

Exhibit No.:	
Issues:	Transaction and Staff Report and Recommendation
Witness:	Richard Davidson
Exhibit Type:	Direct
Sponsoring Party:	City of Neosho, Missouri
Case No.:	WA-2026-0072
Date:	April 7, 2026

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. WA-2026-0072**

**DIRECT TESTIMONY**

**OF**

**RICHARD DAVIDSON**

**ON BEHALF OF**

**CITY OF NEOSHO, MISSOURI**

**DIRECT TESTIMONY  
RICHARD DAVIDSON  
CITY OF NEOSHO, MISSOURI  
CASE NO.: WA-2026-0072**

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**DIRECT TESTIMONY  
RICHARD DAVIDSON**

**I. INTRODUCTION**

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**Q. Please state your name and business address.**

A. My name is Richard Davidson, and my business address is 5400 Doniphan Dr. Neosho MO 64850.

**Q. On whose behalf are you appearing and in what capacity?**

A. I am appearing on behalf of the City of Neosho, Missouri (“Neosho” or the “City”). The address for the City of Neosho City Hall is 203 E Main St, Neosho, MO 64850. Neosho is a Home Rule Charter City located in Newton County, Missouri, and has a population of approximately 14,310 people.

**Q. What is your role with the City?**

A. I have served as a member of the city council for a total of fourteen (14) years and have served as mayor for nine of those years on the council. My term will end on April 21, 2026. I chose not to run again another term in office as a councilperson. Instead, I am running as a candidate for Presiding Commissioner of Newton County, Missouri.

**Q. Please summarize your educational background and business experience.**

A. I have a Bachelor of Science in Business Administration from Missouri Southern State University, and a Master of Science in Operations Management from the University of Arkansas. I have owned my own manufacturing business since 1997 and serve as President of that company, which is located in Neosho, Missouri. I also serve on a number of boards, including banks and non-profit organizations.

1 **Q. Are you generally familiar with the proposed transaction between Neosho and**  
2 **Missouri-American Water Company (“MAWC”) that is the subject of this**  
3 **proceeding?**

4 A. Yes.

5 **Q. What is the purpose of your Direct Testimony in this proceeding?**

6 A. The City Council authorized me to testify on behalf of the City of Neosho under Resolution  
7 No. 2026-11, passed on April, 7, 2026. A copy of that Resolution is attached to my Direct  
8 Testimony as Schedule RD-1. The purpose of my Direct Testimony is to provide  
9 background as to why Neosho desires to sell its water and sewer assets to MAWC and to  
10 explain the City’s disagreement with some of the conditions proposed by the Staff of the  
11 Missouri Public Service Commission (“Staff”).

12 **II. TRANSACTION**

13 **Q. Please describe Neosho’s water and sewer systems.**

14 A. Neosho serves approximately 5,694 water accounts and approximately 4,956 sewer  
15 accounts.

16 For years, the City has worked to maintain a reliable utility system for our residents. But  
17 our community is now facing infrastructure demands and financial requirements that have  
18 outpaced the capacity of our small municipal operation. The systems serve our people well  
19 today, but it is aging. It requires major capital investment, and those needs will only  
20 continue to grow.

21 **Q. Is Neosho supportive of the sale of its water and sewer assets to MAWC?**

22 A. Yes. This is evidenced by the unanimous vote of the Neosho councilmembers to pass

1 Ordinance No. 641-2025 authorizing an Agreement with MAWC for the purchase of the  
2 water and sewer systems. And, Neosho supports the relief sought by MAWC.

3 **Q. What did you and the council consider as you went through the sale process?**

4 A. As a council, we had fundamental questions we asked as we worked through this process.

5 The first question was: Given that some of the infrastructure goes back to the World War  
6 II era and that we have a current water loss issue that's been plaguing us for over 20 years,  
7 are we capable of operating and sustaining a system at this level? In other words, can we  
8 afford to address all these issues and what burden does that put on the users of the system?

9 The City contracted with Alliance Water Resources in 2015 to operate and manage the  
10 water and wastewater systems. The City hoped this would result in more professional and  
11 effective management of both utilities. However, the operations of the systems were still  
12 constrained by inconsistent dedication by both elected officials and the contracted workers.  
13 Essentially, we recognized the necessary improvements and regular maintenance were still  
14 not being properly addressed. We recently raised rates to cover a \$27 million investment  
15 in our wastewater plants. That resulted in a sewer rate increase of over 40 percent. We also  
16 had an operating loss that required us to raise water rates 20 percent. Despite that raise, we  
17 still do not have money to address other issues with the aging of our filtration plant. We  
18 have no dedicated funding for ongoing line replacement, and we have no money budgeted  
19 for proactive expansion west of I-49 where we see the growth of Neosho occurring.

20 We also asked ourselves whether we can staff a department to properly operate this system  
21 and how much would that cost? In a city our age, we face recruitment from bigger utilities  
22 and private companies. For a small town like ours, recruiting and retaining that level of  
23 expertise is difficult, if not impossible. This was part of the reason the City contracted the

1 services of a third party. However, as already discussed, the results have not demonstrated  
2 the effect the City hoped for from a contracted third party.

3 Moreover, we had to ask, “Do the elected officials have the appetite and the confidence to  
4 impose the rates necessary to properly operate the systems?” I have been on the council  
5 for fourteen (14) years. During those times, every year some of the council would see a  
6 need and suggest that the City raise rates. However, for too many years the majority of the  
7 council chose not to raise rates appropriately, thinking it was helping our community.  
8 Unfortunately, delaying those rate increases only pushed more costs into the future.

9 **Q. What do you believe MAWC brings to the Neosho systems?**

10 A. We believe that MAWC brings expertise, resources and the focus of a dedicated utility  
11 provider. These are things the City cannot match. They have a technical depth to address  
12 aging infrastructure and long-standing water loss issues. Their engineers, licensed  
13 operators, compliance specialists work with systems every day that are far more complex  
14 than the City’s systems. They also have advanced monitoring tools and technology that  
15 would be difficult, if not impossible, for a small municipality to acquire and maintain.  
16 Further, they offer a level of staffing, redundancy and response capability that we simply  
17 cannot provide.

18 **Q. How would you summarize the City’s position?**

19 A. The status quo is no longer sustainable. Asking Neosho residents to bear the full costs of  
20 reinvestment, the modernization, staffing, compliance and the like was going to be, in the  
21 long-term, too heavy a burden. But even more importantly, the past history of inconsistent  
22 leadership from elected and appointed officials has proven the only way to guarantee the  
23 necessary change is to change ownership. That's why the council voted unanimously to

1 pursue this sale.

2 **III. STAFF REPORT AND RECOMMENDATION**

3 **Q. On January 29, 2026, the Staff of the Missouri Public Service Commission (“Staff”)**  
4 **filed its Report and Recommendation. What was Staff’s recommendation?**

5 A. Staff summarized its recommendation as follows: Staff concluded that “all Tartan factors  
6 are satisfied. As such, Staff recommends that the Commission grant MAWC a CCN to  
7 provide water and sewer service in the proposed Neosho service area, subject to Staff’s  
8 proposed conditions.” (Staff Report, p. 1, para 3).

9 **Q. Does Neosho agree with Staff’s proposed conditions and actions?**

10 A. No. The City disagrees with Items, number 2, 7 and 8 in the list of conditions and actions.

11 **Q. What is Item 2?**

12 A. Item 2 states that the Commission should “Approve existing MAWC water tariff P.S.C.  
13 MO No. 13, All Missouri Service Areas Outside of St. Louis County, and sewer tariff P.S.C.  
14 MO No. 26, 13th Revised Sheet No. RT 3.1, rates for the Systems to be acquired.” (Staff  
15 Memo., p. 22 of 24). I understand that this means Staff is proposing the use of MAWC’s  
16 existing rates for Neosho beginning with the date of closing.

17 **Q. What is Neosho’s disagreement with Item 2?**

18 A. In particular, I understand that MAWC’s existing sewer rates, which are being  
19 recommended by Staff, are “fixed” with no usage or volumetric component.

20 **Q. What is the difference between Neosho’s existing rates and the MAWC rates identified**  
21 **by Staff?**

22 A. Neosho sewer customers currently are charged a volumetric rate for the sewer service they  
23 receive, which the City has historically determined to be the most equitable for users of the

1 system. It is very important to Neosho that this rate design continue for Neosho. Indeed,  
2 on August 19, 2025, after public hearing, the City Council approved a sewer service rate  
3 increase under Ordinance 644-2025 to aid in improvements and ongoing maintenance to  
4 the sewer system. This constituted an estimated 40% increase. This approved and enacted  
5 increase was calculated on continuing the volumetric rate.

6 **Q. On what basis does the City establish a customer's water usage for purposes of the**  
7 **volumetric rate?**

8 A. The current charges for sewer service of residential users is \$23.50 per month, plus an  
9 additional \$7.85 per one thousand (1,000) gallons of water used. If a sewer service user is  
10 not also a user of the City's water system, then the City takes the average water purchased  
11 by residential users for the months of December, January and February, and applies this  
12 metric as the monthly sewer charges, with this recalculated each year. Commercial users  
13 would be done in the same manner, except it would be the average commercial usage.

14 **Q. Does the City have any difficulty in obtaining water usage for this purpose?**

15 A. No. We currently bill water users based on volumetric usage. The City has direct access  
16 to the amount of water for each user. Given that the transaction would involve both water  
17 and sewer assets and the set of sewer customers to be served would almost exclusively be  
18 both water and sewer customers of MAWC, the normal impediments to the use of a  
19 volumetric rate for sewer service would not be present.

20 **Q. Why does the City oppose changing from the current volumetric rate for users of the**  
21 **sewer service?**

22 A. Neosho has a wide spectrum of citizens that range from large families to single individuals,  
23 as well as senior citizens. Generally speaking smaller households use significantly less

1 sewer and should not be charged the same as larger households that use more sewer service.  
2 By properly raising rates based on volumetric use, the City calculated with its last increase  
3 the amount necessary for the needed \$27 million for closing down the Crowder treatment  
4 facility that is past its life and necessary upgrades to its other treatment plant. This increase  
5 would still assist in additional ongoing maintenance and operations costs for the rest of the  
6 system.

7 **Q. What are the concerns about Items 7 and 8 of Staff's conditions and actions?**

8 A. I understand these items to indicate that if the transaction is completed, the purchase price  
9 (which is also the appraised value of the system) would not initially be used for the net  
10 book value of the assets.

11 **Q. What is your concern as to this issue?**

12 A. Elected officials have a fiduciary duty to constituents to obtain proper compensation from  
13 the best bidder for the sale of property belonging to a municipal government. The net book  
14 value does not reflect the proper compensation and that is, at least in part, why the General  
15 Assembly established § 393.320, RSMo, the "appraisal method" for establishing the value  
16 for the acquisitions of a small utility. If only the net book value would be approved and  
17 this would cause MAWC to only be able to offer this value for the systems, then the City  
18 Council would be doing a disservice to the citizens of Neosho to accept less than the  
19 appraised value. A municipal official would fail to fulfill his or her fiduciary duty selling  
20 municipal property at an amount less than its appraised value. Anything that would suggest  
21 an appropriate price for assets like both systems be something less than the appraised value  
22 is inconsistent with the duty the city officials have to their constituents.

1 IV. CONCLUSION

2 **Q. What is your recommendation for the Commission?**

3 A. Neosho supports the relief sought by MAWC and requests the Commission approve the  
4 proposed transactions with the adjustments to Staff conditions and actions Items, 2, 7 and  
5 8, proposed by MAWC.

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

7 A. Yes.

**VERIFICATION OF RICHARD DAVIDSON**

STATE OF MISSOURI     )  
  )  
COUNTY OF NEWTON    )

I, Richard Davidson, of lawful age, under penalty of perjury, and pursuant to Section 509.030, RSMo, state as follows:

1. My name is Richard Davidson, and my business address is 5400 Doniphan Dr. Neosho MO 64850.
2. My direct testimony on behalf of the City of Neosho, Missouri is attached to this verification.
3. My answers to each question in the attached direct testimony are true and correct to the best of my knowledge, information, and belief.

Signed by:  
  
11880BC827EAtCF...  
Richard Davidson

4/7/2026  
Date

**Resolution Bill No. 2026-11**

**A RESOLUTION of the City of Neosho, Missouri, authorizing Richard Davidson, individually, as a representative for the City to provide testimony and appear on behalf of the City of Neosho before the Public Service Commission for the State of Missouri for the purpose of any hearing or proceeding that may be required for review and approval by the Public Service Commission regarding the Agreement for Purchase of the Water and Wastewater Systems between the City of Neosho and Missouri-American Water Company.**

**WHEREAS**, on August 19, 2025, under Council Bill No. 2025-52, the City Council for the City of Neosho, Missouri approved and adopted Ordinance No. 641-2025 approving the Agreement for Purchase of the Water and Wastewater Systems between the City of Neosho and Missouri-American Water Company for the sale price of Thirty-Four Million, Five Hundred Thousand and 00/100 Dollars (\$34,500,000.00) and authorized the Mayor to execute that Agreement.

**WHEREAS**, approval of the sale under this Agreement is pending review by the Public Service Commission for the State of Missouri (“MoPSC”) under File No. WA-2026-0072; and

**WHEREAS**, review and approval may require, be necessary and be in the best interest of the City for testimony and personal appearance of a representative before MoPSC on behalf of the City of Neosho; and

**WHEREAS**, Richard Davidson’s experience on the Council qualifies him to best serve as a representative on behalf of the City for the purpose of MoPSC to review and approve said Agreement;

**WHEREAS**, Richard Davidson consents serve as a representative of the City of Neosho and to testify and appear in person before MoPSC for any hearing or proceeding required, necessary or in the best interest of the City under File No. WA-2026-0072.

**NOW, THEREFORE BE IT RESOLVED** by the City of Neosho, Missouri as follows:

That Richard Davidson is qualified with knowledge and experience about the City of Neosho, Water and Wastewater Systems and the Agreement for Purchase of the Water and Wastewater Systems between the City of Neosho and Missouri-American Water Company and that he has consented to serve as a representative for the City to testify and appear on behalf of the City of Neosho under File No. WA-2026-0072, before the Public Service Commission for the State of Missouri to seek approval of said Agreement;


**BE IT FURTHER RESOLVED**, that Richard Davidson is hereby authorized to serve as a representative of the City of Neosho and to testify and appear at any proceeding or hearing that may be required, necessary and in the best interest of the City of Neosho under File No. WA-2026-0072, before the Public Service Commission for the State of Missouri to seek approval of said Agreement;

**BE IT FURTHER RESOLVED**, this Resolution shall be effective as of 7th day of April 2026.

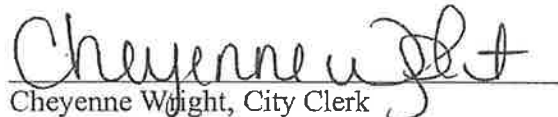
Resolution Bill No. 2026-11

PASSED BY THE COUNCIL OF THE CITY OF NEOSHO, MISSOURI, this 7th day of April 2026,  
by a vote of 7-0.

CITY OF NEOSHO, CITY COUNCIL

  
Ashton Robinson, Mayor Pro Tem

ATTEST:

  
Cheyenne Wight, City Clerk  
SEAL

APPROVED AS TO FORM:

  
Derek A. Snyder, City Attorney

