

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

Application of KMB Utility Corporation for)	
Authority to File A Proposed Tariff to Increase)	Case No. WR-2006-0286
Water Service Rates)	

STAFF NOTICE

COMES NOW the Staff of the Missouri Public Service Commission (Staff), and for its Notice states the following:

In the above-captioned case, the Commission issued its *Order Approving Small Company Rate Increase and Accompanying Tariff* (Order), effective April 21, 2006. This Order approved the Company / Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request and the Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request among the Staff, the Office of the Public Counsel (OPC), and KMB Utility Corporation (KMB or Company) (collectively, "Parties"). Ordered paragraph 3 states "...the Staff of the Missouri Public Service Commission shall file a notice no later than June 10, 2008, verifying that KMB Utility Corporation has complied with all the applicable terms of the agreements."

At that time, KMB provided water service to approximately 500 customers in its Cedar Hill Estates, Crestview Acres, High Ridge Manor, Hillshine Community, Lakewood Hills, City of Scottsdale, and Warren Woods service areas in Jefferson and Franklin counties.

This Notice addresses the date-certain items contained as numbered agreements within the Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate

Increase Request (the “Agreement”). Accordingly, the Staff files this Notice verifying that KMB has complied with all applicable terms of the numbered agreements.

Within the Agreement approved by the Commission, the parties enumerated 17 separate agreements that the Company agreed to implement. At this time, the Company has fulfilled all but two of these agreements. The two agreements that the Company has not fulfilled are agreement numbers (6) and (7). Agreement (6) states “The Company agrees that it will replace the existing inside meters in the Crestview Acres and Hillshine [subdivisions] with new meters, including remote meter reading devices, or alternatively will replace existing inside meters with new meter sets located at an accessible outside location, within two years after the effective date of the meter replacement/installation surcharge tariff sheet...”. Agreement (7) states “The Parties agree that for the Crestview Acres and Hillshine service areas the cost of moving inside meter sets to an acceptable outside location, including the cost of a new meter, will be charged directly to any customer that does not agree to have a new meter with a remote meter reading device installed as a replacement for their existing meter”.

After the approval of this Agreement, the Company attempted to fulfill all obligations required. However, when the Company began approaching customers to replace the meter in their homes, certain customers refused. The main reason for refusal cited by the homeowners was the requirement of the Company to drill a hole in the foundation of their home for the remote-reading meter devices. Further, the Company became concerned with issues of potential liability for the possible damage that could occur to the customer’s home, either in the foundation while installing the remote-reading devices, or by leaks that could occur in the future where work was performed by the Company in the customer’s home. Agreement (7) stated if a customer refused an inside meter, then the Company would install an outside meter in its place.

However, the Company questioned the prudence of having both inside remote meter reading devices and outside meters. The Company explained that with the two types of meters, there could be problems associated with meter reading, billing, and other operation issues. Thus, the Company decided to forego the inside remote reading meter devices and place all meters outside at the property line.

The cost to install the meters at the property line is higher because the costs of a meter pit, ring, lid, and meter horn, plus the associated excavation cost would also need to be included in the installation of the new meters. The tariff allows the Company to charge \$850. The Company questions whether \$850 is a good estimate of the true cost of new meter installation due to the increased costs of fuel and copper since the rate case two years ago. The Company proposes to address the cost of meter installation during the next rate case. The Staff agrees.

WHEREFORE, in accordance with the Commission's Order, the Staff prays the Commission accept its Notice.

Respectfully submitted,

/s/ Robert S. Berlin

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all counsel of record this 10th day of June 2008.

/s/ Robert S. Berlin