

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 12th
day of May, 1995.

In the matter of KMB Utility Corporation's tariff)
revision designed to increase rates for water service at)
High Ridge Manor, Lakewood Hills, Hillshine Community,) Case No. WR-95-296
town of Scotsdale and a schedule of service charges,)
pursuant to the Commission's informal rate procedure.)
)

ORDER GRANTING RATE INCREASE

On November 15, 1994, KMB Utility Corporation (KMB) submitted a letter to the Commission requesting an increase in rates for water service in five divisions of its certificated area (High Ridge Manor, Crestview Acres, Hillshine Community, Lakewood Hills and Scotsdale). KMB's request was submitted pursuant to the Commission's small utility rate increase procedures in 4 CSR 240-2.060(8). On March 31, 1995, KMB filed tariff sheets based upon an audit performed by Commission Staff which contained a modified rate increase proposal. The tariff sheets reflected increases for High Ridge Manor, Lakewood Hills, Hillshine Community, Scotsdale, and for service charges.

On April 7, 1995, the Office of Public Counsel (OPC) filed a request for a local hearing. OPC in its motion indicated that a local hearing should be held to receive customer comments because of the significant increases in rates in the Scotsdale and Lakewood Hills service areas.

The Commission conducted a local customer hearing as requested. Twelve customers made comments concerning the proposed rate increases and service problems. On May 5, 1995, OPC filed a pleading recommending the Commission

approve the proposed rate increases subject to certain conditions. The conditions recommended by OPC are:

1. That the Environmental Improvement and Energy Resources Authority (EIERA) surcharge be changed from \$6.10 to \$6.27 for KMB's Lakewood Hills service area to reflect a reduction in the number of customers;
2. That KMB should improve its responsiveness to customer calls and letters;
3. That KMB should remove litter from around the Scotsdale wellhouse; and
4. That KMB should maintain detailed travel logs.

On May 10, 1995, Commission Staff filed a memorandum concerning the proposed tariff sheets. In its memorandum Staff recommends that the proposed tariff sheets filed on March 31, 1995, be approved subject to certain conditions. Staff's recommendations for KMB are:

1. That KMB install meters for all commercial customers in the Scotsdale service area within six months from the effective date of this order;
2. That KMB make the necessary improvements on its Warren Woods system as required by the Commission's order in WM-94-21 issued December 21, 1993, and that these improvements be constructed by December 21, 1995;
3. That KMB maintain accurate employee time sheets;
4. That KMB keep accurate maintenance and operational logs including travel and equipment logs;
5. That KMB file a complete annual report for 1994;

6. That KMB begin, on June 10, 1995, making the principal and interest payments on the EIERA loan; and
7. That KMB maintain accurate customer records.

The Commission has reviewed OPC's pleading, Staff's recommendation and the proposed tariff sheets. Based upon that review and with adoption of certain conditions as described below, the Commission will approve an increase in revenues for KMB consistent with this order. Although the rate increases are significant the Commission finds, based upon Staff's memorandum, that KMB has made substantial capital improvements in its water system and Staff has audited KMB accounts which support the increase. Specifically, in the Lakewood Hills service area KMB has a meter and valve repair program in place and has replaced and upgraded a well pump. In the Scotsdale service area KMB has upgraded the electrical service and installed a well pump and motor. In addition, KMB will add a secretary to the staff so that it can address customer calls and letters sooner.

Of the conditions proposed by Staff and OPC, the Commission finds that OPC's recommendation to revise the surcharges for the Lakewood Hills service area is reasonable. The surcharge tariff provides for yearly adjustment because of a change in the number of customers, and the decrease in the number of customers in Lakewood Hills will require an increase in the surcharge rate from \$6.10 to \$6.27. The Commission, though, will order KMB to file a thirty-day tariff sheet for the surcharge. The surcharge increase was not part of the proposed rate increase filed by KMB on March 31, 1995, and so there was no notice of the potential for an increase. The Commission finds that there was notice of the surcharge tariff which requires annual updates for customer charges. Where a tariff requires updates, these updates should be made and a tariff filed where appropriate. OPC's proposal in this case, though, is another rate increase for

Lakewood Hills customers and the Commission finds that this should only be approved after a thirty-day tariff filing.

The Commission finds that OPC's recommendation concerning responsiveness to customers has been addressed by the hiring of a secretary, while OPC's recommendation concerning travel logs is consistent with Staff's. The recommendation concerning cleanup of its Scotsdale service area is also found to be reasonable.

The Commission finds that the conditions recommended by Staff are also reasonable and will be adopted. These conditions will require KMB to maintain adequate record-keeping, make needed improvements to its Warren Woods service area, and begin making its EI ERA loan payments on time. The Commission is approving the increases in rates for KMB with full awareness of the customer discontent and service problems which the customers detailed at the local customer hearing. These problems indicate that KMB has a significant amount of work to perform to bring the service into line with customer expectations. Specific problems with estimated bills and slow response times should be reviewed by Staff, and KMB procedures should be monitored to ensure each customer receives safe and adequate service. Also, Staff should review KMB's use of estimated bills for Ken Christianson to determine if the estimates were reasonable.

IT IS THEREFORE ORDERED:

1. That the tariff sheets filed by KMB Utility Corporation on March 31, 1995, to increase rates for water service in its service areas are hereby approved for service on and after May 22, 1995. The tariff sheets approved are:

P.S.C.MO. No. 1

3rd Revised Sheet No. 6, Cancelling 2nd Revised Sheet No. 6
2nd Revised Sheet No. 6B, Cancelling 1st Revised Sheet No. 6B
1st Revised Sheet No. 6C, Cancelling Original Sheet No. 6C
1st Revised Sheet No. 6D, Cancelling Original Sheet No. 6D
2nd Revised Sheet No. 7, Cancelling 1st Revised Sheet No. 7

2. That KMB Utility Corporation shall file a proposed thirty (30) day tariff sheet to change the surcharge for its Lakewood Hills service area from \$6.10 to \$6.27.

3. That KMB Utility Corporation shall comply with the conditions recommended by Commission Staff and the Office of Public Counsel as described in this order.

4. That Commission Staff will review the estimated bills for Ken Christianson to ensure KMB Utility Corporation's estimates were reasonable.

5. That Commission Staff shall monitor KMB Utility Corporation's response time to customer problems and file a report with the Commission on or before January 1, 1996, regarding that response time.

6. That this order shall become effective on the 22nd day of May, 1995.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure and
Crumpton, CC., concur.
Perkins and Kincheloe, CC.,
absent.