

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 17th day of  
February, 2006.

Application of KMB Utility Corporation for	)	
Authority to File a Proposed Tariff to Increase	)	<b><u>Case No. SR-2006-0285</u></b>
Sewer Service Rates	)	

**ORDER APPROVING SMALL COMPANY RATE INCREASE AND  
ACCOMPANYING TARIFF**

Issue Date: February 17, 2006

Effective Date: February 21, 2006

This order approves a unanimous agreement between the Staff of the Commission, the Office of the Public Counsel, and KMB Utility Corporation regarding disposition of KMB's small company rate increase request. It also approves depreciation rates for the company and approves a tariff implementing the agreed upon rate increase.

KMB provides sewer service to approximately 220 customers<sup>1</sup> in its Cape Rock Village service area near Cape Girardeau, Missouri. On May 2, 2005, KMB initiated a small company rate increase under Commission Rule 4 CSR 240-3.330.<sup>2</sup> In its initial submissions to the Commission's Staff, KMB requested a rate increase that would generate an additional \$17,121 in annual sewer service operating revenues.

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<sup>1</sup> According to Attachment C of Staff's Recommendation filed February 7, 2006.

<sup>2</sup> The request was assigned Tracking No. QS-2005-0005 in the Commission's Electronic Filing and Information System (EFIS).

On January 4, 2006, after discussions and negotiations with Staff, KMB filed a tariff designed to increase its rates for sewer service which would generate only an additional \$775 in annual revenues. Along with its tariff, KMB filed a letter indicating that it had reached a Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request with the Staff and the Office of the Public Counsel. Staff filed that agreement on January 13, 2006.

The Commission made the Missouri Department of Natural Resources a party to this case and directed DNR to file information relating to the company's compliance with environmental regulations. DNR filed its response stating that KMB had no actions against it pertaining to its sewer operations.

On February 7, 2006, Staff filed a recommendation urging the Commission to approve KMB's tariff and the disposition agreement. Based upon its audit of KMB's books and records, an evaluation of the company's depreciation rates, and an analysis of the company's capital structure and cost of capital, Staff concluded that a \$775 increase in the company's annual sewer service operating revenues is necessary for the company to recover its cost of service. In addition, the agreement contains, and the Staff recommends, that certain changes to the service charges, the system operations, and the administrative operations are appropriate. In addition, Staff recommended new depreciation rates. Finally, the agreement states that the new rates are designed to generate the necessary revenues and are just and reasonable.

The Commission finds that the unanimous agreement is reasonable and shall be approved. KMB shall be directed to comply with the recommendations of Staff as contained in the agreement. Furthermore, KMB's tariff and the rates it establishes are

just and reasonable and shall be approved. The Commission also finds that the depreciation rates proposed by Staff are reasonable and will order KMB to utilize them.

**IT IS ORDERED THAT:**

1. The Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request is approved.

2. KMB Utility Corporation is directed to comply with the terms of the Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request.

3. The following tariff sheet filed by KMB Utility Corporation, and assigned Tariff File No. YS-2006-0525, is approved for service on or after February 21, 2006:

**P.S.C. MO No. 1**  
**6<sup>th</sup> Revised Sheet No. 5 Canceling 5<sup>th</sup> Revised Sheet No. 5**

4. The depreciation rates attached to the Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request as Attachment D are approved and such depreciation rates are to be used by KMB Utility Corporation

5. This order shall become effective on February 21, 2006.

6. This case may be closed on February 22, 2006.

**BY THE COMMISSION**



Colleen M. Dale  
Secretary

( S E A L )

Davis, Chm., Murray, Clayton and Appling, CC., concur  
Gaw, C., absent

Dippell, Deputy Chief Regulatory Law Judge