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Witness: Joseph Weiss  
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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

**JOSEPH WEISS**


Vice President  
Concentric Energy Advisors, Inc.

On Behalf of  
Missouri American Water Company

July 1, 2026

**AFFIDAVIT**

I, Joseph Weiss, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am a Vice President with Concentric Energy Advisors, 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.



---

Joseph Weiss

July 1, 2026

Dated

**TABLE OF CONTENTS**

	<b>Page</b>
I. INTRODUCTION .....	1
A. Witness Identification .....	1
II. ASSESSMENT OF SERVICE COMPANY COSTS .....	3
III. CONCLUSION.....	8

1 **I. INTRODUCTION**

2 **A. Witness Identification**

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

4 A. My name is Joseph S. Weiss. My business address is 293 Boston Post Road West,  
5 Suite 500, Marlborough, Massachusetts 01752.

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

7 A. I am a Vice President with Concentric Energy Advisors, Inc. (“Concentric”).  
8 Concentric is a management consulting and economic advisory firm focused on  
9 the North American energy and water industries. Concentric specializes in  
10 regulatory and litigation support, transaction-related financial services, energy  
11 market strategies, market assessments, energy commodity contracting and  
12 procurement, economic feasibility studies, and capital market analyses and  
13 negotiations.

14 **Q. On whose behalf are you submitting this testimony?**

15 A. I am submitting this testimony on behalf of Missouri-American Water Company  
16 (“MAWC” or the “Company”), a wholly owned subsidiary of American Water Works  
17 Company Inc. (“AWK” or “American Water”).

18 **Q. Please describe your educational and professional background and  
19 experience.**

20 A. I have an M.B.A from Southern Illinois University Edwardsville and a B.S. in  
21 Business Administration (magna cum laude) with a major in Accounting and

1 Finance from Saint Louis University. I have over 20 years of experience consulting  
2 in the energy industry. I have worked on numerous projects involving revenue  
3 requirements (including cash working capital), class cost of service, allocation and  
4 rate design, rate of return, affiliate transactions, and rate case preparation for gas,  
5 electric, and water and wastewater utilities. I have managed and/or participated in  
6 a wide variety of consulting engagements.

7 **Q. Have you previously testified in regulatory proceedings?**

8 A. Yes. I have provided support for filings with several utility commissions and filed  
9 testimony as an expert witness on the topic of shared services and affiliate costs  
10 in filings before the Missouri Public Service Commission, the Rhode Island Public  
11 Utilities Commission, the State of New Jersey Board of Public Utilities, the Illinois  
12 Commerce Commission, the Nova Scotia Energy Board, and the Kentucky Public  
13 Service Commission.

14 **Q. Have you previously testified as an expert witness for MAWC in any other  
15 rate cases?**

16 A. No, I have not.

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

18 A. I am presenting the results of Concentric's evaluation of the necessity of services  
19 provided by American Water Works Service Company, Inc. ("Service Company")  
20 to MAWC and the reasonableness of the associated charges for the 12-month  
21 period ended December 31, 2025. The Service Company is a subsidiary of

1 American Water that provides shared services to American Water's water and  
2 wastewater utility subsidiaries, including MAWC.

3 **Q. Are you sponsoring any schedules to your testimony?**

4 A. Yes. I am sponsoring Schedule JSW-1, which presents my background and  
5 qualifications, and Schedule JSW-2, which is the Market-to-Cost Comparison of  
6 Service Company charges to MAWC for the 12-month period ended December 31,  
7 2025.

8 **II. ASSESSMENT OF SERVICE COMPANY COSTS**

9 **Q. What were the objectives of your study?**

10 A. This study was undertaken to answer the following five questions concerning the  
11 reasonableness and necessity of services provided by the Service Company to  
12 MAWC.

13 1) Were the Service Company's charges to MAWC during 2025 reasonable  
14 compared to charges from other service companies to their regulated utility  
15 affiliates?

16 2) Was MAWC charged the lower of cost or market for managerial and  
17 professional services provided by the Service Company in 2025?

18 3) Were MAWC's 2025 costs of Service Company's customer accounts  
19 services, including the call handling costs, comparable to those of other  
20 utilities?

21 4) Are the services provided by the Service Company similar to services  
22 provided by other utility services companies, and are the services received  
23 from the Service Company necessary and reasonable?

1           5) Are the governance practices applied to total Service Company expenses  
2           and charges to MAWC appropriate?

3           The remainder of my testimony will address the above questions.

4   **Q.   What conclusions were you able to draw concerning question number 1,**  
5   **whether the Service Company charges to MAWC were reasonable?**

6   A.   I was able to determine that the Service Company's 2025 cost per MAWC  
7   customer is reasonable. Such determination was premised on the fact that  
8   MAWC's costs are in line with the cost per customer of the proxy service  
9   companies. In 2025, MAWC was charged \$86 per customer for administrative and  
10   general ("A&G")-related services provided by the Service Company. This  
11   compares to an average of \$142 per customer for service companies reporting to  
12   the FERC in Form 60 reports. Seventeen of the twenty-two utility holding  
13   companies whose service companies filed a FERC Form 60 report for 2025 had a  
14   higher per-customer A&G cost than MAWC's charges per customer from its  
15   Service Company.

16   **Q.   Why is a comparison of A&G costs useful when determining the**  
17   **reasonableness of the Service Company's charges to MAWC?**

18   A.   A&G-related services cover the functions identified below and provide a useful  
19   comparison because the processes involved in delivering these services are  
20   similar across utility types.

Executive Management	Information Technology
Finance	Procurement
Accounting	Rates and Regulatory
Taxes	Legal
Financial Planning and Analysis	Human Resources
Internal Auditing	Customer Services

1  
2 **Q. What conclusions were you able to draw concerning question number 2,**  
3 **whether MAWC received services provided by the Service Company at a**  
4 **reasonable cost?**

5 A. I was able to draw the following conclusions:

- 6 1) MAWC was charged a reasonable cost for managerial and professional  
7 services during 2025 by the Service Company.
- 8 2) The hourly rates of outside service providers are higher than the Service  
9 Company's hourly rates. On average, outside providers' total costs are  
10 approximately 53.9% higher than those of the Service Company.
- 11 3) The managerial and professional services provided by the Service  
12 Company are necessary and could not be procured externally by MAWC  
13 without careful supervision on the part of MAWC. Further, if these services  
14 were contracted entirely to outside providers, MAWC would have to add at  
15 least four positions to manage the activities of outside firms. These positions  
16 would be required to ensure the quality and timeliness of services provided  
17 by contractors.
- 18 4) If all the managerial and professional services now provided by the Service  
19 Company had been outsourced in 2025, MAWC and its customers would  
20 have incurred approximately \$21.4 million in additional expenses. This  
21 amount includes the higher cost of outside providers and the cost of four  
22 MAWC positions needed to direct, supervise and coordinate the outsourced  
23 work.

1           5) This study's hourly rate comparison understates the cost advantages that  
2           accrue to MAWC from its use of the Service Company. Outside service  
3           providers generally bill for every hour worked. Service Company exempt  
4           personnel, on the other hand, charge a maximum of eight hours per day  
5           even when they work more hours. If all overtime hours of Service Company  
6           personnel were factored into the hourly rate calculation, the Service  
7           Company would have had an even greater annual dollar customer benefit  
8           than the \$21.4 million cited above.

9           6) It would be difficult for MAWC to find local service providers with the same  
10          specialized water and wastewater industry expertise as possessed by the  
11          Service Company staff. Service Company personnel spend substantially all  
12          their time serving operating water and wastewater companies. This  
13          specialization brings with it a unique knowledge of the Company's system  
14          and water and wastewater utility operations and regulations that may not be  
15          available from local service providers.

16          7) Service Company fees do not include any profit or markup. Only the actual  
17          cost of service incurred is being recovered from MAWC customers.

18 **Q.    What conclusions were you able to draw concerning question number 3,**  
19 **whether the 2025 costs of the Service Company's customer account**  
20 **services, including the call handling costs, are reasonable?**

21 A.    The cost of the Service Company's customer account services is reasonable. Such  
22        costs are below the average of the proxy group of comparable regulated utilities of  
23        the size and scope of the Service Company and MAWC. In 2025, the cost of  
24        customer account services for MAWC customers was approximately \$20,  
25        compared to the 2025 average of about \$36 for comparable utilities. Seventeen  
26        of the eighteen comparison group utilities had a higher cost than MAWC.

27 **Q.    What conclusions were you able to draw concerning question number 4,**

1           **whether the services MAWC receives from the Service Company are similar**  
2           **to services provided by other utility service companies, and whether the**  
3           **services are necessary and reasonable?**

4    A.    Based upon the data analyzed, I was able to draw the following conclusions:

5                   1) These services are customarily provided by service companies of other  
6                   utility holding companies.

7                   2) The services that the Service Company provides are necessary and  
8                   required for a water and wastewater utility.

9                   3) There are no identified redundancies or overlaps in the services  
10                  provided by the Service Company to MAWC.

11   **Q.    Regarding Question 5, whether the governance practices applied to total**  
12   **Service Company expenses and charges to MAWC are appropriate, and**  
13   **what are such governance practices?**

14   A.    Governance practices are internal controls designed to provide assurance that  
15   objectives are being achieved relating to operations, reporting and compliance.  
16   Among other things, this is achieved through control activities, which are defined  
17   as follows:

18                   *Control activities are the actions established through*  
19                   *policies and procedures that help ensure that*  
20                   *management's directives to mitigate risks to the*  
21                   *achievement of objectives are carried out. Control*  
22                   *activities are performed at all levels of the entity, at*  
23                   *various stages within business processes, and over the*  
24                   *technology environment.*

25                   *Source: "Internal Control – Integrated Framework,*  
26                   *Executive Summary," Committee of Sponsoring*  
27                   *Organizations of the Treadway Commission.*

1 Control activities include authorizations, approvals, verifications and business  
2 performance reviews.

3 **Q. What governance practices are applied to Service Company services and**  
4 **charges?**

5 A. Control activities that are applied to Service Company charges to MAWC include  
6 the following, each of which is further described in Schedule JSW-2:

- 7 • Chief Operating Officer Oversight
- 8 • Operating Company Board Oversight
- 9 • MAWC President's Oversight
- 10 • CFO Operations and Supporting Staff
- 11 • Service Company Budget Review/Approval
- 12 • Major Project Review and Approval
- 13 • Capital Program Management ("CPM")
- 14 • Accounting and Financial Reporting Processes
- 15 • Operating Company Budget Variance Analysis
- 16 • Service Company Budget Variance Analysis

17 Such control activities are typical of those that are in place at other well-managed  
18 companies that I have reviewed. In my opinion, these are effective practices that  
19 help ensure that Service Company charges to MAWC are necessary and  
20 reasonable.

### 21 **III. CONCLUSION**

22 **Q. What is your overall conclusion: (1) regarding the services provided by**

1           **Service Company to MAWC; and, (2) the cost of those services?**

2    A.    Based on the analyses I discussed above, the Service Company's services are  
3           essential to MAWC's ability to deliver water and wastewater services to its  
4           customers. These services are customarily provided by other utility service  
5           companies to their operating utility affiliates. For each cost comparison I  
6           performed, the Service Company 2025 charges were shown to be reasonable.

7    **Q.    Does this complete your Direct Testimony?**

8    A.    Yes, it does.

**JOSEPH S. WEISS**  
VICE PRESIDENT

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Mr. Weiss has worked on projects involving revenue requirements, class cost of service, allocation and rate design, cash working capital, rate of return, affiliate transactions, and rate case preparation for gas and electric utilities. As a consultant, Mr. Weiss has provided support for filings with several utility commissions and filed testimony as an expert witness expert witness on the topic of shared services and affiliate costs in filings before the Missouri Public Service Commission, the Rhode Island Public Utilities Commission, the State of New Jersey Board of Public Utilities, the Illinois Commerce Commission, the Nova Scotia Energy Board, and the Kentucky Public Service Commission. He has strong quantitative and research skills and experience in accounting issues. Prior to joining Concentric Energy Advisors, Mr. Weiss was a Consultant with Navigant Consulting, Inc. and has worked for a large Midwest investor-owned utility. Mr. Weiss has an M.B.A. from Southern Illinois University Edwardsville and a B.S. in Business Administration (magna cum laude) with a major in Accounting and Finance from Saint Louis University.

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**REPRESENTATIVE PROJECT EXPERIENCE**

## Affiliate Transaction Related Projects

- Filed testimony presenting the results of an evaluation of the necessity of services provided by American Water Works Service Company, Inc. to Kentucky-American Water and the reasonableness of the associated charges.
- Performed an assessment of the nature and cost of shared services provided by Apex Utilities Inc. and corporate and affiliate services by TriSummit Utilities Inc. to Eastward Energy Incorporated. Filed a report before the Nova Scotia Energy Board in support of the Inter-Affiliate shared services and fees received.
- Filed testimony presenting the results of an evaluation of the necessity of services provided by American Water Works Service Company, Inc. to Illinois-American Water and the reasonableness of the associated charges.
- Filed testimony presenting the results of an evaluation of the necessity of services provided by American Water Works Service Company, Inc. to New Jersey-American Water and the reasonableness of the associated charges.
- Provided testimony evaluating the necessity of services provided by PPL Services to Narragansett Electric and Narragansett Gas and the reasonableness of the associated charges.
- Assisted with the preparation of testimony and filed testimony providing an assessment and recommendation pertaining to the reasonableness of Ameren Service Company's services and associated costs billed to Ameren Missouri in multiple rate proceedings before the Missouri Public Service Commission.
- Managed the review of the reasonableness of the allocation of shared services costs assigned by Ameren Service Company to the Ameren Illinois operating utilities. The review included



an assessment of the reasonableness of the accumulated costs, allocation factors employed and resulting allocated costs to each operating utility for the services provided. We also benchmarked the costs of services to assess the reasonableness of the allocated costs compared to other companies. Concentric provided expert testimony in support of the analyses.

- Assisted with a Shared Services Study that provided an overall assessment as to the reasonableness of the services and related costs associated with the services provided by AGSC and/or SCS, as well as other affiliates, to Virginia Natural Gas. Also evaluated whether the costs charged to Virginia Natural Gas, in aggregate, were no greater than the aggregate level of costs would have been absent the 2016 merger of The Southern Company and AGL Resources Inc. (now Southern Company Gas).

## **PROFESSIONAL HISTORY**

### **Concentric Energy Advisors, Inc. (2007 – Present)**

Vice President

Assistant Vice President

Senior Project Manager

Project Manager

Senior Consultant

Consultant

### **Navigant Consulting, Inc. (2006 – 2007)**

Consultant

### **Ameren Corporation (2005 – 2006)**

Consultant and Tax Intern

## **EDUCATION**

### **Saint Louis University**

B.S.B.A., Accounting and Finance, magna cum laude, December 2005

### **Southern Illinois University Edwardsville**

M.B.A., August 2013

<b>SPONSOR</b>	<b>DATE</b>	<b>CASE/APPLICANT</b>	<b>DOCKET</b>	<b>SUBJECT</b>
<b>Missouri Public Service Commission</b>				
Ameren Missouri	06/24	Ameren Missouri	ER 2024-0319	Affiliate Transactions and Benchmarking (Electric)
Ameren Missouri	09/24	Ameren Missouri	GR 2024-0369	Affiliate Transactions and Benchmarking (Gas)
<b>Rhode Island Public Utilities Commission</b>				
The Narragansett Electric Company d/b/a Rhode Island Energy electric and gas filing	11/25	The Narragansett Electric Company d/b/a Rhode Island Energy electric and gas filing	25-45-GE	Shared Corporate Costs
<b>State of New Jersey Board of Public Utilities</b>				
New Jersey-American Water Company	01/26	New Jersey-American Water Company	WR26010010	Shared Corporate Costs
<b>Illinois Commerce Commission</b>				
Illinois-American Water Company	01/26	Illinois-American Water Company	26-0127	Assessment of Service Company Costs
<b>Nova Scotia Energy Board</b>				
Eastward Energy Inc.	02/26	Eastward Energy Inc.	M12691	Inter-Affiliate, Shared Services Costs
<b>Kentucky Public Service Commission</b>				
Kentucky-American Water Company	05/26	Kentucky-American Water Company	2026-00094	Assessment of Service Company Costs

**MARKET-TO-COST COMPARISON OF SERVICE  
COMPANY CHARGES TO MISSOURI AMERICAN  
WATER COMPANY  
12 MONTHS ENDED DECEMBER 31, 2025**

PREPARED FOR:  
MISSOURI AMERICAN WATER COMPANY  
JULY 1, 2026



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## TABLE OF CONTENTS

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<b>SECTION 1: INTRODUCTION.....</b>	<b>1</b>
Purpose of This Study.....	1
Study Results.....	1
<b>SECTION 2: BACKGROUND .....</b>	<b>4</b>
Overview of American Water Works Service Company, Inc. ....	4
Service Company Accounting.....	5
Service Company Billing and Clearing.....	7
<b>SECTION 3: SERVICE COMPANY COST COMPARISON APPROACH .....</b>	<b>8</b>
Service Company 2025 Charges .....	8
Service Company Cost Comparison Approach.....	8
<b>SECTION 4: QUESTION 1 – REASONABLENESS OF SERVICE COMPANY CHARGES .....</b>	<b>10</b>
Methodology.....	10
MAWC’s Service Company A&G Cost per Customer .....	10
Comparison Group Cost Per Customer .....	10
<b>SECTION 5: QUESTION 2 – PROVISION OF SERVICES AT REASONABLE COST .....</b>	<b>14</b>
Methodology.....	14
Service Company Hourly Rates .....	14
Outside Service Provider Hourly Rates .....	19
Attorneys.....	19
Management Consultants.....	20
Certified Public Accountants.....	21
Information Technology Professionals .....	22
Professional Engineers .....	23
Service Company versus Outside Provider Cost Comparison.....	25
<b>SECTION 6: QUESTION 3 – REASONABLENESS OF CUSTOMER ACCOUNT SERVICES COSTS.....</b>	<b>27</b>
Background .....	27
Comparison Group.....	27
FERC Account Descriptions .....	28
MAWC’s Cost per Customer.....	30
Electric Utility Group Cost per Customer.....	31
Summary of Results .....	33
<b>SECTION 7: QUESTION 4 – SIMILARITY OF SERVICES AND THE NEED FOR SERVICE COMPANY SERVICES .....</b>	<b>35</b>
Similarity of Service Company Services .....	35
Analysis of Services .....	40
<b>SECTION 8: QUESTION 5 – APPROPRIATENESS OF GOVERNANCE PRACTICE.....</b>	<b>45</b>



Definition of Governance Practices ..... 45  
Governance Practices Associated with Service Company Charges..... 45

## **LIST OF TABLES**

---

Table 1: Service Company 2025 Charges ..... 8  
Table 2: Service Company 2025 Charges and Hours ..... 8  
Table 3: Service Company A&G Cost per Customer ..... 10  
Table 4: FERC A&G Accounts Included in the Cost Calculation ..... 11  
Table 5: Calculation of 2025 Service Company A&G Expense per Customer ..... 12  
Table 6: Comparison of Service Company A&G Charges per Customer ..... 13  
Table 7: 2025 Hourly Rates by Category of Service ..... 15  
Table 8: 2025 Service Company Charges by Location and Function ..... 16  
Table 9: 2025 Service Company Hours by Location and Function ..... 17  
Table 10: 2025 Service Company Charges Excluded from the Hourly Rate Calculation ..... 18  
Table 11: Proportion of Licensed CPAs at US Accounting Firms ..... 19  
Table 12: Average Hourly Billing Rates of Lawyers in Missouri ..... 20  
Table 13: Average Hourly Billing Rates of Management Consultants ..... 21  
Table 14: Billing Rates of Certified Public Accountants ..... 22  
Table 15: Billing Rates of Information Technology Professionals ..... 23  
Table 16: Billing Rates of Professional Engineers ..... 24  
Table 17: 2025 Hourly Rate Difference ..... 25  
Table 18: 2025 Cost Differential ..... 25  
Table 19: Cost of Adding Four Professional Positions to MAWC Staff ..... 26  
Table 20: List of Electric Utilities in the Comparison Group ..... 28  
Table 21: MAWC’s Customer Account Service Expense per Customer ..... 31  
Table 22: Comparison Group 2025 Customer Account Expense per Customer ..... 32  
Table 23: Electric Utility Comparison Group Cost per Customer ..... 34  
Table 24: Description of Service Company Services ..... 35  
Table 25: Comparison of Services Provided by Service Companies ..... 40  
Table 26: Responsibility Matrix ..... 42

## SECTION 1:

**INTRODUCTION**

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**Purpose of This Study**

This Market-to-Cost Comparison of the 12 months ended December 31, 2025, Service Company Charges to Missouri American Water Company (“MAWC”) study was undertaken to answer five questions concerning the services provided by American Water Works Service Company, Inc., (Service Company) to MAWC.

1. Were the Service Company’s charges to MAWC during 2025 reasonable compared to charges from other service companies to their regulated utility affiliates?
2. Was MAWC charged the lower of cost or market for managerial and professional services provided by the Service Company in 2025?
3. Were MAWC’s 2025 costs of Service Company’s customer accounts services, including call handling costs, comparable to those of other utilities?
4. Are the services provided by the Service Company similar to services provided by other utility service companies, and are the services received from the Service Company necessary and reasonable?
5. Are the governance practices applied to total Service Company expenses and charges to MAWC appropriate?

**Study Results**

Concerning question 1, the following conclusion was reached:

- The Service Company’s 2025 cost per MAWC customer is reasonable compared to costs per customer for electric and combination electric/gas service companies. During 2025, MAWC was charged \$86 per customer for administrative and general (“A&G”)-related services provided by the Service Company. This compares to an average of \$142 per customer for service companies reporting to the Federal Energy Regulatory Commission (“FERC”). Seventeen of the 22 utility service companies that filed a FERC Form 60 for 2025 had higher per-customer A&G costs than MAWC’s charges from the Service Company.

Concerning question 2, the following conclusions were reached from this study:

- The Service Company’s charges to MAWC during 2025 for managerial and professional services were reasonable.



- On average, the hourly rates for outside service providers were approximately 53.9% higher than the Service Company's hourly rates. Consequently, MAWC obtains services from the Service Company that are considerably below the market prices for such services.
- The managerial and professional services provided by the Service Company are vital and cannot be procured externally by MAWC without careful supervision on the part of MAWC. If these services were contracted entirely to outside providers, MAWC would have to add at least 4 positions to manage the activities of outside firms. These positions would be required to ensure the quality and timeliness of services provided.
- If all the managerial and professional services now provided by the Service Company had been outsourced in 2025, MAWC and its customers would have incurred approximately \$21.4 million in additional expenses. This amount includes the higher cost of outside providers and the cost of four new MAWC positions needed to direct and manage the outsourced work.
- This study's hourly rate comparison actually understates the cost advantages that accrue to MAWC from its use of the Service Company. Outside service providers generally bill for every hour worked. Service Company exempt personnel, on the other hand, charge a maximum of eight hours per day even when they work more hours. If all overtime hours of Service Company personnel were factored into the hourly rate calculation, the Service Company would have had an even greater annual dollar advantage than the \$21.4 million cited above.
- It would be difficult for MAWC to find local service providers with the same specialized water and wastewater industry expertise as that possessed by Service Company staff. Service Company personnel spend substantially all of their time serving operating water and wastewater companies. This specialization brings with it a unique knowledge of water and wastewater utility operations and regulation that may not be available from third-party local service providers.
- Service Company fees do not include any profit markup. Only the actual cost of service is being recovered from MAWC customers.

Concerning question 3, the following conclusion was reached:

- The cost of the Service Company's customer account services was reasonable during 2025. Such costs were below the average of the proxy group of comparable regulated utilities of the size and scope of the Service Company and MAWC. In 2025, the cost of customer account services for MAWC customers was approximately \$20, compared to the 2025 average of about \$36 for comparable utilities. Seventeen of the 18 comparison group utilities had a higher cost than MAWC.

Concerning question 4, the following conclusions were drawn:



- The services that the Service Company provides to MAWC are necessary and required for water and wastewater utilities. These services are customarily provided by service companies of other utility holding companies.
- Furthermore, there was no identified redundancy or overlap in the services provided by the Service Company to MAWC. For all the services provided, there was only one entity, the Service Company or MAWC that was primarily responsible for the service.

Concerning question 5, the following conclusion was drawn:

- The control activities applied to Service Company services provided to MAWC and the associated charges are the type that help ensure both services and charges are necessary and reasonable.

## SECTION 2:

**BACKGROUND**

---

**Overview of American Water Works Service Company, Inc.**

American Water Works Service Company, Inc. (“AWWSC” or the “Service Company”) exists to provide certain shared services to American Water Works Company, Inc.’s (“American Water”) subsidiaries. AWWSC follows a service company model used by many utility holding companies that own multiple regulated utilities. By consolidating executive and professional services into a single service company, utility holding companies are able to realize the following benefits for customers:

- **Purchasing Economies** – Common expenses (e.g., insurance, chemicals, piping) can be procured on a much larger scale, thereby providing greater bargaining power for the combined entity compared to individual utility operating companies. A service company facilitates enterprise-wide purchasing programs through its procurement and contract administration functions.
- **Operating Economies of Scale** – A service company is able to deliver services more efficiently because workloads can be balanced across more persons and facilities. For instance, AWWSC is able to maintain one principal water testing laboratory for the entire organization. This is more cost-efficient than each operating utility funding its own testing arrangements.
- **Continuity of Service** – Centralizing service company personnel who perform similar services facilitates job cross-training and sharing of knowledge and expertise. This makes it easier to manage staff turnover and absences and to sustain high levels of service to operating utilities. An individual operating utility might experience considerable disruption if a key professional left and it was necessary to hire outside to fill the vacancy.
- **Maintenance of Enterprise-Wide Standards** – Personnel in AWWSC establish standards for many functions (e.g., engineering designs, operating procedures and maintenance practices). It is easier to align operating utility operations because the implementation is supported by the Service Company.
- **Improved Support and Guidance** – AWWSC provides another dimension of management and financial support and guidance that supplements local operating utility management. The Service Company facilitates standard planning and reporting, which helps ensure that operating utilities meet the requirements of their customers in a cost-effective manner.
- **Retention of Personnel** – A service company organization provides operating utility personnel with another career path beyond what may be available on a local level. These opportunities tend to improve employee retention.



American Water follows the model for other utility service companies in another important regard: its services are provided to affiliated operating utilities, like MAWC, at cost. AWWSC is not a profit-making entity. The Service Company assigns only its actual expenses to the American Water subsidiaries to which it provides services.

The Service Company provides services to American Water operating companies from the following locations:

- One Water Street – Service Company employees at One Water Street provide corporate governance and service functions, including executive management, finance, accounting, audit, tax, regulatory, external affairs, engineering, supply chain, legal, human resources and benefits services. One Water Street also includes American Water's main Information Technology (“IT”) Services center for employees, which provides software delivery and enhancements. It also provides local on-site support and an IT Service Desk for remote assistance. Further, One Water Street supports mission-critical systems such as supervisory control and data acquisition (“SCADA”) as well as emerging technologies such as geographic information systems and mobility. It provides technical expertise in project governance and release management while ensuring compliance with all governmental regulations.
- Central Lab – The national trace substance laboratory is located in Belleville, Illinois, and performs testing for American Water operating companies, including MAWC.
- Customer Relations and Customer Service – The Customer Service Organization (“CSO”) provides customer relations, field resource coordination services, customer communication, and billing and collection services from various locations.
- IT Services Center – The IT Services Center supports the technology infrastructure required to run business applications and communications systems for American Water’s operating companies.
- Regional Support Services – Operating companies are provided with certain support services that are delivered more effectively on a regional basis because individual operating company workloads are not sufficient to warrant maintaining their own full-time staff for these activities. These services require closer proximity to operating companies and therefore are located closer to the operating companies from which the employees provide service.

### **Service Company Accounting**

Service Company maintains an accounting ledger for recording transactions (e.g., labor, expenses, overhead, capital and other assets, liabilities, and equity) in a Service Company ledger separate from affiliates' ledgers. Monthly financial statements are prepared that summarize month-to-date and



year-to-date costs, budgets and prior year, with variances and explanations, by category and function. Accounting categories by transaction type are described below:

- **Service Company Labor:** The Service Company utilizes a system that tracks time and attendance. Employees electronically enter hours worked (including vacation, sickness, family leave, etc.) and accounting information (e.g., business unit; formula; pay type) and electronically submit the timesheet for approval. Submitted timesheets are electronically routed to authorized approvers. Time sheets generally require approval (of hours and accounting information such as formulas, etc.) by an authorized timesheet approver in the employee's home business unit.
- **Service Company Expenses:** Expenditures (i.e., standard invoices, purchase orders, electronic disbursements, miscellaneous invoices, recurring invoices, recurring vouchers, and procurement cards) and journal entries require a preparer to enter accounting coding details (e.g., cost center, cost element and Work Breakdown Structure ("WBS")) and a reviewer to approve the information in accordance with the Delegation of Authority Policy. Expenditures are processed electronically and are automatically routed to the employee's supervisor for approval. Costs are posted many times daily, in detail, in the business unit selected. Journal entries are submitted as prepared to the appropriate reviewer and posted as approved.
- **Service Company Assets:** Service Company assets are procured directly by Service Company or through a capital leasing arrangement with Laurel Oak Properties ("LOP"). Service Company capitalizes these LOP leases as Non-Utility Plant assets in accordance with generally accepted accounting principles. Generally speaking, Service Company assets (including hardware, servers, laptops, desktops, servers, storage racks, furniture, laboratory and test equipment, security cameras, monitors and leasehold improvements) are acquired by Service Company or through LOP via a capital lease. Service Company or LOP, on behalf of the Service Company, will acquire the necessary materials and services to build the assets that are needed for the Service Company to meet its business needs. One Water Street ("OWS"), which owns the Camden headquarters, is providing furniture, fixtures and office-related equipment for the first seven years of the lease with the Service Company.
- **Service Company Overhead:** Costs for support personnel (e.g., administrative assistants, mailroom clerks), rents, facility expenses, pension, medical insurance, taxes, general office supplies and other similar expenses are recorded in the ledger of the cost center responsible for incurring the charge. Overhead expenditures are posted using the labor and expense processes noted above, and are recorded, in detail, in the ledger of the cost center responsible for the charge, using an overhead WBS.



### **Service Company Billing and Clearing**

Service Company has developed a billing system that charges directly or allocates costs for services provided to Affiliates. Service Company billing is processed monthly and includes all Service Company costs charged to Affiliates using the WBS element selected for each transaction.

- **WBS element:** Every Service Company transaction (vouchers, journal entries, payroll batch, etc.) requires a WBS element within the account coding string. Each WBS element is configured in SAP with the following: Affiliate(s) to be charged, percent of charge to be billed to each Affiliate (total must equal 100%), receiving object (e.g., Affiliate's cost center) for O&M costs or an Affiliate's WBS element for capital expenditures (CAPEX). WBS elements are configured in SAP with an end date (month/year) to prevent transactions from using an expired WBS during data input.
- **Affiliate Billing Process:** Service Company billing is a two-step process that first calculates allocations of transactions for all non-overhead WBS elements. The second step calculates overhead transaction allocations using the ratio of direct labor (Cost Element 5012000) allocations to Affiliates from the first step above multiplied by the pool of overhead expenses by physical location.
- **Bill Clearing Process:** Service Company billings are cleared through American Water Capital Corp., (an affiliate) monthly via an intercompany journal entry to GL Account 23120000 (Notes Payable – Associated Companies) posted on the last day of the month. Payments are estimated for each Affiliate using the prior month actual billing (current month estimate) with adjustment for prior month actual to estimate (previous month funding) true-up.

## SECTION 3:

**SERVICE COMPANY COST COMPARISON APPROACH**


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**Service Company 2025 Charges**

In 2025, the Service Company billed MAWC a total of approximately \$63 million, as shown in the table below. These charges were subjected to a market-to-cost comparison.

Table 1: Service Company 2025 Charges

	2025
Support Services - O&M	\$49,231,330
Support Services - Capital	13,884,824
<b>Total Service Company Charges</b>	<b>\$63,116,154</b>

For purposes of comparing these charges to certain outside benchmarks, Service Company services were placed into three categories:

- **Managerial and Professional Services** – Includes such services as management, accounting, legal, human resources, engineering and information technology.
- **Customer Account Services** – Includes customer-related services, such as credit, billing, collection and payment processing.
- **Field Resource Coordination Services** – Includes tracking and dispatching service orders for field representatives and distribution crews to carry out.

The total 2025 Service Company cost and hour charges, broken down by management and professional, customer account services, and field resource coordination services, are as follows:

Table 2: Service Company 2025 Charges and Hours

	2025	
	Charges	Hours
Management and Professional Services	\$52,456,446	226,437
Customer Account Services	8,846,549	61,866
Field Resource Coordination Services	1,813,160	24,723
<b>Total Service Company Charges</b>	<b>\$63,116,154</b>	<b>313,026</b>

**Service Company Cost Comparison Approach**

The answer to this study’s first question—whether the Service Company’s 2025 charges were reasonable—was determined by comparing MAWC’s A&G-related Service Company charges per



regulated retail customer to the same charges for utility companies that file the FERC Form 60 – Annual Report of Service Companies.

The second question—whether the Service Company charges during 2025 was provided at the lower of cost or market—was evaluated by comparing the cost per hour for managerial and professional services provided by Service Company personnel to hourly billing rates that would be charged by outside providers of equivalent services. Service Company costs per hour were based on actual charges to MAWC in 2025. Outside providers' billing rates came from surveys or other information from professionals who could perform the services provided by the Service Company in 2025.

The third question—whether Service Company's 2025 customer account services charges were comparable to other utilities—was addressed by comparing MAWC's customer account services expenses to those of neighboring investor-owned electric utilities. This utility comparison group was selected because the cost of outside providers of customer account services is proprietary and not publicly available. Comparison to electric utilities is appropriate because all utilities, regardless of service type, must perform customer account services activities, including updating customer records for meter reads, printing and mailing bills, and collecting and processing customer payments. Electric utility costs are available from FERC Form 1; thus, there is appropriate data transparency. The selection of electric utilities from Missouri and neighboring states provides a sufficiently sized comparison group.

The fourth question—the necessity of Service Company services—was investigated by defining the services provided to MAWC and determining if these services would be required if MAWC were not part of the American Water organization.

The fifth question—the appropriateness of governance—was evaluated by determining if they are in line with control activities envisioned by the Committee of Sponsoring Organizations' ("COSO") Internal Control Integrated Framework. For this, Concentric reviewed and evaluated the Company's compliance with control activities envisioned by COSO.

## SECTION 4:

**QUESTION 1 – REASONABLENESS OF SERVICE COMPANY CHARGES**


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**Methodology**

Utility service companies deliver a variety of services. Some may support their regulated utility affiliate’s operations-related functions (e.g., transmission, distribution). All utility service companies, however, provide A&G services to their affiliates. This is the case because considerable economies of scale derive from centralizing the management of corporate A&G services such as finance, human resources and information technology. Because A&G-related services are delivered by all utility service companies, this study uses A&G charges per customer as the metric by which to test the reasonableness of affiliate charges.

**MAWC’s Service Company A&G Cost per Customer**

In 2025, MAWC was charged \$86 per customer by the Service Company for A&G-related services. The calculation of this amount shown in the table below, starts with total Service Company charges and adjusts for capital and non-A&G function (e.g., engineering, operations and water quality) charges. These adjustments are necessary to develop a per-customer cost that can be compared to the cost of the utility service company comparison group.

**Table 3: Service Company A&G Cost per Customer**

2025	
Total Service Company Charges	\$63,116,154
Less: Capital Charges	(\$13,884,824)
Less: Non-A&G Charges	
Engineering	(\$564,571)
Operations	(\$4,742,574)
Water Quality	(\$209,915)
A&G Service Company Charges	\$43,714,270
MAWC Customer Count	509,220
A&G SC Charges per Customer	\$86

**Comparison Group Cost Per Customer**

Every centralized service company in a holding company system subject to regulation by the FERC must file a Form 60 in accordance with the Public Utility Holding Company Act of 2005, Section 1270, Section 390 of the Federal Power Act, and Section 18 Code of Federal Regulations paragraph 366.23. Form 60 is designed to collect financial information from service companies within a holding company structure.

Charges to utility affiliates for the comparison group service companies were obtained from Schedule XVI – Analysis of Charges for Service Associate and Non-Associate Companies (p. 303



to 306) of each entity’s FERC Form 60. Information from Form 60 schedule Account 457 – Analysis of Billing – Associate Companies was also used to isolate and eliminate charges to non-regulated affiliates from the cost pool used to calculate A&G expenses per regulated service customer.

For calendar year 2025, Form 60 was filed by 29 service companies associated with 22 utility holding companies. These service companies support utilities that provide regulated electric and, in some cases, gas service to retail customers.

FERC Form 60 shows service company charges to affiliates by FERC account. The table below shows a list of FERC A&G accounts and designates which correspond to services the Service Company provides to MAWC. Amounts in the designated FERC accounts are included in the calculation of service company A&G expenses per regulated customer as shown in Table 4.

**Table 4: FERC A&G Accounts Included in the Cost Calculation**

FERC Account	Included In Cost Calculation
901 - Supervision	Yes
902 - Meter reading expenses	
903 - Customer records and collection expenses	Yes
904 - Uncollectible accounts	
905 - Miscellaneous customer accounts expenses	Yes
907 - Supervision	Yes
908 - Customer assistance expenses	Yes
909 - Informational And Instructional Advertising Expenses	
910 - Miscellaneous Customer Service And Informational Expenses	Yes
911 - Supervision	
912 - Demonstrating and Selling Expenses	
913 - Advertising Expenses	
916 - Miscellaneous Sales Expenses	
920 - Administrative and General Salaries	Yes
921 - Office Supplies and Expenses	Yes
923 - Outside Services Employed	Yes
924 - Property Insurance	Yes
925 - Injuries and Damages	
926 - Employee Pensions and Benefits	Yes
928 - Regulatory Commission Expenses	
930.1 - General Advertising Expenses	
930.2 - Miscellaneous General Expenses	Yes
931 - Rents	Yes
935 - Maintenance of Structures and Equipment	Yes
935.1 - Maintenance of Computer Hardware	Yes
935.2 - Maintenance of Computer Software	Yes
935.3 - Maintenance of Communication Equipment	Yes



The A&G expenses per regulated utility customer for the 22 utility companies whose service companies filed a Form 60 for 2025 are calculated in Table 5.

**Table 5: Calculation of 2025 Service Company A&G Expense per Customer**

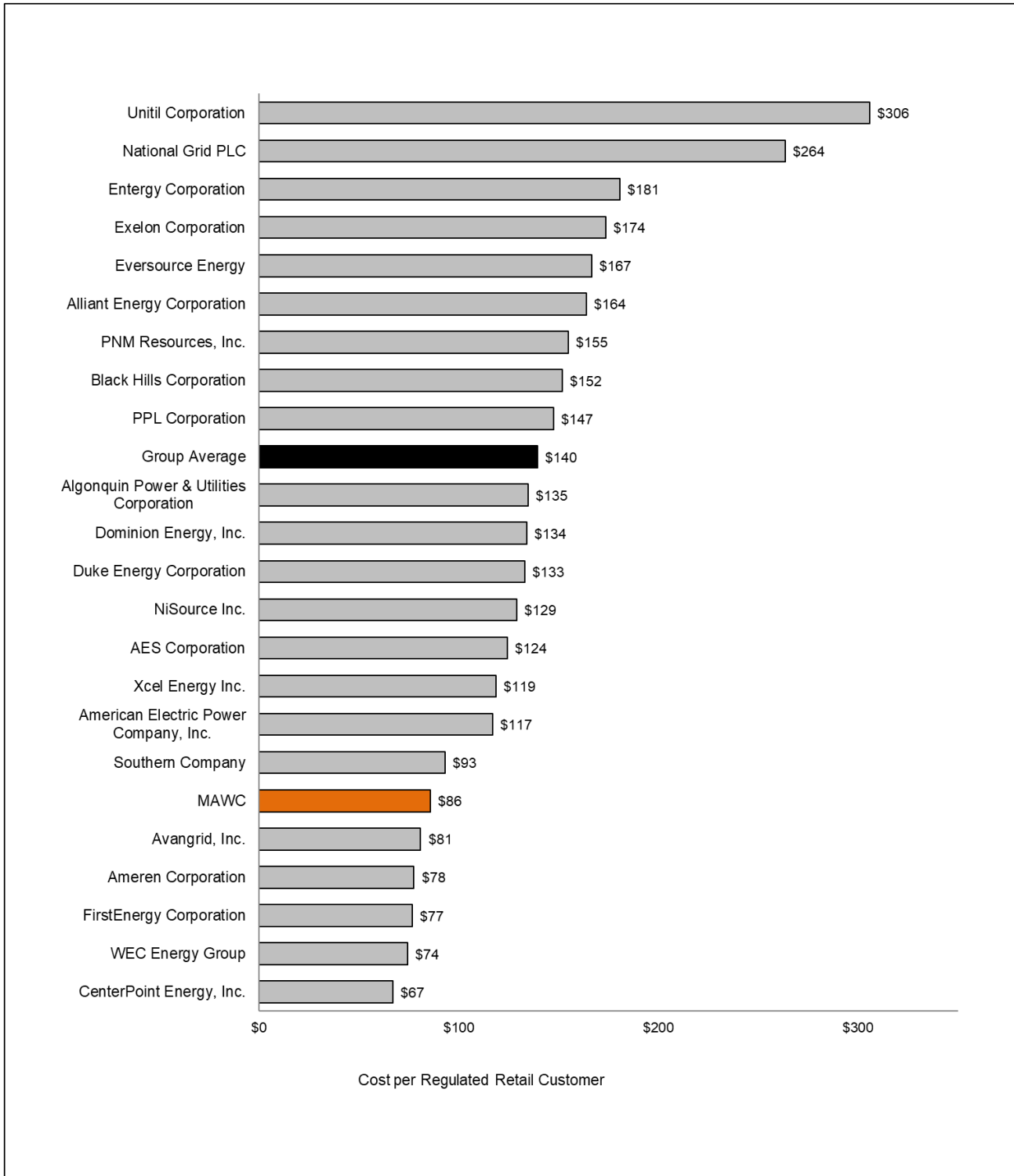
Utility Company	Regulated Retail Service Company A&G Expenses	Regulated Retail Customers	Cost per Retail Customer
American Electric Power Company, Inc.	\$655,248,446	5,600,000	\$117.01
AES Corporation	\$130,492,341	1,050,000	\$124.28
Algonquin Power & Utilities Corporation	\$170,646,301	1,265,000	\$134.90
Alliant Energy Corporation	\$236,941,770	1,445,000	\$163.97
Ameren Corporation	\$263,743,503	3,400,000	\$77.57
Avangrid, Inc.	\$275,309,475	3,381,600	\$81.41
Black Hills Corporation	\$208,220,375	1,365,000	\$152.54
CenterPoint Energy, Inc.	\$663,542,900	9,900,000	\$67.02
Dominion Energy, Inc.	\$549,636,600	4,100,000	\$134.06
Duke Energy Corporation	\$1,371,700,114	10,300,000	\$133.17
Entergy Corporation	\$542,167,230	3,000,000	\$180.72
Eversource Energy	\$667,773,711	4,009,000	\$166.57
Exelon Corporation	\$1,963,637,080	11,300,000	\$173.77
FirstEnergy Corporation	\$460,197,842	6,000,000	\$76.70
National Grid PLC	\$1,844,774,029	7,000,000	\$263.54
NiSource Inc.	\$490,194,979	3,800,000	\$129.00
PNM Resources, Inc.	\$126,260,937	806,670	\$156.52
PPL Corporation	\$530,866,518	2,728,000	\$194.60
Southern Company	\$838,169,270	9,000,000	\$93.13
Unitil Corporation	\$65,790,032	215,100	\$305.86
WEC Energy Group	\$349,444,368	4,700,000	\$74.35
Xcel Energy Inc.	\$723,866,853	6,100,000	\$118.67
<b>Average</b>			<b>\$141.79</b>

Source: 2025 FERC Form 60; CEA Analysis

Table 6 shows MAWC's 2025 Service Company cost per customer of \$86 to be lower than the average of \$142 per customer for the comparison group service companies. Seventeen of the 22 comparison group service companies had higher per-customer A&G costs than MAWC's charges from the Service Company. Based on this result, it was concluded that the Service Company's charges to MAWC were reasonable.



Table 6: Comparison of Service Company A&G Charges per Customer



## SECTION 5:

**QUESTION 2 – PROVISION OF SERVICES AT REASONABLE COST**

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**Methodology**

The value of services comparison is accomplished by comparing the cost per hour for Service Company managerial and professional services to those of outside service providers to whom these duties could be assigned. Based on the nature of the Service Company services, it was determined that the following outside providers could perform the categories of services indicated below:

- Management Consultants – executive and administrative management, risk management, human resources and communications services
- Attorneys – legal services
- Certified Public Accountants (CPAs) – accounting, financial and rates and revenues services
- IT Professionals – information technology services
- Professional Engineers – engineering, operations and water quality services

Service Company's hourly rates were calculated for each of the five outside service provider categories, based on the dollars and hours charged to MAWC in 2025. Hourly billing rates for outside service providers were developed using third party surveys or directly from information furnished by outside providers themselves.

It should be noted that by using the Service Company's hours charged to MAWC in 2025, its hourly rates are actually overstated because all exempt Service Company personnel charge a maximum of 8 hours per day even when they work more. Outside service providers generally bill for every hour worked. If all overtime hours of Service Company personnel had been factored into the hourly rate calculation, Service Company hourly rates would have been lower.

The last step in the market comparison was to compare the Service Company's average cost per hour to the average cost per hour for outside providers.

**Service Company Hourly Rates**

Table 8 details the assignment of the 2025 management and professional Service Company charges by outsider provider category. Table 9 shows the same assignment for Service Company management and professional hours charged to MAWC in 2025.

It was necessary to adjust the 2025 charges from the Service Company to MAWC to calculate Service Company hourly rates that are directly comparable to those of outside providers. Adjustments were made to the following non-labor Service Company charges for 2025:



- **Contract Services** – The 2025 Service Company charges to MAWC include expenses associated with the use of outside professional firms to perform certain enterprise-wide services (e.g., legal, financial audit, actuarial services). These professional fees are excluded from the Service Company hourly rate calculation because the related services have effectively been out-sourced already.
- **IT Infrastructure Expenses** – Included in the 2025 Service Company charges to MAWC are leases, maintenance fees and depreciation related to American Water’s enterprise computing and network infrastructure and business applications. An outside provider that takes over operation of this infrastructure would recover these expenses over and above the cost of personnel necessary to operate the data center.
- **Non-Service-Related Expenses** – These are corporate expenses such as current and deferred income tax expense, line of credit fees and board expenses. These are not related to the provision of services by Service Company personnel and have been excluded.
- **Travel Expenses** – In general, client-related travel expenses incurred by outside service providers are not recovered through their hourly billing rates. Rather, actual out-of-pocket travel expenses are billed to clients in addition to fees for professional services. Thus, it is appropriate to remove these Service Company charges from the hourly rate calculation.

Table 7 shows how contract services, travel expenses, IT infrastructure and non-service-related Service Company charges are assigned to the five outside provider categories.

Based on the assignment of expenses and hours shown in Tables 8 and 9 respectively, and the excludable items shown in Table 10, the Service Company’s equivalent costs per hour for 2025 are calculated below in Table 7.

**Table 7: 2025 Hourly Rates by Category of Service**

	Management Attorney	Certified Public Consultant	IT Accountant	IT Professional	Professional Engineer	Total
Total management, professional & technical services charges	\$2,839,116	\$19,912,519	\$9,193,453	\$17,592,094	\$2,919,265	\$52,456,446
Less: Exclusions						
Contract Services	179,609	2,007,701	681,263	4,430,128	102,523	7,401,224
Enterprise IT Expenses	-	186,717	-	4,555,567	16,470	4,758,755
Non Services	228,641	964,388	109,563	307,583	120,327	1,730,502
Travel Expenses	15,861	249,772	158,201	151,206	147,169	722,210
Total Exclusions	424,111	3,408,578	949,027	9,444,484	386,489	14,612,690
Net Service-Related Charges (A)	\$2,415,005	\$16,503,940	\$8,244,425	\$8,147,609	\$2,532,775	\$37,843,755
Total Hours (B)	10,649	65,901	76,183	56,355	17,350	226,437
<b>Average Hourly Rate (A/B)</b>	<b>\$227</b>	<b>\$250</b>	<b>\$108</b>	<b>\$145</b>	<b>\$146</b>	



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MARKET-TO-COST COMPARISON OF SERVICE COMPANY CHARGES TO MISSOURI AMERICAN WATER COMPANY, INC. 12 MONTHS ENDED DECEMBER 31, 2025

Table 8: 2025 Service Company Charges by Location and Function

Location	Function	12 Months Ended December 31, 2025 Service Company Charges					Total
		Attorney	Management Consultant	Certified Public Accountant	IT Professional	Professional Engineer	
Belleville Lab	Water Quality					\$211,494	\$211,494
Corporate	Accounting			4,659,736			4,659,736
	Administration		10,014,052				10,014,052
	Audit			594,761			594,761
	Business Development		837,964				837,964
	Communications		1,870,890				1,870,890
	Engineering					1,990,045	1,990,045
	External Affairs		7,842				7,842
	Finance		144,706	1,217,150			1,361,856
	Human Resources		3,917,822				3,917,822
	Information Technology				1,561,278		1,561,278
	Legal	1,820,457					1,820,457
	Operations		2,911,192			703,802	3,614,994
	Supply Chain			2,009,835			2,009,835
Regional Offices	Administration		116,654				116,654
	Business Development		17				17
	Engineering					13,924	13,924
	External Affairs		24,594				24,594
	Finance			694,835			694,835
	Human Resources		517				517
	Legal	1,018,659					1,018,659
	Operations		66,270				66,270
Rates & Regulatory			17,136			17,136	
Information Technology	Information Technology				16,030,816		16,030,816
<b>Total Dollars Charged</b>		<b>\$2,839,116</b>	<b>\$19,912,519</b>	<b>\$9,193,453</b>	<b>\$17,592,094</b>	<b>\$2,919,265</b>	<b>\$52,456,446</b>



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MARKET-TO-COST COMPARISON OF SERVICE COMPANY  
 CHARGES TO MISSOURI AMERICAN WATER COMPANY, INC.  
 12 MONTHS ENDED DECEMBER 31, 2025

Table 9: 2025 Service Company Hours by Location and Function

Location	Function	12 Months Ended December 31, 2025 Service Company Hours					Total
		Attorney	Management Consultant	Certified Public Accountant	IT Professional	Professional Engineer	
Belleville Lab	Water Quality					1,114	1,114
Corporate	Accounting			37,584			37,584
	Administration		16,823				16,823
	Audit			2,689			2,689
	Business Development		5,300				5,300
	Communications		5,639				5,639
	Engineering					11,335	11,335
	Finance		974	11,713			12,688
	Human Resources		25,140				25,140
	Information Technology				16,697		16,697
	Legal	5,418					5,418
	Operations		11,851			4,900	16,751
Supply Chain			19,511			19,511	
Regional Offices	Finance			4,660			4,660
	Legal	5,231					5,231
	Operations		174				174
	Rates & Regulatory			24			24
Information Technology	Information Technology				39,658		39,658
<b>Total Hours</b>		<b>10,649</b>	<b>65,901</b>	<b>76,183</b>	<b>56,355</b>	<b>17,350</b>	<b>226,437</b>



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MARKET-TO-COST COMPARISON OF SERVICE COMPANY  
 CHARGES TO MISSOURI AMERICAN WATER COMPANY, INC.  
 12 MONTHS ENDED DECEMBER 31, 2025

Table 10: 2025 Service Company Charges Excluded from the Hourly Rate Calculation

Charges By Function	Exclusions From Hourly Rate Calculation					Outside Service Provider Category
	Contract Services	Enterprise IT Expenses	Non Services	Travel Expenses	Total	
Accounting	\$297,005		(\$76)	\$63,940	\$360,869	Certified Public Accountant
Administration	621,265	186,682	833,203	137,110	\$1,778,260	Management Consultant
Audit	179,600			9,299	\$188,899	Certified Public Accountant
Business Development	1,377		16,364	25,079	\$42,820	Management Consultant
Communications	780,744			26,916	\$807,659	Management Consultant
Engineering	47,004		25,799	30,542	\$103,345	Professional Engineer
External Affairs				6,473	\$6,473	Management Consultant
Finance	196,897		109,639	47,319	\$353,855	Certified Public Accountant
Human Resources	604,314	36	114,821	54,194	\$773,366	Management Consultant
Information Technology	4,430,128	4,555,567	307,583	151,206	\$9,444,484	IT Professional
Legal	179,609		228,641	15,861	\$424,111	Attorney
Operations	69,807	16,470	31,480	116,196	\$233,952	Professional Engineer
Rates & Regulatory	8			933	\$940	Certified Public Accountant
Supply Chain	7,753			36,710	\$44,464	Certified Public Accountant
Water Quality	(14,288)		63,049	432	\$49,192	Professional Engineer
<b>Total</b>	<b>\$7,401,224</b>	<b>\$4,758,755</b>	<b>\$1,730,502</b>	<b>\$722,210</b>	<b>\$14,612,690</b>	

Charges by Outside Provider	Exclusions From Hourly Rate Calculation				
	Contract Services	Enterprise IT Expenses	Non-Services-Related Items	Travel Expenses	Total
Attorney	\$179,609	\$0	\$228,641	\$15,861	\$424,111
Management Consultant	2,007,701	186,717	964,388	249,772	3,408,578
Certified Public Accountant	681,263	-	109,563	158,201	949,027
IT Professional	4,430,128	4,555,567	307,583	151,206	9,444,484
Professional Engineer	102,523	16,470	120,327	147,169	386,489
<b>Total</b>	<b>\$7,401,224</b>	<b>\$4,758,755</b>	<b>\$1,730,502</b>	<b>\$722,210</b>	<b>\$14,612,690</b>



### Outside Service Provider Hourly Rates

The next step in the market comparison was to obtain the average billing rates for outside service providers. The source of this information and the determination of the average rates are described in the paragraphs that follow.

It should be noted that professionals working for three of the five outside provider categories may be licensed to practice by state regulatory bodies. However, not every professional working for these firms is licensed. For instance, among US certified public accounting firms, only more experienced staff are predominantly licensed CPAs (Table 11). Some Service Company employees also have professional licenses. Thus, it is valid to compare the Service Company's hourly rates to those of the outside professional service providers included in this study.

**Table 11: Proportion of Licensed CPAs at US Accounting Firms**

Position	US Average
Partners/Owners	98%
Directors (11+ years experience)	87%
Managers (6-10 years experience)	79%
Sr Associates (4-5 years experience)	50%
Associates (1-3 years experience)	22%
New Professionals	10%
Source: AICPA's National PCPS/TSCPA Management of an Accounting Practice Survey (2010)	

### Attorneys

An estimate of Missouri attorney rates was developed by Legal Trends Report National Law Journal's Survey of Law Firm Economics Report. As shown in Table 12 below, the 2025 average hour rate of relevant practice areas is \$306.



**Table 12: Average Hourly Billing Rates of Lawyers in Missouri**

Average Billing Rates - Missouri (2025)			
Practice Area	Average Hourly Rate (A)		
	Lawyer	Non-Lawyer	
Administrative	\$316		
Appellate	262		
Bankruptcy	342		
Business	312		
Civil Litigation	289		
Collections	289		
Commercial/Sale of Goods	357		
Construction	270		
Contracts	404		
Corporate	314		
Employment/Labor	364		
Insurance	249		
Intellectual Property	403		
Mediation/Arbitration	286		
Real Estate	301		
Tax	466		
Worker's Compensation	324		
Average Hourly Rate	\$326	\$ 163	
Lawyer/Non-Lawyer SC Hours	Lawyer	Non-Lawyer	Total
2025 Hours	9,313	1,336	10,649
Percent of Hours	87.5%	12.5%	100.0%
Weighted Average			
Percent x Hourly Rate	\$285	\$20	\$306
Note A: <a href="https://www.clio.com/resources/legal-trends/compare-lawyer-rates/">https://www.clio.com/resources/legal-trends/compare-lawyer-rates/</a>			

**Management Consultants**

The cost per hour for management consultants was developed from a survey carried out by Rodenhauer & Company LLC, a research company that monitors the consulting industry. The survey includes rates that were in effect during 2025 for firms throughout the United States. Consultants typically do not limit their practice to any one region and must travel to a client's location. Thus, the U.S. national average is appropriate for comparison.

The first step in the calculation, presented in Table 13, was to determine an average rate by consultant position level. From these rates, a single weighted average hourly rate was calculated based upon the percentage of time that is typically applied to a consulting assignment by each consultant position level.



**Table 13: Average Hourly Billing Rates of Management Consultants**

Survey billing rates in effect in 2025 (A)						
A. Calculation of Average Hourly Billing Rate by Consultant Position						
	Average Hourly Rates (Note A)					
	Analyst Consultant	Associate	Sr. Assoc/ Manager	Principal	Partner	
Average	\$255	\$309	\$377	\$570	\$706	
B. Calculation of Overall Average Hourly Billing Rate Based on a Typical Distribution of Time on an Engagement						
	Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner	
Average Hourly Billing Rate (from above)	\$255	\$309	\$377	\$570	\$706	
Percent of Consulting Assignment	30%	30%	25%	10%	5%	Weighted Average
	\$77	\$93	\$94	\$57	\$35	\$356
Average Hourly Billing Rate For Management Consultants in June 2025						\$356
Note A: Source is Rodenhauer & Company LLC; Concentric Energy Advisors analysis						
Note B: Source is U.S. Bureau of Labor Statistics ( <a href="https://data.bls.gov/cgi-bin/surveymost">https://data.bls.gov/cgi-bin/surveymost</a> )						

**Certified Public Accountants**

The average hourly rate for Missouri CPAs was developed from a 2024 survey performed by the American Institute of Certified Public Accountants (AICPA). As shown in Table 14, a weighted average hourly rate was developed based on a set of accounting positions and a percentage of time that is typically applied to an accounting assignment, based on experience.



**Table 14: Billing Rates of Certified Public Accountants**

A. Calculation of average hourly billing rate by public accounting position					
Survey billing rates were those in effect in 2024 (A)					
	Average Hourly Billing Rate (A)				
	Staff Accountant	Senior Accountant	Manager	Partner	
Average hourly billing rate by CPA Firm Position	\$131	\$168	\$246	\$354	
Percent of accounting assignment	30%	30%	20%	20%	Weighted Average
	\$39	\$51	\$49	\$71	\$210
					National average hourly billing rate (above) \$210
					Cost of living adjustment
					COL index for St Louis, Missouri (B) 89.4
					Average COL index 100.0
					Adjustment percentage 89.4%
					<hr/> Average hourly billing rate for CPAs at December 31, 2024 \$188 <hr/>
					Escalation to midpoint of 2025(June 30, 2025)
					CPI at December 31, 2024 315.6
					CPI at June 30, 2025 322.6
					Inflation/escalation (C) 2.2%
					<hr/> Average hourly billing rate For CPAs at June 30, 2025 \$192 <hr/>
Note A: Source is AICPA's 2024 National PCPS/TSCPA Management of an Accounting Practice Survey. Report was released in Sept. 2025					
Note B: Source is Cost of Living Index, Source Council for Community and Economic Research					
Note C: Source is U.S. Bureau of Labor Statistics ( <a href="https://data.bls.gov/cgi-bin/surveymost">https://data.bls.gov/cgi-bin/surveymost</a> )					

### Information Technology Professionals

The 2025 average hourly rate for information technology consultants and contractors was developed from two sources: The Service Company for IT contractor rates and a survey performed by Rodenhauer & Company LLC, for IT consultants. As shown in Table 15, that data was compiled and a weighted average was calculated based on a percentage of time that is typically applied to an IT consulting assignment, based on Concentric Energy Advisors' experience.



**Table 15: Billing Rates of Information Technology Professionals**

A. Calculation of average hourly billing rate by information technology position Survey billing rates were those in effect during 2025																																									
<b>Average hourly billing rate (A)</b>																																									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td colspan="2" style="text-align: center; padding: 5px;"><b>Contractor Positions</b></td> <td colspan="3" style="text-align: center; padding: 5px;"><b>Consultant Positions</b></td> <td></td> </tr> <tr> <td></td> <td style="text-align: center; padding: 5px;">Senior Contractor</td> <td style="text-align: center; padding: 5px;">Contractor</td> <td style="text-align: center; padding: 5px;">Associate</td> <td style="text-align: center; padding: 5px;">Manager</td> <td style="text-align: center; padding: 5px;">Partner</td> <td></td> </tr> <tr> <td style="padding: 5px;">Average hourly billing rate by IT position category</td> <td style="text-align: center; padding: 5px;">\$110</td> <td style="text-align: center; padding: 5px;">\$157</td> <td style="text-align: center; padding: 5px;">\$294</td> <td style="text-align: center; padding: 5px;">\$372</td> <td style="text-align: center; padding: 5px;">\$442</td> <td></td> </tr> <tr> <td style="padding: 5px;">Percent of IT assignment</td> <td style="text-align: center; padding: 5px;">25%</td> <td style="text-align: center; padding: 5px;">25%</td> <td style="text-align: center; padding: 5px;">25%</td> <td style="text-align: center; padding: 5px;">15%</td> <td style="text-align: center; padding: 5px;">10%</td> <td style="text-align: center; padding: 5px;"><b>Weighted average</b></td> </tr> <tr> <td></td> <td style="text-align: center; padding: 5px;">\$28</td> <td style="text-align: center; padding: 5px;">\$39</td> <td style="text-align: center; padding: 5px;">\$74</td> <td style="text-align: center; padding: 5px;">\$56</td> <td style="text-align: center; padding: 5px;">\$44</td> <td style="text-align: center; padding: 5px;"><b>\$240</b></td> </tr> </table>								<b>Contractor Positions</b>		<b>Consultant Positions</b>					Senior Contractor	Contractor	Associate	Manager	Partner		Average hourly billing rate by IT position category	\$110	\$157	\$294	\$372	\$442		Percent of IT assignment	25%	25%	25%	15%	10%	<b>Weighted average</b>		\$28	\$39	\$74	\$56	\$44	<b>\$240</b>
	<b>Contractor Positions</b>		<b>Consultant Positions</b>																																						
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	\$28	\$39	\$74	\$56	\$44	<b>\$240</b>																																			
<b>Average Hourly Billing Rate For IT Professionals During 2025</b>						<b>\$240</b>																																			

**Professional Engineers**

MAWC and Service Company provided hourly rate information for outside engineering firms that provided their rate schedules. As presented in Table 16, an average rate was developed for each engineering position level. Then, using the Service Company’s percentage mix by engineering position, a weighted average cost per hour was calculated.



**Table 16: Billing Rates of Professional Engineers**

A. Calculation of average 2025 hourly rate by engineering position (A)				
Firm	Average Hourly Billing Rates			
	Technician	Engineer	Project Manager	Officer
	Senior Technician	Design Engineer Project Engineer	Sr. Mgr. Engineer	Principal Engineer
Firm 1	\$114	\$128	\$216	\$254
Firm 2	\$138	\$192	\$259	\$307
Firm 3	\$138	\$160	\$196	\$253
Firm 4	\$90	\$120	\$160	\$225
Firm 5	\$165	\$182	\$279	\$317
Firm 6	\$140	\$156	\$277	\$344
Firm 10	\$170	\$248	\$324	\$384
Firm 11	\$107	\$139	\$251	\$330
Firm 13	\$121	\$123	\$210	\$235
Firm 16	\$149	\$153	\$231	\$350
Firm 17	\$130	\$163	\$238	\$280
Firm 18	\$147	\$164	\$220	\$290
Firm 20	\$113	\$133	\$186	\$270
Firm 21	\$118	\$155	\$206	\$230
Firm 22	\$111	\$120	\$167	\$300
Firm 23	\$176	\$189	\$275	\$380
Firm 24	\$134	\$155	\$258	\$284
Firm 25	\$129	\$144	\$205	\$285
Firm 26	\$124	\$152	\$195	\$258
Firm 29	\$80	\$126	\$155	\$213
Firm 30	\$162	\$206	\$249	\$285
Firm 31	\$125	\$154	\$230	\$275
Firm 34	\$141	\$149	\$243	\$292
Firm 35	\$70	\$110	\$170	\$300
Firm 37	\$149	\$169	\$240	\$305
Firm 38	\$145	\$156	\$213	\$283
Firm 39	\$93	\$139	\$244	\$325
Firm 40	\$127	\$135	\$183	\$230
Average	\$129	\$154	\$224	\$289

B. Calculation of overall average engineering hourly billing rate					
	Technician	Engineer	Project Manager	Officer	
	Senior Technician	Design Engineer Project Engineer	Sr. Mgr. Engineer	Principal Engineer	
from above	\$129	\$154	\$224	\$289	
Typical % of time on an engineering assignment	7.46%	40.30%	43.28%	8.96%	Weighted Average
	\$10	\$62	\$97	\$26	\$195

Note A: Source is American Water Service Company information.



**Service Company versus Outside Provider Cost Comparison**

As shown in Table 17 below, Service Company costs per hour are lower than those of outside providers.

Table 17: 2025 Hourly Rate Difference

Service Provider	2025 Hourly Rate Differences		
	Service Company	Outside Provider	Difference-- Service Co. Greater (Less) Outside
Attorney	\$227	\$306	(\$79)
Management Consultant	\$250	\$356	(\$106)
Certified Public Accountant	\$108	\$192	(\$84)
IT Professional	\$145	\$240	(\$95)
Professional Engineer	\$146	\$195	(\$49)

Based on these cost-per-hour differentials and the number of managerial and professional services hours billed to MAWC during 2025, outside service providers would have cost \$20.4 million more than the Service Company (Table 18). Thus, on average, total costs for outside providers are approximately 53.9% higher than those of the Service Company (\$20.4 million /\$37.8 million).

Table 18: 2025 Cost Differential

Service Provider	2025 Cost Differentials		
	Hourly Rate Difference-- Service Co. Greater(Less) Than Outside	Service Company Hours Charged	Dollar Difference
Attorney	(\$79)	10,649	(\$839,722)
Management Consultant	(\$106)	65,901	(\$6,960,790)
Certified Public Accountant	(\$84)	76,183	(\$6,380,041)
IT Professional	(\$95)	56,355	(\$5,373,977)
Professional Engineer	(\$49)	17,350	(\$844,975)
Service Company Less Than Outside Providers			(\$20,399,505)

It should be noted that the cost differential associated with using outside providers is even greater because exempt Service Company personnel do not charge more than eight hours per day even when they work more hours. Outside providers generally charge clients for all hours worked. Thus, MAWC



would have been charged by outside providers for overtime worked by Service Company personnel who are not paid for that time.

If MAWC were to use outside service providers rather than the Service Company for managerial and professional services, it would incur other additional expenses besides those associated with higher hourly rates. Managing outside firms who would perform approximately 226,437 hours of work (approximately 126 full-time equivalents (“FTE”) at 1,800 billable hours per FTE per year) would add a significant workload to the existing MAWC management team. Thus, it would be necessary for MAWC to add at least four positions to supervise the outside firms and ensure they deliver quality and timely services. The individuals who would fill these positions would need a good understanding of each profession being managed. They must also have management experience and the authority necessary to provide credibility with outside firms. As calculated in the table below, the new positions would add about \$1,004,277 per year to MAWC’s personnel expenses.

**Table 19: Cost of Adding Four Professional Positions to MAWC Staff**

Cost of adding four professional position to MAWC's staff	
	Total
New positions' salary	\$145,000
Benefits (at 50.17%)	72,747
Office expenses (15%)	21,750
Total cost per position	239,497
Number of positions required	4
Total cost of adding 4 Missouri American Water staff	\$1,004,277

Thus, the total impact on MAWC customers of contracting all services now provided by the Service Company would be an increase in their costs of \$21.4 million (\$20.4 million + \$1.0 million). Based on the results of this comparison, it can be concluded that the Service Company’s costs charged to MAWC for services provided during 2025 are reasonable.



SECTION 6:

## **QUESTION 3 – REASONABLENESS OF CUSTOMER ACCOUNT SERVICES COSTS**

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### **Background**

Customer account services involve the processes that occur from the time meter-read data is recorded in the customer information system through the printing and mailing of bills, concluding with the collection and processing of customer payments. Customer account services are accomplished by the following utility functions:

- Customer Call Handling Operations – customer calls/contact, credit, order taking/disposition, bill collection efforts and outage calls
- Customer Call Handling IT – support of phone banks, voice recognition units, call handling software applications and telecommunications
- Customer billing – bill printing, stuffing and mailing
- Remittance processing – processing customer payments received in the mail
- Bill payment centers – processing customer payments at locations where customers can pay their bills in person

Neighboring electric utility cost information comes from the FERC Form 1 that each utility subject to FERC regulation must file. FERC's chart of accounts is defined in Chapter 18, Part 101 of the Code of Federal Regulations. FERC accounts that contain expenses related to customer account services are Account 903 Customer Accounts Expense – Records and Collection Expense and Account 905 Customer Accounts Expense – Miscellaneous Customer Accounts Expense. FERC's definition of the type of expenses that should be recorded in these accounts is provided below.

In addition to the charges in these FERC accounts, labor-related overhead charged to the following FERC accounts must be added to the labor components of Accounts 903 and 905:

- Account 926 Employee Pension and Benefits
- Account 408 Taxes Other Than Income (employer's portion of FICA)

### **Comparison Group**

Electric utilities included in the comparison group are shown in the table below. These are companies whose FERC Form 1 reports show amounts for accounts 903 and 905.



**Table 20: List of Electric Utilities in the Comparison Group**

<b>Utility</b>	<b>State</b>
Entergy Arkansas, LLC	Arkansas
Southwestern Electric Power Company	Arkansas
Ameren Illinois Company	Illinois
Commonwealth Edison Company	Illinois
MidAmerican Energy Company	Illinois
Interstate Power and Light Company	Iowa
Evergy Kansas South, Inc.	Kansas
Westar Energy KPL (Evergy Kansas Central Inc.)	Kansas
Duke Energy Kentucky, Inc.	Kentucky
Kentucky Power Company	Kentucky
Kentucky Utilities Company	Kentucky
Louisville Gas and Electric Company	Kentucky
The Empire District Electric Company	Missouri
Evergy Missouri West, Inc.	Missouri
Union Electric Company (Ameren Missouri)	Missouri
Oklahoma Gas & Electric	Oklahoma
Public Service of Oklahoma	Oklahoma
Kingsport Power Company	Tennessee

## **FERC Account Descriptions**

### **903 – Customer Records and Collection Expenses**

This account shall include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

#### **Labor**

1. Receiving, preparing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.
2. Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off.
3. Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records.
4. Checking consumption shown by meter readers' reports where incidental to preparation of billing data.



5. Preparing address plates and addressing bills and delinquent notices.
6. Preparing billing data.
7. Operating billing and bookkeeping machines.
8. Verifying billing records with contracts or rate schedules.
9. Preparing bills for delivery and mailing or delivering bills.
10. Collecting revenues, including collection from prepayment meters unless incidental to meter reading operations.
11. Balancing collections, preparing collections for deposit, and preparing cash reports.
12. Posting collections and other credits or charges to customer accounts and extending unpaid balances.
13. Balancing customer accounts and controls.
14. Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts.
15. Final meter reading of delinquent accounts when done by collectors incidental to regular activities.
16. Disconnecting and reconnecting services because of nonpayment of bills.
17. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.
18. Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines.
19. Preparing and periodically rewriting meter reading sheets.
20. Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters.

**Materials and expenses**

21. Address plates and supplies.
22. Cash overages and shortages.
23. Commissions or fees to others for collecting.



24. Payments to credit organizations for investigations and reports.
25. Postage.
26. Transportation expenses, including transportation of customer bills and meter books under centralized billing procedure.
27. Transportation, meals, and incidental expenses.
28. Bank charges, exchange, and other fees for cashing and depositing customers' checks.
29. Forms for recording orders for services, removals, etc.
30. Rent of mechanical equipment.

### **905 – Miscellaneous Customer Accounts Expenses**

This account shall include the cost of labor, materials used and expenses incurred not provided for in other accounts.

#### **Labor**

1. General clerical and stenographic work.
2. Miscellaneous labor.

#### **Materials and expenses**

3. Communication service.
4. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in accounts 902 and 903.

### **MAWC's Cost per Customer**

As shown in Table 21 below, MAWC's customer account services expense per customer was approximately \$20 for 2025. The cost pool used to calculate this average includes charges for Service Company services (e.g., call handling, billing, payment processing) and postage and forms expenses, which are incurred directly by MAWC. It is necessary to adjust the Service Company's charges because electric utilities experience an average of 1.25 calls per customer compared to American Water's 0.69 per customer in 2025. Thus, the Service Company's expenses had to be increased for comparison purposes, to reflect its costs if it had had 1.25 calls per customer.



**Table 21: MAWC's Customer Account Service Expense per Customer**

Missouri American Water Company, Inc.		2025 Service Co Charges	Adjustment Fewer Calls For Water Cos. (A)	Adjusted																									
Service Company	Cost Component																												
	Call processing, order processing, credit, bill collection, forms, postage	\$8,846,158	\$835,544	\$9,681,702																									
	Customer payment processing (B)			443,281																									
	Customer Advocacy unit			212,351																									
			Cost Pool Total	<u>\$10,337,335</u>																									
			Total Customers	<u>509,220</u>																									
	Year ending December 31, 2025 cost per KAWC customer			<u><b>\$20.30</b></u>																									
<p>Note A: Adjustment for American Water's fewer calls per customer because water utilities experience fewer call per customer than do electric utilities.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 50%;">Call handling expenses</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">\$1,031,746</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Electric utility industry's avg calls/customer</td> <td style="text-align: right;">1.25</td> <td></td> <td></td> <td></td> </tr> <tr> <td>American Water's avg calls/customer</td> <td style="text-align: right;"><u>0.69</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Percent different</td> <td style="text-align: right;">81%</td> <td style="text-align: right;"><u>0.81</u></td> <td></td> <td></td> </tr> <tr> <td>Total Adjustment</td> <td></td> <td style="text-align: right;">\$835,544</td> <td></td> <td></td> </tr> </table>					Call handling expenses		\$1,031,746			Electric utility industry's avg calls/customer	1.25				American Water's avg calls/customer	<u>0.69</u>				Percent different	81%	<u>0.81</u>			Total Adjustment		\$835,544		
Call handling expenses		\$1,031,746																											
Electric utility industry's avg calls/customer	1.25																												
American Water's avg calls/customer	<u>0.69</u>																												
Percent different	81%	<u>0.81</u>																											
Total Adjustment		\$835,544																											
<p>Note B: Estimated customer payment processing expenses</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 50%;">Number of customer bills</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">6,039,253</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Bank charge per item</td> <td></td> <td style="text-align: right;"><u>\$0.0734</u></td> <td></td> <td></td> </tr> <tr> <td>Total estimated annual expense</td> <td></td> <td style="text-align: right;">\$443,281</td> <td></td> <td></td> </tr> </table>					Number of customer bills		6,039,253			Bank charge per item		<u>\$0.0734</u>			Total estimated annual expense		\$443,281												
Number of customer bills		6,039,253																											
Bank charge per item		<u>\$0.0734</u>																											
Total estimated annual expense		\$443,281																											

**Electric Utility Group Cost per Customer**

Table 22 shows the calculation of customer account expense per customer for the electric utility comparison group. The underlying data was taken from the utilities' 2025 FERC Form 1.



Table 22: Comparison Group 2025 Customer Account Expense per Customer

Comparison Group	Customer Accounts Services Cost Pool				Total Electricity Customers	Customer Account Services Expenses per Customer
	Employee Benefits					
	Account 903 and 905	Employee Pension and Benefits	Payroll Taxes	Total Cost Pool		
Ameren Illinois Company	27,887,000	(\$514,940)	\$1,128,348	\$28,500,408	1,229,942	\$23.17
Commonwealth Edison Company	200,208,000	\$10,430,478	\$7,857,925	\$218,496,403	4,159,413	\$52.53
Duke Energy Kentucky, Inc.	3,789,000	\$190,979	\$198,709	\$4,178,687	155,776	\$26.82
Entergy Arkansas, LLC	22,046,000	\$1,668,727	\$971,517	\$24,686,244	737,064	\$33.49
Evergy Kansas South, Inc.	19,408,000	\$673,919	\$434,061	\$20,515,980	349,947	\$58.63
Evergy Missouri West, Inc.	24,160,000	\$547,924	\$485,109	\$25,193,033	349,976	\$71.99
Interstate Power and Light Company	5,697,000	\$379,562	\$206,850	\$6,283,412	503,166	\$12.49
Kentucky Power Company	4,821,000	(\$6,024)	\$68,559	\$4,883,535	161,851	\$30.17
Kentucky Utilities Company	19,426,000	\$1,089,673	\$877,948	\$21,393,621	578,217	\$37.00
Kingsport Power Company	1,281,000	(\$9,327)	\$16,953	\$1,288,626	49,694	\$25.93
Louisville Gas and Electric Company	8,613,000	\$435,421	\$396,190	\$9,444,611	441,283	\$21.40
MidAmerican Energy Company	18,286,000	\$1,294,617	\$1,653,756	\$21,234,373	838,133	\$25.34
Oklahoma Gas and Electric Company	20,238,000	\$1,623,835	\$896,830	\$22,758,664	909,621	\$25.02
Public Service Company of Oklahoma	17,269,000	\$148,537	\$409,058	\$17,826,595	588,940	\$30.27
Southwestern Electric Power Company	19,590,000	\$303,757	\$507,969	\$20,401,726	556,796	\$36.64
The Empire District Electric Company	6,964,000	\$1,298,971	\$324,867	\$8,587,838	189,301	\$45.37
Union Electric Company	34,478,000	(\$2,017,008)	\$1,736,556	\$34,197,548	1,271,899	\$26.89
Westar Energy (KPL)	22,169,000	\$400,356	\$375,898	\$22,945,254	399,397	\$57.45
Average						\$35.59

Source: FERC Form 1 (2025); Bureau of Labor Statistics; Concentric Energy Advisors analysis

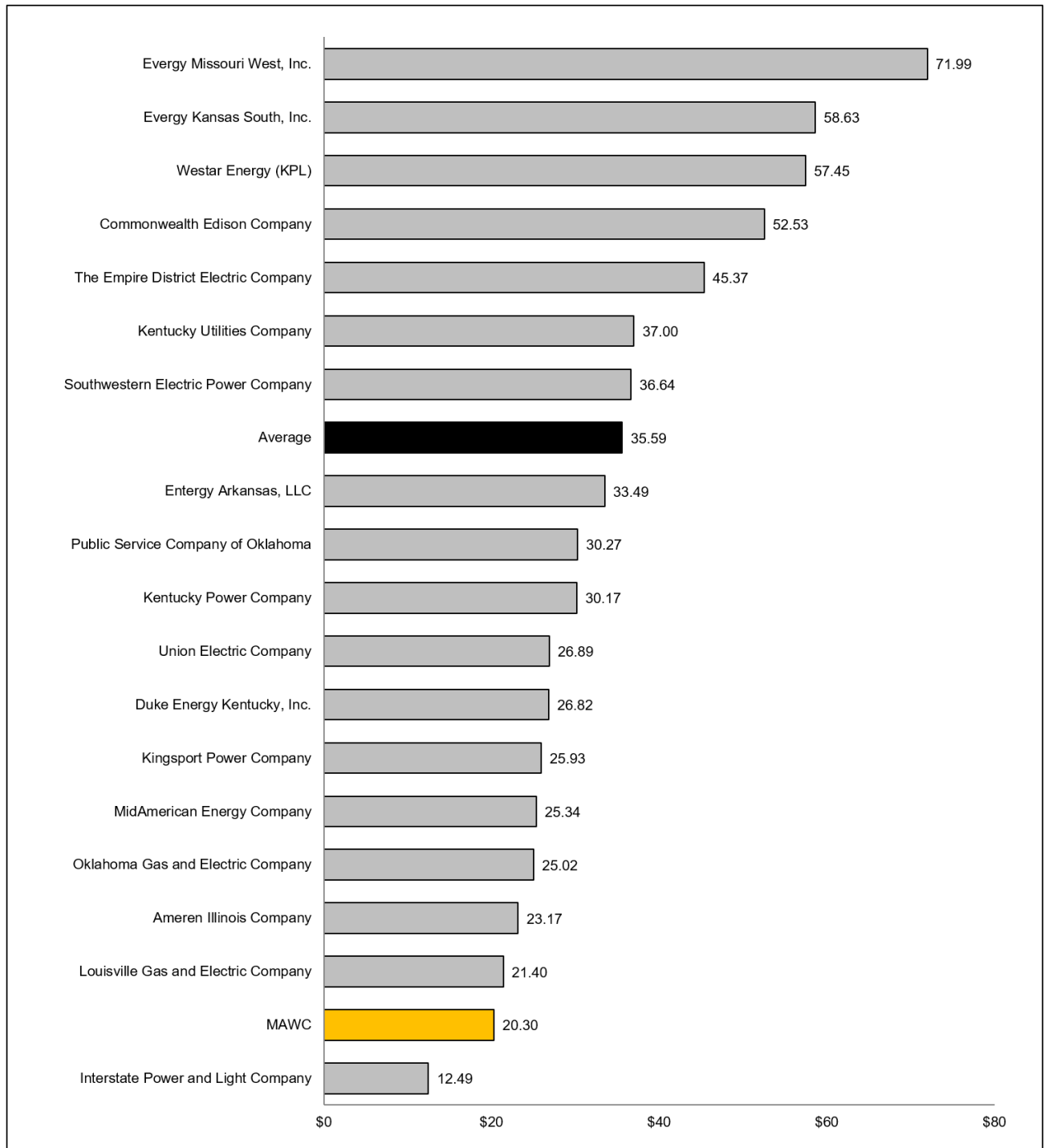


### **Summary of Results**

As shown in Table 23, MAWC's 2025 Customer Account Service expense per customer is lower than the 2025 average cost of the neighboring electric utility comparison group. Seventeen of the 18 comparison group utilities have a higher cost than MAWC. Based on this comparison, it can be concluded that MAWC's 2025 customer account services expenses are reasonable.



Table 23: Electric Utility Comparison Group Cost per Customer



## SECTION 7:

**QUESTION 4 – SIMILARITY OF SERVICES AND THE NEED FOR SERVICE COMPANY SERVICES**

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**Similarity of Service Company Services**

Utility service companies provide a range of services to their regulated utility affiliates. Those services may include centralized operation-related functions (for example transmission, and distribution). They may also include financial and administrative support functions. For customer service-related functions, most utility service companies provide this service to their affiliates. A list and detailed description of the services provided by AWWSC to MAWC is provided in Table 24 below.

To determine whether there are similarities between services provided by AWWSC to MAWC, and the services provided by utility service companies, a review of the 2025 FERC Form 60s filed by utility service companies was carried out. Table 25 shows the results of the review. As shown in Table 25, other utility service companies provided a range of centralized services to their regulated utility affiliates that are identical to the services AWWSC provides to MAWC.

Table 24: Description of Service Company Services <sup>1</sup>

**Internal Audit** – Internal Audit provides services to assist management in evaluating and improving the effectiveness of governance, control, and risk management processes of American Water. Internal Audit also assists management and the Board of Directors in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, advice, and information concerning the activities that they audit and by promoting effective controls and sound business practices. Internal Audit's objectivity is sustained by its independence from management. The authority and responsibilities of Internal Audit are established by the Audit, Finance and Risk Committee of the Board of Directors. Service Company's Internal Audit activities are the responsibility of the Vice President, Internal Audit who reports functionally to the Chairman of the Audit, Finance and Risk Committee and administratively to the Chief Financial Officer.

**Enterprise Risk Management** - The Enterprise Risk Management (ERM) function is responsible for developing and sustaining an enterprise-wide program to identify, evaluate, and prioritize

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<sup>1</sup> AWWSC Cost Accounting Manual. September 2025.



significant operational and strategic risks across the company. This function involves creating and administering a systematic process to report, prioritize, and mitigate key company risks, supporting the oversight and governance objectives of the Audit Finance and Risk Committee of the Board of Directors. Additionally, the Enterprise Risk team acquires commercially reasonable property, casualty, and financial lines of insurance to protect American Water's interests and ensure regulatory compliance, including all associated ancillary functions of managing an insurance program. The Vice President of Enterprise Risk and Insurance oversee Enterprise Risk Management and Insurance activities, reporting to the Chief Financial Officer.

**Business Development** - Provides coordination, tools, training, and support to affiliates by assisting in identifying opportunities that facilitate orderly and continued growth as well as other appropriate business opportunities that can benefit the affiliates and their customers through creation of synergies and economies of scale. Business Development engages in competitor and water market trend research, direct pursuit of strategic growth opportunities, development, and communication of company growth strategy.

**Customer Service** - Provides customer service for public utility customers. Services include: customer call processing, service order processing, billing services, correspondence processing, customer relations, customer digital services, field resource coordination, operations support, process and test all tariff changes in SAP, oversight of major accounts program, customer insights, and customer data, and credit and collections.

**External Affairs, Communications and Public Policy** - Serves as a center of expertise providing affiliates with strategy, tools, and templates to provide effective and consistent communications and education for customers, employees, and other key stakeholders. Provides assistance on regulatory and federal/state public policy issues. Additionally, provides resources and tactical direction in media relations, social media, educational campaigns, emergency events, community events, public forums, customer communications, research, environmental, sustainability, and employee communications and engagement.

**Accounting & Tax** - Provides affiliates with analysis and decision support, including guidance and coordination activities in areas such as: accounting, external reporting, accounts payable and purchase card services, fixed asset processing, income tax, payroll (payroll related services includes payroll processing, compliance reporting, payroll system maintenance, and employee payroll data maintenance), and assistance in the preparation of financial statements, SEC and other regulatory filings. Also included are Corporate, General and Property tax professionals who analyze and prepare the associated tax, regulatory and compliance filings in these areas.



**Human Resources (HR)** - Provides affiliates' employees with strategy, support, guidance, coordination of all employee-related actions and planning, including recruiting, on/off boarding employee relations, total rewards, learning and organizational development, and inclusion, diversity and equity. This includes involvement in negotiations for new contracts with bargaining units, due diligence and integration support related to mergers and acquisitions, succession planning, employee development, employee experience, performance management, compliance, reporting, and HR project management, and development and implementation of policies and practices affecting affiliates' employees. In addition, HR provides employees access to HR information through self-service tools and manages all employee data. HR builds positive employee experience and cultivates an effective and impactful culture of inclusion and diversity through communication, engagement, employee well-being, training and workforce and succession planning.

**Information Technology (IT)** - Provides information technology systems and support for affiliates. IT provides local onsite support as well as the IT Service Desk for remote assistance for all employees using company issued computers and mobile devices in the performance of their day-to-day activities. IT supports mission-critical systems such as SCADA and GIS, and enterprise applications such as SAP. IT Operations provides support, management and cybersecurity services for the companies' cloud applications, data center services, and field technologies. Additionally, IT ensures effective project management, governance, change management, and compliance with all policies and regulations.

**Investor Relations** - Responsible for preparation and distribution of company and industry information that is periodically released to current or potential holders of financial securities of American Water.

**Financial Planning & Analysis ("FP&A")** - Consists of support areas to the affiliates related to FP&A activities: (1) Operations FP&A (includes state and MBB)Team: Finance resources embedded in the affiliates, providing state/MBB leadership and operations with a wide range of financial analysis and decision support, including, but not limited to accounting, finance, budgeting, and planning; as well as collaborating and supporting key functions within the operating company . Examples include: (Capital teams, Rates teams, BD teams)

a. Corporate FP&A is comprised of several support areas: Service Company Team which is responsible for FP&A support to Service Company Functions

b. Corporate team which is responsible for consolidated FP&A activities.



<p><b>Strategic Finance</b> - Consists of the following activities and teams: (1) Revenue Analytics Team which is responsible for Regulated Revenues (budgeting, analysis, rate case support) (2) Oracle Financial Planning System Administration Team is responsible for maintaining the system and providing support to users of the system (3) Strategic Modeling Team which is responsible for modeling and analysis to support decision making for ELT/SLT, as well as oversight of long-term financial plan (4) Corporate Strategy that supports the development and execution of AW Strategy.</p>
<p><b>Legal</b> - Provides legal guidance and support for American Water and affiliates, including on governance, ethics and compliance matters, rate and regulatory matters, real estate, contract and commercial, litigation, intellectual property, labor, and employment, environmental, acquisitions and divestitures, and any other matters that require support.</p>
<p><b>Regulatory Services</b> - Provides affiliates with assistance, support and guidance in the preparation and litigation of regulatory proceedings, implementation of rates, and compliance filings associated with regulatory rulings. Stays apprised of economic and regulatory developments and conditions that may affect regulated water utilities and provides analysis, support and guidance related thereto; performs rates and regulatory policy analysis; provides support, guidance, and coordination of process improvements to support continuous improvement of rates and regulatory processes and services, as well as data compilation and reporting, data and revenue analysis, and training.</p>
<p><b>Engineering</b> - Provides affiliates with support, guidance and coordination of Asset Planning, Design Service, Construction Service, and Capital Program Management.</p>
<p><b>Corporate Fleet</b> - Responsible for centralized planning, execution, and governance of fleet operations, maintenance, DOT compliance, capital investment, and purchasing strategies for fleet assets.</p>
<p><b>Health and Safety</b> - Provides strategy development; technical support; enterprise safety program design, development and implementation; safety, health and training practice development; incident investigations with corrective action recommendations; monitoring of regulatory compliance requirements; and industry best practices for occupational health and safety</p>
<p><b>Enterprise Security</b> - Supports and enhances business operations through the management of risks which derive from physical and cyber security and business continuity-related vulnerabilities. The group develops facility focused solutions, within an established corporate</p>



framework of standardized technologies, methodologies, integrators, programs, policies, and practices. The group utilizes an Integrated Operation Center to monitor security alarms, enterprise-wide, and support the business in the response to emergencies and events

**Facilities** – Provides facility management services for owned and leased buildings. This includes administering facility and space planning and utilization, developing and administering capital and expense budgets for facilities, negotiating and administering leases, completing large scale fit outs of office space, housekeeping, utilities, receptionist, mail distribution, reprographics, and related functions in addition to providing direction and capital program management to other Service Company locations. Facilities is also responsible for procuring and overseeing maintenance such as landscaping, snow removal, electrical, HVAC, and other building repairs, as well as building upgrades and building related capital costs.

**Operational Excellence** - Leads the development, and supports implementation of, standardized operating procedures to help ensure regulatory compliance, and compliance with internal operations and maintenance standard practices., and to promote the efficient and standardized operation of public utility companies. Enterprise support & guidance over Production Asset & Work Management, T&D Asset & Work Management, Field Operations (FSR) Work Management, Metering Operations, Operational Business Performance Reporting, and operational project delivery for enterprise operations and maintenance improvement projects. Manages the delivery of enterprise-wide GIS services through the centralized GIS team, Operational Training services focused on frontline employee task-based training and provides governance and business-side management of certain core operational technology systems. The Operational Excellence team also oversees Environmental Compliance and the Central Laboratory.

**Supply Chain** - Provides affiliates with support, guidance and coordination of procurement, supplier management, supplier diversity and development, inventory management and asset disposition; and manages certain vendor relationships for affiliates. Supply chain services include traditional procurement activities, such as sourcing and contracting, as well as assisting the affiliates in analyzing and implementing cost reduction opportunities and managing supply chain related risk components.



**Table 25: Comparison of Services Provided by Service Companies**

	AWWSC	AEP	AES	Algonquin	Alliant	Ameren	Avangrid	Black Hills	Dominion	Duke	Entergy	Eversource	Exelon	FirstEnergy	Nat Grid	NiSource	PPL	Southern Co.	Unitil	WEC	Xcel	
Executive/Management	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X
Corporate Planning & Budgeting	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Legal	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Corporate/External Affairs	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Human Resources	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Financial Services																						
Finance	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Accounting	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Taxes	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X
Investor Relations	X	X	X	X	X	X	X	X	X	X	X	X	X	X			X			X	X	X
Corporate Risk Management	X	X	X	X	X	X	X	X	X			X		X	X		X			X	X	X
Audit Services	X	X	X	X	X	X	X	X	X			X	X	X	X	X	X	X		X	X	X
Rates and Regulatory	X	X	X		X		X	X	X	X			X	X	X	X	X		X	X	X	X
Customer Service	X	X	X		X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Information Technology	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Environment and Safety	X	X	X	X	X	X	X	X	X	X				X	X	X	X	X		X	X	X
Supply Chain	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X
Other (A)	X			X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X
	<b>17</b>	<b>16</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>15</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>15</b>	<b>17</b>	<b>13</b>	<b>12</b>	<b>17</b>	<b>17</b>	

Note A: Includes services such as transportation/fleet,aviation, real estate, facilities and rights of way.

### Analysis of Services

An assessment was performed to determine if the services provided to MAWC by the Service Company would be necessary if MAWC were not part of the American Water organization. The first step in this evaluation was to determine specifically what the Service Company does for MAWC. Based on discussions with Service Company personnel, the matrix in Table 26 was created showing which entity, MAWC or the Service Company, is responsible for each of the functions MAWC requires to ultimately provide service to its customers. This matrix was reviewed to determine: (1) if there was redundancy or overlap in the services being provided by the Service Company and (2) if Service Company services are typical of those needed by a stand-alone water and wastewater utility.

Upon review of Table 26, the following conclusions can be drawn:

- The services that the Service Company provides are necessary and are required for water and wastewater utilities and would be required even if MAWC were not part of the American Water organization. The services are customarily provided by service companies of the other utility holding companies.



- There is no redundancy or overlap in the services provided by the Service Company to MAWC. For all the services listed in Table 26, there was only one entity that was primarily responsible for the service.



**Table 26: Responsibility Matrix**

<b>Missouri American Water Company Responsibility Matrix For the 12 Months Ended December 31, 2025</b>					
P - Primarily Responsible S - Provides Support	Performed By:				
	American Water Service Company				
Water Company Function	MAWC	Customer Service Organization	Other Service Company	IT Service Centers	Central Lab
<b>Engineering and Construction Management</b>					
CPS Preparation	P		S		
Five-Year System Planning	P		S		
Engineering Standards & Policies Development			P		
<b>Project Design</b>					
Major Projects (e.g., new treatment plant)	P		S		
Special Projects	P		S		
Minor Projects (e.g., pipelines)	P				
<b>Construction Project Management</b>					
Major Projects	P		S		
Special Projects	P				
Minor Projects	P				
Hydraulics Review	P		S		
Developers Extensions	P				
Tank Painting	P				
<b>Water Quality and Purification</b>					
Water Quality Standards Development	P (1)		P (1)		S
Research Studies	S		P		S
Water Quality Program Implementation	P		S		S
Water Treatment Operations & Maintenance	P		S		
Compliance Sampling	P				S
Testing/Other Sampling	P				S
<b>Transmission and Distribution</b>					
Preventive Maintenance Program Development	P				
System Maintenance	P				
Leak Detection	P				
<b>Customer Service</b>					
Community Relations	P		S		
Customer Contact	S (1)	P (1)			
Call Processing		P (1)			
Service Order Processing	S	P			
Customer Credit		P			
Meter Reading	P				
Customer Bill Preparation				P (1)	
Bill Collection	S (1)	P (1)	S (1)		
Customer Payment Processing	S (1)		P (1)		
Meter Standards Development	P		S		
Meter Testing, Maintenance & Replacement	P				
Note 1: MAWC responsible for State regulations, Central Services responsible for Federal regulations					
Note 2: MAWC provides in-person customer contact while Customer Service Organization provide customer phone contact					



CONFIDENTIAL  
 MARKET-TO-COST COMPARISON OF SERVICE COMPANY  
 CHARGES TO MISSOURI AMERICAN WATER COMPANY  
 12 MONTHS ENDED DECEMBER 31, 2025

P - Primarily Responsible S - Provides Support	Performed By:				
		American Water Service Company			
Water Company Function	MAWC	Customer Service Organization	Other Service Company	IT Service Centers	Central Lab
<b>Financial Management</b>					
Financial Planning	S		P		
Financings--Equity	S		P		
Financings--Long Term Debt & Preferred	S		P		
Short Term Lines of Credit Arrangements			P		
Investor Relations			P		
Insurance Program Administration	S		P		
Loss Control/Safety Program Administration	S		P		
Pension Fund Asset Management			P		
Cash Management/Disbursements			P		
<b>Internal Auditing</b>			P		
<b>Budgeting and Variance Reporting</b>					
Corporate Guidelines & Instructions			P		
<b>Budget Preparation</b>					
Revenue and O&M			P		
Depreciation and Interest Expense	S		P		
Budget Preparation--Service Company Charges	S	S	P	S	S
Capital Budget Preparation—Projects	P		P		
Capital Budget Preparation—Non-Project Work	P		P		
Prepare Monthly Budget Variance Report (“Budget/Plan Analysis”)	S		P		
Prepare Capital Project Budget Status Report	P		S		
Year-End Projections	P		S		
<b>Accounting and Taxes</b>					
Accounts Payable Accounting	S		P		
Payroll Accounting	S		P		
Work Order Accounting	S		P		
Fixed Asset Accounting	S		P		
Journal Entry Preparations--Billing Corrections	S		P		
Journal Entry Preparation--All Others	S		P		
Financial Statement Preparation	S		P		
State Commission Reporting	S		P		
Income Taxes--State			P		
Income Taxes--Federal			P		
Property Taxes	S		P		
Gross Receipts (Town) Taxes	S		P		

Note 3: Lines of credit are the responsibility of American Water Capital Corporation (“AWCC”). AWCC is also responsible for Corporate financings which may be distributed to the regulated subsidiaries. MAWC has the ability to issue LTD.



CONFIDENTIAL  
 MARKET-TO-COST COMPARISON OF SERVICE COMPANY  
 CHARGES TO MISSOURI AMERICAN WATER COMPANY  
 12 MONTHS ENDED DECEMBER 31, 2025

<b>P - Primarily Responsible</b> <b>S - Provides Support</b>	Performed By:				
		American Water Service Company			
Water Company Function	MAWC	Customer Service Organization	Other Service Company	IT Service Centers	Central Lab
<b>Rates</b>					
Rate Studies & Tariff Change Administration	S		P		
Rate Case Planning and Preparation	S		P		
Rate Case Administration	S		P		
Commission Inquiry Response	S		P		
<b>Legal</b>	P		S		
<b>Purchasing and Materials Management - National (pipe, chemicals, meters, etc.)</b>					
Specification Development	S		P		
Bid Solicitation	S		P		
Contract Administration	S		P		
<b>Purchasing and Materials Management - State (state supplier service agreements)</b>					
Specification Development	P		S		
Bid Solicitation	P				
Contract Administration	P				
Ordering	P				
Inventory Management	P				
<b>Human Resources Management</b>					
Benefit Program Development			P		
Benefits Program Administration			P		
Management Compensation Administration			P		
Wage & Salary Program Design			P		
Wage & Salary Administration			P		
Labor Negotiations--Wages	P		S		
Labor Negotiations--Benefits	P		S		
Labor Negotiations-- Work Rules	P		S		
Training Program Development			P		
Training--Course Delivery			P		
Affirmative Action/EEO--Plan Development			P		
Affirmative Action/EEO--Implementation			P		
<b>Information Technology Services</b>					
<b>Service Company Data Centers</b>					
System Operations & Maintenance				P	
Software Maintenance				P	
Network Administration				P	
Workstation Acquisition & Support	S			P	
Help Desk				P	

## SECTION 8:

**QUESTION 5 – APPROPRIATENESS OF GOVERNANCE PRACTICE**

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**Definition of Governance Practices**

Governance practices are internal controls designed to provide assurance that objectives are being achieved relating to operations, reporting and compliance. Among other things, this is achieved through control activities, which are defined as follows:

*Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment.*

Source: "Internal Control – Integrated Framework, Executive Summary," Committee of Sponsoring Organizations of the Treadway Commission

**Governance Practices Associated with Service Company Charges**

There are several ways by which MAWC and the Service Company exercise control over the Service Company services and charges. The most important of these are described below.

1. Chief Operating Officer Oversight – The Chief Operating Officer (COO) is on the Executive Leadership Team (ELT) of American Water. This position is responsible for the overall performance of each operating company in American Water. As part of the ELT, the COO participates in the major business decisions of American Water and has the ability to monitor Service Company performance quality and spending. The COO also addresses local concerns with each operating company president.
2. Operating Company Board Oversight – The MAWC board of directors is composed of members of the MAWC management team and external business and community leaders. The MAWC board has quarterly scheduled meetings to review and discuss financial, operational and other matters.
3. MAWC President's Oversight – The MAWC President is responsible for the overall performance of MAWC, and, as such, monitors services and charges received from the Service Company. MAWC's President reports to the Deputy Chief Operating Officer who, in turn, reports to the Chief Operating Officer who has a significant voice in major business decisions that impact the Service Company's quality and cost of services.
4. CFO Operations and supporting staff (Finance team) – The Finance team is responsible for monitoring the overall financial performance of MAWC. This includes overseeing MAWC's



financial reporting process, performing revenue and expense analysis, the annual budgeting process, and monitoring internal control performance. Every month, the Finance team performs a detailed expense analysis that includes Service Company charges. Month-to-date actual and year-to-date actual performance is compared against budget and prior period actuals. The Finance team also reviews and investigates monthly Service Company charges based on the results of the team's analytical procedures in order to determine the appropriateness of the charges.

5. Service Company Budget Review/Approval – The Service Company Board of Directors (“BOD”) formally reviews and approves the budget for Service Company on an annual basis. The Service Company BOD consists of: (a) the AW ELT and (b) key Executive Management representatives from the Service Company. The Service Company’s overall budget is assigned to each operating company, and the operating company consolidates the Service Company charges with its own direct spending to arrive at a total operating company budget. This is presented to the operating company’s board of directors (e.g., MAWC) for their approval.
6. Major Project Review and Approval – Before major Service Company non-capital projects are undertaken, they must be reviewed and approved by American Water’s Executive Leadership Team which includes the Deputy and Chief Operating Officers. The Deputy Chief Operating Officer, with significant input from his/her direct reports, has the ability to impact all new initiatives and projects before they are authorized. Major non-capital projects and initiatives for the Service Company are approved through the business planning process. As part of the business planning process a technology roadmap of initiatives is developed from American Water’s vision, strategy, operational objectives and key business programs. The alignment of these initiatives with enterprise goals is approved by the Executive Leadership Team and key business leaders from various operational and functional areas of American Water. The roadmap is updated annually to produce a rolling roadmap and investment plan.
7. Capital Program Management (“CPM”) – CPM covers capital and asset planning and is employed throughout American Water, including Service Company. CPM provides a full range of governance practices, including a formal protocol for assessing system needs, prioritizing expenditures, managing the capital program, approving project spending, delivering projects and measuring outputs. CPM ensures that:
  - a. Capital expenditure plans are aligned with the strategic intent of the business
  - b. The impact of capital expenditures are fully reflected in operating expense plans



- c. The impacts of these plans on state operating company budgets and operating results are understood
- d. Effective controls are in place over budgets (through business plans) and individual capital projects (through appropriate authorization thresholds, management and reporting processes).

The CPM process was designed to optimize the effectiveness of asset investment. The process is managed at two levels for all American Water companies, including all MAWC Operating Units. Monthly meetings of the CPM are held to review capital spending compared to plan, review new project requests and review updates or modifications to existing projects. The MAWC management team participates, as necessary, and provide the data used in the monthly review schedules.

- 8. Accounting and Financial Reporting – The Service Company follows the same accounting and financial reporting processes as American Water’s regulated utilities. At month-end, the Service Company Finance team reviews all transactions and analyzes month-to-date variance to budget to ensure accuracy before the billing process takes place. Once completed, the Service Company bill is produced and shows the actuals that are directly charged or allocated to the states based on predetermined formulas. At this time, the operating companies may question expenses and spending for better understanding of results. MAWC’s Finance team reviews the monthly Service Company bill for accuracy and reasonableness on a monthly basis. Any errors or overcharges are corrected on a subsequent billing.
- 9. Operating Company Budget Variance Analysis – Each month a Service Company Affiliate Billing Analysis Report is prepared and provided to operating companies. This report allows operating companies to monitor their Service Company budget-versus-actual charges for the month and year-to-date.
- 10. Service Company Budget Variance Analysis – Each function within a Service Company is responsible for reviewing the budget-versus-actual charges for the month and year-to-date. On a monthly basis, Service Company actual results vs budget variances are reviewed with State Presidents as well as the ELT. Key variances by function are presented and discussed.

These control activities help ensure that Service Company charges to MAWC are necessary and reasonable.