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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 7th
day of February, 1997.

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.)

ORDER FURTHER SUSPENDING TARIFFS AND
SETTING EARLY PREHEARING CONFERENCE

On September 12, 1996, KMB Utility Corporation (KMB) filed proposed tariffs pursuant to the Commission's Small Company Rate Procedure, reflecting proposed rate increases for KMB's six water service areas and one sewer service area. The Commission suspended these proposed tariffs from the effective date of December 6, 1996, for a period of two months, to February 8, 1997, by order of November 27, 1996.

After extensive public hearings and the filing of additional information by both the Staff of the Commission (Staff) and KMB, a Motion was tendered by KMB to approve the proposed tariffs without further suspension. As a result of the current operation of law date, there was insufficient time remaining to wait the usual 10 days for responses from the remainder of the parties.

The Commission has considered the positions of the parties in regard to the proposed rate increase. Partly as a result of information gained at the public hearings, the Commission has significant concerns

regarding the condition, reliability, safety, and efficiency of the various water supply systems in the KMB service area. In addition, examination of the various documents submitted by the Staff has raised additional concerns regarding payroll expense and the efficient operation of the KMB system. Therefore, the Commission can make no finding that the proposed tariffs are reasonable and not detrimental to the public interest.

The Commission will, therefore, deny the Motion of KMB to approve the proposed tariffs, and instead, suspend the proposed tariffs for an additional 75 day suspension period. Staff, OPC and KMB should use their best efforts to reach an amicable solution in an expeditious fashion. The incurrence of substantial rate case expenses for a company of KMB's size should be avoided. In order to facilitate this matter, the Commission will also set an early prehearing conference. The parties are advised that, as a result of the early prehearing conference, a suggested procedural schedule or stipulation and agreement should be filed with the Commission no later than March 14, 1997.

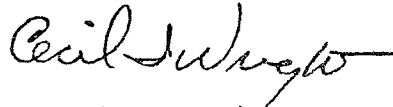
IT IS THEREFORE ORDERED:

1. That the Motion filed by KMB Utility Corporation on January 30, 1997, is denied for the reasons as set out above.
2. That all proposed tariff sheets submitted by KMB Utility Corporation on September 12, 1996, and docketed by the Commission in both of the above-stated consolidated cases, are hereby suspended for a further period of 75 days, to April 24, 1997.
3. That an early prehearing conference in this matter is hereby set for February 25, 1997, beginning at 10:00 a.m., in Room 520B of the Harry S Truman State Office Building, 301 West High Street, Jefferson City, Missouri. As a result of that early prehearing conference, the

parties will submit either a stipulation and agreement or procedural schedule to the Commission no later than March 14, 1997.

4. That this order shall become effective on February 7, 1997.

BY THE COMMISSION

A handwritten signature in dark ink, appearing to read "Cecil I. Wright", written in a cursive style.

Cecil I. Wright
Executive Secretary

(S E A L)

Zobrist, Chm., McClure, Kincheloe,
Crumpton, and Drainer, CC., Concur.

ALJ: Derque