expectations.

In 1974, when the Safe Drinking Water Act was passed, we were required to test for 16 constituents (elements/ingredients found in water). Today, we test for over 230 constituents to ensure high quality. It is important for our customers to be informed about the quality of their water. To do this, every year an Annual Water Quality/Consumer Confidence Report is prepared and posted for each water system and military base at <http://www.gswater.com/water-quality/> and [www.asusinc.com](http://www.asusinc.com), respectively. In addition, our water quality data results are transmitted directly to the appropriate state from our laboratories.

OUR TEAM OF WATER PROFESSIONALS IS COMMITTED TO ENSURING THAT OUR CUSTOMERS HAVE RELIABLE, HIGH-QUALITY WATER SERVICE AVAILABLE WHENEVER THEY NEED IT.



# Water Quality CONT.

## ADDRESSING WATER QUALITY RISKS

We understand there are risks and threats to our water systems. These include deteriorating infrastructure, natural disasters, climate variability, impacts from wildfires and acts of terrorism or vandalism. Emerging contaminants such as Cyanotoxins, Micro-plastics, Legionella, and PFAS are all issues that we are following and addressing as part of our water quality efforts. We include these potential risks and events in our strategic planning process as we aim to avoid service interruptions and compromised water quality.

To prepare for a water quality emergency, the company has a robust Emergency Preparedness & Response Plan (EPRP). Facets of the plan include employee training and exercises, customer communications protocols, and strategic security initiatives. The EPRP is updated annually and continually throughout the year, all with the goal of providing safe and uninterrupted water service to our communities.

THE COMPANY  
SUPPORTS THE NEED  
FOR RESEARCH IN THE  
WATER INDUSTRY.

## PROGRAMS AND RESEARCH

**Our dedicated environmental and water quality professionals possess expertise in environmental compliance, water resources, water quality and conservation.** Our programs are designed to provide quality assurance and responsible use of environmental resources. Our comprehensive program strives to eliminate or mitigate environmental impacts to air, water and land in both our day-to-day operations and our capital improvement projects. Our company also has a training program for new employees that not only covers regulations and procedures, but also covers environmental awareness and water conservation principles, ensuring that every employee understands our role as a steward of the environment.

**Our team of experts strives to provide  
consistent water service  
and prevent water quality issues by regularly investing  
to maintain and improve our water systems.  
This helps ensure our ability to provide our customers  
with high-quality drinking water – 24 hours a day,  
seven days a week.**

As an example of ensuring high quality water to our communities, in 2017, the State of California announced a new program encouraging schools to test their drinking water for the presence of lead. GSWC worked extensively with the schools in its service areas to test and ensure drinking water quality was not being compromised by plumbing issues within the school facilities. As a result of concerted outreach to the schools, GSWC completed lead sampling at all schools that were subject to Assembly Bill 746 in its service area in 2019. For more information, including test results, visit <http://www.gswater.com/schools/>.

**The use of ADVANCED TECHNOLOGY also helps us monitor water quality in a cost-effective manner. For example, we use mapping software such as Geographic Information System (GIS) when looking at disinfection levels and bacteriological results in the distribution system.**

GSWC has been an active member of the Water Research Foundation for decades, helps fund the organization and has served in significant leadership positions. The Foundation is an internationally recognized leader in water research that is dedicated to advancing the science of water by sponsoring cutting-edge research and promoting collaboration. Their research provides industry insights and practical solutions to the most complex challenges facing the water community today and into the future. GSWC has specifically funded work in the utility Enterprise Risk Management (ERM) space, and our employees have participated in several research projects.

# Renewable Energy and Other Conservation

## RENEWABLE ENERGY

Bear Valley Electric Service continues a 10-year agreement for the purchase of renewable energy credits which allows it to meet the CPUC’s Renewable Portfolio Standard (RPS) requirements. In 2020, BVES’s renewable power will represent 33% of total electric supply purchases. RPS requirements continue to escalate, reaching 50% by 2026 and 100% carbon free by 2045. BVES anticipates CPUC approval of an application to construct an eight-megawatt solar generation facility. If approved and constructed, the Bear Valley Solar Energy Project will provide a clean, local energy solution for the service territory.

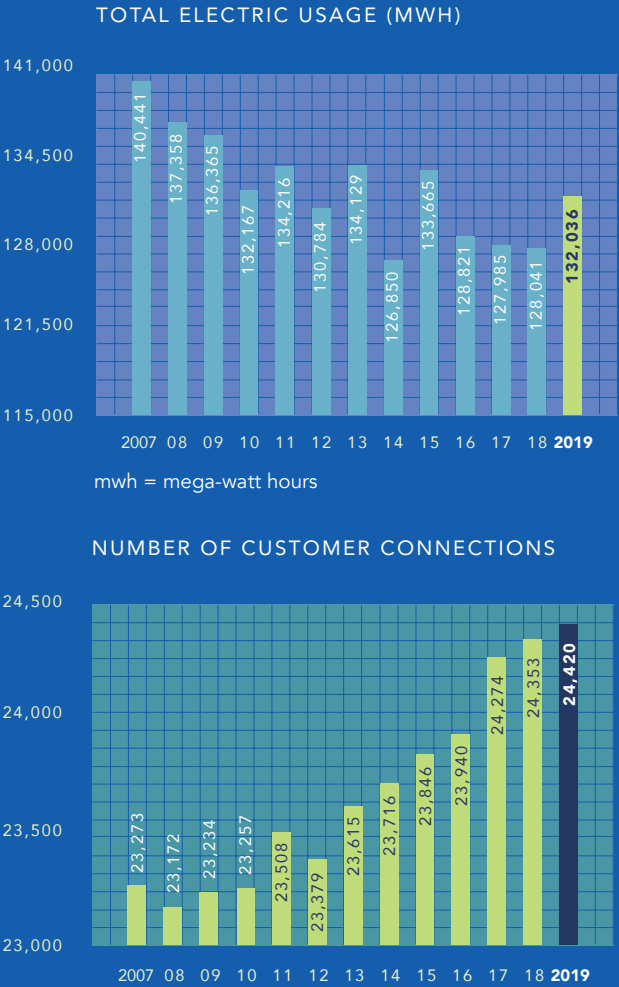
BVES offers a Distributed Generation Program, which benefits customers of our electric division who install a solar or wind-generating facility that produces renewable energy. Those customers can receive a bill credit if their monthly renewable energy production exceeds their on-site use. BVES also has a large number of customers on its Net Energy Metering Program, which was the previous renewable energy program. NEM customers can receive a bill credit if their annual renewable energy production exceeds their on-site use.

Approximately 5% of the energy consumed by our BVES customers is now generated by customer-owned renewable sources (solar).

## CONSERVATION BY OUR ELECTRIC CUSTOMERS

In addition to pursuing environmentally friendly resources, BVES is helping customers utilize electricity more efficiently. Our employees have been proactive in the community, promoting resource options in schools, government agencies, small businesses and individual households. In addition, BVES utilizes a tiered rate structure to encourage conservation. The tiered rates incentivize customers to reduce electricity usage and reward customers who use less electricity.

As a result of strong conservation efforts, customer electric usage is down more than 6% since 2007 while the number of customer connections have increased during this time.



These are some other conservation efforts that BVES promotes:

We educate customers on our energy rebate program, which encourages innovation and conservation. These efforts have helped to save millions of kilowatt hours of electricity.

We collaborate with local water agencies, including the City of Big Bear Lake’s Department of Water and the Big Bear Community Services District, to encourage the efficient use of water and electricity.

## REDUCED ENERGY CONSUMPTION

To reduce energy consumption in our water operations, our successful customer conservation efforts have decreased our need to purchase or pump water, both of which reduce overall energy consumption. Moreover, through proactive operation and predictive maintenance of our wastewater systems, energy use is further reduced.

We conduct pump efficiency tests, and replace our pumps in part based on these test results. As pumps and motors age, they become less efficient, requiring more energy to move the same amount of water. In addition, at the outset we design some of our key systems to be energy-efficient, then maintain these systems to optimize their reliability and performance.

The use of solar energy is also something we’ve utilized for clean energy production. The Experimental Mohawk Project is a photovoltaic system and solar-operated well pumping site in Apple Valley, California that utilizes special equipment to maximize power efficiency and extend the useful life of the equipment. The project is projected to save approximately \$2 million for customers over the course of 25 years.

## OTHER CONSERVATION EFFORTS

While the most significant conservation efforts and impact is through the reduction of water and electric use in our operations and by our customers, we are doing what we can to conserve in other ways. In our headquarters, we use energy-efficient lighting and motion-sensors, energy-efficient office equipment, energy-saving HVAC units, water-saving toilets and faucets, a smart water conserving irrigation system, and recycle our electronic waste. Recently, we installed LED lighting in our parking lot and added charging stations for employees to charge personal electric vehicles, in an effort to promote fuel efficient commuting.



# Our Workforce



We are committed to helping our employees thrive. We are equally committed to their health and safety. Our company’s Health and Safety as well as Human Capital Management (HCM) programs seek to sustain and strengthen efforts in the areas of health and wellness, safety, recruitment, development, retention and employee protections.

## OCCUPATIONAL HEALTH AND SAFETY

We place tremendous attention and focus on employee health and safety. Strong Occupational Health and Safety practices reduce injuries, keep our workforce healthy, and reduce operating costs. A safe workforce translates into better performance companywide.

### Safety Performance - Companywide

We work to create a safety-focused culture in which each individual feels personally responsible for their own safety, the safety of their co-workers, as well as the safety of the communities they serve. In addition, safety performance is included as a metric in the officer and manager compensation programs.

Each year, the company posts their Occupational Safety and Health Administration (OSHA) 300A Forms at all of their facilities to report all work-related injuries and illnesses for the previous calendar year. For 2019, the average number of employees during the calendar year was 831. The results were as follows:

Our employees are **the foundation of our success.** We challenge ourselves to attract, develop and retain the talent we need; and adapt to the scale and pace of change that is occurring if we are to remain at the forefront of our industry.

YEAR	TOTAL NUMBER OF DEATHS	TOTAL CASES WITH DAYS AWAY FROM WORK	TOTAL CASES WITH JOB TRANSFER/ RESTRICTION	TOTAL NUMBER OF OTHER RECORDABLE CASES	TOTAL DAYS AWAY FROM WORK	TOTAL DAYS OF JOB TRANSFER/ RESTRICTION	TOTAL INJURIES
2019	0	15	6	12	980	346	33





# Our Workforce CONT.

### Policies

AWR’s safety policy is to establish and maintain a safe work environment for all employees. To accomplish this, a comprehensive Health and Safety Policy/Plan has been developed to educate employees about workplace hazards and protect them from workplace injuries and illnesses. The programs are required by OSHA for each respective state. We are committed to reducing the number of OSHA recordable incidents, accidents and injuries in the workplace.

### Responsibility

Safety responsibilities involve every employee in the company. Employees strictly follow training guidelines and safety policies. Employees are encouraged to correct and report unsafe work conditions.

Management personnel ensure that the safety and health programs are administered in their areas of responsibility and support employees in following safety policies, rules and regulations.

### Safety Initiatives

To support our commitment to safety, we completed more than 19,000 hours of safety training in 2019, and encourage open communication and feedback to further enhance on-the-job safety. Employees attend training in various mandated safety programs that are applicable to their operations. This training includes class room style, online, field safety meetings, and on the job training. Safety training attendance records are maintained by our Training & Compliance team and Safety Coordinators.

Safety initiatives also include ergonomic considerations to prevent or mitigate repetitive motion injuries that can lead to cumulative trauma disorders, as well as construction safety protocols for operations on valves and hydrants to isolate main breaks quickly to prevent or reduce property damage and protect lives.

To reinforce our safety efforts and protocols, companywide safety inspections are conducted with supervisors. Safety concerns identified during the inspection tours are immediately corrected whenever possible. The inspection reports are forwarded to management for review, allocation of resources (if needed), and correction.

In addition to ensuring employee safety, positive measures are taken to protect the general public. Traffic Control classes are required to protect employees and the public. Employees must provide visible “barriers” such as cones and/or safety warning tape to identify open trenches and underground vaults to protect the public from accidentally falling into the temporary work openings.

**Health and Safety at GSWC** GSWC’s safety training program exceeds regulatory standards, and focuses on accident prevention. GSWC has employed a behavioral based safety training program, called SafeStart, since 2011. This program is in addition to required OSHA safety training and addresses the behavioral states that lead to approximately 95% of all accidents. The four states are: Rushing, Frustration, Fatigue, and Complacency. Critical errors are identified that commonly occur during these states, such as mind not on task, eyes not on task, being in the line of fire, and loss of balance, traction or grip. SafeStart has also been incorporated into the Post Accident Training Program rolled out in 2015, which requires any employee who has been involved in an OSHA accident to complete behavioral-based safety training.

In 2015, an additional phase of the Safety Recognition Program, which includes a raffle to win a nominal award for accident-free employees, was introduced, and has helped to further encourage safe working behavior. Through these safety programs and initiatives, accidents have declined. For example, there were 21 accidents in 2019 compared to 37 accidents in 2011.

GSWC monitors water pressure throughout various pressure zones and maintains zones within safe working levels, as designated by the California Public Utilities Commission. GSWC also helps to educate customers concerning their compliance requirements pertaining to the Uniform Plumbing Code for their health and safety.

GSWC also ensures the Underground Service Alert (USA) program is followed prior to our contractors beginning any excavation. The USA program notifies all utilities to mark the location of all underground facilities prior to contractors initiating any excavation. The intent of the USA program is to protect the safety of the contractor, GSWC employees, our customers and the general public who live and/or work within the vicinity of our construction areas. Prior to construction, GSWC notifies customers of upcoming work, and contractors are required to post work/warning signs near the work area.

Additionally, at GSWC, the Emergency Management & Security (EM&S) Program is designed to protect the safety and welfare of its employees, while keeping its strong commitment to providing the communities it serves with safe drinking water and reliable customer service during emergencies. The EM&S program continually improves processes and procedures, while training, emergency exercises and strategic security initiatives strengthen company and community resiliency.

The Emergency Preparedness & Response Plan (EPRP) is updated annually and continually throughout the year. Varying levels of training are provided to employees throughout the year, to include training in fire hazards, Emergency Action Plans, Hazardous Material Emergency Response and Communication procedures, Personal Protective Equipment, and Incident Command Systems (ICS) operations. The latter is critical in understanding the standards and principles on how to respond to emergencies, and how our staff engages internally and with local emergency first responders. ICS training was offered to every operating district beginning in 2017, with 81% of employees completing the training. ICS training will continue throughout 2020.

Exercises play a vital role for testing capabilities, fostering meaningful interaction and communication across the organization, and identifying best practices and areas for improvement. Since 2000, GSWC has conducted emergency training exercises in each of its districts. GSWC maintains a leadership role in regional and statewide mutual assistance associations, both within the water industry and with other utility partners in gas, electric and telecommunications.

Community partnerships are vital during an emergency, and through the EM&S program, our staff continue to conduct outreach with their local emergency response partners to strengthen emergency preparedness within the communities we serve.



Our Workforce CONT.

Health and Safety at ASUS

ASUS ensures a safe and healthful workplace for all its employees, and employs effective Health & Safety programs and procedures in the effort to eliminate workplace hazards.

In order to address issues relating to health and safety and provide distinct metrics for compliance, ASUS has a dedicated Safety Coordinator located at each installation. The onsite Safety Coordinator provides regulatory compliance, as well as beneficial health and safety monitoring functions.

In 2019, ASUS increased staffing of Employee Health & Safety (EH&S) Coordinators to ensure more adequate coverage of the health and safety needs at all of its subsidiaries. The EH&S team has successfully updated policies and procedures, bringing standardization, better communication, and follow through implementation of each.

To assist the EH&S team and in an effort to further enhance the responsiveness and effectiveness of the Health & Safety program, ASUS added the ASUS Water & Wastewater Information Management System (AWWIMS). AWWIMS is a fully customized web-based database designed to give ASUS tools in order to manage the health and safety compliance for all employees and thousands of assets across all subsidiaries effectively. This innovative database allows leadership and program managers at all levels to easily access every installation's information.

ASUS utilizes Safety Coordinators for safety pre-planning by conducting hazard analyses, safety plan reviews, and worker training events and evaluations. Safety expectations and possible risk mitigation options prior to the start of projects is clearly identified through this set up. In addition, ASUS Safety Coordinators are on-site regularly to evaluate jobsite safety and reinforce standards on all projects. Concerns are documented on-site and corrective action requirements are tracked through our "Safety Reporting" mobile application to ensure timely corrections.

ASUS is well prepared for any emergency that may arise. Robust emergency response plans (ERPs) have been developed for all subsidiaries and are ready to be implemented when the need arises. Employees are continually trained on the ERP procedures, preform exercises, and conduct preparations well ahead of expected emergencies. In addition, each subsidiary spends a great deal of time coordinating and collaborating with the local military installation and Emergency Response Organizations to ensure a unified response to all emergencies. These plans ensure that the safety and well-being of its employees are never compromised during such events and at the same time continue to provide optimal support to our military customer.

TALENT ACQUISITION, DEVELOPMENT AND RETENTION

The mission of the Human Capital Management team is to support the company in its commitment to its employees and customers. We achieve this by constantly improving, implementing best practices, and acting as leaders in our field. We have a daily focus on our core values of

Integrity  
Teamwork  
Respect  
Excellence in Service  
Accountability

Employees

Below is a chart showing the Equal Employment Opportunity (EEO) demographic make-up of our company. Our workforce is representative of the U.S. workforce population in terms of ethnic diversity.

	ALL AWR EEO DEMOGRAPHICS*	2017 EEO-1 AGGREGATE NAT'L REPORT
ETHNICITY		
White	48.7%	60.3%
Black	9.4%	15.2%
Hispanic	27.7%	14.9%
Asian	10.0%	6.6%
Native American/Pac Islander	1.2%	0.5%
American Indian	1.6%	0.5%
2+ Races	1.4%	2.0%
TOTAL	100.0%	100.0%
*As of December 2018		
	ALL AWR EEO DEMOGRAPHICS	2017 EEO-1 AGGREGATE NAT'L REPORT
GENDER		
Male	70.0%	51.9%
Female	30.0%	48.1%
TOTAL	100.0%	100.0%

# Our Workforce CONT.

## Compensation and Benefits

We offer a comprehensive and attractive compensation program. All employees who average 30 hours or more per week receive full-time benefits, and full-time employees pay only 15% of the total cost of medical, dental and vision.

American States Water Company offers the following benefits to eligible employees:

- Medical
- Dental
- Vision
- 401(k) with company match
- Defined Contribution (DC) Profit Sharing Plan
- Life Insurance
- Accidental Death/Dismemberment
- Educational assistance
- 11 paid official holidays plus birthday
- Paid vacation
- Employee Assistance Program (EAP)
- Enhanced Wellness Program
- Learning & Development opportunities
- Corporate discounts for various products and theme parks
- Company-sponsored community and employee events throughout the year
- Other employee and employer-paid benefits

## Workplace Policies and Protections

One of American States Water Company’s Values is “Valuing diversity and treating all stakeholders with fairness.” As a company, we seek to promote the benefits of diversity in all of our business activities and oppose discrimination of any kind with a formal non-discrimination policy published in our Code of Conduct and Employee Handbook. Our company’s management team is grounded in the principles and practices of accelerating an integrated talent and diversity management strategy to maximize efforts for engagement, development and retention and to sustain reasonable accommodations. We believe that diverse perspectives and open lines of communication help to create employee motivation, customer satisfaction, greater return on investment for shareholders and better communities in which to work and live.

We are an equal opportunity employer and value diversity. Our goal is to have a diverse workforce that is representative, at all job levels, of the communities we serve. This begins with the recruitment process. All aspects of employment, including the decision to hire, promote, discipline, or discharge, will be based on merit, competence, performance, and business needs. We do not discriminate on the basis of race, color, religion, marital status, age, national origin, ancestry, physical or mental disability, medical condition, pregnancy, genetic information, gender, sexual orientation, gender identity or expression, veteran status, or any other status protected under federal, state, or local law.

## Wage and Hour Practices

The company pays employees a competitive and fair wage, as benchmarked with other leading companies and the market.

Consistent with our principle of valuing personal mastery, we reward employees for improving their skills and capabilities. At a minimum, we comply with all applicable wage and hour laws, rules, and regulations, including minimum wage, overtime, and maximum hours.

## Labor Relations

3.6% of our employees are represented by labor unions. We respect our partnerships with unions and work with them to achieve business results that benefit the customers and communities we serve, our employees, and our businesses. We also seek opportunities to collaborate with our unions. The company respects employees’ rights to freedom of association and collective bargaining. In addition, we expect our suppliers and contractors with whom we do business to uphold the same standards. Should a violation of these principles become known by the company and not corrected, we will discontinue the business relationship.





# Our Workforce CONT.

## Leadership and Succession Planning

As we continue to grow and develop new career paths, we are laying out careers for our employees, not just jobs. Our Military Privatization Subsidiaries have experienced strong growth in the last few years, taking on two new military installations as well as launching the Organic Construction Crew (OCC) Program. A majority of the leadership in the OCC Program has been developed by on the job training and moving through areas of increasing responsibilities.

We continue to encourage well qualified internal applicants to apply for leadership roles within all of our subsidiaries. We remain focused on developing internal talent by encouraging employees to take advantage of all training and opportunities afforded to them, including professional certifications and educational seminars.

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

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

Recruiting, developing and retaining the right talent is key to our long-term success. With 28% of our employees eligible for retirement in the next five years, we must focus on transferring institutional knowledge, continue succession planning and pursue recruitment and development strategies to attract qualified talent.

## Recruitment

The company continues its efforts in the recruitment, promotion, and retention of a qualified, diverse, and engaged workforce to meet the growing Human Capital needs of our organization. We regularly promote employees from within, as well as hire from our local communities in which we operate. Due to the time, commitment, and teamwork of senior management and Human Capital Management, our ASUS was awarded a prestigious membership into the Military Spouse Employment Partnership (MSEP). MSEP is a Department of Defense sponsored program that allows for the recognition of an elite group of companies who demonstrate a commitment to hire military spouses. We have also been nominated for and received several veteran friendly awards.

The company's Employee Referral Program has also helped find candidates for hard to fill positions. These include positions in Water Operations, Engineering, Customer Service, Water Quality, Information Technology, Meter Reading, and Construction.

**Investing in Future Talent** We have continued our practice of participating in community and college career fairs that resulted in the successful hiring of several Water Technology students from different community and technical colleges. We continue to build relationships with these schools as they have proven to be a dependable source of qualified Water Operations candidates. We also maintain contact with several California universities, utilizing them as a resource in promoting our engineering positions. The company continues to participate in High School Career Day events in our service territories.

In addition, the company has expanded its career fair participation to include career fairs that are geared towards veterans, active duty military, and their families. We have attended veteran and military careers fairs in numerous cities. We have built relationships with local water organizations, American Water Works Association, and Cal Nevada AWWA to collaborate on military recruitment. We currently sit on two veteran employment committees aimed at increasing veteran employment in the water industry. We have also established relationships with representatives at the Employment Development Department to foster recruitment of veterans.

**Attracting Diverse Candidates** We understand that strength comes from having a diverse employee population. We strive to hire from our local communities and have a workforce that represents those we serve. The company continues its efforts in the recruitment, promotion, and retention of a qualified, diverse, and engaged workforce to meet the growing human capital needs of our organization. Our ongoing efforts have produced noteworthy results for the company.

## Learning and Development

At American States Water, we work to ensure that employees have adequate training and education to perform their jobs. Working in close partnership with our frontline operations supervisors and managers, our training & compliance teams have created a nexus for learning within the company. A key function includes building a talented and robust workforce by developing employees' knowledge, skills and abilities throughout the company. Certain compliance training is required each year, while others are offered on an optional basis. Examples of optional programs include ongoing water operations competencies and education, supervisor development, knowledge capture and management, feedback and measurements to show the value of learning solutions, and administrative oversight for various business competencies relative to mandated training and compliance requirements. Approved external business-related seminars and workshops are paid for by the company, and employees are encouraged to maintain all of their job-specific certifications, licenses and continuing education credits. We are proud to say that we have 300 employees certified in water operations and over 56 employees certified in wastewater operations. Additionally, our Corporate Partners in Education program supports those who are pursuing undergraduate degree completion with tuition reimbursement assistance.

On a regular and ongoing basis, we require all employees to certify review and understanding of the Code of Conduct as well as the company Employee Handbook. Additionally, we have also launched Harassment and Prevention Awareness training for all employees. These training requirements provide that foundation and expectations for the company's standards, values, and ethics that buttress actions to hold employees accountable for any failures to meet or exceed our standards, values, and ethics. In short, these efforts are our objective to reinforce the ideal of individual accountability in the performance and conduct in the work environment and as representatives of the company.

**There are mandatory training requirements for various positions, newly hired employees, supervisors, and managers.**

Also, there are Cal/OSHA safety training requirements as well as training requirements for the Department of Transportation and training requirements for Environmental local, state, and federal.



Our Workforce CONT.

Performance Reviews

Our training focuses on how we can navigate an ever-changing workplace with an ever-growing and diverse population. To that end, we work to encourage our supervisors to hold everyone accountable to the same standards of performance. We rely on our leaders to make well thought out and sound employment related decisions with Human Capital Management’s support and collaboration. We continually provide support to all members of management on matters relating to performance management, counseling and discipline, and performance appraisals. As needed, guidance is provided on policy interpretation and appropriate levels of enforcement. We continue to mentor all levels of supervisors on the appropriate management of problematic situations, and ensuring quality and accuracy from their teams.

As a whole, the company participates in the Annual Performance Review process. Our Annual Performance Review contains detailed information relating to the performance of job functions, areas of excellence, areas for improvement as well as a section for collaboration with each employee to set goals each year.

Consequently, supervisors are expected to provide examples of strengths and accomplishments of an employee that are exceptionally noteworthy and/or exceed expectations of the positions as well as areas for improvement and development. Supervisors should identify any disciplinary action and/or counseling of employees throughout the year as areas for improvement and/or development. For employees not meeting performance standards, supervisors must provide goals and objectives for improvement and development in this section. We require specific examples based on observations to be shared with each employee so they have a frame of reference for the noted praise and/or areas for improvement.



Recognition

OUR FOCUS IS TO PROVIDE THE NECESSARY EXPERTISE AND EXPERIENCE IN THE MANAGEMENT AND CONVEYANCE OF POTABLE WATER, WASTEWATER AND ELECTRICITY WITH THE HIGHEST OF INTEGRITY, RESPONSIVENESS AND SERVICE. ALONG THE WAY, WE HAVE BEEN RECOGNIZED FOR OUR CONTRIBUTIONS AND ACCOMPLISHMENTS:



AWR  
**Most Influential Corporate Directors, the five women on our Board of directors were recognized by WomenInc. Magazine (2019)**

**“Winning Company” Award, for eight consecutive years, the “2020 Women on Boards” organization, a national campaign targeting gender diversity at the corporate leadership level, has recognized American States Water for its commitment to diversity.**

**Top 25 Company for Female Leadership, named by the UC Davis Study of California Women Business Leaders: A Census of Women Directors and Highest-Paid Executives (2015). AWR ranked 4th of the 400 largest publicly held companies headquartered in California in terms of number of women in director or executive roles.**

GSWC  
**Utility Company of the Year, awarded to the company that has made outstanding contributions leading to the overall economic development of African American businesses by the Greater Los Angeles African American Chamber of Commerce (2020)**

**Business of the Year, a distinguished honor presented annually by the Los Osos/Baywood Park Chamber of Commerce (2019)**

**Corporate Partner of the Year, a prestigious award presented annually by the Inglewood Chamber of Commerce. GSWC was also formally recognized by the City of Inglewood for outstanding contributions to the community (2019)**

**Community Business Partner of the Year, presented by the Cordova Council. GSWC Northern General Manager Paul Schubert also received recognition as the Regional Water Authority Water Statesperson of the Year (2019)**

**Economic Impact of the Year Award, a distinguished honor presented by the Los Alamitos Chamber of Commerce (2018)**

**Chairman’s Gold Award, presented from the Carson Chamber of Commerce for outstanding contributions to the Carson community (2019)**

**Women of Excellence Legacy Award, a national recognition presented to GSWC’s supplier diversity manager for helping the company pioneer a successful supplier diversity strategy in the water industry (2019)**

**California Delegation Mission in Mexico GSWC Senior Vice President of Regulated Utilities Denise Kruger was selected to serve as a delegate on this important trade, education and climate mission led by California Lieutenant Governor Eleni Kounalakis (2019)**

**Outstanding Industry Service Award, presented by the CA-NV Section, American Water Works Association for providing outstanding service and dedication to the organization through volunteer activities (2019)**



Recognition CONT.



GSWC (CONT.)

**Management Innovation Award**, presented by the National Association of Water Companies (NAWC) for pioneering a new way of engaging customers on water conservation through the “Collaborative Conservation Education Campaign” (2016)

**Larry C. Larson Safety Award**, presented by the California-Nevada Section (CA-NV Section) of the American Water Works Association for GSWC’s commitment to making employees’ health and safety a main priority and maintaining a high morale among employees to provide a more proficient and productive workforce (2016)

ASUS

“Great Place to Work®,” voted by employees of ASUS each year from 2015-2019

**Gold Hire Vets Medallion Award**, received by the United States Department of Labor (2019)

**Secretary of Defense Employer Support Freedom Award**, ONUS, an ASUS subsidiary, was one of 65 North Carolina employers nominated for this award in recognition of its exemplary support provided to National Guard and Reserve employees (2015)

**Military Spouse Employment Partnership**, received Statement of Support (2019)

**Outstanding Activity Award**, Fort Bliss Water Services Company was presented with this award by military leadership for its support to the 1st Armored Division, Fort Bliss Directorate of Family and Morale, Welfare and Recreation, and the El Paso community (2020)

**Special Achievement in Geographic Information Systems (GIS)**, presented by ESRI (2017)

IF YOU HAVE QUESTIONS ABOUT THE CORPORATE SOCIAL RESPONSIBILITY REPORT, PLEASE CONTACT:

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