

AMERICAN STATES WATER CO

Form 10-Q

November 02, 2016

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended September 30, 2016

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from _____ to _____

Commission file number 001-14431

American States Water Company

(Exact Name of Registrant as Specified in Its Charter)

California

(State or Other Jurisdiction of Incorporation or Organization)

630 E. Foothill Blvd, San Dimas, CA

(Address of Principal Executive Offices)

(909) 394-3600

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Commission file number 001-12008

Golden State Water Company

(Exact Name of Registrant as Specified in Its Charter)

California

(State or Other Jurisdiction of Incorporation or Organization)

630 E. Foothill Blvd, San Dimas, CA

(Address of Principal Executive Offices)

(909) 394-3600

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American States Water Company Yes No

Golden State Water Company Yes No

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Indicate by check mark whether Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files).

Table of Contents

American States Water Company Yes x No ``
Golden State Water Company Yes x No ``

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

American States Water Company

Large accelerated filer x Accelerated filer `` Non-accelerated filer `` Smaller reporting company ``

Golden State Water Company

Large accelerated filer `` Accelerated filer `` Non-accelerated filer x Smaller reporting company ``

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

American States Water Company Yes `` Nox

Golden State Water Company Yes `` Nox

As of October 31, 2016, the number of Common Shares outstanding of American States Water Company was 36,569,746 shares. As of October 31, 2016, all of the 146 outstanding Common Shares of Golden State Water Company were owned by American States Water Company.

Golden State Water Company meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Form, in part, with the reduced disclosure format for Golden State Water Company.

AMERICAN STATES WATER COMPANY
and
GOLDEN STATE WATER COMPANY
FORM 10-Q

INDEX

Part I Financial Information

<u>Item 1: Financial Statements</u>	<u>1</u>
<u>Consolidated Balance Sheets of American States Water Company as of September 30, 2016 and December 31, 2015</u>	<u>4</u>
<u>Consolidated Statements of Income of American States Water Company for the Three Months Ended September 30, 2016 and 2015</u>	<u>6</u>
<u>Consolidated Statements of Income of American States Water Company for the Nine Months Ended September 30, 2016 and 2015</u>	<u>7</u>
<u>Consolidated Statements of Cash Flow of American States Water Company for the Nine Months Ended September 30, 2016 and 2015</u>	<u>8</u>
<u>Balance Sheets of Golden State Water Company as of September 30, 2016 and December 31, 2015</u>	<u>9</u>
<u>Statements of Income of Golden State Water Company for the Three Months Ended September 30, 2016 and 2015</u>	<u>11</u>
<u>Statements of Income of Golden State Water Company for the Nine Months Ended September 30, 2016 and 2015</u>	<u>12</u>
<u>Statements of Cash Flow of Golden State Water Company for the Nine Months Ended September 30, 2016 and 2015</u>	<u>13</u>
<u>Notes to Consolidated Financial Statements</u>	<u>14</u>
<u>Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
<u>Item 3: Quantitative and Qualitative Disclosures About Market Risk</u>	<u>52</u>
<u>Item 4: Controls and Procedures</u>	<u>52</u>
<u>Part II</u> <u>Other Information</u>	
<u>Item 1: Legal Proceedings</u>	<u>53</u>
<u>Item 1A: Risk Factors</u>	<u>53</u>

<u>Item 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>53</u>
<u>Item 3: Defaults Upon Senior Securities</u>	<u>53</u>
<u>Item 4: Mine Safety Disclosure</u>	<u>53</u>
<u>Item 5: Other Information</u>	<u>54</u>
<u>Item 6: Exhibits</u>	<u>54</u>
<u>Signatures</u>	<u>59</u>

Table of Contents

PART I

Item 1. Financial Statements

General

The basic financial statements included herein have been prepared by Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments consisting of normal recurring items and estimates necessary for a fair statement of results for the interim period have been made.

It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto in the latest Annual Report on Form 10-K of American States Water Company and its wholly owned subsidiary, Golden State Water Company.

Filing Format

American States Water Company ("AWR") is the parent company of Golden State Water Company ("GSWC") and American States Utility Services, Inc. and its subsidiaries ("ASUS").

This quarterly report on Form 10-Q is a combined report being filed by two separate Registrants: AWR and GSWC. For more information, please see Note 1 of the Notes to Consolidated Financial Statements and the heading entitled "General" in "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations." References in this report to "Registrant" are to AWR and GSWC collectively, unless otherwise specified. GSWC makes no representations as to the information contained in this report other than with respect to itself.

Forward-Looking Information

This Form 10-Q and the documents incorporated herein contain forward-looking statements intended to qualify for the "safe harbor" from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current estimates, expectations and projections about future events and assumptions regarding these events and include statements regarding management's goals, beliefs, plans or current expectations, taking into account the information currently available to management. Forward-looking statements are not statements of historical facts. For example, when we use words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "may" other words that convey uncertainty of future events or outcomes, we are making forward-looking statements. We are not able to predict all the factors that may affect future results. We caution you that any forward-looking statements made by us are not guarantees of future performance and the actual results may differ materially from those in our forward-looking statements. Some of the factors that could cause future results to differ materially from those expressed or implied by our forward-looking statements or from historical results, include, but are not limited to:

• the outcomes of pending and future regulatory, legislative or other proceedings, investigations or audits, including decisions in GSWC's general rate cases and the results of independent audits of GSWC's construction contracting procurement practices or other independent audits of GSWC's costs;

• changes in the policies and procedures of the California Public Utilities Commission ("CPUC");

• timeliness of CPUC action on rates;

availability of GSWC's water supplies, which may be adversely affected by the California drought, changes in weather patterns in the West, contamination, and court decisions or other governmental actions restricting the use of water from the Colorado River, the California State Water Project, and/or pumping of groundwater;

our ability to efficiently manage GSWC capital expenditures and operating and maintenance expenses within CPUC authorized levels, and timely recover our costs through rates;

the impact of opposition to GSWC rate increases on our ability to recover our costs through rates, including costs associated with construction of pipelines to connect to alternative sources of water, new wells to replace wells that are no

1

Table of Contents

longer in service (or are otherwise inadequate to meet the needs of our customers), and other facilities to conserve or reclaim water;

the impact of opposition by GSWC customers to rate increases associated with the implementation of tiered rate structures as well as restrictions on water use mandated in California as a result of the California drought, which decreases adopted usage and increases customer rates;

the impact of condemnation actions on future GSWC revenues and other aspects of our business if we do not receive adequate compensation for the assets acquired, or recovery of all charges associated with the condemnation of these assets, and the impact on future revenues if we are no longer entitled to any portion of the revenues generated from these assets;

liabilities of GSWC associated with the inherent risks of damage to private property and injuries to employees and the general public if they should come into contact with electrical current or equipment, including through downed power lines or equipment malfunctions, or if safe construction and maintenance work sites are not maintained;

our ability to forecast the costs of maintaining GSWC's aging water and electric infrastructure;

- our ability to recover increases in permitting costs and in costs associated with negotiating and complying with the terms of our franchise agreements with cities and counties, and other demands made upon us by the cities and counties in which GSWC operates;

changes in accounting valuations and estimates, including changes resulting from our assessment of anticipated recovery of GSWC's regulatory assets, liabilities and revenues subject to refund or regulatory disallowances and the timing of such recovery, and the amounts set aside for uncollectible accounts receivable, inventory obsolescence, pensions and post-retirement liabilities, taxes and uninsured losses and claims, including general liability and workers' compensation claims;

changes in environmental laws, health and safety laws and water and wastewater quality requirements and increases in costs associated with complying with these laws and requirements, including costs associated with upgrading and building new water treatment plants, disposing of residuals from our water treatment plants, handling and storing hazardous chemicals, compliance monitoring activities and securing alternative supplies of water when necessary;

our ability to obtain adequate, reliable and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our water and wastewater operations;

our ability to attract, retain, train, motivate, develop and transition key employees;

our ability to recover the costs associated with the contamination of GSWC's groundwater supplies from parties responsible for the contamination or through the ratemaking process, and the time and expense incurred by us in obtaining recovery of such costs;

adequacy of our electric division's power supplies and the extent to which we can manage and respond to the volatility of electric and natural gas prices;

our electric operation's ability to comply with the CPUC's renewable energy procurement requirements;

changes in GSWC long-term customer demand due to changes in customer usage patterns as a result of conservation efforts, regulatory changes affecting demand such as mandatory restrictions on water use, new landscaping or

irrigation requirements, recycling of water by customers or purchase of recycled water supplied by other parties, unanticipated population growth or decline, changes in climate conditions, general economic and financial market conditions and cost increases, which may impact our long-term operating revenues if we are unable to secure rate increases, if growth in the residential customer base does not occur to the extent necessary to offset the decline in per-customer residential usage or GSWC's customer base declines as a result of condemnation actions or the use of recycled or reclaimed water from other third-party sources;

• changes in accounting treatment for regulated utilities;

• effects of changes in or interpretations of tax laws, rates or policies;

2

Table of Contents

• changes in estimates used in ASUS's revenue recognition under the percentage-of-completion method of accounting for construction activities;

• termination, in whole or in part, of one or more of our military utility privatization contracts to provide water and/or wastewater services at military bases for the convenience of the U.S. government or for default;

• suspension or debarment for a period of time from contracting with the government due to violations of federal law or regulations in connection with military utility privatization activities;

• delays by the U.S. government in making timely payments to ASUS for water and/or wastewater services at military bases as a result of fiscal uncertainties over the funding of the U.S. government or otherwise;

• delays in obtaining redetermination of prices or economic price or equitable adjustments to our prices on one or more of our contracts to provide water and/or wastewater services at military bases;

• disallowance of costs on any of our contracts to provide water and/or wastewater services at military bases as a result of audits, cost reviews or investigations by contracting agencies;

• inaccurate assumptions used in preparing bids in our contracted services business or negotiating periodic price adjustments;

• failure of the wastewater systems that we operate on military bases resulting in untreated wastewater or contaminants spilling into nearby properties, streams or rivers;

• failure to comply with the terms of our military privatization contracts;

• failure of any of our subcontractors or manufacturers to perform services for us in accordance with the terms of our military privatization contracts;

• issues with the implementation, maintenance or upgrading of our information technology systems;

• general economic conditions which may impact our ability to recover infrastructure investments and operating costs from customers;

• explosions, fires, accidents, mechanical breakdowns, disruption of information technology and telecommunication systems, human error and similar events that may occur while operating and maintaining water and electric systems in California or operating and maintaining water and/or wastewater systems on military bases under varying geographic conditions;

• the impact of storms, earthquakes, floods, mudslides, droughts, wildfires, disease and similar natural disasters, or acts of terrorism or vandalism, that affect customer demand or that damage or disrupt facilities, operations or information technology systems owned by us, our customers or third parties on whom we rely;

• potential costs, lost revenues, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyber-attack or other cyber incident;

• increases in the cost of obtaining insurance or in uninsured losses that may not be recovered in rates, including increases due to difficulties in obtaining insurance for certain risks, such as wildfires and earthquakes in California;

restrictive covenants in our debt instruments or changes to our credit ratings on current or future debt that may increase our financing costs or affect our ability to borrow or make payments on our debt; and

our ability to access capital markets and other sources of credit in a timely manner on acceptable terms.

Please consider our forward-looking statements in light of these risks (which are more fully disclosed in our 2015 Annual Report on Form 10-K) as you read this Form 10-Q. We qualify all of our forward-looking statements by these cautionary statements.

Table of Contents

AMERICAN STATES WATER COMPANY

CONSOLIDATED BALANCE SHEETS

ASSETS

(Unaudited)

(in thousands)	September 30, 2016	December 31, 2015
Property, Plant and Equipment		
Regulated utility plant, at cost	\$ 1,672,831	\$ 1,578,865
Non-utility property, at cost	13,207	11,627
Total	1,686,038	1,590,492
Less - Accumulated depreciation	(557,450)	(529,698)
Net property, plant and equipment	1,128,588	1,060,794
Other Property and Investments		
Goodwill	1,116	1,116
Other property and investments	20,656	18,710
Total other property and investments	21,772	19,826
Current Assets		
Cash and cash equivalents	2,789	4,364
Accounts receivable — customers (less allowance for doubtful accounts of \$735 in 2016 and \$790 in 2015)	22,910	18,940
Unbilled receivable	20,629	19,490
Receivable from the U.S. government	9,484	5,861
Other accounts receivable (less allowance for doubtful accounts of \$59 in 2016 and \$154 in 2015)	2,347	2,302
Income taxes receivable	30	10,793
Materials and supplies, at average cost	4,733	5,415
Regulatory assets — current	32,062	30,134
Prepayments and other current assets	4,466	3,229
Costs and estimated earnings in excess of billings on contracts	37,406	32,169
Total current assets	136,856	132,697
Regulatory and Other Assets		
Regulatory assets	122,030	102,562
Costs and estimated earnings in excess of billings on contracts	24,367	21,330
Other	6,773	6,750
Total regulatory and other assets	153,170	130,642
Total Assets	\$ 1,440,386	\$ 1,343,959

The accompanying notes are an integral part of these consolidated financial statements

Table of Contents

AMERICAN STATES WATER COMPANY
CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
(Unaudited)

(in thousands)	September 30, 2016	December 31, 2015
Capitalization		
Common shares, no par value	\$ 246,064	\$ 245,022
Earnings reinvested in the business	244,735	220,923
Total common shareholders' equity	490,799	465,945
Long-term debt	320,897	320,900
Total capitalization	811,696	786,845
Current Liabilities		
Notes payable to bank	77,000	28,000
Long-term debt — current	330	312
Accounts payable	48,229	50,585
Income taxes payable	5,958	68
Accrued other taxes	9,527	8,142
Accrued employee expenses	10,666	11,748
Accrued interest	6,595	3,626
Unrealized loss on purchased power contracts	5,581	7,053
Billings in excess of costs and estimated earnings on contracts	5,541	3,764
Other	10,421	10,209
Total current liabilities	179,848	123,507
Other Credits		
Advances for construction	69,809	68,041
Contributions in aid of construction - net	117,081	117,810
Deferred income taxes	205,663	192,852
Unamortized investment tax credits	1,550	1,612
Accrued pension and other postretirement benefits	44,614	42,666
Other	10,125	10,626
Total other credits	448,842	433,607
Commitments and Contingencies (Note 8)		
Total Capitalization and Liabilities	\$ 1,440,386	\$ 1,343,959

The accompanying notes are an integral part of these consolidated financial statements

Table of Contents

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS
ENDED SEPTEMBER 30, 2016 AND 2015
(Unaudited)

	Three Months Ended September 30,	
(in thousands, except per share amounts)	2016	2015
Operating Revenues		
Water	\$90,617	\$97,273
Electric	8,146	7,946
Contracted services	25,043	27,756
Total operating revenues	123,806	132,975
Operating Expenses		
Water purchased	19,631	18,127
Power purchased for pumping	2,988	2,982
Groundwater production assessment	4,482	3,146
Power purchased for resale	2,394	2,299
Supply cost balancing accounts	(4,213)	4,824
Other operation	7,448	7,056
Administrative and general	19,768	19,272
Depreciation and amortization	9,486	10,512
Maintenance	4,203	4,393
Property and other taxes	4,317	4,326
ASUS construction	13,685	14,853
Total operating expenses	84,189	91,790
Operating Income	39,617	41,185
Other Income and Expenses		
Interest expense	(5,730)	(5,484)
Interest income	206	118
Other, net	254	(346)
Total other income and expenses	(5,270)	(5,712)
Income from operations before income tax expense	34,347	35,473
Income tax expense	12,708	14,394
Net Income	\$21,639	\$21,079
Weighted Average Number of Common Shares Outstanding	36,561	37,063
Basic Earnings Per Common Share	\$0.59	\$0.57
Weighted Average Number of Diluted Shares	36,762	37,266
Fully Diluted Earnings Per Common Share	\$0.59	\$0.56

Dividends Paid Per Common Share	\$0.224	\$0.224
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The accompanying notes are an integral part of these consolidated financial statements

6

Table of Contents

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS
ENDED SEPTEMBER 30, 2016 AND 2015
(Unaudited)

(in thousands, except per share amounts)	Nine Months Ended	
	2016	2015
Operating Revenues		
Water	\$237,987	\$256,358
Electric	26,420	26,804
Contracted services	64,880	65,364
Total operating revenues	329,287	348,526
Operating Expenses		
Water purchased	49,265	46,833
Power purchased for pumping	6,752	7,122
Groundwater production assessment	11,150	10,657
Power purchased for resale	7,481	7,364
Supply cost balancing accounts	(10,145)	8,453
Other operation	21,331	20,578
Administrative and general	61,829	59,270
Depreciation and amortization	28,878	31,596
Maintenance	11,908	12,075
Property and other taxes	12,863	12,662
ASUS construction	35,351	35,311
Total operating expenses	236,663	251,921
Operating Income	92,624	96,605
Other Income and Expenses		
Interest expense	(16,956)	(16,239)
Interest income	568	332
Other, net	872	4
Total other income and expenses	(15,516)	(15,903)
Income from operations before income tax expense	77,108	80,702
Income tax expense	28,577	31,826
Net Income	\$48,531	\$48,876
Weighted Average Number of Common Shares Outstanding	36,546	37,653
Basic Earnings Per Common Share	\$1.32	\$1.29
Weighted Average Number of Diluted Shares	36,743	37,853
Fully Diluted Earnings Per Common Share	\$1.32	\$1.29
Dividends Paid Per Common Share	\$0.672	\$0.650

The accompanying notes are an integral part of these consolidated financial statements

7

Table of Contents

AMERICAN STATES WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Unaudited)

	Nine Months Ended September 30,	
(in thousands)	2016	2015
Cash Flows From Operating Activities:		
Net income	\$48,531	\$48,876
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,080	32,110
Provision for doubtful accounts	420	620
Deferred income taxes and investment tax credits	11,295	1,187
Stock-based compensation expense	1,965	2,117
Other — net	(360)	1,047
Changes in assets and liabilities:		
Accounts receivable — customers	(4,471)	(3,870)
Unbilled receivable	(1,139)	(487)
Other accounts receivable	36	(3,294)
Receivables from the U.S. government	(3,623)	1,775
Materials and supplies	682	(2,286)
Prepayments and other assets	(1,149)	1,116
Costs and estimated earnings in excess of billings on contracts	(8,274)	7,075
Regulatory assets	(13,823)	(25,907)
Accounts payable	(1,545)	3,936
Income taxes receivable/payable	16,653	23,039
Billings in excess of costs and estimated earnings on contracts	1,777	(4,232)
Accrued pension and other post-retirement benefits	(1,529)	(1,128)
Other liabilities	2,983	4,404
Net cash provided	77,509	86,098
Cash Flows From Investing Activities:		
Capital expenditures	(99,907)	(59,848)
Other investing activities	(1,448)	(1,456)
Net cash used	(101,355)	(61,304)
Cash Flows From Financing Activities:		
Proceeds from stock option exercises	210	746
Repurchase of Common Shares	—	(63,234)
Receipt of advances for and contributions in aid of construction	2,902	2,928
Refunds on advances for construction	(3,449)	(3,161)
Retirement or repayments of long-term debt	(305)	(228)
Proceeds from notes payable to banks	49,000	15,000
Dividends paid	(24,558)	(24,497)
Other financing activities	(1,529)	(1,082)
Net cash provided (used)	22,271	(73,528)
Net change in cash and cash equivalents	(1,575)	(48,734)
Cash and cash equivalents, beginning of period	4,364	75,988

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Cash and cash equivalents, end of period	\$2,789	\$27,254
Non-cash transactions:		
Accrued payables for investment in utility plant	\$19,843	\$13,866
Property installed by developers and conveyed	\$4,853	\$1,705

The accompanying notes are an integral part of these consolidated financial statements

8

Table of Contents

GOLDEN STATE WATER COMPANY

BALANCE SHEETS

ASSETS

(Unaudited)

(in thousands)	September 30, 2016	December 31, 2015
Utility Plant		
Utility plant, at cost	\$ 1,672,831	\$ 1,578,865
Less - Accumulated depreciation	(549,903)	(522,749)
Net utility plant	1,122,928	1,056,116
Other Property and Investments	18,536	16,581
Current Assets		
Cash and cash equivalents	2,347	2,501
Accounts receivable-customers (less allowance for doubtful accounts of \$735 in 2016 and \$790 in 2015)	22,910	18,940
Unbilled receivable	20,122	18,181
Inter-company receivable	987	54
Other accounts receivable (less allowance for doubtful accounts of \$59 in 2016 and \$129 in 2015)	1,313	1,455
Income taxes receivable from Parent	—	11,000
Materials and supplies, at average cost	4,136	4,860
Regulatory assets — current	32,062	30,134
Prepayments and other current assets	4,026	2,793
Total current assets	87,903	89,918
Regulatory and Other Assets		
Regulatory assets	122,030	102,562
Other	6,758	6,702
Total regulatory and other assets	128,788	109,264
Total Assets	\$ 1,358,155	\$ 1,271,879

The accompanying notes are an integral part of these financial statements

Table of ContentsGOLDEN STATE WATER COMPANY
BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
(Unaudited)

(in thousands)	September 30, 2016	December 31, 2015
Capitalization		
Common shares, no par value	\$ 239,543	\$ 238,795
Earnings reinvested in the business	208,730	184,935
Total common shareholder's equity	448,273	423,730
Long-term debt	320,897	320,900
Total capitalization	769,170	744,630
Current Liabilities		
Inter-company payable	54,000	12,000
Long-term debt — current	330	312
Accounts payable	40,719	39,610
Income taxes payable to Parent	1,863	—
Accrued other taxes	9,309	7,830
Accrued employee expenses	9,519	10,630
Accrued interest	6,319	3,599
Unrealized loss on purchased power contracts	5,581	7,053
Other	10,312	9,921
Total current liabilities	137,952	90,955
Other Credits		
Advances for construction	69,809	68,041
Contributions in aid of construction — net	117,081	117,810
Deferred income taxes	207,960	195,658
Unamortized investment tax credits	1,550	1,612
Accrued pension and other postretirement benefits	44,614	42,666
Other	10,019	10,507
Total other credits	451,033	436,294
Commitments and Contingencies (Note 8)		
Total Capitalization and Liabilities	\$ 1,358,155	\$ 1,271,879

The accompanying notes are an integral part of these financial statements

Table of Contents

GOLDEN STATE WATER COMPANY
 STATEMENTS OF INCOME
 FOR THE THREE MONTHS
 ENDED SEPTEMBER 30, 2016 AND 2015
 (Unaudited)

(in thousands)	Three Months Ended September 30,	
	2016	2015
Operating Revenues		
Water	\$90,617	\$97,273
Electric	8,146	7,946
Total operating revenues	98,763	105,219
Operating Expenses		
Water purchased	19,631	18,127
Power purchased for pumping	2,988	2,982
Groundwater production assessment	4,482	3,146
Power purchased for resale	2,394	2,299
Supply cost balancing accounts	(4,213)	4,824
Other operation	6,604	6,109
Administrative and general	15,833	15,690
Depreciation and amortization	9,240	10,241
Maintenance	3,644	3,878
Property and other taxes	4,018	3,842
Total operating expenses	64,621	71,138
Operating Income	34,142	34,081
Other Income and Expenses		
Interest expense	(5,673)	(5,499)
Interest income	200	115
Other, net	255	(345)
Total other income and expenses	(5,218)	(5,729)
Income from operations before income tax expense	28,924	28,352
Income tax expense	11,041	12,109
Net Income	\$17,883	\$16,243

The accompanying notes are an integral part of these consolidated financial statements

Table of Contents

GOLDEN STATE WATER COMPANY
 STATEMENTS OF INCOME
 FOR THE NINE MONTHS
 ENDED SEPTEMBER 30, 2016 AND 2015
 (Unaudited)

(in thousands)	Nine Months Ended	
	September 30, 2016	2015
Operating Revenues		
Water	\$237,987	\$256,358
Electric	26,420	26,804
Total operating revenues	264,407	283,162
Operating Expenses		
Water purchased	49,265	46,833
Power purchased for pumping	6,752	7,122
Groundwater production assessment	11,150	10,657
Power purchased for resale	7,481	7,364
Supply cost balancing accounts	(10,145)	8,453
Other operation	18,843	18,107
Administrative and general	49,348	48,250
Depreciation and amortization	28,117	30,717
Maintenance	10,426	10,362
Property and other taxes	11,828	11,508
Total operating expenses	183,065	199,373
Operating Income	81,342	83,789
Other Income and Expenses		
Interest expense	(16,829)	(16,233)
Interest income	560	316
Other, net	667	(139)
Total other income and expenses	(15,602)	(16,056)
Income from operations before income tax expense	65,740	67,733
Income tax expense	25,203	28,156
Net Income	\$40,537	\$39,577

The accompanying notes are an integral part of these consolidated financial statements

Table of Contents

GOLDEN STATE WATER COMPANY

STATEMENTS OF CASH FLOW

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(Unaudited)

	Nine Months Ended September 30,	
(in thousands)	2016	2015
Cash Flows From Operating Activities:		
Net income	\$40,537	\$39,577
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,319	31,231
Provision for doubtful accounts	431	620
Deferred income taxes and investment tax credits	10,782	901
Stock-based compensation expense	1,672	1,823
Other — net	(367)