

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Small Company Rate)	<u>Case No. SR-2006-0285</u>
Increase Request of KMB Utility Corporation)	Tariff Work ID No. YS-2006-0525

**RECOMMENDATION REGARDING DISPOSITION
OF SMALL COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its Recommendation Regarding Disposition of Small Company Rate Increase Request ("Recommendation") states the following to the Missouri Public Service Commission ("Commission").

1. By a letter dated December 21, 2005, which was received in the Commission's Data Center on January 4, 2006, KMB Utility Corporation ("Company") filed proposed tariff revisions with the Commission for the purpose of implementing the provisions of a *Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request* ("Disposition Agreement"), and the instant case was established.

2. The Company, the Staff and the Office of the Public Counsel ("OPC") executed the above-referenced Disposition Agreement, which the Staff filed in this case on January 13, 2006, as a resolution of the Company's small company rate increase request ("Request") that was received at the Commission's offices on May 2, 2005. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.330, Sewer Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). Initially, the Company's Request was assigned Tracking No. QS-2005-0005.

3. The Staff's recommendations to the Commission regarding this case are set out on page 5 of the Staff's Official Case File Memorandum ("Memorandum") that is included in the document that is attached hereto as Appendix A and that is incorporated by reference herein.

Also included in Appendix A, as Attachments A through C to the Staff's Memorandum, are various documents regarding the Staff's investigation of the Company's Request, including the Staff's rate design and audit workpapers, that have not previously been filed in the case.

4. The Commission has the authority to approve the subject proposed tariff revisions in accordance with Sections 393.140(11) and 393.150, RSMo. Additionally, Section 393.130.1, RSMo provides that all charges made by any sewer corporation for sewer service rendered or to be rendered shall be "just and reasonable". The Staff's and the OPC's agreement with the proposed tariff revisions are evidence that the rates and charges contained in the tariff revisions are just and reasonable.

5. The procedure followed in this case complies with the requirements of the Small Company Rate Increase Procedure in general, and with 4 CSR 240-3.330(1)(C) in particular.

WHEREFORE, the Staff respectfully requests that the Commission issue an order consistent with the recommendations set out on page 5 of the Staff's Memorandum.

Respectfully Submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Associate General Counsel
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CERTIFICATE OF SERVICE

I hereby certify that copies of this Recommendation have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 7th day of February 2006.

/s/ Robert S. Berlin

APPENDIX A

STAFF MEMORANDUM & ATTACHMENTS

CASE NO. SR-2006-0285

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Official Case File Memorandum

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. SR-2006-0285 - - - KMB Utility Corporation

FROM: Dale W. Johansen – Project Coordinator
Water & Sewer Department
John Cassidy – Auditing Department
Sean DeVore – Auditing Department
Guy Gilbert – Engineering & Management Services Department
Debbie Bernsen – Engineering & Management Services Department
Matt Barnes – Financial Analysis Department
Steve Loethen – Water & Sewer Department
James M. Russo – Water & Sewer Department

<u>/s/ Dale W. Johansen</u>	<u>02/07/06</u>
Project Coordinator	Date
<u>/s/ Robert S. Berlin</u>	<u>02/07/06</u>
General Counsel's Office	Date

SUBJECT: Staff Recommendation for Approval of Tariff Revisions and Agreement
Regarding Disposition of Small Company Rate Increase Request

DATE: February 7, 2006

BACKGROUND

KMB Utility Corporation ("Company") initiated the subject small company rate increase request ("Request") by submitting a letter to the Secretary of the Commission, which was received at the Commission's offices on May 2, 2005 (hereafter, all dates refer to the year 2005 unless otherwise noted). The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.330, Sewer Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure").

By its Request, the Company was seeking Commission approval of customer rates intended to generate an increase of \$17,121 in its total annual sewer service operating revenues. As stated by the Company in its Request letter, the reasons for the requested increase in its sewer service operating revenues are: increases in operation and maintenance expenses and to provide an adequate return on investment.

The Company provides sewer service to approximately 190 residential customers. The Company's current rates (those resulting from the Company's last rate case) went into effect on May 21, 2003.

Upon receipt of the Company's letter that initiated the Request, personnel in the Commission's Data Center entered the letter into the Commission's electronic filing and information system ("EFIS") and the system assigned Tracking No. QS-2005-0005 to the Request. The Company's request was then routed to the Commission's Water & Sewer Department ("W/S Dept") for processing under the Small Company Rate Increase Procedure. A copy of the Company's request letter is identified as item number 1 in the EFIS tracking file for the Request.

By a letter dated May 23, which Staff members in the W/S Dept had previously approved, the Company notified its customers of the Request. As a part of this initial customer notice, the Company requested that its customers' questions or comments be directed to the Commission Staff and/or the Office of the Public Counsel ("OPC"). A copy of the initial customer notice is identified as item number 2 in the EFIS tracking file for the Request.

STAFF'S INVESTIGATION AND CONCLUSIONS

As noted at the beginning of this Memorandum, Staff members from the Accounting, Engineering & Management Services, Financial Analysis and Water & Sewer Departments participated in the Staff's investigation of the Company's Request. All Staff participants, and all of their respective up-line supervisors, were provided the opportunity to review and comment on this Memorandum prior to it being filed. Dale Johansen of the W/S Dept created the initial draft of this Memorandum and comments received from the reviewers were incorporated therein to create this final version of the Memorandum.

In response to the Company's initial customer notice, the W/S Dept Staff received 5 letters, 3 e-mails, and 6 EFIS public comment forms regarding the proposed increase. These customer responses addressed the level of the proposed increase and service-related matters. Copies of the customers' letters, e-mails and EFIS public comments forms, the Staff's correspondence to customers, if any, and the W/S Dept's customer contact log are included in item number 4 in the EFIS tracking file for the Request. Consistent with established practice, the W/S Dept Staff conducted investigations of the customer responses that addressed service-related matters, and a summary of the W/S Dept's investigation regarding those matters is also included in item number 4 in the EFIS tracking file. The W/S Dept provided copies of the customers' letters, e-mails and EFIS public comment forms, and its customer contact log, to the OPC and the Company shortly after the customer comment period ended.

Based upon an audit of the Company's books and records, a determination of the Company's rate base investments and necessary operating expenses, an evaluation of the Company's depreciation rates and an analysis of the Company's capital structure and cost of capital, and an investigation of the Company's business and system operations, the Staff concluded that an increase of \$775 in the Company's annual sewer service operating revenues is warranted.

In addition to its conclusion regarding the increase in the Company's annual operating revenues, the Staff concluded that new/modified depreciation rates need to be prescribed for the Company, that certain changes in the Company's miscellaneous service charges, connection fees, business operations and system operations are warranted.

On November 22, the Staff forwarded information regarding the above items to representatives of the Company and the OPC for their review and response.

RESPONSES TO STAFF'S FINDINGS AND SUBSEQUENT ACTIONS

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the results of the Staff's investigation of the Company's Request, a written *Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request* ("Disposition Agreement") was reached between the Staff, the Company and the OPC ("the Parties"). The Parties also reached an agreement regarding the tariff revisions needed to implement the terms of the Disposition Agreement. (Because the Disposition Agreement is between the Staff, the Company and the OPC, the Company was not required to send a notice to its customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement, and the OPC was not provided the opportunity to request a local public hearing.)

The Disposition Agreement reflects the following agreements: (1) that an increase of \$775 in the Company's sewer annual operating revenues is necessary; (2) that certain changes to the Company's service charges are appropriate; (3) that certain changes to the Company's system operations are appropriate; (4) that certain changes to the Company's administrative operations are appropriate; (5) that new/modified depreciation rates need to be prescribed for the Company; (6) that the rates included in the above-referenced agreed-upon tariff revisions are designed to generate revenues sufficient to recover the Company's total annualized cost of service; and (7) that the rates included in the above-referenced agreed-upon tariff revisions are just and reasonable. (The specific agreements between the Company and the Staff are set out on pages 2 & 3 of the Disposition Agreement, which the Staff filed in this case on January 13, 2006, and which can be found in the EFIS case file as item number 2.)

By a letter that was stamped received by personnel in the Commission's Data Center on January 4, 2006, the Company submitted revised tariff sheets including the agreed-upon tariff revisions that are necessary to implement the terms of the Disposition Agreement. Upon receipt of that tariff filing, Data Center personnel scanned the filing and entered it into EFIS, and the instant case was created (the transmittal letter and revised tariff sheets are included in item number 1 in the EFIS case file). As required by the Small Company Rate Increase Procedure, the subject revised tariff sheets bore an effective date that was more than 45 days past the issue date. As is also required by the Small Company Rate Increase Procedure, the above-referenced Disposition Agreement has been filed in

the case papers. (As noted previously, the Staff filed the Disposition Agreement on January 13, 2006.)

ADDITIONAL INFORMATION

In addition to the above-noted documents that are in the EFIS tracking file and EFIS case file, the following documents are included with this Memorandum: (1) the Staff's ratemaking income statement, rate design worksheet and customer bill comparison are included in Attachment A; (2) the Staff's revenue requirement audit workpapers are included in Attachment B; and (3) the Staff's overview of the Company and its customer service procedures and practices is included in Attachment C.

Pursuant to a review of available electronic information maintained by the Commission's Budget & Fiscal Services Department and Data Center, and in EFIS, the Staff notes that the Company was current on the payment of its Commission assessments and on the filing of its Commission annual reports when it submitted its Request, as is required by the Small Company Rate Case Procedure. The Staff also notes that the Company remains current on those matters as of the writing of this Memorandum. The assessment information reviewed covers fiscal years 1996 through 2006 (the Company is paying its FY2006 assessment on a quarterly basis), and the annual report information reviewed covers calendar years 1997 through 2004.

Additionally, the Staff notes that the Company has other matters pending before the Commission in Case No. WR-2006-0286; however, it is the Staff's opinion that approval of the subject tariff revisions in this case will not affect the matters pending in that case.

Lastly, the Staff notes that the Company received no "notices of violations" from the Missouri Department of Natural Resources during the test year used for the Request and has also not received any since the end of the test year to date. With further regard to this matter, the Staff notes that on January 25, 2006, the Missouri Department of Natural Resources, in compliance with a Commission order issued on January 13, 2006, filed its "Statement of Compliance for KMB Utility Corporation" in which it stated the following:

"The Department does not currently have any enforcement or compliance actions against KMB Utility Corporation pertaining to its sewer operations. Further, the Department does not consider the water supply to be in significant non-compliance or a threat to public health or the environment at this time."

STAFF'S RECOMMENDATIONS

Based upon the above, the Staff recommends that the Commission issue an order in this case that:

- * Approves the revised tariff sheets that the Company filed on January 4, 2006, to be effective for service rendered on and after February 21, 2006;
- * Approves the Disposition Agreement submitted in this case;
- * Directs the Company to comply with the terms of the Disposition Agreement; and
- * Prescribes the depreciation rates set out on Attachment D to the Disposition Agreement submitted in this case as the depreciation rates authorized for the Company's use.

List of Attachments

Attachment A: Ratemaking Income Statement, Rate Design
Worksheet and Customer Bill Comparison

Attachment B: Revenue Requirement Audit Workpapers

Attachment C: Overview of Company and Customer Service Operations

Memo Attachment A

Ratemaking Income Statement, Rate Design
Worksheet & Customer Bill Comparison

KMB UTILITY CORPORATION-CAPE ROCK VILLAGE

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	66,062
2	Other Operating Revenues *	\$	2,505
3	Total Operating Revenues	\$	68,567
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Sewer Treatment Expense-Chemicals	\$ 292
2 Sewer Treatment -Testing/Laboratory Fees	\$ 253
3 Repairs and Maintenance Expense	\$ 9,191
4 Electricity	\$ 6,141
5 City of Cape Girardeau-Water	\$ 790
6 Vehicle Fuel Expense	\$ 1,698
7 Outside Services-Monthly Inspections	\$ 810
8 Outside Services-Mowing	\$ 1,080
9 Operations Salary	\$ 8,445
10 Other Labor	\$ 116
11 Permit Fees	\$ 3,127
12 Administration & General - Salaries	\$ 6,869
13 Office Supplies	\$ 169
14 Professional Services-Accounting	\$ 866
15 Professional Services-Legal	\$ 152
16 Employee Pensions & Benefits	\$ 1,630
17 Bank Charges	\$ 353
18 Office Rent	\$ 1,459
19 Telephones	\$ 862
20 Postage	\$ 1,206
21 Insurance	\$ 1,852
22 Computer Maintenance Fee	\$ 182
23 Regulatory Commission Expense	\$ 5,631
24 Miscellaneous General Expenses	\$ 338
25 Sub-Total Operating Expenses	\$ 53,512
26 Property Taxes	\$ 203
27 Employer FICA Taxes	\$ 1,142
28 State & Federal Income Taxes	\$ -
29 Sub-Total Taxes	\$ 1,345
30 Depreciation Expense	\$ 7,251
31 Normalization of Sewer Line (2002 case)	\$ 1,058
32 Sub-Total Depreciation/Amortization	\$ 8,309
33 Return on Rate Base	\$ 6,176
34 Total Cost of Service	\$ 69,342
35 Overall Revenue Increase Needed	\$ 775

KMB UTILITY CORPORATION-CAPE ROCK VILLAGE

Development of Tariffed Rates-Sewer

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 66,062
Agreed-Upon Overall Revenue Increase/(Decrease)	\$ 775
Percentage Increase Needed	1.173%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
Single Family	\$ 26.52	\$ 26.83	\$ -	\$ -
Multi Family	\$ 21.21	\$ 21.46	\$ -	\$ -

KMB UTILITY CORPORATION-CAPE ROCK VILLAGE

Single Family Residential Customer Bill Comparison-Sewer

Rates for 5/8" Meter

<u>Current Base Service Charge</u>	<u>Proposed Base Service Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
\$26.52	\$26.83	\$0.000	\$0.000

current service charge is monthly charge

MONTHLY BILL COMPARISON

Current Rates

Service Charge	\$ 26.52
Usage Charge	\$ -
Total Bill	\$ 26.52

Proposed Rates

Service Charge	\$ 26.83
Usage Charge	\$ -
Total Bill	\$ 26.83

INCREASES

Service Charge

\$ Increase	\$0.31
% Increase	1.17%

Usage Charge

\$ Increase	\$0.00
% Increase	N/A

Total Bill

\$ Increase	\$0.31
% Increase	1.17%

Memo Attachment B

Revenue Requirement Audit Workpapers

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
EXPENSE SCHEDULE

Line Number	A Description	B Account Number (Optional)	C Company/ Test Year Amount	D Staff Annualized	E Difference (1)	F Adjustment Number
1	OPERATIONS EXPENSES					
2	Officer Salary - Ann		\$3,539	\$3,950	\$411	W-1
3	Support Staff Salary - Vicki		\$7,322	\$2,919	-\$4,403	W-2
4	Operators Salary - Donald		\$6,233	\$8,445	\$2,212	W-3
5	Other Wages- Roger		\$848	\$116	-\$732	W-4
6	Payroll Taxes		\$5,544	\$1,142	-\$4,402	W-5
7	Operating Expenses		\$1,507	\$0	-\$1,507	W-6
8	Vehicle Fuel Expense		\$2,831	\$1,698	-\$1,133	W-7
9	Electricity		\$5,054	\$6,141	\$1,087	W-8
10	Lab Sampling		\$253	\$253	\$0	
11	Cape Rock Mowing		\$1,080	\$1,080	\$0	
12	Chemicals		\$292	\$292	\$0	
13	Monthly Inspections- Cotner Electric		\$810	\$810	\$0	
14	City of Cape Girardeau - Water		\$790	\$790	\$0	
15	Outside Services		\$8,862	\$0	-\$8,862	W-9
16	Total Operations Expense		\$44,965	\$27,636	-\$17,329	
17	MAINTENANCE EXPENSES					
18	Sewer line annualization from 2002 case		\$0	\$1,058	\$1,058	W-10
19	Repairs and Maintenance		\$494	\$9,191	\$8,697	W-11
20	Total Maintenance Expense		\$494	\$10,249	\$9,755	
21	ADMINISTRATIVE & GENERAL EXPENSES					
22	Professional Services- Accounting		\$772	\$866	\$94	W-12
23	Professional Services- Legal		\$794	\$152	-\$642	W-13
24	Bank Charges		\$45	\$353	\$308	W-14
25	Office Rent		\$1,300	\$1,459	\$159	W-15
26	Telephone		\$404	\$419	\$15	W-16
27	AOL		\$49	\$55	\$6	W-17
28	Cell Phone		\$256	\$268	\$12	W-18
29	Pager		\$128	\$120	-\$8	W-19
30	Postage		\$1,380	\$1,206	-\$174	W-20
31	Office Supplies		\$151	\$169	\$18	W-21
	Computer Maintenance Fee		\$0	\$182	\$182	W-22
32	Certification Expense		\$45	\$73	\$28	W-23
33	Business Insurance		\$1,544	\$1,852	\$308	W-24
34	Health Insurance		\$508	\$1,630	\$1,122	W-25
35	Loan Payments- Ann Rudy		\$1,395	\$0	-\$1,395	W-26
36	Rental Equipment		\$48	\$0	-\$48	W-27
37	Other Misc. Expenses		\$640	\$265	-\$375	W-28
38	Total Administrative and General		\$9,459	\$9,070	-\$389	
39	OTHER OPERATING EXPENSES					
40	Taxes Other Than Income					
41	Property		\$194	\$203	\$9	W-29
42	PSC Assessment		\$5,119	\$5,631	\$512	W-30
43	Misc. Assessments		\$3,162	\$3,127	-\$35	W-31
44	Depreciation		\$1,846	\$7,251	\$5,405	W-32
45	TOTAL EXPENSES BEFORE INCOME TAX		\$65,239	\$63,166	-\$2,073	

(1) Automatic Description Required Description Should Provide Breakdown of Salaries

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
Expense Adjustment Schedule

A Expense Adjustment Number	B Subset Adjustment	C Adjustment Description	D Account Number	E Total Adjustment Amount
W-1 (1)		Officer Salary - Ann To allocate Officer Salary based on customer numbers		411
W-2 (1)		Support Staff Salary - Vicki To adjust salary based on hours worked at current salary levels		(4,403)
W-3 (1)		Operators Salary - Donald To adjust salary based on current salary levels		2,212
W-4 (1)		Other Wages- Roger To remove salary for part-time employee		(732)
W-5		Payroll Taxes To adjust payroll taxes for current salary levels and remove employee portion of payroll tax expense		(4,402)
W - 6		Operating Expenses To reclassify repairs, miscellaneous and capital items		(1,507)
W - 7		Vehicle Fuel Expense To adjust fuel expense to current fuel prices and remove vehicle payments		(1,133)
W - 8		Electricity To adjust for increased pump usage		1,087
W - 9		Outside Services To reclassify repairs, miscellaneous and capital items		(8,862)
W - 10		Sewer line annualization from 2002 case To continue sewer line annualization		1,058
W - 11		Repairs and Maintenance To include current annualized level of repairs and maintenance		8,697
W - 12		Professional Services- Accounting To allocate accounting expense based on customer numbers		94
W - 13		Professional Services- Legal To normalize legal expense and remove expenses associated with the KMB and Cedar Hill merger		(642)
W - 14		Bank Charges To include normal bank account charges		308
W - 15		Office Rent To allocate rent based on customer numbers		159
W - 16		Telephone To allocate telephone expenses based on customer numbers and reclassify capital items		15
W - 17		AOL To allocate internet expenses based on customer numbers		6
W - 18		Cell Phone To allocate cell phone expense based on customer numbers and remove nonrecurring charges		12
W - 19		Pager To allocate pager expense based on customer numbers and remove nonrecurring charges		(8)
W - 20		Postage To adjust postage expense based on the number of customer billings		(174)
W - 21		Office Supplies To allocate supplies expense based on customer numbers		18
W - 22		Computer Maintenance Fee To include billing program maintenance fees		182
W - 23		Certification Expense To include operator certification expenses		28
W - 24		Business Insurance To annualize business insurance at current rates		308
W - 25		Health Insurance To annualize health insurance at current rates		1,122
W - 26		Loan Payments- Ann Rudy To remove payments to Ann Rudy that Staff classifies as "draws"		(1,395)
W - 27		Rental Equipment To reclassify as repairs		(48)
W - 28		Other Misc. Expenses To reclassify capital items		(375)
W - 29		Property To allocate personal property taxes based on customer numbers		9
W - 30		PSC Assessment To allocate PCS assessments based on customer numbers and adjust at current assessment levels		512
W - 31		Misc. Assessments To annualize misc. assessments at current levels and remove assessments related to lobbying		(35)
W - 32		Depreciation To update depreciation expense to current rates and plant balances		5,405
Total Expense Adjustments				<u>(2,072)</u>

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
REVENUE SUMMARY SCHEDULE

ANNUALIZED & NORMALIZED REVENUES

Line Number	<u>A</u> Description	Residential		Commercial		Class #3		Total	
		<u>B</u> Amount	<u>C</u> Amount	<u>D</u> Amount	<u>E</u> Amount	<u>F</u> Amount	<u>G</u> Amount	<u>H</u> Amount	<u>I</u> Amount
1	<u>Customer Charge Revenues:</u>								
2	Customer Number	158		62				220	
3	Customer Bills Per year	1,896		744				2,640	
4	Existing Monthly Customer Charge Tariff	<u>\$26.52</u>		<u>\$21.21</u>					
5	Annualized Customer Charge Revenues		\$50,282		\$15,780				\$66,062
6	<u>Commodity Charge Revenues:</u>								
7	Total Gallons Sold	-		-				-	
8	Less: Base Gallons Included In Customer Charge	<u>-</u>		<u>-</u>				<u>-</u>	
9	Commodity Gallons	-		-				-	
8	Existing Commodity Charge / 1,000 gallons	<u>\$0.00</u>		<u>\$0.00</u>					
9	Annualized Commodity Charge Revenues		<u>\$0</u>		<u>\$0</u>				<u>\$0</u>
10	Total Annualized Water Rate Revenues		\$50,282		\$15,780				\$66,062
11	Late Fees		<u>\$2,505</u>		<u>\$0</u>				<u>\$2,505</u>
12	Total Annualized Water Service Revenues		<u><u>\$52,787</u></u>		<u><u>\$15,780</u></u>				<u><u>\$68,567</u></u>

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
RATE DESIGN SCHEDULE

Rate Making Income Statement - Water

<u>A</u> Description	<u>B</u> Account Number (Optional)	<u>C</u> Staff Annualized	<u>D</u>	<u>E</u>
Annualized Revenues	(1)	\$68,567		
OPERATIONS EXPENSES	(2)		Customer Charge	Commodity
Officer Salary - Ann		\$3,950		
Support Staff Salary - Vicki		\$2,919		
Operators Salary - Donald		\$8,445		
Other Wages- Roger		\$116		
Payroll Taxes		\$1,142		
Operating Expenses		\$0		
Vehicle Fuel Expense		\$1,698		
Electricity		\$6,141		
Lab Sampling		\$253		
Cape Rock Mowing		\$1,080		
Chemicals		\$292		
Monthly Inspections- Cotner Electric		\$810		
City of Cape Girardeau - Water		\$790		
Outside Services		\$0		
Total Operations Expense		\$27,636		
MAINTENANCE EXPENSES				
Sewer line annualization from 2002 case		\$1,058		
Repairs and Maintenance		\$9,191		
Total Maintenance Expense		\$10,249		
ADMINISTRATIVE & GENERAL EXPENSES				
Professional Services- Accounting		\$866		
Professional Services- Legal		\$152		
Bank Charges		\$353		
Office Rent		\$1,459		
Telephone		\$419		
AOL		\$55		
Cell Phone		\$268		
Pager		\$120		
Postage		\$1,206		
Office Supplies		\$169		
Computer Maintenance Fee		\$182		
Certification Expense		\$73		
Business Insurance		\$1,852		
Health Insurance		\$1,630		
Loan Payments- Ann Rudy		\$0		
Rental Equipment		\$0		
Other Misc. Expenses		\$265		
Total Administrative and General		\$9,070		
OTHER OPERATING EXPENSES				
Taxes Other Than Income				
Property		\$203		
PSC Assessment		\$5,631		
Misc. Assessments		\$3,127		
Depreciation		\$7,251		
TOTAL EXPENSES BEFORE INCOME TAX		\$63,166		
Return on Investment & Current Income Taxes	(3)	6,176		
TOTAL COST OF SERVICE		69,342	\$0	\$0
Less: Miscellaneous Revenues	(4)	2,505	2,505	
COST TO RECOVER IN RATES		66,837	-2,505	0
INCREMENTAL INCREASE IN RATE REVENUES		775	1.13%	
REQUESTED INCREASE IN REVENUES		\$17,121		

Revenue Summary

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
Rate of Return Including Income Tax

		<u>A</u>		<u>B</u>	<u>formulas</u>
1	State Income Tax Rate Statutory / Effective	6.27%	(2)	5.83%	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	15.00%	(1) & (2)	14.13%	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate			19.95%	$B1 + B2$
4	Equity Tax Factor			1.2493	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			8.78%	From Capital Structure
6	Weighted Rate of Return on Equity Including Income Tax			10.97%	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			0.27%	From Capital Structure
8	Total Weighted Rate of Return Including Income Tax			11.24%	$B6 + B7$

To Rate Base

(1)

Tax Rate Table

<u>Net Income</u>	<u>Tax Rate</u>
\$0 - 50,000	15%
\$50,001 - 75,000	25%
\$75,001 - 100,000	34%
\$100,001 - 335,000	39%
\$335,001 - and over	34%

(2) Insert 0s For The Tax Rates If Sub-Chapter S Corporation

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
RATE BASE, RETURN on INVESTMENT
and INCOME TAX SCHEDULE

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$133,081	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$78,140</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$54,941	
4	Other Rate Base Items:	<u>\$0</u>	
5	Total Rate Base	\$54,941	
6	Total Weighted Rate of Return Including Income Tax	<u>11.24%</u>	From Return & Taxes
7	Required Return & Income Tax	<u>\$6,176</u>	

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
Capital Structure Schedule

Line Number	<u>A</u> Description	<u>B</u> Dollar Amount	<u>C</u> Percentage of Total Capital Structure	<u>D</u> Embedded Cost of Capital	<u>E</u> Weighted Cost of Capital
1	Common Stock	\$261,018	96.58%	9.09%	8.779%
2	Preferred Stock	\$0	0.00%	0.00%	0.000%
3	Long Term Debt	\$9,255	3.42%	8.00%	0.274%
4	Short Term Debt		0.00%	0.00%	0.000%
5	TOTAL CAPITALIZATION	<u>\$270,273</u>	<u>100.00%</u>		<u>9.0527%</u>

To PreTax Return Rate

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F As Adjusted Plant
1		PUMPING PLANT				
2	363	Pumping Station Equipment- Depreciated	\$40,685			\$40,685
3	363	Pumping Station Equipment	\$20,412			\$20,412
4		Total Pumping Plant	\$61,097		\$0	\$61,097
5		WATER TREATMENT PLANT				
6	372	Oxidation Lagoon- depreciated	\$18,884			\$18,884
7	372	Oxidation Lagoon	\$11,180			\$11,180
8	373	Pumping Station Equipment	\$4,996			\$4,996
9		Total Water Treatment Plant	\$35,060		\$0	\$35,060
10		TRANSMISSION & DISTRIBUTION PLANT				
11	352.2	Collections Sewers- Gravity	\$15,589			\$15,589
12		Total Trans. & Distribution Plant	\$15,589		\$0	\$15,589
13		GENERAL PLANT				
14	301	Organization	\$3,000			\$3,000
15	310	Land	\$8,800			\$8,800
16	391.1	Office Computer Equipment	\$1,585			\$1,585
17	392	Transportation Equipment	\$5,139			\$5,139
18	394	Tools, Shop, Garage Equipment	\$2,811			\$2,811
19		Total General Plant	\$21,335		\$0	\$21,335
20		TOTAL PLANT IN SERVICE	<u>\$133,081</u>		<u>\$0</u>	<u>\$133,081</u>

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
Schedule of Adjustments for
Plant In Service

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Plant Adjustment Number	Plant In Service Adjustments Description	Adjustment Subtotal	Total Adjustment Amount
	No adjustments		
	Total Plant Adjustments		\$0
		To Plant Schedule	

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Descriptior	C Total Reserve	D Adjustment Number	E Adjustments	F As Adjusted Reserve
1		PUMPING PLANT				
2	363	Pumping Station Equipment- Depreciated	\$44,183			\$44,183
3	363	Pumping Station Equipment	\$8,143			\$8,143
4		Total Pumping Plant	<u>\$52,326</u>		<u>\$0</u>	<u>\$52,326</u>
5		WATER TREATMENT PLANT				
6	372	Oxidation Lagoon- depreciated	\$18,884			\$18,884
7	372	Oxidation Lagoon	\$558			\$558
8	373	Pumping Station Equipment	\$540			\$540
9		Total Water Treatment Plant	<u>\$19,982</u>		<u>\$0</u>	<u>\$19,982</u>
10		TRANSMISSION & DISTRIBUTION PLANT				
11	352.2	Collections Sewers- Gravity	\$0			\$0
12		Total Trans. & Distribution Plant	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
13		GENERAL PLANT				
14	301	Organization	\$3,025			\$3,025
15	310	Land	\$0			\$0
16	391.1	Office Computer Equipment	\$306			\$306
17	392	Transportation Equipment	\$1,499			\$1,499
18	394	Tools, Shop, Garage Equipment	\$1,002			\$1,002
19		Total General Plant	<u>\$5,832</u>		<u>\$0</u>	<u>\$5,832</u>
20		TOTAL DEPRECIATION RESERVE	<u><u>\$78,140</u></u>		<u><u>\$0</u></u>	<u><u>\$78,140</u></u>

To Rate Base

**KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
Schedule of Adjustments for
Accumulated Depreciation Reserve**

A
**Reserve
Adjustment
Number**

B
**Accumulated Depreciation Reserve
Adjustments Description**
No adjustments
Total Reserve Adjustments

<u>C</u>	<u>D</u>
Adjustment Subtotal	Total Adjustment Amount
	<u><u>\$0</u></u>

To Reserve Schedule

KMB/Cape Rock
Informal Rate Case
QS-2005-0005
Test Year Ending 3/31/05
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C Adjusted Plant	D Depreciation Rate	E Depreciation Expense	
1		PUMPING PLANT				
2	363	Pumping Station Equipment- Depreciated	\$40,685	0.0000%	\$0	
3	363	Pumping Station Equipment	\$20,412	10.0000%	\$0	
4		Total Pumping Plant	<u>\$20,412</u>		<u>\$4,386</u>	Two-year depreciatio of remaining plant ba
5		WATER TREATMENT PLANT				
6	372	Oxidation Lagoon- depreciated	\$18,884	4.0000%	\$755	
7	372	Oxidation Lagoon	\$11,180	4.0000%	\$447	
8	373	Pumping Station Equipment	\$4,996	4.5000%	\$225	
9		Total Water Treatment Plant	<u>\$16,176</u>		<u>\$1,427</u>	
10		TRANSMISSION & DISTRIBUTION PLANT				
11	352.2	Collections Sewers- Gravity	\$15,589	2.0000%	\$312	
12		Total Trans. & Distribution Plant	<u>\$15,589</u>		<u>\$312</u>	
13		GENERAL PLANT				
14	301	Organization	\$3,000	0.0000%	\$0	
15	310	Land	\$8,800	0.0000%	\$0	
16	391.1	Office Computer Equipment	\$1,585	20.0000%	\$317	
17	392	Transportation Equipment	\$5,139	13.0000%	\$668	
18	394	Tools, Shop, Garage Equipment	\$2,811	5.0000%	\$141	
19		Total General Plant	<u>\$21,335</u>		<u>\$1,126</u>	
20		Total Depreciation	<u><u>\$73,512</u></u>		<u><u>\$7,251</u></u>	

Memo Attachment C

Overview of Company and Customer Service Operations

KMB UTILITY CORPORATION

CUSTOMER SERVICE OPERATIONS

The Engineering and Management Services Department (EMSD) staff initiated an informal review of the customer service processes, procedures and practices at KMB Utility Corporation (KMB or Company) in June of 2005. Prior to the on-site interviews, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records and other documentation related to the Company's customer service operations. The EMSD staff participated in two meetings with Company personnel in June and July of 2005.

The objectives of this review were to document and analyze the management control processes, procedures, and practices used by the Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of service provided to its customers. The findings of this review will also provide the Commission with information regarding the Company's customer service operations.

The scope of this review focused on processes, procedures and practices related to:

- Customer Billing
- Customer Information Systems
- Meter Reading
- Customer Contact Handling
- Credit and Collections

This report contains the results of the EMSD staff's review.

The EMSD staff previously performed a customer service review of the Company in September of 2002. The review identified recommendations for improvements in the areas of returned checks, depositing customer receipts and a secured storage area. The Company has taken action to address these situations. However, since the time of the review, a number of changes have occurred at the Company, including a change in ownership. In this review, the EMSD staff has focused on several operational issues that have prompted a number of customer comments and concerns.

Overview

The KMB Utility Corporation has been owned by Ann Rudy since 2002. Ms. Rudy owns the Piffel Excavating Company, a construction firm in the Pacific area. Ms. Rudy was familiar with the Company as her construction firm had completed a number of projects for KMB. When the prior owner of KMB Utility passed away suddenly, Ms. Rudy eventually bought the Company.

KMB Utility Corporation has an office at House Springs, Missouri. The office is staffed by an Office Manager from 8:00 a.m. to 12:00 p.m. who handles the administrative functions at the office. After these hours, calls are routed to a paging system that the Office Manager has responsibility for responding to. If a call involves an emergency, the Office Manager contacts the Chief Operator via his pager or home phone. The Chief Operator is responsible for responding to the needs for repairs and, with the assistance of the Office Manager, will arrange for the necessary materials and equipment to be available.

Calls that do not involve water emergencies are responded to the next business day by the Office Manager. At the present time, she does not keep a log to record the number and types of calls received.

Most of the capital improvement and repair work that requires the use of large equipment is performed by Piffel Excavating with the assistance of the Chief Operator of KMB. The Company asserts that it is impractical to solicit bids from other competitors in the area to perform work for them.

KMB has seven water systems and one sewer system. The water system names, county location and number of customers are displayed in the following table.

WATER SYSTEMS		
Name	County	No. of Customers
Cedar Hill Estates	Jefferson County	178
Crestview Acres	Franklin	50
High Ridge Manor	Jefferson	76
Hillshine Acres	Franklin	30
Lakewood Hills	Jefferson	113

Scotsdale	Jefferson	36
Warren Woods	Jefferson	21

The sewer system, Cape Rock Village, is located in Cape Girardeau and has 220 customers whose charges are on a flat rate.

Meter Reading Process

The Company reads meters on a pre-determined schedule each month. Several of the systems depend upon customer supplied readings throughout the year. The table below lists the information provided to the EMSD staff regarding meter reading.

System	Date Read	Time To Read
Cedar Hill Estates	1-2 days before the 15 th of month	4-5 hours to read meters
Crestview Acres	Customers read own meters & send in w/ payment	Customers read own meters & send in w/ payment
High Ridge Manor	1-2 days before the last day of the month	3-4 hours to read
Lakewood Hills	1-2 days before the last day of the month	
Hillshine Acres	Customers read own meters & send in w/ payment	Customers read own meters & send in w/ payment
Scotsdale		Flat rate
Warren Woods		Flat rate

Meters are read by the Office Manager and the Chief Operator. If the meter pit is filled with water, a clear tube is used to view the reading. The Company has a number of meters that it has been unable to read because of access problems. However, in response to data requests, the Company was unable to provide the exact number of estimated bills and the number of consecutive estimated bills. The Auditing staff was able to develop a total number of estimates on an annual basis per system. According to this information, the Cedar Hill system had the most problems with over 28% of its total readings estimated. Staff has been unable to determine the number of consecutive estimates on a per customer basis.

Customer Billing Process

The Company uses a DOS based software program to complete its customer billing and maintain records. Although the Company was unsure of the year it acquired the software, it did believe that it was quite dated. The Office Manager enters the meter reading data and the system computes and prints a bill. The printed bills are normally mailed the same day.

The billing software keeps 36 months of data; however, the data is kept on a monthly basis. The Office Manager must look at each individual month bill to review history. There is no record that maintains usage data for 12 months, or payment performance for 12 months. Hard copies of customer bills are kept for seven years.

The customer is able to pay their bill by remitting check, cash or a money order. Payments are almost always mailed to the office. Once the payment has been received and processed that day, the receipts for all systems are totaled. As a verification, the individual system checks are also totaled to ensure that the numbers are the same. The amounts are then posted to the individual customer's account. This process normally takes from 20 to 30 minutes to complete.

The Office Manager is paid a salary that is allocated to each system on a percentage. The percentage reflects the number of customers per system. The chief operator keeps a time sheet to note the system and the type of work he has completed.

The Company stated that it has no established credit and collection policies. When a customer becomes delinquent on their bills by a couple of months, the Office Manager normally contacts the customer to set up some type of payment arrangement. This action has always resolved the delinquent bill situations and allowed the Company to keep the customers' service on. The Company does have a provision to collect late fees and returned check fees; however, it is unaware of any amounts associated with these. The Company stated that it had not performed any non-pay disconnections of service in the last year and a half. The Company did not write-off any amounts due to delinquent accounts for the years 2002 through 2004.

New customers may initiate service by calling the office and requesting that the bill be put in their name. Deposits are not required of any customers.

Findings, Conclusions and Recommendations

The following discussion presents a summary of the findings, conclusions and recommendations pertaining to the Company's customer service operations. The information presented in this section focuses on the following areas that require Company management's attention:

- Customer Information/Billing Process
- Meter Reading
- Complaint Log
- Use of Piffel Excavating Services
- Credit and Collection

The EMSD staff realizes that some of the recommendations presented will require a substantial amount of work on the part of the Company to evaluate and implement. At the present time, the Company Office Manager is only in the office in the morning to complete administrative tasks. The additional work associated with these recommendations may require additional office hours by the Office Manager. The EMSD staff does believe that the implementation of these recommendations is very important for effective Company operations and to assure compliance with the Commissions Billing Standards Rules.

Customer Information/Billing Process

The Company does not have an effective computer information system that allows it to maintain customer information and produce bills in an efficient manner. The Company is unsure of the age of the present system, but has discussed with the Staff the limitations of it being a DOS based system with the Staff. In several instances, basic customer or premise information requested by the Staff was unable to be obtained because of the system inadequacies. This information should have been readily available and used by the Office Manager.

A Company's customer information/billing systems are utilized to maintain information on the premise and the customer. This includes the customer's usage and payment history, information on meters, and any inquiries or interaction between the Company and the customer. A small company the size of KMB does not require a complex or expensive software system to maintain customer records and produce bills. The Company should examine systems in use by other small water companies and other programs that may provide a more useful and effective system for this purpose. Trade schools specializing in information technology may also represent an opportunity to obtain specialized programs at a reasonable price.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Investigate and analyze the alternatives to provide computerized customer information and billing systems in an efficient and effective manner.

Meter Reading

The Company does not obtain an actual read on all meters on at least an annual basis. The Staff accompanied Company personnel on one of its meter reading routes that had produced a number of complaints to the Commission. In many instances, the meters for these locations were within fenced-in areas that contained vicious dogs. The Company has a number of locations that they have been unable to obtain actual readings for long periods of time. The Company is unable to monitor the number of estimated bills rendered and the number of consecutive estimated bills. Meter reading sheets do note if the prior bill was estimated but do not indicate the frequency of estimates.

The billing system used to maintain information on customer accounts does not allow the office manager to determine, for example, the number of estimated bills at a specific premise over the course of the year without a tedious review of each record. There is no summary document that allows them to determine the extent and the specifics of a problem with estimated bills.

The EMSD staff reviewed the public comments received in this case and noted that a number of customers expressed concerns that bills are consistently estimated. The EMSD staff has attempted to contact these customers and has confirmed issues relating to

consecutive estimated bills. The EMSD staff believes that estimated bills represent a significant problem at several of KMB Utilities certificated service areas.

Estimated bills are never a preferred outcome because they do not reflect actual usage. The frequency of estimated bills is addressed in the Commission's Billing Rules in several places.

Commission Rule 4 CSR 240-13.020(2)(B) states that a utility shall not render a bill based on estimated usage for more than three (3) consecutive billing periods, except under certain conditions. If the Company does render an estimated bill for three consecutive billing periods, the Company is required to take specific actions to contact the customer and try to obtain an actual reading.

To correct its estimated billing problems, the Company needs to take several courses of action. The Company needs to be aware of the frequency of estimated billing and target those customers that have received an excessive number of estimated bills.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop an effective method to track the number and location of estimates used for customer billings.

Once the Company can determine the extent and location of estimated bills, it should then develop a series of specific actions to be taken in attempting to obtain an actual reading. This series of procedures will assist it in addressing the requirements of 4 CSR 240-13.020(3) which defines the actions required when the Company is unable to obtain an actual meter reading for three consecutive billing periods.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and utilize a series of procedures to attempt contact with customers receiving consecutive estimated bills. These procedures should include efforts on the part of the Company to schedule appointments to obtain access to the meter.

Complaint Log

The Company does not maintain a log noting the complaints and inquiries received by the customer. The lack of a complaint and inquiry log makes it difficult to determine the level of inquiries received by the Company. Handling customer inquiries is one of the responsibilities of the Office Manager, who at the present time, works in the office from 8 to noon Monday through Friday. The Office Manager does carry a pager when she leaves the office and is essentially on call the rest of the day and evening. However, the Company has been unable to quantify the amount of calls they must respond to, either during normal business hours or beyond.

The maintenance of a complaint log is required under the Commission's Billing Rules.

Commission Rule 4 CSR 240-13.040(5) states:

A utility shall maintain records on its customers for at least two (2) years which contain information concerning:

.....

(B) The number and general description of complaints registered with the utility;

The maintenance of this information would ensure the Company's compliance with the Commission rule and also provide the Company with information regarding such issues as the number of calls received and handled and the types of calls.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and utilize a log that documents the complaints and inquiries received by the Company. Ensure that records are maintained for two years.

Use of Piffel Excavating Services

The Company has not provided documentation to verify that its utilization of services from the Piffel Excavating Company represents the best value for the customer. Staff does understand the difficulty involved in soliciting its business competitors to perform work for its water company. However, as a regulated utility, KMB does need to ensure that its use of outside contractors represents a cost effective alternative for the customer. Piffel Excavating

should maintain documentation to show that it is not charging KMB a premium for its services over what it charges other clients in the area. It also needs to be prepared to document this to the Commission staff within an audit.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Maintain the appropriate documentation regarding the utilization of outside contractors, including Piffel Excavating Company.

Formalize Credit and Collection Policies and Procedures

The Company does not presently have a documented set of procedures that it follows regarding credit and collections activities. The Office Manager has indicated that delinquent payments are dealt with by making a phone call to the customer. At that time, the customer is offered a payment arrangement to clear up the amount. The Office Manager stated that this happens infrequently. The existence of a formal set of procedures regarding how delinquent payments are handled should be communicated to the customers so they know what to expect if a payment is delinquent. This also sets guidelines so that customers are handled in a consistent manner.

Another issue involves the utilization of late payment fees. The Company's tariff allows for the use of a late payment fee. If a customer's payment is received 21 days or more after rendition of the bill, then the Company is able to impose a charge of \$5.00 or three percent per month times the unpaid balance, whichever is more. The Company indicated it had not imposed any late charges. However, they did note that they have to call some customers to remind them that their payment is overdue. While it is desirable to allow customers some flexibility in meeting their payment obligations, it is also important to ensure that good paying customers do not subsidize other customers.

A related issue involves the utilization of deposits for new customers. The Company does not presently require deposits from new customers who desire to establish service. While it appears that the Company has not had difficulties with its level of bad debt, deposits can help to ensure that customers do not leave the Company with large amounts of uncollectibles. The utilization of deposits for new customers based upon the provisions of

4CSR 240-13.030 could assist the Company in ensuring that it maintains a low level of write-offs.

The EMSD staff believes that the lack of records for items like delinquencies, late payments and bad debts is somewhat misleading regarding whether there is a problem and the extent of it. Better and more detailed record keeping associated with an improved billing system will assist in determining whether there is actually a problem in this area and the true extent of it.

The Company needs to refer to the provisions outlined in the Commission's Rule 4 CSR 240-13 to develop procedures related to delinquent accounts and disconnection. The existence and distribution of a customer informational brochure is consistent with the requirements specified in the Billing Rules.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and document a set of procedures to be utilized in dealing with delinquent accounts and communicate this information to the customer in a mailing or brochure.

Develop a customer informational brochure to be distributed to all customers informing them of the rights and responsibilities of the customer and the Company.

Consider and evaluate the use of deposits for new customers, consistent with the provisions of 4CSR 240-13.050, to assist the Company in its management of bad debt.

AFFIDAVIT OF DALE W. JOHANSEN

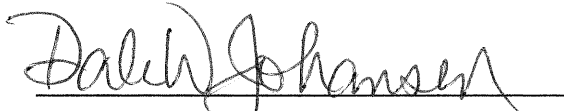
STATE OF MISSOURI)

) ss

Case No. SR-2006-0285

COUNTY OF COLE)

Dale W. Johansen, of lawful age, on his oath states: (1) that he is a member of the Staff of the Missouri Public Service Commission; (2) that he participated in the preparation of this Recommendation Regarding Disposition of Small Company Rate Increase Request ("Recommendation") and the attached appendix; (3) that the knowledge of the matters set forth in this Recommendation and the documents included in the attached appendix; and (4) that the matters set forth in this Recommendation and the documents included in the attached appendix are true and correct to the best of his knowledge, information and belief.

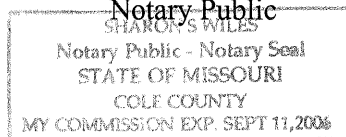


Dale W. Johansen – Manager
Water & Sewer Department
Utility Operations Division

Subscribed and sworn to before me this 7th day of February 2006.



Notary Public



My Commission Expires: _____