

KMB UTILITY CORPORATION
5108 Dulin Creek Rd.
House Springs, MO 63051
(636) 671-3310

April 1, 2003

FILED³

APR 03 2003

Secretary to the Commission
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

**Missouri Public
Service Commission**

RE: KMB Utility Corporation
Small Company Rate Increase Request
Mo. PSC Working No. QW 2003 0010 (Sewer)

Dear Mr. Secretary:

I am enclosing for filing with the Commission the original and a copy of revised tariff sheets that include rate and language changes reflected in an agreement between the KMB Utility Corporation (Company) and Commission Staff (Staff) on the above subject. The Company initiated the subject rate increase request on August 15, 2002, under the Commission's small company rate increase procedure, and the request was assigned the above-referenced work number.

Additionally, consistent with the Commission's small company rate increase procedure, I am enclosing an Agreement Regarding Disposition of Small Company Rate Increase Request (Agreement). This Agreement reflects a "settlement" between the Company and the Staff regarding all matters related to the Company's sewer service rate increase request.

The Agreement calls for, and the revised tariff sheet contains, customer rates intended to produce an increase of \$8,511 (an approximate 14.41% increase) in the Company's annual operating revenues for its sewer operations. The Agreement also calls for the Commission approval of revised depreciation rates.

The following are also contained in the Agreement; the modification of the Late Payment Charge and the implementation of Bad Check Charge of \$20 per bad check.

The Agreement is between the Company and the Staff; therefore, the enclosed tariff sheets bear an effective date that is greater than the 45 days from the issue date. The Office of the Public Counsel requests that a second customer notice be accomplished because of the magnitude of these increases.

It is my understanding that the Staff will be providing additional information about the Company's rate increase request and the related Staff audit and investigation, for filing in the case papers following the creation of a formal docket.

Please contact me at your convenience if you need anything further.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann Rudy", with a long, sweeping horizontal stroke extending to the right.

Ann Rudy
President

Cedar Hill Estates Water Company, Inc.

AR:vja

Enclosures

Copies (w/enclosures):

Wendell R. Hubbs – PSC Staff

Office of the Public Counsel – Ruth O'Neill

KMB Utility Corporation For: Cape Rock Village (Cape Girardeau County)
Name of Issuing Company Community, Town or City

RULES GOVERNING
RENDERING OF SEWER SERVICE +

SCHEDULE OF SEWER RATES

Sewer Rate Schedule A: Single Family Dwelling

Availability: +

The following rate is applicable to single family residences, including mobile homes not located in mobile home parks, and is applicable to all customers located in the Company's Cape Rock Village certificated service area and adjacent to the Company's collection sewer.

Customer Charge \$ 26.52 per Month +

The Customer Charge will be billed each customer monthly.

Sewer Rate Schedule B: Multiple Family Dwelling

Availability: +

The following rate is applicable to each rental unit of a multiple family dwelling and for individual mobile homes located in mobile home parks, where customers are located in the Company's Cape Rock Village certificated service area and adjacent to the Company's collection sewer.

Customer Charge \$ 21.21 per Month +

The Customer Charge will be billed each customer monthly.

Taxes:

Any applicable Federal, State or local taxes shall be in addition to above charges.

Late Charges: +

Billings will be made and distributed at monthly intervals. 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 21 days after rendition of the bill. A charge of \$5.00 or three percent (3%) per month times the unpaid balance, whichever is more, will be added to delinquent amounts.

* Indicates new rate or text

+ Indicates change

Date of Issue 4/1/03

Date Effective 5/21/03

Issued By: Ann Rudy President 510 Dulin Creek Rd., House Springs MO 63501

Name of Officer Title

Address

KMB Utility Corporation For: Cape Rock Village (Cape Girardeau County)
Name of Issuing Company Community, Town or City

RULES GOVERNING
RENDERING OF SEWER SERVICE +

SCHEDULE OF SERVICE CHARGES

These charges are applicable to the Company's service provided for in the corresponding rules.

Bad Check Charge: *

A bad check charge of \$20 per check will be paid on all checks returned from the bank for insufficient funds.

Disconnection/Reconnection:

The Reconnection Charge after service disconnection by the Company for violation of the Company's Rules and Regulations (see Rule 7) shall be the total actual cost of discontinuance and reconnection of service. +

Service Connection:

Where the Company performs the construction of the physical connection to its collection system, the Customer shall pay the actual cost of connection. +

Where the Customer is having anyone except the Company install the connection to the system to his premises, the Customer shall notify the Company of such installation and the Customer is required have the Company inspect the connection pipe construction before the ditch is filled in. +

The Company will charge the Customer \$40 for the inspection of the connection pipe construction. +

* Indicates new rate or text

+ Indicates change

Date of Issue 4/1/03

Date Effective 5/21/03

Issued By: Ann Rudy President
Name of Officer Title

510 Dulin Creek Rd., House Springs MO 63501
Address

**Agreement Regarding Disposition of
Small Company Rate Increase Request**

KMB Utility Corporation – Sewer Service

MO PSC Work ID No. QS-2003-0010

Background

KMB Utility Corporation ("Company") initiated the small company rate increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") "file" by submitting a letter to the Secretary of the Commission. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-2.200, Small Company Rate Increase Procedure ("Small Company Procedure"). The date that the Company's Request was received at the Commission's offices was August 15, 2002.

In its Request, the Company represented that it was asking for Commission approval of customer rates intended to generate an increase in its total annual sewer service operating revenues of \$9,448. The Company serves approximately 220 customers in its Cape Rock Village sewer area in Cape Girardeau County.

Upon review and acceptance of the Company's Request, personnel in the Commission's Data Center scanned the Request into the Commission's electronic filing and information system and Work ID No. QS-2003-0010 was assigned to the Request. The Request was then forwarded to the Commission's Water & Sewer Department for processing under the Small Company Procedure.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, the Staff of the Commission ("Staff") initiated an audit of the

Company's books and records, a review of certain of the Company's general business practices, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (Hereafter, these activities will be collectively referred to as the Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, the Staff provided the Company and the Office of the Public Counsel ("OPC") various information regarding the results of the investigation, as well as its initial recommendations for resolution of the Company's Request.

Resolution of the Company's Rate Increase Request

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the Staff's investigation of the Company's Request, the Staff and the Company hereby state the following agreements.

- (1) That for the purpose of implementing the agreements set out herein, the Company will file tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheets for service to its Cape Rock Village sewer service territory as attached hereto as Attachment A. Additionally, the Company will submit the original signed version of this document with its tariff filing.
- (2) That the ratemaking income statement attached hereto as Attachment B reflects the Company's annualized sewer revenues generated by its current customer rates, the Staff determined level of increase needed by the Company for its annualized cost of providing service to be \$8,511.
- (3) That the rates set out in the attached example tariff sheets are designed to generate revenues sufficient to recover the abovementioned increase. Additionally, the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.

- (4) That the rates included in the attached example tariff sheets are just and reasonable.
- (5) That the depreciation rates set out on Attachment C hereto should be the prescribed sewer plant depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.
- (6) That the modification of the Late Payment Charge is reasonable.
- (7) That the implementation of a Bad Check Charge of \$20 per bad check is reasonable.
- (8) The Company agrees to keep a separate logbook, which will contain the record of all revenues and separate occurrences related to each type of charge contained on the proposed "Schedule of Service Charges" tariff sheet. Monthly totals of each type of charge will also be kept in this "Schedule of Service Charges" logbook.
- (9) The Company agrees that it will keep more detailed time records for all future rate cases. Specifically, these time sheets must show the following items: the number of hours worked by the operator, the date the work was performed, to which specific system these hours relate and the number of hours devoted to capital improvement projects, operation and maintenance, or general office.
- (10) The Company agrees that it will inspect, clean and repair all manholes on the systems annually. In the past the Company routinely performed smoke tests on its lines to locate sources of infiltration and breaks in the mains. The Company pledges to continue this practice under its new ownership.
- (11) The Company agrees that when it seeks future increases, that such request will include rate change proposals for all of its operating areas. This includes its existing water service areas, sewer service area and its Cedar Hill Estates service area.
- (12) The Staff and Company agree that the December 9, 2002, KMB and Cedar Hill Estates Water Company, Inc. filed application (in Case No. WM-2003-0194) requesting the Commission's authority to merge Cedar Hill into KMB, does not negatively impact this rate case. KMB is to carry on the operations of Cedar Hill. The Staff believes that

proper rates will be established for both KMB and Cedar Hill as part of these small company rate increase procedures.

- (13) The Company agrees that it will solicit a minimum of three competitive bids for all construction projects over \$2,000. The Company acknowledges that lack of competitive bids may preclude plant from being included in future rates.
- (14) That the above agreements satisfactorily resolve all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated herein.

Additional Matters

This Disposition Agreement is only between the Staff and the Company. The OPC has requested that the Company send a second customer notice to its customers. In compliance with the Small Company Procedure, the Company's second notice will reflect the terms of this Disposition Agreement, and will provide the Company's customers an opportunity to send comments to the OPC and the Staff within twenty (20) days after the date of that notice. In addition to this second customer notice, the Company acknowledges that the OPC also has the right to request that the Commission hold a local public hearing regarding the Company's Request and/or the provisions of this Disposition Agreement.

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff and the Company, and neither party has agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

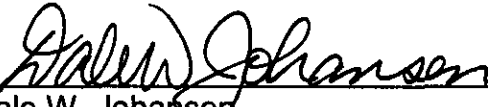
The Company acknowledges that it has consented to an extension of the "150-day" tariff filing date set forth in the Small Company Procedure.

The Company acknowledges that the Staff will be making an additional filing with the Commission regarding this matter. That filing will include the Staff's recommendation for approval of the subject tariff revisions, background information regarding the Company's Request and the Staff's investigation thereof, and certain Staff workpapers regarding the following items: (a) the ratemaking income statement referenced in item (2) above; (b) the agreed-upon design of the Company's customer rates; (c) a residential customer billing comparison reflecting the agreed-upon changes in the Company's rates; (d) a general overview of the Company; and (e) an overview of the Company's customer service procedures and practices. Additionally, that filing will include information regarding the status of the Company's payment of its Commission assessments and the Company's filing of its Commission annual reports, as well as information regarding any other pending matters that the Company may have before the Commission.

Effective Date and Signatures

This Disposition Agreement shall be considered effective as of the date that it and the requisite tariff revisions are filed with the Commission.

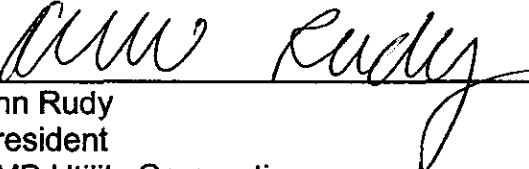
Agreement Signed and Dated:



Dale W. Johansen
Manager - Water & Sewer Department
Missouri Public Service Commission Staff

3/18/03

Date



Ann Rudy
President
KMB Utility Corporation

3/24/03

Date

List of Attachments

Attachment A	Example Tariff Sheets
Attachment B	Ratemaking Income Statement
Attachment C	Depreciation Rates

KMB Utility Corporation For: Cape Rock Village (Cape Girardeau County)
 Name of Issuing Company Community, Town or City

RULES GOVERNING
 RENDERING OF SEWER SERVICE

+

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Date of Issue

Date Effective

Issued By: Ann Rudy President 510 Dulin Creek Rd., House Springs MO 63501
 Name of Officer Title Address

Attachment A-1

KMB Utility Corporation For: Cape Rock Village (Cape Girardeau County)
 Name of Issuing Company Community, Town or City

RULES GOVERNING
 RENDERING OF **SEWER SERVICE** +
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Date of Issue

Date Effective

Issued By: Ann Rudy President 510 Dulin Creek Rd., House Springs MO 63501
 Name of Officer Title Address

Attachment A-2

KMB - Cape Rock Village

Small Company Rate Filing - Sewer Service

Work ID # QS-2003-0010

S-1

Rate Making Income Statement - Sewer

	As Adjusted		
Annual Revenues	\$59,050		
Annual Expenses			Customer Charge
Accounting Fees	\$1,147		\$1,147
Legal Fees	\$153		\$153
Annual Registration	\$106		\$106
Business Insurance	\$1,245		\$1,245
Certification	\$121		\$121
Chemicals	\$125		\$125
Depreciation Expense	\$6,583		\$6,583
Misc. assessments	\$62		\$62
DNR - Water Testing	\$200		\$200
Electricity Expense	\$6,283		\$6,283
Employee Health Insurance	\$353		\$353
Freight/Postage/PitneyBowes	\$1,070		\$1,070
Miscellaneous	\$835		\$835
Loan Payment - Ann Rudy	\$0		\$0
Office Supplies	\$235		\$235
Officer Salaries	\$3,989		\$3,989
Operating Supplies	\$0		\$0
Outside Services	\$0		\$0
Soutside Services - Mowing	\$1,180		\$1,180
Pager	\$121		\$121
Payroll Taxes	\$1,762		\$1,762
Payroll Billing Expense	\$7,371		\$7,371
Payroll - Operator Expense	\$7,080		\$7,080
DNR - Permit	\$3,000		\$3,000
PSC Assessment	\$3,589		\$3,589
Real Estate Taxes	\$142		\$142
Rent	\$1,405		\$1,405
Repairs & Maintenance & R.M. Payroll	\$11,313		\$11,313
Amortization of Repair & Maintenance	\$1,058		\$1,058
Telephone Expense	\$870		\$870
Vehicle Expense	\$804		\$804
Water Expense	\$258		\$258
Return on Investment	\$5,101		\$5,101
Total Cost of Service	\$67,561		\$67,561
Less: Other Revenues	\$1,503		\$1,503
Cost to Recover in Rates	\$66,058		\$66,058
Increase =	\$8,511	14.41%	
Requested Increase	\$9,448		

January 27, 2003
Missouri Public Service Commission Staff

Page 1 of 1
W. R. Hubbs

Attachment B

**KMB UTILITY CORP.
DEPRECIATION RATES**

(SEWER)

FILE NO. SW-2003-0010

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
363	Pumping Equipment	10.0%	10
372	Oxidation Lagoons	2.0%	25
391.1	Office Computer Equipment	14.3%	7
392	Transportation Equipment	12.5%	8
394	Tools, Shop, Garage Equipment	5.0%	20