Exhibit No.:	
Issues:	Operations and Facilities, Commitment to Water Quality and Safety, Operating and Maintenance Expense, Improving Water and Wastewater Efficiency, Employee Levels and Compensation, Meter Charge Consolidation, Paperless Billing, and Miscellaneous Customer Charges
Witness:	Jody L. Carlson, P.E.
Exhibit Type:	Direct
Sponsoring Party:	Missouri-American Water Company
Case No.:	WR-2024-0320 SR-2024-0321
Date:	July 1, 2024

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2024-0320
CASE NO. SR-2024-0321

DIRECT TESTIMONY

OF

JODY L. CARLSON, P. E.

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

AFFIDAVIT

I, Jody L. Carlson, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Vice President for Missouri American Water Company, that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.

Jody L. Carlson

July 1, 2024
Dated

DIRECT TESTIMONY
JODY L. CARLSON, P. E.
MISSOURI AMERICAN WATER COMPANY
CASE NO. WR-2024-0320
CASE NO. SR-2024-0321

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DIRECT TESTIMONY

JODY L. CARLSON, P. E.

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Jody L. Carlson, and my business address is 727 Craig Road, St. Louis, MO, 63141.

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

A. I am employed by Missouri-American Water Company ("Missouri-American," "MAWC," or "Company") as Vice President of Operations. MAWC is a wholly owned subsidiary of American Water Works Company ("American Water").

Q. Please summarize your educational background and business experience.

A. I received a Bachelor of Science degree in civil engineering from the University of Missouri – Columbia in 1992. I am also registered as a licensed professional engineer in the State of Missouri and have over 27 years of engineering experience. My past work experience involves working for the Missouri Department of Transportation from February 1993 until November 2011, as a Construction Engineer, Traffic Engineer, Maintenance Engineer, and Project Manager. Additionally, I was an Area Engineer over all aspects previously listed in a large region (20 counties) and served as the District Design/Construction/Maintenance Engineer. In November of 2011, I began employment with the City of St. Joseph as the Director of Public Works and was responsible for 7 divisions: Wastewater collection/treatment and stormwater management in a combined system; Rosecrans Memorial Airport, which is a joint use public/military facility; Street Maintenance; Landfill Operations; Mass Transit; Engineering; and Administration. In April of 2015, I began working with Missouri American as a Sr. Manager of Operations in

Northwest Missouri. I was promoted to Director of Operations in Northwest Missouri in March of 2022, then to Vice President of Engineering and Business Development in February of 2023, and then transitioned to Vice President of Operations in February of 2024.

Q. What are your current employment responsibilities?

A. I am responsible for the Company's water and wastewater operations across the State of Missouri, including field services, production, maintenance, water quality, environmental compliance, and safety. We focus on continuous improvement of all aspects of our operation through implementation of best practices across Missouri to ensure operational efficiencies and regulatory compliance. My oversight includes ensuring that our operations team achieves excellent customer service, while MAWC's operational targets are met. I also participate in the strategic planning necessary to develop and implement Company initiatives and operational improvements.

Q. Are you generally familiar with the operations, books and records of MAWC?

A. Yes.

Q. Have you previously filed testimony before the Missouri Public Service Commission ("Commission")?

A. Yes. I have previously filed testimony before the Commission.

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

A. The purpose of my Direct Testimony is to testify in support of several areas of this filing. First, I describe the Company's water and wastewater operations and facilities throughout Missouri. I also discuss the Company's commitment to water quality and safety, MAWC's level of operating and maintenance ("O&M") expense in this case and the Company's

efforts to improve water and wastewater efficiency. I also support the Company's employee levels and MAWC's total market-based compensation philosophy. Finally, I discuss a paperless billing conversion implementation, proposed changes to consolidation of meter charges, and the updating of several miscellaneous customer charges.

II. OPERATIONS AND FACILITIES

Q. Please generally describe MAWC's water and wastewater operations

A. MAWC provides water and/or wastewater utility service to approximately 508,000 customers in the State of Missouri. We provide water service to approximately 484,000 customers in more than 30 counties across the State with the largest concentration of customers in the areas of St. Louis County, Jefferson City, Mexico, Parkville, St. Joseph, Warrensburg, Joplin, and Branson. MAWC also serves approximately 24,000 wastewater customer connections in nearly 90 wastewater systems across the state, with the largest concentration of customers being in Arnold, Eureka, and in and around Jefferson City.

Q. Please describe MAWC's plant and property.

A. MAWC's utility plant accounts include land and land rights, structures and improvements, wells, pumping equipment and associated facilities, purification plant and equipment, sludge disposal facilities, transmission and distribution mains, collection pipes, distribution storage facilities, service lines, meters, hydrants and other facilities, including materials and supplies. All of this plant and property is used and useful in providing safe, proper, efficient, and reliable water and wastewater services to MAWC's customers.

Q. Please describe MAWC's sources of water supply, treatment facilities, pumping equipment and distribution system property used to provide water service.

A. MAWC draws most of our water supply from surface water (lakes and rivers), or from groundwater (wells and/or infiltration galleries). In some areas, MAWC also purchases water from neighboring water suppliers. About 85% of MAWC's total source of supply comes from surface water and 14% comes from groundwater. The remaining 1% is purchased water.

While treatment processes may vary between individual systems, generally the treatment processes typically include one or more of the following: sedimentation and clarification, filtration, disinfection, taste and odor removal, organic chemical absorption, iron and manganese removal or sequestering, pH adjustment, corrosion control, and fluoridation for dental prophylaxis. These treatment processes are provided to meet or surpass the standards of the drinking water regulations of the Drinking Water Branch of the Missouri Department of Natural Resources, the United States Environmental Protection Agency ("EPA"), municipal and county fluoridation ordinances, and a municipal water softening franchise requirement.

The MAWC water systems consist of more than 7,000 miles of main ranging in size up to 42 inch, more than 46,000 hydrants, and approximately 130 distribution storage tanks, 15 water treatment plants, 86 wells, and more than 100 pump stations. The Company's treatment facilities and wells produce approximately 73 billion gallons annually. The total capacity of water storage is more than 160 million gallons which is strategically located in the service areas for drawdown during peak demand periods and for fire protection services.

Q. Please describe MAWC's treatment facilities, equipment, and collection system property used to provide wastewater service.

A. The wastewater system facilities consist of approximately 500 miles of collection lines and force mains ranging in size from 2-inch to 36-inch diameter, over 10,500 manholes, and more than 130 lift stations. There are approximately 60 mechanical wastewater treatment plants with capacity to treat more than 2.1 million gallons of wastewater daily and more than 20 lagoons that treat more than 4.9 million gallons of wastewater daily.

III. COMMITMENT TO WATER QUALITY AND SAFETY

a. Water Quality

Q. Please discuss Missouri-American's commitment to water quality.

A. MAWC has provided water service to Missouri residential and business customers for more than 140 years. We are acutely aware that water is the only utility product intended for customers to ingest, and that our customers rely on MAWC to provide them with safe and reliable water service. Beyond health and safety, we know that MAWC's customers are also interested in the aesthetic qualities of the water we treat and deliver to them. The Company demonstrates its commitment to water quality by maintaining various partnerships with drinking water organizations and proactively looking for ways to optimize treatment capabilities. The Company's Water Quality and Environmental Compliance program is designed to enable the Company to comply with all drinking water quality, water pollution, residuals management, air pollution and hazardous materials laws and regulations.

Q. Please discuss MAWC's partnerships with respect to water quality.

A. The Company's participation in The Partnership for Safe Water (the "Partnership") program is one demonstration of MAWC's commitment to the health and safety of our customers through the delivery of clean, safe, aesthetically pleasing drinking water. The

Partnership is an alliance of six drinking water organizations[1] with a mission to improve the quality of water delivered to customers by optimizing water system operations. Each year, the Partnership recognizes water treatment plants for their optimization and water quality.

MAWC is also part of the Missouri River Public Water Suppliers Association ("MRPWSA") - a group of water utility representatives along the Missouri River that engage in issues that impact treatment, Missouri River policy and management, regulatory and permitting concerns, and overall monitoring of the river. The group also shares knowledge and best practices regarding drinking water treatment along the Missouri River. Moreover, MAWC, along with St. Louis Metropolitan Sewer District and Northeast Public Sewer District, is conducting a three-year, Missouri Department of Natural Resources ("MDNR") approved study on the Meramec River. Harmful Algal Blooms ("HABs") have been noted across the country and have significantly impacted drinking water sources. The Meramec River is a drinking water source for many Missourians and during certain times, it meets the conditions that promote algal growth – UV penetration, stagnant water, and plentiful nutrients. The three-year study is gathering data on the occurrence of algae and related water quality characteristics to determine the vulnerability of the river.

Q. Has MAWC been recognized for its optimization and water quality achievements?

A. Yes. Missouri-American is a participant in the Partnership's water treatment plant optimization program and has repeatedly been recognized for its optimization and water

[1] Partnership organizations include EPA, the American Water Works Association ("AWWA"), Association of State Drinking Water Administrators ("ASDWA"), Association of Metropolitan Water Agencies ("AMWA"), National Association of Water Companies ("NAWC") and the Water Research Foundation ("WRF").

quality achievements. MAWC's six largest surface water treatment plants have received Phase III Directors Awards and five[2] of them have been recognized for maintaining the Phase III Directors Award status for more than fifteen years.

Q. What specific laws and regulations affect how MAWC operates and maintains its facilities?

A. Missouri-American has extensive regulatory responsibilities relating to drinking water (*e.g.*, the Safe Drinking Water Act) and wastewater (*e.g.*, Clean Water Act), for which the MDNR has the responsibility for implementation and enforcement. This includes ever changing regulatory requirements, including increasingly stringent lead and copper rule changes and the imposition of new regulations regarding emerging contaminants such as per- and polyfluoroalkyl substances, each of which is further discussed by MAWC witness Matthew A. Lueders. Missouri-American is also subject to a variety of service standards under the Missouri Revised Statutes and the Missouri Code of State Regulations

Q. How does Missouri-American manage compliance with applicable environmental laws and regulations?

A. The Company uses a laboratory information management system ("LIMS") for managing some of the water quality data and sample reporting requirements. One LIMS sample scheduling feature provides a tool to streamline thousands of water sample tests annually and ensures that the results are tracked and reported as required by the environmental regulators. In addition, Missouri-American uses Sample1View to manage the scheduling, collection, analysis and reporting of bacteriological samples from its utility-operated laboratory. Sample1View provides a combined view and reporting capability for

[2] The five plants include the Central Plant, North Plant, South Plant, Meramec Plant, and Joplin Plant.

bacteriological samples and the data from the LIMS system for a single view of compliance samples for a user-defined monitoring period. LIMS pre-populates reports to enable all samples to be tracked from collection to upload in an Excel-based report. Together, these systems confirm all required samples are completed and submitted each month to help ensure environmental compliance. Missouri-American is also implementing Waterly, a new web-based application that allows for the direct capture of treatment plant data that was previously recorded manually. Operators directly enter water and wastewater production data into Waterly using a mobile device. The data is then used for internal reports and to populate external regulatory forms. This is also being integrated with our SCADA systems to capture data directly from the system. Together, these systems confirm that all required reports and samples are completed and submitted each month to help ensure environmental compliance. The use of software systems such as LIMS, MapCall, Waterly, and Sample1View reduces the manual re-entry of data collected on paper forms or otherwise generated from diverse sources. They also consolidate the information into structured databases with querying and reporting tools, instead of managing it in multiple separate spreadsheets. This allows for better data analysis, which in turn supports better decision-making in compliance and operating matters and makes mandatory reporting more efficient.

Q. Please describe the Company's water quality testing program.

A. Missouri-American routinely tests water in all of its systems to determine if it is meeting the safety standards established by the federal and state regulatory authorities. Our drinking water is tested both before and after treatment to confirm that it satisfies all chemical and bacteriological criteria. To help protect the public health, we have multiple

barriers in the treatment process to help prevent contamination, if detected, from reaching our customers. We test for the presence of synthetic organic chemicals, inorganic chemicals, VOCs, radionuclides, bacteria, disinfection byproducts, and all other contaminants that the regulators require us to monitor, at the frequency prescribed by the federal and state regulations and report the results of this testing to the MDNR on a monthly basis, in accordance with the regulations. In addition, we work with our customers to collect and analyze samples for compliance with the Lead and Copper Rule, which are discussed further in the Direct Testimony of MAWC witness Matthew A. Lueders.

In 2023, Missouri-American collected more than 200,000 water chemistry and routine bacteriological samples. Many additional samples are taken to assess process effectiveness, support pilot treatment studies, and monitor emerging contaminant threats. We also collect other bacteriological samples as needed in response to main breaks and similar emergencies.

Q. Please describe other ways the Company is demonstrating its commitment to water quality.

A. The Company evaluates water quality and associated risks from the source all the way to the customer. MAWC's integrated approach to monitoring its source water quality and using innovative technologies to evaluate risk supports the Company's ability to make more informed decisions regarding treatment and when responding to potential source water contamination events. The integrated approach includes our continued use of source water quality monitoring panels, utilization of technologies and applications (WaterSuite and Sample1View), installation of dedicated sampling stations, and gaining insights at

more points throughout the distribution systems, such as chlorine residuals and potential cross-connection points.

Q. What efforts has MAWC taken to monitor source water to verify it is safe for customers?

A. The Company has continued its use of WaterSuite, a map-based tool that collects information about potential sources of contamination, and source water quality monitoring panels. This system provides a method to monitor source water quality prior to the water entering the treatment plant where it could interrupt the treatment process and availability of water for customers, or potentially pass through the plant and into the distribution system exposing customers to the contaminate. While it is not capable of identifying every potential water quality concern, it has provided benefits since its implementation. For example, in May of 2019, an oil sheen, accompanied by a strong crude oil odor, was observed on the Missouri River upstream of our St. Louis County Central Plant. While the sheen never made it to our intakes in sufficient quantities to be detected, we were able to utilize WaterSuite to confirm the location of several potential sources. We determined that it was related to an oil company's crude oil pipeline located near the Boone Bridge on I-64. Having the ability to use WaterSuite, and the detection capabilities of the source water quality monitoring panels provided an extra layer of protection. Additionally, the panels help establish baseline water characteristics that enable operations and water quality staff to make informed decisions about treatment levels when river conditions change. Additionally, Source Water Protection Plans (SWPPs) have been developed for all the major surface water systems and four of our larger groundwater systems. The SWPPs

follow the guidelines provided by the MDNR for developing SWPPs and help raise awareness about the importance of protecting drinking water sources.

Q. Are there other efforts MAWC is making to safeguard water quality?

A. Yes. In 2020, MAWC implemented an Environmental Near Miss program to help identify and correct potential water quality and environmental issues that could lead to non-compliance events. The focus is on identifying and correcting "leading indicators" to reduce the risk of a non-compliance event. To date, more than 500 near misses have been identified and corrected. For example, by following our chemical delivery protocols, we have had several chemical deliveries of off-specification treatment chemicals identified and sent back to vendors.

b. Safety

Q. Please describe Missouri-American's overall commitment to safety.

A. The health and safety of our employees and customers, as well as protecting the quality of the water we deliver to our customers, and treated wastewater we return to the environment, are the top priorities for our Company and are critical to our success. Our co-workers', contractors', and customers' safety is of vital importance, and we focus on it every day. Our goal is to have every MAWC employee get home in the same health—or better—than they came into work every single day.

With the safety of our employees, customers, contractors, and the public in mind, we approach safety with a focus on continuous improvement through the implementation of proactive initiatives, plans, practices and processes that complement and sustain a robust workplace safety program.

The Company is also committed to securing assets across our system and recognizes the importance of protecting our water sources, treatment plants, infrastructure,

and data from malevolent acts, as demonstrated by our robust security and cyber security programs. In addition, the Company's emergency response program demonstrates the Company's recognition that rapid response and recovery from security incidents are critical to maintaining water and wastewater systems.

Q. Is safety an important part of Missouri-American's operational performance?

A. Yes. At Missouri-American, safety is a core value and a strategy. We ask our employees to place safety first in everything they do. We have a strong commitment to our employees (and their families) to keep them, our customers, and the public safe. A safe workplace increases employee morale, increases our commitment to one another, and in the long run, makes for a more engaged and productive workforce.

Q. Please describe Missouri-American's safety program and Operations' role in promoting safety and a safe working environment at MAWC.

A. The Company's safety program includes multiple activities and initiatives to maintain compliance, support employee engagement, and help ensure the safety of our workforce and our customers, as well as the public. Operations is responsible for administering the health and safety program, which includes the delivery of all OSHA required training, training and qualification of employees, physical security, cyber security, business continuity planning, and event management. We are supported by functional departments within American Water Works Service Company, Inc. ("Service Company"), such as Health & Safety, Learning & Development, Security, and Human Resources, to deliver core operations services. Our Safety Program includes functions of hazard identification, hazard analysis, hazard mitigation, hazard-based safety training, root cause analysis, and behavioral based safety.

Q. Can you expand further on the elements of your Safety Program?

A. From a hazard identification standpoint, we utilize our Near Miss Reporting Program. Near miss reporting involves employees identifying a situation that almost, or could have, resulted in an injury or accident. For example, if a piece of equipment becomes worn outside of a regular maintenance cycle, an employee reports this as a "near miss" so Missouri-American can replace the worn part and avoid a potential injury from an equipment malfunction. American Water has continued to consistently increase the expectation around the number of near misses reported, which has expanded the reach and impact of this initiative. Service Company's health and safety group collects these near misses from operating utilities across the American Water footprint each week and selects several to highlight in a safety video that is distributed across the business for use in safety tailgate talks. Since 2021, Missouri-American has seen a 51% increase in the number of near miss submissions and the severity of the near miss corrections ahead of actual issue has increased 54%. This means that the Company's effort to get out ahead of, and prevent, injuries and accidents is working.

For our hazard analysis function, we use Failure Modes and Effects Analysis, Job Safety Analysis, and Pre-Job Safety Briefings to assess potential hazards so that we may mitigate them before they create risks of injuries.

For hazard mitigation, we utilize programs like our Stop Work Authority Program and safety committees to stop unsafe acts or conditions and correct them systemically. The STOP work authority program gives every employee at Missouri-American the ability to stop their work, a teammate's work, or a contractor's work for Missouri-American with the confidence that no repercussions will occur because of this work stoppage. This gives

every employee the confidence that we won't ask them to work in an unsafe manner and we expect that they keep our team and our job sites safe by using it. Utilization of STOP work authority has increased by 21% since 2021.

From a training standpoint, Missouri-American has implemented, and continues to improve, standardized training schedules and new hire on-boarding training, so we can ensure all team members have had the proper exposure to safety processes and expectations. Our safety courses are hazard-focused and include job-relevant hands-on training as well as classroom and virtual formats, to increase retention and knowledge growth. We also expect every employee at Missouri-American to be certified by the Red Cross in CPR and AED usage. This was an action taken so we knew that if an unfortunate safety situation presented itself, that every team member had the basic knowledge to make an impact in the event of an accident.

From a root cause analysis standpoint, we examine every near miss, vehicular incident, and injury, to learn from what happened using a 5 Why or TapRooT® methodology. The results of these investigations are then considered by the business to evaluate the incident and determine what safety process improvements may be appropriate going forward.

From a Behavioral-Based Safety Approach, we utilize our Job Observation Program and our Peer-to-Peer Safety Committees. In 2022, Missouri-American began to expand tracking of on-site job observations conducted by leadership and Health & Safety personnel. This enhanced our safety efforts by providing expanded visibility on active job sites. With these additional eyes on potential safety issues prior to conducting the work, the program increased safety awareness and expanded key knowledge of situation-based

safety issues to a more broad audience within our team. In addition, it created a better connection between leadership, Health & Safety personnel, and our team members who are doing the work in the field.

Our Peer-to-Peer Safety Committee is a cross-functional team of the workforce who visit, observe, and coach on safe practices around the business. This group is aimed at providing coaching from a behavior standpoint to accompany the equipment and environmental-based hazard mitigation efforts. These efforts all work in unison toward our OSHA Recordable Incident Rate target efforts.

Q. How is the Company addressing the physical security of its assets as well as cybersecurity?

A. Missouri-American has taken a comprehensive approach to address physical and cybersecurity. Physical security consists of cameras, badge readers and cyber keys that monitor situations and are programmed to limit access to secure areas, including offices, shops, well sites, treatment, pump and lift stations. The Company has strategically placed cameras at critical infrastructure (*e.g.*, tank and well sites) and secure work locations (*e.g.*, offices and shops). Cameras are connected to a secure line that provides video output to the local operations control rooms and American Water's central security and reliability control room. In addition, identification badges are issued for the purpose of facility access control at Missouri-American facilities. All employees must wear and openly display the identification badge visibly while on any Missouri-American property, while on Company business or while representing the Company publicly or privately. Unauthorized entries are registered as an alarm that is received by the local operations control room.

The Company takes cybersecurity just as seriously as physical security. Cybersecurity technology solutions are vital to reliable and resilient water and wastewater systems. For that reason, cybersecurity is core to the American Water vision of resiliency and sustainability. As we continue to implement intelligent water and wastewater systems, industry-leading cyber controls are designed, built and integrated into all aspects of the technology. These investments, including enhancements to controls of identity and management of access to our systems, monitoring of sensitive information, and increased visibility of potential intrusion attempts to our systems, protect our existing systems and enable the implementation of secure innovation. Safeguarding the integrity of Company information and systems, as well as customer data, while enhancing the customer experience is our security mission. The Company's cybersecurity program is consistent with industry best practices, including the National Institute of Standards and Technology ("NIST") Cybersecurity Framework and the AWWA Process Control System Security Guidance for the Water Sector. Missouri-American further demonstrates its commitment to cybersecurity by actively participating in tabletop and active exercises on how to react in the event of a cybersecurity incident that rendered automation capabilities useless.

Q. How do you know the Company's commitment to safety is working?

A. The key leading indicators that we monitor are near miss submissions from our employees which help us correct issues prior to an injury, onsite job observations which provides another set of eyes looking for safety hazards on the jobsite, and pre-job safety briefings which ensures our team is considering the potential hazards of their day prior to completing tasks. The results of these leading indicators have continued to improve, which is a good indicator that the overall safety culture at Missouri-American is improving.

Q. How does this focus on safety benefit Missouri-American's customers?

A. A strong safety culture is a cornerstone for any high performing organization. Customers benefit because the Company, through strong health and safety programs, has enhanced productivity and decreased absenteeism. This means that crews operate with a full staff and can fix problems quicker, reducing any service down time to the customer. Missouri-American's strong safety culture also improves employee morale, as our employees know that we care for them and their families. In turn, Missouri-American's safety culture illustrates that our employees are thoughtful in their work, which directly benefits our customers. Lastly, proactive investment in safety measures and strong safety performance reduce safety-related incidents and the attendant costs, which also benefits customers.

IV. OPERATING AND MAINTENANCE (O&M) EXPENSE

Q. What level of O&M expense is the Company seeking in this case?

A. MAWC is seeking recovery of approximately $188.6 million in O&M expense, which represents the forecasted expense levels for the twelve months ending May 31, 2026. While operating expenses have increased since the Company's last rate case, the Company's overall O&M expenses remain reasonable as MAWC has been successful in managing O&M costs.

Q. Please discuss the results of Missouri-American's efforts to control O&M costs over the past several years.

A. Missouri-American has successfully controlled costs over the past several years. The Company's 2023 operating expenses have increased at a 2.1% compound annual growth rate ("CAGR") since 2013, excluding the additional O&M expense related to new acquisitions, and we are continuing our cost mitigation efforts. During this same period,

the Consumer Price Index ("CPI") experienced a 2.8%[3] compound annual growth rate ("CAGR"). Despite historic inflation experienced from 2021 to 2023[4], the Company's operating expenses have grown more slowly than CPI. Had the Company's O&M expense simply grown at CPI from 2014 through 2023, and the 3-year average CPI through the test year in this case[5], the Company's revenue requirement in this case would have been more than $12.8 million higher. Please see Table JLC-1 for details.

Table JLC-1

$Millions	MAWC	CPI	Difference
2013 MAWC O&M	$125.0	$125.0	$0.0
Test Year MAWC O&M	175.6	188.4	12.8
$ Change	**$50.5**	**$63.3**	**$12.8**
CAGR	**2.8%**	**3.4%**	**0.6%**

Note: O&M amounts exlude systems acquired since 2010

Q. Why is the Company seeking an increase in O&M expense in this case?

A. The Company is requesting an increase in O&M expense to continue providing high quality water and wastewater service in the most cost-effective way to our customers over the long term. Company Witnesses Jennifer M.B. Grisham and Manuel Cifuentes, Jr. discuss MAWC's specific O&M pro forma adjustments in this case. The requested increase in O&M expense is driven by increases in employee-related expenses and production costs. Our increase in employee expense is reflective of a full complement of employees the Company has identified to effectively operate the business as further discussed below. Our production costs include the chemicals we use to treat water, power, and waste disposal, as well as purchased water. Some of the increases in costs for chemicals and waste disposal are driven by supply side constraints. The increases in production costs are not unique to

[3] Bureau of Labor Statistics: Consumer Price Index, US City Average, All Urban Consumers, not seasonally adjusted. December 2013 index of 233.049 compared to December 2023 index of 306.746, 2.8% CAGR.
[4] CPI increase 7.04% in 2021, the largest year-over-year increase since June 1982. CPI further increased 6.45% in 2022 and 3.35% in 2023. The rate in 2023 was the 4th highest in the 30 years prior to 2021.
[5] CPI compound annual growth rate of 5.7% from 2020 – 2023.

MAWC but rather are national phenomena. As discussed later in my testimony, MAWC mitigates these increases by leveraging the buying power and expertise of the Service Company.

Q. Is the level of O&M expense requested by the Company important to its provision of safe and proper service?

A. Yes. The requested increase in O&M expense supports the Company's efforts to continue providing high-quality water and wastewater service in the most cost-effective way to our customers over the long term. The Direct Testimony of MAWC Witnesses Cifuentes and Grisham discuss MAWC's specific O&M pro forma adjustments in this case.

V. IMPROVING WATER AND WASTEWATER EFFICIENCY

Q. Please define water and wastewater efficiency.

A. In simple terms, water and wastewater efficiency means using improved practices and technologies to deliver water service more efficiently. Missouri-American's efforts to improve water efficiency cover a wide range, and include supply-side practices, such as improved pump efficiency, more accurate meter reading and leak detection, asset replacement and repair programs, as well as demand-side strategies, such as customer efficiency and public education programs and supportive rate design that provides incentives to improve water and energy efficiency. From an operations perspective, improving water and wastewater efficiency requires achieving a cost-effective mix of prudent investments and improved operations and maintenance management capabilities targeting safety, customer satisfaction, sustainability, and system efficiency. Improving water efficiency results is a win-win-win situation. Customers, utilities, businesses, and the environment can all benefit from more efficient, higher quality service, reduced or mitigated costs and sustainable use of natural resources.

Q. How is the concept of improving water efficiency relevant to this case?

A. Improving water efficiency not only reduces expenses, but also is a more environmentally friendly way of conducting business. When water is used efficiently, it reduces capital and operating costs related to the provision of water and wastewater services, while also helping to protect and preserve our natural resources. Improving water efficiency saves customers money in the long run, protects the environment, supports integrated resource planning, and enhances the economy. Missouri-American is proactively investing in our infrastructure which MAWC witness Derek Linam will address in his testimony. In addition, to address water efficiency, we react to system emergencies as quickly as possible, conduct preventative maintenance in the distribution system, implemented a leak detection strategy, and have responded to address inactive customer accounts that show metered usage without an ability to bill for the water usage.

Q. Please describe Missouri-American's efforts to improve water and wastewater efficiency.

A. The Company strives to improve water and wastewater efficiency through operational excellence, the use of technology, system maintenance, and efforts to manage costs as resourcefully as possible to provide a more cost-effective level of service for our customers over the long term. In addition, Missouri-American uses various operational and efficiency reviews to further focus on improving customer service and efficiency of production and field operations. The Company also leverages the size and scale of the Service Company to improve transactional efficiencies through increased automation, the adoption of more effective business practices, and a continuous improvement mindset.

Q. How is Missouri-American using technology to improve employee effectiveness?

A. The Company is using technology in a number of ways in order to enhance productivity and efficiency. For example, I previously discussed our LIMS and Sample1View systems that allow efficient storage and retrieval of our water sampling data, making those tasks far more efficient. In addition, accurate Geographic Information System ("GIS") maps ensure that the Company's institutional infrastructure knowledge is readily available for use by employees. To that end, Missouri-American has loaded its facilities into GIS so that maps of its water and sewer system assets are accessible on its internal network. The information available in GIS includes the location and a short description of the facilities, giving an electronic spatial view of the entire system. GIS also helps locate customers that might be affected by related service issues and allows us to communicate with our customers more effectively. The Company continues to enhance its GIS platform through integration with our Enterprise Asset Management system, our computer-aided design system, or work management system ("MapCall") and our fixed asset records. This integration allows communication across the various platforms that makes data retrieval more efficient. The Company continues to build the GIS platform by adding new assets and retiring old assets to ensure our technicians have access to the most current information while working in the field. The Company implemented a 'Digital As-built Workflow' that is focused on standardizing the how, what and when GIS is updated as well as facilitating better integration between GIS and MapCall. This improved the lag time between when the asset was installed to when GIS and other systems are updated. The goal is to keep our GIS current, complete and accurate for our end users.

Q. How have Missouri-American and its customers benefitted from the GIS platform?

A. The location of water quality events, maintenance events and pipe failures are all plotted on GIS map layers. The spatially presented information can be used to answer customer water quality inquiries, identify trends and prioritize water main replacement projects. GIS also is a tool used to assist compliance with federal and state lead service line inventory and management. Known customer and Company service line material data has been loaded into the MapCall service records that is integrated to display on the GIS maps. Currently, Missouri-American has a customer facing map where customers can view the service line material for their homes or places of business. Customers can self-report and/or schedule to have a professional come inspect their service line material.

Q. How does Missouri-American's work management system improve employee effectiveness?

A. MapCall is a web-based application that enables employees and contractors to complete the lifecycle of work orders and assets in the field. Employees can view historical information, including work order history on an asset, standard operating practices associated with an asset, maintenance history, O&M manuals, and tap card images. MapCall provides the flexibility to create work orders, configure workflows and report progress while in the field. For example, a supervisor can create a work order to flush a dozen hydrants in a particular area. Using MapCall, the field worker can report progress as flushing is performed, and both the supervisor and others in the field can visually see the progress made toward completing the identified work in real time through the MapCall interface. The same can be done to schedule and monitor other routine work, as well as emergency work, such as main break repairs. MapCall also allows those in the field to communicate water quality and other events more efficiently through preloaded

notifications via email to both internal and external stakeholders, including regulators, allowing workers to quickly shift back to focusing on the task at hand in the field and providing quality service to customers. Water main break locations are continually added to GIS and MapCall to help identify sections of pipe that have outlived their useful life. This information is used to prioritize water main replacements by strategically focusing on the pipe with the highest risk of failure.

Q. Are there other technology solutions that have been implemented to improve employee effectiveness?

A. Yes. In addition to GIS and MapCall, Missouri-American has implemented other technology solutions to enhance employee effectiveness. As discussed above, Waterly allows for more efficient data capture and regulatory reporting. MyWater, Customer1View ("C1V"), and Work1View ("W1V") are software applications that provide more comprehensive and easily accessible information to employees and customers.

Q. Please describe how MyWater, C1V, and W1V improve employee effectiveness.

A. C1V provides improved access to customer information (e.g., premise and service order history, meter details, billing and payment information) to field service representatives ("FSRs") who regularly interact with our customers. This means that FSRs can view the same information as customer care agents ("CCAs") who regularly interact with our customers. This allows our FSRs to review customer information that can help them address the customer's issue and provide customers information while speaking with them, rather than having to contact the customer service organization ("CSO") for information or requiring customers themselves to follow up with the CSO. FSRs can also update customer information and record notes on customer interactions on the spot, providing other

employees that serve our customers with timely access to the most up-to-date information. MyWater is a customer facing website that allows customers to view much of the same information in the same format used by both the FSRs and CCAs which makes for a more seamless discussion when interacting with the customer. MyWater provides customers self-service options to pay their bill, check their account balance, request to turn their service on or off, sign up for alerts, view their water usage, and setup paperless billing. Recent and planned enhancements have and will also improve the Company's customers' self-service capabilities and the resiliency and usability of the website. W1V provides employees with a single view for managing customer service order work in the field, customer information and meter information. W1V includes a real-time operations map to see work orders with optimized routing, as well as other types of work and alerts happening nearby. In addition, using W1V, FSRs can manage their own work based on the day's demands by adding or deferring undated work, and putting orders on hold to do emergency work needed at another location. Supervisors can also reroute work as appropriate. W1V has been integrated with MyWater for easy access to customer information during field visits. It has also been integrated with MapCall to provide FSRs one point of access for all information needs. Taken together, these types of improvements continue to support improved customer experience and satisfaction.

Q. Are there other technology solutions Missouri-American has implemented to improve water efficiency?

A. Yes, the Company continues to upgrade and enhance its Supervisory Control and Data Acquisition ("SCADA") systems that monitor and control water production equipment. SCADA systems are essential in the efficient delivery of these vital services. These

upgrades to several SCADA systems across the state enable Missouri-American to collect, manage and present real time SCADA information from multiple remote water systems enabling the Company to identify opportunities to monitor and control systems remotely, better protect operational assets, and increase the accuracy of Missouri-American's hydraulic models.

Q. Is Missouri-American taking other steps to improve water efficiency?

A. Yes, the Company has adopted the IWA/AWWA Water Balance model to help define the components of water loss and identify where to focus Company resources to improve water efficiency. A key performance indicator is volume of non-revenue water ("NRW"), the difference between gallons of system delivery and gallons of billed usage. NRW is composed of three areas, unbilled authorized consumption, apparent losses, and real losses. By exploring the details of these areas, the Company has the potential to discover specific actions to take that will help maintain and improve water.

Q. Please describe the Company's efforts to manage water loss.

A. First, the replacement of aging infrastructure helps address real losses by replacing mains that are leaking or otherwise impaired. Missouri-American uses its integrated GIS mapping information as part of its comprehensive review of water main breaks to identify and better prioritize areas with an abnormally high main break frequency over a defined period. The Company will also use acoustic monitoring to affirm and locate leaks on water mains. This and other known main break data are used to optimize capital main replacement projects. Main breaks are not only costly to repair, but may also impair water quality, disrupt service to customers and/or result in damage to Missouri-American property, customer property, and city streets. Being able to identify potential problem areas

before main breaks occur could avoid failures, reducing the cost of repairs, restoration, and damage to other facilities or property.

Managing unbilled authorized consumption and apparent losses in addition to real losses, are also ongoing activities for the Company. Unbilled authorized consumption is not a physical loss of water like a leaking pipe, rather it is a volume of water that is unbilled whether metered or unmetered and not included in the billed consumption volume. A significant source of this is from flushing water mains (newly constructed, repaired, or replaced). This volume of water is difficult to measure because of varying flushing methods; however, the Company has been exploring new ways of quantifying this volume even if as an estimated value.

There are also several apparent losses that contribute to NRW. Unauthorized consumption, sometimes referred to as theft, is typically observed in the form of a premise with an inactive account showing consumption on the meter. This scenario is observable through various reporting and is most often resolved by working an onsite work order or doing some investigation on property ownership via government records. Another source of theft that is more difficult to observe is people using hydrants without paying for the proper permits. Hydrants are highly dispersed throughout the systems including discrete locations, they can deliver a large volume of water in a short amount of time and are easy targets for theft. One attempt to minimize the impact of this type of loss has been an effort to expand the ability to provide bulk water sales via a bulk filling station. Stations of this type can be strategically located throughout the system and provide people the means of quickly filling tanker trucks while being metered and simultaneously discouraging the use of hydrants for activities that aren't fire protection. In addition, the Company has focused

on improving meter accuracy, which helps mitigate apparent losses. For example, the availability of more data through AMI meters throughout the system supports billing accuracy for our customers, and, in St. Louis several of the plant flow meters that combine to measure system delivery for the system have been calibrated or replaced to improve reliability of the data. Each of these efforts are designed to improve data reliability to ensure appropriate measurement and understanding of water loss, which in turns allows the Company to better plan to effectively address water loss.

Q. Please describe the role that Service Company plays for Missouri-American.

A. The Service Company provides access to highly trained professionals who possess expertise in various specialized areas and who work exclusively for the Company's affiliates. The Service Company provides Missouri-American an efficient and cost-effective means of obtaining services that the Company needs to provide water and wastewater services to Missouri-American's customers.

Q. What services does Missouri-American obtain from the Service Company?

A. The Service Company provides Missouri-American with the services necessary to operate and provide water and wastewater service to Missouri-American's customers, including customer service, water quality testing, innovation and environmental stewardship, human resources, communications, information technology, finance, accounting, payroll, tax, legal, engineering, accounts payable, supply chain, and risk management services. The Service Company operates a customer service organization ("CSO") that handles customer calls, billing, and collection activities for Missouri-American and its public utility affiliates. The CSO handles customer inquiries and correspondence, and process service order requests. In addition, the Service Company operates Field Resource Coordination

Centers responsible for tracking and dispatching service orders for our field representatives and distribution crews.

Q. How does Missouri-American gain efficiencies from its relationship with American Water and the Service Company?

A. The services Missouri-American receives from the Service Company are necessary for Missouri-American utility operations and provision of service to its customers. The Company thus benefits from economies of scale in getting these services and expertise on a shared basis at cost. In his direct testimony, Missouri-American witness Patrick Baryenbruch provides testimony and analysis that demonstrates that the Service Company costs charged to Missouri-American are reasonable.

Q. Can you provide examples of shared services?

A. Yes. The Service Company operates the American Water Central Laboratory, located in Belleville, Illinois-one of the most advanced water quality laboratories in the United States. The American Water Central Laboratory supports Missouri-American's research and water compliance efforts through sophisticated testing and analysis. The American Water Central Laboratory processes more than 40,000 sample events each year, is certified in 17 states and territories, and performs testing using 35 methodologies for over 300 compounds. The lab has a history of being on the forefront of monitoring, testing, identifying and controlling analytes in advance of federal regulations, and regularly collaborates with the USEPA to help develop federal drinking water standards and regulations. Our highly sophisticated analytical and research capabilities are why the USEPA regularly taps into our lab and our research team to help develop federal drinking water standards and regulations. Further, the Service Company's Information Technology

team provides effective information technology support and solutions to meet Missouri-American's business needs. The Company's ongoing investment in technology enables a better end-to-end view of its water and sewer operations. For example, Service Company's IT team works side-by-side with Missouri-American end-users to develop technological solutions engineered with a focus to enhance our employees' effectiveness and to allow our customers to do business with us more easily.

Q. How does the Service Company Supply Chain Team support MAWC?

A. Through the size and breadth of American Water, the Service Company has continued to increase its purchasing power and obtain significant discounts on the necessary goods and services at prices that we otherwise would be unable to obtain were we a separately owned water system. All goods and services purchased that can be leveraged across the entire American Water enterprise are done so by the Supply Chain team within Service Company ("Supply Chain") in order to maximize the purchasing power of the entire American Water enterprise. Such goods and services include but are not limited to water treatment chemicals, pipe valves and fittings, meters, engineering services, consulting services, professional services and employee benefits. The value realized from Supply Chain's work are a benefit to all American Water subsidiaries.

Q. What are some of the significant categories in which Supply Chain managed to control costs?

A. The following areas are a representative list of ways in which the Supply Chain has worked to control the Company's costs:

Water Treatment Chemicals: Annually, Supply Chain solicits bids for all water treatment chemicals. American Water leverages the spend enterprise-wide to acquire bid prices that

offer the Company the best possible value. In addition, Supply Chain can leverage alternate suppliers or work with other American Water affiliates at times when supply of a critical chemical is limited.

Maintenance Repair and Operating ("MRO") Supplies: Supply Chain is able to leverage the volumes across the entire enterprise to lower the overall costs of MRO products and maintain favorable pricing. In addition, Supply Chain is currently working with Corporate Safety on a safety product standardization project that will help ensure all American Water employees are using the appropriate Personal Protective Equipment ("PPE") while allowing Supply Chain to negotiate lower prices with suppliers for the consolidated spend.

Ductile Iron Pipe: Supply Chain leverages company volumes to secure discounts and thus minimize cost increases at a time when pricing has been increasing substantially. American Water also uses the power of its spend to gain priority access to materials at times product is constrained. This allows the Company to complete more infrastructure work in a shorter time at a lower cost.

Logistics: Supply Chain is using other innovative methods to lower prices for Missouri-American's customers. Supply Chain is currently ramping up a third-party logistics program where American Water will arrange and manage vendor freight. This program will allow for greater control over shipping modes and lead times, as well as lowering the cost of materials by reducing the company's freight expenses.

Fleet: Each year Supply Chain's fleet management team negotiates with all the major domestic vehicle manufacturers to secure purchase volume incentive discounts and production allocation. These discounts are in addition to the discounts negotiated with manufacturers' dealers and fleet management providers used for the procurement of

vehicles. As one of the Top 100 commercial truck fleets[6] in the country, we are able to leverage our enterprise scale to achieve favorable outcomes in these negotiations.

Telecommunication: Supply Chain has worked with stakeholders on the information technology team to develop new strategies in the category. These actions will reduce the number of suppliers, optimize processes, and provide more robust visibility into key metrics, which helps reduce or mitigate increases to such costs.

VI. EMPLOYEE LEVELS AND COMPENSATION

a. Employee Levels

Q. Please discuss how MAWC staffs its business operations.

A. The Company continually strives to find more efficient and cost-effective ways to operate and maintain its business. As part of that effort, we seek to manage our cost structure as efficiently as possible, including employee costs. We recognize our duty to staff our business in a manner consistent with the provision of safe, reliable, and affordable service. This requires a constant evaluation of the right mix of internal and contract labor, straight time versus overtime, training programs, and utilizing technology to optimize our workforce efforts. We continue to evaluate costs and expenses going forward, always looking for the best solution for the unique challenges we face. A large portion of our cost structure is for labor, and as a position becomes vacant in our organization, we look to the value of that position. We consider the overall need for that position and, among other things, whether that existing position should be filled as is, repurposed, or whether other efficiencies could be gained in how the work gets done. Cost control and improved business performance are the goals of these efforts. We continue to evaluate the new roles that will

[6] J. Wiklund, "Top 100 Commercial Truck Fleets," *Automotive Fleet* (February 8, 2022).

be created as new regulatory requirements are promulgated and the appropriate positions that MAWC will need to optimize new technology and most effectively serve our customers.

Q. What is MAWC's forecasted staffing level in this case?

A. MAWC has identified seven hundred sixty-three (763) full-time employees, twenty-eight (28) temporary summer employees, and ten (10) interns as the appropriate staffing level for the Company's water and wastewater operations. The number of employees is based upon each department and functional area's plans to continue providing safe, clean, reliable, and affordable service to our customers. Service needs and related resource requirements are consistent with meeting regulatory requirements, tariff requirements, industry standards, service requests, customer needs, and providing support to the business operations in the most cost-effective way to best serve the long-term interests of our customers. Included in the 763 full-time employees are new positions to support the Company's increased capital investment program, SCADA operations and cross-connection program, as well as the Company's continued efforts to bring safe, reliable and affordable service to additional Missourians across the state. There are also additional positions related to the Company's four acquisitions since the last rate case. In addition to its full-time employees, the Company is also bringing in temporary summer employees and starting a new internship program. The temporary summer employees help the Company complete routine maintenance, such as fire hydrant painting, equipment cleaning and meter replacement, at a lower overall cost to the Company. The new internship program is a critical component of the Company's efforts to address its retiring work force. Many water and wastewater utility professions are specialized (e.g., SCADA, engineering, plant

operators) and it is difficult to find experienced candidates to fill these positions. This program allows the Company to recruit, provide training and evaluate interest in the work for these critical positions with an eye towards bringing the interns on board to fill positions with the Company following the internship. Company witness Cifuentes discusses how the labor costs were calculated for the future test year.

b. Missouri-American's Compensation Philosophy

Q. Does Missouri-American have an overall compensation philosophy?

A. Yes. Missouri-American offers compensation that allows it to attract and retain customer-committed, dedicated, and highly qualified employees. The Company's overall compensation philosophy is to provide employees with a total compensation package that is market based and competitive with those of comparable organizations with jobs of similar responsibility. As part of its compensation philosophy, MAWC has chosen to place a portion of its total compensation at risk, driving continued performance across the enterprise. Specifically, the Company targets its total direct compensation (inclusive of base and variable compensation) for each role near the market median (50th percentile). By using a combination of fixed and variable compensation, MAWC satisfies a dual objective of offering competitive market-based total compensation for all employees, while continuing to motivate employees to achieve goals that will improve performance and efficiency for the benefit of our customers. We believe this approach is superior to setting base compensation targets at market median and not offering performance compensation.

Q. How should MAWC's employee compensation expense be assessed by the Commission?

A. Employee compensation is a cost of providing utility service, not unlike any other prudently incurred cost of service recoverable in rates. Employee compensation must

therefore be assessed through the same lens as all other operating costs of the Company. Where the Company's total compensation level is in line with market, as will be demonstrated in this case, whether the compensation is fixed, or a combination of fixed and variable components, is irrelevant. The Company's total market-based compensation expense is reasonable and prudently incurred and, thus, should be recoverable like all other costs of service.

c. Market Based Total Compensation

Q. Is the Company's performance compensation program, and total market-based compensation reasonable?

A. Yes. The Company retained the services of Willis Towers Watson ("WTW") to perform a total compensation study to determine if the total direct compensation provided to Missouri-American employees, when viewed against the market of talent for employees of similar positions, is at market based on the Company's stated compensation philosophy. The findings of WTW's compensation study are detailed in the Direct Testimony of Company witness Robert V. Mustich. Therein, Mr. Mustich reaches the following conclusions:

MAWC's overall total direct compensation – which includes base compensation and all performance-based compensation – is below the median market but within the competitive market range on a Midwest regional and national perspective.

If performance compensation were excluded from MAWC's total direct compensation and compared to market pay levels that include performance compensation, it would be 12% below median from a national perspective and 10% below median from a Midwest Regional perspective.

American Water's annual performance plan (APP) is comparable to, and competitive with, plan designs of other similarly sized utilities.

American Water's long-term performance plan (LTPP) is comparable to and competitive with plan designs of other similarly sized utilities.

The various comparative studies performed by WTW show that MAWC's total direct compensation programs are comparable to and competitive with market practices of other similarly sized utilities and are therefore reasonable.

Q. Did Mr. Mustich reach any further conclusions regarding MAWC's compensation programs?

A. Yes. Mr. Mustich concludes that Missouri-American's total direct compensation is delivered through market-based programs intended to compete in the market for talent. He states that if the Company were to eliminate all or part of its performance-based compensation, it would likely be forced to increase fixed pay above market competitive levels.

Q. Is the totality of MAWC's market-based total compensation a prudently incurred expense?

A. Yes. As Mr. Mustich has demonstrated in his Direct Testimony, MAWC's overall total direct compensation – which includes base compensation and all performance compensation – is within the competitive market range. Therefore, MAWC's total compensation expense is reasonable and prudently incurred.

Q. Is providing market-based, competitive compensation to employees critical to the Company's ability to continue to provide safe and reliable utility service?

A. Yes, it is. Recruitment of skilled workers, as well as the retention of existing trained workers, is critical to MAWC's ability to continue to provide safe and reliable water/wastewater service for the benefit of all MAWC customers. Competition among companies to attract and retain the best and highest performing employees is intense. In recruiting new employees or retaining existing employees, both the Company and American Water compete within the general industry in surrounding regions and nationally. Without the ability to provide competitive compensation and benefits, the Company would be hampered in its efforts to attract new employees and retain existing employees, particularly when competing with other utilities and other industries for this same pool of talent. This is especially true with respect to employee retention, where the loss of skilled employees imposes a real and added cost on a company, which must then recruit and train replacements.

The challenges associated with attracting new talent and the resulting cost of doing so is further compounded by the fact that the utility industry as a whole is experiencing a disproportionate impact of our nation's aging workforce. The soon-to-retire "Baby Boomer" generation holds a wealth of knowledge and experience necessary to support the continuation of utility services, while the next generation of qualified talent is diminished in size. This presents a far greater challenge to MAWC in recruiting replacement, qualified personnel, if its total compensation is not competitive. Therefore, the Company's compensation program must provide employees with a total compensation package that is competitive with those offered by companies with which it competes for employees.

d. Performance Compensation Plans

Q. Please explain the performance pay component of the Company's total market based compensation.

A. Performance pay may be awarded under two plans – the Annual Performance Plan ("APP"), which is an annual cash payment, and the Long-Term Performance Plan ("LTPP"), which is stock based and vests over time. All full-time employees participate in the APP. Eligibility for the LTPP is limited to certain exempt employees.

Q. You say all full-time employees participate in the APP; does that include Union employees?

A. Yes, it does. Our bargaining unit employees became eligible for APP in 2018, with their first payments in 2019. So, irrespective of being covered by a collective bargaining agreement, all of MAWC's employees are entitled to the benefits of the APP.

Q. In regard to the Union participation in the APP, is there a Missouri statute that should be kept in mind?

A. Yes. As was recognized in MAWC's last rate case, Section 386.315.1, of the Revised Statutes of Missouri, provides, in part, that "In establishing public utility rates, the commission shall not reduce or otherwise change any wage rate, benefit, working condition, or other term or condition of employment that is the subject of a collective bargaining agreement between the public utility and a labor organization."

Q. Please describe the key performance objectives underlying the APP.

A. The APP is designed to recognize and reward performance against key performance goals and targets that drive the Company's strategy. For 2024, the APP goals are as follows:

STRATEGY	GOAL	TARGET	WEIGHT
GROWTH	EPS Range	$5.10 - $5.20	50%
CUSTOMER	Customer Satisfaction	1st Quartile	15%
SAFETY	OSHA Recordable Injury Rate (ORIR)	.61 or less	5%
	Days Away, Restricted and Transfer (DART) severity rate	.29 or less	10%
ENVIRONMENTAL LEADERSHIP	Drinking Water Compliance Notice of Violation (NOVs)	6	5%
	Drinking Water Quality Notice of Violation (NOVs)	2	10%
PEOPLE	Women Representation	25%	2.5%
	Ethnic and Racial Diversity Representation	21%	2.5%

Q. Please describe the Company's LTPP.

A. American Water provides restricted stock units ("RSUs") and performance stock units ("PSUs") as long-term variable compensation under the LTPP. American Water's RSUs and PSUs are based on three-year vesting periods. RSUs are based on time-based vesting and PSUs are based on performance vesting conditions.[7]

Q. How do Missouri-American's performance compensation plans benefit customers?

A. The Company's performance compensation plans align the interests of our customers, employees, and investors. The design of the plans emphasizes customer service, environmental compliance, a safe work environment, and other operational goals, as well as certain financial goals. All of the APP and LTPP objectives – both operational and

[7] American Water uses a combination of compounded earnings per share ("EPS") growth, relative total shareholder return ("TSR"), and return on equity ("ROE") over a three-year performance period as the basis for measuring performance PSU awards.

financial – focus employees' efforts in ways that ultimately benefit customers. The use of multiple measures further strengthens our ability to drive results across the enterprise.

Q. How do the operational goals of the APP benefit customers?

A. The operational goals of the APP are designed to focus plan participants on the results that can most directly influence customer satisfaction, health and safety, environmental performance, and workforce diversity. Customers benefit from the plan goals because operational performance is improved by controlling costs, capturing efficiencies, promoting effective safety and risk management practices, and enhancing customer service, and doing so with a diverse workforce that reflects the communities we serve. Achievement is determined by goals that directly benefit customers by creating a more productive workforce that is focused on customer satisfaction and achieving efficiency, environmental and safety goals. For example, goals limiting the number of Notices of Violation (NOV) for drinking water regulations help maintain a focus on providing safe and reliable water service, while goals for customer service measure the level to which customers value the activities and services performed by employees throughout the business.

Q. How do the financial goals of the APP and the LTPP benefit customers?

A. The financial goals of the APP and LTPP benefit customers in many ways. Importantly, achieving financial goals, such as targeted EPS, demands the employees' attention to operating efficiency. That is, unless the utility controls its operating costs, it likely will not achieve a targeted EPS. Financial goal-based performance pay thus ensures employees at all levels of the organization remain focused on increasing efficiency, decreasing waste, and boosting overall productivity. Incentivizing employees to control operating costs

benefits customers, because doing so mitigates increases in costs ultimately collected in rates. Consequently, when financial goals are achieved through efficiency, as is the case for Missouri-American, the interests of customers, employees, and investors are aligned.

Q. Does incentivizing employees to control and reduce operating costs provide other customer benefits?

A. Yes. Where MAWC can reduce operating expenses, it can increase investment in infrastructure without increasing rates, because every dollar of operating expenses saved can fund approximately $8 of investment. Therefore, customers also benefit from Missouri-American's enhanced ability to invest in the infrastructure that it needs to meet its service obligations to customers. Our employees are experts in how our systems need to operate to best serve our customers. Incentivizing those employees promotes innovative and prudent new ideas that improve efficiency, cost effectiveness, and overall continuous improvement.

Q. Is there other evidence of the tangible benefit to customers from the performance pay component of MAWC's total market-based compensation program?

A. Yes. Again, it's important to consider the impact of a utility's financial health on its access to capital at reasonable costs. MAWC's customers have benefitted from the Company's access to capital at favorable rates. Because utilities are capital intensive and must routinely and consistently access the capital markets at reasonable costs, customers ultimately benefit when their utility has the financial health to do so. This is further confirmed by Company witness Mr. Mustich wherein he recognizes in his Direct Testimony that the availability of sources of capital at reasonable costs depends on the utility's financial performance, including credit and bond ratings. As such, according to Mr. Mustich, it is

important for Missouri American to focus employees on the financial health of the organization. In turn, as Mr. Mustich concludes, a financially healthy utility benefits customers because it enables the utility to meet its service obligations at reasonable financing costs.

Q. Do the Company's employees typically earn their performance compensation?

A. Yes. The Company has funded performance compensation every year for at least the past decade. The level has varied from year to year based on achievement of targets or exceeding targets, but the organization's performance has resulted in the payment of performance compensation typically equal to or greater than the target level. The Company only seeks recovery at the target level.

Q. Please summarize why the Company's total market based compensation, including its performance based compensation component, should be recoverable through rates.

A. The performance-based compensation component of the Company's total market-based compensation plan aligns the interests of our customers, employees, and investors. The market-based compensation philosophy that MAWC has adopted allows it to attract and retain the workforce needed to continue to provide safe and reliable service. The plans contain tangible goals that are designed to do several things, i.e., measure and compensate employees for achieving goals based on delivering clean, safe, reliable, and affordable water service and provide first-in-class customer service when doing so. The operational components include goals that can most directly influence customer satisfaction, health and safety, and environmental leadership. Customers derive a direct benefit from our focus on these key measures in the plan. Further, the plans' well-grounded financial measures keep

the organization focused on improved performance at all levels, particularly in increasing efficiency, decreasing waste, and boosting overall productivity. The Company has demonstrated that its overall compensation levels are in line with the market, and thus, are a reasonable and prudently incurred cost of service that is appropriately included in rates.

VII. METER CHARGE CONSOLIDATION

Q. Is the Company proposing changes to the monthly fixed charge based upon meter size?

A. Yes. In this case, Company witness Max McClellan has provided a proposed rate structure that includes a fixed monthly charge based upon meter size and associated costs of service, which is consistent with the approach utilized in previous proceedings. However, in this case the Company is proposing to combine the fixed charges for 5/8-inch and 3/4-inch meters into a single rate.

Q. Why should these meter sizes be combined into a single rate?

A. The 5/8-inch and 3/4-inch meters are used for typical residential customer connections and have similar physical characteristics. While the 3/4-inch meter does have slightly higher metering capacity, the differentiation between the use of these meter sizes is more historical in nature than based upon demand or flow capacity. Oftentimes, the meter size is used because it is what has always been used in a particular service area, not for operational reasons. Differences across operating service areas as well as past and recent acquisitions have left the Company with a mix of these meter sizes with no significant reason other than past practice.

Combining these meters into a single fixed charge class would allow the Company to standardize over time on a single meter without a financial impact to either the customer

or the Company and would create a rate based more on customer needs and usage rather than the anomaly of which meter has been historically used.

Q. Are there other benefits to combining these fixed meter charges?

A. Yes, combining the meters would simplify the rate structure currently in place and make it more easily understandable for our customers. It would make customer communications much simpler and clearer, as we could discuss our "typical" residential customer rates without having to clarify if they have one size meter or another. It would also simplify inventories as we would endeavor to standardize installation over time through our length of service ("LOS") meter changes.

Q. What is the difference in cost of the meters?

A. The 5/8-inch meter currently has a cost of $78.41 from Badger meter. The cost of the 3/4-inch meter is $101.62. The cost of the AMI endpoint for either size meter is $143.40. The installation costs are the same for any of these meters. Therefore, the overall difference in cost between the 5/8-inch and 3/4-inch meter is approximately $23 dollars. For Neptune meters, the costs are $92.00 dollars for the 5/8-inch meter and $125.00 for the 3/4-inch meter with a cost difference of roughly $33 dollars. The AMI endpoint cost for the Neptune meter is either $206.00 or $185.20 depending on the cellular carrier used, but the cost is again the same regardless of meter size.

Q. How many customers have these two sizes of meters?

A. Approximately 425,500 customers currently have a 5/8-inch meter and approximately 33,700 have a 3/4-inch meter.

Q. Would all meters be converted to 5/8-inch or 3/4-inch?

A. Over time the 3/4-inch meters would be converted to the 5/8-inch meter size. For example, the St. Joseph district has roughly 30,000 5/8-inch and 1,780 3/4-inch meters. Those 1,780 meters would, over time, be converted to 5/8-inch meters.

Q. What would be the time frame for this conversion?

A. The meters would be changed out through the Company's normal LOS process. If a meter failed prior to that normal LOS replacement, it would be converted at the time of failure. It would likely take roughly eight to ten years to convert the meters to one size per district with this schedule. This schedule would not result in any additional work and would have negligible, if any, costs. In the interim period, the local district would be able to stock only one size meter. The operational advantage of a simplified inventory as well as the simplification of customer billing information would be immediate.

Q. What is the impact to proposed customer rates from combining the meter charges into a single meter charge?

A. The Company's proposed combined meter charge is $21.34 per month. If the meter charges were not combined, the proposed meter charge would be $21.03 for the 5/8-inch meter ($0.31 less than the combined rate), and $25.60 for the 3/4-meter ($4.26 more than the combined rate).

VIII. PAPERLESS BILLING

Q. What is paperless billing?

A. Paperless billing is simply sending a customer bill electronically through email rather than utilizing traditional postal service delivery of a paper bill.

Q. What are the benefits of paperless billing?

A. There are multiple benefits to paperless billing including:

- Cost savings in delivering a bill, which ultimately benefit customers.
- A more secure, convenient, clutter free and accessible way to receive a bill.
- Receipt of bill 2-3 days sooner than a paper bill.
- Reduction of the Company's carbon footprint.
- Increase in customer satisfaction.

Q. Does the Company currently have a paperless billing program?

A. Yes, the Company currently has a paperless billing program. However, that program is very limited in its usage. As of May 31, 2024, less than 33% of MAWC customers utilized paperless billing.

Q. Are there cost savings associated with paperless billing?

A. Yes. It costs the Company approximately $1.53 per customer to send a bill each month. This cost continues to increase year over year as materials and postage costs increase. By contrast, the use of paperless billing reduces those costs to approximately $0.56 per bill, a savings of approximately $0.97 per bill, when compared to a paper bill.

Q. Has the Company attempted to expand its paperless billing program?

A. Yes. The Company has tried traditional mail, bill insert, and email campaigns to encourage customers to sign up or "opt-in" to paperless billing.

Q. Was this approach successful?

A. Not really. While there were some instances of customers signing up for paperless billing, the number of customers doing so was relatively insignificant.

Q. Has American Water explored expanding its paperless billing program as a mechanism to save costs for other American Water subsidiaries?

A. Yes, several other American Water subsidiaries have taken steps to expand the use of paperless billing. For example, in Indiana, a pilot project was utilized to expand paperless billing to all customers with a valid email address, that are currently utilizing the My Water customer interface.

Q. How did the pilot programs work?

A. Emails were sent to all customers with a valid email address, and active My Water accounts that informed them that they would be enrolled in paperless billing unless the customer clicked on an icon to "opt-out" of the paperless billing program. Email delivery and opening was verified electronically to ensure customers had access to and opened the message. A second email and a subsequent mailed postcard were also sent to all such customers to remind them that they would be enrolled in paperless billing. In addition, if a customer decided to opt-out at that time, or at a later date, the continued issuance of a paper bill was offered at no cost to the customer.

Q. Was this approach successful?

A. Yes. In this pilot, approximately 50,000 customers were enrolled in paperless billing, which resulted in the Company mailing about 600,000 fewer paper bills per year.

Q. What was the savings in this pilot?

A. At a cost savings of $0.97 per bill, the estimated annual savings was about $582,000 per year.

Q. Could a similar program be utilized in Missouri?

A. Yes. MAWC discussed a similar approach with the Staff of the Commission ("Staff"), but it was suggested by Staff that Commission Rule 20 CSR 13-015(1)(B) may require an "opt-in" rather than "opt-out" approach. This sub-section states:

(B) Bill means a written demand, including, *if agreed to by the customer* and the utility, an electronic demand, for payment for service or equipment and the taxes, surcharges, and franchise fees;

(emphasis added).

Q. What proposal is MAWC making in this case related to paperless billing?

A. The Company is proposing a change to its tariff to allow for an opt-out paperless billing program. Proposed water Tariff Sheets No. R 21 and R 22 include MAWC's proposed water Paperless Billing program. Proposed sewer Tariff Sheets No. R 10.2 and R 10.4 include MAWC's proposed sewer Paperless Billing program. The tariff sheets containing the program are included as Schedule JLC-1.

Q. Please describe how the paperless billing program will work.

A. The Company will send emails to all current customers with a valid email address and an active account on the Company's electronic customer-facing platform (currently MyWater) that informs them that they will be enrolled in paperless billing unless the customer clicks on an icon to "opt-out" of the paperless billing program. Email delivery and opening will be verified electronically to ensure customers have had access to, and opened, the message. A second email and a subsequent mailed postcard will also be sent to all such customers to remind them that they will be enrolled in paperless billing unless they opt-out. At the conclusion of this process, the Company will present its bills to the customer via the Internet or electronic mail. In addition, all new customers who sign up for the platform will be notified at the time of enrollment that they will receive paperless bills unless they opt out when setting up their account on MyWater. Customers may pay the bill

using any payment option available. Customers may terminate participation in paperless billing at any time.

Q. What about customers that prefer a paper bill?

A. Any customer that opts out of the paperless billing program, that does not currently have My Water account, or that did not open the email notification, would continue to receive a paper bill at no additional cost to that customer.

Q. Do you believe that those ultimately provided with paperless billing as a result of the paperless billing program will have agreed to such billing?

A. Yes. Because of the nature of the Company's interactions with the targeted customers, and the confirmation of their receipt of communications, the process identified represents an agreement by those customers that decide not to opt-out.

IX. MISCELLANEOUS CUSTOMER CHARGES

Q. What are miscellaneous customer charges?

A. Included in MAWC's tariffs are several customer charges for services that are not commonly provided to all customers on an ongoing basis. These charges include items such as the Service Activation Fee, Service Discontinuance, Meter Testing, and Returned Deposit Item, among others.

Q. What is the Company proposing as to these charges?

A. The Company has reviewed these charges and is proposing charges that are consistent with the actual cost to provide the service. The Company is proposing increases to several of these charges to reflect the actual costs, so that those costs may be recovered from the customers causing such costs. The proposed changes are included in the tariff sheets filed to initiate MAWC's rate cases. The proposed Miscellaneous Charges tariff sheets are included as Schedule JLC-2.

Q. How were the proposed fees derived?

A. MAWC has calculated its actual costs associated with each of these activities and believes the proposed fees represent those costs.

a. Miscellaneous Fees – Water Service

Q. Is the Company proposing a change to any Miscellaneous Charges for water customers?

A. Yes. The specific changes being proposed are detailed below in Table JLC-2.

Table JLC-2

Proposed Changes to Miscellaneous Fees - Water Service				
	Current Fee	Proposed Fee	Fee Charged	Last Changed
Begin or Activate Service				
During Normal Business Hours	$27.50	$40.00	per trip	May-2018
Outside of Normal Business Hours	$159.00	$210.50	per trip	May-2018
End or Discontinue Service				
During Normal Business Hours	$27.50	$40.00	per trip	May-2018
Outside of Normal Business Hours	$159.00	$210.50	per trip	May-2018
Other Fees				
Meter Testing Fee (Accuracy of the Meter)	$41.50	$155.00	per Test	May-2018
Special Meter Reading	$27.50	$40.00	per Trip	May-2018
Hydrant Inspection	$15.00	$47.00	per Hydrant	Apr-1989
Returned Deposit Item	$12.00	$20.00	per Item	Jun-1988
Temporary Water Use From Hydrant	$15.00	Rate A	per Day	Sep-1995
Bulk Sales Vending Machine	$4.50	Rate A	per 1,000 gallons	May-2018

Q. When was the last time these charges were updated?

A. Many of the charges were updated in May of 2018 as a part of Case No. WR-2017-0285. However, some have not been updated in many years. For example, the hydrant inspection fee has not changed in at least 35 years.[8]

Q. Can you explain the different types of fees listed in Table JLC-2, above?

A. Yes. Below is a description of the purpose for each of the miscellaneous fees.

- New Service Activation Fee: As described in the Company's Tariff Rule 14, the Service Activation Fee is the fee charged for initiating service to any new Customer.

[8] The date last changed was determined through a review of cancelled tariff sheets available in EFIS.

- Reactivation Fee After Company Discontinuance: As described in the Company's Tariff Rule 11, when water service has been discontinued for any reason other than temporary vacancy, it will be restored when the cause for discontinuation has been eliminated and upon payment of all charges due and payable by the Customer, and includes when it is necessary to restore service to a customer that has been shut off for non-payment, or other reasons.
- Company Discontinuance Fee: As described in Company's Tariff Rule 10, the Service Discontinuance Fee is the fee charged to discontinue the water service at a premise. This is typically due to the customer's non-payment of bills although other circumstances can also allow the discontinuance of service.
- Meter Testing Fee (Accuracy of Meter): If a customer questions the accuracy of their water service meter, the customer may request the meter to be tested in accordance with Company's Tariff Rule 16. The Meter Testing fee is intended to recover the cost to remove, test, and reinstall the meter at the customer's premise.
- Special Meter Reading: As detailed in Company's Tariff Rule 14, there are instances where it is necessary for the Company to perform an on-location investigation or per the customer's request, read the customer meter in a manner that is inconsistent with the meter reading process in use at that time and location. For example, the St. Louis County district has employed AMI technology, which allows remote reading through either a fixed network of radios or cell phone technology. In some instances, customers have refused to allow this technology to be installed and prefer to have their meter manually read. Those customer accounts require a manual meter reading process that includes physically being at the location and other manual activities to process the data.

Those customers pay for the added costs to service their accounts.

- Hydrant Inspection: This is the fee charged after contractors or others operate a MAWC hydrant.
- Returned Deposit Item: This is the fee charged for returned checks or other deposit items that are deemed by financial service providers to have nonsufficient funds or to otherwise be improper.
- Temporary Water Use from Hydrant: This is the fee charged when contractors or others utilize a fire hydrant to fill a portable tank or other on-site usage. Company's Tariff Rule 21 describes the allowable use of and permitting required to utilize a hydrant. In summary, to utilize a hydrant, the contractor obtains a hydrant use permit from the local MAWC office. That permit must be displayed when the hydrant is in use. This does not apply to firefighting activities.
- Bulk Sales Vending Machine: Many MAWC operating districts have bulk water sales available through vending machines. These machines allow contractors, bulk water haulers, and others to fill portable tanks through a backflow protected piping arrangement with on-site payment.
- Fee for Damage, Tampering and/or Broken Meter Appurtenances: As stated in the Company's Tariff Rule 15, this applies when a customer or individual has damaged, tampered with, or broken a meter or meter installation. The Company must repair or replace the meter or installation.

Q. Are there any other fees the Company is proposing to implement or adjust?

A. Yes, the Company would like to implement a fee to collect the cost of repairing damages to Company facilities caused by water theft, vandalism, or circumventing non-pay shut offs.

Q. Is this a common problem?

A. While not overwhelming so, there are numerous cases each year where residents damage Company shut off valves, meter pits, meter setters, meters, and locks to either obtain water without paying, or prevent the Company from discontinuing service. This results in multiple visits to the site by Company personnel with a cost to excavate and repair or replace Company property.

Q. What is the Company's proposed solution?

A. The Company would like to charge the customer for the actual cost of additional site visits and repair or replacement of Company property as a requirement for reinstating water service to the premise.

b. Miscellaneous Fees – Wastewater Service

Q. Is the Company proposing to change any Miscellaneous Charges for wastewater customers?

A. Yes. The specific changes are detailed below in Table JLC-3.

Table JLC-3

Proposed Changes to Miscellaneous Fees - Wastewater Service				
	Current Fee	**Proposed Fee**	**Fee Charged**	**Last Changed**
Begin or Activate Service				
During Normal Business Hours	N/A	$40.00	per trip	N/A
Outside of Normal Business Hours	N/A	$210.50	per trip	N/A
End or Discontinue Service				
During Normal Business Hours	N/A	$40.00	per trip	N/A
Outside of Normal Business Hours	N/A	$210.50	per trip	N/A
Other Fees				
Inspection Fee - New or Existing Service & Connection	$35.00	$46.00	per Incident	May-2017
Re-Inspection Fee	$20.00	$46.00	per Incident	May-2017
Service Calls - Normal Business Hours				
During Normal Business Hours	$40.00	$40.00	per Incident	May-2017
Outside of Normal Business Hours	N/A	$210.50	per Incident	N/A
Returned Deposit Item	$12.00	$20.00	per Item	May-2018

Q. When was the last time these charges were updated?

A. In Case No. WR-2015-0301, the Commission approved a Non-Unanimous Revenue Requirement Stipulation and Agreement[9]. This stipulation included a provision allowing for the consolidation of numerous sewer tariffs into a single tariff book[10]. Many of these tariffs were existing tariffs assumed by the Company as part of an acquisition. Prior to consolidation, the tariffs included a variety of different fees. After the consolidated sewer tariffs were approved in May 2017, the fees were consistent for all service areas. These fees have not changed since May 2017, other than the Returned Deposit Item, which changed as part of Case No. WR-2017-0285.

Q. Can you explain the different types of fees listed in Table JLC-3, above?

A. Yes. Below is a description of the purpose each of the miscellaneous fees.

- New Service Activation Fee: This is the fee charged when an individual is set up as a new MAWC customer for the premise's service sewer. If water and sewer service are established for the same premise, only one service activation fee will be charged for

[9] WR-2015-0301, Order Approving Non-Unanimous Stipulation and Agreement, p 4.
[10] WR-2015-0301, Non-Unanimous Stipulation and Agreement, p 6.

account activation.

- Company Discontinuance Fee: As described in the Company's Tariff Rule 7, the Service Discontinuance Fee is the actual cost to discontinue either the MAWC sewer or the non-MAWC water. If a water turn-off agreement exists with the local water authority, then discontinuance is done by shutting off the water service. If no turn-off agreement exists, then discontinuance is done by physically shutting of the sewer at actual cost. This is typically due to the customer's non-payment of bills although other circumstances can also allow the discontinuance of service.
- Inspection & Reinspection Fees: As described in Company's Tarff Rules 4, 5, 6, 7, and 13, the inspection & reinspection fee is charged when a MAWC employee or representative thereof is required to physically observe/inspect a customer's service sewer or other sewer appurtenances. These observations are related to the installation of a new sewer connection and normally performed during normal business hours.
- Service Calls: This fee is charged when a MAWC employee or representative thereof is required to physically observe and/or repair a customer's service sewer or other sewer appurtenances during or after normal business hours. These observations and/or repairs include troubleshooting an existing sewer connection.
- Returned Deposit Item: This is the fee charged for returned checks or other deposit items that are deemed by financial service providers to have nonsufficient funds or otherwise be improper.

Q. Does this conclude your Direct Testimony?

A. Yes

Missouri-American Water Company For Missouri Service Area
Name of Issuing Corporation Community, Town or City

Rules and Regulations Governing the Rendering of Water Service

Rule 9 – Bills for Water Service

A. The charges for water service shall be at the rates specified in the applicable Rate Schedules. The point of sale shall be at the meter installation for all metered service or at the tap for all unmetered services. Service charges for activation or discontinuance of service are set forth in the applicable Schedule of Service Charges. +

B. A Customer who has made application for water service to a premises shall be held liable for all charges for water furnished to such premises until the Customer's requested date of termination.

C. Bills for water service will be distributed on a monthly or quarterly basis. The due date on the bill shall be twenty-one (21) days after the "date of rendition" of the bill to the Customer. The Customer's bill will be due and payable by this due date. The date printed on the bill shall be no less than twenty-one (21) days after the date of the postmark or the electronic transmission of the bill. Any accounts remaining unpaid after the due date shall be considered delinquent and the Company may take such action as specified in its filed rules and regulations. *

D. A separate Customer account shall be created, with separate billings rendered for each meter installation, and the use of water by the same Customer in the same or different premises or localities will not be combined unless an agreement exists between the Customer and the Company for combining multiple meter readings into one bill.

E. Each Customer is responsible for furnishing the Company with the correct bill mailing address. Failure to receive bills will not be considered an excuse for non-payment nor reason to permit an extension of the date when the account would be considered delinquent.

F. Bills and notices relating to the Company or its business will be mailed or delivered to the service address entered in the Customer's application or transmitted via the Internet or electronic mail for customers enrolled in paperless billing unless the Company is notified by the Customer of a change of address or an alternate mailing address. * *

G. Payments shall be made at authorized locations as designated by the Company.

H. The Company shall have the right to read meters and render bills either monthly, quarterly, semi- annually or annually and such bills shall be due and payable on the due date indicated on the bill.

I. Water bills are rendered for the entire premises as served through a single metering point, whether served by a single meter, a compound meter, or a series of meters set on a service line, and will not be subdivided by the Company.

J. The Company may render a bill based on estimated usage if:
   1. Extreme weather conditions, emergencies, labor agreements, or work stoppages prevent actual meter readings; or

* *Indicates new rate or text*
\+ *Indicates change*

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Rules and Regulations Governing the Rendering of Water Service

2. The Company is unable to obtain access to the Customer's premises for the purposes of reading the meter, or in situations where conditions make or the Customer makes reading the meter unnecessarily difficult.

K. When the Company renders an estimated bill, it shall clearly and conspicuously note on the bill that it is based on estimated usage.

L. The Company will not be bound by bills rendered under mistake of fact as to the quantity of service rendered, or as a result of clerical error.

M. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be for the proportionate part of the billing period. Where water usage is the basis for the charge, it will be at the appropriate rate for water usage unless other charges apply based on local tariffs.

N. Where a meter fails to register, or if the Company is unable to obtain a meter reading due to reasons outlined in Rule 9J. above, the Customer's bill for water usage shall be estimated by using the actual usage during the same billing period, at the same premises, in the most recent year. If no actual usage is found for the comparison period of the prior year, the Company will base its estimate on actual usage found during the prior billing period. If no actual usage is found for the prior billing period, the Company will base its estimate upon average annual usage of customers in the same customer class within the same meter reading route and under the same tariff schedule.

O. Paperless Billing. The Company will deliver to active participants in the Company's electronic platform, currently called My Water, an electronic image of their bills through the use of the Internet. Customers actively using the platform have the opportunity to convert their account to receive their bills exclusively through this platform, instead of mailing or hand delivery of a bill. In addition, all new customers who sign up for the platform will be notified at the time of enrollment that they will receive paperless bills unless they opt out when setting up their account on the platform. Customers on paperless billing receive notices through electronic mail when their bills are available, approaching due dates, or past due. Customers may pay the bill using any payment option available. Customers may terminate paperless billing at any time. *

Rules & Regulations Governing Rendering of Sewer Service

Rule 10 – Bills for Service

A. Neither the Company nor the Customer will be bound by bills rendered under mistake of fact as to the quantity of service rendered or as a result of clerical error. Customers will be held responsible for charges based on service provided.

B. The landlord or property lessor shall be considered the Customer receiving sewer service for all rented or leased multi-family dwelling units, or units of commercial properties, that do not have an individual service sewer for each unit. The sewer service billing for each unit within the multi-family dwelling will be sent to the landlord or lessor who is then responsible for payment.

C. All notices of delinquent bills, or discontinuance of service, or disconnection shall also be sent to the owner of the property.

D. In the event of an undercharge, an adjustment shall be made for the entire period that the undercharge can be shown to have existed not to exceed twelve (12) monthly billing periods. The Company shall offer the customer the option to pay the adjusted bill over a period at least double the period covered by the adjusted bill. When there is evidence of tampering or diversion found, the Company will calculate the billing adjustment for the entire period during which the condition existed.

E. For Customers whose sewer bills are based on water usage, and where it is not feasible to obtain regular meter readings or when conditions beyond the control of the Company, such as weather conditions, emergencies, work stoppages, and the inability to gain access to the meter prevent obtaining an actual meter reading, an estimated reading will be used to compute an estimated bill for Customer's sewer service.

F. Estimated bills shall not be rendered as a Customer's initial or final bill for service unless conditions beyond the control of the Company prevent an actual reading.

G. The charges for sewer service shall be at the rates specified in the Schedule of Rates in these Rules and Regulations. Service charges for connection or disconnection are set forth in the Schedule of Service Charges.

Rules & Regulations Governing Rendering of Sewer Service

H. Bills for sewer service will be mailed or delivered to the Customer's last address as shown by the records of the Company or transmitted via the Internet or electronic mail for customers enrolled in paperless billing, but failure to receive the bill will not relieve the Customer from the obligation to pay the same. *

I. Payments shall be made at a convenient location designated by the Company, by ordinary mail, or by electronic methods employed by the Company. Payment must be received by the close of business on the date due, unless the date due falls on a non-business day in which case payment must be received by the next business day.

J. Separate bills shall be rendered for each location at which sewer service is provided, even though one entity may be the Customer at such separate locations. Bills may be combined for such locations at the request of the Customer.

K. The Company shall have the right to render bills monthly in advance, or on a monthly basis in arrears when the sewer charges are based on water usage or sewer billing is combined with water billing. Bills shall have the due date indicated on the bill. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which the payment is considered delinquent is a minimum of 21 days after rendition of the bill . Bills unpaid after the stated due date will be delinquent and the Company shall have the right to discontinue service in accordance with Rule 7. Delinquent bills may be subject to a late charge as provided in the Schedule of Service Charges. The Company shall not be required to restore or connect any new service for such delinquent Customers until the unpaid account due the Company under these Rules and Regulations has been paid in full or arrangements satisfactory to the Company have been made to pay said account.

L. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be for the proportionate part of the monthly charge, or where water usage is the basis for the charge, at the appropriate rate for water used.

M. Customers terminating after taking service for less than one month shall pay not less than the monthly minimum.

Rules & Regulations Governing Rendering of Sewer Service

N. Unless sewer charges are billed in advance, the Company may require a security deposit or other guarantee as a condition of new service, continued service, or re-establishing service if the Customer:

1. Has a past-due bill which accrued within the last five (5) years and, at the time of the request for service, remains unpaid and not in dispute with a utility for the provision of the same type of service; or,

2. Has, in an unauthorized manner, within the last five (5) years prior to applying for service, interfered with or diverted the service of a utility in the provision of the same type of service; or,

3. Is unable to establish a credit rating with the Company. Adequate credit rating for a residential Customer shall be established if the Customer:

   a. Owns or is purchasing a home; or,

   b. Is and has been regularly employed full time for at least one (1) year; or,

   c. Has an adequate and regular source of income; or

   d. Can provide credit references from a commercial credit source.

4. The sewer service of the Customer has been discontinued for non-payment of a delinquent account not in dispute; or,

5. The Customer has failed to pay undisputed bills before the delinquency date for five (5) billing periods out of twelve (12) consecutive monthly billing periods. Prior to requiring a Customer to post a deposit under this subsection, the utility shall send the Customer a written notice explaining the utility's right to require a deposit or guarantee, or include such explanation with each written discontinuance notice.

Rules & Regulations Governing Rendering of Sewer Service

O. The amount of a security deposit shall not exceed two (2) times the highest bill or four (4) times the average bill, whichever is stated in the utility's tariff for utility charges actually incurred or estimated to be incurred by the customer during the most proximate twelve (12)- month period at the service location or, in the case of a new customer, who is assessed a deposit, one-sixth (1/6) of the estimated annual bill for monthly billed customers or one-third (1/3) of the estimated annual bill for quarterly billed customers for utility charges at the requested service location.

P. Interest shall be payable annually on all deposits, but shall not accrue after the utility has made reasonable effort to return the deposit. Interest will be paid at a per annum rate equal to the prime bank lending rate, as published in the Wall Street Journal for the last business day of the preceding calendar year, plus one percentage point. Interest may be credited to the Customer's account.

Q. After a Customer has paid proper and undisputed utility bills by the due dates, for a period not to exceed one (1) year, credit shall be established or re- established, and the deposit and any interest due shall be refunded. The utility may withhold full refund of the deposit pending resolution of a disputed matter.

R. The utility shall give a receipt for deposits received, but shall also keep accurate records of deposits, including Customer name, service address, amounts, interest, attempts to refund and dates of every activity regarding the deposit.

S. All billing matters shall be handled in accordance with the Missouri Public Service Commission's Rules and regulations regarding Utility Billing Practices, 20 CSR 4240-13.

T. Paperless Billing. The Company will deliver to active participants in the Company's electronic platform, currently called My Water, an electronic image of their bills through the use of the Internet. Customers actively using the platform have the opportunity to convert their account to receive their bills exclusively through this platform, instead of mailing or hand delivery of a bill. In addition, all new customers who sign up for the platform will be notified at the time of enrollment that they will receive paperless bills unless they opt out when setting up their account on the platform. Customers on paperless billing receive notices through electronic mail when their bills are available, approaching due dates, or past due. Customers may pay the bill using any payment option available. Customers may terminate paperless billing at any time. *

* *Indicates new rate or text*
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727 Craig Road, St. Louis, MO 63141

Missouri-American Water Company For All Missouri Service Areas
Name of Issuing Corporation Community, Town or City

Miscellaneous Charges
Water Service

	Normal Business Hours	After Normal Business Hours		
Begin or Activate Service:				
New Service Activation Fee	$40.00	$210.50	per Incident	*
Re-Activation Fee After Company Discontinuance	$40.00	$210.50	per Incident	*
End or Discontinue Service:				
Company Discontinuance Fee	$40.00	$210.50	per Incident	*
Company Discontinuance Requiring Additional Excavation and/or Installation of New Hardware	Actual Cost	Actual Cost		* *
Other Charges:				*
New Service Connection Fee [1]		Actual Cost		
Meter Testing Fee (Accuracy of the Meter) [2]		$155.00	per Test	*
Special Meter Reading [3]		$40.00	per Trip	*
Returned Deposit Item [4]		$20.00	per Item	*
Hydrant Inspection		$47.00	per Hydrant	*
Temporary Water Use from Hydrant [5]		Rate A	per Day	*
Investigation Report		$25.00	per Report	
Service Line Inspection		$82.50	per Inspection	
Bulk Sales Vending Machine (where available) [6]		Rate A	per 1,000 gallons	*
Fee for Damage, Tampering, and/or Broken Meter Appurtenances [7]		Actual Cost	per Incident	*

[1] Consists of the costs incurred by the Company for the construction including parts, material, labor and equipment, but excluding the cost of the meter. See Rule 4H and 4I.
[2] The Company will test a meter for accuracy, if not tested in the prior 12 months, at no cost. See Rule 16.
[3] Includes special meter reading trips resulting from customer refusal, or non-response, to allow AMI installation. *
[4] The Company may serve a Customer on a cash-only basis if more than one check or Returned Deposit Item of the Customer is returned NSF or any other valid return reason in a 12-month period. "Cash" shall be deemed to Mean U.S. currency, money order, or certified check.
[5] The daily minimum charge is 5,000 gallons at the applicable Rate A for the customer. The Company may meter the usage from a hydrant, at its option, if the usage is expected to be more than 3,000 gallons per day. Any metered usage will be billed at Rate A. * * *
[6] The Customer shall be responsible for any credit card fees incurred when using water vending machine. *
[7] Consists of costs incurred by the Company repairing damage to a meter or meter installation. See Rule 15L and 15M. * *

* *Indicates new rate or text*
\+ *Indicates change*

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Miscellaneous Charges
Sewer Service

	Normal Business Hours	After Normal Business Hours		
Begin or Activate Service:				
New Service Activation Fee [1]	$40.00	$210.50	per Incident	*
Re-Activation After Company Discontinuance	$40.00	$210.50	per Incident	*
Service Reconnection After Disconnection in accordance with Rule 7, part E	Actual Cost	Actual Cost		
End or Discontinue Service:				
Company Discontinuance Fee	$40.00	$210.50	per Incident	*
Company Discontinuance (by contracted water provider or requiring additional excavation and/or Installation of New Hardware)	Actual Cost	Actual Cost		* *
Other Charges:				
New Sewer Service Connection Fee [2]		Actual Cost	per Incident	
Inspection / Re-Inspection Fee – New or Existing Service & Connection		$46.00	per Incident	+
Inspection Fee – New Collecting Sewer Inspection (see Rule 12)		Actual Cost	per Incident	
Service Calls – Normal Business Hours		$40.00	per Incident	*
Service Calls – After Normal Business Hours		$210.50	per Incident	*
Returned Deposit Item [3]		$20.00	per Item	+

[1] Customers that are also the Company's water customers will be exempt from the sewer activation fee. +
[2] New service connection to collecting sewer, if installed by the Company, will be the actual cost to the Company, + unless a connection cost is otherwise specified for a service area. +
[3] The Company may serve a Customer on a cash-only basis if more than one check or Returned Deposit Item of + the Customer is returned NSF or any other valid return reason in a 12-month period. "Cash" shall be deemed to + Mean U.S. currency, money order, or certified check. +

* *Indicates new rate or text*
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