

At a Session of the Public Service Commission held at its office in Jefferson City on the 24th day of September, 1993.

## ORDER APPROVING TRANSFER OF ASSETS

Davis and KMB are both water corporations and public utilities subject to the jurisdiction of the Commission. KMB currently provides water service to customers in its Missouri service area, and purchases smaller systems to be operated as one utility. Also, KMB's owner is an engineer experienced in the water utility field.

On September 1, 1993, the Commission issued an Order and Notice directing those wishing to intervene to do so by September 13, 1993. Since no one intervened and neither the Staff of the Commission (Staff) nor the Office of the Public Counsel (Public Counsel) requested a hearing, Davis and KMB were allowed to submit evidence in support of their application by affidavit.

On August 31, 1993, Staff filed a memorandum recommending that the Commission approve the application. Staff proposed that KMB be granted a rate

increase from \$6.25 per month to interim rates of \$10.72 per month for full-time customers and \$8.04 per month for part-time customers. Staff also proposed that the interim rates be reviewed within eighteen months and be refundable should they be deemed to be excessive.

In addition to the rate increase, Staff has proposed a surcharge of \$4.67 per month for a period of five years. The surcharge would be used to repay a portion of the principal and interest on a five-year \$80,000 Environmental Improvement and Energy Resource Authority (EIERA) loan, of which approximately \$50,000 is to be used on the Davis water system.

On September 17, 1993, a public hearing on this matter was convened as scheduled. Several customers of Davis testified and expressed concern about the rate increase, the surcharge and adequate service.

On September 21, 1993, Public Counsel filed a recommendation that the transfer of assets be approved. Public Counsel also recommended that the proposed interim rates be approved on the condition that a refund of all revenue determined to be excessive be guaranteed. Public Counsel further recommended that the proposed surcharge be denied but if it is approved, that it be made subject to refund.

Upon review of the application, the recommendation of Staff and Public Counsel, and the testimony from the public hearing, the Commission finds that, because KMB is currently providing water service in Missouri and it has adequate personnel to effectively handle the operation of Davis' water system, the transfer is in the public interest and the application should be approved.

The Commission also finds that the proposed rate increase is needed to cover KMB's estimated operating expenses when it assumes control of the water system. The Commission is of the opinion, though, that the rates should be interim and be refundable if found to be excessive upon a review to take place within eighteen months after the rates are effective. Thus, the Commission

determines that the rates proposed by Staff should be approved as interim rate subject to refund.

The Commission further finds that the proposed surcharge is needed to repay loan funds to be used for necessary improvements to the water system. However, the Commission is of the opinion that the surcharge should be made interim subject to refund and that a review of the surcharge should be conducted every eighteen months to ensure that the surcharge is not excessive and that surcharge funds are used to repay only that amount used for improvements of the former Davis water system.

IT IS THEREFORE ORDERED:

1. That the transfer of the franchise, works and system of Davis Water Company to KMB Utility Corporation is hereby approved.
2. That Davis Water Company and KMB Utility Corporation are hereby authorized to take any and all other actions necessary to effectuate the transactions contemplated by the application and this Order.
3. That rates of \$10.72 per month for full-time customers and \$8.04 per month for part-time customers are hereby approved on an interim subject to refund basis.
4. That the interim rates approved in Ordered Paragraph 3 shall be reviewed within eighteen (18) months after the rates become effective.
5. That a surcharge of \$4.67 to be collected for a period of no more than five (5) years is hereby approved on an interim subject to refund basis.
6. That the interim surcharge approved in Ordered Paragraph 5 shall be reviewed within eighteen (18) months after the surcharge becomes effective, and every eighteen (18) months thereafter.
7. That KMB Utility Corporation is hereby authorized, upon the closing of the transfer, to file tariff sheets which include a metes and bounds description and a map of the service area, a rate sheet showing the rates and

surcharge approved in this Order, and which are otherwise consistent with this Order, to be effective ten (10) days after the closing.

8. That upon the effective date of the tariffs directed in Ordered Paragraph 7, Davis Water Company's certificate of convenience and necessity and tariffs shall be canceled and KMB Utility Corporation shall be granted a certificate of convenience and necessity.

9. That KMB Utility Corporation shall notify the Commission upon consummation of the transfer of the water system.

10. That nothing in this Order shall be considered as a finding by the Commission of the value for ratemaking purposes of the properties herein involved, nor as an acquiescence in the value placed upon said properties by KMB Utility Corporation.

11. That the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions in any later proceeding.

12. That this Order shall become effective on October 4, 1993.

BY THE COMMISSION



David L. Rauch  
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins,  
and Kincheloe, CC., Concur.  
Crumpton, C., Not Participating.