

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

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WA-2026-0072

REBUTTAL TESTIMONY

OF

RICHARD DAVIDSON

ON BEHALF OF

CITY OF NEOSHO, MISSOURI

**REBUTTAL TESTIMONY
RICHARD DAVIDSON**

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

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

4 **Q. Are you the same Richard Davidson who previously submitted Direct Testimony in
5 this proceeding on behalf of the City of Neosho, Missouri (“Neosho”)?**

6 A. Yes.

7 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

8 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony of Office of
9 Public Counsel (“OPC”) witness Dr. Geoff Marke (Dr. Marke or Marke).

10 **Q. Dr. Marke states in his Direct Testimony that the water and wastewater systems are
11 in need of repairs and MAWC has estimated it will seek \$35 million in improvements
12 over the next five years. See Direct Testimony of Geoff Marke (“Marke”) on page 1
13 and lines 17-22 (“1:17-22”). . Is this a correct statement?**

14 A. Yes. Dr. Marke additionally acknowledges “an approximate 53% water loss rate for the water
15 system that was identified by the Missouri Department of Natural Resources in 2024. Marke 1:19-
16 22. However, OPC witness Marke also states that Neosho’s water and sewer utilities are not
17 “distressed.” Marke 2:5. This is based, at least in part, on the fact that the City’s systems have
18 maintained a Standard and Poor’s rating of “A”. See Marke 2:6-7.

19 **Q. What does Dr. Marke do with this information?**

1 A. Remarkably, Dr. Marke uses this information to argue that the value of the systems should be
2 discounted to something closer to what he states is the Staff's net book value ("NBV"). See Marke
3 1:13-16. In other words, Dr. Marke tries to discount a system that he claims is not distressed
4 and received a high Standard and Poor's rating. He appears to argue the system is in great
5 shape, but then he attempts to justify discounting this highly rated system to meet the NBV
6 proposed by Staff, without analyzing information provided for the appraisal method and
7 ignoring the actual current Neosho rates and past history.

8 **Q. What is the difference between the appraisal price and the Staff NBV?**

9 A. The Staff NBV discounted price is nearly \$10 million less than what the three separate
10 appraisers calculated pursuant to § 393.320, RSMo. The appraisers, on the other hand,
11 evaluated the current status of the systems and the rates in reaching the appraised value.
12 See Kadyk DT, Sched. SCK-1, Appendix C (Appraisal).

13 **Q. Are there other parts of Dr. Marke's analysis with which you disagree?**

14 A. Yes. Dr. Marke's testimony seems to assume these needed improvements, for the systems
15 he boldly claims are not distressed, must be funded only by increases above existing rates.
16 He, again, avoids readily available facts. The Neosho City Council passed by ordinance on
17 August 19, 2025, a sewer service volumetric rate increase under Ordinance 644-2025
18 calculated to generate \$27 million over twenty (20) years to make improvements in the
19 wastewater system. Though this rate increase is in effect, no work has begun, nor has
20 Neosho received any borrowed monies for the project or sent the project out for bid, as
21 Neosho anticipated the closing of this transaction in the spring of 2026. In the event the
22 sale was not approved or failed to close, the current City Council passed the appropriate
23 rate increase. Unfortunately, Neosho's past history does not guarantee that future councils

1 will dedicate this rate increase to the project and also continue to raise rates as needed for
2 ongoing maintenance and other repairs. This is another factor not included in Mr. Marke's
3 assessment. He makes no reference, nor appears to acknowledge the way a political
4 subdivision's leadership changes with new members elected to a governing body, that then
5 react to the pressures of their constituency.

6 **Q. OPC witness Marke alleges that the proposed transaction "rewards the City of**
7 **Neosho's government for mismanagement of and historical underinvestment in its**
8 **water and wastewater systems." Marke 3:7-9. How do you respond to that allegation?**

9 A. Again, Dr. Marke devalues the systems that he himself also claims are not distressed.
10 Neosho's systems are not in their current condition because of intentional neglect. These
11 systems arrived at this condition over decades of time caused by changing political
12 leadership that must focus on a plethora of projects for the citizens the City serves. Dr.
13 Marke seems unaware that the systems are in part 80 years old, spread over nearly 16
14 square miles situated in a City predominantly built in the limestone hills of Newton County,
15 Missouri, making maintenance and repair difficult. This is not flat farmland. Since elected
16 leaders at any level of government are not professional utility operators, Neosho must rely
17 on the expertise of others, that over the years have become extremely difficult for smaller
18 municipalities to hire and retain. To put it bluntly, Dr. Marke appears to lack understanding
19 about where Neosho is located, its terrain, or how small government works. In this case,
20 the three appraisers knew of the condition of the assets and based their evaluations on that
21 information. Therefore, selling an asset at its appraised value is not rewarding anyone for
22 mismanagement, it is adhering to the fiduciary obligations required of elected officials.

1 **Q. Dr. Marke suggests that as a municipal system Neosho will be able to accomplish**
2 **improvements more economically than a publicly regulated system. Marke 2:5-17**
3 **and 3:18. Do you agree with this conclusion?**

4 A. No. This conclusion ignores the obvious higher costs municipalities pay for improvements
5 due to prevailing wage labor requirements and higher material costs. Dr. Marke left out of
6 his opinion readily available information about economies of scale that typically reduce
7 costs to a large utility like MAWC, more so than a city with approximately 5,783 water
8 and sewer accounts.¹ Neosho would pay higher costs in engineering, construction labor, as
9 well as materials than a private utility company like MAWC.

10 **Q. OPC witness Marke states that “As a public system, Neosho currently has access to**
11 **significantly lower financing costs and access to subsidized, below-market interest**
12 **rates with longer loan terms (State Revolving Fund).” Marke 2:10-12. Does Neosho**
13 **have unfettered access to low-cost financing sources?**

14 A. No. Dr. Marke seems to offer opinions while either ignoring crucial information or without
15 attempting to obtain the correct information. Neosho does not have the implied unfettered
16 access to State Revolving Fund (SRF) or Direct Loan financing. The City is eligible to
17 apply for low-cost financing through the Missouri Department of Natural Resources’ SRF
18 programs; however, funding is awarded through competitive annual cycles, subject to
19 project eligibility, regulatory requirements, and prioritization by the State.² While the
20 Missouri Department of Natural Resources (MoDNR) can issue SRF loans, the actual bond

¹ Richard Davidson Direct Testimony 2:16-17 listed water accounts at 5694 and sewer 4,956, but a 2023 rate study listed the numbers as 5783 customers for each system.

² MoDNR State Revolving Fund (SRF) (2026). <https://dnr.mo.gov/water/what-were-doing/state-revolving-fund-srf>

1 issuance to finance a project often involves a Revenue Bond. Missouri law requires that
2 such revenue bonds be approved by voters in a referendum before the city can proceed. A
3 “NO” vote would require traditional financing or the use of Certificates of Participation
4 (COPs) which both have a higher interest rate.

5 Currently, Neosho has both a Sewerage System Refunding and Improvement Revenue
6 Bond from 2009 under the American Recovery and Reinvestment Act, with a current
7 balance of \$1,452,000.00 and a Waterworks Refunding and Improvement Revenue Bond
8 from 2011 with a current balance of \$3,810,000.00 through the State of Missouri Direct
9 Loan Program. The Missouri SRF is a loan program, not an entitlement. The SRF provides
10 low-interest loans to eligible recipients. Neosho qualifies as an applicant, but funding is
11 offered through a competitive annual cycle. This alone means access is not unfettered.
12 Projects must meet strict eligibility criteria. Applications are ranked and prioritized using
13 project priority lists and loan ranking criteria that even eligible projects are not guaranteed
14 funding. Lower financing cost is conditional with rates, terms, and subsidy levels which
15 are dependent upon program year, priority ranking and disadvantaged community criteria.
16 The standard term is 20 years and can extend up to 30 years under certain conditions. Those
17 conditions are if the project’s useful life is at least 30 years or the state chooses to fund it
18 for the maximum periods. The extended funding is not guaranteed for a municipality. Is
19 Dr. Marke suggesting Neosho should try to borrow more money? His suggestion also fails
20 to mention that subsidized loans are issued at the costs of taxpayers. Somebody has to pay
21 for the reduced loan rate.

22 **Q. Dr. Marke further proposes a regional partnership with the Newton County Public**
23 **Water Sewer District (or further regionalization of municipal systems with the Cities**

1 **of Seneca, Diamon [sic], Stella, and/or further small community systems). Marke 2:15**

2 **– 3:3. Is that something that Neosho believes is practical?**

3 A. No. While such partnerships can exist in areas where municipalities share common
4 boundaries, that is not the case for Newton County. For Dr. Marke to suggest this idea
5 reflects he has not attempted to review the proximity of each of these municipalities to one
6 another--the miles, hills, creeks, springs and highways that would have to be crossed, and
7 land acquisitions necessary for such a partnership of shared systems. His suggestion also
8 is made without any information provided as to the willingness of Seneca, Diamond and
9 Stella, with already functioning water and/or wastewater systems, to partner with Neosho,
10 situated at least seven miles away, or without any information as to how well these other
11 municipal systems are operated. Furthermore, I know of no Newton County Public Water
12 and Sewer District in Newton County, Missouri. I did find, however, a Newton County
13 Public Water and Sewer District in Georgia. If Dr. Marke, in error, intended to cite to
14 Newton County Public Water District #1, located in Stark City, Missouri, this is currently
15 only a water utility district and not a wastewater utility. It is located approximately 12 miles
16 from Neosho. Water Districts are created Chapter 247 RSMo. that govern their strict
17 exclusive jurisdictional boundaries, which can be further limited by federal financing and
18 the Code of Federal Regulations. The notion that Neosho could partner with this water
19 district in Newton County, Missouri, is not practical or likely feasible, and also lacks
20 information as to how this District is operated.

21 **Q. OPC witness Marke also views the fact that MAWC proposes that the Neosho**
22 **customers stay on their current rates as of closing to be a detriment, because those**

1 **rates would be less than that currently charged to MAWC's non-St. Louis County**
2 **water customers. Marke 3:16-18. Do you believe that is a detriment?**

3 A. No. Dr. Marke fails to factor in his assessment that the City of Neosho City Council passed
4 by ordinance on August 19, 2025, a sewer service volumetric rate increase under Ordinance
5 644-2025 calculated to generate \$27 million over twenty (20) years to make many
6 improvements in the wastewater system. See Direct Testimony of Richard Davidson 5:1-
7 5. At the same time, Neosho passed an ordinance to increase water rates for debt service
8 purposes as well. Id. It appears Dr. Marke did not factor in the rate increases implemented
9 for both systems, because he wrongfully asserts Neosho current rates are 21% lower than
10 MAWC Outside St. Louis County District costs. See Marke 3:16-18. Neosho's water rates,
11 with the increase passed in August of 2025, would actually be slightly above MAWC
12 current water rates, while the sewer rates would be below those rates.

13 **Q. Do you find OPC witness Marke's testimony helpful in terms of the needs of Neosho?**

14 A. No. Though he does mention Neosho's historic water loss of more than 53%, which has
15 plagued Neosho for decades, he glosses over this perpetual problem and essentially tells
16 the City to heal itself. Marke 1:19-22 and 2:8-9. If Neosho could fix its problems with its
17 water and wastewater systems, it would have done it. Of course, if it were as easy as Dr.
18 Marke concludes, why would public regulated utilities be needed at all?

19 **Q. Does this conclude your Rebuttal Testimony?**

20 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 rebuttal testimony on behalf of the City of Neosho, Missouri is attached to this verification.
3. My answers to each question in the attached rebuttal testimony are true and correct to the best of my knowledge, information, and belief.

Signed by:

188D8C8278A4CF
Richard Davidson

5/7/2026
Date