

Exhibit No.:  
Issues: AWWWS Support Services  
Witness: Michi Q. Chao  
Exhibit Type: Direct  
Sponsoring Party: Missouri-American Water Company  
Case No.: WR-2011-0337  
SR-2011-0338  
Date: June 30, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. WR-2011-0337  
CASE NO. SR-2011-0338**

**DIRECT TESTIMONY**

**OF**

**MICHI Q. CHAO**

**ON BEHALF OF**

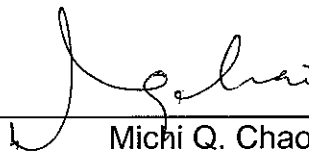
**MISSOURI-AMERICAN WATER COMPANY**

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

IN THE MATTER OF MISSOURI-AMERICAN ) WATER COMPANY FOR AUTHORITY TO ) FILE TARIFFS REFLECTING INCREASED ) RATES FOR WATER AND SEWER ) SERVICE )	CASE NO. WR-2011-XXXX CASE NO. SR-2011-XXXX
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**AFFIDAVIT OF MICHQ. CHAO**

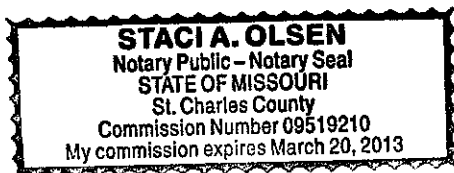
Michi Q. Chao, being first duly sworn, deposes and says that she is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Michi Q. Chao"; that said testimony was prepared by her and/or under her direction and supervision; that if inquires were made as to the facts in said testimony, she would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of her knowledge.

  
\_\_\_\_\_  
Michi Q. Chao

State of Missouri  
County of St. Louis  
SUBSCRIBED and sworn to  
Before me this 24<sup>th</sup> day of June 2011.

  
\_\_\_\_\_  
Notary Public

My commission expires:



**DIRECT TESTIMONY  
MICH Q. CHAO  
MISSOURI-AMERICAN WATER COMPANY  
CASE NO. WR.2011.0337  
SR.2011.0338**

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**DIRECT TESTIMONY**

**MICHI Q. CHAO**

**I. WITNESS INTRODUCTION**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Michi Q. Chao. I am employed by American Water Works Service Company, Inc. (“AWWS”), 727 Craig Road, St. Louis, Missouri 63141.

**Q. WHAT IS YOUR POSITION WITH MISSOURI-AMERICAN WATER COMPANY (“MISSOURI-AMERICAN” OR “MAWC” OR THE “COMPANY”)?**

A. I am employed by AWWS as a Financial Director and Assistant Treasurer for Missouri American Water Company (“Company” or “MAWC”). The Service Company is a subsidiary of American Water Works Company, Inc. (“American Water”) that provides various services to American Water's water and wastewater utility subsidiaries. In this proceeding I am testifying on behalf of MAWC.

**Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

A. In 1995, I received a Bachelor of Science in Business Administration, with a major in finance from California State University of Los Angeles. I am in the process of earning my Master of Business Administration from Webster

1 University, Missouri with an expected completion date in the first quarter of  
2 2013.

3 **Q. PLEASE SUMMARIZE YOUR EMPLOYMENT EXPERIENCE.**

4 A. From 1996 to 1997, I was employed by Arroyo Seco Management Services  
5 as the Senior Financial analyst. From 1997 to 1998, I joined Cedar Sinai  
6 Medical Center as their Senior Accountant. From 1998 to 2000, I was  
7 employed by UCLA Medical Center as the Disbursement Manager. In 2000, I  
8 joined Health Net, Inc and held two roles, Financial Consultant and Financial  
9 Planning and Reporting Manager in the Corporate Business Planning  
10 department. My customers included various functional departments such as  
11 Corporate Executives, Corporate Finance and Shared Services, and  
12 Operations (East coast and West coast). My responsibilities included  
13 Financial Statement Performance packages, Financial and Business  
14 presentations, Strategic Planning, and Forecasting, Financial compliance  
15 (Sarbanes Oxley 302 certification) and Software implementation, training and  
16 reporting development.

17 In August of 2004, I joined American Water as a Consultant through  
18 Resources Global Professionals and was hired on September 20, 2004.  
19 Through April of 2009, I was the Financial Planning & Analysis Director,  
20 responsible for the Financial Statement Reporting packages and Financial  
21 Statement Planning/Forecasting for the former Central Region States  
22 (Missouri, Illinois, Indiana, Iowa, Michigan, Ohio and Texas). The Financial

1 Reporting packages adhered to Financial Statement variance thresholds (\$  
2 and %) and filing requirements. The integrated financial statement  
3 plans/forecasts included normalized historical account trend analysis and  
4 inflationary factors.

5 During May of 2009, I was promoted to Finance Director for Missouri-  
6 American and Texas-American. My duties for MAWC include all aspects of  
7 Finance (Financial Reporting, Budgeting/Forecasting, Rates/Regulations, and  
8 Compliance).

9 **II. PURPOSE OF TESTIMONY**

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

11 A. The purpose of my testimony is to discuss on behalf of MAWC, the AWWC  
12 Support Services.

13 **Q. WILL YOU BE TESTIFYING IN SUPPORT OF ANY SCHEDULES?**

14 A. Yes. I will be testifying to the Service Company support services adjustment  
15 on Schedule CAS-14.  
16

17 **III. AWWS SUPPORT SERVICES**

18 **Q. WHAT ADJUSTMENT WAS MADE TO THE COMPANY'S TEST YEAR  
19 LEVEL OF SUPPORT SERVICES?**

20 A. Test year Support Services from the Service Company were adjusted to  
21 eliminate one-time costs. In addition, test year costs were adjusted to  
22 reflect current ongoing levels of labor and labor related costs including

1            anticipated labor merit increases and average labor related expense, as  
2            well as ongoing levels of Other Service company costs including an  
3            anticipated inflationary factor of 1.3%. Lastly, ongoing levels of Service  
4            Company costs were adjusted to reflect new cost allocation factors as a  
5            result of an increase in the number of customers due to recent  
6            acquisitions. Details of this adjustment can be found at Schedule CAS-14,  
7            page 12.

8

9            **Q.    DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10          A.    Yes, it does.