

Risk Factors Comparison 2025-02-19 to 2024-02-21 Form: 10-K

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You should carefully read the risks described below and other information in this Form 10-K in order to understand certain of the risks of our business. Overview of Risk Factors We have three business segments, water utility, electric utility and contracted services, each of which are subject to different risks as further discussed below. We are also subject to risks frequently encountered by businesses of our size. Regulated Water and Electric Utility Operations GSWC's and BVES's revenues depend substantially on the rates and charges we are permitted to recover from our customers and the timing of that recovery as authorized by the CPUC. Decisions of the CPUC could result in impairment charges and customer refunds, and delays in recovering costs in rates. Some of the factors impacting our ability to obtain rate recovery on a timely basis include opposition to rate increases arising out of increased costs for replacing aging infrastructure and increased costs associated with addressing climate change and weather event risks, such as drought, storms and wildfires in California, costs incurred in connection with complying with water quality regulations, costs incurred in connection with obtaining and complying with franchise agreements with local governmental agencies and costs of obtaining permits from local, state and federal governmental agencies. There may also be increased customer opposition to rate increases due to customer dissatisfaction with conservation rate structures and public safety power shutdowns. Our water and electric utility services are provided in California. As a result, our financial results are largely subject to political, water supply, labor, utility cost and regulatory risks, economic conditions, natural disasters (which may increase as a result of climate change), and other risks affecting California businesses. Our assets are also subject to condemnation in California. Contract Services Operations All of our utility privatization contract services are provided to the U. S. government pursuant to the terms of firm- fixed- price contracts subject to annual economic price adjustments. ASUS may also, from time to time, perform construction services on military bases as a subcontractor or pursuant to task order agreements. These contracts may be terminated or services suspended at any time for convenience of the government. We are subject to penalties for failure to conform or comply with U. S. government regulations and the terms of our contracts, and may be suspended or debarred for such failure to comply. The fees that we may charge are adjusted annually and in response to our requests for equitable adjustments. We have experienced delays in obtaining price and equitable adjustments, as well as delays in being paid by the U. S. government. We are also responsible for complying with water quality and wastewater quality regulations on military bases, **which are expected to increase costs as a result of increased water quality regulations**. We compete with other companies in bidding on providing utility services on military bases. We submit bids on new U. S. government contracts for military bases based on estimates of cost and potential profit. Our estimates and judgment are important, for in the event we overpay to obtain a contract, we could incur losses on it. Other Business Risks We may be subject to financial losses, penalties and other liabilities if we fail to operate and maintain safe work sites, equipment and facilities, including losses, damages, penalties and other liabilities arising from wildfires, other natural disasters and **cybersecurity and** terrorist activities. We may not be able to recover all these losses from insurance or from ratepayers or may experience delays in obtaining recovery for these losses. We are also subject to other business risks typical of our business, including: • Cybersecurity incidents **or information and operational technology outages, including incidents and outages caused by third party solutions that support operational and business processes, could disrupt and adversely impact our operations and critical technology systems, resulting in and an increase of costs, liabilities to third parties and damage to our reputation;** • ~~physical~~ **Physical** security risks of our infrastructure, **critical assets,** and data **critical to our business, employees, customers and vendors** could **also** disrupt our operations and critical systems, **increase our expenses, result resulting in reputational** ~~liabilities to third parties and damage to~~ **and adversely impact** our reputation **financial performance**; • Failure to attract, train, develop and transition key employees with the necessary skills to replace employees who are retiring or otherwise terminate employment or to fill new positions needed to respond to the increase in public utility and environmental regulations; • Failure to make accurate estimates about financing and accounting matters, and in filing requests for rate increases with the CPUC or requests for price adjustments with the U. S. government or in bids on military base contracts or obtain new task orders from the U. S. government; • Our ability to finance significant capital expenditures required by our businesses, which could be adversely impacted by general economic and market conditions, delays in receiving decisions from the CPUC on our general rate cases or delays in receiving payment from the U. S. government; • Volatility in economic conditions such as changes to inflation, short- term interest rate volatility, and other market conditions may adversely impact our financial performance; • Changes in accounting, public utility, environmental and tax laws and regulations impacting our business; • Our inability to comply with debt covenants in our debt agreements; and • Final determination of our income tax liability by the federal and applicable state governments. As a holding company, AWR is dependent upon dividends from its subsidiaries to pay dividends to its shareholders. The ability of its subsidiaries to pay dividends is dependent upon compliance with state laws governing the payment of dividends and the terms of the debt agreements with the applicable subsidiary. Climate Change Climate change has resulted in increased frequency and duration of droughts, potential degradation of water quality, and changes in demand for services. More frequent and extended California drought conditions may cause increased stress on surface water supplies and groundwater basins, as well as allocations of water from the State Water Project and the Colorado River. Wholesale water suppliers may not have adequate supply during extended periods of drought, which may result in increases in prices for water delivered to us. In addition, GSWC could experience an increased use of reclaimed or recycled water by GSWC customers, in lieu of GSWC supplying potable water to these customers. Reclaimed water generally has lower tariff rates than potable water and may be provided by other companies or government entities in GSWC's service territory. Prolonged droughts

may also result in state- ordered mandatory or voluntary conservation efforts by customers, changes in customer conservation patterns and imposition of new regulations impacting such things as landscaping and irrigation patterns. California has established long- term indoor and outdoor water use standards to address the impact of climate change on California water resources. These standards ~~will~~, **which were adopted by the California State Water Resources Board and effective January 1, 2025**, require all urban water retailers to meet certain water use standards on a system- by- system basis. The extended drought in the Colorado River watershed has resulted in a short- term agreement between Arizona, California and Nevada and the Bureau of Reclamation to reduce the amount of water taken from the Colorado River by 10 % ~~over the next three years (through the end of 2026)~~. The impact to GSWC as a result of the short- term agreement is not known at this time. Drought conditions have contributed to increases in wildfires, which has resulted in new California legislation requiring electric utilities to adopt and implement wildfire mitigation plans. BVES is incurring increased capital expenditures **and other operating costs** related to the creation ~~and~~, implementation **and to maintain ongoing requirements** of these plans. We anticipate that the costs of capital improvements necessary to ~~implement~~ **sustain** this program will continue to increase. BVES is also required to implement a public safety power shut- off program during high wildfire threat conditions. Shut- offs can reduce BVES' s liquidity and decrease customer satisfaction. Abnormal weather patterns created by climate change can also impact electricity demand at BVES. The demand for electricity at our electric segment is greatly affected by winter snow levels. An increase in winter snow levels reduces the use of snow- making machines at ski resorts in the Big Bear area and, as a result, also reduces BVES' s liquidity. Likewise, unseasonably warm weather during a skiing season may result in temperatures too high for snow making conditions, which also reduces our liquidity. More extreme weather events which may result in flash flooding, mudslides ~~and~~, high winds ~~which~~ **and wildfires** could damage our infrastructure and our customers' and / or suppliers' property ~~as a~~. **The recent wildfires that devastated communities in southern California may result in legislative and regulatory actions that may impose additional reporting requirements, capital investment requirements and water system operation requirements. As a result of climate change such events, it may increase our cost of maintaining our infrastructure ,and adversely impact** our ability to provide water or electric service ~~to and the demand of our services from customers whose property has been damaged~~. The cost of damage to our infrastructure may be somewhat mitigated if the CPUC permits us to establish a catastrophic emergency memorandum account ~~enabling that enables~~ us to recover the costs incurred. Furthermore, potential future legislative efforts to ban gas powered power plants as a response to climate change may require us to replace our current 8. 4 MW natural gas- powered generator before its useful life is completed. Risks Associated with Regulated Public Utility and Contracted Services Operations Our businesses are heavily regulated and, as a result, decisions by regulatory agencies or the U. S. government can significantly affect our businesses GSWC' s and BVES' s revenues depend substantially on the rates and fees they charge their customers and their ability to recover costs on a timely basis as authorized by the CPUC, including the ability to recover the costs of purchased water, groundwater assessments, electricity, natural gas, chemicals, water treatment, security at water facilities and preventative maintenance and emergency repairs. Any delays by the CPUC in granting rate relief to cover increased operating and capital costs at our public utilities or delays in obtaining approval of our requests at ASUS for economic price or equitable adjustments for contracted services from the U. S. government may adversely affect our year- over- year financial performance, liquidity and cash flows. We may file for interim rates in California in situations where there may be delays in granting final rate relief during a general rate case proceeding. If the CPUC approves lower rates than the interim rates we were permitted to adopt, the CPUC will require us to refund to customers the difference between the interim rates and the rates approved by the CPUC. Similarly, if the CPUC approves rates that are higher than the interim rates, the CPUC may authorize us to recover the difference between the interim rates and the final rates. Regulatory decisions affecting GSWC and / or BVES may also impact prospective revenues and earnings, affect the timing of the recognition of revenues and expenses, may overturn past decisions used in determining our revenues and expenses, and could result in impairment charges and customer refunds. Negative decisions made by the CPUC may have an adverse effect on GSWC' s or BVES' s results of operations, financial position or cash flows and affect the ability of the regulated utilities to recover costs and an appropriate return on the capital investments being made. On August 27, 2020, the CPUC issued a final decision in the first phase of the CPUC' s Order Instituting Rulemaking evaluating the low income ratepayer assistance and affordability objectives contained in the CPUC' s 2010 Water Action Plan, addressing the continued use of the ~~Water Revenue Adjustment Mechanism (“WRAM ”) and the Modified Cost Balancing Account (“MCBA ”) by California water utilities. As a result of this decision, These these mechanisms implemented by GSWC in 2008 for the purpose of recovering the costs of water~~ would be discontinued for years after 2024. ~~However~~ **In response to the CPUC' s order**, ~~on~~ **GSWC, three other investor- owned water utilities and the California Water Association each separately filed a petition in 2021 with the California Supreme Court (the “ Court ”) to review the CPUC' s decision- making processes that resulted in discontinuing the use of the WRAM and MCBA. On July 8, 2024, the Court issued a ruling that set aside the previously issued order by the CPUC and vacated the portions of the CPUC' s August 2020 decision related to the discontinued use of the WRAM and MCBA used by water utilities and its accompanying findings and conclusions. Furthermore, in** September 30, 2022, the governor of California signed Senate Bill (“ SB ”) 1469 - ~~Effective January 1, which 2023, SB 1469 allows~~ **allowed** Class A water utilities, including GSWC, to continue requesting the use of ~~the WRAM~~ **a revenue decoupling mechanism** in their next general rate case. **Accordingly** ~~With the passage of SB 1469, GSWC has requested the continued use of a full revenue decoupling mechanism, similar to the WRAM , and MCBA in its next general rate case application filed in August 2023 that will establish~~ **establishes** new rates for the years 2025 – 2027. **In January 2025, GSWC received a final decision that rejected** GSWC' s request **for continuation of the WRAM and MCBA and instead ordered GSWC to continue using transition to a modified rate adjustment mechanism (a Monterey- style WRAM or “ M- WRAM ”) and an incremental cost balancing account for supply costs. The final decision also approved GSWC' s request for the continuation of a sales reconciliation mechanism, which would allow GSWC to adjust its sales forecast throughout the general rate case cycle to address significant fluctuations in**

consumption. However, without the continuation of a full revenue decoupling mechanism in its next general rate case will such as the WRAM and a full cost balancing account for water supply such as the MCBA, Registrant may be subject to CPUC approval future volatility in revenues and earnings as a result of fluctuations in water consumption by our customers and changes in water supply cost mix. Our regulated utilities' ongoing financial results depend on their ability to recover costs from its customers, including costs such as water or electricity purchased for its customers, through rates charged and billed to its customers as approved by the CPUC. Both GSWC's and BVES's financial results depend on its ability to earn a reasonable return on capital, from its credit facilities, long-term debt and equity as well as the recovery of costs such as operations and maintenance expense that are incurred. Our ability to recover costs and earn a reasonable rate of return can be affected by time lags or delays in receiving approvals on general rate case decisions from the CPUC to authorize recovery of customers' rates and differences between authorized rates and the actual costs incurred, due to increased levels of inflation, which each could adversely impact our financial condition and cash flows. Management continually evaluates the anticipated recovery of regulatory assets, settlement of liabilities and revenues subject to refund and provides for allowances and reserves as deemed necessary. In the event that our assessment of the probability of recovery or settlement through the ratemaking process is incorrect, we will adjust the associated regulatory asset or liability to reflect the change in our assessment or any regulatory disallowances. A change in our evaluation of the probability over the recovery of regulatory assets including a future disallowance of previously granted regulatory mechanisms, or a regulatory disallowance of all or a portion of our costs could have a material adverse effect on our financial results. We are also, in some cases, required to estimate future expenses and, in others, we are required to incur the expense before receiving approval to recover the costs. As a result, our revenues and earnings may fluctuate depending on the accuracy of our estimates, the timing of our investments or expenses or other factors. If expenses increase significantly over a short period, we may experience delays in recovery of these expenses and the inability to recover the carrying costs for the expenses, which increases risks of regulatory disallowances or write-offs. **Additional information related to the CPUC's adopted final decision in connection with GSWC's general rate case proceeding is discussed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation" under the section titled "Overview."** Delays in obtaining approval of general rate cases could adversely impact our liquidity. We have been experiencing increasing delays in obtaining CPUC approval of our general rate cases. As a result, we have previously needed, and may need in the future, to undertake capital improvements described in our rate case filings before we receive CPUC approval to recover these costs in rates. BVES is required to file wildfire mitigation plans with OEIS for regulatory approval by the OEIS and the CPUC and, once approved, for BVES to make the capital improvements described in the wildfire mitigation plan. However, the CPUC does not approve recovery of any of the costs of implementing approved wildfire mitigation plans until it approves the next general rate case filed by BVES after the approval of the wildfire mitigation plans. As a result, there may be a delay in recovering costs associated with capital improvements required to be made by wildfire mitigation plans, and the CPUC may not approve all costs incurred in connection with the implementation of these plans that are incurred prior to obtaining CPUC approval of these costs in a general rate case. Changes in laws, regulations and policies of regulatory agencies can significantly affect our business. Regulatory agencies may also change their rules and policies, which may adversely affect our profitability and cash flows. We are subject to regulations under U. S. federal and state regulations and policies including from the CPUC, Federal Energy Regulatory Commission and other regulatory agencies. Regulations and laws affect almost all aspects of our businesses and changes to such regulations are continuous and ongoing. There can be no assurance that laws, regulations and policies of regulatory agencies will not be changed in ways that will not materially impact our results of operations, financial position or cash flows. Changes in policies of the U. S. government may adversely affect one or more of ASUS's subsidiaries. In certain circumstances, the U. S. government may be unwilling or unable to appropriate funds to pay costs mandated by changes in rules and policies of federal or state regulatory agencies. The U. S. government may disagree with the increases that we request and may delay approval of requests for equitable adjustment or economic price adjustments, which could adversely affect our anticipated rates of return at our contracted services business. We may also be subject to fines or penalties if a regulatory agency or the U. S. government determine that we have failed to comply with laws, regulations or orders applicable to our businesses, unless we successfully appeal such an adverse determination. Regulatory agencies may disallow recovery of certain costs if they determine they may no longer be recovered in rates, or if audit findings determine that we have failed to comply with our policies and procedures for procurement or other practices. **Additional information regarding water quality regulations is discussed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the section titled "Environmental Matters."** Our assets at our regulated utilities are subject to condemnation. Municipalities and other governmental subdivisions may, in certain circumstances, seek to acquire certain of our assets through eminent domain proceedings. It is generally our practice to contest these proceedings, which may be costly and may temporarily divert the attention of management from the operation of our business. If a municipality or other governmental subdivision succeeds in acquiring our assets, there is a risk that we will not receive adequate compensation for the assets taken or be able to recover all charges associated with the condemnation of such assets. In addition, we would no longer be entitled to any portion of the revenues generated from the use of such assets. Our costs of obtaining and complying with the terms of franchise agreements are increasing. Cities and counties in which GSWC and BVES operate have granted them franchises to construct, maintain and use pipes, wires and appurtenances in or along public streets and rights of way. The costs of obtaining, renewing and complying with the terms of these franchise agreements have been increasing as cities and counties attempt to regulate our operations within the boundaries of the city or unincorporated areas of the counties in which we operate. Our regulated utilities may also be required from time to time to relocate existing infrastructure in order to accommodate local infrastructure improvement projects. Cities and counties have also been imposing new fees on our operations, including pipeline abandonment fees and road-cut or other types of capital improvement fees. At the same time, there is increasing opposition from consumer groups to rate increases that may be necessary to compensate

GSWC and BVES for the increased costs of regulation by local governments. These trends may adversely affect our ability to recover in rates the costs of providing water and electric services and to efficiently manage capital expenditures and operating and maintenance expenses within CPUC- authorized levels. We have also experienced instances of increased costs and delays in obtaining permits that we need in order to install, maintain, repair, and replace some of our aging water and electric utility infrastructure and upgrades needed to comply with changes in laws and regulations or otherwise necessary to harden our infrastructure as a result of drought, wildfires and increases in the frequency and duration of more extreme weather events due to climate change. Our liquidity and earnings may be adversely affected by maintenance costs at our regulated utilities. Some of our infrastructure in California is aging. We have experienced leaks and mechanical problems in some of these older systems. In addition, infrastructure maintenance expenses are affected by labor and material costs, inflationary changes impacting such costs, supply chain disruptions and more stringent environmental regulations. Our electrical systems have also required upgrades due to aging and new wildfire safety and other compliance requirements. While we spend significant amounts on maintenance each year, these costs can increase substantially and unexpectedly. There could be an increase in infrastructure damage if California experiences more extreme weather events resulting in damage to our property. We include estimated increases in maintenance costs for future years in each water and electric general rate case filed by GSWC and BVES, respectively, for possible recovery. To the extent that these estimates understate our actual costs, we may be unable to recover all maintenance costs in rates. Adverse publicity and reputational risks can lead to increased regulatory oversight or sanctions. As a utility company, we have a large customer base and are therefore, subject to public criticism regarding, among other things, the quality and reliability of our water and electricity services, and the accuracy, timeliness and format of bills that are provided to our customers for such services. Adverse publicity and negative customer sentiment may cause regulatory authorities, including the CPUC, and other governing bodies to view us unfavorably and cause us to be susceptible to increased oversight and more stringent regulations and economic requirements. Risks Associated with Health, Safety and Liability Matters Our liquidity and earnings may be adversely affected by wildfires. It is possible that wildfires may occur more frequently, be of longer duration or impact larger areas as a result of drought- damaged plants and trees, lower humidity or higher winds that may occur as result of changing weather patterns. Our liquidity, earnings and operations may be materially adversely affected by wildfires. We may be required to (i) incur greater costs to relocate lines or increase our trimming of trees and other plants near our electric **or water** facilities to avoid wildfires, (ii) make significant additional capital expenditures to fund the projects in BVES' s wildfire and safety mitigation plans, and (iii) bear the costs of damages to property or injuries to the public if it is determined that our power lines or other electrical **or water** equipment was a cause of such damages or injuries. In addition, wildfires may result in reduced demand if structures are destroyed or unusable following a wildfire and may adversely affect our ability to provide water or electric service in our service areas due to public safety power shutdowns or any of our water or electric utility infrastructure is damaged by a wildfire. Losses by insurance companies resulting from wildfires in California have caused insurance coverage for wildfire risks to become more expensive and **the number of insurance companies willing to issue policies without an exclusion for losses due to wildfires to decrease. As a result,** coverage could become unavailable on reasonable terms **or without exclusions for losses due to wildfires**, and our insurance may be inadequate to recover all our losses incurred in a wildfire. We might not be allowed to recover in our rates any increased costs of wildfire insurance or the costs of any uninsured wildfire losses. Electric utilities in California are authorized to shut off power for public safety reasons, such as during periods of extreme fire hazard, if the utility reasonably believes that there is an imminent and significant risk that strong winds may topple power lines or cause vegetation to come into contact with power lines leading to increased risk of fire. Shut- offs can reduce BVES' s liquidity and decrease customer satisfaction. These shut- offs can also adversely affect GSWC' s water utility operations if the electric utilities that provide electric service to GSWC' s water operations shut off power lines that deliver electricity to GSWC' s water plant and equipment, thereby adversely affecting its ability to provide water service to its customers. We may, in certain circumstances, be held strictly liable for damages to property caused by our equipment even if we are not negligent. Utilities in California may be held strictly liable, in certain circumstances, for damages caused by their property, such as mains, fire hydrants, power lines and other equipment, even though they were not negligent in the operation and maintenance of that property, under a doctrine known as inverse condemnation. Our liquidity, earnings and operations may be adversely affected if we are unable to recover the costs of paying claims for damages caused by the non- negligent operation and maintenance of our property from customers or through insurance. We may be subject to financial losses, penalties and other liabilities if we fail to maintain safe work sites, equipment or facilities. Our safety record is critical to our reputation. We maintain health and safety standards to protect our employees, customers, vendors and the public. Although we aim to comply with such health and safety standards, it is unlikely that we will be able to avoid all accidents or other events resulting in damage to property or the public. Our business sites, including construction and maintenance sites, often put our employees and others in close proximity with large pieces of equipment, moving vehicles, pressurized water, chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement safety procedures. If we fail in any respect to implement such procedures or if the procedures we implement are ineffective or are not followed by our employees or others, our employees and others may be injured or die. Unsafe work sites also have the potential to increase our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, and results of operations. Our operations involve the handling and storage of hazardous chemicals that, if improperly handled, stored or disposed of, could subject us to penalties or other liabilities. We are also subject to regulations dealing with occupational health and safety. Although we maintain functional employee groups whose primary purpose is to ensure that we implement effective health, safety, and environmental work procedures throughout our organization, including construction sites and maintenance sites, a failure to comply with such regulations in any respect could subject us to liability. The generation, transmission and distribution of electricity are dangerous and involve inherent risks of damage to private property and injury to employees and the general public. Electricity is dangerous for employees and the general public should they come in contact

with electrical current or equipment, including through downed power lines, sparking during high- wind events or equipment malfunctions. Injuries and property damage caused by such events may subject BVES to significant liabilities that may not be covered or fully covered by insurance. Additionally, the CPUC has delegated to its staff the authority to issue citations, which carry a fine of \$ 50, 000 per- violation per day, to electric utilities subject to its jurisdiction for violations of safety rules found in statutes, regulations, and the General Orders of the CPUC. We may sustain losses that exceed or are excluded from our insurance coverage or for which we are not insured We are, from time to time, parties to legal or regulatory proceedings. These proceedings may pertain to regulatory investigations, employment matters or other disputes. Management periodically reviews its assessment of the probable outcome of these proceedings, the costs and expenses reasonably expected to be incurred, and the availability and extent of insurance coverage. On the basis of this review, management establishes reserves for such matters. We may, however, from time to time be required to pay fines, penalties or damages that exceed our insurance coverage and / or reserves if our estimate of the probable outcome of such proceedings proves to be inaccurate. We maintain insurance coverage as part of our overall legal and risk management strategy to minimize our potential liabilities. Generally, our insurance policies cover property, workers' compensation, general liability, automobile liability, and other risks. Insurance coverage may not cover certain claims involving punitive damages. Each policy includes deductibles or self- insured retentions and policy limits for covered claims. Our insurance policies also contain exclusions and other limitations that may not cover our potential liabilities. Furthermore, due to insurance market conditions, **including the prevalence of wildfires in recent years**, resulting in tighter underwriting and increased premiums along with reductions in capacity, we have experienced increased costs and difficulties in obtaining certain insurance coverages, particularly along the general liability, umbrella and cyber insurance lines. We may experience further increased insurance costs and / or coverage reductions in future years. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage or for which we are not insured. Uninsured losses and increases in the cost of insurance may not be recoverable or fully recoverable in customer rates. A loss which is not insured or not fully insured or cannot be recovered in customer rates could materially affect our financial condition and results of operations. We operate in areas subject to natural disasters We operate in areas that are prone to earthquakes, **fires wildfires**, mudslides, hurricanes, tornadoes, high winds, storms, flooding or other natural disasters. While we maintain insurance policies to help reduce our financial exposure, a significant seismic event in southern California, where our regulated water and electric operations are concentrated, wildfires or other natural disasters in any of the areas that we serve could adversely impact our ability to deliver water and electricity or provide wastewater service, and adversely affect our costs of operations. Any losses not covered by insurance could have an adverse effect on the results of operations, financial position, cash flows and reputation of our regulated utilities. In addition, such events may cause increases to the cost of the applicable insurance. With respect to GSWC and BVES, the CPUC has historically allowed utilities to establish a catastrophic emergency memorandum account ("CEMA ") to potentially recover incremental costs not covered in rates caused by catastrophic emergency events. With respect to ASUS' s subsidiaries, costs associated with responding to natural disasters have been recoverable through requests for equitable adjustment. Our operations may be the target of terrorist activities **As our operations support a Critical Infrastructure Sector of the United States, one that is vital to the United States where disruption in any of the sectors could have a debilitating effect on security, national economic security, or national public health or safety**, ~~Terrorists terrorists~~ could seek to disrupt service to our customers by targeting our assets through physical or ~~cyber-cybersecurity~~ events. We also may be prevented from providing water and / or wastewater services at the military bases we serve in times of military crisis affecting these bases. We have invested in additional security for facilities throughout our regulated service areas to mitigate the risks of terrorist activities. In addition, we continue to increase our investment in information technology to monitor and address cyber threats and attempted cyber- attacks, and to improve our posture in addressing security vulnerabilities. Water Quality Regulatory Risks Our costs involved in maintaining water quality and complying with environmental regulation have increased and are expected to continue to increase Capital and operating costs at GSWC **may are expected to** increase substantially as a result of increases in environmental regulation arising from increases in the cost of upgrading and building new water treatment plants, disposing of residuals from our water treatment plants, handling and storing hazardous chemicals, compliance- monitoring **and testing** activities and securing alternative supplies when necessary. GSWC may be able to recover these costs from customers through the ratemaking process. We may also be able to recover a portion of these costs from certain third parties under settlement and contractual arrangements. ~~Our GSWC expects to incur additional capital costs and operating costs may also increase~~ **to maintain and improve the quality of water delivered to its customers in light of anticipated stress on water resources associated with watershed and aquifer pollution, drought impacts, as well as to meet future** ~~a result of changes in laboratory detection capabilities and drinking water quality standards notification levels, response levels, and consumer expectations.~~ **The CPUC ratemaking process provides GSWC with the opportunity to recover prudently incurred capital and operating costs in future filings associated with achieving water quality standards. During 2024, the U. S. EPA announced several final regulations that include established maximum contaminant levels (" MCLs ") for six certain substances, such as perfluoroalkyl substances (" PFAS ") used to make certain fabrics compounds in drinking water, designation of PFOA and PFOS as CERCLA hazardous substances, and Lead and Copper Rule Improvements, as further described in Item 7, " Environmental Matters. " Such regulations are expected to increase GSWC' s capital investments and operations and maintenance expenses over the next decade. In addition, due to the volatility of the supply chain and demand for PFAS or other materials treatment components, certain fire suppression agents both the capital investments and used in various industrial processes operations and maintenance expenses are likely to further increase.** Additional information regarding **changes to the regulation of PFAS in drinking water quality regulations** is provided in Item 7. " Management' s Discussion and Analysis of Financial Condition and Results of Operations " under the heading " Environmental Matters. " Our operating costs may increase as a result of groundwater contamination Our operations can be impacted by groundwater contamination in certain service territories. Historically, we have taken a number of steps to

address contamination, including the removal of wells from service, decreasing the amount of groundwater pumped from wells in order to facilitate remediation of plumes of contaminated water, constructing water treatment facilities and securing alternative sources of supply from other areas not affected by the contamination. In emergency situations, we have supplied our customers with bottled water until the emergency situation has been resolved. Our ability to recover these types of costs depends upon a variety of factors, including approval of rate increases, the willingness of potentially responsible parties to settle litigation and otherwise address the contamination, and the extent and magnitude of the contamination. We may recover costs from certain third parties that may be responsible, or potentially responsible, for groundwater contamination. However, we often experience delays in obtaining recovery of these costs and incur additional costs associated with seeking recovery from responsible or potentially responsible parties, which may adversely impact our liquidity. In some events, we may be unable to recover all of these costs from third parties due to the inability to identify the potentially responsible parties, the lack of financial resources of responsible parties or the high litigation costs associated with obtaining recovery from responsible or potentially responsible parties. We can give no assurance regarding the adequacy of any such recovery to offset the costs associated with contamination or the cost of recovery of any legal costs. To date, the CPUC has permitted us to establish memorandum accounts for potential recovery of these types of costs when they have arisen. Management believes that rate recovery, proper insurance coverage and reserves are in place to appropriately manage these types of contamination issues. However, such issues, if ultimately resolved unfavorably to us, could, in the aggregate, have a material adverse effect on our results of operations and financial condition.

Water Supply Risks The adequacy of our water supplies depends upon weather and a variety of other uncontrollable factors. The adequacy of our water supplies varies from year to year depending upon a variety of factors, including:

- rainfall, basin replenishment, flood control, snowpack levels in California and the West, reservoir levels and availability of reservoir storage;
- availability of Colorado River water and imported water from the State Water Project;
- the amount of usable water stored in reservoirs and groundwater basins;
- the amount of water used by our customers and others;
- water quality **and changes to water quality regulations**;
- legal limitations on production, diversion, storage, conveyance and use; and
- climate change.

California drought conditions in recent years and historically and changes in weather patterns have caused an increased stress on surface water supplies and groundwater basins. In addition, low or no allocations of water from the State Water Project and court-ordered pumping restrictions on water obtained from the Sacramento- San Joaquin Delta decrease or eliminate the amount of water that the Metropolitan Water District of Southern California (“MWD”) and other state water contractors are able to import from northern California. We have implemented tiered rates and other practices, as appropriate, in order to encourage water conservation. We have also implemented programs to assist customers in complying with water usage reductions. Over the long term, we are acting to secure additional supplies, which may include supplies from desalination and increased use of reclaimed water, where appropriate and feasible. We cannot predict the extent to which these efforts to reduce stress on our water supplies will be successful or sustainable, or the extent to which these efforts will enable us to continue to satisfy all of the water needs of our customers. Water shortages at GSWC may:

- adversely affect our supply mix, for instance, by causing increased reliance upon more expensive water sources;
- adversely affect our operating costs, for instance, by increasing the cost of producing water from more highly contaminated aquifers or requiring us to transport water over longer distances, truck water to water systems or adopt other emergency measures to enable us to continue to provide water service to our customers;
- result in an increase in our capital expenditures over the long term, for example, by requiring future construction of pipelines to connect to alternative sources of supply, new wells to replace those that are no longer in service or are otherwise inadequate to meet the needs of our customers, and other facilities to conserve or reclaim water;
- adversely affect the volume of water sold as a result of such factors as mandatory or voluntary conservation efforts by customers, changes in customer conservation patterns, recycling of water by customers and imposition of new regulations impacting such things as landscaping and irrigation patterns;
- adversely affect aesthetic water quality if we are unable to flush our water systems as frequently due to water shortages or drought restrictions; and
- result in customer dissatisfaction and harm to our reputation if water service is reduced, interrupted or otherwise adversely affected as a result of drought, water contamination or other causes.

Our liquidity may be adversely affected by changes in water supply costs. 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 cost of obtaining these supplies varies, and overall costs can be impacted as use within a system varies from time to time. As a result, our cost of providing, distributing and treating water for our customers’ use can vary significantly. Furthermore, imported water wholesalers, such as MWD, may not always have an adequate supply of water to sell to us. Wholesale water suppliers may increase their prices for water delivered to us based on factors that affect their operating costs. Purchased water rate increases are beyond our control. Since 2008, GSWC has implemented a modified supply cost balancing account, the MCBA, to track and recover costs from supply mix changes and rate changes by wholesale suppliers, as authorized by the CPUC. However, cash flows from operations can be significantly affected since much of the balance we recognize in the MCBA is collected from or refunded to customers primarily through surcharges or surcredits, respectively, generally over twelve- to twenty- four- months. Beginning **in 2025**, the MCBA will be discontinued and **GSWC will no longer be available-able to recover costs from supply mix changes in the MCBA and rate changes by wholesale suppliers.** However, as **SB 1469 was passed in a result of the final decision issued on January 30, 2022-2025**, **in GSWC ’s recent and other Class A water utilities are allowed to continue to request the MCBA in future general rate case applications- application. The final decision rejected GSWC has’ s requested-- request to for the continued- continue the use of a full supply cost balancing account such as ; similar to the MCBA, and instead directs in its next general rate case application filed in August 2023. GSWC to implement an incremental cost balancing account, as further described in Item 7. “ Management ’ s request to continue using Discussion and Analysis of Financial Condition and Results of Operations ”**

under the heading “ Overview. ” However, without a full supply cost balancing account , Registrant’s earnings may in its next general rate case will be subject to CPUC approval future volatility as a result of changes in water supply cost mix . Our liquidity and earnings may be adversely affected by our conservation efforts Our water utility business is heavily dependent upon revenue generated from rates charged to our customers based on the volume of water used. The rates we charge for water are regulated by the CPUC and may not be adequately adjusted to reflect changes in demand. Declining usage also negatively impacts our long- term operating revenues if we are unable to secure rate increases or if growth in the customer base does not occur to the extent necessary to offset per- customer usage decline. Conservation by all customer classes at GSWC is a top priority. However, customer conservation will result in lower volumes of water sold. We may experience a decline in per- customer water usage due to factors such as: • conservation efforts to reduce costs; • drought conditions resulting in additional water conservation; • the use of more efficient household fixtures and appliances by customers to save water; • voluntary or mandatory changes in landscaping and irrigation patterns; • recycling of water by our customers; and • mandated water- use restrictions. These types of changes may result in permanent decreases in demand even if our water supplies are sufficient to meet higher levels of demand after a drought ends. In addition, governmental restrictions on water usage during drought conditions may result in a decreased demand for water, even if our sources of supply are sufficient to serve our customers during such drought conditions. California has established long- term indoor and outdoor water use standards to address the impact of climate change on California water resources and mandate water conservation requirements on all Californians. These standards will require all urban water retailers to meet certain water use standards on a system- by- system basis. Since 2008, we have implemented the CPUC- approved WRAM at GSWC, which has the effect of stabilizing revenues at the adopted level thereby reducing the potential adverse earnings impact of our customers’ conservation efforts. **However, cash Cash** flows from operations can be significantly affected since much of the balance we recognize in the WRAM account is collected from or refunded to customers generally over twelve-, eighteen- or twenty- four- month periods . **The final decision in the recent water general rate case rejected GSWC’ s request for the continued use of a full sales and revenue decoupling mechanism such as the WRAM and orders GSWC to transition to a modified rate adjustment mechanism, M- WRAM, which tracks the difference between the revenue based on actual metered sales through a tiered volumetric rate and the revenue that would have been received with the same actual metered sales if a blended tier standard quantity rate had been in effect. The final decision also approved GSWC’ s request for the continuation of a sales reconciliation mechanism, which would allow GSWC to adjust its sales forecast throughout the general rate case cycle to address significant fluctuations in customer water consumption. However, without the continuation of a full revenue decoupling mechanism such as the WRAM, Registrant may be subject to future volatility in revenues and earnings as a result of fluctuations in water consumption by our customers .** Electric Segment Operations Risks Our electric segment operates in a high wildfire risk area Drought conditions in recent years and historically as well as shifting weather patterns in California as a result of climate change have created dry vegetation and higher risks of wildfire in California. Severe wildfires can pose a material risk for BVES in the event of the occurrence of a wildfire. There is no assurance that losses incurred through a wildfire event will not exceed the coverage limits of BVES’ s insurance coverage. Any losses not fully insured by BVES’ s insurance coverage may not be approved by the CPUC for future cost recovery. BVES is required to adopt and implement a wildfire mitigation plan that is submitted periodically to, and subject to the approval of, the CPUC. In ~~December~~ **January 2023-2025** , the CPUC ratified BVES’ s ~~2023-2025~~ wildfire mitigation plan **update** which was also approved by the Office of Energy Infrastructure Safety in the fourth quarter of ~~2023-2024~~ . The recovery of costs incurred to implement ~~this~~ **the plan and its update** are not approved by the CPUC at the time of its approval of the ~~wildfire mitigation~~ plan but will only be approved by the CPUC in a subsequent general rate case. We anticipate that the costs of capital improvements necessary to implement this program will increase substantially. BVES is also required to implement a public safety power shut- off program during high wildfire threat conditions. The CPUC may assess penalties if BVES shuts- down power to its customers and the CPUC determines that the shutdown was not reasonably necessary in the circumstances. As a result of shutting- down power to its customers, BVES’ s cash flows may be negatively affected due to a reduction in electricity sold. However, BVES has implemented a CPUC- approved revenue decoupling mechanism that mitigates the impact of customer usage fluctuations to earnings. BVES has also obtained a safety certificate, which must be renewed annually by the CPUC. Even with an approved safety certificate, BVES could be found liable for deaths, injuries and property damage if BVES’ s electric equipment is found to have caused a catastrophic wildfire and it is determined by the CPUC that BVES did not act reasonably in operating and maintaining its equipment. BVES may not be able to recover the costs of all liabilities from such a wildfire from insurance or from ratepayers. Our liquidity may be adversely affected by increases in electricity and natural gas prices in California We purchase most of the electric energy sold to customers in our electric customer service area from others under purchased power contracts. In addition to purchased power contracts, we purchase additional energy from the spot market to meet peak demand and following the expiration of purchased power contracts if there are delays in obtaining CPUC authorization of new purchase power contracts. We may sell surplus power to the spot market during times of reduced energy demand. As a result, our cash flow may be affected by increases in spot market prices of electricity purchased and decreases in spot market prices for electricity sold. However, BVES has implemented a CPUC- approved supply- cost balancing account to mitigate the impact to earnings from fluctuations in supply costs. Unexpected generator downtime at our 8. 4 megawatt natural- gas- fueled generator or a failure to perform by any of the counterparties to our electric and natural gas purchase contracts could further increase our exposure to fluctuating natural gas and electricity prices. Changes in electricity prices also affect the unrealized gains and losses on our block forward purchased power contracts that qualify as derivative instruments since we adjust the asset or liability on these contracts to reflect the fair market value of the contracts at the end of each month. The CPUC has authorized us to establish a memorandum account to track the changes in the fair market value of our purchased power contracts. As a result, unrealized gains and losses on these types of purchased power contracts do not impact earnings. We may not be able to procure sufficient

renewable energy resources to comply with CPUC rules We are required to procure a portion of our electricity for BVES from renewable energy resources to meet the CPUC' s renewable procurement requirements. We have agreements with third parties to purchase renewable energy credits, which ~~has enables~~ **enabled** us to meet these requirements through 2024. The next RPS compliance period is years 2025- 2027. In the event that the third parties fail to perform in accordance with the terms of the agreement, we may not be able to obtain sufficient resources to meet the renewable procurement requirements. We may be subject to fines and penalties by the CPUC if it determines that we are not in compliance with the renewable resource procurement rules.

Utility Privatization Contract Risks Our contracts for servicing military bases create certain risks that are different from our public utility operations We have entered into contracts to provide water and / or wastewater services at military bases primarily pursuant to initial 50- year, firm ~~fixed-~~ priced contracts, **one 15- year contract**, additional firm ~~fixed-~~ price contracts and task order contracts, subject to termination, in whole or in part, for the convenience of the U. S. government. We also from time to time enter into contracts with third party prime contractors on military bases. The U. S. government may stop work under the terms of one or more of these contracts, not provide additional task orders, delay performance of our obligations under the contracts, or modify the contracts at its convenience. Our contract pricing is based on a number of assumptions, including assumptions about the condition and amount of infrastructure at the military bases, prices and availability of labor, equipment and materials. We may be unable to recover all costs if any of these assumptions are inaccurate or if all costs incurred in connection with performing the work were not considered. Our contracts are also subject to annual economic price adjustments, adjustments as task orders are issued or other changes permitted by the terms of the contracts. Prices are also subject to equitable adjustment based upon changes in circumstances, laws or regulations and service- requirement changes to the extent provided in each of the contracts. We are required to record all costs under our military base contracts as they are incurred. As a result, we may record losses associated with unanticipated conditions that result in higher than estimated costs, higher than anticipated infrastructure levels, and required emergency work at the time such expenses occur. We recognize additional revenue for such work as, and to the extent that, our economic price adjustments and / or requests for equitable adjustments are approved. Delays in obtaining approval of economic price adjustments and / or equitable adjustments can negatively impact our results of operations and cash flows. Certain payments under these contracts are subject to appropriations by Congress. We may experience delays in receiving payment or delays in price adjustments due to canceled or delayed appropriations specific to our projects, reductions in government spending for the military generally or military- base operations specifically or other delays in Congress approving appropriations. Appropriations and the timing of payment may be influenced by, among other things, the state of the economy, competing political priorities, budget constraints, the timing and amount of tax receipts, government shutdowns and the overall level of government expenditures. We may experience delays in receiving payments for services rendered in military bases due to delays in Congressional appropriation bills or other factors affecting the available funds to pay contractors. Our contracts for the construction of infrastructure improvements on military bases create risks that are different from those of our public utility operations and maintenance activities We have entered into contract modifications with the U. S. government and agreements with third parties for the construction of new water and / or wastewater infrastructure at the military bases on which we operate. Most of these contracts are firm ~~fixed-~~ price contracts. Under firm ~~fixed-~~ price contracts, we will benefit from cost savings, but are generally unable (except for changes in scope or circumstances approved by the U. S. government or third party) to recover any cost overruns to the approved contract price. Under most circumstances, the U. S. government or third party has approved increased- cost change orders due to changes in scope of work performed. We generally recognize contract revenues from these types of contracts over time using input methods to measure progress towards satisfying a performance obligation. The measurement of performance over time is based on cost incurred relative to total estimated costs, or the physical completion of the construction projects. The earnings or losses recognized on individual contracts are based on periodic estimates of contract revenues, costs and profitability as these construction projects progress. We establish prices for these types of firm ~~fixed-~~ price contracts and the overall contract taken as a whole, based, in part, on cost estimates that are subject to a number of assumptions, including assumptions regarding future economic conditions. If these estimates prove inaccurate or circumstances change, cost overruns could have a material adverse effect on our contracted business operations and results of operations. We may be adversely affected by disputes with the U. S. government regarding our performance of contracted services on military bases Entering into contracts with the U. S. government subjects us to a number of operational and compliance risks over our performance of contracted services on military bases. We are periodically audited or reviewed by the Defense Contract Auditing Agency (“ DCAA ”), the Defense Contract Management Agency (“ DCMA ”), the Department of Labor, the Defense Logistics Agency Energy, and / or the Department of Justice for compliance with federal acquisition regulations, cost- accounting standards and other laws, regulations and standards that are not applicable to the operations of GSWC or BVES. During the course of these audits / reviews, the U. S. government may question our incurred project costs or the manner in which we have accounted for such costs and recommend to our U. S. government administrative contracting officer that such costs be disallowed. If there is a dispute with the U. S. government regarding performance under these contracts or the amounts owed to us, the U. S. government may delay, reject or withhold payment, delay price adjustments or assert its right to offset damages against amounts owed to us. If we are unable to collect amounts owed to us on a timely basis or the U. S. government asserts its offset rights, profits and cash flows could be adversely affected. Moreover, we are subject to potential government investigations of our business practices and compliance with government procurement statutes and security regulations. If we are charged with wrongdoing as a result of an investigation, or if we fail to comply with the terms of one or more of our U. S. government contracts, other agreements with the U. S. government or U. S. government statutes and regulations, our existing contracts could be terminated or we could be suspended or barred from future U. S. government contracts for a period of time, and be subject to possible damages, fines and penalties as well as damage to our reputation in the water and wastewater industry, which could have a material adverse effect on our results of operations and cash flows. We depend, to some extent, upon subcontractors to assist us in the performance of contracted

services on military bases We rely, to some extent, on subcontractors to assist us in the operation and maintenance of the water and wastewater systems at military bases. The failure of any of these subcontractors to perform services for us in accordance with the terms of our contracts with the U. S. government could result in the termination of our contract to provide water and / or wastewater services at the affected base (s), and / or a loss of revenues, or increases in costs, to correct a subcontractor' s performance failures. We are also required to make a good faith effort to achieve our small business subcontracting plan goals pursuant to U. S. government regulations. If we fail to use good faith efforts to meet these goals, the U. S. government may assess damages against us at the end of the contract. The U. S. government has the right to offset claimed damages against any amounts owed to us. We also rely on third- party manufacturers, as well as third- party subcontractors, to complete our construction projects. To the extent that we cannot engage subcontractors or acquire equipment or materials, our ability to complete a project in a timely fashion or at a profit may be impaired. If the amount of costs we incur for these projects exceeds the amount we have estimated in our bids, we could experience reduced profits or losses in the performance of these contracts. In addition, if a subcontractor or manufacturer is unable to deliver its services, equipment or materials according to the negotiated terms for any reason, including the deterioration of its financial condition, we may be required to purchase the services, equipment or materials from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the services, equipment or materials were needed. If subcontractors fail to perform services to be provided to us or fail to provide us with the proper equipment or materials, we may be penalized for their failure to perform; however, our contracts with subcontractors include certain protective provisions, which may include the assessment of liquidated damages. We also mitigate these risks by requiring our subcontractors, as appropriate, to obtain performance bonds and to compensate us for any penalties we may be required to pay as a result of their failure to perform. We may not be fully reimbursed for all of our construction costs or may only receive payment on a delayed basis Unlike GSWC and BVES, who recover their capital investments from customers over the life of the assets through annual depreciation and earn a return on such investments through the ratemaking process, ASUS is reimbursed for the cost of ongoing renewal and replacement construction projects plus a profit through the collection of a monthly cash stream under each of the 50 - year and 15 - year contracts with the U. S. government. ASUS also receives funding from the U. S. government for initial and other new construction projects at the military bases it serves that, in many cases, are outside the scope of contracts with the U. S. government and are granted through firm- fixed contract modifications. ASUS' s subsidiaries expect to continue incurring significant construction costs. Reimbursement by the U. S. government for these construction costs may not be fully reimbursable if the costs incurred are greater than the amounts estimated and approved by the U. S. government, or payments may be delayed awaiting government funding and processing, which could significantly affect our cash flows from operations. Other Contracted Services Segment Risks Risks associated with wastewater systems are different from those of our water distribution operations The wastewater- collection- system operations of our ASUS subsidiaries providing wastewater services on military bases are subject to substantial regulation and involve significant environmental risks. If collection, treatment or disposal systems fail, overflow or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. The cost of addressing such damages may not be recoverable. This risk is most acute during periods of substantial rainfall or flooding, which are common causes of sewer overflows and system failures. These risks may be increased as a result of an increase in the duration and frequency of storms due to climate change. Liabilities resulting from such damage could adversely and materially affect our business, results of operations and financial condition. In the event that we are deemed liable for any damage caused by overflows, our losses may not be recoverable under our contracts with the U. S. government or covered by insurance policies. We may also find it difficult to secure insurance for this business in the future at acceptable rates. We may have responsibility for water quality at the military bases we serve While it is the responsibility of the U. S. government to provide the source of water supply to meet ASUS' s subsidiaries water distribution system requirements under their contracts with the U. S. government, ~~the~~ ASUS' s subsidiaries, as the water system permit holders for most of the bases they serve, are responsible for ensuring the continued compliance of the provided source of supply with all federal, state and local regulations. We believe, however, that the terms of the contracts between ASUS' s subsidiaries and the U. S. government provide the opportunity for us to recover costs incurred in the treatment or remediation of any quality issue that arises from the source of water supply. Our earnings may be affected, to some extent, by weather during different seasons Seasonal weather conditions, such as hurricanes, heavy rainfall or significant winter storms, occasionally cause temporary office closures and / or result in temporary halts to construction activity at military bases. To the extent that our construction activities are impeded by these events, we will experience a delay in recognizing revenues from these construction projects. We continue to incur costs associated with the expansion of our military base contract activities We continue to incur additional costs in connection with the expansion of our contract operations associated with the preparation of bids for new contract operations on prospective and existing military bases. Our ability to recover these costs and to earn a profit on our contract operations will depend upon the extent to which we are successful in obtaining new contracts and recovering these costs and other costs from new contract revenues. We face intense competition for new military base contracts An important part of our growth strategy is the expansion of our contracted services business through new contract awards to serve additional military bases for the U. S. government. ASUS competes with other investor- owned utilities, municipalities, and other entities for these contracts. Additionally, the U. S. government periodically reviews the cost and overall effectiveness of the military privatization program. Should these reviews prompt a decision to curtail or eliminate the issuance of solicitations for future military base contract awards, the potential for growth in this segment could be negatively impacted. Information Technology Risk Factors We must successfully maintain and / or upgrade our information technology systems as we are increasingly dependent on the continuous and reliable operation of these systems We rely on various information **and operational** technology systems to manage our operations, **including those provided by third party solutions that support our operational and business processes**. Such systems require periodic

modifications, upgrades and / or replacement, which subject us to inherent costs and risks, including potential disruption of our internal control structure, substantial capital expenditures, additional administrative and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, and other risks and costs of delays or difficulties in transitioning to new systems or of integrating new systems into our current systems. In addition, the difficulties with implementing new technology systems may cause disruptions in our business operations and have an adverse effect on our business and operations, if not anticipated and appropriately mitigated. We rely on our ~~computer, information and communications-operational~~ **computer information and communications-operational 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 information and communications-operational~~ **computer information and communications-operational technology** systems and operations could be damaged or interrupted by weather, natural disasters, telecommunications failures, cyberattacks or acts of war or terrorism or similar events or disruptions. **Outages caused by third party information and operational technology solutions are often beyond our ability to control.** Any of these or other events could cause system interruption, delays and loss of critical data, delay or prevent operations or delay in notification of system failures or emergencies and adversely affect our financial results and could result in liabilities not covered by insurance or recoverable in rates for misappropriation of assets or sensitive information, corruption of data and the impact of operational disruptions on our customers. Cybersecurity incidents could disrupt our internal operations, and any such disruption could increase our expenses, damage our reputation and adversely affect our stock price. There continues to be an increasing number of cyberattacks on companies around the world, which have caused operational failures or compromised sensitive corporate or customer data. These attacks have occurred over the internet, through malware, viruses or attachments to e-mails, or through persons inside the organization or with access to systems inside the organization and may be heightened with the increased use and prevalence of artificial intelligence. Although we do not believe that our systems are at a materially greater risk of cybersecurity attacks ~~than~~ **when compared to** other similar organizations, our information technology systems remain at risk to damage or interruption from the following among other types of cybersecurity risks: • Supply Chain Attacks; • Malicious Software; • Credential Loss or Theft; • Supervisory Control and Data Acquisition System Takeover; • Equipment Theft; • Ransomware; • Actions of Employees (Intentional or Accidental); • Phishing Attacks; • Identity- Based Attacks; and • Denial- of- Service Attacks. We believe a breach of customer personally identifiable information is one of the most significant financial risks to us as the costs incurred could exceed the amount of our cybersecurity insurance coverage and these costs may increase if we fail to comply with federal and state privacy 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. Any actual or perceived failure to comply with the CCPA could lead to investigations, claims, and proceedings by governmental entities and private parties, damages for breach, and other significant costs, penalties, and other liabilities, as well as harm to our reputation. We have implemented security measures and will continue to devote significant resources to improve our security posture to address any security vulnerabilities in an effort to prevent cyberattacks. Despite our efforts, due to the evolving nature of cyberattacks and vulnerabilities, we cannot be assured that a cyberattack will not cause water, wastewater or electric system problems, disrupt service to our customers, compromise important data or systems or result in unintended release of customer or employee information. Moreover, if a security breach affects our systems or results in the unauthorized release of sensitive data, our reputation could be materially damaged. We may not discover any security breach and loss of information for a significant period of time after the security breach. We could also be exposed to a risk of loss or litigation and possible liability. Pursuant to U. S. government regulations regarding cybersecurity of government contractors, we might be subject to fines, penalties or other actions, including debarment, with respect to current contracts or with respect to future contract opportunities. We maintain cybersecurity insurance to provide coverage for a portion of the losses and damages that may result from a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss caused by a breach. Other costs associated with cyber incidents may not be covered by insurance or recoverable in rates. The market for cybersecurity insurance continues to evolve and may affect the future availability of cyber insurance at reasonable rates. **Additional information regarding cybersecurity and risk management associated with cybersecurity is provided in Item 1C. “ Cybersecurity. ”** Human Capital Management Risks Failure to attract, retain, train, motivate, develop and transition key employees could adversely affect our business. In order to be successful, we must attract, retain, train, motivate, and develop key employees, including those in managerial, operational, financial, regulatory, business ~~development and information~~ **business** technology support positions. Our regulated ~~business~~ **businesses** and contracted services operations are complex. Attracting and retaining high quality staff allows us to minimize the cost of providing quality service. In order to attract and retain key employees in a competitive marketplace, we must provide a competitive compensation package and be able to effectively recruit qualified candidates. This is especially challenging for us since approximately ~~30-38~~ **30-38** % of our employees will be eligible to retire in the next five years. The failure to successfully hire key employees or the loss of a material number of key employees could have a significant impact on the quality of our operations in the short term. Further, changes in our management team may be disruptive to our business, and any failure to successfully transition key new hires or promoted employees could adversely affect our business and results of operations. Failure of our employees to maintain required certifications and licenses or to complete required compliance training could adversely impact our ability to operate and maintain our utility systems and provide services to our customers. Many of our employees must have specialized certifications and licenses in order to perform their duties and periodically complete required compliance training. Our business could be adversely affected if our employees do not maintain their certifications and licenses or we are unable to attract employees with the necessary certifications and licenses. Other Business Risk Factors The accuracy of our judgments and estimates about financial and accounting matters will impact our operating results and financial condition. The quality and accuracy of estimates and judgments used have an impact

on our operating results and financial condition. If our estimates are not accurate, we will be required to make an adjustment in a future period. We make certain estimates and judgments in preparing our financial statements regarding, among others: • timing of recovering **M- WRAM , WRAM, ICBA**, MCBA and BRRAM regulatory assets ; • **regulatory recovery of deferred items** ; • amounts to set aside for uncollectible accounts receivable, inventory obsolescence and uninsured losses; • our legal exposure and the appropriate accrual for claims, including general liability and workers' compensation claims; • future costs and assumptions for pensions and other post- retirement benefits ; • ~~regulatory recovery of deferred items~~ ; and • possible tax uncertainties. Market conditions and demographic changes may adversely impact the value of our benefit plan assets and liabilities Market factors can affect assumptions we use in determining funding requirements with respect to our pension and other post- retirement benefit plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that market data compels us to reduce the discount rate used in our assumptions, our benefit obligations could materially increase, which could adversely affect our financial position and cash flows. Further, changes in demographics, such as increases in life expectancy assumptions may also increase the funding requirements of our obligations related to our pension and other post- retirement benefit plans. Market conditions also affect the values of the assets that are held in trusts to satisfy significant future obligations under our pension and other post- retirement benefit plans. These assets are subject to market fluctuations, which may cause investment returns to fall below our projected rates of return. A decline in the market value of our pension and other post- retirement benefit plan assets will increase the funding requirements under these plans if future returns on these assets are insufficient to offset the decline in value. Future increases in pension and other post- retirement costs as a result of the reduced value of plan assets may not be fully recoverable in rates, and our results of operations and financial position could be negatively affected. These risks are mitigated to some extent by the two- way pension balancing accounts authorized by the CPUC, which permits us to track differences between forecasted annual pension expense adopted in water and electric rates and actual pension expenses for future recovery or refund to customers. Our business requires significant capital expenditures and our inability to access the capital or financial markets could affect our ability to meet our liquidity needs and long- term commitments, which could adversely impact our operations and financial results The utility business is capital intensive. We spend significant sums of money for additions to, or replacement of, our property, plant and equipment at our water and electric regulated utilities. We obtain funds for these capital projects from operations, contributions by developers and others, and refundable advances from developers (which are repaid over a period of time). We periodically borrow money or issue equity or debt securities for these purposes. In addition, we have revolving credit facilities that are used for capital expenditure programs with our utilities and operations. We cannot provide assurance that these sources will continue to be adequate or that the cost of funds will remain at levels permitting us to earn a reasonable rate of return. As our capital investment program continues to increase, coupled with the elimination of bonus depreciation for regulated utilities due to tax reform, we will need access to external financing more often, which increases our exposure to market conditions. In addition to cash flow from operations, we rely primarily on our credit facilities and long- term debt to satisfy our liquidity needs. We also may from time to time issue Common Shares , **including pursuant to our at- the- market offering program**, to support our capital investment program. Changes in market conditions, including events beyond our control such as ~~recent~~ increases to interest rates, could limit our ability to access capital on terms favorable to us or at all, including obtaining credit facilities with the borrowing capacities needed as well as issuing equity or debt securities. As a result, the amount of capital available may not be sufficient to meet all our liquidity needs at a reasonable cost at all of our subsidiaries. Payment of our debt may be accelerated if we fail to comply with restrictive covenants in our debt agreements Our failure to comply with restrictive covenants in our debt agreements could result in an event of default. If the default is not cured or waived, we may be required to repay or refinance the debt before it becomes due. Even if we are able to obtain waivers from our creditors, we may only be able to do so on unfavorable terms. Our ability to comply with the financial covenants in our debt agreements may be adversely affected by delays in obtaining CPUC approval of our general rate case filings. The price of our Common Shares may be volatile and may be affected by market conditions beyond our control The trading price of our Common Shares may fluctuate in the future because of the volatility of the stock market and a variety of other factors, many of which are beyond our control. Factors that could cause fluctuations in the trading price of our Common Shares include: changes in interest rates; regulatory developments, decisions and delays **of decisions** ; general economic conditions and trends; price and volume fluctuations in the overall stock market; actual or anticipated changes or fluctuations in our results of operations; actual or anticipated changes in the expectations of investors or securities analysts; actual or anticipated developments in other utilities' businesses or the **general** competitive landscape ~~generally~~ ; litigation involving us or our industry; major catastrophic events, or sales of large blocks of our stock. AWR is a holding company that depends on cash flow from its subsidiaries to meet its financial obligations and to pay dividends on its Common Shares As a holding company, our subsidiaries conduct substantially all operations and our only significant assets are investments in our subsidiaries. This means that we are dependent on distributions of funds from our subsidiaries to meet our debt service obligations and to pay dividends on our Common Shares. Our subsidiaries are separate and distinct legal entities and generally have no obligation to pay any amounts due on AWR' s credit facility. Our subsidiaries only pay dividends if and when declared by the respective subsidiary board. Moreover, GSWC and BVES are obligated to give first priority to their own capital requirements and to maintain capital structures consistent with those determined to be reasonable by the CPUC in its most recent decisions on capital structure for both GSWC and BVES in order for customers to not be adversely affected by the holding company structure. Furthermore, our right to receive cash or other assets in the unlikely event of liquidation or reorganization of any of our subsidiaries is generally subject to the prior claims of creditors of that subsidiary. If we are unable to obtain funds from a subsidiary in a timely manner, we may be unable to meet our financial obligations, make additional investments or pay dividends. The final determination of our income tax liability may be materially different from our income tax provision Significant judgment is required in determining our provision for income taxes. Our calculation of the provision for income taxes is subject to our interpretation of applicable tax laws in the

jurisdictions in which we file. In addition, our income tax returns are subject to periodic examination by the Internal Revenue Service and other taxing authorities. Although we believe our income tax estimates are appropriate, there is no assurance that the final determination of our current taxes payable will not be materially different, either higher or lower, from the amounts reflected in our financial statements. In the event we are assessed additional income taxes, our financial condition and cash flows could be adversely affected. Our operations are geographically concentrated in California. Although we operate water and wastewater facilities in a number of states under our contracted services business, our regulated water and electric operations are concentrated in California, particularly Southern California. As a result, our financial results are largely subject to political, water supply, labor, utility cost and regulatory risks, economic conditions, natural disasters (which may increase as a result of climate change) and other risks affecting California. Our financial results may also be impacted by population growth or decline in our service areas.