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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2026-0304

CASE NO. SR-2026-0305

DIRECT TESTIMONY

OF

ROBERT V. MUSTICH

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

AFFIDAVIT

I, Robert Mustich, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Senior Managing Director, Work and Rewards for WTW, 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.



Robert V Mustich

July 1, 2026

Dated

**DIRECT TESTIMONY
ROBERT V. MUSTICH
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2026-0304
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DIRECT TESTIMONY

ROBERT V. MUSTICH

I. INTRODUCTION

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Q. Please provide your name, position and business address.

A. My name is Robert V. Mustich. I am Senior Managing Director, Work and Rewards for Willis Towers Watson (WTW). WTW is a leading global professional services company which has 48,000 associates throughout the world, and offers solutions in the areas of corporate risk and broking; human capital and benefits; health care exchange solutions; and investment, risk, and reinsurance. My business address is 800 North Glebe Road, Arlington, VA 22203.

Q. Please state your educational and professional background and experience.

A. I graduated from American University with a BS/BA in Human Resources Management. I have over 30 years of industry and compensation consulting services experience, have been with WTW for over 30 years, and have assisted management and Boards of Directors at numerous companies in designing and assessing total compensation programs. Since joining the firm in 1997, I have consulted with numerous utilities and currently serve as Senior Managing Director, Works and Rewards, in addition to being a senior member of our utilities industry practice. I have conducted competitive assessments of total compensation for numerous public utilities throughout the U.S. Prior to joining WTW, I was a senior compensation consultant for PricewaterhouseCoopers (formally Coopers and Lybrand, LLP) performing similar compensation consulting services for clients. Prior to that, I held corporate senior staff compensation and benefits positions.

Q. Have you testified previously before the Missouri Public Service Commission?

1 A. Yes, I have.

2 **Q. Have WTW and you performed similar analyses in the past?**

3 A. Yes. WTW and I have conducted similar competitive compensation studies for Missouri-
4 American Water Company and other utility clients.

5 **Q. Please explain WTW's experience in providing compensation consulting services to**
6 **organizations like Missouri-American Water Company ("Missouri-American**
7 **Water," "MAWC," or the "Company").**

8 A. WTW has extensive experience serving clients in the utility industry, having served over
9 100 utilities in the U.S. within the last year. Because we invest so heavily in our utility
10 industry capabilities, we have rich sources of information regarding industry compensation
11 and benefits that enables us to benchmark Missouri-American Water against similar
12 companies in the U.S. Given WTW's breadth and depth of resources, we are frequently
13 engaged by companies to evaluate the competitiveness of their compensation philosophy,
14 compensation and benefit levels, performance compensation design and pay structures, and
15 to provide other consulting services.

16 **II. DEFINITIONS**

17 **Q. Please identify some of the key definitions that you will need to reference as part of**
18 **your testimony.**

19 A. I use two key definitions throughout my testimony, "Target Total Cash Compensation" and
20 "Target Total Direct Compensation."

21 **Q. Please define Target Total Cash Compensation.**

22 A. Target Total Cash Compensation represents the sum of base salary plus target annual
23 performance compensation.

1 **Q. Please define Target Total Direct Compensation.**

2 A. Target Total Direct Compensation represents the sum of base salary, plus target annual
3 performance compensation, plus long-term performance compensation.

4 **III. PURPOSE AND OVERVIEW OF TESTIMONY**

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to review the Company's stated compensation philosophy
7 to determine if it is reasonably consistent with the compensation philosophies of other
8 utility companies, and of the industry generally, and whether the Company's target total
9 direct compensation is within competitive market ranges. I demonstrate that the Target
10 Total Direct Compensation provided to Missouri-American Water performance
11 compensation eligible employees, when viewed against the markets for talent for
12 employees in similar positions, is within the competitive range of the market based on the
13 Company's stated compensation philosophy. WTW specifically focused on the following
14 aspects of Missouri-American Water's program:

- 15 • Total market-based compensation philosophy;
- 16 • Competitive market positioning of target total direct compensation (base salary plus
17 annual performance compensation plus long-term performance compensation)
- 18 • Design of annual performance compensation program (the Annual Performance Plan
19 ("APP")); and
- 20 • Design of long-term performance compensation program (the Long Term Performance
21 Plan ("LTPP")).

22 **Q. Are you sponsoring any schedules in support of your direct testimony?**

1 A. Yes. My analyses and recommendations are supported by the data presented in **Schedule**
2 **RVM-1 – CONFIDENTIAL** entitled “Missouri-American Water Company – 2026
3 General Rate Case Target Total Direct Compensation Study,” which was prepared by me
4 or under my direction. **Schedule RVM-1** has been identified as Confidential pursuant to
5 Commission Rule 20 CSR 4240-2.135(2)(A).2 and .4 as it contains employee-sensitive
6 personnel information and market analysis, or other market-specific information, related
7 to services used in providing services to customers.

8 **Q. What were the results of your study?**

9 A. Based on a review of the robust compensation data available, I concluded that Missouri-
10 American Water’s compensation philosophy and performance compensation plan design
11 were both aligned with utilities specifically, and industry generally, and that the levels of
12 Target Total Direct Compensation were reasonable and consistent with market-based total
13 compensation levels, on a regional and national level.

14 **IV. OVERVIEW OF TOTAL COMPENSATION PHILOSOPHY**

15 **Q. Does Missouri-American Water utilize a defined compensation philosophy?**

16 A. Yes, American Water Works Company, Inc. (“American Water”), MAWC’s parent, has a
17 defined compensation philosophy which is applicable to Missouri-American Water.

18 **Q. How would you describe American Water’s compensation philosophy?**

19 A. American Water’s market-based total compensation philosophy is to generally pay salaries
20 that are competitive with those of comparable organizations for jobs of similar
21 responsibility. To carry out this philosophy, American Water’s objective is to place Target
22 Total Direct Compensation at the median (50th percentile) of the market with greater
23 earning opportunity for exceptional performance for fully qualified individuals.

1 **Q. How does this compensation philosophy compare with other utilities?**

2 A. It is consistent with other utilities (large and small), as well as with other general industry
3 employers. WTW examined the proxy statements for two peer groups: (1) Large Utility
4 Peer Group, 15 publicly-traded utilities comparable in size to American Water (revenues
5 range from ½ to 3 times American Water’s 2025 revenues of \$5.1 billion), as disclosed in
6 American Water’s March 24, 2026 proxy statement, and (2) Small Utility Peer Group, 11
7 publicly-traded utilities comparable in size to Missouri-American Water (revenues range
8 from \$56M-\$1.3B, compared to Missouri-American Water’s 2025 revenue of \$575M).
9 Based on our review, we believe American Water’s compensation philosophy is well-
10 aligned with utility peers, as a majority of the companies target the market median (50th
11 percentile) for some or all pay elements. Our consulting experience also suggests that
12 American Water’s median (50th percentile) pay philosophy is comparable to typical market
13 practice found in general industry.

14 **V. SUMMARY OF WTW’S TOTAL COMPENSATION STUDY**

15 **Q. You mentioned WTW conducted a Target Total Direct Compensation Study, please**
16 **describe how the study was conducted.**

17 A. WTW utilized three data sources to assess Missouri-American Water’s market-based
18 compensation program as detailed further below. As we did in assessing American Water’s
19 market-based total compensation philosophy, WTW assessed the design of the Company’s
20 annual performance and long-term performance compensation programs using proxy
21 disclosures of groups of public utilities referred to as the (1) Large Utility Peer Group, and
22 (2) Small Utility Peer Group, and (3) competitive market positioning of Missouri-

1 American Water's Target Total Direct Compensation levels as compared to WTW
2 published compensation surveys.

3 **Q. How did you define "competitive" for the purposes of your compensation study?**

4 A. WTW and typical market practice define total compensation as being "competitive" with
5 the market if it falls in a range that extends between 10% below to 10% above the market
6 median level of total compensation.

7 **Q. Please describe how you assessed the competitiveness of Missouri-American Water's
8 Target Total Direct Compensation levels.**

9 A. WTW assessed the competitiveness of Target Total Direct Compensation provided by
10 Missouri-American Water to its annual performance eligible population based on a
11 selection of Missouri-American Water jobs ("benchmark jobs"). Benchmark jobs are those
12 positions that are common across comparable organizations and for which compensation
13 data are available from published surveys.

14 To conduct this analysis, we reviewed compensation data provided to us by Missouri-
15 American Water and examined WTW's compensation surveys in our Compensation
16 Databank ("CDB"). These surveys are comprised of compensation data from over 1,000
17 U.S. based companies, and WTW has been conducting these surveys for over 30 years.

18 Missouri-American Water's current compensation levels were compared to the market
19 50th percentile (market median) for two different market perspectives to determine the
20 competitiveness of pay and to validate the alignment with American Water's current
21 market-based total compensation philosophy (targeting compensation at the 50th percentile
22 of market).

1 WTW's assessment of benchmark jobs represents approximately 69% of the population of
2 Missouri-American Water employees as of January 31, 2026. Specific details regarding
3 our study, which includes a detailed description of the study methodology, are included in
4 Schedule RVM-1 – CONFIDENTIAL.

5 **Q. How did you derive 50th percentile (median) market values?**

6 A. To derive 50th percentile (median) market values, WTW benchmarked non-industry
7 specific positions (e.g., accounting, human resources, legal) against both energy services
8 (primarily utilities) and general industry survey data, which were weighted at 60% and
9 40% respectively. This places a greater weight on the energy services market data since
10 this includes regulated entities most similar to Missouri-American Water. This ensures
11 that non-industry specific positions are being compensated competitively given that these
12 positions can be recruited or lost to companies in any industry. For positions requiring
13 industry experience and not found outside the utilities industry, only energy services
14 industry data were used since these positions are generally not present in the non-industry
15 based surveys.

16 **Q. Please describe how you determined the competitiveness of Missouri-American**
17 **Water's Target Total Direct Compensation?**

18 A. Two different market perspectives were examined to validate the competitiveness of
19 Missouri-American Water's Target Total Direct Compensation.

20 A national market perspective was examined which consisted of the entire population of
21 survey participants in WTW's Energy Services and General Industry databases. This
22 perspective represents a U.S. national compensation perspective and is aligned with
23 American Water's compensation philosophy.

1 A Midwest regional perspective including Arkansas, Illinois, Indiana, Iowa, Kansas,
 2 Kentucky, Michigan, Missouri, Nebraska, Ohio, Oklahoma, Tennessee, Wisconsin, and
 3 West Virginia labor markets was examined for non-executive positions, which consisted
 4 of the same entire survey participant population from WTW’s Energy Services Industry
 5 and General Industry databases but was customized to identify a Midwest-specific
 6 geographic dataset. This dataset identified employees that work in the thirteen states listed
 7 above for companies headquartered anywhere in the United States.

8 **Q. What were the compensation study results from the national perspective?**

9 A. Using a weighted average of all positions reviewed, Missouri-American Water’s Target
 10 Total Direct Compensation, as reported in Table 1 (below), is within the competitive
 11 market median range by being 7% below market median. Again, WTW and typical market
 12 practice considers market competitiveness to be a result that falls within plus or minus 10%
 13 of median range.

14 **Table 1**

Summary of Missouri-American Water’s Target Total Direct Compensation vs. Market Median (National Market Perspective)		
Base Pay	Target Total Cash Compensation	Target Total Direct Compensation
-7%	-7%	-7%

15
 16 **Q. What were the compensation study results from the Midwest Regional perspective?**

17 A. Missouri-American Water’s Target Total Direct Compensation is within the market
 18 median range, as reported in Table 2, because it falls 4% (represents a weighted average of
 19 all positions reviewed) below the market median.

1

Table 2

Summary of Missouri-American Water's Target Total Direct Compensation vs. Market Median (Midwest Regional Market Perspective)		
Base Pay	Target Total Cash Compensation	Target Total Direct Compensation
-3%	-4%	-4%

2

3 **Q. What would be the impact on the competitiveness of Missouri-American Water's**
 4 **Target Total Direct Compensation if annual and long-term performance**
 5 **compensation were not part of its compensation program?**

6 A. If we compare Missouri-American Water's total compensation program excluding
 7 performance compensation (that is, base salary alone) to market pay levels that include
 8 performance compensation, as reported in Tables 3 and 4, Missouri-American Water's
 9 Target Total Direct Compensation would not be competitive based on the parameters above
 10 because it would fall 15% below median from a national perspective and 12% below
 11 median from a Midwest Regional perspective. The shortfall would even be greater for
 12 positions where performance-based compensation comprises a larger portion of its Target
 13 Total Direct Compensation. Therefore, performance compensation is required to ensure
 14 compensation remains at reasonable, competitive levels.

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Table 3

Summary of Missouri-American Water's Base Salary Only vs. Market Median (National Market Perspective)		
Base Pay	Target Total Cash Compensation	Target Total Direct Compensation
-7%	-14%	-15%

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Table 4

Summary of Missouri-American Water's Base Salary Only vs. Market Median (Midwest Regional Market Perspective)		
Base Pay	Target Total Cash Compensation	Target Total Direct Compensation
-3%	-11%	-12%

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Q. In your opinion and based on the results of the study, are Missouri-American Water employees overcompensated?

A. No. Missouri-American Water employees are within the range of market median for each element of compensation.

VI. SUMMARY OF WTW'S PERFORMANCE COMPENSATION PROGRAM

ASSESSMENT

Q. Did you conduct an assessment of American Water's performance compensation programs?

A. Yes, I assessed American Water's annual and long-term performance compensation programs.

Q. What was the purpose of your assessment?

A. This assessment was completed to compare the design of American Water's performance compensation program (that is applicable to Missouri-American Water) and its various elements to market practice.

Q. What were the findings of the assessment?

A. Overall, WTW's review indicates that American Water's and, therefore, the Company's, performance compensation programs are comparable to and competitive with designs of utility peers, based on a review of the Large Utility Peer Group and the Small Utility Peer

1 Group referenced earlier. Like American Water, every company in the Peer Groups has
2 performance compensation programs that are used to help attract, motivate and retain
3 critically skilled employees needed to successfully run the business. Companies design
4 their performance compensation programs to align with their business strategies and
5 circumstances, so there tends to be a range of practices regarding how the programs are
6 designed. American Water's performance compensation programs complement each other
7 by assessing performance holistically using a balanced scorecard approach, incorporating
8 growth, customer, safety, environmental leadership, people and stock performance.
9 American Water's program designs are consistent with market practices for utilities.
10 Specific details regarding our assessment are included in Schedule RVM-1 –
11 CONFIDENTIAL.

12 **Q. Why is performance compensation appropriate for a utility?**

13 A. As our competitive assessment shows, the inclusion of performance compensation plans,
14 both annual and long-term focused plans, are an essential part of a market competitive
15 compensation mix. As noted earlier in my testimony, all of the companies in the Large and
16 Small Utility Peer Groups have short-term and/or long-term performance pay plans in
17 place. In order to attract, retain and motivate the talent needed to successfully run the
18 company, Missouri-American Water needs to provide a market-competitive total
19 compensation program, which includes both short-term and long-term performance
20 compensation plans.

1 **VII. OVERALL FINDINGS REGARDING MISSOURI-AMERICAN WATER'S**
2 **COMPENSATION PROGRAMS**

3 **Q. What are the overall conclusions of your analysis?**

4 A. Overall, our analysis indicates that Missouri-American Water's total direct compensation
5 programs are comparable to, and competitive with, market practices of other similarly-
6 sized utilities, and are therefore reasonable. My experience working with both utilities and
7 general industry companies and the results of the study included as **Schedule RVM-1 –**
8 **CONFIDENTIAL** indicate that Missouri-American Water's market-based compensation
9 programs are reasonable and that the Target Total Direct Compensation provided to
10 Missouri-American Water's employees is in the median competitive range of the market,
11 and therefore, is also reasonable.

12 **Q. What other conclusion can you draw from your assessment?**

13 A. Missouri-American Water, like the companies it competes with for talent, has to provide a
14 competitive total direct compensation opportunity delivered via programs that benefit
15 employees, customers and investors. Missouri-American Water attempts to achieve this
16 goal with its balanced and competitive base salary and annual and long-term performance
17 compensation programs. Denying Missouri-American Water a portion of its employee
18 compensation costs based on how it is delivered would undermine the Company's ability
19 to recover reasonable and prudently incurred costs for its workforce, that I have
20 demonstrated are within the competitive market range.

21 **Q. What would be the practical implication if the Company were to discontinue**
22 **providing annual or long-term performance compensation?**

1 A. If the Company were to eliminate all or part of its annual and/or long-term performance
2 compensation, it would likely be forced to increase fixed pay (i.e., base salary) to above
3 market competitive levels of base salary in order to attract and retain talent. It is difficult
4 to imagine how this would benefit the Company’s customers, employees or investors. The
5 Company’s compensation plans are important management tools to reinforce performance
6 expectations, which is why they are so universally present in both the utility and general
7 business sectors nationally.

8 **Q. What role do performance-based compensation programs play in aligning employee**
9 **performance with business strategies?**

10 A. Companies design their performance compensation programs to align with their business
11 strategies and circumstances and focus and communicate what is important to employees.
12 The Company’s customers also benefit from the Company deploying performance-based
13 employee compensation programs using a balanced scorecard of metrics. Strong financial
14 performance, for example, enables the Company to invest resources in both physical assets
15 and people that helps ensure the efficient operation of the Company, which ultimately
16 benefits customers. Further, water and wastewater operations are capital intensive. The
17 availability of sources of capital at reasonable costs depends on the utility’s financial
18 performance, including credit and bond ratings. So, it is important for Missouri-American
19 Water’s employees to contribute to the financial health of the organization. A financially
20 healthy utility benefits customers because it enables the utility to meet its service
21 obligations at reasonable financing costs.

22 **Q. Are there other ways that Missouri-American Water’s compensation programs**
23 **benefit customers?**

1 A. Yes. Customers benefit when a utility retains a talented workforce because a stable
2 workforce avoids the costs of hiring and training new employees. Because Missouri-
3 American Water's performance compensation programs make Missouri-American Water's
4 employees' total compensation reasonable, the Company's performance pay helps ensure
5 a stable workforce. Additionally, Missouri-American Water's LTPP program is
6 particularly intended to reduce attrition at the higher ranks of the organization. Senior
7 management turnover and the loss of expertise can degrade the continuity of strategy and
8 execution, which is why these types of compensation programs are well accepted in the
9 industry. Importantly, the LTPP achieves its goals of reducing leadership attrition at a
10 lower cost to customers than simply increasing leadership's base pay. Employees must
11 remain with the organization to realize the full vesting of their LTPP awards over a three-
12 year period.

13 **Q. Does Missouri-American Water's current compensation program have any benefits**
14 **as compared to a base salary/wage-only approach?**

15 A. Yes. As mentioned above, a key benefit of Missouri-American Water's use of performance
16 compensation plans is that they align with competitive market practice and thereby enable
17 Missouri-American Water to compete in the market for talent. A shift to an all base salary
18 program for Missouri-American Water would be counter to the pay-for-performance
19 approach Missouri-American Water currently employs, which places annual and long-term
20 performance compensation "at risk," meaning pay and market competitiveness are reduced
21 when performance is below expectations and performance pay is not paid. Again, these
22 plans are important management tools to reinforce performance expectations, which is why
23 they are so universally present in both the utility and general business sectors. Increasing
24 fixed pay in lieu of performance compensation to maintain competitive compensation

1 would substantially weaken pay for performance alignment thereby reducing Missouri-
2 American Water's ability to reward results.

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

4 A. Yes.

Schedule RVM-1 has been marked CONFIDENTIAL in its entirety in accordance with Commission Rules 20 CSR 4240-2.135(2)(A).2 and 20 CSR 4240-2.135(2)(A).4.