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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 16th
day of April, 1997.

In the Matter of KMB Utility Corporation's)
Tariff Sheets Designed to Increase Water) CASE NO. WR-97-100✓
Rates Pursuant to the Small County Rate)
Procedure.)

In the Matter of KMB Utility Corporation's)
Tariff Sheets Designed to Increase Sewer) CASE NO. SR-97-101
Rates Pursuant to the Small Company Rate)
Procedure.)

ORDER ACCEPTING UNANIMOUS STIPULATION AND AGREEMENT and
ORDER APPROVING RATE INCREASE

Procedural History

On September 12, 1996, this case was docketed to address a proposed increase in water and sewer rates for KMB Utility Corporation (KMB). On March 1, KMB submitted its proposal for an increase in rates for water and sewer service pursuant to 4 CSR 240-2.200. This proposal was submitted to the Commission's Water and Sewer Department Staff (Staff). On October 2 the Office of the Public Counsel (Public Counsel) filed a request for local public hearings, on October 9 the Staff filed its response to Public Counsel's request for local public hearings, and on October 18 the Commission issued an order scheduling public hearings in the communities of Pacific, Cape Girardeau and Wappapello. The hearings occurred on November 7 in Pacific and on November 14 in Cape Girardeau and Wappapello.

After the conclusion of the public hearings, Public Counsel filed a motion to suspend the tariffs and after reviewing the Staff's response to Public Counsel's motion, the Commission issued an order on November 27 which consolidated these two cases. This order also suspended the tariff sheets until February 8, 1997, and provided notice and an intervention deadline. In addition, the order directed the Utility Services Division to perform an investigation regarding the sources of funds and the uses of those funds to ensure that the KMB customers were receiving the benefits of the revenue paid into their respective systems by their rates.

On January 7, 1997, the Staff filed a memorandum containing its report in response to the Commission's order. This memorandum was nine pages long and contained approximately 100 pages of attachments. These attachments set out in detail the results of Staff's investigation into the company's income and its expenses, along with Staff's investigation of individual customer complaints. On January 8, KMB filed its own report which it captioned Response To Comments At Public Hearings. This document exceeded 100 pages and contained a detailed response to every complaint raised during the process of KMB's rate case. Thereafter, on January 30 KMB filed a motion requesting that the Commission conclude its investigation in this matter and allow KMB's proposed rate increase to become effective for service on and after February 8, 1997.

On February 7 the Commission issued an Order Further Suspending Tariffs And Setting Early Prehearing Conference. This order extended the suspension of the tariffs to April 24, 1997.

Issue Discussion

This case has not followed the customary small rate case procedure, as set out at 4 CSR 240-2.200. This procedure defines small

water and sewer utilities as those having 5000 or fewer customers, and allows all small utility companies to avoid the rate case expenses which are associated with more complex cases. Under usual circumstances a small company submits its proposal to the Staff and to the Public Counsel. The Staff and the company both agree on a proposal prior to ever making a formal filing with the Commission. In those cases where the Public Counsel joins in the initial recommendation, the company may file its proposed rate increase via tariff sheets with a 30-day effective date and no additional customer notice is required. If the Staff and company agree to a proposal, but that proposal is not supported by Public Counsel, the company must then file its tariff sheets with a 45-day effective date and must provide additional notice to its customers regarding the proposed rates and the potential for a public hearing. This is the procedure which was initially followed in this case.

Public Counsel did not join in the recommendation of Staff and KMB, and requested a public hearing. As a result of the public hearings which were held in this case, the Commission became concerned about the number of customer complaints and further questioned whether it would be just and reasonable to allow a rate increase for a company with this level of service complaints. Based upon the customer complaints, the Commission further suspended the proposed tariffs on February 7, and set an early prehearing conference for this case. This order essentially removed the proceeding from the small rate case procedure and converted this case into a regular style rate case proceeding. This meant, among other things, the proposed tariff could be suspended for up to 11 months. If a case were to continue under the traditional rate case procedure, prefiled expert testimony would be required from the company to substantiate its claim for increased rates. The cost of such testimony, along with legal expenses,

could run from \$20,000 to \$40,000, even in a small case. At this point the need for a more thorough investigation must be balanced with the potential for significant rate case expenses which may be passed on to customers in the form of additional rate increases.

On February 25, the Commission convened an early prehearing conference to address its concerns to the parties and to strike a balance in the proceeding which would address these concerns without incurring unnecessary rate case expense. The Commission notified the parties at the early prehearing conference that certain items, such as the request for increased payroll, must be adequately and thoroughly justified prior to receiving Commission approval. In addition, the Commission listed several specific customer complaints which required explanation from the company.

KMB had filed its response to the comments which were voiced at the public hearings on January 22. This document helped to complete the record on customer service issues and the need for the various expenses. On March 21 KMB, Staff and Public Counsel filed a Unanimous Stipulation and Agreement which finally resolved, from the parties' point of view, all issues in this case. This agreement specifically addressed many issues which had concerned the Commission. More importantly, the agreement set forth the corrective action to be taken by KMB and the consequences of its failure to do so.

A portion of the Stipulation and Agreement contained a "Response to Specific Questions of the Commission," which analyzed the following issues: (A) Payroll, (B) Vehicle Insurance, (C) Testing Expense, (D) Chemical Expense, (E) Discontinuance of Water Service, (F) Chlorine Residuals, (G) Davis Water System Samples, and (H) Repairs.

At first glance the increase in payroll requested in rates by KMB appeared excessive. Upon further investigation and examination, it is

clear that a large part of the difference is explained by KMB's 1995 rate case. Staff allowed a \$58,864 payroll expense in KMB's 1995 case, but rates reflecting that expense did not become effective until June, 1995. The current rate case used calendar year 1995 as the test year and during that calendar year only \$12,588 was actually paid in payroll by KMB. The remainder came from other sources. While it is technically correct that the 1995 "actual total company" payroll for KMB was \$12,588, the current proposed payroll of \$80,385 must be compared to the actual 1995 payroll level of \$58,864 for an accurate correlation. After acquiring KMB, its owner purchased seven additional water and/or sewer systems in different areas of Missouri. As a result, KMB's growth has compelled it to hire additional employees. The work performed by KMB employees is allocated among the seven systems so that each system only pays for the employees performing services on the system in question.

Section B of the Stipulation and Agreement addressed vehicle insurance. KMB's vehicles have in the past been insured on the company president's personal policy. This was found to be inappropriate, so KMB has placed its vehicles on a company commercial policy. This has resulted in an increase in insurance costs.

Sections D, F, G and H relate to chemical expense, chlorine residuals, water samples, and repairs. The company's repairs cover ongoing maintenance as well as emergency repairs. The additional expense of chemicals and periodic testing are necessary to assure the health and safety of the systems. Additionally, the Missouri Department of Natural Resources (DNR) charges KMB \$200 for an operating permit for each of its systems, irrespective of the size of the system. This expense had not been included in setting rates in the previous rate case.

Lastly, Section E of the Stipulation and Agreement addressed the discontinuance of water service for customer Bates. The company has alleged, and the Staff has confirmed, that this customer was receiving water service prior to February 1, 1996, without having ever paid KMB for that service. KMB subsequently sent the customer a bill by certified mail stating that service would be disconnected unless KMB was paid. The company waited more than two weeks after this customer signed the receipt for the certified letter before taking action. Because no payment was made on this account, service was disconnected. At the public hearing this customer alleged that water damage occurred at her residence as a result of the disconnection. The customer was subsequently reconnected to the system, and the reconnection fee was waived.

The Commission has reviewed the transcript of the public hearing, the written response of KMB, and the report filed by its Staff on this issue. Further, the Commission has inquired of Public Counsel which advised that this customer has neither in contact with Public Counsel nor sought any additional relief.

Paragraph I in the Stipulation and Agreement addresses what may be the remaining concern of the Commission in terms of customer complaints. This paragraph discusses a 30-foot length of two-inch pipe which lies above ground and exposed to the elements in the vicinity of Greenwood Drive and Garner Drive on the Davis Water System. The Commission received photographs of this exposed water line at the public hearing in Wappapello. A further investigation revealed that the previous owner of this water system failed to acquire an easement for this particular line, so KMB has no legal right to enter onto the property to make the necessary repairs. As KMB has been unable to acquire an easement to this property, the parties have agreed that KMB will either acquire lawful access to the property or

reroute the water line through other property where an easement may be obtained. Given these uncertain circumstances, KMB was unable to commit to resolve this problem within a specific time period, but the parties agree that the exposure of the line at this time of year poses no imminent threat to the system. The Commission expects this issue to be fully resolved before next winter.

The remainder of the agreement addresses in fine detail the implementation of repairs and improvements throughout the KMB system. It provides that the stipulated rates shall not become permanent but shall continue on an interim basis, subject to refund, pending KMB's complete fulfillment of its commitments as set out in the Stipulation and Agreement.

The Staff has made several investigations into this company during the course of this case, and the Commission is satisfied that the Unanimous Stipulation and Agreement adequately addresses the Commission's concerns as well as those raised by KMB's customers.

The Commission specifically notes that although the dollar amount requested in this case may be dwarfed by many of the utility rate cases which come before this agency, the Commission does not believe this case is any less important. Rather, the Commission finds that cases which involve the adequate and affordable provision of safe drinking water as well as the safe treatment of sewage are among the most important issues presented to this Commission. KMB has made noteworthy efforts to work with the Commission's Staff throughout the course of this case and KMB's willingness to provide documentation, such as its January 22 Response to Comments at Public Hearing, has greatly enhanced the Commission's ability to confirm that significant issues have been adequately resolved.

Therefore, the Commission will accept and approve the Unanimous Stipulation and Agreement as filed by KMB, Staff and the Public Counsel,

and will order KMB to file tariff sheets in compliance with the Stipulation and Agreement as set out below.

IT IS THEREFORE ORDERED:

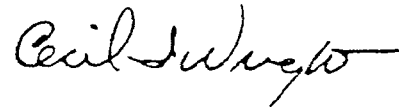
1. That the Unanimous Stipulation and Agreement jointly filed by the parties to this case on March 21, 1997, is hereby accepted by the Commission for final disposition of all issues in this case.

2. That the Unanimous Stipulation and Agreement is attached hereto as Attachment A, and all parties are hereby ordered to comply with its provisions.

3. That KMB Utility Corporation shall file tariffs in compliance with the Unanimous Stipulation and Agreement and in compliance with this order for service on and after April 21, 1997.

4. That this Order shall become effective on April 21, 1997.

BY THE COMMISSION



Cecil I. Wright
Executive Secretary

(S E A L)

Zobrist, Chm., Crumpton, and
Drainer, CC., Concur.
McClure, C., Absent.

ALJ: Roberts

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KMB Utility Corporation's)	
Tariff Sheets Designed to Increase Water)	
Rates Pursuant to the Small Company Rate)	Case No. WR-97-100
Procedure.)	
)	
In the Matter of KMB Utility Corporation's)	
Tariff Sheets Designed to Increase Sewer)	
Rates Pursuant to the Small Company Rate)	Case No. SR-97-101
Procedure.)	

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW the parties to these cases, by and through their respective counsel, and submit to the Missouri Public Service Commission (Commission) for its consideration and approval a Stipulation and Agreement in complete settlement of the above-styled cases:

PROCEDURAL HISTORY

1. On March 1, 1996, KMB Utility Corporation (KMB) requested an increase in rates for water and sewer service pursuant to 4 CSR 240-2.200, Small Company Rate Increase Procedure. The procedure was followed and on September 12, 1996, KMB filed tariff sheets reflecting increased water and sewer rates pursuant to an agreement between KMB and the Missouri Public Service Commission Staff (Staff). KMB extended the effective date of the tariff sheets to December 6, 1996, at the request of the Staff.

2. Local public hearings were held at the request of the Office of the Public Counsel (Public Counsel) on November 6 and 14, 1996.

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PUBLIC SERVICE COMMISSION

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3. In an Order Consolidating Cases, Suspension Order and Notice (Commission Order) issued November 27, 1996, the Commission directed the Staff to report on its investigation thus far and suspended the tariff sheets until February 8, 1997, to allow for further investigation. On January 7, 1997, the Staff filed the Initial Staff Report in Response to Commission Order. On January 22, 1997, KMB filed a multipart document comprising its "Response to Comments at Public Hearings." On January 24, 1997, the Staff filed the Second Staff Report in Response to Commission Order. On January 29, 1997, the Staff filed a Memorandum which, as amended on January 31, 1997, recommended approval of new rates. On January 30, 1997, KMB filed a motion in which it objected to the continued suspension of the tariffs and requested that the tariff amounts agreed upon between Staff and KMB be allowed to go into effect. In an order issued February 7, 1997, the Commission suspended the tariff sheets until April 24, 1997, and scheduled an early prehearing conference. On February 18, 1997, KMB filed an Application for Rehearing and Motion to Cancel or Reschedule Early Prehearing Conference. On February 21, 1997, the Commission issued an Order Denying Motion To Cancel or Reschedule Early Prehearing Conference.

4. At the early prehearing conference held on February 25, 1997, the Administrative Law Judge asked questions of the parties regarding certain expense levels and other matters which he indicated could be addressed in a stipulation to be presented to the Commission. The parties have taken this suggestion and have entered into this Unanimous Stipulation and Agreement in an attempt to address those questions and to dispose of the issues in this case.

RESPONSE TO SPECIFIC QUESTIONS OF THE COMMISSION

5. In an attempt to respond to the questions raised by the Administrative Law Judge at the Early Prehearing Conference, the parties have categorized the questions into general areas and

have developed a response which the parties believe provides a reasonable explanation or response to the questions posed.

A. Payroll: Attachment A-3 to the Initial Staff Report, filed on January 2, 1997, shows an "Actual Total Company" Payroll of \$12,588 and a Staff proposed payroll of \$80,385. Although this may appear to represent a significant increase, it is comparing two different numbers. Staff allowed \$58,864 for payroll during KMB's 1995 rate case. However, the rates from that proceeding did not become effective until June 1995. The current rate case used calendar year 1995 as the test year. During calendar year 1995, only \$12,888 was actually paid out in payroll by KMB Utility Corporation itself. Since rates from the previous case did not become effective until June of 1995, and there was not sufficient funds in KMB's corporate checking account to pay personnel without risking insufficient funds checks, Dan Dowell paid the employees from other accounts which were not KMB's. Therefore, it is an accurate statement that the "Actual Total Company" payroll which was paid from KMB checking accounts was only \$12,588, although the actual payroll paid to the employees was much greater. In KMB's opinion, this highlights the need for rate relief at the earliest possible time since the shareholder is being required to supply operating capital to keep the corporation solvent. Therefore, for comparison purposes, the current proposed payroll of \$80,385 should be compared to the previous payroll level of \$58,864 in rates set in June 1995. As explained below, the increase in that level is attributable to more personnel.

As noted, the Staff included annualized payroll expense of \$58,864 in KMB's 1995 rate case. In the current case the Staff included annualized payroll expenses of \$80,835. This annualized payroll expense is attributable to the following employees: Dan Dowell-President of KMB, a secretary, and two plant operators. Since Mr. Dowell first acquired KMB, the Company

has acquired seven additional water or sewer systems located in different areas of eastern Missouri. The growth of the company has made it necessary to hire additional employees. These employees were added to KMB's payroll at various times. When Mr. Dowell first acquired KMB, he had only one system and was the only employee of the Company. In subsequent years, a secretary and two plant operators were added as full time employees of KMB. The secretary was hired in order for Mr. Dowell to be able to perform more field work and to transfer some clerical work to the secretary. The secretary was also necessary in order to answer calls from customers and respond to customer questions. The full time operators are necessary to maintain the additional systems of KMB. The Staff believes that the current level of employees is both necessary and sufficient to operate the KMB system. None of the employees who work for KMB are related to Mr. Dowell.

B. Vehicle Insurance: The Staff included annualized vehicle insurance expense of \$1,709 in KMB's 1995 rate case. The Staff included annualized vehicle insurance expense of \$2,873 in KMB's current rate case. The increase in this expense resulted from the insurance company's requirement that KMB's vehicles be carried on a commercial policy and not on the company president's personal policy.

C. Testing Expense: The Staff included annualized testing expense of \$1,026 in KMB's 1995 rate case. The Staff included annualized testing expense of \$2,240 in KMB's current rate case. The Department of Natural Resources ("DNR") charges KMB a \$200 operating permit fee for each of its systems, irrespective of the size of the systems. This expense was not included in setting rates in the previous rate case. The Staff has allowed testing expense of \$307 each for several of the systems. The additional \$107 represents charges to deliver the samples.

D. Chemical Expense: The Staff included annualized chemical expense of \$939 in KMB's 1995 rate case. The Staff included annualized chemical expense of \$662 in KMB's current rate case. As the Company finds and repairs leaks on the Davis Water System, water loss and the chemicals used to treat that lost water are reduced. Additionally, the Company is reducing the amount of chlorine it uses in the Scottsdale Water System since it is not a state requirement to chlorinate that system. The Company only chlorinates that system as a safety precaution.

E. Discontinuance of Water Service: At pages 41-48, Transcript Volume No. 3, Ms. Bates, a customer of the Davis Water System, testified that KMB had shut off water service to her home, that it cost her \$387 to get water service restored, and that her water heater burst while the water service was off. At pages 14-15, in KMB's Response To Comments At Public Hearing, KMB explained that it determined Ms. Bates was receiving water service prior to February 1, 1996, without having ever paid for it, that it sent her a bill by certified mail with the statement that water service would be disconnected if the bill was not paid, and that service was disconnected for nonpayment on March 2, 1996. KMB further explained that it later accepted past due payment based on a part-time rate and that it waived the \$435 reconnection fee. KMB further stated that it does not believe, based upon experience, that its actions would or could have damaged the household plumbing.

F. Chlorine Residuals: At page 20 of KMB's Response To Comments At Public Hearing, KMB states that the Staff memorandum incorrectly states that chlorine residuals were measured at 3 and 8 MG/L. The Staff agrees with KMB that the Staff memorandum should have read that the chlorine residuals were measured at 0.3 and 0.8 MG/L.

G. Davis Water System Samples: Attachment F-4 to the Initial Staff Report states that coliform was detected in samples taken from the Davis Water System on July 17, 1996, and that chlorine was not detected in those samples. Chlorine is added to water to kill bacteria, including coliform. To help assure that this problem is not repeated, KMB has contracted with a local licensed operator to take chlorine residual samples and to check for proper chlorine feed in the Davis Water System. KMB does similar checking throughout the rest of its system with its present staff.

H. Repairs: Attachment G-1a to the Initial Staff Report lists nine leaks or other repairs needed on the Davis Water System. During a follow-up inspection on February 17, 1997, the Staff found that four (4) of the repairs still needed to be made. The Staff also found two additional leaks. The Company agrees to perform the following listed repairs on or before July 4, 1997. The listed repairs, with the exception of item number 6, are in the Davis Water System service area.

1. Repair a leaking service valve located on Girl Scout Road between Uhrhan (formerly Kelley) and Connor residences.
2. Relocate or bury an exposed 2" water main in a ditch crossing on Dock Road in front of Lot 01.
3. Repair a leak at the meter setting at the Green Residence on Mary Ann Drive.
4. Repair a leaking service valve located at the Maddux residence on Moble Drive.
5. Repair a leaking service valve located at the John Nash residence on Mary Ann Drive.
6. Complete construction of a new well house in the Scotsdale service area by finishing the enclosure and installing doors and locks.

I. While the Staff has indicated a concern over approximately 30 feet of two-inch diameter water line which is exposed in a creek bed in the vicinity of Greenwood Drive and Garner Drive on the Davis Water System, and the Company intends to remedy the situation in a reasonable and prudent manner, the Company has discovered that the previous owner of the system did not obtain an easement for the placement of the line. The exposure of the line due to erosion from the creek also started before KMB acquired the system. Due to the lack of an easement, KMB would risk trespass liability by going onto the property to make a repair without the consent of the property owner. KMB's management has attempted to locate the present owner of the property but has discovered that the occupant left several months ago. KMB will continue its efforts to locate the record owner in an attempt to obtain a voluntary easement across the property to legally perform the needed repairs. If KMB cannot obtain that result, it may have to resort to either a re-routing of the line through other property where an easement may be obtained, or to a condemnation proceeding. Given the uncertainties associated with these situations, KMB cannot reasonably commit to having this problem fixed within a specific time period, but it does commit to continue attempts to remedy the problem. In KMB's opinion, the exposure of the line does not present any immediate safety concerns at this time.

6. In its Initial Staff Report, the Staff listed eleven agreements that it had reached with the Company concerning improvements in KMB's facilities and records. These Agreements are set forth on Appendix A attached hereto. In a Motion filed on January 31, 1997, KMB noted its agreement to certain improvements and time frames with the Staff.

7. The parties to this Stipulation agree that KMB needs to improve its customer relations with KMB ratepayers. Mr. Dowell has agreed to immediately begin and to continue using a

Telephone Usage Log (example attached as Appendix B) and a Door Hanger Notification (example attached as Appendix C). The use of these two documents will allow KMB to better communicate with its customers and to provide documentation regarding KMB customer contacts. In addition, KMB has recently installed a new phone system. KMB is in the process of replacing the 800 beeper service with an 800 number to be compatible with KMB's phone system. The Staff and Public Counsel will continue to monitor the customer relations at KMB. If reasonable improvement is not achieved, the Staff and Public Counsel reserve the right to make the appropriate recommendations in KMB's next rate case or in a complaint case.

STIPULATED RESOLUTION TO IMPLEMENT NEW RATES

8. As a result of the foregoing agreements and commitments by KMB, the undersigned parties stipulate and agree that the Commission should issue an order in this proceeding as soon as possible which contains the following terms and conditions:

A. KMB is authorized to file tariff sheets identical in content to the eleven sample sheets attached hereto in Appendix D, with the exception of issue and effective dates. The sheets contain the rates and other terms and conditions established in the Staff audit and agreed to by KMB and the Public Counsel for the various systems. As stated on the eight tariff sheets containing rates for service, those rates shall be subject to the terms and conditions of this Stipulation. Those rates shall not be subject to refund except as provided in Paragraph 8. D.

B. KMB shall file in this docket, on or before July 7, 1997, a pleading which contains a verified statement by Mr. Dowell or another company representative reporting on the status of the repairs listed in Paragraph 5.H., the eleven agreements listed on Appendix A, and the matters discussed in Paragraph 7. The Staff or Public Counsel may investigate and file a response

on or before August 1, 1997. If it shall appear from the verified statement that KMB has met all of its obligations thereunder, and neither Staff nor Public Counsel file a pleading before August 1, 1997, which challenges the factual accuracy of such with supporting sworn affidavits, then the conditions on the eight tariff sheets imposed by this Stipulation shall cease to exist on August 1, 1997, and the rates shall become permanent for all purposes thereafter. In this event, KMB agrees to file by August 15, 1997, revised tariff sheets identical in content to the eight sample sheets in Appendix D but with the reference to this Stipulation deleted. The revised tariff sheets shall have a 30-day effective date.

C. If KMB fails to file the verified statement by July 7, 1997, or if the verified statement acknowledges that the agreed-upon repairs and agreements have not been fulfilled, then as of the earlier of July 7, 1997, or the filing of the verified statement, the agreed upon rates shall cease to be effective and the rates which were previously in effect for those systems (i.e., the current rates in effect at the time this Stipulation and Agreement is being prepared) shall again take effect. In this event, KMB agrees to file revised tariff sheets by July 15, 1997 with an effective date of August 15, 1997, which delete the reference to this Stipulation and which reinstate the rates in effect at the time this Stipulation is being prepared.

D. If the Staff or the Public Counsel should timely file an affidavit which challenges the factual validity of KMB's assertions regarding the fulfillment of the repairs and agreements, and the controversy created thereby is not resolved by September 1, 1997, then the agreed upon rates shall not become permanent on August 1, 1997, but shall continue in effect on an interim basis with the additional condition that they shall be subject to refund after August 1, 1997, if it is later determined by the Commission that KMB did not fulfill all its stated commitments. The

parties agree to bring any such controversy to the attention of the Commission quickly. The maximum amount of any refund which may be due to the customers as a result of a Commission determination shall be the difference between the rates which were in effect immediately prior to these agreed upon rates and the agreed upon rates, with an additional six percent simple interest per annum thereon. The parties shall be free to suggest what portion, if any, should be refunded based on the particular circumstances. In this event, KMB agrees to file revised tariff sheets which delete the reference to this Stipulation and which reflect the Commission's determination of the appropriate rates. The revised tariff sheets shall be filed within 15 days after the effective date of the Commission's order and shall bear a 30-day effective date, unless otherwise ordered by the Commission. Also, KMB agrees to repay (or credit) any refunds due to the customers as a result of the Commission's determination within sixty (60) days after the Commission order becomes final.

9. The parties agree that if KMB files the verified statement on or before July 7, 1997, that it has met all the conditions, KMB shall not be precluded from initiating a new rate case on or after the date it files the verified statement. However, KMB shall not initiate a new rate case before June 1, 1997, shall not initiate a new rate case until the Staff and Public Counsel have had 21 days to review the assertions in KMB's verified statement, and shall not initiate a new rate case if the Staff or Public Counsel files a pleading with an affidavit which challenges KMB's assertions within 21 days after KMB files the verified statement. The failure of the Staff or Public Counsel to file, pursuant to this paragraph, a pleading within 21 days which challenges KMB's assertions shall not preclude the Staff or Public Counsel from filing on or before August 1, 1997, pursuant to Paragraph 8, a pleading and affidavit which challenges KMB's assertions. Notwithstanding these

conditions or the filing of such an affidavit, KMB may initiate a new rate case on or after August 1, 1997.

The parties request that the Commission leave this docket open for the receipt of the pleadings and tariff sheets described in Paragraph 8.

10. This Stipulation and Agreement represents a negotiated settlement for the sole purpose of disposing of this case. None of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in any other proceeding, except as otherwise specified herein.

11. None of the signatories shall be deemed to have approved or acquiesced in any ratemaking principle or any method of cost determination or cost allocation underlying or allegedly underlying this Stipulation and Agreement.

12. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement, in total, and does not authorize KMB to file tariff sheets identical to the proposed tariff sheets to take effect by April 15, 1997, this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

13. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to cross-examine witnesses and to present oral argument and written briefs pursuant to Section 536.080.1 RSMo 1994, their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 1994, and their respective rights to judicial review pursuant to Section 386.510 RSMo 1994.

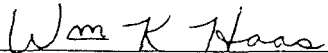
14. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any protective order issued in this case.

15. The Staff shall have the right to file suggestions or prepared testimony in support of this Stipulation and Agreement and the other parties shall have the right to file responsive suggestions or prepared testimony.

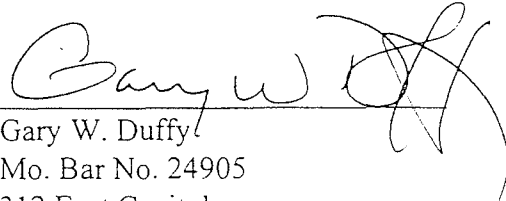
WHEREFORE, the signatories respectfully request that the Commission issue an order which approves the Stipulation and Agreement, which rejects the tariff sheets filed on September 12, 1996, and which authorizes KMB to file tariff sheets identical to the proposed tariff sheets to take effect not later than April 15, 1997.

Respectfully submitted,



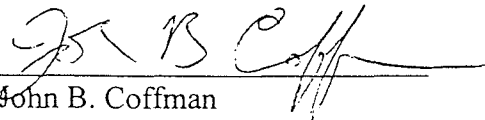
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OFFICE OF THE PUBLIC COUNSEL**

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 21st day of March, 1997.

Wm K Haas

Service List

Case No. WR-97-100; SR-97-101

Revised: March 13, 1997

John B. Coffman
Office of the Public Counsel
P. O. Box 7800
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Gary W. Duffy
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Jefferson City, MO 65101

In the Matter of KMB Utility Corporation's)
Tariff Sheets Designed to Increase Water) Case No. WR-97-100
Rates Pursuant to the Small Company Rate)
Procedure.)

In the Matter of KMB Utility Corporation's)
Tariff Sheets Designed to Increase Sewer) Case No. SR-97-101
Rates Pursuant to the Small Company Rate)
Procedure.)

APPENDIX A

1. KMB will install the remainder of the meters in its Lakewood Hills system within six (6) months of the effective date of the Order in these cases. In March 1994, the Company began a project to install approximately 110 meters in this system using funds provided by a loan from the EI ERA. Currently, the Company has not yet installed approximately 25 meters.

2. In the last rate proceeding for KMB (Case Nos. SR-95-295 and WR-95-296) and the last rate proceeding for the Davis Water Company (Case No. WR-95-294), the Commission ordered the Company to complete several improvements in record keeping and general maintenance items, and to install meters for its commercial customers. All of the record keeping and general maintenance items have been completed, however, the Company has not yet installed all of the commercial meters, as described below. Regarding the Davis Water Company case, at the time of that case Dan Dowell (the President of KMB) was acting as receiver for the Davis Water Company. KMB has since acquired that company and the "Davis System" is now part of KMB's overall operations. As indicated by the referenced case numbers, the Davis Water Company case was handled at the same time as the KMB cases. (Note: The Davis System is now commonly referred to by KMB as "Lakeland Estates".)

Grocery Store and Lounge in the Davis System - There are two small buildings in the Davis service area that house a small store and lounge. The Staff has determined that installing a commercial meter at either of these two locations would not be economically feasible. The main reason for this is that the asphalt and concrete pavement surrounding the store and lounge would be expensive for the Company to dig up and repair. Secondly, Staff believes that these two commercial customers do not use more water than a typical residential customer. Accordingly, the Staff and Company agree that KMB should not install these two meters as originally planned.

Restaurant in the Davis System - There is a small restaurant in the same area as the grocery store and lounge mentioned above. The Staff continues to believe that the Company should install a meter at this location; however, to install this meter the Company would have to shut down the entire water system, thus leaving all customers without water for some amount of time. The Staff

does not believe that shutting down the entire water system to install this one meter would be prudent. As a result, the Staff and Company agree that the Company will purchase the meter and all appurtenances and have them in stock. The next time the water system has to be shut down for repairs or maintenance, the Company will install the meter at the restaurant and will inform the Staff when this has been done.

Knights of Columbus in the Scotsdale System - There is a Knights of Columbus hall in the Scotsdale service area for which the Company has been unable to find the service line, and thus has not yet installed the meter. The Staff has agreed to help the Company find the service line so that it can install a meter.

3. The Company will maintain time sheets, which will include the following information.

- * the number of hours worked by each employee
- * the date the work was done
- * the system to which the hours worked pertains
- * the hours related to capital improvement projects, O&M or general office
- * a description of the type of work completed, so that the Staff and/or Company can distinguish between system capital improvements and system repairs

4. KMB will inspect, clean and repair (as necessary) all manholes in the Cape Rock Sewer System. In the future, the Company will inspect and repair the manholes in this system at least annually. The Company will arrange to have all known sources of infiltration in this system repaired, and will "smoke test" the lines to find other sources of infiltration and will repair them. The Company will also clear the trees and brush off the land around the lagoons, repair any obvious rodent damage to the lagoons' berms, repair the fences around the lagoons and post warning signs on those fences.

5. For systems with outside meters, KMB's field personnel will read the meters monthly. For systems with indoor meters, customers will read the meters for eleven (11) months, with KMB personnel reading the meters once each year to make any adjustment that may be necessary. (reference 4 CSR 240-13.020, Billing and Payment Standards)

6. With the addition of a new employee, as provided for in the proposed revenue increases, KMB will make a concerted effort to rely less on outside contractors for system repairs and improvements.

7. As a part of its audit in KMB's next rate case, the Staff will review and analyze the time worked by existing employees to see if a change in total company employees is warranted.

8. KMB will prepare a capital budget to look at the future needs of the total system, including the sewer system, and will develop a list of proposed capital improvement projects. The Company will rank this list from the most important project to the least important, and will include estimated costs and targeted completion dates. Two specific items that the Staff expects KMB to include in the capital budget are water storage and line maintenance or replacement for Lakeland Estates (the Davis System).

9. KMB will file one combined annual report for water and one annual report for sewer, rather than filing an annual report for each individual system.

10. Due to the importance of cost allocations between KMB's various systems, KMB will submit its future rate increase requests on a system-wide basis, considering both its water and sewer operations, as was done in these cases.

11. The Company will obtain competitive bids for all future capital improvement projects that are non-emergency in nature and that will be completed using non-company personnel.

Door Hanger Notification

Company Name _____

Date _____

Time of Visit _____

Company Rep. Name _____

Type of Work _____

Company Phone Number _____

{ Revised }

{ Revised }

KMB UTILITY CORPORATION

For

FRANCHISED AREAS

Name of Issuing Corporation

Community, Town or City

STATE OF MISSOURI

SCHEDULE OF RATES
HIGH RIDGE MANOR (JEFFERSON COUNTY)

Availability:

The following rates are applicable to all customers adjacent to the Company's distribution mains using standard water service:

Rate Schedule:

Minimum Monthly Charge	\$ 9.41	+
Commodity Charge (per 1,000 gal.)	\$ 3.05	

Taxes:

Any applicable Federal, State, or Local Taxes shall be in addition to above charges.

Late Charges:

For any bill not paid within the period stated thereon, a late charge in the amount of \$3.00 per month, not to exceed three months or \$9.00 per customer, shall be added to the total amount due. +

The rates on this tariff sheet are subject to the terms and conditions of a Stipulation and Agreement approved by the Missouri Public Service Commission in Case Nos. WR-97-100 and SR-97-101.

- * Indicates new rate or text
- + Indicates change

DATE OF ISSUE _____ DATE EFFECTIVE _____
month day year month day year

ISSUED BY DANNY E. DOWELL name of officer President title P.O. Box 403, Imperial, MO 63052 address

FORM NO. 13

S.C.MO. No. 1 1st xxxxxxxx SHEET No. 6A

{ Revised }
Cancelling P.S.C.MO. No. 1 { xxxxxxxx } SHEET No. 6A
{ Revised }

KMB UTILITY CORPORATION

For

FRANCHISED AREAS

Name of Issuing Corporation

Community, Town or City

STATE OF MISSOURI

**SCHEDULE OF RATES
CRESTVIEW ACRES (FRANKLIN COUNTY)**

Availability:

The following rates are applicable to all customers adjacent to the Company's distribution mains using standard water service:

Rate Schedule:

Minimum Monthly Charge	\$ 10.14	+
Commodity Charge (per 1,000 gal.)	\$ 2.00	+

Taxes:

Any applicable Federal, State, or Local Taxes shall be in addition to above charges.	+
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Late Charges:

For any bill not paid within the period stated thereon, a late charge in the amount of \$3.00 per month, not to exceed three months or \$9.00 per customer, shall be added to the total amount due.	+
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* Indicates new rate or text

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DATE OF ISSUE _____ DATE EFFECTIVE _____

ISSUED BY _____ month _____ day year _____ month _____ day year
DANNY E. DOWELL name of officer title President P.O. Box 403, Imperial, MO 63052 address

FORM NO. 13

S.C.MO. No. 1 3rd xxxxxxx SHEET No. 6B

Cancelling P.S.C.MO. No. 1 2nd { xxxxxxxx } SHEET No. 6B

{ Revised }

{ Revised }

KMB UTILITY CORPORATION

For

FRANCHISED AREAS

Name of Issuing Corporation

Community, Town or City

STATE OF MISSOURI

**SCHEDULE OF RATES
LAKEWOOD HILLS (JEFFERSON COUNTY)**

Availability:

The following rates are applicable to all customers adjacent to the Company's distribution mains using standard water service:

Rate Schedule:

Minimum Monthly Charge	\$ 9.41	+
Commodity Charge (per 1,000 gal.)	\$ 2.21	+

Taxes:

Any applicable Federal, State, or Local Taxes shall be in addition to above charges.

Late Charges:

For any bill not paid within the period stated thereon, a late charge in the amount of \$3.00 per month, not to exceed three months or \$9.00 per customer, shall be added to the total amount due.	+
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DATE OF ISSUE _____ DATE EFFECTIVE _____
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ISSUED BY _____ President _____ P.O. Box 403, Imperial, MO 63052
DANNY E. DOWELL name of officer title address

KMB UTILITY CORPORATION

For

FRANCHISED AREAS

Name of Issuing Corporation

Community, Town or City

STATE OF MISSOURI

SCHEDULE OF RATES
HILLSHINE COMMUNITY (FRANKLIN COUNTY)

Availability:

The following rates are applicable to all customers adjacent to the Company's distribution mains using standard water service:

Rate Schedule:

Minimum Monthly Charge	\$ 9.41	+
Commodity Charge (per 1,000 gal.)	\$ 2.21	+

Taxes:

Any applicable Federal, State, or Local Taxes shall be in addition to above charges.

Late Charges:

For any bill not paid within the period stated thereon, a late charge in the amount of \$3.00 per month, not to exceed three months or \$9.00 per customer, shall be added to the total amount due.	+
---	---

The rates on this tariff sheet are subject to the terms and conditions of a Stipulation and Agreement approved by the Missouri Public Service Commission in Case Nos. WR-97-100 and SR-97-101.

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DATE OF ISSUE _____ DATE EFFECTIVE _____

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DANNY E. DOWELL name of officer title address

FORM NO. 13

S.C.MO. No. 1 2nd xxxxxxx } SHEET No. 6D

{ Revised }

Cancelling P.S.C.MO. No. 1 1st { xxxxxxxx } SHEET No. 6D

{ Revised }

KMB UTILITY CORPORATION

For

FRANCHISED AREAS

Name of Issuing Corporation

Community, Town or City

STATE OF MISSOURI

SCHEDULE OF RATES
TOWN OF SCOTSDALE (JEFFERSON COUNTY)

Availability:

The following rates are applicable to all customers adjacent to the Company's distribution mains using standard water service:

Rate Schedule:

Residential Service	\$ 31.49	+
Commercial Service	\$ 44.99	+
\$4.50 per 1,000 gallons in excess of 10,000 gallons per month		+

Taxes:

Any applicable Federal, State, or Local Taxes shall be in addition to above charges.

Late Charges:

For any bill not paid within the period stated thereon, a late charge in the amount of \$3.00 per month; not to exceed three months or \$9.00 per customer, shall be added to the total amount due.		+
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DATE OF ISSUE _____ DATE EFFECTIVE _____
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ISSUED BY _____ President _____ P.O. Box 403, Imperial, MO 63052
DANNY E. DOWELL name of officer title address

KMB UTILITY CORPORATION

For

FRANCHISED AREAS

Name of Issuing Corporation

Community, Town or City

STATE OF MISSOURI

**SCHEDULE OF RATES
WARREN WOODS SUBDIVISION (JEFFERSON COUNTY)**

Availability:

The following rates are applicable to all customers adjacent to the Company's distribution mains using standard water service:

Rate Schedule:

Monthly Service Charge \$ 31.54 +

Taxes: +

Any applicable Federal, State, or Local Taxes shall be in addition to above charges. +

Late Charges:

For any bill not paid within the period stated thereon, a late charge in the amount of \$3.00 per month, not to exceed three months or \$9.00 per customer, shall be added to the total amount due. +

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+ Indicates change

DATE OF ISSUE _____ DATE EFFECTIVE _____

ISSUED BY _____ month _____ day _____ year _____ month _____ day _____ year
DANNY E. DOWELL name of officer President title P.O. Box 403, Imperial, MO 63052 address

KMB UTILITY CORPORATION For FRANCHISED AREAS

Name of Issuing Corporation
(Davis Water System)

Community, Town or City
STATE OF MISSOURI

SCHEDULE OF RATES
LAKELAND ESTATES (WAYNE COUNTY)

Availability:

The following rates are applicable to all customers adjacent to the Company's distribution mains using standard water service:

Rate Schedule:

Residential Full-time	\$ 24.34	+
Residential Part-time	\$ 19.47	+
Commercial Service (includes 6,000 gal.)	\$ 24.34	+
Commercial Service (per 1,000 gal. over 6,000 gal)	\$ 4.06	+

Taxes:

Any applicable Federal, State, or Local Taxes shall be in addition to above charges.

Late Charges:

For any bill not paid within the period stated thereon, a late charge in the amount of \$3.00 per month, not to exceed three months or \$9.00 per customer, shall be added to the total amount due. *

The rates on this tariff sheet are subject to the terms and conditions of a Stipulation and Agreement approved by the Missouri Public Service Commission in Case Nos. WR-97-100 and SR-97-101.

DATE OF ISSUE _____ DATE EFFECTIVE _____
month day year month day year
ISSUED BY DANNY E. DOWELL name of officer President title P.O. Box 403, Imperial, MO 63052 address

{ Revised }

{ Revised }

KMB UTILITY CORPORATION

For

FRANCHISED AREAS

Name of Issuing Corporation
(Davis Water System)

Community, Town or City

STATE OF MISSOURI

SCHEDULE OF RATES

CAPE ROCK VILLAGE (CAPE GIRARDEAU COUNTY)

SEWER RATE SCHEDULE A: FAMILY DWELLING

Availability:

The following rate is available for single family residences, including mobile homes not located in mobile home parks.

RATE TABLE: Monthly Service Charge

(Payable in Advance) \$23.10

+

SEWER RATE SCHEDULE B:

AVAILABILITY:

The following rate is available for each rental unit of a multiple family dwelling and for mobile homes located in mobile home parks.

RATE TABLE: Monthly Service Charge

(Payable in Advance) \$18.48

+

TAXES:

Any applicable Federal, State, or Local Taxes shall be in addition to above charges.

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Commission in Case Nos. WR-97-100 and SR-97-101.

* Indicates new rate or text

+ Indicates change

DATE OF ISSUE

month day year

DATE EFFECTIVE

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ISSUED BY

DANNY E. DOWELL name of officer

President title

P.O. Box 403, Imperial, MO 63052 address

address

KMB UTILITY CORPORATION For **FRANCHISED AREAS**

Name of Issuing Corporation
(Davis Water System)

Community, Town or City
STATE OF MISSOURI

SURCHARGE RATE
LAKELAND ESTATES (WAYNE COUNTY)

Monthly Surcharge for Customer: \$3.56 +

EIERA Loan Payment Surcharge: A monthly surcharge of \$3.56 will be added to each customer's bill. The proceeds from this surcharge will be accounted for separately from other Company funds and will be used solely for making the regular scheduled monthly principal and interest payments on the Company's EIERA loan. Any proceeds from this surcharge that are in excess of the regularly scheduled monthly EIERA loan payment will be used for the prepayment of the principal balance of the EIERA loan. In the event the proceeds from this surcharge are not sufficient to make the regularly scheduled monthly EIERA loan payment, the balance of the payment will be made using other Company funds. This surcharge will be reviewed annually and is subject to change by the Commission based upon changes in the number of customers, billing and collection history or for other such good cause as the Commission may order. This surcharge will terminate when the EIERA loan approved in Case No. WF-94-64 is paid off, or on November 1, 1998, whichever shall first occur.

* Indicates new rate or text
+ Indicates change

DATE OF ISSUE _____ DATE EFFECTIVE _____

ISSUED BY _____ month day year President P.O. Box 403, Imperial, MO 63052
DANNY E. DOWELL name of officer title address

FCRM NO. 13

S.C.MO. No. 1 2nd { xxxxxx } SHEET No. 6B-1

{ Revised }

Cancelling P.S.C.MO. No. 1 1st { xxxxxxx } SHEET No. 6B-1

{ Revised }

KMB UTILITY CORPORATION

For

FRANCHISED AREAS

Name of Issuing Corporation

Community, Town or City

STATE OF MISSOURI

**SURCHARGE RATE
LAKEWOOD HILLS (JEFFERSON COUNTY)**

Monthly Surcharge for Customer: \$5.32 +

EIERA Loan Payment Surcharge: A monthly surcharge of \$5.32 will be added to each customer's bill. The proceeds from this surcharge will be accounted for separately from other Company funds and will be used solely for making the regular scheduled monthly principal and interest payments on the Company's EIERA loan. Any proceeds from this surcharge that are in excess of the regularly scheduled monthly EIERA loan payment will be used for the prepayment of the principal balance of the EIERA loan. In the event the proceeds from this surcharge are not sufficient to make the regularly scheduled monthly EIERA loan payment, the balance of the payment will be made using other Company funds. This surcharge will be reviewed annually and is subject to change by the Commission based upon changes in the number of customers, billing and collection history or for other such good cause as the Commission may order. This surcharge will terminate when the EIERA loan approved in Case No. WF-94-64 is paid off, or on November 1, 1998, whichever shall first occur.

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DANNY E. DOWELL name of officer title address

{ Revised }

{ Revised }

KMB UTILITY CORPORATION

For

FRANCHISED AREAS

Name of Issuing Corporation
(Davis Water System)

Community, Town or City

STATE OF MISSOURI

**SCHEDULE OF SERVICE CHARGES
CAPE ROCK VILLAGE (CAPE GIRARDEAU COUNTY)**

These charges are applicable to the Company's services provided for in the corresponding rules:

Disconnection/Reconnection:

Reconnection Charge after service disconnection by Company for violation of the Company's Rules and Regulations (see Rule 7)

Total actual cost of discontinuance and reconnection of service.

SERVICE CONNECTION:

Charge for connecting to system \$ 40.00

Actual cost of connection will be made at Customer's expense.

LATE CHARGES:

For any bill not paid within the period stated thereon, a late charge in the amount of \$3.00 per month, not to exceed three months or \$9.00 per customer, shall be added to the total amount due plus all disconnection and reconnect costs, collection costs and reasonable attorney's fees for collection.

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DATE OF ISSUE _____ DATE EFFECTIVE _____

month day year

month day year

ISSUED BY _____ President _____ P.O. Box 403, Imperial, MO 63052

DANNY E. DOWELL name of officer title

address