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Infrastructure System
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Rate case expense/
Severance Payments/
Charitable Contributions/
Lobbying/
Relocation Expense/
Shared Services Adjustments/
Water Affiliate Transaction Rule
and Commission Approved Cost
Allocation Manual
Hyneman/Direct
Public Counsel
WR-2015-0301

Witness/Type of Exhibit:
Sponsoring Party:
Case No.:

DIRECT TESTIMONY

OF

CHARLES R. HYNEMAN

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2015-0301

December 23, 2015

OPC Exhibit No. 3
Date 3-21-16 Reporter nt
File No WA-2015-0301

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water)	
Company's Request for Authority to)	Case No. WR-2015-0301
Implement a General Rate Increase for)	Case No. SR-2015-0302
Water and Sewer Service Provided in)	
Missouri Service Areas.)	

AFFIDAVIT OF CHARLES R. HYNEMAN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Charles R. Hyneman, of lawful age and being first duly sworn, deposes and states:

1. My name is Charles R. Hyneman. I am the Chief Public Utility Accountant for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my direct testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

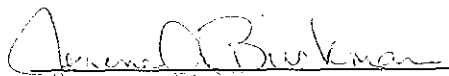


Charles R. Hyneman, C.P.A.
Chief Public Utility Accountant

Subscribed and sworn to me this 23rd day of December 2015.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037



Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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DIRECT TESTIMONY

OF

CHARLES R. HYNEMAN

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2015-0301

I. INTRODUCTION

Q. Please state your name and business address.

A. Charles R. Hyneman, PO Box 2230, Jefferson City, Missouri 65102

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

A. I am employed by the Missouri Office of the Public Counsel (OPC or Public Counsel) as the Chief Public Utility Accountant.

Q. Please describe your educational background and work experience.

A. I earned an MBA from the University of Missouri Columbia, and a Bachelor of Science degree (dual major Accounting and Business Administration) from Indiana State University. I also earned an Associates in Applied Science (AAS) degree in Contracts Management from the Community College of the Air Force.

I was employed with the Commission in various audit positions since April 1993. As a member of the Staff I held the position of Regulatory Auditor V, which is a senior-level professional and supervisory position in the Commission's Auditing Department. As a Regulatory Auditor V, I performed, supervised and coordinated regulatory

Direct Testimony of
Charles R. Hyneman

1 auditing work for the Staff. On December 1, 2015 I began my employment with the
2 OPC as Chief Public Utility Accountant.

3 **Q. Have you previously testified before this Commission?**

4 A. Yes. Schedule CRH-d1 attached to this testimony list the cases in which I filed
5 testimony before the Commission.

6 **Q. Are you a Certified Public Accountant?**

7 A. Yes. I am a Certified Public Accountant licensed in the state of Missouri. I am also a
8 member of the American Institute of Certified Public Accountants (“AICPA”).

9 **Q. Please list the witnesses who will be filing direct testimony on behalf of the OPC
10 in this case and the issues they will be addressing in their direct testimonies.**

11 A. The following individuals will be filing direct testimony regarding revenue
12 requirement issues on behalf of OPC in this case:

13 Lena Mantle – Revenue Normalization Adjustment

14

15 Charles Hyneman – ISRS Surcharge, Rate Case Expense, Severance Expense, Stock
16 Compensation, Charitable Contributions, Lobbying Expenses, Relocation Expense,
17 Shared Services Expense Allocations, Miscellaneous Expenses, Cost Allocation
18 Manual and Affiliate Transaction Rule

19

20 Keri Roth –Atrazine Settlement Refund, Insurance Other Than Group, Payroll and
21 Payroll Taxes, Defined Contribution Plan (DCP), Annual Incentive Compensation
22 (AIP), 401(k) Employer Costs, Group Insurance, Advertising Expense, Equipment
23 Lease, PSC Assessment Expense, Postage Expense, Tank Painting Tracker/Expense,
24 Emerald Pointe Pipeline Amortization, Investment Tax Credit (ITC), Materials and
25 Supplies and Prepayments

26

27

1 Ralph Smith of Larkin & Associates - Business Transformation Project and Income
2 Taxes
3

4 Michael Gorman of Brubaker & Associates – Capital Structure, Rate of Return,
5 Revenue Stability Mechanism (“RSM”) and Environmental Cost Adjustment
6 Mechanism (“ECAM”)
7

8 **II. INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE**

9 **Q. Please describe the issue regarding MAWC’s Infrastructure System Replacement**
10 **Surcharge (ISRS).**

11 A. On June 17, 2015, the Commission approved a continuation of MAWC’s ISRS. On
12 June 26, 2015, the OPC filed an Application for Rehearing stating that MAWC is not
13 eligible for an ISRS due to the fact that MAWC did not incur ISRS related charges in
14 a county with more than 1 million inhabitants as required by § 393.1003.1 (“ISRS
15 statute”). Section 393.1003.1 states:

16 a water corporation...may file a petition ...with the commission
17 to establish or change ISRS rate schedules that will allow for
18 the adjustment of the water corporation's rates and charges to
19 provide for the recovery of costs for eligible infrastructure
20 system replacements made in such county with a charter form
21 of government and with more than one million inhabitants;
22 provided that an ISRS, on an annualized basis, must produce
23 ISRS revenues of at least one million dollars but not in excess
24 of ten percent of the water corporation's base revenue level
25 approved by the commission in the water corporation's most
26 recent general rate proceeding.
27

28 The 2010 U.S. Census of Population and Housing for Missouri shows that the
29 population for St. Louis County – Missouri’s most-populous charter county – to be

1 998,954 inhabitants as of April 1, 2010 (The relevant portion of the 2010 U.S. Census
2 is attached as Schedule CRH-d2).

3 On July 7, 2015, the Commission issued its Order Denying Rehearing. Also on July
4 7, 2015, the OPC appealed the Commission's June 17, 2015 Report and Order to the
5 Missouri Court of Appeals Western District ("Western District"). On July 10, 2015,
6 the Western District filed and acknowledgement to the Notice of Appeal and docketed
7 the case as WD78792.

8 **Q. How should the Commission address the ISRS in this case?**

9 A. The Commission should order MAWC to cease charging the ISRS and order MAWC
10 to cancel its ISRS tariff and remove the ISRS tariff sheets from MAWC's tariff books.
11 If, contrary to OPC's position, MAWC's ISRS is upheld on appeal as lawful, the
12 prudence of MAWC's claimed ISRS-eligible costs should be determined in this case
13 for all ISRS charges since the ISRS was last reset to zero.

14 **III. RATE CASE EXPENSE**

15 **Q. What types of costs are included in MAWC's proposed rate case expense?**

16 A. As reflected in Company Schedule CAS-13 Support, MAWC's rate case expense
17 includes estimated costs of hiring rate case consultants to file testimony in such areas
18 as cost of service/tariff design, rate of return, weather normalization, depreciation,
19 single tariff pricing, and employee compensation. The two largest components of
20 MAWC's proposed rate case expense in this case include estimated outside legal
21 services and direct charges from American Water Works Company '(AWWC)',

1 MAWC's parent company. In fact, charges from AWWC represent 56 percent of
2 MAWC's estimated incremental cost to process this rate case.

3 **Q. Briefly describe MAWC's adjustment to its test year books and records in this**
4 **case.**

5 A. MAWC recorded a normalized level of rate case expense of \$384,742 in its test year
6 (twelve months ended December 31, 2014) general ledger. MAWC estimates that its
7 total rate case expense in this case will be \$1.522 million. MAWC indicates that it
8 believes the rates from this case will only be in effect for two years as it proposes to
9 "amortize" this amount over two years. This \$1.522 million divided by two years is
10 \$761,075 annual expense. When MAWC's proposed level of rate case expense is
11 compared to its test year level of \$384,743, the result is that MAWC proposes to
12 increase test year cost of service by \$376,333.

13 **Q. What level of rate case expense did MAWC incur in its 2011 rate case?**

14 A. MAWC incurred just over \$1 million. On February 3, 2012, at the end of MAWC's
15 2011 rate case, the Commission asked MAWC to make a filing identifying all
16 expenses MAWC had incurred in association with the 2011 rate case as of February
17 29, 2012. On March 5, 2012, MAWC reported to the Commission that it had incurred
18 just over \$1 million in rate case expense compared to the \$1.5 million it proposes in
19 this current rate case.

20 **Q. What is the Public Counsel's position on the normalized level of rate case expense**
21 **to include in this case?**

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1 A. Public Counsel's position is that the normalized level of prudent and reasonable rate
2 case expense to include in MAWC's cost of service in this case should consist of one-
3 half of the prudent and reasonable rate case expense actually incurred and paid by
4 MAWC to process this rate case through the Commission's January 31, 2016 test year
5 true-up cutoff date. This amount would not include costs associated with prior rate
6 cases or estimated or projected payments. In addition, the OPC does not recommend
7 rate case costs in this case include costs for testimony and other consultant work
8 products that are the same or essentially the same as was produced and filed in the
9 2011 rate case.

10 **Q. What rate case normalization period is OPC's proposing?**

11 A. OPC is proposing a normalization period for rate case expense of three years.

12 **Q. What is the basis for OPC's three-year normalization period?**

13 A. MAWC last filed a rate case in 2011 docketed as Case No. WR-2011-0337 ("2011 rate
14 case"). The period of time between MAWC's last rate case and this rate case (2015) is
15 four years. Based on MAWC's latest interval between general rate increase filings, a
16 reasonable normalization period for rate case expense in this case is four years.

17 However, MAWC's rate case filings prior to the 2011 rate case were less than four
18 years. Giving consideration to these past rate filings, the OPC believes a
19 normalization period of three years in this rate case is appropriate and is proposing this
20 normalization period be adopted by the Commission.

1 OPC arrived at this three-year normalization period by reviewing the time period
2 between MAWC's last four rate cases. This information was obtained by reviewing
3 the rate case filing dates reflected in the Commission's EFIS filing system. OPC
4 assigned a 50 percent weighting to the period between MAWC's 2011 rate case and
5 this 2015 rate case and an equal residual weighting to the time period between
6 MAWC's 2008, 2010 and 2011 rate cases. This calculation resulted in a period of 2.9
7 years which OPC rounded to three years.

8 **Q. What information did OPC review in developing its rate case expense**
9 **normalization proposal?**

10 A. MAWC provided its proposed level of rate case expense and proposed ratemaking
11 methodology in its Regulatory Expense Workpaper, Schedule CAS-13 Support. OPC
12 also relied upon information provided by MAWC in response to OPC data request
13 1112 where MAWC provided a description of services, billable hours and hourly rates
14 as reflected in rate case vendor invoices. OPC also reviewed MAWC's response to
15 Staff data requests 142 and 143.

16 **Q. Describe OPC's calculation of its proposed level of rate case expense in this case.**

17 A. OPC is estimating a total rate case expense level of \$1 million, similar to the level
18 actually incurred by MAWC in its 2011 rate case. Allocating 50 percent of this
19 amount to shareholders and 50 percent to customers, OPC's total level of rate case
20 expense to be normalized is \$500,000. This amount is normalized over a three year
21 period, which results in a normalized rate case expense level of \$166,667. Adjusting

1 the \$384,743 test year general ledger level of rate case expense to this amount results
2 in a negative adjustment to Account 186.2 of \$218,076.

3 MAWC's allowable rate case expense should also be subject to further updates
4 depending upon what OPC discovers regarding the specifics of MAWC's rate case
5 expense, including the hourly rates charged, hours worked, duplicative testimony, and
6 other rate case expense factors that are discovered as the case progresses.

7 **IV. SEVERANCE PAYMENTS**

8 **Q. Is MAWC proposing to recover severance payments in its cost of service filing?**

9 A. Yes. MAWC is proposing to recover direct MAWC severance payments and
10 allocated Services Company severance payments.

11 **Q. Describe the service company expense allocation to MAWC.**

12 A. American Water Service Company ("Service Company") is a subsidiary of AWWC
13 and an affiliate of MAWC. The Service Company provides utility organization,
14 finance, accounting and corporate governance functions for MAWC and other AWWC
15 subsidiary water companies. The costs of the services the Service Company incurs for
16 providing service to the various water companies are allocated to the water companies
17 in a shared services allocation.

18 **Q. Describe OPC's severance cost adjustment.**

19 A. OPC does not believe that severance payments should be included in a utility rate
20 case cost of service calculation for two main reasons.

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1 The first reason is that severance payments are usually recovered in rates through
2 regulatory lag, and in essence, are not actual expenses of the utility. For example, an
3 employee whose base salary of \$50,000 usually has total compensation expense
4 included in cost of service of about \$80,000 (\$50,000 times a 1.6 gross up for
5 benefits). Assuming that this employee accepted a severance package of 1.5 times
6 base salary, the severance cost of \$75,000 would be recovered in rates by the utility in
7 less than one year through regulatory lag.

8 The revenues associated with the employee's compensation continue to be collected in
9 rates charged to ratepayers long after the employee has left the company. These
10 revenues, directly related to this employee's compensation and benefits, very often are
11 significantly more than necessary to offset the severance payment. Therefore,
12 severance payments are not an actual net cash expense to the utility.

13 The second primary reason why OPC opposes recovery of severance payments in a
14 rate case is that severance packages typically include restrictions on the severed
15 employee from seeking compensation from the company from filing age or sex
16 discrimination lawsuits. In addition, part of the cost of the severance payment is
17 related to getting the severed employee to agree not to make any disparaging
18 comments about the utility. This is not the type of expenses that should be recovered
19 from ratepayers and are more appropriately recovered from shareholders of the
20 company. It is the shareholders who bear the burden of Company settlements or
21 penalties that result from such employee lawsuits.

1 Q. Has the Commission ruled on the appropriateness of including severance
2 expenses in cost of service?

3 A. Yes. In its Report and Order in Case No. ER-2006-0314 the Commission found in
4 favor of the Staff and did not allow Kansas City Power & Light Company ("KCPL")
5 to include severance costs in its cost of service in that rate case.

6 Q. What is the dollar amount of OPC's severance adjustment in this case?

7 A. MAWC's cost of service includes \$190,936 of direct severance expenses recorded in
8 its 2014 test year general ledger. In addition, according to MAWC's response to Staff
9 data request 49, AWWC service company allocated \$719,392 in severance expenses to
10 MAWC in the test year. OPC is proposing an adjustment to remove both of these
11 amounts from MAWC's cost of service. The AWWC shared services severance
12 expense allocation is also discussed in the OPC's Shared Services Adjustment
13 addressed below.

14 V. CHARITABLE CONTRIBUTIONS

15 Q. Did MAWC make a rate case adjustment to its 2014 test year level of charitable
16 contributions?

17 A. Yes. MAWC's adjustment is reflected on its Schedule CAS 13, line 17, where it
18 removed charitable donation expenses that "were deemed to not benefit the customer."
19 Out of the total test year charitable contribution expense of \$359,616 MAWC only
20 removed \$45,589.

1 Q. Is OPC proposing to remove all of the charitable contributions and donations
2 made by MAWC in the 2014 test year and booked to its general ledger?

3 A. Yes. OPC is proposing an adjustment to remove \$359,616 or 100 percent of the
4 charitable contributions and donations booked to MAWC's 2014 general ledger.

5 Q. What is the basis of OPC's adjustment?

6 A. The basis is that charitable contributions and donations do not provide a customer
7 benefit. MAWC should only seek to recover from its ratepayers costs that are
8 necessary to provide safe and adequate water and sewer service. Charitable
9 contributions are made to bolster the image of the Company with the community and
10 possibly for other reasons, but they are not an expense necessary for MAWC to
11 provide safe and adequate utility service.

12 VI. LOBBYING

13 Q. Is OPC proposing an adjustment to remove lobbying expenses from MAWC's
14 test year books and records?

15 A. Yes. MAWC made an adjustment that is reflected on its Schedule CAS 13, line 20,
16 where it made an adjustment to remove lobbying expenses booked in the test year.
17 OPC agrees that lobbying expenses should not be recovered through rates. However,
18 lobbying expenses should be further scrutinized beyond MAWC's adjustment to
19 ensure that additional lobbying expenses not claimed by MAWC, such as time spent
20 by managers and others engaged in advocacy, are also removed from MAWC's
21 revenue requirement.

1 **VII. RELOCATION EXPENSE**

2 **Q. Is OPC proposing an adjustment to the level of relocation expenses incurred in**
3 **the test year?**

4 **A.** Yes. MAWC made an adjustment that is reflected on its Schedule CAS 13, line 21,
5 where it made an adjustment to remove \$24,148 of test year expenses based on a
6 three-year average of its employee relocation expenses. OPC agrees with this
7 adjustment and is proposing the same adjustment in this case.

8 **VIII. SHARED SERVICES ADJUSTMENTS**

9 **Q. Describe OPC's Shared Services adjustments.**

10 **A.** AWWC allocated \$29,989,321 in shared services expenses to MAWC that is reflected
11 in MAWC's 2014 test year general ledger. OPC is proposing three adjustments to this
12 allocation that are related to severance expenses, stock compensation, and annual
13 incentive plan ("AIP) compensation.

14 **Q. In addition to OPC's proposed adjustments, does OPC accept some of the shared**
15 **services adjustments proposed by MAWC witness Gary VerDouw in his direct**
16 **testimony?**

17 **A.** Yes. OPC accepts some of the adjustments referenced at page 7 through 11 of
18 MAWC witness VerDouw's direct testimony. Mr. VerDouw correctly proposes to
19 remove test year charges related to MAWC's Business Transformation project ("BT")
20 which was completed prior to the 2014 test year. Consistent with the adjustment

1 | proposed by Mr. VerDouw, all BT project costs should also be removed from
2 | MAWC's 2014 general ledger direct charges. The adjustments, which are not
3 | payroll-related, are as follows:

- 4 | 1. Remove \$243,539 of BT costs that should not have been reflected in MAWC's
- 5 | 2014 general ledger
- 6 | 2. Remove \$18,552 of charitable contributions
- 7 | 3. Remove \$723 of advertising expenses
- 8 | 4. Remove \$138 of lobbying expenses
- 9 | 5. Remove \$119,938 of outplacement costs

10 |
11 | **Q. Describe OPC's first Shared Services adjustment related to severances**
12 | **payments.**

13 | A. OPC proposes to remove \$719,392 in allocated severance payments from account
14 | 50185 for the reasons cited earlier in this testimony. The primary reason is that
15 | severance payments are normally recovered by a utility in rates two and three times
16 | over through regulatory lag and do not represent net cash expense (even if it was a
17 | legitimate cost of service expense) to a utility.

18 | **Q. Describe OPC's second Shared Services adjustment related to stock**
19 | **compensation.**

20 | A. OPC proposes to remove \$155,729 related to stock options (account 50171600) and
21 | \$571,515 related to restricted share units ("RSUs) (account 50171800). There are
22 | three primary reasons why stock compensation expense is not a type of expense that
23 | should be included in a utility's cost of service.

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1 The first reason is that this expense is not a typical utility expense that represents a
2 cash payment to an employee. A payment to an employee in the form of stock or a
3 stock option does not represent a decrease in a utility asset, such as cash, but
4 represents only a potential dilution of stockholder's equity when, and if, the options
5 are exercised and stock is issued.

6 A second reason is that stock compensation expense is only able to be estimated and
7 since the compensation often depends on future company stock prices, there is no way
8 to accurately measure the dollar amount of actual compensation reflected in stock
9 compensation.

10 Finally, stock compensation plans for most utilities, including MAWC, are part of a
11 long-term incentive compensation plan that is based substantially on financial goals
12 (such as increases in earnings per share or stock price appreciation) that have no direct
13 benefit to utility ratepayers and potentially work to the detriment of ratepayers.

14 **Q. Are you aware of any rate case where the Commission has allowed the inclusion**
15 **of stock compensation in a utility's cost of service?**

16 A. No. In fact, I am aware of utilities in Missouri that made rate case adjustments to
17 remove stock compensation from their cost of service in their direct rate case filings.
18 It has been my experience that the Commission does not recognize earnings based
19 incentive compensation (whether it be stock or cash compensation) to be reflected in
20 the cost of service of Missouri utilities.

1 **Q. Describe OPC's third Shared Services adjustment related to Annual Incentive**
2 **Plan compensation.**

3 A. OPC has included 45 percent of the Annual Incentive Plan compensation ("AIP")
4 allocated from AWWC to MAWC in the test year. The portion that OPC did not
5 include in MAWC's cost of service is the 55 percent of the AIP payments that are
6 based on earnings per share.

7 As stated earlier, the Commission has not allowed earnings based incentive
8 compensation to be included in the cost of service of a Missouri regulated utility. The
9 45 percent of the AIP that OPC proposed be included in cost of service is based on
10 customer satisfaction metrics, service quality metrics, safety performance and
11 environmental compliance. OPC believes that these are some of the types of metrics
12 that should be included in a utility employee incentive compensation plan.

13 MAWC's shared service test year allocation of AIP compensation expense as reflected
14 in account 50171000 was \$1,337,352. OPC proposes to include 45 percent of this
15 amount, or \$601,808, in MAWC cost of service in this case. MAWC's direct AIP
16 expense is discussed in the direct testimony of OPC witness Keri Roth.

17 **IX. WATER AFFILIATE TRANSACTION RULE AND COMMISSION**
18 **APPROVED COST ALLOCATION MANUAL**

19 **Q. Have you reviewed MAWC's cost allocation manual ("CAM")?**

20 A. Yes, I have.

1 **Q. Has MAWC's CAM ever been approved by the Commission?**

2 A. No. Through my research I have seen no evidence that the Commission has ever
3 approved MAWC's CAM.

4 **Q. Does MAWC's CAM contain the requirements and standards the Commission**
5 **requires of other Missouri utilities through compliance with its Affiliate**
6 **Transaction Rule ("Rule")?**

7 A. No, it does not. There is no Commission water company affiliate transaction rule that
8 would place a requirement on MAWC to comply with the spirit and the substance of
9 the requirements and standards the Commission places on Missouri's electric and
10 natural gas utilities. As a result, MAWC's Missouri customers are not protected
11 against affiliate and nonregulated subsidization to the extent Missouri's electric and
12 natural gas customers are protected.

13 **Q. Has the OPC identified any transaction between MAWC and its parent company**
14 **affiliate AWWC that could potentially violate a water utility affiliate transaction**
15 **rule that contains the same ratepayer protections as the electric and gas affiliate**
16 **transaction rules?**

17 A. Yes. OPC witness Ralph C. Smith describes in his direct testimony how MAWC did
18 not opt to take available bonus tax depreciation deductions in 2011 and 2013. This
19 decision by MAWC caused MAWC's rate base and revenue requirement in this case
20 to be higher than it would be if MAWC took these deductions. This transaction is

1 between MAWC and its affiliate AWWC, and is an affiliate transaction that could and
2 should be covered under a water utility affiliate transaction rule.

3 **Q. Does OPC witness Smith identify other affiliate transaction concerns in his direct**
4 **testimony?**

5 **A.** Yes. Mr. Smith describes how MAWC's parent company AWWC made the decision
6 to charge almost entirely, if not entirely, the \$326.2 million cost of the BT project to
7 the operations of AWWC's regulated subsidiaries. Reviewing Schedule GMV-1
8 attached to MAWC witness VerDouw's direct testimony it does not appear that any of
9 the BT project was allocated to AWWC's nonregulated operations.

10 However, as MAWC noted in response to OPC data request 5702, the "BT systems
11 are designed for American Water's regulated utilities, and American Water
12 Company's "non-regulated" or market-based affiliates." The OPC has concerns that
13 since the BT systems were designed for both regulated and non-regulated companies
14 to use, why are the systems only being used by the regulated companies? For example,
15 OPC is aware that approximately \$20 million of BT project costs are related to
16 Sarbanes-Oxley Act ("SOX") compliance. SOX compliance costs are financial
17 regulatory compliance costs that apply to all companies, regulated utilities as well as
18 unregulated companies. It is not clear why AWWC decided that this total company
19 financial regulatory compliance cost of \$20 million should not, in part, be directly
20 assigned to AWWC's non-utility operations.

21 The OPC has concerns that if the BT systems are being used by the nonregulated
22 companies, why are the nonregulated companies not a part of the direct allocation of

1 | this cost? The OPC proposes to do additional discovery on this issue to determine
2 | why none, or very little, of the BT project costs are allocated to AWWC's
3 | nonregulated companies.

4 | **Q. Does AWWC have significant nonregulated operations?**

5 | Yes. According to AWWC's November 2015 Institutional Investor Presentation
6 | (attached as Schedule CRH-d3), AWWC has significant investments in its
7 | nonregulated or "Market-Based Business", including Homeowner Services, Military
8 | Services Contract Operations and Municipal/Industrial Contract Operations. The fact
9 | that none of these nonregulated business operations receive a direct allocation of BT
10 | project costs raises serious questions that AWWC and MAWC are engaging in
11 | transactions that subsidize AWWC's nonregulated operations.

12 | This type of subsidization of nonregulated operations is a main reason why the
13 | Commission created affiliate transaction rules. This potential subsidization of
14 | nonregulated operations by MAWC's affiliate parent company confirms that there is a
15 | strong need for MAWC to be subject to affiliate transaction rules similar to the rules
16 | the Commission has created for electric and gas utilities in Missouri.

17 | **Q. What is the purpose of the Commission's Affiliate Transaction Rule for electric**
18 | **and gas utilities?**

19 | **A. The purpose and objective of the Rule is to prevent a regulated utility from subsidizing**
20 | **its nonregulated operations. The Rule, coupled with its effective enforcement, is**

1 designed to provide the public the assurance that utility rates are not adversely
2 impacted by the utilities' nonregulated activities.

3 **Q. Do MAWC customers have the same assurance that MAWC's rates are not**
4 **adversely impacted by MAWC's nonregulated activities as the customers of**
5 **Missouri's electric and natural gas utilities?**

6 **A. No, they do not.**

7 **Q. Does OPC believe that MAWC customers should have the same level of**
8 **assurance against this type of utility behavior as other Missouri regulated utility**
9 **customers?**

10 **A. Yes, it does.**

11 **Q. What is OPC's proposal to start the process of giving MAWC's customers the**
12 **same level of assurance against utility nonregulated subsidization as Missouri's**
13 **electric and gas utility customers?**

14 **A. The OPC recommends that the Commission develop and promulgate water utility**
15 **affiliate transaction rules that include the same ratepayer protections as the electric and**
16 **natural gas affiliate transaction rules. As it relates to this case, the OPC recommends**
17 **that the Commission order MAWC to create a new CAM guided by existing standards**
18 **for other regulated utilities and informed by stakeholder input. The Commission**
19 **should order MAWC to file a proposed CAM for Commission approval within six**
20 **months of the date of its Report and Order in this rate case.**

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1 | Q. Does this conclude your direct testimony?

2 | A. Yes, it does.

CHARLES R. HYNEMAN

CASE PARTICIPATION

Date Filed	Case Name	Case Number	Issue	Exhibit
12/18/15	Kansas City Power & Light Company	EC-2015-0309	Affiliate Transactions Complaint Case	Surrebuttal
8/21/15	Kansas City Power & Light Company	EC-2015-0309	Affiliate Transactions Complaint Case	Direct
7/07/15	Kansas City Power & Light Company	ER-2014-0370	La Cygne Construction Audit	True-Up Direct
6/05/15	Kansas City Power & Light Company	ER-2014-0370	Corporate Allocation Affiliate Transactions	Surrebuttal
5/07/15	Kansas City Power & Light Company	ER-2014-0370	Regulatory Lag	Rebuttal
4/03/15	Kansas City Power & Light Company	ER-2014-0370	Corporate Allocation Affiliate Transactions Officer Expenses	Staff Report - Revenue Requirement - Cost of Service
3/31/15	Missouri Gas Energy	GO-2015-0179	Infrastructure system replacement surcharge (ISRS)	Staff Recommendation
3/31/15	Laclede Gas Company	GO-2015-0178	Infrastructure system replacement surcharge (SISRS)	Staff Recommendation
11/13/14	Missouri American Water Company	WO-2015-0059	Infrastructure system replacement surcharge (ISRS)	Staff Recommendation
9/23/14	Laclede Gas Company	GR-2015-0026	Infrastructure system replacement surcharge (ISRS)	Staff Recommendation
9/23/14	Missouri Gas Energy	GR-2015-0025	Infrastructure system replacement surcharge (ISRS)	Staff Recommendation
6/20/14	Kansas City Power and Light Company, Kansas City Power and Light Company-Greater Missouri Operations, Transource Missouri	EO-2014-0189	Affiliate Transactions - Staff submission of Proposed Cost Allocation Manual for KCPL and GMO	Rebuttal
01/30/2013	Kansas City Power and Light Company, Kansas City Power and Light Company-Greater Missouri Operations, Transource Missouri	EA-2013-0098 EO-2012-0367	KCPL/GMO Transfer of SPP Transmission Project NTCs to Transource Missouri, Waiver of Missouri PSC Affiliate Transaction Rules	Rebuttal

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CASE PARTICIPATION

Date Filed	Case Name	Case Number	Issue	Exhibit
10/10/2012	Kansas City Power and Light Company-Greater Missouri Operations, Transource Missouri	ER-2012-0175	Fuel Adjustment Clause Deferred Taxes, Hedge Settlements, FAS 87 Pension Plan Actuarial Assumptions, Supplemental Executive Retirement Plan (SERP), Southwest Power Pool Transmission Expenses, Regulatory Lag	Surrebuttal
09/12/2012	Kansas City Power and Light Company-Greater Missouri Operations, Transource Missouri	ER-2012-0175	Regulatory Lag	Rebuttal
08/13/2012	Kansas City Power and Light Company-Greater Missouri Operations, Transource Missouri	ER-2012-0175	Income Tax Expense, Accumulated Deferred Income Taxes, FAS 87 Pension costs, FAS 106 OPEBs, Supplemental Executive Retirement Plan (SERP), Organizational Realignment/Voluntary Separation (ORVS), Regulatory Lag, SPP Admin Fees, Transmission Expense, Hedge Settlements	Direct
10/08/2012	Kansas City Power and Light Company	ER-2012-0174	Kansas City Income Tax Expense, FAS 87 Pension costs, FAS 106 OPEBs, Supplemental Executive Retirement Plan (SERP), Southwest Power Pool Transmission Expenses Iatan 2 Advanced Coal Tax Credit	Surrebuttal
09/05/2012	Kansas City Power and Light Company	ER-2012-0174	Regulatory Lag	Rebuttal

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CASE PARTICIPATION

Date Filed	Case Name	Case Number	Issue	Exhibit
08/02/2012	Kansas City Power and Light Company	ER-2012-0174	Income Tax Expense, Accumulated Deferred Income Taxes, FAS 87 Pension costs, FAS 106 OPEBs, Supplemental Executive Retirement Plan (SERP), Organizational Realignment/Voluntary Separation (ORVS), Regulatory Lag, SPP Admin Fees, Transmission Expense	Direct
03/21/2012	Kansas City Power and Light Company-Greater Missouri Operations	EO-2011-0390	GMO Hedging Rate Case History, Accounting for Hedging Activities	Rebuttal
05/12/11	Laclede Gas Company	GC-2011-0098	Affiliate Transactions	Surrebuttal
04/28/11	The Empire District Electric Company	ER-2011-0004	Iatan 2 Project Construction Disallowances	Surrebuttal
04/19/11	Laclede Gas Company	GC-2011-0098	Affiliate Transactions	Rebuttal
03/22/11	Laclede Gas Company	GC-2011-0098	Affiliate Transactions	Direct
02/25/11	The Empire District Electric Company	ER-2011-0004	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan Construction Project For Costs Reported As Of October 31, 2010
02/23/11	The Empire District Electric Company	ER-2011-0004	Generally Accepted Auditing Standards (GAAS)/ Iatan 1 and Iatan 2 and Common Construction Audit and Prudence Review/Plum Point Construction Audit and Prudence Review	Direct
02/23/11	The Empire District Electric Company	ER-2011-0004	Staff's Construction Audit and Prudence Review of Plum Point	Cost of Service Report
02/22/11	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Iatan Construction Audit and Prudence Review	True-Up Direct

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CASE PARTICIPATION

Date Filed	Case Name	Case Number	Issue	Exhibit
02/22/11	Kansas City Power and Light Company	ER-2010-0355	Iatan Construction Audit and Prudence Review	True-Up Direct
01/12/11	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Iatan Construction Project	Surrebuttal
01/05/11	Kansas City Power and Light Company	ER-2010-0355	Iatan Construction Project	Surrebuttal
12/15/10	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Iatan Construction Project	Rebuttal
12/08/10	Kansas City Power and Light Company	ER-2010-0355	Iatan Construction Project	Rebuttal
11/18/2010	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Iatan Construction Project	Cost of Service Report
11/17/10	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Overview Iatan Unit 1 AQCS, Iatan 2 and Iatan Common Plant; GAAS	Direct
11/10/10	Kansas City Power and Light Company	ER-2010-0355	Overview Iatan Unit 1 AQCS, Iatan 2 and Iatan Common Plant; GAAS	Direct
11/10/2010	Kansas City Power and Light Company	ER-2010-0355	Iatan Construction Project	Cost of Service Report
11/04/10	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan Construction Project For Costs Reported As Of June 30, 2010
11/04/10	Kansas City Power and Light Company	ER-2010-0355	Iatan 1 and Iatan 2 and Common Plant Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan Construction Project For Costs Reported As Of June 30, 2010

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CASE PARTICIPATION

Date Filed	Case Name	Case Number	Issue	Exhibit
08/06/2010	Kansas City Power and Light Company-Greater Missouri Operations	ER-2010-0356	Iatan 1 AQCS Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan 1 Environmental Upgrades (Air Quality Control System - AQCS) For Costs Reported As Of April 30, 2010
08/06/2010	Kansas City Power and Light Company	ER-2010-0355	Iatan 1 AQCS Construction Audit and Prudence Review	Staff's Construction Audit And Prudence Review Of Iatan 1 Environmental Upgrades (Air Quality Control System - AQCS) For Costs Reported As Of April 30, 2010
01/01/2010	Kansas City Power and Light Company-Greater Missouri Operations	ER-2009-0090	Iatan 1 AQCS Construction Audit and Prudence Review	Staff's Report Regarding Construction Audit and Prudence Review of Environmental Upgrades to Iatan 1 and Iatan Common Plant
12/31/2009	Kansas City Power and Light Company	ER-2009-0089	Iatan 1 AQCS Construction Audit and Prudence Review	Staff's Report Regarding Construction Audit and Prudence Review of Environmental Upgrades to Iatan 1 and Iatan Common Plant

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CASE PARTICIPATION

Date Filed	Case Name	Case Number	Issue	Exhibit
04/09/2009	Kansas City Power and Light Company-Greater Missouri Operations	ER-2009-0090	Transition costs, SJLP SERP, Acquisition Detriments, Capacity Costs, Crossroads Deferred Taxes	Surrebuttal
04/07/2009	Kansas City Power and Light Company	ER-2009-0089	Transition Costs, Talent Assessment Program, SERP, STB Recovery, Settlements, Refueling Outage, Expense Disallowance	Surrebuttal
03/13/2009	Kansas City Power and Light Company-Greater Missouri Operations	ER-2009-0090	Crossroads Energy Center, Acquisition Saving and Transition Cost Recovery	Rebuttal
03/11/2009	Kansas City Power and Light Company	ER-2009-0089	KCPL Acquisition Savings and Transition Costs	Rebuttal
02/27/2009	Kansas City Power and Light Company-Greater Missouri Operations	ER-2009-0090	Various Ratemaking issues	Cost of Service Report
02/11/2009	Kansas City Power and Light Company	ER-2009-0089	Corporate Costs, Merger Costs, Warranty Payments	Cost of Service Report
09/24/2007	Kansas City Power and Light Company	ER-2007-0291	Miscellaneous A&G Expense	Surrebuttal
07/24/2007	Kansas City Power and Light Company	ER-2007-0291	Miscellaneous	Cost of Service Report
07/24/2007	Kansas City Power and Light Company	ER-2007-0291	Talent Assessment, Severance, Hawthorn V Subrogation Proceeds	Direct
03/20/2007	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2007-0004	Hedging Policy Plant Capacity	Surrebuttal
02/20/2007	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2007-0004	Natural Gas Prices	Rebuttal
01/18/2007	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2007-0004	Fuel Prices Corporate Allocation	Direct
11/07/2006	Kansas City Power and Light Company	ER-2006-0314	Fuel Prices	True-Up

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CASE PARTICIPATION

Date Filed	Case Name	Case Number	Issue	Exhibit
10/06/2006	Kansas City Power and Light Company	ER-2006-0314	Severance, SO ₂ Liability, Corporate Projects	Surrebuttal
08/08/2006	Kansas City Power and Light Company	ER-2006-0314	Fuel Prices Miscellaneous Adjustments	Direct
12/13/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2005-0436	Natural Gas Prices; Supplemental Executive Retirement Plan Costs; Merger Transition Costs	Surrebuttal
12/13/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	HR-2005-0450	Natural Gas Prices; Supplemental Executive Retirement Plan Costs; Merger Transition Costs	Surrebuttal
11/18/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2005-0436	Natural Gas Prices	Rebuttal
10/14/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2005-0436	Corporate Allocations, Natural Gas Prices Merger Transition Costs	Direct
10/14/2005	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	HR-2005-0450	Corporate Allocations, Natural Gas Prices Merger Transition Costs	Direct
02/15/2005	Missouri Gas Energy	GU20050095	Accounting Authority Order	Direct
01/14/2005	Missouri Gas Energy	GU20050095	Accounting Authority Order	Direct
06/14/2004	Missouri Gas Energy	GR20040209	Alternative Minimum Tax; Stipulation Compliance; NYC Office; Executive Compensation; Corporate Incentive Compensation; True-up Audit; Pension Expense; Cost of Removal; Lobbying.	Surrebuttal
04/15/2004	Missouri Gas Energy	GR20040209	Pensions and OPEBs; True-Up Audit; Cost of Removal; Prepaid Pensions; Lobbying Activities; Corporate Costs; Miscellaneous Adjustments	Direct

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Date Filed	Case Name	Case Number	Issue	Exhibit
02/13/2004	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	HR20040024	Severance Adjustment; Supplemental Executive Retirement Plan; Corporate Cost Allocations	Surrebuttal
02/13/2004	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER20040034	Severance Adjustment; Corporate Cost Allocations; Supplemental Executive Retirement Plan	Surrebuttal
01/06/2004	Aquila, Inc.	GR20040072	Corporate Allocation Adjustments; Reserve Allocations; Corporate Plant	Direct
12/09/2003	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	HR20040024	Current Corporate Structure; Aquila's Financial Problems; Aquila's Organizational Structure in 2001; Corporate History; Corporate Plant and Reserve Allocations; Corporate Allocation Adjustments	Direct
12/09/2003	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER20040034	Corporate Plant and Reserve Allocations; Corporate Allocation Adjustments; Aquila's Financial Problems; Aquila's Organizational Structure in 2001; Corporate History; Current Corporate Structure	Direct
03/17/2003	Southern Union Co. d/b/a Missouri Gas Energy	GM20030238	Acquisition Detriment	Rebuttal
08/16/2002	The Empire District Electric Company	ER2002424	Prepaid Pension Asset; FAS 87 Volatility; Historical Ratemaking Treatments-Pensions & OPEB Costs; Pension Expense-FAS 87 & OPEB Expense-FAS 106; Bad Debt Expense; Sale of Emission Credits; Revenues	Direct
04/17/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service & St. Joseph Light & Power	GO2002175	Accounting Authority Order	Rebuttal

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Date Filed	Case Name	Case Number	Issue	Exhibit
01/22/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service	ER2001265	Acquisition Adjustment	Surrebuttal
01/22/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service	EC2001265	Acquisition Adjustment; Corporate Allocations;	Surrebuttal
01/08/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service	EC2002265	Acquisition Adjustment	Rebuttal
01/08/2002	UtiliCorp United, Inc. d/b/a Missouri Public Service	ER2001672	Acquisition Adjustment	Rebuttal
12/06/2001	UtiliCorp United, Inc. d/b/a Missouri Public Service	ER2001672	Corporate Allocations	Direct
12/06/2001	UtiliCorp United, Inc. d/b/a Missouri Public Service	EC2002265	Corporate Allocations	Direct
04/19/2001	Missouri Gas Energy, a Division of Southern Union Company	GR2001292	Revenue Requirement; Corporate Allocations; Income Taxes; Miscellaneous Rate Base Components; Miscellaneous Income Statement Adjustments	Direct
11/30/2000	Holway Telephone Company	TT2001119	Revenue Requirements	Rebuttal
06/21/2000	UtiliCorp United, Inc. / The Empire District Electric Company	EM2000369	Merger Accounting Acquisition	Rebuttal
05/02/2000	UtiliCorp United, Inc. / St. Joseph Light and Power	EM2000292	Deferred Taxes; Acquisition Adjustment; Merger Benefits; Merger Premium; Merger Accounting; Pooling of Interests	Rebuttal
03/01/2000	Atmos Energy Company and Associated Natural Gas Company	GM2000312	Acquisition Detriments	Rebuttal

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Date Filed	Case Name	Case Number	Issue	Exhibit
09/02/1999	Missouri Gas Energy	GO99258	Accounting Authority Order	Rebuttal
04/26/1999	Western Resources Inc. and Kansas City Power and Light Company	EM97515	Merger Premium; Merger Accounting	Rebuttal
07/10/1998	Missouri Gas Energy, a Division of Southern Union Company	GR98140	SLRP AAOs; Reserve; Deferred Taxes; Plant	True-Up
05/15/1998	Missouri Gas Energy, a Division of Southern Union Company	GR98140	SLRP AAOs; Automated Meter Reading (AMR)	Surrebuttal
04/23/1998	Missouri Gas Energy, a Division of Southern Union Company	GR98140	Service Line Replacement Program; Accounting Authority Order	Rebuttal
03/13/1998	Missouri Gas Energy, a Division of Southern Union Company	GR98140	Miscellaneous Adjustments; Plant; Reserve; SLRP; AMR; Income and Property Taxes;	Direct
11/21/1997	UtiliCorp United, Inc. d/b/a Missouri Public Service	ER97394	OPEB's; Pensions	Surrebuttal
08/07/1997	Associated Natural Gas Company, Division of Arkansas Western Gas Company	GR97272	FAS 106 and FAS 109 Regulatory Assets	Rebuttal
06/26/1997	Associated Natural Gas Company, Division of Arkansas Western Gas Company	GR97272	Property Taxes; Store Expense; Material & Supplies; Deferred Tax Reserve; Cash Working Capital; Postretirement Benefits; Pensions; Income Tax Expense	Direct
10/11/1996	Missouri Gas Energy	GR96285	Income Tax Expense; AAO Deferrals; Acquisition Savings	Surrebuttal
09/27/1996	Missouri Gas Energy	GR96285	Income Tax Expense; AAO Deferrals; Acquisition Savings	Rebuttal
08/09/1996	Missouri Gas Energy	GR96285	Income Tax Expense; AAO Deferrals; Acquisition Savings	Direct

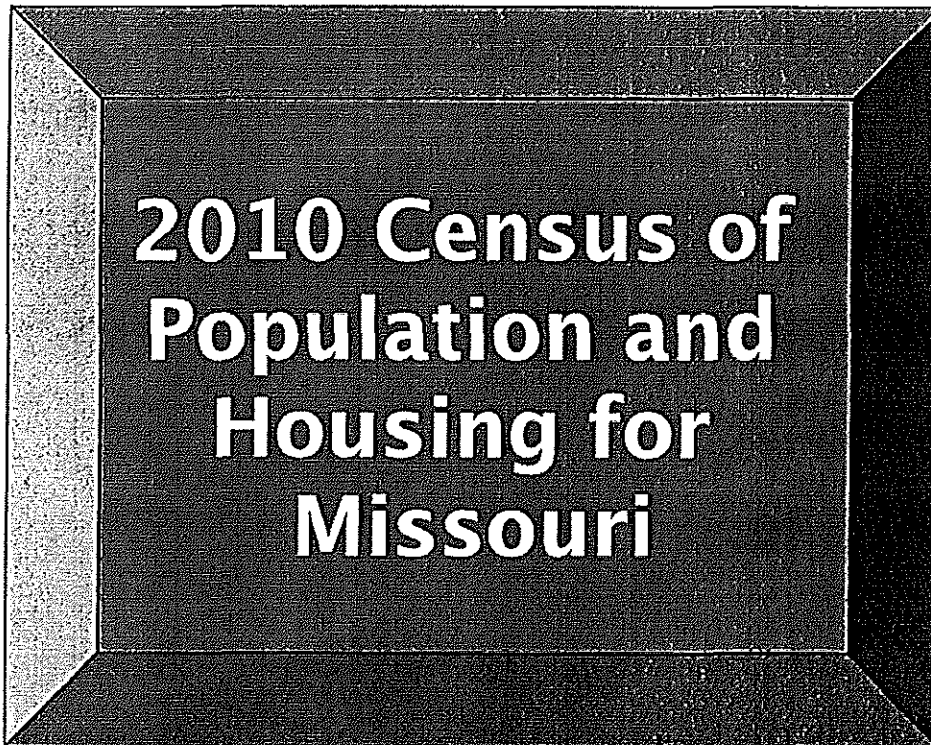
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CASE PARTICIPATION

Date Filed	Case Name	Case Number	Issue	Exhibit
05/07/1996	Union Electric Company	EM96149	Merger Premium	Rebuttal
04/20/1995	United Cities Gas Company	GR95160	Pension Expense; OPEB Expense; Deferred Taxes; Income Taxes; Property Taxes	Direct
05/16/1994	St. Joseph Light & Power Company	HR94177	Pension Expense; Other Postretirement Benefits	Direct
04/11/1994	St. Joseph Light & Power Company	ER94163	Pension Expense; Other Postretirement Benefits	Direct
08/25/1993	United Telephone Company of Missouri	TR93181	Cash Working Capital	Surrebuttal
08/13/1993	United Telephone Company of Missouri	TR93181	Cash Working Capital	Rebuttal
07/16/1993	United Telephone Company of Missouri	TR93181	Cash Working Capital; Other Rate Base Components	Direct

U.S. Census Bureau **Certification**

The attached document has been prepared from
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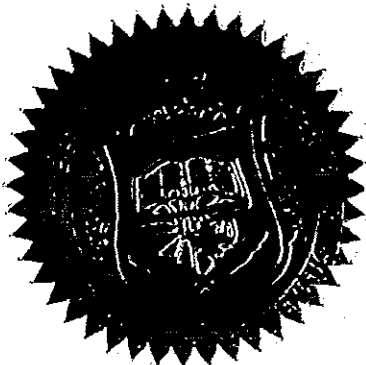
IMPRESSED CERTIFICATION

This certification includes publication CPH-2-27 Missouri: 2010, from the data set: 2010 Census of Population and Housing, issued September, 2012.

The seal of the U.S. Census Bureau is impressed hereon to certify that the attached is based upon official documents of the U.S. Census Bureau, judicial notice of which shall be taken pursuant to 13 U.S.C. § 3.

Kimberly L. Collier
Chief, Customer Liaison and Marketing
Services Office
U.S. Census Bureau

12/11/15
Date Signed



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Table 6.

Rank of Counties by Percent Change in Population: 2000 to 2010

[For information concerning historical counts and geographic change, see "User Notes." For information on confidentiality, nonsampling error, and definitions, see Appendixes.]

County/County Equivalent	Population		Percent change		County/County Equivalent	Population		Percent change	
	2010	2000	Rank	Percent		2010	2000	Rank	Percent
Christian County	77,422	54,255	1	42.6	Ripley County	14,100	13,509	59	
Lincoln County	52,566	38,944	2	35.0	Buchanan County	89,201	85,998	60	
Warren County	32,513	24,525	3	32.6	Madison County	12,226	11,800	61	
Taney County	51,675	39,703	4	30.2	Vernon County	21,159	20,454	62	
Pulaski County	52,274	41,165	5	27.0	Marion County	9,176	8,903	63	
St. Charles County	360,485	283,893	6	27.0	Randolph County	25,414	24,663	64	
Cass County	99,478	82,092	7	21.2	Jackson County	674,158	654,880	65	
Platte County	89,322	73,781	8	21.1	Bollinger County	12,363	12,029	68	
Clay County	221,939	184,006	9	20.6	Adair County	25,697	24,977	67	
Roane County	167,642	135,454	10	20.1	Rates County	17,049	16,653	68	
Camden County	44,002	37,051	11	18.8	Wayne County	13,521	13,269	69	
St. Francois County	65,359	55,641	12	17.5	Ozark County	9,773	9,547	70	
Webster County	36,202	31,045	13	16.6	Cedar County	13,882	13,733	71	
Polk County	31,137	26,992	14	15.4	Marion County	28,781	28,289	72	
Greene County	275,174	240,391	15	14.5	Ste. Genevieve County	18,145	17,842	73	
Phelps County	48,156	39,625	16	13.4	St. Clair County	9,605	9,652	74	
Texas County	26,008	23,003	17	13.1	Shannon County	8,441	8,324	75	
Stone County	32,262	26,658	18	12.4	Lafayette County	33,381	32,969	76	
Jasper County	117,404	104,686	19	12.1	Henry County	22,272	21,997	77	
Benton County	19,056	17,180	20	10.9	Harrison County	8,957	8,850	78	
Jefferson County	218,733	196,099	21	10.4	Pike County	16,516	16,351	79	
Newton County	50,114	42,636	22	10.4	Stoddard County	29,960	29,705	80	
Cape Girardeau County	75,674	68,693	23	10.2	Montgomery County	12,235	12,136	81	
Lawrence County	38,634	35,204	24	9.7	Mercer County	3,785	3,757	82	
Laclede County	35,571	32,513	25	9.4	Ray County	23,494	23,354	83	
Clinton County	20,743	18,979	26	9.3	Reynolds County	6,696	6,689	84	
Johnson County	52,595	48,258	27	9.0	Dade County	7,283	7,223	85	
Callaway County	44,332	40,766	28	8.7	Iron County	10,630	10,687	86	
Howell County	40,460	37,236	29	8.5	Howard County	10,144	10,212	87	
Crawford County	24,696	22,804	30	8.3	Gasconade County	15,227	15,347	88	
Franklin County	101,492	93,807	31	8.2	Barton County	12,402	12,541	89	
Washington County	25,195	23,344	32	7.9	Macon County	15,566	15,762	90	
Hickory County	9,627	8,940	33	7.7	Audrain County	25,529	25,853	91	
Dallas County	18,777	15,661	34	7.1	DeKalb County	12,297	13,073	92	
Pettis County	42,201	39,403	35	7.1	Saline County	23,370	23,755	93	
Mississippi County	14,358	13,427	36	6.9	Grundy County	10,261	10,452	94	
Nodaway County	23,370	21,912	37	6.7	St. Louis County	996,954	1,016,360	95	
Morgan County	20,565	19,309	38	6.5	Genry County	6,738	6,861	96	
McDonald County	23,083	21,681	39	6.5	Lewis County	10,211	10,494	97	
Cole County	75,990	71,397	40	6.4	Scottland County	4,843	4,932	98	
Schuyler County	4,431	4,170	41	6.3	Scott County	39,191	40,422	99	
Osage County	13,878	13,062	42	6.2	Dunklin County	31,953	33,155	100	
Ralls County	10,167	9,626	43	5.6	Clark County	7,139	7,416	101	
Cooper County	17,601	16,670	44	5.6	New Madrid County	12,956	19,760	102	
Carter County	6,265	5,941	45	5.5	Pulnam County	4,979	5,223	103	
Moniteau County	15,607	14,827	46	5.3	Monroe County	6,840	9,311	104	
Davess County	8,433	8,016	47	5.2	Knox County	4,131	4,361	105	
Oregon County	10,881	10,344	48	5.2	Shelby County	6,373	6,799	106	
Caldwell County	9,424	8,969	49	5.1	Sullivan County	6,714	7,219	107	
Miller County	24,748	23,564	50	5.0	Chariton County	7,831	8,438	108	
Dent County	15,657	14,927	51	4.9	Linn County	12,761	13,754	109	
Andrew County	17,291	16,492	52	4.8	Holt County	4,912	5,351	110	
Wright County	18,815	17,955	53	4.8	St. Louis city	319,294	348,169	111	
Butler County	42,794	40,867	54	4.7	Femiscot County	18,256	20,047	112	
Barry County	35,597	34,010	55	4.7	Worth County	2,171	2,382	113	
Perry County	18,971	18,137	56	4.6	Carroll County	9,295	10,255	114	
Douglas County	13,684	13,004	57	4.6	Atchison County	5,605	6,431	115	
Livingston County	15,195	14,558	58	4.4					



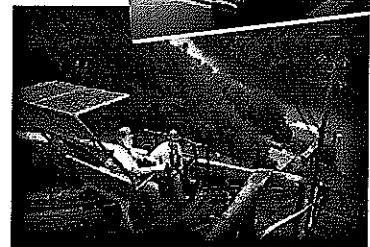
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Institutional Investor Presentation

November 2015

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Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

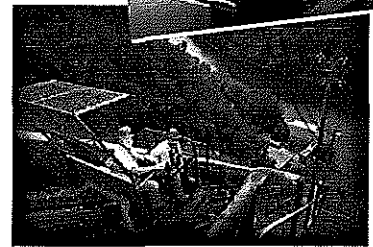
November 2015



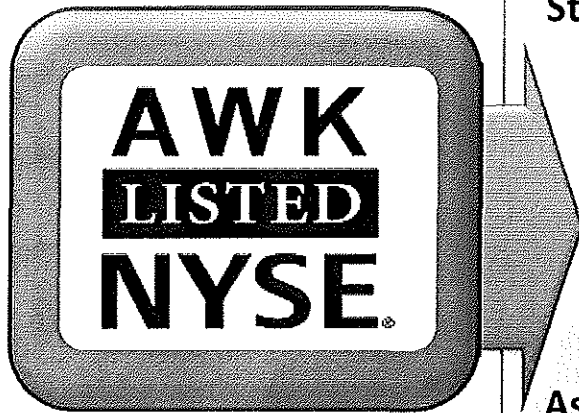
AMERICAN WATER

NYSE: AWK

American Water Overview



American Water: The Premier Water Services Provider In North America



Market Statistics*

- \$16.6 Billion Total Enterprise Value
- 860,000 Average Daily Trading Volume LTM
- \$10.5 Billion Market Capitalization
- \$3.0 Billion in 2014 Revenues
 - 89% Regulated, 11% Market Based
- 13.8% Total Shareholder Return for Last 12 Months
- 2.3% Current Dividend Yield
- 0.8 Beta

Assets

- 15 Million People Served
- 48,000 Miles of Pipeline
- 6,800 Employees
- 1,600 Communities
- 3.2 Million Regulated Customers

* Market data as of November 5, 2015, Source : FactSet

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American Water Is Unique

Strong Earnings & Dividend Growth

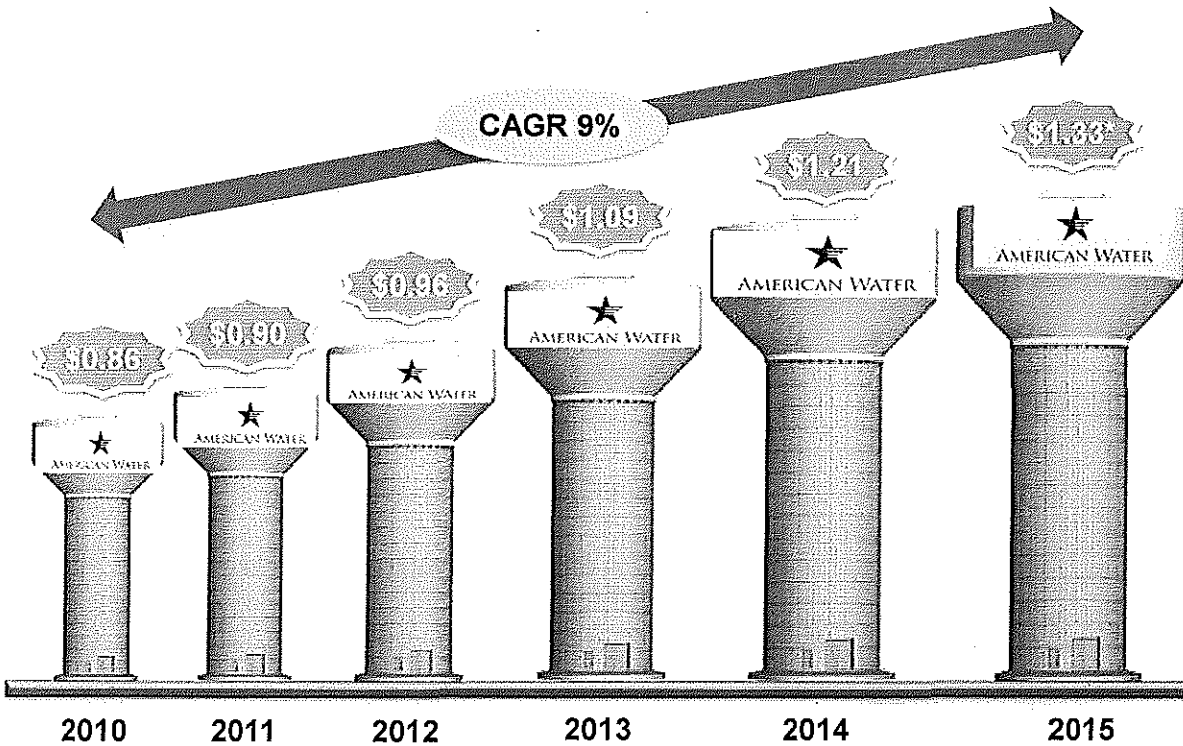
- Industry Leading projected **7-10%** Long Term EPS Growth with **0.8** Beta*
- **9%** Dividend Growth rate Top Quartile in Utilities**
- Operational Excellence Minimizes Bill Increases projected approximately **2%** on an average
- Commitment to Innovation & Environmental Stewardship, over **600** technologies examined

*Source : FactSet 5 Yr Beta (Adjusted)

**Source: FactSet: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend. Peer companies include: AEP , AES , AWK , CNP , D , DUK , ED , EIX , EXC , FE , NEE , NI , PCG , PEG , SO , AWR , ARTNA , CTWS , CWT , MSEX , SJW , WTR , YORW



Long History Of Consistent Dividend Growth



- Future dividend increases aligned with normalized EPS growth
- Payout ratio between 50-60 percent of net income

Top quartile Dividend CAGR Growth compared to DJIA companies and Water Peers**

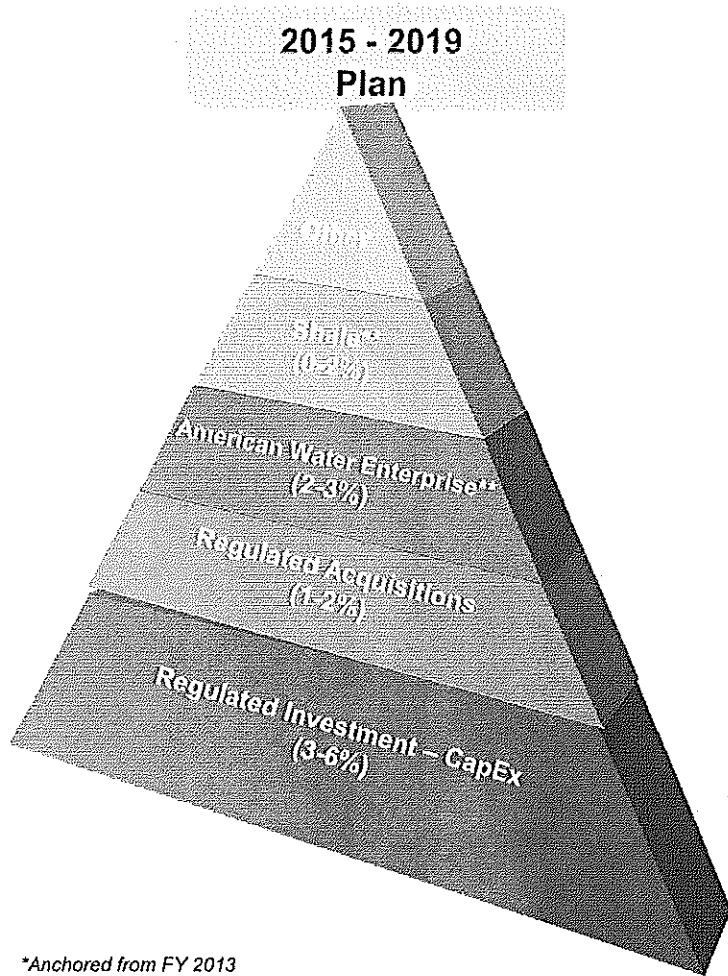
*Assumes fourth quarter 2015 dividend payment equal to current quarterly dividend of \$0.34 per share. Payment of fourth quarter 2015 dividend subject to Board review and approval

**Source: Factset: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.

Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW

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Our Future: Our Commitment Over The Next 5 Years



- Industry Leading **7-10%** Long Term EPS Growth*
- **\$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **-2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship
- Dividend growth aligned with earnings growth, **50- 60%** target payout ratio

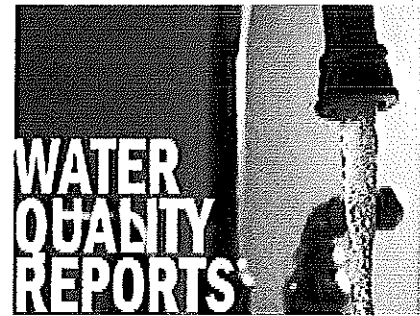
*Anchored from FY 2013

**Market Based Segment (MBB) includes American Water Enterprise (AWE) & Shale, AWE includes our HOS, Military services and other businesses.

Business Updates

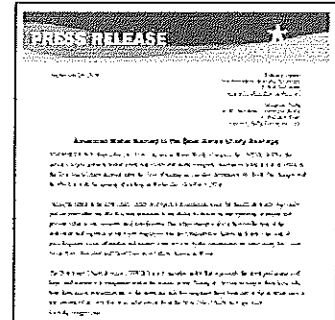
2014 Water Quality Report

- 15x better than the industry average for compliance with drinking water quality standards
- 20x better than the industry average for meeting all drinking water requirements



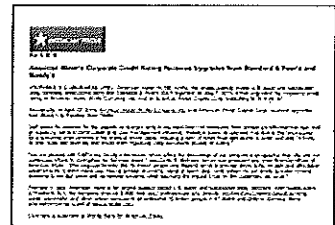
Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



Rating Upgrade

- Standard & Poor's (S&P) reported on May 7, 2015, it had upgraded American Water's corporate credit rating to 'A' from 'A-'
- Additionally, on August 7, 2015, the company received rating upgrade from Moody's to 'A3' from 'Baa1'



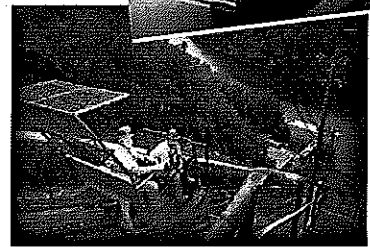
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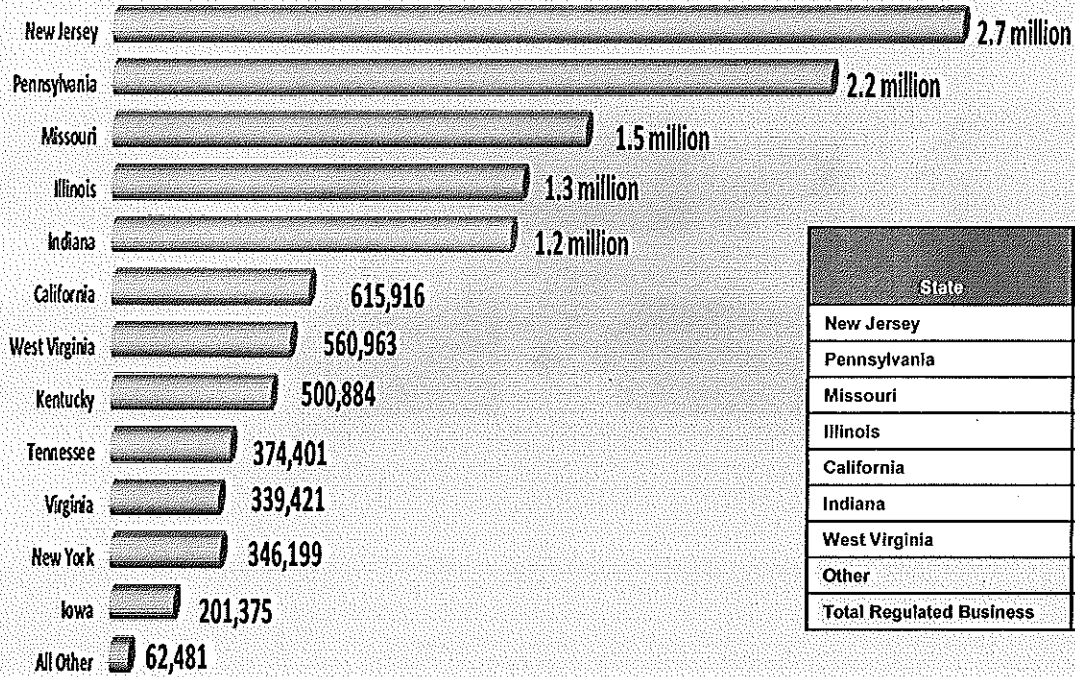
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Our Regulated Business



Our Regulated Business

States Where We Operate (approximate population served by state)*

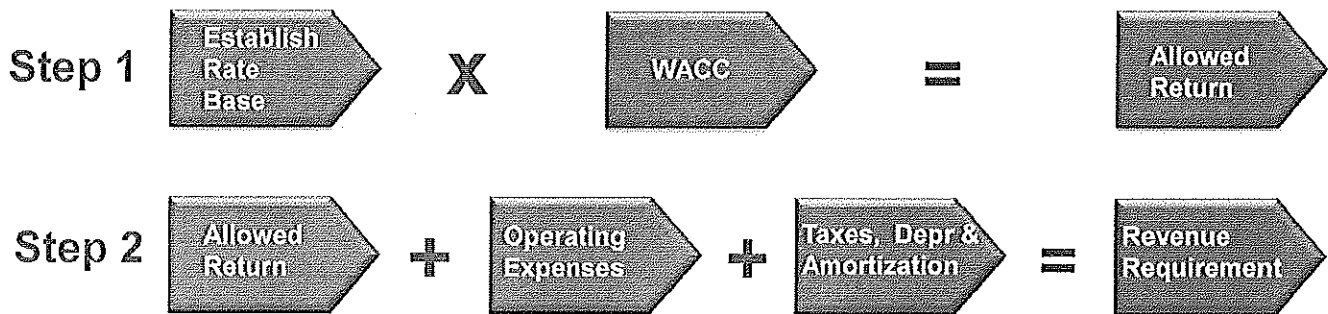


State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652.3	24.5%
Pennsylvania	605.4	22.6%
Missouri	270.2	10.1%
Illinois	262.3	9.8%
California	209.8	7.8%
Indiana	200.6	7.5%
West Virginia	127.0	4.7%
Other	346.7	13.0%
Total Regulated Business	\$2,674.3	100%

* Population data for FY 2014

The Rate Of Return Regulation In The United States

Prudent Investment Drives Need for Rate Cases



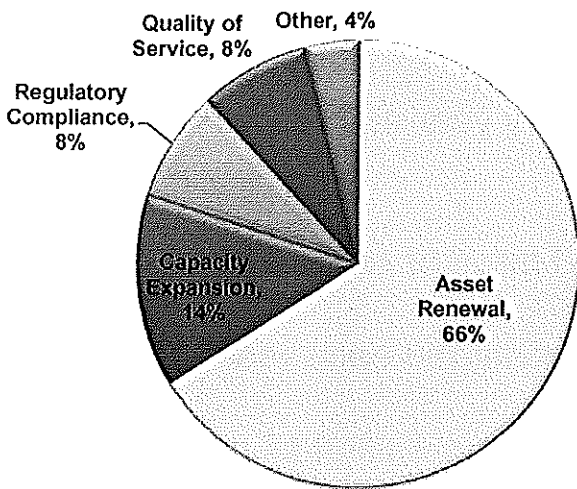
American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

Investment In Water & Wastewater Industry Is Urgently Needed

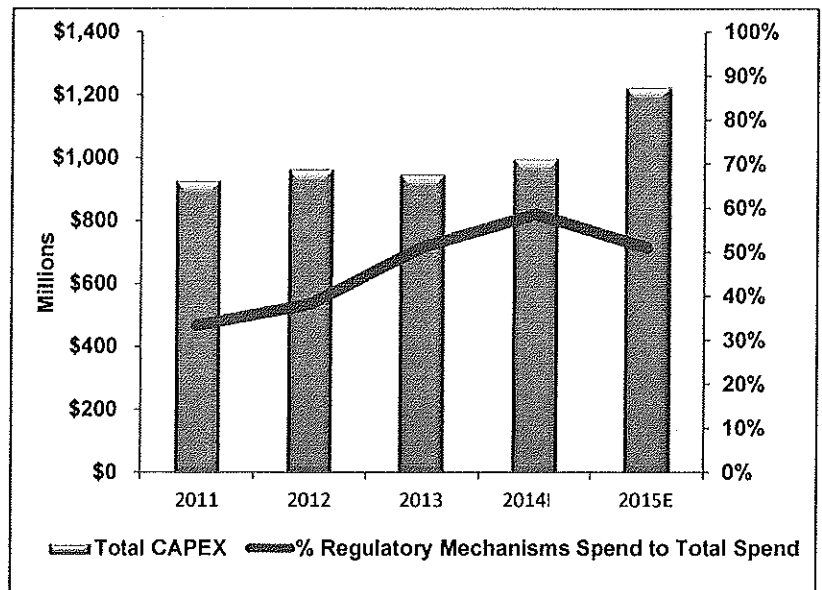
- Water: approximately one million miles of pipe in the U.S.
- A major water main breaks every two minutes in the U.S.
- Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- Wastewater: approximately 800 thousand miles of sewer mains
- 900 billion gallons of untreated sewage discharged each year
- By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

Regulatory Capital Investment Of \$5.2 Billion Over Next Five Years

2015 – 2019 Average Capital Expenditures by Purpose



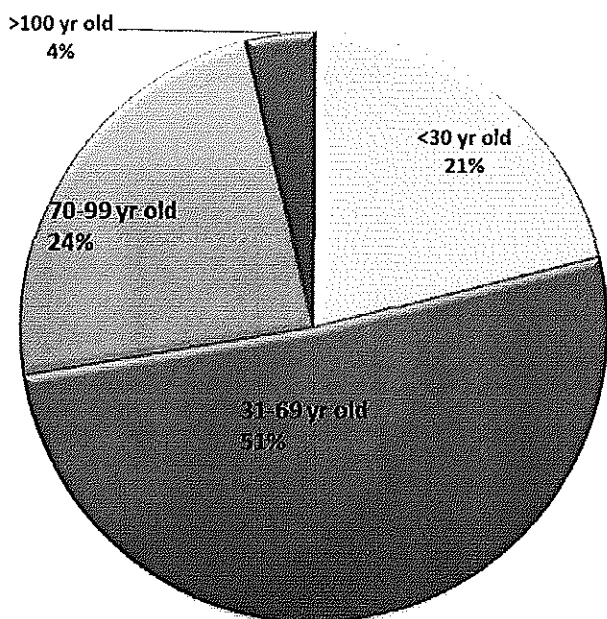
Investments covered by Regulatory Mechanisms



Note
 (1) Regulatory Mechanisms include DSIC, SIC and Future Test Years

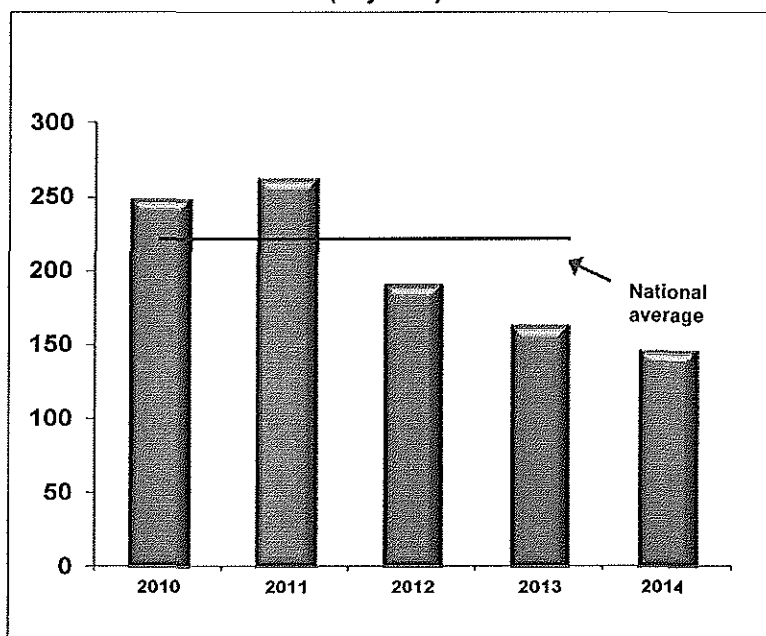
Pipe Age Distribution & Replacement Rate

Pipe Age Distribution – AW System



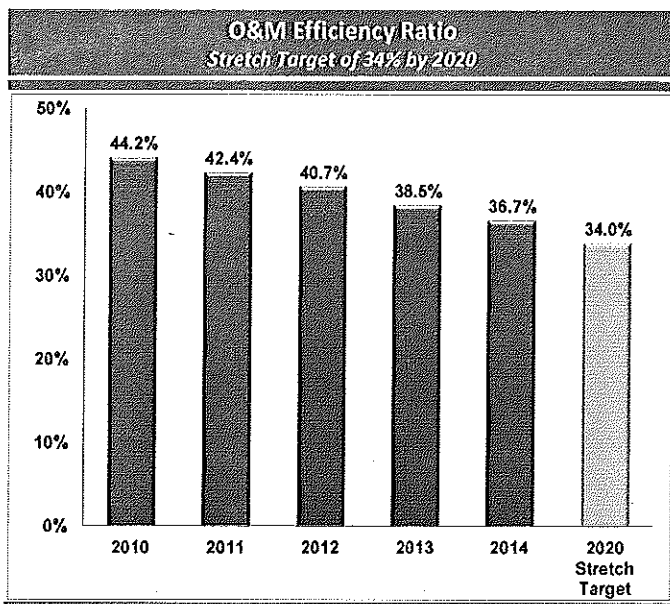
Over 25% pipes are 70 years or older

American Water Pipe Replacement Rate (in years)

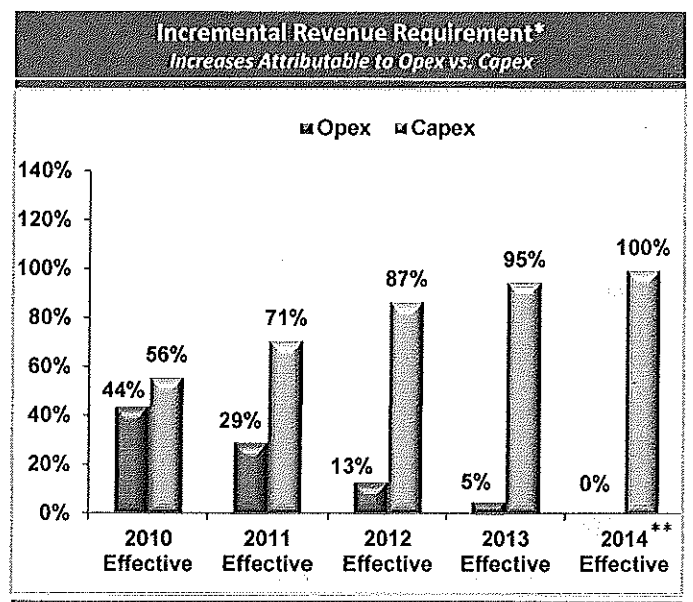


Pipe Replacement rate is shortening

Our Disciplined Approach To Investing



Note:
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation



Note:

- * Approximation in states where we received black box award
- ** For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

We work with State Commissions to Lower Impact of Regulatory Lag to Increase Investments

Positive Policies to reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates recovery on Plant not yet in service ⁽¹⁾	Revenue Decoupling or Declining Usage Adjustment
NJ	X		X	X		X
PA	X	X		X	X	X ⁽³⁾
MO	X		X	X		X ⁽³⁾
IL	X	X	X	X	X	X
IN	X	X		X		X ⁽³⁾
WV				X		
CA		X	X		X	X
KY		X		X	X	
NY	X	X	X		X ⁽²⁾	X
TN	X	X	X		X	X ⁽³⁾
VA		X	X		X	
IA				X		
HI		X				
MD			X	X		X ⁽³⁾

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

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Recent Legislations Promoting Acquisition Of Troubled Systems



Water Infrastructure Protection Act:

- S-2412, Effective Feb 5, 2015
- Streamlines the approval process for sales (no ballot question required)
- Third party appraisal for valuing water and wastewater assets



Distressed Utility Acquisition Bill:

- House Enrolled Act 1319, Effective July 1, 2015
- Enables regulatory authority to approve purchase price cost differential recovery associated with troubled (distressed) utilities

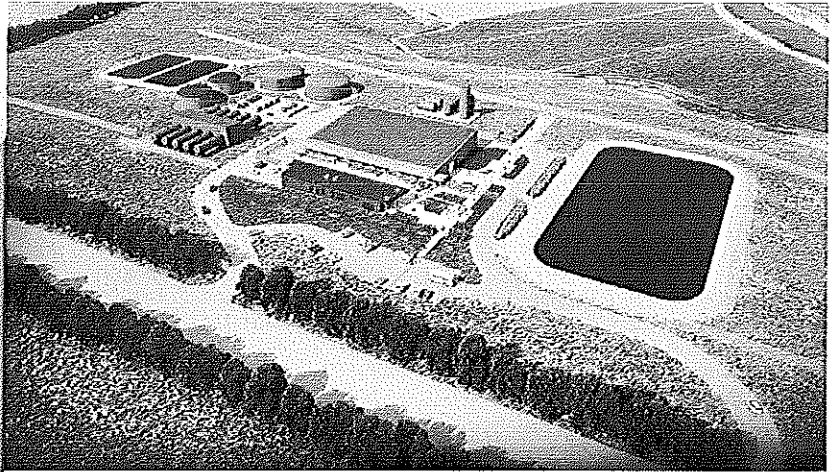
Other States With Similar Acquisition Adjustments:



Our Role In California

Investing in Future of Water

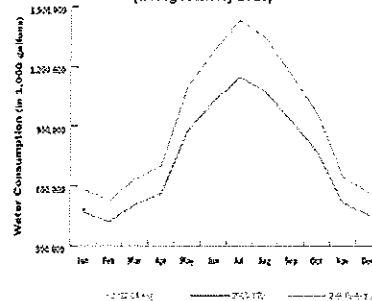
- Total capital investment: \$300 million
- Desalination Plant: 6.4 or 9.6 MGD
- Heated Metal Oxide Particles (HMOPs)
- Innovative Subsurface Slant Well Intake System
- Aquifer Storage & Recovery



CURRENT STATUS - Sacramento District

20% reduction requested. Current reduction: 17%

Customer Conservation Progress Current Consumption vs. 20% Reduction (through January 2015)



Conservation
GOAL: 20%

Actual conservation
17%
for Jan 2015

Water Waste Reports
Received:

January: **6**
Year to Date: **6**

Leading with Conservation

- Record drought, 25% mandatory state-wide water usage reductions
- Most of our locations already reduced water use tremendously, and in Sacramento, as much as 17 percent since 2013
- Piloting Innovative Technology
 - AMI Pilot in Monterey, monitor daily water consumption
 - Customers can sign up for text or email alert

Usage decoupled from earnings

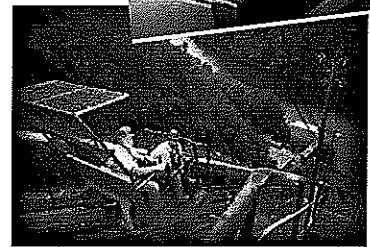
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Our Market-Based Business



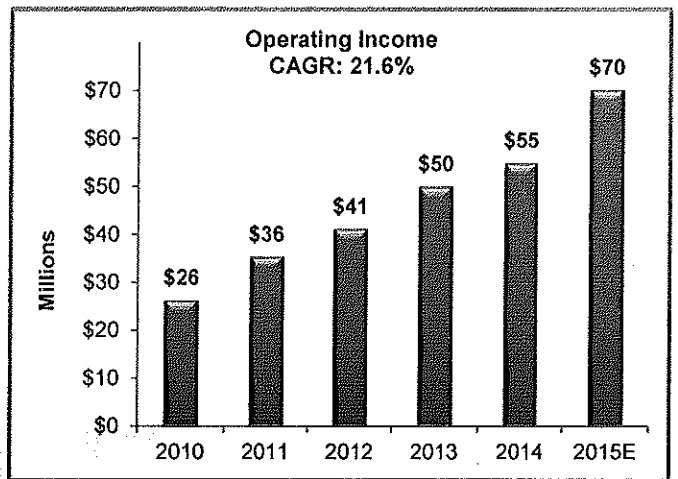
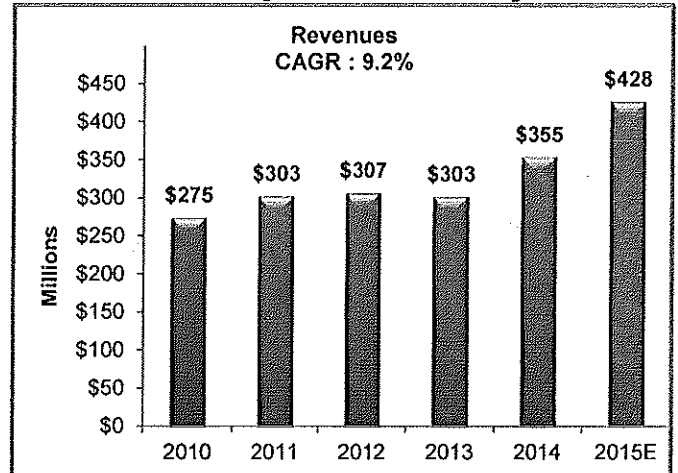
American Water Enterprise Generates Complementary Opportunities For Growth

Lines of Business

- Homeowner Services (HOS)
- Contract Operations
 - Military Services Group (MSG)
 - Municipal/Industrial (CSG)

"Regulated Like"

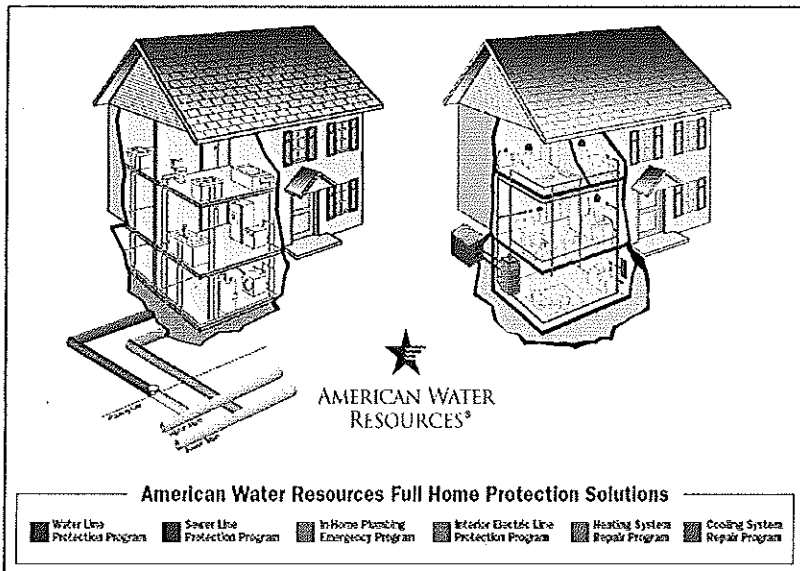
- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets



Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

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Homeowner Services



- Protect homeowners from unexpected high repair costs
- Manage approximately 700k customers and 1.4m contracts
- Municipal partnerships
 - New York City
 - Nashville, TN
 - Burlington, IA
 - Orlando, FL
- Current warranties:
 - Water Line
 - Sewer Line
 - In Home Plumbing
 - In Home Electric
 - HVAC (Test)

Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships

Military Services: Overall Growth Strategy

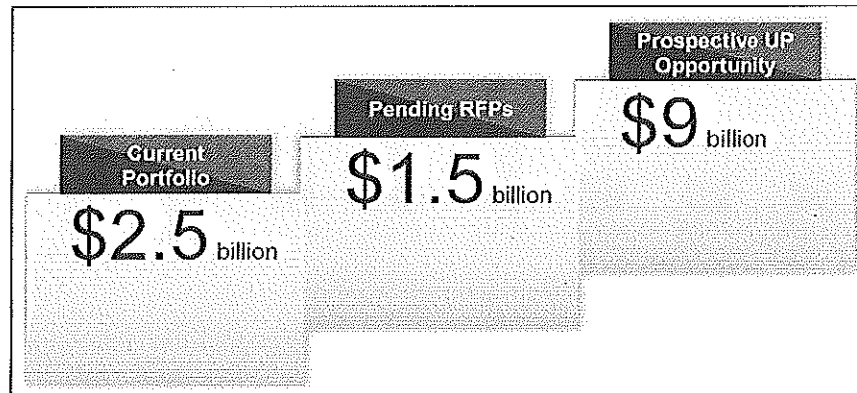
Add New Customers

Current Bases

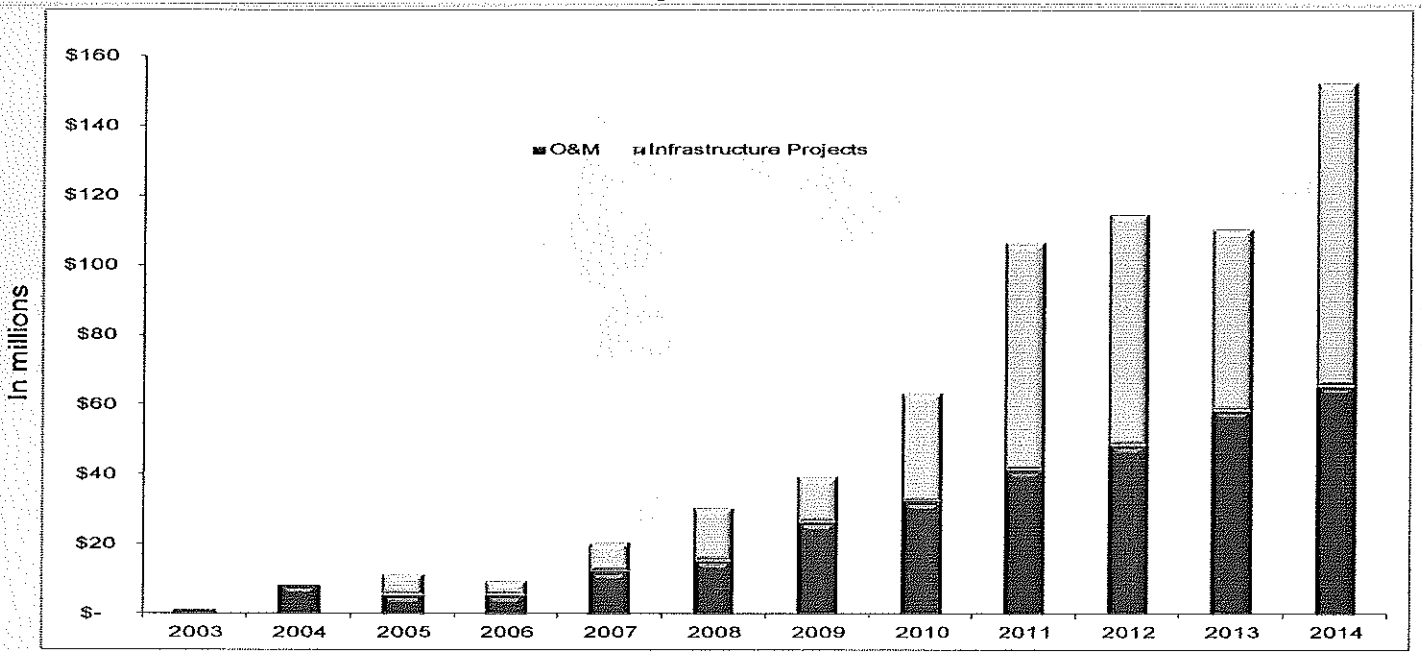
- Ft. Leavenworth (39 yrs. Left)
- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)
- Vandenberg AFB (50 yrs. Left)

Optimize Existing Bases

1. Price Redeterminations
2. Infrastructure Modifications

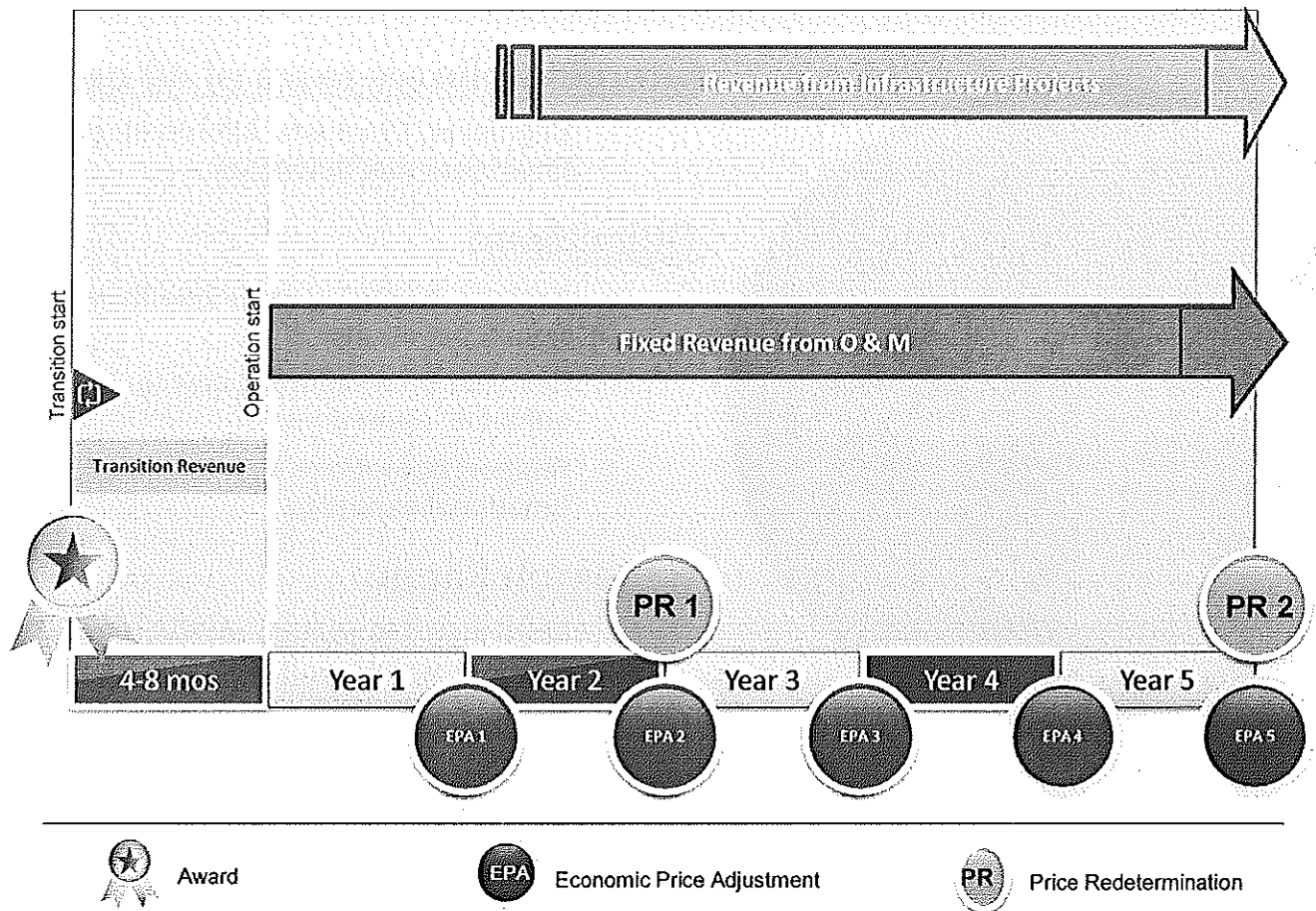


Military Services: Growth By Adding New Bases & Optimizing Value At Existing Bases



Installations	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	2	3	3	4	6	8	10	10	10	9	9	11

Military Services: Typical Revenue – First 5 Years Of Contract



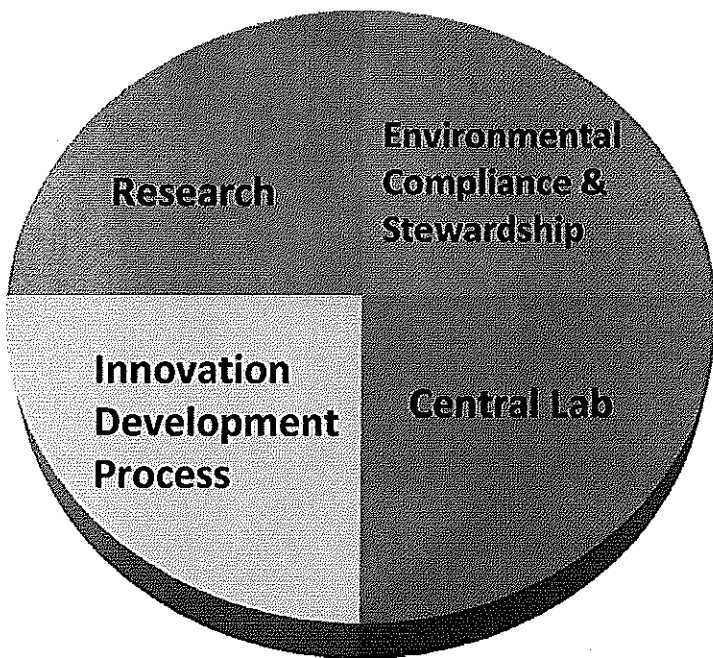
Award

Economic Price Adjustment

Price Redetermination

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INNOVATION AND ENVIRONMENTAL STEWARDSHIP



Interdisciplinary team of 40 people:

- Engineers, Chemists, Microbiologist & Environmental Scientists

Objectives:

- Address emerging water quality or regulatory issues
- Evaluate & recommend new technology to enhance operations
- Support operations with technical, functional expertise

Research Facts:

- More than 150 awards received for superior water quality
- Nearly 80 competitive research grants awarded
- Over \$32M total grant value
- Five US based patents

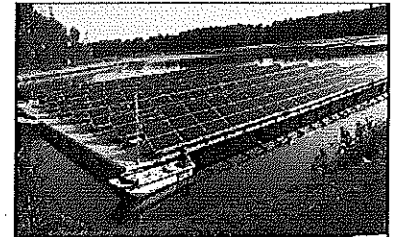
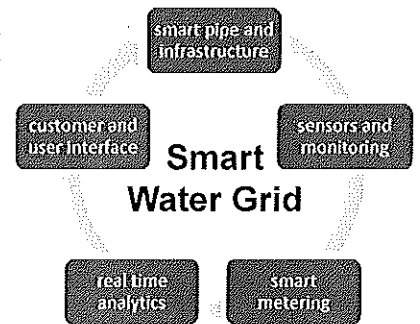


The Water-Energy Nexus: Challenges & Opportunities

DOE's Strategic Pillars

American Water's Efforts

<p>Optimize the energy efficiency of water management, treatment, distribution and end of use systems</p>	<ul style="list-style-type: none"> • NPXPRESS • Pressure Management Research • Pump Efficiencies • Demand Side Energy Management
<p>Enhance the reliability and resilience of energy and water systems</p>	<ul style="list-style-type: none"> • Smart Water Grid • Saving Water to Save Energy • Resiliency Projects
<p>Increase safe and productive use of non-traditional water sources</p>	<ul style="list-style-type: none"> • One Water Philosophy • Desalination • Recycled Water
<p>Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts</p>	<ul style="list-style-type: none"> • Shale Gas Production
<p>Exploit productive synergies among water and energy systems</p>	<ul style="list-style-type: none"> • Enbala • Solar Power • Wind Power Purchases

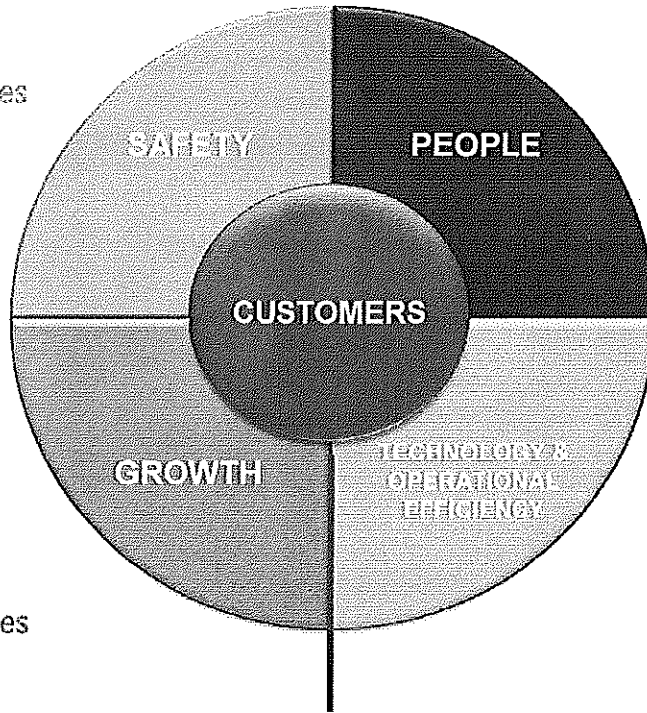


Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"

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Our Future Results Are Anchored On 5 Central Themes With Customers At The Center Of All We Do

- Zero accidents and injuries
- Live healthy



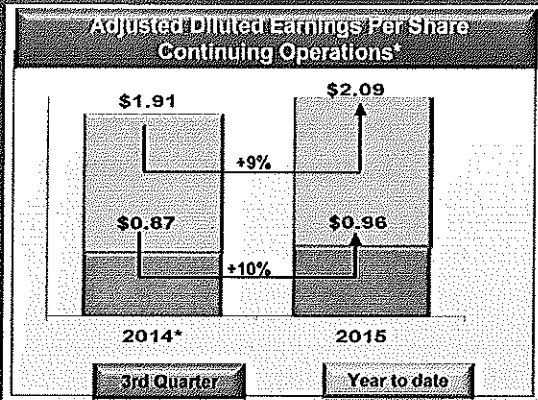
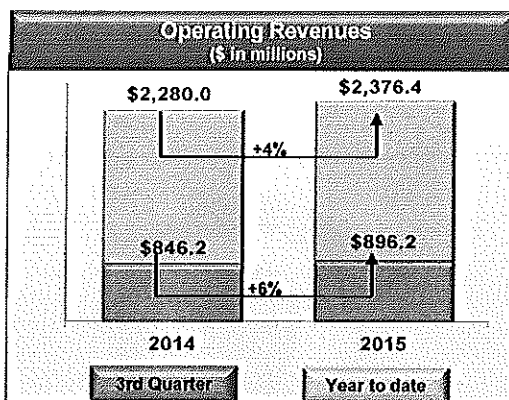
- Proud and engaged people who are always improving
- Diverse teams making a difference

- Grow existing businesses
- Buy and build complementary businesses

- Long-term environmental leadership
- Industry-leading operational efficiency, driven by technology

- Very satisfied customers
- Know our customers' needs and deliver value

Continued Strong Q3 2015 Revenue & EPS Growth



Third Quarter EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	2015
Regulated Businesses	\$0.97
Market-Based Businesses	\$0.07
Other (Includes Parent interest & other)	(\$0.08)
Total EPS	\$0.96

Year To Date EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	2015
Regulated Businesses	\$2.09
Market-Based Businesses	\$0.17
Other (Includes Parent interest & other)	(\$0.17)
Total EPS	\$2.09

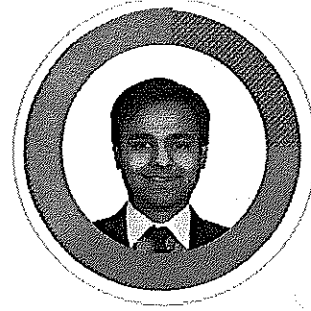
Note: *Reported 2014 YTD EPS of \$1.87 was adjusted by \$0.04 for the after-tax impact of the Freedom Industries chemical spill in WV. Segment information rounded for presentation purposes

Investor Relations Team:



Greg Panagos
Vice President – Investor Relations
Gregory.panagos@amwater.com

AWK
LISTED
NYSE



Durgesh Chopra
Director – Investor Relations
Durgesh.chopra@amwater.com

Tel: 856-566-4005
Fax: 856-782-2782

Q4 2015 Earnings Call: February 25, 2016, 9 a.m. ET
Investor Day: December 15, 2015



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Appendix



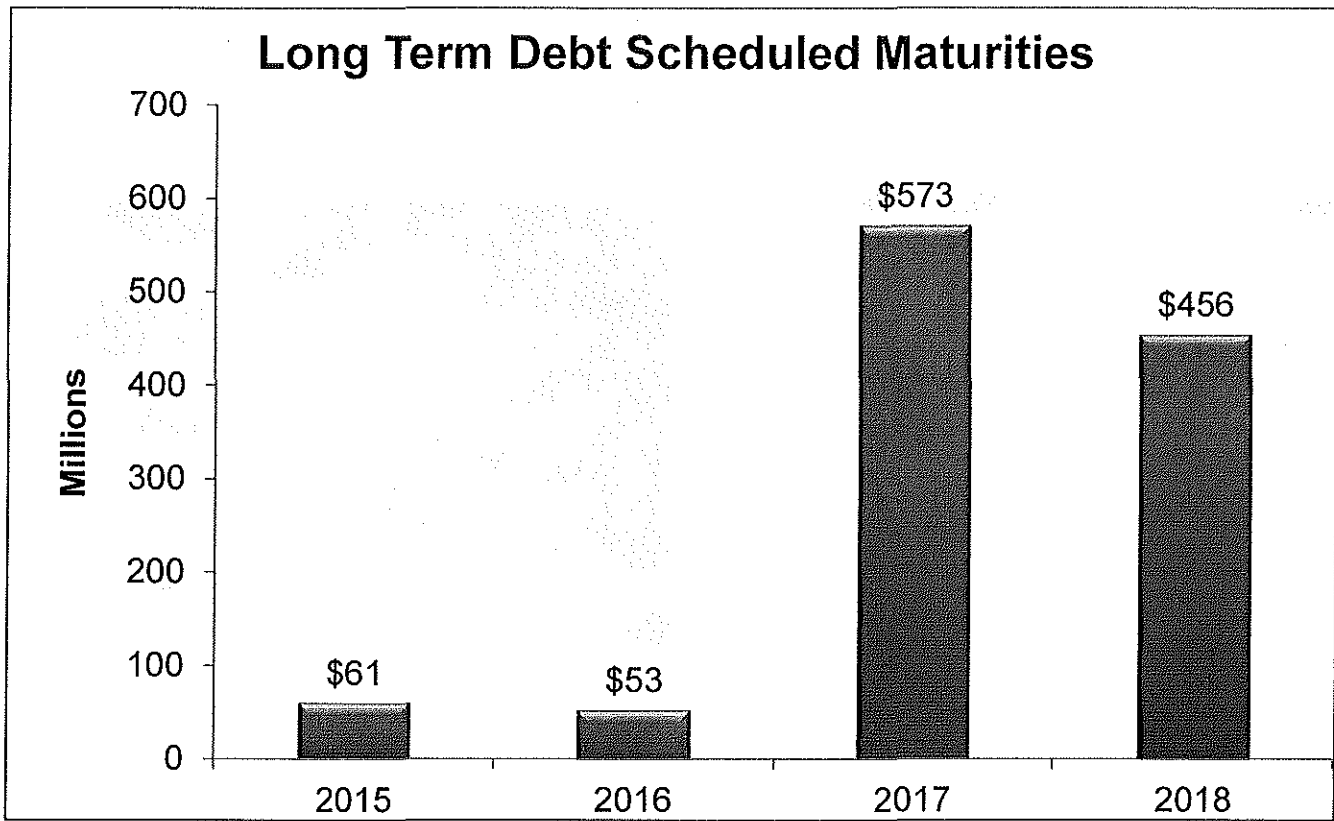
Reconciliation Table – Regulated O&M Efficiency Ratio

Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number) <i>(\$ in thousands)</i>	FY	FY	FY	FY	FY
	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
Adjusted Regulated Operations and Maintenance Expense (a)	\$966,198	\$963,013	\$980,457	\$961,377	\$942,545
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
Adjusted Regulated operating revenues (b)	\$2,185,822	\$2,269,883	\$2,411,376	\$2,498,424	\$2,570,825
Regulated O&M Efficiency Ratio (a)/(b)	44.2%	42.4%	40.7%	38.5%	36.7%

*Calculation assumes purchased water revenues approximate purchased water expenses

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Debt Maturity Schedule



West Virginia Update: Independent Comments Around West Virginia American Water's Actions During The Freedom Industries Chemical Spill



Annual Conference & Exposition
 Eastern Construction & Equipment Conference, MA USA
 Conference: June 8 - 12 | Exposition: June 9 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water

Home News Cops and Courts Sports Opinion Business Food and Livin



Monday, June 30, 2014

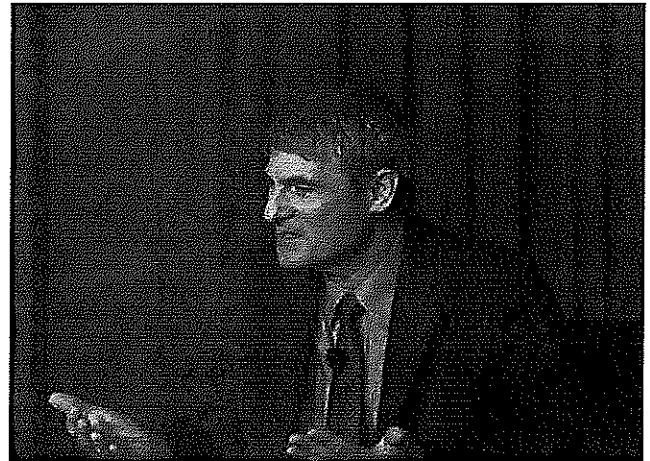
Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call....."



(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance. They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"

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Regulatory Filings Focused On Infrastructure Investments

Rate Cases Awaiting Final Order						
A. Rate Cases Filed						
Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
West Virginia	Cases 15-0676-W-42T & 15-0675-S-42T	4/30/2015	\$35.6	(a)	10.75%	\$540.0
Missouri	Case No. WR-2015-0301 & SR-2015-0302	7/31/2015	25.2	(b)	10.70%	1,082.6
Virginia	Case No. 2015-00097	10/30/2015	8.7		10.75%	162.2
			<u>\$69.5</u>			<u>\$1,784.8</u>

Rates Effective since October 1, 2014						
		Date Effective	Revenue Increase			Comments
B. Step Increases						
California		Various	\$1.9	(c)		Final Step
			<u>\$1.9</u>			
C. Infrastructure Charges						
Missouri (ISRS)		12/31/2014	\$9.0			
New Jersey (DSIC)		1/1/2015	9.4			
Illinois (QIP)		1/1/2015	4.9			
Illinois (QIP)		2/1/2015	1.0			
Pennsylvania (DSIC - W & WW)		4/1/2015	1.6			
New York (SIC)		6/1/2015	0.1			
Missouri (ISRS)		6/27/2015	1.9			
Tennessee (QIP, EDI & SEC)		6/30/2015	2.2			
Pennsylvania (DSIC - W & WW)		7/1/2015	4.6			
Pennsylvania (DSIC - W & WW)		10/1/2015	7.8			
			<u>\$42.5</u>			
D. Rate Cases						
Indiana		1/29/2015	\$5.1			
California		1/1/2015	5.2	(d)		
Maryland		6/19/2015	0.5			
Kentucky WW		7/2/2015	0.2	(e)		
New Jersey		9/21/2015	22.0			
			<u>\$33.0</u>			

Note: See slide 22 in appendix for footnotes

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Regulatory Filings: Rate Cases Update Footnotes

(a) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations.











(b) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations, these amounts exclude the \$25.8 million in ISRS revenue previously allowed for a total request of \$51.0 million.

(c) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision.

(d) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote c) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.

(e) The revenues granted in the amount of \$186K are based on a four-year phase-in of equal percentage increases each year.

Regulated Utilities: Rate Base & Authorized Return on Equity

Last Rate Case Awarded - Largest Regulated Subsidiaries							
	 CALIFORNIA AMERICAN WATER	 ILLINOIS AMERICAN WATER	 INDIANA AMERICAN WATER	 KENTUCKY AMERICAN WATER	 MISSOURI AMERICAN WATER		
Authorized Rate Base*	\$439,448	\$706,386	\$841,915	(b)	\$384,729	\$831,375	(b)
Authorized ROE	9.99%	(a) 9.34%	9.75%		9.70%	10.00%	(g)
Authorized Equity	53.00%	(a) 48.10%	41.55%	(c)	44.70%	50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a) 10/1/2012	1/29/2015		10/25/2013	(d)	4/1/2012
	 NEW JERSEY AMERICAN WATER	 NEW YORK AMERICAN WATER	 PENNSYLVANIA AMERICAN WATER	 VIRGINIA AMERICAN WATER	 WEST VIRGINIA AMERICAN WATER		
Authorized Rate Base*	\$2,386,790	\$128,882	(f) \$2,425,711	(b)	\$119,254	(b) \$448,841	(b)
Authorized ROE	9.75%	9.65%	(f) 10.25%	(g)	9.75%	9.90%	(g)
Authorized Equity	52.00%	42.00%	(f) 51.69%	(e)	42.67%	(e) 45.23%	(e)
Effective Date of Rate Case	9/21/2015	4/1/2012	(f) 1/1/2014		12/12/2012	(h)	10/11/2013

*Rate Base stated in \$000s

Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

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Reconciliation Table: Closed & Pending Regulated Acquisitions

Acquisitions				
2015 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
IN	2	546	—	546
MO	2	25	9,296	9,321
NJ	1	4,500	4,500	9,000
PA	2	55	245	300
Total	<u>7</u>	<u>5,126</u>	<u>14,041</u>	<u>19,167</u>
Announced Pending Acquisitions**				
(As of November 5, 2015)				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	5	2,590	253	2,843
IL	1	135	—	135
MO	4	254	399	653
NJ	2	104	5,300	5,404
NY	1	35	—	35
PA	3	196	4,060	4,256
Total	<u>16</u>	<u>3,314</u>	<u>10,012</u>	<u>13,326</u>

**Announced pending defined as awaiting financial close, municipal and/or regulatory approval.

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Reconciliation Tables: Adjusted Diluted Earnings Per Share From Continuing Operations

Diluted Earnings Per Common Share	2010	2011	2012	2013	2014
Net Income - GAAP	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
Income from continuing operations per diluted common share - GAAP	\$ 1.46	\$ 1.72	\$ 2.10	\$ 2.07	\$ 2.39
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
Adjusted diluted EPS from Continuing Operations	\$ 1.46	\$ 1.72	\$ 2.10	\$ 2.21	\$ 2.43

Note: Amounts may not sum due to rounding

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