

Exhibit No.:  
Issues: Operations and Facilities,  
Commitment to Water Quality and  
Safety, Cross Connection, Operating  
and Maintenance Expense, Improving  
Water and Wastewater Efficiency,  
Employee Levels and Compensation  
Witness: Jody L. Carlson, P.E.  
Exhibit Type: Direct  
Sponsoring Party: Missouri-American Water Company  
Case No.: WR-2026-0304  
SR-2026-0305  
Date: July 1, 2026

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. WR-2026-0304**

**CASE NO. SR-2026-0305**

**DIRECT TESTIMONY**

**OF**


**JODY L. CARLSON, P. E.**

**ON BEHALF OF**

**MISSOURI-AMERICAN WATER COMPANY**

## AFFIDAVIT

I, Jody L. Carlson, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Vice President for Missouri American Water Company, that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.

  
Jody L. Carlson

July 1, 2026  
Dated

**DIRECT TESTIMONY  
JODY L. CARLSON, P. E.  
MISSOURI-AMERICAN WATER COMPANY  
CASE NO.: WR-2026-0304  
CASE NO.: SR-2026-0305**

**TABLE OF CONTENTS**

<b>I. INTRODUCTION .....</b>	<b>2</b>
<b>II. OPERATIONS AND FACILITIES .....</b>	<b>4</b>
<b>III. COMMITMENT TO WATER QUALITY AND SAFETY .....</b>	<b>6</b>
a. Water Quality .....	6
b. Safety .....	16
<b>IV. OPERATING AND MAINTENANCE (O&amp;M) EXPENSE.....</b>	<b>22</b>
<b>V. IMPROVING WATER AND WASTEWATER EFFICIENCY .....</b>	<b>24</b>
<b>VI. EMPLOYEE LEVELS AND COMPENSATION .....</b>	<b>34</b>
a. Employee Levels .....	37
b. Missouri-American’s Compensation Philosophy .....	39
c. Market Based Total Compensation .....	41
d. Performance Compensation Plans .....	43

**DIRECT TESTIMONY**

**JODY L. CARLSON, P. E.**

**I. INTRODUCTION**

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**Q. Please state your name and business address.**

A. My name is Jody L. Carlson, and my business address is 727 Craig Road, St. Louis, MO, 63141.

**Q. By whom are you employed and in what capacity?**

A. I am employed by Missouri-American Water Company (“Missouri-American,” “MAWC,” or “Company”) as Vice President of Operations. MAWC is a wholly owned subsidiary of American Water Works Company, Inc. (“American Water”).

**Q. Please summarize your educational background and business experience.**

A. I received a Bachelor of Science degree in civil engineering from the University of Missouri – Columbia in 1992. I am also registered as a licensed professional engineer in the State of Missouri and have over 30 years of engineering experience. My past work experience involves working for the Missouri Department of Transportation from February 1993 until November 2011, as a Construction Engineer, Traffic Engineer, Maintenance Engineer, and Project Manager. Additionally, I was an Area Engineer over all aspects previously listed in a large region (20 counties) and served as the District Design/Construction/Maintenance Engineer. In November of 2011, I began employment with the City of St. Joseph as the Director of Public Works and was responsible for 7 divisions: Wastewater collection/treatment and stormwater management in a combined system; Rosecrans Memorial Airport, which is a joint use public/military facility; Street Maintenance; Landfill Operations; Mass Transit; Engineering; and Administration. In April of 2015, I began working with Missouri-American as a Sr. Manager of Operations in

1 Northwest Missouri. I was promoted to Director of Operations in Northwest Missouri in  
2 March of 2022, then to Vice President of Engineering and Business Development in  
3 February of 2023, and then transitioned to Vice President of Operations in February of  
4 2024.

5 **Q. What are your current employment responsibilities?**

6 A. I am responsible for the Company's water and wastewater operations across the State of  
7 Missouri, including field services, production, maintenance, water quality, environmental  
8 compliance, and safety. We focus on continuous improvement of all aspects of our  
9 operation through implementation of best practices across Missouri to ensure operational  
10 efficiencies and regulatory compliance. My oversight includes ensuring that our operations  
11 team achieves excellent customer service, while MAWC's operational targets are met. I  
12 also participate in the strategic planning necessary to develop and implement Company  
13 initiatives and operational improvements.

14 **Q. Are you generally familiar with the operations, books and records of MAWC?**

15 A. Yes.

16 **Q. Have you previously filed testimony before the Missouri Public Service Commission  
17 ("Commission")?**

18 A. Yes. I have previously filed testimony before the Commission. I submitted Direct  
19 Testimony and Rebuttal Testimony for WR-2024-0320.

20 **Q. What is the purpose of your direct testimony in this proceeding?**

21 A. The purpose of my Direct Testimony is to testify in support of several areas of this filing.  
22 First, I describe the Company's water and wastewater operations and facilities throughout  
23 Missouri. I also discuss the Company's commitment to water quality and safety, MAWC's

1 level of operating and maintenance (“O&M”) expense in this case and the Company’s  
2 efforts to improve water and wastewater efficiency. I also support the Company’s  
3 employee levels and MAWC’s total market-based compensation philosophy.

4 **Q. Are you submitting any exhibits with your direct testimony?**

5 A. Yes, I am sponsoring the following Schedule JLC – 1 DT: Map of MAWC’s Service  
6 Territories.

7 **II. OPERATIONS AND FACILITIES**

8 **Q. Please generally describe MAWC’s water and wastewater operations**

9 A. MAWC has approximately 509,220<sup>1</sup> customers, serving roughly 1.7 million people in the  
10 State of Missouri. We provide water service to approximately 485,700 across the State with  
11 the largest concentration of customers in the areas of St. Louis County, Jefferson City,  
12 Mexico, Parkville, St. Joseph, Warrensburg, Joplin, and Branson. MAWC also serves  
13 approximately 23,500 wastewater customers across the State, with the largest  
14 concentration of customers being in Arnold, Eureka, and in and around Jefferson City.

15 **Q. Please describe MAWC’s plant and property.**

16 A. MAWC’s utility plant accounts include land and land rights, structures and improvements,  
17 wells, pumping equipment and associated facilities, purification plant and equipment,  
18 sludge disposal facilities, transmission and distribution mains, collection pipes, distribution  
19 storage facilities, service lines, meters, hydrants and other facilities, including materials  
20 and supplies. All of this plant and property is used and useful in providing safe, proper,  
21 efficient, and reliable water and wastewater services to MAWC’s customers.

22 **Q. Please describe MAWC’s sources of water supply, treatment facilities, pumping**

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<sup>1</sup> Customer count as of 12/31/25.

1 **equipment and distribution system property used to provide water service.**

2 A. MAWC draws most of our water supply from surface water (lakes and rivers), or from  
3 groundwater (wells and/or infiltration galleries). In some areas, MAWC also purchases  
4 water from neighboring water suppliers. About 84% of MAWC's total source of supply  
5 comes from surface water and 15% comes from groundwater. The remaining 1% is  
6 purchased water.

7 While treatment processes may vary between individual systems, generally the  
8 treatment processes include one or more of the following: sedimentation and clarification,  
9 filtration, disinfection, taste and odor removal, organic chemical adsorption, iron and  
10 manganese removal or sequestering, pH adjustment, corrosion control, and fluoridation for  
11 dental prophylaxis. These treatment processes are provided to meet or surpass the standards  
12 of the drinking water regulations of the Drinking Water Branch of the Missouri Department  
13 of Natural Resources ("MDNR"), the United States Environmental Protection Agency  
14 ("EPA"), municipal and county fluoridation ordinances, and a municipal water softening  
15 franchise requirement.

16 The MAWC water systems consist of more than 7,000 miles of water mains ranging  
17 in size up to 42 inch, more than 46,000 hydrants, and approximately 120 distribution  
18 storage tanks, 18 water treatment plants, 93 wells, and more than 100 pump stations. The  
19 Company's treatment facilities and wells produce approximately 73 billion gallons  
20 annually. The total capacity of water storage is more than 155 million gallons which is  
21 strategically located in the service areas for drawdown during peak demand periods and  
22 for fire protection services.

23 **Q. Please describe MAWC's treatment facilities, equipment, and collection system**

1 **property used to provide wastewater service.**

- 2 A. The wastewater system facilities consist of approximately 500 miles of collection lines and  
3 force mains ranging in size from 2-inch to 36-inch diameter, over 10,500 manholes, and  
4 more than 160 lift stations. There are approximately 65 wastewater treatment plants: 37  
5 mechanical wastewater treatment plants, 10 sandfilters, 16 lagoons (6 with advanced  
6 treatment), and 2 no discharge sites with the combined capacity to treat approximately 6.9  
7 million gallons of wastewater daily.

8 **III. COMMITMENT TO WATER QUALITY AND SAFETY**

9 **a. Water Quality**

10 **Q. Please discuss Missouri-American's commitment to water quality.**

- 11 A. MAWC has provided water service to Missouri residential and business customers for  
12 more than 140 years. We are acutely aware that water is the only utility product intended  
13 for customers to ingest, and that our customers rely on MAWC to provide them with safe  
14 and reliable water service. Beyond health and safety, we know that MAWC's customers  
15 are also interested in the aesthetic qualities of the water we treat and deliver to them. The  
16 Company demonstrates its commitment to water quality by maintaining various  
17 partnerships with drinking water organizations and proactively looking for ways to  
18 optimize treatment capabilities. The Company's Water Quality and Environmental  
19 Compliance program is designed to enable the Company to comply with all drinking water  
20 quality, water pollution, residuals management, air pollution and hazardous materials laws  
21 and regulations.

22 **Q. Please discuss MAWC's partnerships with respect to water quality.**

- 23 A. The Company's participation in The Partnership for Safe Water (the "Partnership")  
24 program is one demonstration of MAWC's commitment to the health and safety of our

1 customers through the delivery of clean, safe, aesthetically pleasing drinking water. The  
2 Partnership is an alliance of six drinking water organizations<sup>2</sup> with a mission to improve  
3 the quality of water delivered to customers by optimizing water system operations. Each  
4 year, the Partnership recognizes water treatment plants for their optimization and water  
5 quality.

6 MAWC is also part of the Missouri River Public Water Suppliers Association  
7 (“MRPWSA”) - a group of water utility representatives along the Missouri River that  
8 engages in issues that impact treatment, Missouri River policy and management, regulatory  
9 and permitting concerns, and overall monitoring of the river. The group also shares  
10 knowledge and best practices regarding drinking water treatment along the Missouri River.  
11 Moreover, MAWC, along with St. Louis Metropolitan Sewer District and Northeast Public  
12 Sewer District, is conducting an MDNR approved study on the Meramec River through  
13 2029. Harmful Algal Blooms (“HABs”) have been noted across the country and have  
14 significantly impacted drinking water sources. The Meramec River is a drinking water  
15 source for many Missourians and during certain times, it meets the conditions that promote  
16 algal growth – UV penetration, stagnant water, and plentiful nutrients. The study is  
17 gathering data on the occurrence of algae and related water quality characteristics to  
18 determine the vulnerability of the river.

19 **Q. Has MAWC been recognized for its optimization and water quality achievements?**

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<sup>2</sup> Partnership organizations include EPA, the American Water Works Association (“AWWA”), Association of State Drinking Water Administrators (“ASDWA”), Association of Metropolitan Water Agencies (“AMWA”), National Association of Water Companies (“NAWC”) and the Water Research Foundation (“WRF”).

1 A. Yes. Missouri-American is a participant in the Partnership’s water treatment plant  
2 optimization program and has repeatedly been recognized for its optimization and water  
3 quality achievements. MAWC’s six largest surface water treatment plants have received  
4 Phase III Directors Awards and six<sup>3</sup> of them have been recognized for maintaining the  
5 Phase III Directors Award status for more than fifteen years. On June 22, 2026, the  
6 Company received a longevity award from the American Water Works Association  
7 (“AWWA”) recognizing 25 years of participation in the Partnership for Safe Water  
8 program at its St. Louis and Joplin treatment plants.

9 **Q. What specific laws and regulations affect how MAWC operates and maintains its**  
10 **facilities?**

11 A. Missouri-American has extensive regulatory responsibilities relating to drinking water  
12 (*e.g.*, the Safe Drinking Water Act) and wastewater (*e.g.*, Clean Water Act), for which the  
13 MDNR has the responsibility for implementation and enforcement. This includes ever  
14 changing regulatory requirements, including increasingly stringent lead and copper rule  
15 changes and the imposition of new regulations regarding emerging contaminants such as  
16 per- and polyfluoroalkyl substances, each of which is further discussed by MAWC witness  
17 Matthew A. Lueders. Missouri-American is also subject to a variety of service standards  
18 under the Missouri Revised Statutes and the Missouri Code of State Regulations

19 **Q. How does Missouri-American manage compliance with applicable environmental**  
20 **laws and regulations?**

21 A. The Company uses a laboratory information management system (“LIMS”)  
22 for managing some of the water quality data and sample reporting requirements. One

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<sup>3</sup> The six plants include the Central Plant, North Plant, South Plant, Meramec Plant, Jefferson City, and Joplin Plant.

1 LIMS sample scheduling feature provides a tool to streamline thousands of water sample  
2 tests annually and ensures that the results are tracked and reported as required by the  
3 environmental regulators. In addition, Missouri-American uses Sample1View to manage  
4 the scheduling, collection, analysis and reporting of bacteriological samples from its utility-  
5 operated laboratory. Sample1View provides a combined view and reporting capability for  
6 bacteriological samples and the data from the LIMS system for a single view of compliance  
7 samples for a user-defined monitoring period. LIMS pre-populates reports to enable all  
8 samples to be tracked from collection to upload in an Excel-based report. Together, these  
9 systems confirm all required samples are completed and submitted each month to help  
10 ensure environmental compliance.

11 The use of software systems such as LIMS, MapCall and Sample1View reduces the  
12 manual re-entry of data collected on paper forms or otherwise generated from diverse  
13 sources. They also consolidate the information into structured databases with querying and  
14 reporting tools, instead of managing it in multiple separate spreadsheets. This allows for  
15 better data analysis, which in turn supports better decision making in compliance and  
16 operating matters and makes mandatory reporting more efficient.

17 Additionally, these systems confirm that all required reports and samples are completed  
18 and submitted each month to help ensure environmental compliance.

19 **Q. Please describe the Company's water quality testing program.**

20 A. Missouri-American routinely tests water in all of its systems to determine if it is meeting  
21 the safety standards established by the federal and state regulatory authorities. Our  
22 drinking water is tested both before and after treatment to confirm that it satisfies all  
23 chemical and bacteriological criteria. To help protect the public health, we have multiple

1 barriers in the treatment process to help prevent contamination, if detected, from reaching  
2 our customers. MAWC tests for the presence of synthetic organic chemicals, inorganic  
3 chemicals, volatile organic compounds (“VOCs”), radionuclides, bacteria, disinfection  
4 byproducts, and all other contaminants that the regulators require us to monitor, at the  
5 frequency prescribed by the federal and state regulations and report the results of this  
6 testing to the MDNR on a monthly basis, in accordance with the regulations. In addition,  
7 we work with our customers to collect and analyze samples for compliance with the Lead  
8 and Copper Rule, which are discussed further in the Direct Testimony of MAWC witness  
9 Matthew A. Lueders.

10 In 2025, Missouri-American collected more than 250,000 water chemistry and  
11 routine bacteriological samples. Many additional samples are taken to assess process  
12 effectiveness, support pilot treatment studies, and monitor emerging contaminant threats.  
13 We also collect other bacteriological samples as needed in response to main breaks and  
14 similar emergencies.

15 **Q. Please describe other ways the Company is demonstrating its commitment to water**  
16 **quality.**

17 A. The Company evaluates water quality and associated risks from the source all the way to  
18 the customer. MAWC’s integrated approach to monitoring its source water quality and  
19 using innovative technologies to evaluate risk supports the Company’s ability to make  
20 more informed decisions regarding treatment and when responding to potential source  
21 water contamination events. The integrated approach includes our continued use of source  
22 water quality monitoring equipment, utilization of technologies and applications  
23 (WaterSuite and SampleView), installation of dedicated sampling stations, and gaining

1 insights at more points throughout the distribution systems, such as chlorine residuals and  
2 potential cross-connection points.

3 **Q. What efforts has MAWC taken to monitor source water to verify it is safe for**  
4 **customers?**

5 A. The Company has a dedicated, risked-based Source Water Protection Program. The  
6 program is led by a full-time source water protection professional who is part of the  
7 Company's Support Services group. The program takes an integrated approach to  
8 planning, identifying hazards, assessing and prioritizing risk, and undertaking activities to  
9 mitigate the risks identified.

10 The Company has identified zones of concern for each surface water source. To  
11 identify and track potential sources of contamination within each zone of concern, the  
12 Company uses WaterSuite. This online tool integrates information from state and federal  
13 databases, aerial imagery analysis and local knowledge into a geospatially referenced  
14 database with a map-based interface. The databases, which in some cases include  
15 information on the presence and amounts of specific contaminants, are reviewed and  
16 updated periodically as data is available. Using this information, potential sources of  
17 contamination are prioritized for outreach based on risk profile.

18 Additionally, the Company has installed source water monitoring equipment on all surface  
19 water facilities to provide timely, source-specific information that can help anticipate,  
20 evaluate, and manage risk to the drinking water supply.

1 **Q. What tools or technologies does the Company use to monitor source water quality at**  
2 **its treatment plants?**

3 A. In addition to identifying potential sources of contamination, MAWC implemented Source  
4 Water Monitors on the influent of each plant that uses surface waters. These systems, using  
5 technology from Hach or YSI, continuously monitor all or a subset of the following  
6 parameters: pH, dissolved oxygen, conductivity, oxidation-reduction potential, turbidity,  
7 temperature, chlorophyll and phycocyanin, a pigment in blue-green algae. The instruments  
8 are connected to plant monitoring and control systems and designed to detect water quality  
9 changes in source water. Online source water monitors provide data to enhance situational  
10 awareness and support decision making.

11 **Q. Are there other efforts MAWC is making to safeguard water quality?**

12 A. Yes. The Company made improvements to its Cross Connection Control Program  
13 (“Program”).

14 **Q. What is a cross-connection?**

15 A. A cross-connection is any actual or potential physical connection between a public water  
16 system and a source of contamination or pollution that could allow non-potable water or  
17 other substances to enter the drinking water system. Common examples of such cross-  
18 connections are found in industrial and commercial processes (dry cleaners, funeral homes,  
19 car washes), fire services, lawn irrigation systems.

20 **Q. Please describe Missouri-American’s Program.**

21 A. Missouri-American maintains an established Program and continues to enhance its  
22 effectiveness to ensure ongoing customer compliance. The Company uses a third-party  
23 consultant to manage the Program’s data tracking and customer notification processes.

1 This enhanced system automatically sends reminder notifications to customers 30 days  
2 prior to the expiration of their current backflow prevention assembly certification. If a  
3 customer does not complete the required testing by the applicable deadline, a follow-up  
4 notification is issued advising the customer of the missed requirement. If a backflow  
5 prevention assembly fails testing, the Company provides a separate notification advising  
6 the customer that the assembly must be repaired or replaced. Additionally, to further  
7 support the Program and reinforce compliance, on February 3, 2025, Missouri-American  
8 hired a full-time employee dedicated solely to managing the Cross-Connection Control  
9 Program.

10 **Q. What are backflow prevention devices?**

11 A. Backflow prevention devices are mechanical assemblies installed at cross-connection  
12 points to prevent the reverse flow of water from a customer's system into the public water  
13 distribution system. These devices are designed to protect the potable water supply from  
14 contamination caused by backflow conditions, such as backpressure or backsiphonage.

15 **Q. What risks are presented if backflow prevention devices are not properly  
16 maintained?**

17 A. If backflow prevention devices are not properly maintained and tested, there is a risk that  
18 contaminants—including chemicals, industrial fluids, or biological hazards—could enter  
19 the public water distribution system. Such events can compromise water quality, pose  
20 public health risks, and result in regulatory violations.

21 **Q. What are the applicable regulatory requirements related to backflow prevention  
22 assemblies in Missouri?**

1 A. MDNR regulations, including Rule 10 CSR 60-11.010, require public water systems to  
2 obtain documentation that backflow prevention assemblies are tested and certified on at  
3 least an annual basis by a qualified individual.

4 **Q. Is the Company experiencing compliance challenges related to backflow prevention**  
5 **requirements?**

6 A. Yes. Starting in 2024, the Company observed an increase in review and unsatisfactory  
7 findings noted by the MDNR and the EPA’s Regional Office related to backflow  
8 prevention and cross-connection control requirements. Although the customer is  
9 responsible for completing the testing, the water provider remains ultimately responsible  
10 for regulatory compliance.

11 **Q. What steps is the Company proposing to address these compliance challenges?**

12 A. To further strengthen compliance and improve public health protection, the Company is  
13 proposing to implement a “test and charge” policy within its Cross-Connection Control  
14 Program and tariff. Under this approach, if a customer fails to timely complete the required  
15 annual testing (after the initial notices sent by the Company discussed above), the Company  
16 will provide an additional follow-up notice to the Customer notifying them that the  
17 Company will arrange for its own the testing, repair, or replacement of the customer’s  
18 backflow device. The Company’s proposed “test and charge” policy is reflected in the  
19 Company’s proposed tariff, as supporting by Company witness Brian LaGrand.

20 **Q. How would the proposed “test and charge” policy work?**

21 A. Under the proposed policy, the Company would retain a certified backflow inspector to  
22 perform the required testing for non-compliant customers and charge the customer the  
23 actual cost incurred for the testing service.

1 **Q. When would the Company retain a certified backflow inspector to perform the**  
2 **required testing?**

3 A. The Company would only retain a certified backflow inspector to perform the required  
4 testing after the customer has failed to respond to the Company’s compliance notifications.  
5 Specifically, this would occur only after the customer has received notice of a past due  
6 inspection and has not taken corrective action following the second notification sent  
7 pursuant to the Company’s Cross-Connection Control Program. At that point, to ensure  
8 regulatory compliance and protection of the public water system, the Company would  
9 arrange for the required testing to be completed.

10 **Q. Would this policy result in additional cost burdens for customers?**

11 A. No. Customers are already required under existing regulations to have their backflow  
12 prevention assemblies tested annually.<sup>4</sup> The proposed charge would only apply if the  
13 Company must arrange for the testing due to a customer’s failure to comply and would  
14 reflect only the actual cost incurred.

15 **Q. What are the proposed changes to the Company’s Cross Connection Tariff?**

16 A. The Company updated its cross-connection tariff (Rule 8) to more clearly prohibit  
17 unprotected cross-connections and align requirements with applicable state regulations.  
18 The revisions add new provisions under Rule 8 that state if required testing, repair, or  
19 replacement is not timely completed, the Company may perform the work and bill the  
20 customer for associated costs. The updates also clarify applicability to certain  
21 master-metered premises, including requirements for backflow devices at the point of

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<sup>4</sup> See 10 C.S.R. 60-11.010.

1 connection, and expand the Company's access to customer premises to include testing,  
2 repair, and replacement of backflow prevention assemblies.

3 **Q. How does this proposal support the Company's commitment to water quality and**  
4 **safety?**

5 A. The proposed tariff revisions reinforce the Company's proactive approach to protecting the  
6 public water system by ensuring that critical backflow prevention devices are properly  
7 tested and maintained, reducing the risk of contamination events and enhancing overall  
8 system integrity.

9 **b. Safety**

10 **Q. Please describe Missouri-American's overall commitment to safety.**

11 A. The health and safety of our employees and customers, as well as protecting the quality of  
12 the water we deliver to our customers, and treated wastewater we return to the environment,  
13 are the top priorities for our Company and are critical to our success. The safety of our co-  
14 workers, contractors, and customers is of vital importance, and we focus on it every day.  
15 Our goal is to have every MAWC employee get home in the same health -or better than -  
16 they came into work every single day.

17 With the safety of our employees, customers, contractors, and the public in mind,  
18 we approach safety with a focus on continuous improvement through the implementation  
19 of proactive initiatives, plans, practices and processes that complement and sustain a robust  
20 workplace safety program.

21 The Company is also committed to securing assets across our system and  
22 recognizes the importance of protecting our water sources, treatment plants, infrastructure,  
23 and data from malevolent acts, as demonstrated by our robust security and cyber security  
24 programs. In addition, the Company's emergency response program demonstrates the

1 Company's recognition that rapid response and recovery from security incidents are critical  
2 to maintaining water and wastewater systems.

3 **Q. Is safety an important part of Missouri-American's operational performance?**

4 A. Yes. At Missouri-American, safety is a core value and a strategy. We ask our employees  
5 to place safety first in everything they do. We have a strong commitment to our employees  
6 (and their families) to keep them, our customers, and the public safe. A safe workplace  
7 increases employee morale, increases our commitment to one another, and in the long run,  
8 makes for a more engaged and productive workforce.

9 **Q. Please describe Missouri-American's safety program and Operations' role in  
10 promoting safety and a safe working environment at MAWC.**

11 A. The Company's safety program includes multiple activities and initiatives to maintain  
12 compliance, support employee engagement, and help ensure the safety of our workforce  
13 and our customers, as well as the public. Operations is responsible for administering the  
14 health and safety program, which includes the delivery of all OSHA required training,  
15 training and qualification of employees, physical security, cyber security, business  
16 continuity planning, and event management. We are supported by functional departments  
17 within American Water Works Service Company, Inc. ("Service Company"), such as  
18 Health & Safety, Learning & Development, Security, and Human Resources, to deliver  
19 core operations services. Our Safety Program includes functions of hazard identification,  
20 hazard analysis, hazard mitigation, hazard-based safety training, root cause analysis, and  
21 behavioral based safety.

22 **Q. Can you expand further on the elements of your Safety Program?**

1 A. Yes. Missouri-American’s Safety Program is a comprehensive, multi-layered approach  
2 focused on hazard identification, prevention, mitigation, training, and continuous  
3 improvement. The effectiveness of this program is reflected in our strong safety  
4 performance metrics. Missouri achieved a KPI OSHA Recordable Incident Rate (“ORIR”)  
5 of 0.56 in both 2024 and 2025, and 0.33 year-to-date as of June 30, 2026. Similarly, our  
6 Days Away, Restricted, or Transferred (“DART”) rate was 0.14 in 2024, 0.28 in 2025, and  
7 0.00 year-to-date as of June 30, 2026. Our Serious Injury Incident Rate (“SIIR”) remains  
8 at 0.00 year-to-date, demonstrating continued focus on eliminating high-consequence  
9 events. Furthermore, more than five work groups have operated for over a decade without  
10 a single OSHA recordable injury, with one approaching 20 years. Nine additional groups  
11 have maintained injury-free operations for the past one to five years.

12 From a hazard identification standpoint, we utilize our Hazard ID Reporting  
13 Program, which encourages employees to identify and report situations that could have  
14 resulted in an injury or incident. This proactive reporting allows the Company to correct  
15 issues before they have an opportunity to materialize. The efforts around this program  
16 resulted in 470 submissions identified in 2025 and 94.7% corrected within 30 days. As of  
17 June 30, 2026, 230 Hazard IDs have been identified, with 98.7% closed within 30 days.  
18 These metrics demonstrate a strong emphasis on proactive risk identification and timely  
19 remediation.

20 For hazard analysis, Missouri-American applies structured processes such as Root  
21 Cause Analysis, Job Safety Analysis, and Pre-Job Safety Briefings. These tools ensure  
22 potential risks are evaluated and mitigated before work begins.

1 Hazard mitigation is supported through programs such as our Stop Work Authority and  
2 active safety committees. Stop Work Authority empowers every employee to pause work,  
3 whether their own, a colleague's, or a contractor's, if unsafe conditions are observed,  
4 without fear of reprisal. This expectation continues to be reinforced through training and  
5 internal safety communications, with increased employee engagement and documented use  
6 across operations. Safety committees further support field-level risk mitigation by  
7 identifying hazards, sharing lessons learned, and promoting safe work practices.  
8 Furthermore, all confined spaces across the state have been systematically mapped using  
9 GPS coordinates or addresses, enabling precise tracking, improved communication, and  
10 heightened safety oversight.

11 Leadership engagement is a key component of our behavioral-based safety  
12 approach. Missouri-American has significantly expanded its Job Site Observation  
13 Program, which enhances visibility into field activities and strengthens connections  
14 between leadership and frontline employees. As of June 30, 2026, the Company has  
15 completed 5,843 job site observations, exceeding its goal of 3,660 by achieving 160% of  
16 target. This reflects a sustained commitment to active engagement and represents a 55%  
17 increase in observations from 2024 to 2025. These observations reinforce safe behaviors,  
18 identify potential risks, and support continuous improvement across operations.

19 From a training standpoint, Missouri-American maintains standardized safety  
20 training programs, including new employee onboarding and ongoing refresher training.  
21 Training is hazard-focused and incorporates hands-on, classroom, and virtual formats to  
22 enhance retention and practical application. In addition, all field and plant employees are

1 trained and certified in First Aid, CPR and AED use, ensuring readiness to respond  
2 effectively in the event of an emergency.

3 Root cause analysis is another critical element of our program. Missouri-American  
4 investigates all near misses, vehicular incidents, and injuries using methodologies such as  
5 the 5 Whys and TapRooT®. These analyses are used to identify underlying causes and  
6 inform improvements to processes and controls to prevent recurrence.

7 Missouri-American has also increased its focus on vehicle safety by closely tracking  
8 incidents, reinforcing safe driving expectations through training, and implementing  
9 leadership review and corrective actions where appropriate. To strengthen accountability  
10 and risk management, we utilize Telematics, a GPS-enabled vehicle tracking technology,  
11 providing real-time data to monitor driving behaviors and ensure adherence to safety  
12 protocols. While many vehicle incidents are non-preventable, the Company emphasizes  
13 learning from trends, reducing preventable events, and improving driver awareness.  
14 Defensive driving training has increased as well, with over 50 courses occurring across our  
15 Missouri footprint in 2026.

16 Finally, our Peer-to-Peer Safety Committees provide an additional behavioral-  
17 based layer of protection. These cross-functional teams actively observe and coach  
18 employees on safe practices, complementing equipment and process-based controls.  
19 Together, these efforts, hazard identification, leadership engagement, training, and  
20 continuous improvement, work in unison to support Missouri-American's strong safety  
21 performance and its commitment to protecting employees, contractors, and the public.

22 **Q. How is the Company addressing the physical security of its assets as well as**  
23 **cybersecurity?**

1 A. Missouri-American has taken a comprehensive approach to address physical and  
2 cybersecurity. Physical security consists of cameras, badge readers and cyber keys that  
3 monitor situations and are programmed to limit access to secure areas, including offices,  
4 shops, well sites, treatment, pump and lift stations. The Company has strategically placed  
5 cameras at critical infrastructure (*e.g.*, tank and well sites) and secure work locations (*e.g.*,  
6 offices and shops). Cameras are connected to a secure line that provides video output to  
7 the local operations control rooms and American Water’s central security and reliability  
8 control room. In addition, identification badges are issued for the purpose of facility access  
9 control at Missouri-American facilities. All employees must wear and openly display the  
10 identification badge visibly while on any Missouri-American property, while on Company  
11 business or while representing the Company publicly or privately. Unauthorized entries  
12 are registered as an alarm that is received by the local operations control room.

13 The Company takes cybersecurity just as seriously as physical security.  
14 Cybersecurity technology solutions are vital to reliable and resilient water and wastewater  
15 systems. For that reason, cybersecurity is core to the American Water vision of resiliency  
16 and sustainability. As we continue to implement intelligent water and wastewater systems,  
17 industry-leading cyber controls are designed, built and integrated into all aspects of  
18 technology. These investments, including enhancements to controls of identity and  
19 management of access to our systems, monitoring of sensitive information, and increased  
20 visibility of potential intrusion attempts to our systems, protect our existing systems and  
21 enable the implementation of secure innovation. Safeguarding the integrity of Company  
22 information and systems, as well as customer data, while enhancing the customer  
23 experience is our security mission. The Company’s cybersecurity program is consistent

1 with industry best practices, including the National Institute of Standards and Technology  
2 (“NIST”) Cybersecurity Framework and the AWWA Process Control System Security  
3 Guidance for the Water Sector. Missouri-American further demonstrates its commitment  
4 to cybersecurity by actively participating in tabletop and active exercises on how to react  
5 in the event of a cybersecurity incident that rendered automation capabilities useless.

6 **Q. How do you know the Company’s commitment to safety is working?**

7 A. The key leading indicators that we monitor are Hazard ID submissions from our employees  
8 which help us correct issues prior to an injury, onsite job observations which provides  
9 another set of eyes looking for safety hazards on the jobsite, and pre-job safety briefings  
10 which ensure our team is considering the potential hazards of their day prior to completing  
11 tasks. The results of these leading indicators have continued to improve, which is a good  
12 indicator that the overall safety culture at Missouri-American is improving.

13 **Q. How does this focus on safety benefit Missouri-American’s customers?**

14 A. A strong safety culture is a cornerstone for any high performing organization. Customers  
15 benefit because the Company, through strong health and safety programs, has enhanced  
16 productivity and decreased absenteeism. This means that crews operate with a full staff  
17 and can fix problems quicker, reducing any service down time to the customer. Missouri-  
18 American’s strong safety culture also improves employee morale, as our employees know  
19 that we care for them and their families. In turn, Missouri-American’s safety culture  
20 illustrates that our employees are thoughtful in their work, which directly benefits our  
21 customers. Lastly, proactive investment in safety measures and strong safety performance  
22 reduce safety-related incidents and the attendant costs, which also benefits customers.

23 **IV. OPERATING AND MAINTENANCE (O&M) EXPENSE**

24 **Q. What level of O&M expense is the Company seeking in this case?**

1 A. MAWC is seeking recovery of approximately \$217 million in O&M expense for the future  
2 test year, which represents the forecasted expense levels for the twelve months ending May  
3 31, 2028. While operating expenses have increased since the Company's last rate case, and  
4 the requested increases in O&M expense supports the Company's efforts to continue  
5 providing high quality water service in the most cost-effective way to our customers in the  
6 long-term.

7 **Q. Why is the Company seeking an increase in O&M expense in this case?**

8 A. The Company is requesting an increase in O&M expense to continue providing high quality  
9 water and wastewater service in the most cost-effective way to our customers over the long  
10 term. Company Witnesses Jennifer M.B. Grisham, Brittany J. Komenda, Matthew S.  
11 Mason, and Courtney Pallies, discuss MAWC's specific O&M pro forma adjustments in  
12 this case. The requested increase in O&M expense is driven by increases in employee-  
13 related expenses and production costs. Our increase in employee expense is reflective of  
14 a full complement of employees the Company has identified to effectively operate the  
15 business as further discussed below. Our production costs include the chemicals we use  
16 to treat water, power, and waste disposal, as well as purchased water. Some of the projected  
17 increases in costs for chemicals and waste disposal are driven by supply side constraints  
18 and rising chemical commodity expenses. The increases in production costs are not unique  
19 to MAWC but rather are national phenomena. As discussed later in my testimony, MAWC  
20 mitigates these increases by leveraging the buying power and expertise of the Service  
21 Company.

22 **Q. Is the level of O&M expense requested by the Company important to its provision of**  
23 **safe and proper service?**

1 A. Yes. The requested increase in O&M expense supports the Company's efforts to continue  
2 providing high-quality water and wastewater service in the most cost-effective way to our  
3 customers over the long term. The Direct Testimony of MAWC Witnesses Grisham,  
4 Komenda, Mason, and Pallies discuss the specific O&M pro forma adjustments in this case.

5 **V. IMPROVING WATER AND WASTEWATER EFFICIENCY**

6 **Q. Please define water and wastewater efficiency.**

7 A. In simple terms, water and wastewater efficiency means using improved practices and  
8 technologies to deliver water service more efficiently. Missouri-American's efforts to  
9 improve water efficiency cover a wide range, and include supply-side practices, such as  
10 improved pump efficiency, more accurate meter reading and leak detection, asset  
11 replacement and repair programs, as well as demand-side strategies, such as customer  
12 efficiency and public education programs and supportive rate design that provides  
13 incentives to improve water and energy efficiency. From an operations perspective,  
14 improving water and wastewater efficiency requires achieving a cost-effective mix of  
15 prudent investments and improved operations and maintenance management capabilities  
16 targeting safety, customer satisfaction, sustainability, and system efficiency. Improving  
17 water efficiency results is a win-win-win situation. Customers, utilities, businesses, and  
18 the environment can all benefit from more efficient, higher quality service, reduced or  
19 mitigated costs and sustainable use of natural resources.

20 **Q. How is the concept of improving water efficiency relevant to this case?**

21 A. Improving water efficiency not only reduces expenses but also is a more environmentally  
22 friendly way of conducting business. When water is used efficiently, it reduces capital and  
23 operating costs related to the provision of water and wastewater services, while also  
24 helping to protect and preserve our natural resources. Improving water efficiency saves

1 customers money in the long run, protects the environment, supports integrated resource  
2 planning, and enhances the economy. Missouri-American is proactively investing in our  
3 infrastructure which MAWC witness Matthew Lueders will address in his testimony. In  
4 addition, to address water efficiency, we react to system emergencies as quickly as  
5 possible, conduct preventative maintenance in the distribution system, implemented a leak  
6 detection strategy, and have responded to address inactive customer accounts that show  
7 metered usage without an ability to bill for the water usage.

8 **Q. Please describe Missouri-American's efforts to improve water and wastewater**  
9 **efficiency.**

10 A. The Company strives to improve water and wastewater efficiency through operational  
11 excellence, the use of technology, system maintenance, and efforts to manage costs as  
12 resourcefully as possible to provide a more cost-effective level of service for our customers  
13 over the long term. In addition, Missouri-American uses various operational and efficiency  
14 reviews to further focus on improving customer service and efficiency of production and  
15 field operations. The Company also leverages the size and scale of the Service Company  
16 to improve transactional efficiencies through increased automation, the adoption of more  
17 effective business practices, and a continuous improvement mindset.

18 **Q. How is Missouri-American using technology to improve employee effectiveness?**

19 A. The Company is using technology in a number of ways in order to enhance productivity  
20 and efficiency. For example, I previously discussed our LIMS and SampleView systems  
21 that allow efficient storage and retrieval of our water sampling data, making those tasks far  
22 more efficient. In addition, accurate Geographic Information System ("GIS") maps ensure  
23 that the Company's institutional infrastructure knowledge is readily available for use by

1 employees. To that end, Missouri-American has loaded its facilities into GIS so that maps  
2 of its water and sewer system assets are accessible on its internal network. The information  
3 available in GIS includes the location and a short description of the facilities, giving an  
4 electronic spatial view of the entire system. GIS also helps locate customers that might be  
5 affected by related service issues and allows us to communicate with our customers more  
6 effectively. The Company continues to enhance its GIS platform through integration with  
7 our Enterprise Asset Management system, our computer-aided design system, or work  
8 management system (“MapCall”) and our fixed asset records. This integration allows  
9 communication across the various platforms that makes data retrieval more efficient. The  
10 Company continues to build the GIS platform by adding new assets and retiring old assets  
11 to ensure our technicians have access to the most current information while working in the  
12 field. The Company implemented a ‘Digital As-built Workflow’ that focuses on  
13 standardizing the how, what and when GIS is updated as well as facilitating better  
14 integration between GIS and MapCall. This improved the lag time between when the asset  
15 was installed to when GIS and other systems are updated. The goal is to keep our GIS  
16 current, complete and accurate for our end users.

17 **Q. How has Missouri-American and its customers benefitted from the GIS platform?**

18 A. The location of water quality events, maintenance events and pipe failures are all plotted  
19 on GIS map layers. The spatially presented information can be used to answer customer  
20 water quality inquiries, identify trends and prioritize water main replacement projects. GIS  
21 also is a tool used to assist compliance with federal and state lead service line inventory  
22 and management. Known customer and Company service line material data has been  
23 loaded into the MapCall service records that is integrated to display on the GIS maps.

1 Currently, Missouri-American has a customer facing map where customers can view the  
2 service line material for their homes or places of business. Customers can self-report  
3 and/or schedule to have a professional come inspect their service line material.

4 **Q. How does Mapcall improve employee effectiveness?**

5 A. MapCall is a web-based application that enables employees and contractors to complete  
6 the lifecycle of work orders and assets in the field. Employees can view historical  
7 information, including work order history on an asset, standard operating practices  
8 associated with an asset, maintenance history, O&M manuals, and tap card images.  
9 MapCall provides the flexibility to create work orders, configure workflows and report  
10 progress while in the field. For example, a supervisor can create a work order to flush a  
11 dozen hydrants in a particular area. Using MapCall, the field worker can report progress  
12 as flushing is performed, and both the supervisor and others in the field can visually see  
13 the progress made toward completing the identified work in real time through the MapCall  
14 interface. The same can be done to schedule and monitor other routine work, as well as  
15 emergency work, such as main break repairs. MapCall also allows those in the field to  
16 communicate water quality and other events more efficiently through preloaded  
17 notifications via email to both internal and external stakeholders, including regulators,  
18 allowing workers to quickly shift back to focusing on the task at hand in the field and  
19 providing quality service to customers. Water main break locations are continually added  
20 to GIS and MapCall to help identify sections of pipe that have outlived their useful life.  
21 This information is used to prioritize water main replacements by strategically focusing on  
22 the pipe with the highest risk of failure.

23 **Q. Are there other technology solutions that have been implemented to improve**

1           **employee effectiveness?**

2    A.    Yes. In addition to GIS and MapCall, Missouri-American implemented other technology  
3           solutions to enhance employee effectiveness. MyWater, Customer1View (“C1V”), and  
4           Work1View (“W1V”) are software applications that provide more comprehensive and  
5           easily accessible information to employees and customers.

6    **Q.    Please describe how MyWater, C1V, and W1V improve employee effectiveness.**

7    A.    C1V provides improved access to customer information (e.g., premise and service order  
8           history, meter details, billing and payment information) to field service representatives  
9           (“FSRs”) who regularly interact with our customers. This means that FSRs can view the  
10          same information as customer care agents (“CCAs”) who regularly interact with our  
11          customers. This allows our FSRs to review customer information that can help them  
12          address the customer’s issue and provide customers information while speaking with them,  
13          rather than having to contact the customer service organization (“CSO”) for information or  
14          requiring customers themselves to follow up with the CSO. FSRs can also update customer  
15          information and record notes on customer interactions on the spot, providing other  
16          employees that serve our customers with timely access to the most up-to-date information.  
17          MyWater is a customer-facing website that allows customers to view much of the same  
18          information in the same format used by both the FSRs and CCAs, which makes for a more  
19          seamless discussion when interacting with the customer. MyWater provides customers  
20          self-service options to pay their bill, check their account balance, request to turn their  
21          service on or off, sign up for alerts, view their water usage, and set up paperless billing.  
22          Recent and planned enhancements have and will also improve the Company’s customers’  
23          self-service capabilities and the resiliency and usability of the website.

1           W1V provides employees with a single view for managing customer service order  
2 work in the field, customer information and meter information. W1V includes a real-time  
3 operations map to see work orders with optimized routing, as well as other types of work  
4 and alerts happening nearby. In addition, using W1V, FSRs can manage their own work  
5 based on the day's demands by adding or deferring undated work, and putting orders on  
6 hold to do emergency work needed at another location. Supervisors can also reroute work  
7 as appropriate. W1V has been integrated with MyWater for easy access to customer  
8 information during field visits. It has also been integrated with MapCall to provide FSRs  
9 one point of access for all information needs. Taken together, these types of improvements  
10 continue to support improved customer experience and satisfaction.

11 **Q. Are there other technology solutions Missouri-American has implemented to improve**  
12 **water efficiency?**

13 A. Yes, the Company continues to upgrade and enhance its Supervisory Control and Data  
14 Acquisition ("SCADA") systems that monitor and control water production equipment.  
15 SCADA systems are essential in the efficient delivery of these vital services. These  
16 upgrades to several SCADA systems across the state enable Missouri-American to collect,  
17 manage and present real time SCADA information from multiple remote water systems  
18 enabling the Company to identify opportunities to monitor and control systems remotely,  
19 better protect operational assets, and increase the accuracy of Missouri-American's  
20 hydraulic models.

21 **Q. Is Missouri-American taking other steps to improve water efficiency?**

22 A. Yes, the Company has adopted the IWA/AWWA Water Balance model to help define the  
23 components of water loss and identify where to focus Company resources to improve water

1 efficiency. A key performance indicator is volume of non-revenue water (“NRW”), the  
2 difference between gallons of system delivery and gallons of billed usage. NRW is  
3 composed of three areas, unbilled authorized consumption, apparent losses, and real losses.  
4 By exploring the details of these areas, the Company has the potential to discover specific  
5 actions to take that will help maintain and improve water.

6 **Q. Please describe the Company’s efforts to manage water loss.**

7 A. First, the replacement of aging infrastructure helps address real losses by replacing mains  
8 that are leaking or otherwise impaired. Missouri-American uses its integrated GIS  
9 mapping information as part of its comprehensive review of water main breaks to identify  
10 and better prioritize areas with an abnormally high main break frequency over a defined  
11 period. The Company will also use acoustic monitoring to affirm and locate leaks on water  
12 mains. This and other known main break data are used to optimize capital main  
13 replacement projects. Main breaks are not only costly to repair, but may also impair water  
14 quality, disrupt service to customers and may result in damage to Missouri-American  
15 property, customer property, and city streets. Being able to identify potential problem areas  
16 before main breaks occur could avoid failures, reducing the cost of repairs, restoration, and  
17 damage to other facilities or property.

18 Managing unbilled authorized consumption and apparent losses in addition to real  
19 losses, are also ongoing activities for the Company. Unbilled authorized consumption is  
20 not a physical loss of water like a leaking pipe, rather it is a volume of water that is unbilled  
21 whether metered or unmetered and not included in the billed consumption volume. A  
22 significant source of this is from flushing water mains (newly constructed, repaired, or  
23 replaced). This volume of water is difficult to measure because of varying flushing

1 methods; however, the Company is exploring new ways of quantifying this volume even  
2 if it is an estimated value.

3 There are also several apparent losses that contribute to NRW. Unauthorized  
4 consumption, sometimes referred to as theft, is typically observed in the form of a premise  
5 with an inactive account showing consumption on the meter. This scenario is observable  
6 through various reporting and is most often resolved by the Company creating an onsite  
7 work order or doing some investigation on property ownership via government records.  
8 Another source of theft that is more difficult to observe is people using hydrants without  
9 paying for the proper permits. Hydrants are highly dispersed throughout the systems  
10 including discrete locations, they can deliver a large volume of water in a short amount of  
11 time and are easy targets for theft. One attempt to minimize the impact of this type of loss  
12 has been an effort to expand the ability to provide bulk water sales via a bulk filling station.  
13 Stations of this type can be strategically located throughout the system and provide people  
14 the means of quickly filling tanker trucks while being metered and simultaneously  
15 discouraging the use of hydrants for activities that are not fire protection. In addition, the  
16 Company has focused on improving meter accuracy, which helps mitigate apparent losses.  
17 For example, the availability of more data through AMI meters throughout the system  
18 supports billing accuracy for our customers, and, in St. Louis several of the plant flow  
19 meters that combine to measure system delivery for the system have been calibrated or  
20 replaced to improve reliability of the data. Each of these efforts are designed to improve  
21 data reliability to ensure appropriate measurement and understanding of water loss, which  
22 in turn allows the Company to better plan to effectively address water loss.

23 **Q. Please describe the role that Service Company plays for Missouri-American.**

1 A. The Service Company provides access to highly trained professionals who possess  
2 expertise in various specialized areas and who work exclusively for the Company's  
3 affiliates. The Service Company provides Missouri-American an efficient and cost-  
4 effective means of obtaining services that the Company needs to provide water and  
5 wastewater services to Missouri-American's customers.

6 **Q. What services does Missouri-American obtain from the Service Company?**

7 A. The Service Company provides Missouri-American with the services necessary to operate  
8 and provide water and wastewater service to Missouri-American's customers, including  
9 customer service, water quality testing, innovation and environmental stewardship, human  
10 resources, communications, information technology, finance, accounting, payroll, tax,  
11 legal, engineering, accounts payable, supply chain, and risk management services. The  
12 Service Company operates a customer service organization ("CSO") that handles customer  
13 calls, billing, and collection activities for Missouri-American and its public utility  
14 affiliates. The CSO handles customer inquiries and correspondence, and process service  
15 order requests. In addition, the Service Company operates Field Resource Coordination  
16 Centers responsible for tracking and dispatching service orders for our field representatives  
17 and distribution crews.

18 **Q. How does Missouri-American gain efficiencies from its relationship with American**  
19 **Water and the Service Company?**

20 A. The services Missouri-American receives from the Service Company are necessary for  
21 Missouri-American utility operations and provision of service to its customers. The  
22 Company thus benefits from economies of scale in getting these services and expertise on  
23 a shared basis at cost. In his direct testimony, Missouri-American witness Joseph Weiss

1 provides testimony and analysis that demonstrates that the Service Company costs charged  
2 to Missouri-American are reasonable.

3 **Q. Can you provide examples of shared services?**

4 A. Yes. The Service Company operates the American Water Central Laboratory, located in  
5 Belleville, Illinois-one of the most advanced water quality laboratories in the United States.  
6 The American Water Central Laboratory supports Missouri-American’s research and water  
7 compliance efforts through sophisticated testing and analysis. The American Water  
8 Central Laboratory is certified in 18 states and territories, and performs testing using 34  
9 methodologies for over 245 analytes. The lab has a history of being on the forefront of  
10 monitoring, testing, identifying and controlling analytes in advance of federal regulations,  
11 and regularly collaborates with the US EPA to help develop federal drinking water  
12 standards and regulations. Our highly sophisticated analytical and research capabilities are  
13 why the US EPA regularly taps into our lab and our research team to help develop federal  
14 drinking water standards and regulations.

15 Further, the Service Company’s Information Technology (“IT”) team provides  
16 effective information technology support and solutions to meet Missouri-American’s  
17 business needs. The Company’s ongoing investment in technology enables a better end-  
18 to-end view of its water and sewer operations. For example, Service Company’s IT team  
19 works side-by-side with Missouri-American end-users to develop technological solutions  
20 engineered with a focus to enhance our employees’ effectiveness and to allow our  
21 customers to do business with us more easily.

22 **Q. How does the Service Company Supply Chain Team support MAWC?**

1 A. Through the size and breadth of American Water, the Service Company has continued to  
2 increase its purchasing power and obtain significant discounts on the necessary goods and  
3 services at prices that we otherwise would be unable to obtain were we a separately owned  
4 water system. All goods and services purchased that can be leveraged across the entire  
5 American Water enterprise are done so by the Supply Chain team within Service Company  
6 (“Supply Chain”) in order to maximize the purchasing power of the entire American Water  
7 enterprise. Such goods and services include but are not limited to water treatment  
8 chemicals, pipe valves and fittings, meters, engineering services, consulting services,  
9 professional services and employee benefits. The value realized from Supply Chain’s work  
10 is a benefit to all American Water subsidiaries, including MAWC.

11 **Q. What are some of the significant categories in which Supply Chain managed to**  
12 **control costs?**

13 A. The following areas are a representative list of ways in which the Supply Chain has worked  
14 to control the Company’s costs:

- 15 • Water Treatment Chemicals: Annually, Supply Chain solicits bids for all water  
16 treatment chemicals. American Water leverages the spend enterprise-wide to  
17 acquire bid prices that offer the Company the best possible value. In addition,  
18 Supply Chain can leverage alternate suppliers or work with other American Water  
19 affiliates at times when supply of a critical chemical is limited. At a time of rising  
20 prices, Supply Chain was able to keep MAWC’s chemical pricing relatively flat  
21 from 2025 to 2026.
- 22 • Maintenance Repair and Operating (“MRO”) Supplies: Supply Chain is able to  
23 leverage the volumes across the entire enterprise to lower the overall costs of MRO

1 products and maintain favorable pricing. In addition, Supply Chain is currently  
2 working with Safety on a safety product standardization project that will help  
3 ensure all American Water employees are using the appropriate Personal Protective  
4 Equipment (“PPE”) while allowing Supply Chain to negotiate lower prices with  
5 suppliers for the consolidated spend.

- 6 • Ductile Iron Pipe: Supply Chain leverages company volumes to secure discounts  
7 and thus minimize cost increases at a time when pricing has been increasing  
8 substantially. American Water also uses the power of its spend to gain priority  
9 access to materials at times when the product is constrained. This allows the  
10 Company to complete more infrastructure work in a shorter time at a lower cost  
11 than others.
- 12 • Logistics: Supply Chain is using other innovative methods to lower prices for the  
13 Company’s customers. Supply Chain is currently executing a third-party logistics  
14 program where American Water manages vendor freight. This program allows for  
15 greater control over shipping modes and lead times, as well as lowering the cost of  
16 materials by reducing the company’s freight expenses.
- 17 • Fleet: Each year the fleet management team negotiates with all the major domestic  
18 vehicle manufacturers to secure purchase volume incentive discounts and  
19 production allocation. These discounts are in addition to the discounts negotiated  
20 with manufacturers’ dealers and fleet management providers used for the  
21 procurement of vehicles. As one of the Top 100 commercial truck fleets<sup>5</sup> in the

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<sup>5</sup> J. Wiklund, [“Top 100 Commercial Truck Fleets,” \*Automotive Fleet\* \(February 8, 2022\).](#)

1 country, we are able to leverage our enterprise scale to achieve favorable outcomes  
2 in these negotiations.

- 3 • Telecommunication: Supply Chain has worked with stakeholders on the  
4 information technology team to develop new strategies in the category. These  
5 actions will reduce the number of suppliers, optimize processes, and provide more  
6 robust visibility into key metrics, which helps reduce or mitigate increases to such  
7 costs.
- 8 • Information Technology: Supply Chain partnered with Deloitte and the IT team  
9 stakeholders to lower technology delivery charges. By leveraging American  
10 Water's spend and established relationships, Supply Chain successfully negotiated  
11 a preferred provider credit, resulting in lower costs to customers. This negotiation  
12 involved detailed discussions on service agreements, pricing structures, and long-  
13 term benefits for both parties.
- 14 • Main Replacement Projects and Network Repair Services: In 2025, Supply Chain  
15 worked with suppliers to extend Master Service Agreements, holding existing unit  
16 pricing until April 30, 2026, for Network Repair Services, keeping pricing  
17 favorable with multiple Contractors in each of the districts throughout the state.  
18 Main Replacement Projects in 2025 and 2026 were competitively bid in packages  
19 to multiple contractors, with awards based on cost, schedule constraints, and safety  
20 compliance. Main Relocation and Directional Drilling water main projects are bid  
21 as individual projects and are evaluated and awarded using the same criteria applied  
22 to Main Replacement projects.

- Meter Installations: In 2025, Supply Chain extended existing Master Service Agreement holding unit pricing through May 2026 for Meter Installations throughout the state, keeping pricing consistent at a time of rising labor costs.

## **VI. EMPLOYEE LEVELS AND COMPENSATION**

### **a. Employee Levels**

**Q. Please discuss how MAWC staffs its business operations.**

A. The Company continually strives to find more efficient and cost-effective ways to operate and maintain its business. As part of that effort, we seek to manage our cost structure as efficiently as possible, including employee costs. We recognize our duty to staff our business in a manner consistent with the provision of safe, reliable, and affordable service. This requires a constant evaluation of the right mix of internal and contract labor, straight time versus overtime, training programs, and utilizing technology to optimize our workforce efforts. We continue to evaluate costs and expenses going forward, always looking for the best solution for the unique challenges we face. A large portion of our cost structure is for labor, and as a position becomes vacant in our organization, we look to the value of that position. We consider the overall need for that position and, among other things, whether that existing position should be filled as is, repurposed, or whether other efficiencies could be gained in how the work gets done. Cost control and improved business performance are the goals of these efforts. We continue to evaluate the new roles that will be created as new regulatory requirements are promulgated and the appropriate positions that MAWC will need to optimize new technology and most effectively serve our customers.

**Q. What is MAWC's forecasted staffing level in this case?**

1 A. MAWC identified 805 positions as the appropriate staffing level for our operations based  
2 upon each department's plans to continue providing safe, clean, reliable and affordable  
3 service to our customers. As of December 31, 2025, the Company had 722 full-time  
4 positions. The 805 positions the Company has included (or "built into") in its forecasted  
5 expenses reflects the cost of 83 additional positions, including 34 full-time employees and  
6 49 temporary summer interns. Service needs and related resource requirements are  
7 consistent with meeting regulatory requirements, tariff requirements, industry standards,  
8 service requests, customer needs, and providing support to the business operations in the  
9 most cost-effective way to best serve the long-term interests of our customers. Included in  
10 the 805 positions are positions to support the Company's increased capital investment  
11 program, SCADA operations, and cross-connection program, as well as the Company's  
12 continued efforts to bring safe, reliable and affordable service to additional Missourians  
13 across the state. In addition to its full-time employees, the Company also employs  
14 temporary summer employees and interns. The temporary summer employees help the  
15 Company complete routine maintenance, such as fire hydrant painting, equipment cleaning  
16 and meter replacement at a lower overall cost to the Company. The internship program is  
17 a critical component of the Company's efforts to address its retiring work force. Many  
18 water and wastewater utility professions are specialized (e.g., SCADA, engineering, plant  
19 operators) and it is difficult to find experienced candidates to fill these positions. This  
20 program allows the Company to recruit, provide training and evaluate interest in the work  
21 for these critical positions with an eye towards bringing the interns on board to fill positions  
22 with the Company following the internship. Company witness Courtney Pallies discusses  
23 how the labor costs were calculated for the future test year.

1 **b. Missouri-American's Compensation Philosophy**

2 **Q. Does Missouri-American have an overall compensation philosophy?**

3 A. Yes. As discussed by Company witness Mr. Robert V. Mustich, American Water),  
4 MAWC's parent, has a defined compensation philosophy that is applicable to Missouri-  
5 American.

6 **Q. Please describe MAWC's approach to its employee compensation program.**

7 A. The Company aims to offer compensation that is on par with other companies Missouri-  
8 American competes with for talent. Therefore, the Company places total direct  
9 compensation (inclusive of base and performance compensation) for each role near the  
10 market median (50th percentile). Offering market-level total compensation ensures that  
11 Missouri-American's compensation is not only competitive, but also reasonable.

12 **Q. Please discuss the Company's decision to leverage a goal-based performance  
13 compensation plan as part of its total direct compensation.**

14 A. By using a combination of base fixed pay and goal-based performance compensation, the  
15 Company satisfies a dual objective of having a competitive market-based total  
16 compensation program for all employees, while continuing to motivate employees to  
17 achieve goals that will improve performance and efficiency for the benefit of our  
18 customers. We believe this approach is superior to setting base compensation targets at  
19 market median and not offering performance compensation because goal-based

1 performance compensation provides clear communication of Company goals and targets  
2 and recognizes employee and Company achievement.

3 **Q. Is MAWC's employee compensation expense a necessary cost to serving its**  
4 **customers?**

5 A. Yes. Employee compensation is a cost of providing utility service, like other prudently  
6 incurred costs of service recoverable in rates. Our employees are an essential and necessary  
7 part of providing safe, proper, efficient, and reliable water and wastewater service.  
8 Employee compensation must therefore be assessed through the same lens as all other  
9 operating costs of the Company: if it is prudently incurred and reasonable in amount,  
10 relative to what the industry pays for the same services, it should be recoverable through  
11 rates. The Company is presenting evidence that its levels of total compensation are  
12 reasonable. Where the Company's total compensation level is in line with or below the  
13 market, as will be demonstrated in this case, regardless of the combination of fixed and  
14 performance-based components that the employees earn, then the Company's overall  
15 compensation expense is reasonable and prudently incurred and thus, should be  
16 recoverable like all other costs of service.

17 **Q. How should MAWC's employee compensation expense be assessed by the**  
18 **Commission?**

19 A. Employee compensation is a cost of providing utility service, not unlike any other  
20 prudently incurred cost of service recoverable in rates. The Commission should assess  
21 employee compensation from the same perspective as all other operating costs of the  
22 Company. Missouri-American's total market-based compensation expense is reasonable  
23 and prudently incurred and, thus, should be recoverable like all other costs of service.

1 **c. Market Based Total Compensation**

2 **Q. Is the Company's performance compensation program, and total market-based**  
3 **compensation reasonable?**

4 A. Yes. The Company retained the services of Willis Towers Watson ("WTW") to perform a  
5 total compensation study to determine if the total direct compensation provided to  
6 Missouri-American employees, when viewed against the market of talent for employees of  
7 similar positions, is at market based on the Company's stated compensation philosophy.  
8 The findings of WTW's compensation study are detailed in the Direct Testimony of  
9 Company witness Mustich. Therein, Mr. Mustich reaches the following conclusions:

- 10 • MAWC's overall total direct compensation – which includes base compensation  
11 and all performance-based compensation – is below the median market but within  
12 the competitive market range on a Midwest regional and national perspective.
- 13 • If performance compensation were excluded from MAWC's total direct  
14 compensation and compared to market pay levels that include performance  
15 compensation, it would be 15% below median from a national perspective and  
16 12% below median from a Midwest Regional perspective.
- 17 • American Water's annual performance plan ("APP") is comparable to, and  
18 competitive with, plan designs of other similarly sized utilities.
- 19 • American Water's long-term performance plan ("LTPP") is comparable to and  
20 competitive with plan designs of other similarly sized utilities.

21 The various comparative studies performed by WTW show that MAWC's total direct  
22 compensation programs are comparable to and competitive with market practices of other  
23 similarly sized utilities and are therefore reasonable.

1 **Q. Did Mr. Mustich reach any further conclusions regarding MAWC's compensation**  
2 **programs?**

3 A. Yes. Mr. Mustich concludes that if the Company were to eliminate all or part of its  
4 performance-based compensation, it would likely be forced to increase fixed pay above  
5 market competitive levels because Missouri-American's total direct compensation is  
6 delivered through market-based programs intended to compete in the market for talent.  
7 Additionally, he states that because MAWC's programs are leveraged as management  
8 tools, eliminating performance pay could substantially erode the alignment between  
9 performance and compensation, thereby reducing MAWC's ability to reinforce  
10 performance expectations.

11 **Q. Is the totality of MAWC's market-based total compensation a prudently incurred**  
12 **expense?**

13 A. Yes. As Mr. Mustich demonstrates in his Direct Testimony, MAWC's overall total direct  
14 compensation – which includes base compensation and all performance compensation – is  
15 within the competitive market range. Additionally, Mr. Mustich states that the Company's  
16 compensation philosophy and performance plan designs are consistent with market  
17 practice and overall total direct compensation (which includes base compensation and all  
18 performance compensation) is within competitive market range. Further, Mr. Mustich  
19 concludes that if MAWC were to eliminate its performance compensation component,  
20 MAWC's would not be considered "competitive," as defined by Mr. Mustich, and as  
21 compared to WTW's market data. Therefore, MAWC's total compensation expense,  
22 inclusive of performance compensation, is reasonable and prudently incurred.

23 **Q. Is providing market-based, competitive compensation to employees critical to the**

1           **Company’s ability to continue to provide safe and reliable utility service?**

2    A.    Yes, it is. Recruitment of skilled workers, as well as the retention of existing trained  
3           workers, is critical to MAWC’s ability to continue to provide safe and reliable  
4           water/wastewater service for the benefit of all MAWC customers. Competition among  
5           companies to attract and retain the best and highest performing employees is intense. In  
6           recruiting new employees or retaining existing employees, both the Company and  
7           American Water compete within the general industry in surrounding regions and  
8           nationally. Without the ability to provide competitive compensation and benefits, the  
9           Company would be hampered in its efforts to attract new employees and retain existing  
10          employees, particularly when competing with other utilities and other industries for this  
11          same pool of talent. This is especially true with respect to employee retention, where the  
12          loss of skilled employees imposes a real and added cost on a company, which must then  
13          recruit and train replacements.

14                 The challenges associated with attracting new talent and the resulting cost of doing  
15                 so is further compounded by the fact that the utility industry as a whole is experiencing a  
16                 disproportionate impact of our nation’s aging workforce. The soon-to- retire “Baby  
17                 Boomer” generation holds a wealth of knowledge and experience necessary to support the  
18                 continuation of utility services, while the next generation of qualified talent is diminished  
19                 in size. This presents a far greater challenge to MAWC in recruiting replacement, qualified  
20                 personnel, if its total compensation is not competitive. Therefore, the Company’s  
21                 compensation program must provide employees with a total compensation package that is  
22                 competitive with those offered by companies with which it competes for employees.

23                                 **d. Performance Compensation Plans**

24    **Q.    Please explain the performance compensation component of the Company’s total**

1 **market based compensation.**

2 A. Performance compensation may be awarded under two plans – the Annual Performance  
3 Plan (“APP”) and the Long-Term Performance Plan (“LTPP”). All full-time employees  
4 participate in the APP. Eligibility for the LTPP is limited to certain exempt employees.

5 **Q. You say all full-time employees participate in the APP; does that include Union**  
6 **employees?**

7 A. Yes, it does. Our bargaining unit employees became eligible for APP in 2018, with their  
8 first payments in 2019. So, irrespective of being covered by a collective bargaining  
9 agreement, all of MAWC’s employees are entitled to the benefits of the APP.

10 **Q. In regard to the Union participation in the APP, is there a Missouri statute that should**  
11 **be kept in mind?**

12 A. Yes. As was recognized in MAWC’s last rate case, Section 386.315.1, of the Revised  
13 Statutes of Missouri, provides, in part, that “[i]n establishing public utility rates, the  
14 commission shall not reduce or otherwise change any wage rate, benefit, working  
15 condition, or other term or condition of employment that is the subject of a collective  
16 bargaining agreement between the public utility and a labor organization.”

17 **Q. How does performance compensation align employees with Company goals?**

18 A. The Company believes that performance compensation offered as variable pay aligns our  
19 performance plans with achievement, by requiring that the employee and the Company “re-  
20 earn” the performance compensation through standards set via the APP and LTPP. If  
21 excellent performance is not sustained, variable pay may be impacted based on  
22 achievement of targets and the resultant Company plan funding.

23 **Q. Please describe the key performance objectives underlying the APP.**

1 A. The APP is designed to recognize and reward performance against key performance goals  
 2 and targets that drive the Company’s strategy. For 2026, the APP goals are as follows:

Annual Performance Plan for 2026

STRATEGIC STAKEHOLDERS	GOAL	TARGET	WEIGHT
PEOPLE	Strengthen our inclusive culture.	Engagement Index Score of 82% or higher.	5%
	Zero incidents, injuries, and preventable accidents.	DART Rate of EEI 1st Quartile $\leq$ 0.37	7.5%
		SIIR of EEI 1st Quartile $\leq$ 0.02	7.5%
CUSTOMERS	Deliver a top-rated customer experience.	All states rank in top half as determined by regional JD Power scores.	15%
	Trusted leader in water quality, water management, system resiliency, and environmental stewardship.	$\leq$ 5 total drinking water quality Notices of Violation (NOVs)	15%
INVESTORS	Grow EPS target	FY 2026 EPS midpoint of \$6.07 per share	50%

3  
 4 **Q. Please describe the LTTP.**

5 A. American Water provides time-based stock compensation and performance-based stock  
 6 compensation as long-term performance compensation under the LTTP. American Water’s  
 7 stock-based compensation is based on three-year vesting periods. The time-based stocks  
 8 are based on time-based vesting, meaning they vest in three equal installments over the  
 9 three-year vesting period; the performance-based stocks are based on performance vesting  
 10 conditions, in addition to time.<sup>6</sup>

11 **Q. How do Missouri-American’s performance compensation plans benefit customers?**

12 A. The Company’s performance compensation plans align the interests of our customers,  
 13 employees, and investors. The design of the plans emphasizes customer service,  
 14 environmental compliance, a safe work environment, and other operational goals, as well

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<sup>6</sup> American Water uses a combination of compounded EPS growth, relative total shareholder return (“TSR”), and return on equity (“ROE”) over a three-year performance period as the basis for measuring performance-based stock awards.

1 as certain financial goals. All of the APP and LTPP objectives – both operational and  
2 financial – focus employees’ efforts in ways that ultimately benefit customers. The use of  
3 multiple measures further strengthens our ability to drive results across the enterprise.

4 **Q. How do the operational goals of the APP benefit customers?**

5 A. The operational goals of the APP are designed to focus plan participants on the results that  
6 can most directly influence customer satisfaction, health and safety, environmental  
7 performance, and workforce diversity. Customers benefit from the plan goals because  
8 operational performance is improved by controlling costs, capturing efficiencies,  
9 promoting effective safety and risk management practices, and enhancing customer  
10 service, and doing so with a diverse workforce that reflects the communities we serve.  
11 Achievement is determined by goals that directly benefit customers by creating a more  
12 productive workforce that is focused on customer satisfaction and achieving efficiency,  
13 environmental and safety goals. For example, goals limiting the number of Notices of  
14 Violation (“NOV”) for drinking water regulations help maintain a focus on providing safe  
15 and reliable water service, while goals for customer service measure the level to which  
16 customers value the activities and services performed by employees throughout the  
17 business.

18 **Q. How do the financial goals of the APP and the LTPP benefit customers?**

19 A. The financial goals of the APP and LTPP benefit customers in many ways. Achieving  
20 financial goals, such as targeted earnings per share (“EPS”), requires continual attention to  
21 operating the Company efficiently. That is, unless the utility controls its operating costs, it  
22 cannot achieve a targeted EPS or ROE. This necessitates employees at all levels of the  
23 organization to remain focused on increasing efficiency, decreasing waste, and boosting

1 overall productivity. EPS is guided by various drivers; however, achieving a targeted EPS  
2 requires attention to operating efficiency and cost control--that is, unless the utility controls  
3 its operating costs, it likely will not achieve a targeted EPS because operational efficiency,  
4 cost control practices, and net income are correlative. As a result, the Company controls  
5 operating costs to the benefit of customers, because doing so mitigates rate increases.  
6 Consequently, when financial goals are achieved through efficiency, as is the case for the  
7 Company, the interests of customers, employees, and investors are aligned.

8 Achieving the financial goals also helps ensure that the Company can gain access  
9 to capital at reasonable rates to the benefit of customers. Company witness Nicholas Furia  
10 addresses how maintaining a strong financial position allows the Company to attract capital  
11 at reasonable cost, which assists Missouri-American in its efforts to provide safe, reliable  
12 and affordable water service to its customers.

13 **Q. How else does the APP and LTPP financial metrics help align interests of MAWC's**  
14 **customers, employees, and investors?**

15 A. The EPS target incentivizes Missouri-American employees to proactively seek out  
16 operational efficiencies by minimizing O&M and other expenses. This aligns employee  
17 interests with the interests of both investors and customers. Investors benefit because  
18 minimizing O&M and other expenses helps the Company maintain earnings upon which  
19 rates are based, producing the financial outcome investors expect. Customers also benefit  
20 from managing O&M and other costs to keep them as low as possible because these costs  
21 are ultimately recovered dollar for dollar through rates.

1 **Q. Does incentivizing employees to control and reduce operating costs provide other**  
2 **customer benefits?**

3 A. Yes. Where MAWC can reduce operating expenses, it can increase investment in  
4 infrastructure without increasing rates, because every dollar of operating expenses saved  
5 can fund approximately \$8 of investment. Therefore, customers also benefit from  
6 Missouri-American's enhanced ability to invest in the infrastructure that it needs to meet  
7 its service obligations to customers. Our employees are experts in how our systems need  
8 to operate to best serve our customers. Incentivizing those employees promotes innovative  
9 and prudent new ideas that improve efficiency, cost effectiveness, and overall continuous  
10 improvement.

11 **Q. Is there other evidence of the tangible benefits to customers from the performance**  
12 **pay component of MAWC's total market-based compensation program?**

13 A. Yes. Again, it is important to consider the impact of a utility's financial health on its access  
14 to capital at reasonable costs. MAWC's customers have benefitted from the Company's  
15 access to capital at favorable rates. Because utilities are capital intensive and must  
16 routinely and consistently access the capital markets at reasonable costs, customers  
17 ultimately benefit when their utility has the financial health to do so. This is further  
18 confirmed by Company witness Mr. Mustich wherein he recognizes in his Direct  
19 Testimony that the availability of sources of capital at reasonable costs depends on the  
20 utility's financial performance, including credit and bond ratings. As such, according to  
21 Mr. Mustich, it is important for Missouri-American to focus employees on the financial  
22 health of the organization. In turn, as Mr. Mustich concludes, a financially healthy utility

1 benefits customers because it enables the utility to meet its service obligations at reasonable  
2 financing costs.

3 **Q. Why is the Company unable to quantify the customer benefits associated with**  
4 **performance compensation tied to financial goals?**

5 A. MAWC is unable to quantify these benefits because they arise from the cumulative impact  
6 of thousands of day-to-day operational and managerial decisions made by employees  
7 across the Company. Financial performance goals are designed to promote cost discipline,  
8 efficient resource management, and prudent decision making at every level of the  
9 Company. These behaviors influence how work is planned, how resources are deployed,  
10 and how costs are managed on an ongoing basis. While these efforts result in lower overall  
11 costs and more efficient operations, the specific savings attributable to any single decision  
12 cannot be isolated or measured with precision. The benefits are inherently embedded in  
13 the Company's overall cost structure and reflected in the level of expenses presented for  
14 recovery in this proceeding.

15 **Q. Would changing the Company's compensation structure resolve the question of the**  
16 **recovery of performance compensation?**

17 A. Maybe. Based on Commission precedent, it appears the full market-based compensation  
18 would be completely recovered from customers if Missouri-American included costs equal  
19 to performance compensation in employees' base pay rather than awarding it through APP  
20 and LTPP. Changing the manner of compensating employees to remove the disputed  
21 method (APP and LTPP) and placing all of the compensation in base pay would likely  
22 result in recovering 100% of the higher base pay in the revenue requirement. However,  
23 making this adjustment would not only be inconsistent with market practice, but it would

1 also not be in the long-term interest of our customers because it would remove the strong  
2 incentive APP and LTPP provide employees to proactively work towards efficiency, cost  
3 management, and service performance in a way that a fixed compensation structure does  
4 not. In this respect, the structure of compensation, is important to guide the Company's  
5 goal outcomes. In my experience, the APP and LTPP operational performance and  
6 operational efficiency metrics focus employees on managing the business more efficiently,  
7 improving customer service, and incentivize efficiency of production and field operations.

8 **Q. How would the change of performance compensation pay to base pay impact the**  
9 **Company's culture?**

10 A. The Company's culture is one of continuous improvement; therefore, goal setting and  
11 achievement is the driver of performance across the organization. Performance  
12 compensation helps guide a continuous improvement culture rather than one of  
13 complacency and entitlement. The Company provides a yearly scorecard with defined  
14 goals, showcasing its focus on annual organizational priorities. The scorecard metrics  
15 enable the entire organization to continuously evaluate and improve results based on  
16 benchmarks. Additionally, performance compensation serves as a catalyst for achievement  
17 and continuous improvement in culture by incenting employees to work toward important  
18 business objectives.

19 **Q. Do the Company's employees typically earn their performance compensation?**

20 A. Yes. The Company has funded performance compensation every year for at least the past  
21 decade. The level has varied from year to year based on achievement of targets or  
22 exceeding targets, but the organization's performance has resulted in the payment of

1 performance compensation typically equal to or greater than the target level. The Company  
2 only seeks recovery at the target level.

3 **Q. Is there other evidence of the tangible benefit to customers from the performance pay**  
4 **component of the Company's total market-based compensation program?**

5 A. Yes. Again, it is important to consider the impact of a utility's financial health on its access  
6 to capital at reasonable costs. The Company's customers have benefitted from the  
7 Company's access to capital at favorable rates. Because utilities are capital intensive and  
8 must routinely and consistently access the capital markets at reasonable costs, customers  
9 ultimately benefit when their utility has the financial health to do so.

10 APP results also demonstrate additional customer benefits. MAWC ranked first in  
11 the J.D. Power 2026 Water Utility Residential Customer Satisfaction Study in the Midwest  
12 Large Region. In addition, reducing OSHA incidents, particularly serious injuries,  
13 increases safety - customer safety and employee safety. No one can credibly dispute the  
14 benefits of improved safety. Further, reduced accidents reduce the attendant costs—  
15 workers' compensation, damage repair, etc.—which mitigates the operating costs that  
16 customers pay through rates. A commitment to work to achieve safety performance goals  
17 reflects an engaged workforce that is focused on providing safe, reliable and affordable  
18 service to MAWC's customers. Customers benefit from lower SIIR and DART results  
19 through more efficient employee efforts and lower costs from occupational illnesses and  
20 injuries.

21 **Q. Please summarize why the Company's total market based compensation, including**  
22 **its performance based compensation component, should be recoverable through**  
23 **rates.**

1 A. The performance-based compensation component of the Company's total market-based  
2 compensation plan aligns the interests of our customers, employees, and investors. The  
3 market-based compensation philosophy that MAWC has adopted allows it to attract and  
4 retain the workforce needed to continue to provide safe and reliable service. The plans  
5 contain tangible goals that are designed to do several things, i.e., measure and compensate  
6 employees for achieving goals based on delivering clean, safe, reliable, and affordable  
7 water service and provide first-in-class customer service when doing so. The operational  
8 components include goals that can most directly influence customer satisfaction, health and  
9 safety, and environmental leadership. Customers derive a direct benefit from our focus on  
10 these key measures in the plan. Further, the plans' well-grounded financial measures keep  
11 the organization focused on improved performance at all levels, particularly in increasing  
12 efficiency, decreasing waste, and boosting overall productivity. The Company has  
13 demonstrated that its overall compensation levels are in line with the market, and thus, are  
14 a reasonable and prudently incurred cost of service that is appropriately included in rates.

15 **Q. Does this conclude your Direct Testimony?**

16 A. Yes.

