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Public Interest
Marke/Direct
Public Counsel
WA-2026-0072

DIRECT TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

FILE NO. WA-2026-0072

**

Denotes Confidential Information that has been redacted
**

April 7, 2026

PUBLIC

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DIRECT TESTIMONY
OF
GEOFF MARKE
MISSOURI AMERICAN WATER COMPANY
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1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel),
4 P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. What are your qualifications and experience?**

6 A. I have been in my present position with OPC since 2014 where I am responsible for economic
7 analysis and policy research in electric, gas, water, and sewer utility operations.

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

9 A. Yes. A listing of the Public Service Commission of the State of Missouri (“Commission”)
10 cases in which I have previously filed testimony and/or comments is attached in Schedule GM-
11 1.

12 **Q. Please summarize the acquisition application.**

13 A. Missouri American Water Company (“MAWC”) is proposing to acquire the City of Neosho’s
14 water (constructed in 1942) and wastewater (constructed in 1985) systems for a total cost of
15 \$34.5 million or ****____**** more than Staff’s net book value (“NBV”) of the systems
16 (****_____****).

17 The systems are in need of massive repairs that MAWC estimates at more than \$35 million
18 over the next five years. Restated, expected investment exceeds more than 100% of the all-in
19 costs to acquire for both systems. Chief among the challenges cited by the Staff of the
20 Commission (“Staff”) is a reference to a Missouri Department of Natural Resources (“DNR”) inspection report from March 4, 2024, that states an approximate 53% water loss rate for the
21 water system.
22

1 **II. PUBLIC INTEREST**

2 **Q. Do you support this acquisition?**

3 A. No. For the following (non-exhaustive) reasons, I do not believe this acquisition is in the public
4 interest:

- 5 • **The City of Neosho is not a distressed small private water or wastewater utility.** It
6 is a municipal utility that has maintained a Standard and Poor’s rating of “A”, which is
7 equivalent to an A+ rating if the City were to issue General Obligation Debt¹;
- 8 • Neosho can impose utility taxes or fees to raise revenue for its services, infrastructure
9 maintenance, or to fund individual system projects;
- 10 • As a public system, Neosho currently has access to significantly lower financing costs
11 and access to subsidized, below-market interest rates with longer loan terms (State
12 Revolving Fund);²
- 13 • Public systems do not pay income tax on water revenue;
- 14 • Public systems do not charge customers a profit premium for service;
- 15 • Alternative regionalization partnership with the Newton County Public Water Sewer
16 District (or further regionalization of municipal systems with the Cities of Seneca,
17 Diamon, Stella, and/or further small community systems) could maintain all of the

¹ City of Neosho, Missouri (2025) Adopted Annual Operating Budget. p. 5.
<https://neoshomo.gov/ArchiveCenter/ViewFile/Item/90>

² Loan amounts are issued on the basis of actual as-bid costs, with no set maximum. The Clean Water State Revolving Fund (“CWSRF”) program offers fixed-rate loans with the following terms:

- Subsidized target interest rate that is 30% of the current market rate published the week before loan closing, which occurs once all program requirements are satisfied, the project is bid and contract awarded
- Standard loan term is 20 years or the life of the project
- Extended term loans, up to 30 years, not to exceed the useful life of the project, may be available on a case-by-case basis with an additional 0.25% interest added to the target interest rate
- A 0.5% annual loan administration fee is also charged through the life of the loan
- Additional subsidization is available each year on a limited basis for eligible communities based on project affordability and as an incentive for specific types of water quality projects.

Missouri Department of Natural Resources (2026) Clean Water State Revolving Fund (CWSRF) Loan.
<https://dnr.mo.gov/water/financial-assistance-opportunities/clean-water-state-revolving-fund-cwsrf-loan#:~:text=Subsidized%20target%20interest%20rate%20that,the%20life%20of%20the%20loan>

1 aforementioned benefits associated with low financing costs, no taxes, and no profit
2 margin in addition to improved economies of scale as well as clearer cost causative
3 price signals.

- 4 • The acquisition costs represent a massive **_ **% delta between the asking price
5 and the actual net book value (“NBV”) of the water and wastewater systems;
- 6 • Approving this application forces MAWC’s existing captive customers to pay for costs
7 they did not cause and will not benefit from, and rewards the City of Neosho’s
8 government for mismanagement of and historical underinvestment in its water and
9 wastewater systems.
- 10 • Approval of this sale will raise costs on all future acquisitions by inflating future fair
11 market valuation appraisals from MAWC (or other private water companies such as
12 Central States Water Resources). This unfortunate feedback loop will continue to drive
13 costs up higher and higher for captive customers—the vast majority of whom are
14 already being asked to subsidize investments that have no relationship to the water they
15 consume.
- 16 • Finally, MAWC is requesting that Neosho customers maintain their current rates,
17 which are 21% lower than MAWC’s non-St. Louis County District costs until its next
18 rate case.

19 Given these concerns, I do not believe this transaction is in the public interest.

20 **Q. Does the Staff report include any other pertinent information that you would like to**
21 **highlight?**

22 A. Yes. The Staff report restates the newly amended statute as follows:

23 Section 393.320, RSMo, also provides that

24 **[a] large water public utility's choice to comply with the provisions of this**
25 **section does not automatically ensure that the transaction is in the public**
26 **interest.** The public service commission shall independently determine whether the

1 acquisition is in the public interest, regardless of whether the matter has been put to
2 a vote of the small water utility's ratepayers (emphasis added).³

3 This language was recently added by the Missouri General Assembly, and I believe this case
4 represents a clear line in the sand for the Commission to consider in light of this added verbiage.
5 Simply put, a **_ **% delta between the appraised value and the net book value is too rich.
6 The Neosho assets do not fit the archetypal, small private distressed water/wastewater systems
7 burdened by federal regulatory compliance challenges typically seen when the Commission
8 approves acquisitions meant to “save” captured customers from distressed systems. If
9 approved, the Commission should not be surprised if future acquisitions of water and
10 wastewater systems become more and more expensive, as MAWC (and other utilities) will
11 have every incentive to keep needlessly increasing profits off of its existing customer base.

12 **Q. What is your recommendation?**

13 A. If affordability and accountability are a priority for the Commission and Missouri citizens, then
14 I struggle to see how this application is in the public interest. Therefore, I recommend that it
15 be rejected.

16 **Q. Does this conclude your testimony?**

17 A. Yes.

³ Case No. WA-2026-0072 Official Case Memorandum of the Missouri Public Service Commission Staff. P. 8 of 24.