

Exhibit No.:  
Issues: Production Costs, Transportation  
Costs, Service Company, Office  
Supply and Services, Employee  
Expenses, Building Maintenance and  
Services, Rents, Property Tax  
Expense, Pension and OPEB  
Expense, Pension and OPEB Tracker  
Witness: Matthew S. Mason  
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**

**MATTHEW S. MASON**

**ON BEHALF OF**

**MISSOURI-AMERICAN WATER COMPANY**

**AFFIDAVIT**

I, Matthew S. Mason under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am a Senior Regulatory Manager of American Water Works Service Company Inc., 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.

  
Matthew S. Mason

July 1, 2026  
Dated

**DIRECT TESTIMONY  
MATTHEW S. MASON  
MISSOURI AMERICAN WATER COMPANY  
CASE NO.: WR-2026-0304  
CASE NO.: SR-2026-0305**

**TABLE OF CONTENTS**

I. INTRODUCTION.....	2
II. INFLATION FACTORS.....	3
III. PRODUCTION COSTS .....	4
a. Purchased Water.....	4
b. Fuel and Power .....	5
c. Chemicals.....	6
d. Waste Disposal.....	7
IV. TRANSPORTATION.....	7
V. SERVICE COMPANY .....	8
VI. OTHER OPERATING EXPENSES.....	10
a. Office Supply and Services.....	10
b. Employee Expenses .....	11
c. Building Maintenance and Services.....	12
d. Rents .....	12
VII. PROPERTY TAX EXPENSE.....	13
VIII. PENSION and OPEB EXPENSE .....	14
IX. PENSION and OPEB TRACKER.....	16

**DIRECT TESTIMONY**

**MATTHEW S. MASON**

**I. INTRODUCTION**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

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

A. My name is Matthew S. Mason, and my business address is 727 Craig Road, St. Louis, MO, 63141.

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

A. I hold a Bachelor’s degree in Business Administration from Indiana State University, a Post Baccalaureate Certificate in Accountancy from the University of Southern Indiana, and a Master of Business Administration from the University of Southern Indiana. Additionally, I am licensed as a Certified Public Accountant (CPA) by the State of Indiana. Prior to entering the utility industry, I spent approximately five years working in public accounting and the manufacturing sector. In January of 2016, I joined the utility industry as a Regulatory Analyst at Vectren Corporation (Vectren), which is now part of CenterPoint Energy, an energy company engaged in the natural gas and electric businesses. During my five-year tenure at Vectren, I was responsible for a range of regulatory and financial functions, including infrastructure mechanism filings, general rate case filings, internal audit activities, Sarbanes-Oxley (SOX) control implementation, budgeting, and financial forecasting.

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

A. I am employed by American Water Service Company, Inc. (“Service Company”) as a Senior Regulatory Manager, a position I have held since June 22, 2026. Prior to this role, I was a Lead Rates & Finance Analyst beginning in March 2021. Service Company is a

1 wholly owned subsidiary of American Water Works Company, Inc. (“American Water”)  
2 and provides services to Missouri-American Water Company (“MAWC”, “Missouri-  
3 American”, or “the Company”) and its affiliates.

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

5 A. As a Lead Rates & Finance Analyst, my duties consisted of: 1) preparing, assisting, and  
6 reviewing regulatory filings for the regulated subsidiaries of American Water, including  
7 coordinating with finance, engineering, accounting, and legal departments; 2) the  
8 preparation of written testimony, exhibits, and work papers in support of rate applications  
9 and other regulatory filings; 3) responses to data requests for the regulated subsidiaries of  
10 American Water and its regulated utility affiliates.

11 As a Senior Manager, my duties will include these functions, in addition to leading and  
12 managing a team of analysts performing similar work.

13 **Q. What is the purpose of your Direct Testimony in this proceeding?**

14 A. The purpose of my Direct Testimony is to support and explain the Company’s expense  
15 levels across several cost categories for the future test year, which is the 12 months ending  
16 May 31, 2028. Specifically, my testimony will address the level of expenses and the  
17 associated pro forma adjustments related to production costs, transportation, support  
18 services, office supplies and services, employee expenses, building maintenance and  
19 services, rents, property taxes, and pension and Other Post-Employment Benefits  
20 (“OPEB”) expenses and trackers.

21 **II. INFLATION FACTORS**

22 **Q. Please describe the inflation factors that MAWC is proposing.**

23 A. MAWC incorporated category-specific inflation factors for operations and maintenance

1 (“O&M”) expenses based on data published by the United States Bureau of Labor Statistics  
2 (the “BLS”) to reflect inflationary effects on certain Company costs from the historical test  
3 year (the twelve months ended December 31, 2025), through the future test year (the twelve  
4 months ended May 31, 2028).

5 Where applied in this proceeding, the inflation factors were calculated using a three (3)  
6 year average (2023, 2024, and 2025) of the annual percentage change for each respective  
7 O&M category. This approach captures both upward and downward price pressures  
8 reflected in historical economic data and provides a reasonable basis for forecasting future  
9 cost behavior, cost trends, and inflationary conditions experienced in the broader economy.

10 Accounting for inflation through the end of the future test year, where appropriate, is  
11 necessary to reasonably project the Company’s expected O&M cost changes during the  
12 projection period.

13 The supporting O&M schedule reflecting the impact of the applied inflation factors is  
14 provided in Schedule CAS-9, sponsored by Company Witness LaGrand.

### 15 **III. PRODUCTION COSTS**

16 **Q. Please describe which operating expenses are considered production costs.**

17 A. Production costs are expenses incurred to produce water and wastewater services for our  
18 customers. These costs reflect operational requirements such as treatment processes,  
19 system conditions, regulatory requirements, the regulatory environment applicable to  
20 vendors, and, to some extent, the volume of water provided or wastewater processed.

#### 21 **a. Purchased Water**

22 **Q. Please describe purchase water expenses.**

1 A. Purchased water expense includes costs for purchasing water from other entities. These  
2 entities include KC Water Services, City of Excelsior Springs, City of St. Louis, Callaway  
3 County District #1, City of California, PWSD #1 of Clinton County, PWSD #2 of Ray  
4 County, and PWSD #1 of Dekalb County.

5 **Q. Please explain how pro forma expense for purchased water was developed?**

6 A. MAWC calculated purchased water expense using 2025 billed consumption for each  
7 Purchased Water district by month and applied either (i) an average of 2025 billed rates or  
8 (ii) the most recent monthly billed rates and fees to the projected consumption, as  
9 appropriate for each purchased water district. The 2025 consumption levels were assumed  
10 to remain constant throughout the future test year ending May 31, 2028. Additionally, an  
11 adjustment was also made to reflect incremental purchased water costs associated with  
12 acquisitions. This adjustment is reflected in Schedule CAS-9.

13 **b. Fuel and Power**

14 **Q. Please describe the operating expense for fuel and power.**

15 A. Fuel and power expense is composed of costs associated with treating, pumping, and  
16 distributing water as well as collecting and treating wastewater. MAWC purchases  
17 electricity, natural gas, and miscellaneous fuel from third parties to support these activities.  
18 Fuel and power expense excludes transportation fuel, which is reported in Transportation  
19 expense, and office-related electric and natural gas costs, which are reported in Building  
20 Maintenance and Services.

21 **Q. Please explain how the pro forma expense for fuel and power was developed.**

22 A. The pro forma fuel and power expense was developed using actual invoices for the twelve-  
23 month period ended December 31, 2025, obtained from MAWC's third-party utility

1 manager. These invoiced costs were normalized by removing closed accounts and  
2 adjusting accounts that experienced credit balances, resulting in twelve normalized  
3 monthly bills for each active vendor account. The normalized expense level was then  
4 adjusted to reflect nine projected rate increases applicable between the historical test year  
5 and the future test year. Additionally, an adjustment was also made to reflect incremental  
6 power costs associated with acquisitions. These adjustments are reflected in Schedule  
7 CAS-9.

### 8 **c. Chemicals**

9 **Q. Please describe the operating expense for chemicals.**

10 A. MAWC uses chemicals to bring chemical and biological contaminants within safe limits  
11 prescribed by the U.S. Environmental Protection Agency (“EPA”) in accordance with the  
12 Safe Drinking Water Act. Chemicals are also used to remove turbidity (cloudiness) and to  
13 address any remaining taste or odor issues, as well as for wastewater treatment. Chemical  
14 usage varies due to seasonal conditions and external factors such as drought, flooding,  
15 fertilizer runoff, and temperature. Accordingly, the amount of chemicals used by MAWC  
16 not only varies due to production volume, but also seasonal and external factors.

17 **Q. Please explain how the pro forma chemical expense was developed.**

18 A. Chemical expense was developed using plant - and chemical – specific usage for the period  
19 ended December 31, 2025, adjusted for known changes in treatment processes, and new or  
20 discontinued chemicals. The projected annual usage was divided by the three (3) year  
21 annual average of system delivery (2023-2025) to determine a chemical usage rate per unit  
22 of delivery. Pro forma chemical usage was calculated by applying this rate by projected  
23 system delivery volumes through May 31, 2028. Chemical expense was then calculated by

1 multiplying pro forma chemical usage by the expected chemical prices through the end of  
2 the future test year. These adjustments are reflected in Schedule CAS-9.

3 **d. Waste Disposal**

4 **Q. Please describe the operating expense related to waste disposal.**

5 A. MAWC incurs waste disposal costs associated with the disposal of sludge and other by-  
6 products generated from water and wastewater treatment. Disposal methods vary by  
7 location, with some waste treated internally while other waste is handled by third party  
8 vendors. Sludge removal and lagoon cleaning occur on cycles ranging from monthly to  
9 several years, depending on site-specific conditions and EPA requirements. Waste disposal  
10 costs include both incurred and accrued costs based on scheduled cleaning frequencies  
11 driven by operations and weather conditions.

12 **Q. Please explain how the pro forma expense for waste disposal was developed.**

13 A. MAWC began with a three-year historical average of waste disposal costs for calendar  
14 years 2023, 2024, and 2025 and normalized these expenses based on cleaning frequency  
15 and location-specific factors. A 6.69% BLS-derived inflation factor for solid waste  
16 collection was applied to project costs from 2026 through the future test year ending May  
17 31, 2028 as reflected on Schedule CAS-9.

18 **IV. TRANSPORTATION**

19 **Q. Please describe the types of costs in the operating expense for transportation.**

20 A. Transportation expense includes costs associated with operating the Company's motor  
21 vehicle fleet and miscellaneous transportation expenses. These costs include accident  
22 management, titling, registration, fleet administration fees, operating costs, vehicle rentals,  
23 repairs and maintenance, and fuel. Miscellaneous costs include, *inter alia*, towing,

1 deliveries, vehicle washing, and employee reimbursement for personal car use.

2 **Q. Please explain how the pro forma expense for transportation was developed.**

3 A. Fleet management costs were projected using a three-year historical average of actual  
4 expenses, adjusted for employee reimbursement for use of personal vehicles. Maintenance  
5 and repairs were projected using a three-year historical average of actual expenses and fuel  
6 expense was similarly projected using a three-year historical average of actual costs.  
7 Operating and miscellaneous costs were based on base year expenses. A capitalization rate  
8 was applied to each category of transportation costs to determine the expense portion, and  
9 a 7.7% BLS-derived inflation factor for transportation services was applied to project non-  
10 fuel costs through the future test year ending May 31, 2028.

#### 11 **V. SERVICE COMPANY**

12 **Q. What services does MAWC obtain from the Service Company?**

13 A. The services provided by the Service Company include customer service, water quality  
14 testing, environmental compliance, human resources, communications, information  
15 technology, finance, accounting, regulatory, legal, engineering, supply chain, risk  
16 management, among others. Included as part of the broad range of services summarized  
17 above, the Service Company provides a variety of financial and accounting services for  
18 Missouri-American that include payroll, human resource data management, utility plant  
19 accounting, cash management, general accounting and reporting, accounts payable, and tax  
20 accounting. The Service Company operates customer service and field resource  
21 coordination centers that handle customer calls, inquiries and correspondence, billing, and  
22 collection activities, and dispatching and tracking service orders for MAWC. The Service  
23 Company also operates the Central Laboratory, located in Belleville, Illinois, which

1 employs chemists, laboratory technicians, analysts, and support employees to perform  
2 water quality testing and research. The Central Laboratory, certified by the EPA, owns and  
3 uses state-of-the-art water testing equipment to test source water and finished water.

4 **Q. How do Missouri-American's customers benefit from the services you described from**  
5 **Service Company?**

6 A. The Service Company provides Missouri-American with access to highly trained  
7 professionals who possess expertise in various specialized areas, whose background,  
8 experience, and training are focused on water utility operations and who work exclusively  
9 for American Water's subsidiaries. Furthermore, the size of the Service Company and the  
10 scope of its operations have enabled it to assemble a uniquely qualified group of  
11 professionals who, through the Service Company, have a platform for sharing their  
12 extensive knowledge, expertise, experience and best practices across the American Water  
13 system to the benefit of all of American Water's state-regulated utilities and their  
14 customers. Missouri-American, and by extension its customers, benefit from these services  
15 and expertise of the Service Company's personnel at cost. MAWC also benefits from the  
16 size and breadth of American Water, which affords Missouri-American increased  
17 purchasing power that it could not obtain on its own, and provides access to discounts on  
18 equipment and supplies needed for utility operations, including, for example, pipe, fittings,  
19 and water treatment chemicals. In this way, Missouri-American achieves costs savings that  
20 it could not obtain otherwise for the benefits of MAWC's customers.

21 **Q. How are Service Company expenses charged to Missouri-American?**

22 A. The Service Company provides services to MAWC and issues monthly invoices at cost  
23 (i.e., no markup). Expenses are charged either directly at 100% or allocated based on

1 factors such as customer counts. The Direct Testimony of Company Witness Joseph Weiss  
2 demonstrates the reasonableness of Service Company costs that are charged to the  
3 Company. The adjustment is reflected on Schedule CAS-9.

4 **Q. How are Service Company expenses calculated?**

5 A. The Company's proposed Service Company expense is reflected in CAS-9, which  
6 incorporates the annualization of Historical Test Year expenses, along with known and  
7 measurable changes through May 31, 2028. Adjustments to compensation and related  
8 expenses were developed by applying the actual 3.75% merit increase for 2026 and a three-  
9 year average merit increase (based on 2024 through 2026) for non-union employees over  
10 the adjustment period ending May 31, 2028. Union employee increases reflect actual  
11 contract rates. Severance expenses, charitable contribution, penalties, and other costs for  
12 which MAWC is not seeking recovery, have been removed.

13 Adjustments were made to normalize pension and OPEB costs to reflect 2028 forecasted  
14 levels and to incorporate projected amounts for capital lease interest, depreciation, and  
15 travel expenses. An additional adjustment reflects incremental service company costs  
16 associated with acquisitions.

17 **VI. OTHER OPERATING EXPENSES**

18 **a. Office Supply and Services**

19 **Q. Please discuss the operating expenses related to office supply and services.**

20 A. Office supply and services expenses include costs associated with software licenses,  
21 subscription services, bank fees, and other general office supplies.

22 To project software-related expenses, the Company used the most recent contractual

1 monthly fee amounts and annualized those costs through the applicable contract periods.  
2 Upon expiration of the contracts, an inflation factor of 1.38%, derived from the BLS, was  
3 applied to the post contractual period costs through the future test year ending May 31,  
4 2028.

5 To project non-software office supply and services expenses, the Company excluded  
6 accrued expenses, related accrual reversals, and general ledger accounts with no activity in  
7 the last 2 years. The Company then calculated a three-year historical average based on the  
8 12-month calendar periods ending 2023, 2024, and 2025 resulting in a normalized base-  
9 year level of expense. A negative inflation factor of (2.83%), derived from BLS data and  
10 reflecting a decline in the index, was applied to this normalized level beginning in 2026  
11 and extended through the future test year. The adjustment is reflected on Schedule CAS-9.

#### 12 **b. Employee Expenses**

13 **Q. Please discuss the operating expense related to employee expenses.**

14 A. Employee expense primarily consists of costs associated with employee travel and  
15 relocation. To develop this expense, the Company analyzed actual historical costs for the  
16 twelve-month calendar periods ending December 31, 2023, 2024, and 2025, and calculated  
17 a three-year average for each applicable expense category.

18 Once the three-year average was established, the Company excluded certain costs that are  
19 not requested for recovery in this proceeding. These excluded items include, but are not  
20 limited to, expenses related to sponsorships, donations, and employee celebrations.

21 The resulting normalized expense levels were then projected using a BLS-derived inflation  
22 factor of 3.09%, based on the applicable BLS indices. This factor was applied to project  
23 employee-related expenses beginning in 2026 through the future test year ending May 31,

1 2028. Additional details supporting this adjustment are provided in Schedule CAS-9.

2 **c. Building Maintenance and Services**

3 **Q. Please describe the operating expenses related to building maintenance and services.**

4 A. Building maintenance and service expenses includes costs associated with security, trash,  
5 groundskeeping, janitorial expenses, building electricity, heating, and other related  
6 facilities costs.

7 **Q. Please explain how pro forma expense for building maintenance and services was  
8 developed.**

9 A. To calculate building maintenance and services expense, MAWC began with actual  
10 expense from the twelve months ended December 31, 2025, and then normalized the  
11 activity to arrive at an expected twelve months of expense. An inflation factor of 4.44%,  
12 derived from the U.S. Bureau of Labor Statistics, was applied to project costs beginning in  
13 2026 through the future test year ending May 31, 2028. This adjustment is reflected on  
14 Schedule CAS-9.

15 **d. Rents**

16 **Q. Please describe the types of costs in the operating expense for rent.**

17 A. MAWC currently incurs rent expenses for two office locations, including 1050 Fox Chase  
18 Industrial Court in Arnold, Missouri. Historically, MAWC also incurred rent expense for  
19 727 Craig Road in St. Louis, Missouri: however, as discussed below, this expense has been  
20 removed from the pro forma level due to the planned purchase of the facility.

21 MAWC also incurs rent expenses for rental cars, copiers, and other miscellaneous items.  
22 Rent expense for leased vehicles is reported in Transportation expense.

1 **Q. Please explain how the pro forma expense for rent was developed.**

2 A. To develop the pro forma rent expense, MAWC began with actual rent expenses incurred  
3 during the twelve months ending December 31, 2025. These expenses were normalized  
4 and annualized, where appropriate, to reflect an expected on-going twelve-month level of  
5 rent expense.

6 MAWC then removed rent associated with the 727 Craig Road facility, as the Company  
7 plans to purchase this location and will no longer incur rent expense for the property during  
8 the future test year ending May 31, 2028.

9 For the remaining rent expense, MAWC adjusted costs to reflect known and measurable  
10 rental rate changes throughout the future test year. For rent expenses subject to inflation,  
11 MAWC applied an inflation factor of 5.44%, derived from the BLS data, based on a three-  
12 year average annual change, to project costs through the future test year ending May 31,  
13 2028. Additionally, an adjustment was also made to reflect incremental rent expenses  
14 associated with acquisitions.

15 The resulting pro forma rent expense adjustment is reflected in Schedule CAS-9.

16 **VII. PROPERTY TAX EXPENSE**

17 **Q. Please describe the property tax expense incurred by the Company.**

18 A. Missouri-American incurs real property taxes on utility plant used and useful in providing  
19 regulated water and wastewater service to customers in Missouri. These taxes are assessed  
20 annually by local taxing authorities and represent a necessary and ongoing cost of  
21 providing service.

22 **Q. How did the Company calculate its proposed property tax adjustment?**

1 A. The Company calculated the projected level of property tax expense by applying property  
2 tax assessment rates in effect during the projection period to projected utility plant balances  
3 as of the future test year, defined as the twelve-month period ending May 31, 2028. This  
4 approach reflects the direct relationship between property tax expense and the value of  
5 taxable utility plant.

6 **Q. What level of property tax expense is the Company proposing in this case?**

7 A. The Company is proposing a normalized annual future test year property tax expense of  
8 approximately \$58,500,000, which represents an increase of approximately \$17,700,000  
9 over the historic test year level, primarily driven by the growth in taxable utility plant.

10 **Q. Does the Company currently have a property tax tracker mechanism?**

11 A. Yes. Pursuant to Section 393.400, RSMo, the Company is authorized to track actual  
12 property tax costs compared to the amounts reflected in current rates. Additional detail  
13 regarding the operation of the property tax tracker is provided in the Direct Testimony of  
14 Missouri-American witness Grisham.

15 **VIII. PENSION and OPEB EXPENSE**

16 **Q. Please describe the adjustment to operating expenses related to pension expense.**

17 A. Missouri-American provides a defined pension benefit pension plan to non-union  
18 employees hired prior to January 1, 2006, and to union employees hired prior to January 1,  
19 2001.

20 Pro forma pension expense for MAWC is comprised of two components. First, consistent  
21 with the Company's calculation of pension expense in its most recent base rate case, the  
22 Company calculated pension expense in accordance with Financial Account Standards  
23 Board Accounting Standards Codification Topic 715 or "ASC 715", formerly Statement of

1 Financial Accounting Standards No. 87. The Company utilized a report furnished by its  
2 actuary, Willis Tower Watson (WTW), which provided pension costs for 2026 determined  
3 in accordance with ASC 715. From this report, the Company identified \$1,881,136 of  
4 service costs and \$231,042 of non-service costs.

5 The service cost portion was reduced by the capitalization rate of 45.19% to account for  
6 the portion capitalized to utility plant, with the remainder recorded as expense. All non-  
7 service costs are expensed. The resulting net Pension expense under ASC 715 is  
8 \$1,262,031.

9 The second component of MAWC's pro forma pension expense is the amortization of the  
10 pension portion of the Company's Pension and OPEB Tracker (discussed further below).

11 The forecasted balance of the pension tracker as of May 31, 2027, is a credit of \$3,236,150.

12 The Company is proposing a five-year amortization of the credit balance, which would  
13 reduce expenses by \$647,230 annually.

14 Total pro forma pension expense reflects the sum of these components. For the forecasted  
15 twelve months ending May 31, 2028, pro forma expense is \$614,801 [ $\$1,262,031 +$   
16  $(\$647,230)$ ].

17 A summary of this adjustment is reflected in Schedule CAS-9.

18 **Q. What is OPEB expense?**

19 A. OPEB expenses are costs incurred to provide Other Post Employment Benefits.

20 **Q. Please describe the adjustment to operating expenses related to OPEB expense.**

21 A. Missouri-American provides OPEBs to non-union employees hired prior to January 1,  
22 2002, and to union employees hired prior to January 1, 2006. Like Pension expense, pro



1 from wide variations in pension and OPEB costs which are largely driven by market  
2 conditions and actuarial assumptions outside the Company's direct control. Utilizing the  
3 tracker mechanisms, a base level of pension and OPEB expense is established in base rates,  
4 and actual costs above or below that base level are recorded monthly as deferrals on the  
5 Company's books. Both excess recoveries and under-recoveries can occur. At the time of  
6 a subsequent rate proceeding, the cumulative tracker balances are included in rate base and  
7 amortized over a Commission-approved period. The current amortization period is five (5)  
8 years.

9 The Pension and OPEB Tracker pro forma balance proposed for inclusion in rate base in  
10 this case is based on the projected average twelve-month balance ending May 31, 2028.  
11 The projected balance reflects the amortization of vintage deferrals authorized in Case No.  
12 WR-2022-0303. Also included are balances authorized to be amortized in the Company's  
13 most recent rate case (Case No. WR 2024-0320), projected amortization activity through  
14 the future test year, and the deferral of actual pension and OPEB cost differences during  
15 the projection period. Projected deferrals are based on actuarial studies conducted annually  
16 by WTW and reduced by the amounts anticipated to be capitalized.

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

18 **A. Yes**