

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

In the Matter of the Small Company Rate)
Increase Request of KMB Utility Corporation)

Case No. WR-2006-0286

**NOTICE OF UNANIMOUS SUPPLEMENTAL AGREEMENT 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 Notice of Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request ("Notice of Agreement") states the following to the Missouri Public Service Commission ("Commission").

1. On January 4, 2006, KMB Utility Corporation ("KMB or Company") submitted to the Commission revised tariff sheets to implement an increase in its water service rates and charges, and the instant case was established.

2. As was stated in the Company's tariff filing transmittal letter, the rates and charges contained in the subject revised tariff sheets were based upon a *Company/Staff Agreement Regarding Disposition of Small Company Rate Increase Request* ("Disposition Agreement") entered into by KMB and the Staff, which pertained to the small company rate increase request that KMB submitted to the Commission on May 2, 2005.

3. On January 13, 2006, the Staff filed its Notice of Agreement Regarding Disposition of Small Company Rate Increase Request, which included the above-referenced Disposition Agreement.

4. On January 13, 2006, KMB sent a notice to its customers regarding the rate increase that would result from the Company's tariff revisions being approved (a copy of this notice is included in the EFIS case file for this case as item number 6).

5. On February 10, 2006, the Office of the Public Counsel ("OPC") filed Public Counsel's Statement of Disagreement and Motion to Suspend Tariff ("Statement & Motion").

6. On February 17, 2006, the Commission issued an order suspending the Company's tariff revisions until April 23, 2006.

7. On February 27, 2006, the Commission issued an order setting a procedural conference for this case for the purpose of discussing a procedural schedule.

8. Subsequent to the filing of the OPC's Statement & Motion, representatives of the Company, the Staff, and the OPC have discussed the one issue that the OPC raised in its Statement & Motion and have reached an agreement regarding the resolution of that issue.

9. A *Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request* ("Supplemental Agreement") and related documents are included in Appendix A attached hereto, and are incorporated by reference herein. The details of the agreement regarding the resolution of the issue raised by the OPC, which is referenced in Paragraph 8 above, are set out in the attached Supplemental Agreement.

10. As a result of the Supplemental Agreement, the Company will be filing substitute tariff sheets in this case and the Staff will be filing a supplemental recommendation regarding this case. Both of those filings will be made as soon as possible, with the intent being that further suspension of the Company's pending tariff revisions will not be necessary.

WHEREFORE, the Staff respectfully submits this Notice of Agreement and the attached Supplemental Agreement and related documents for the Commission's information and consideration in this case.

Respectfully Submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Associate General Counsel
Missouri Bar No. 51709

Attorney for the Staff of the
Missouri Public Service Commission

P.O. Box 360
Jefferson City, MO 65102
573-751-7779 (telephone)
573-751-9285 (facsimile)
bob.berlin@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that copies of this Notice of Agreement 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 28th day of March 2006.

/s/ Robert S. Berlin

AFFIDAVIT OF DALE W. JOHANSEN

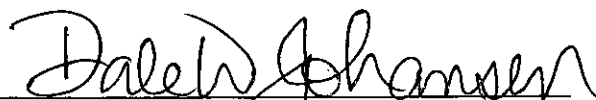
STATE OF MISSOURI)

) ss

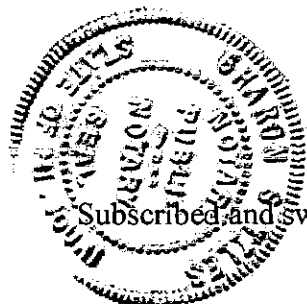
Case No. WR-2006-0286

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 the foregoing Notice of Agreement, the following *Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request* ("Supplemental Agreement") and the documents attached to the Supplemental Agreement; (3) that he has knowledge of the matters set forth in the foregoing Notice of Agreement, the following Supplemental Agreement and the documents attached to the Supplemental Agreement; and (4) that the matters set forth in the foregoing Notice of Agreement, the following Supplemental Agreement and the documents attached to the Supplemental Agreement are true and correct to the best of his knowledge, information and belief.



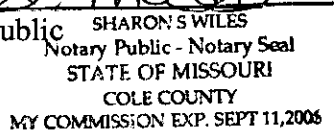
Dale W. Johansen – Manager
Water & Sewer Department
Utility Operations Division



Subscribed and sworn to before me this 28th day of March 2006.



Notary Public



My Commission Expires: _____

APPENDIX A

UNANIMOUS SUPPLEMENTAL DISPOSITION AGREEMENT & APPENDICES

CASE NO. WR-2006-0286

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

Table of Contents

Unanimous Supplemental Disposition Agreement

Agreement Appendix A

Example Tariff Sheet – Meter Replacement/Installation Surcharge Sheet

Agreement Appendix B

Example Tariff Sheet – Warren Woods Service Area Rate Sheet

Agreement Appendix C

Listing of Meters to be Replaced in Cedar Hills Estates Service Area

Unanimous Supplemental Disposition Agreement

**Unanimous Supplemental Agreement Regarding
Disposition of Small Company Rate Increase Request**

MO PSC Case No. WR-2006-0286

KMB Utility Corporation

BACKGROUND

KMB Utility Corporation ("Company") initiated the small company rate increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") tracking file and case file by submitting a letter to the Secretary of the Commission, which was received at the Commission's offices on May 2, 2005. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.635 Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). In its Request, the Company represented that it was asking for Commission approval of customer rates intended to generate an aggregate increase of \$152,229 in its total annual water service operating revenues. The Company provides service to approximately 460 customers, the vast majority of which are residential customers.

Pursuant to the provisions of the Small Company Rate Increase Procedure and related internal operating procedures, the Staff of the Commission ("Staff") initiated an audit of the Company's books and records, a review of certain of the Company's general business practices, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (Hereafter, these activities will be collectively referred to as the Staff's "investigation" of the Company's Request.)

Upon the completion of its investigation of the Company's Request, the Staff provided representatives of the Company and the Office of the Public Counsel ("OPC") with the results of the investigation. Subsequent to that information being provided to the Company and the OPC, the Staff and the Company executed a *Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Company/Staff Agreement").

On January 4, 2006 (hereafter, all dates refer to the year 2006 unless noted otherwise), the Company filed tariff revisions consistent with the above-referenced Company/Staff Agreement and Case No. WR-2006-0286 was opened. On January 13, the Staff filed the Company/Staff Agreement in the case file for this case. Also on January 13, the Company sent a notice to its customers regarding the rate increase that would result from approval of the Company's tariff revisions (a copy of this notice can be found in the EFIS case file as item number 6).

On February 10, the OPC filed Public Counsel's Statement of Disagreement and Motion to Suspend Tariff ("Statement & Motion"). On February 17, the Commission issued an order suspending the Company's tariff revisions until April 23. On February 27, the Commission issued an order setting March 13 as the date for a procedural conference. On March 10, the Staff, on its own behalf and on behalf of the Company and the OPC, filed a Motion to Cancel Procedural Conference ("Motion") in the subject case. As noted in that Motion, the basis for filing the Motion was that the Company, the Staff and the OPC (collectively, "the Parties") had reached an agreement in principal regarding the sole issue raised by the OPC in its Statement & Motion. The details of the referenced agreement in principal are set out below.

AGREEMENTS REGARDING DISPOSITION OF RATE INCREASE REQUEST

Pursuant to negotiations held after the OPC filed its Statement & Motion, the Parties have reached the following agreements regarding the sole issue raised by the OPC in its Statement & Motion, and the implementation of the Company's pending tariff revisions.

- (1) The Parties agree that the Company needs to: replace certain meters in its Cedar Hill Estates service area, where access is limited or where the meter pits are prone to routinely being filled with water, with meters that have remote meter reading capabilities; replace existing inside meters in its Crestview Acres and Hillshine service areas with meters including remote meter reading devices, or move such meters to an accessible outside location; and install meters in the Warren Woods service area, which is currently an un-metered system but where meter pits and the necessary fittings already exist.
- (2) The Parties agree that the Company should be allowed to add a monthly surcharge of \$1.50 to the bill of any customer that has a meter replaced or a new meter installed under the provisions of the agreements herein.

(3) The Parties agree that to implement the surcharge discussed in item (2) above, the Company will file a substitute tariff sheet identical to the example tariff sheet attached hereto as Appendix A, with that tariff sheet being a replacement for Original Sheet No. 6F currently pending in Tariff File No. YW-2006-0526.

(4) The Parties agree that a new rate tariff sheet including a commodity charge is needed for the Warren Woods service as a result of the forthcoming installation of meters in that service area. Accordingly, the Parties agree that the Company will file a substitute tariff sheet identical to the example tariff sheet attached hereto as Appendix B, with that tariff sheet being a replacement for 3rd Revised Sheet No. 6E currently pending in Tariff File No. YW-2006-0526.

(5) The Company agrees that it will install meters for all customers in the Warren Woods service area, and replace the 10 meters in the Cedar Hill Estates service area that are identified in Appendix C attached hereto, within one year after the effective date of the meter replacement/installation surcharge tariff sheet referenced in item (3) above.

(6) The Company agrees that it will replace the existing inside meters in the Crestview Acres and Hillshine 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 referenced in item (3) above.

(7) 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.

(8) The Company acknowledges that the Staff will, and the OPC may, verify the Company's compliance with the meter replacement/installation program set out herein.

(9) The Company agrees that it will cease collecting the meter surcharge from all customers in any of the affected service areas where 100% of the meters in a service area are not replaced or installed within the time frames set out herein.

(10) The Parties agree that the Company will be allowed to collect the meter surcharge provided for herein for a period of seven years after the effective date of the meter replacement/installation surcharge tariff sheet referenced in item (3) above, or until such time that the Company's rates change as the result of a rate case, whichever occurs first.

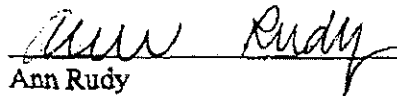
(11) The Company agrees to maintain records regarding all meter replacements or installations made in connection with the meter replacement/installation program set out herein, and to maintain records regarding all meter replacements made as a part of its routine ten-year meter replacement program discussed in item (8) of the original Company/Staff agreement. These records shall include the information required by Commission rule 4 CSR 240-10.030(2).

- (12) The Company agrees to maintain billing and collection records sufficient to allow for a determination of the amount of meter replacement/installation surcharge funds collected from each affected customer in each of the affected service areas.
- (13) The Company agrees that all records it is required to maintain as a result of the agreements herein are subject to review by the Staff and the OPC upon request.
- (14) The Company and the OPC acknowledge that the Staff will be filing a recommendation with the Commission regarding the approval of the provisions of this agreement, the provisions of the original Company/Staff Agreement that have not been modified by these agreements, and the Company's pending tariff revisions, including the forthcoming substitute tariff sheets.
- (15) The Company and the OPC agree that no need exists for them to be given the opportunity to respond to the Staff recommendation referenced in item (14) above.
- (16) The Company and the OPC agree that the Staff may discuss the overall resolution of the Company's rate case with the Commission at any Agenda session at which the case is noticed for discussion, and the Staff agrees to notify the Company and the OPC of any such Agenda session as soon as reasonably practicable so that they may have the opportunity to have representatives available at such an Agenda session if they desire to do so.
- (17) The Parties agree that as a result of the above agreements, the Company's pending tariff revisions, including the forthcoming substitute tariff sheets, should be allowed to go into effect on April 1, 2006, if possible.


EFFECTIVE DATE AND SIGNATURES

This agreement shall be considered effective as of March 27, 2006.

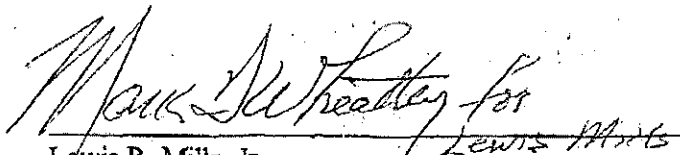
Agreement Signed and Dated:


Ann Rudy
President
KMB Utility Corporation.

3/27/06
Date


Dale W. Johansen
Manager - Water & Sewer Department
Missouri Public Service Commission Staff

3/27/06
Date


Lewis R. Mills, Jr.
Public Counsel
Office of the Public Counsel

3/27/06
Date

Agreement Appendix A

Example Tariff Sheet Meter Replacement/Installation Surcharge Sheet

Canceling

KMB Utility Corporation
Name of Issuing Company

For: Service Areas Specified in Tariff Language
Certificated Service Area

**Rules Governing
Rendering of Water Service**

Meter Replacement/Installation Surcharge *

A monthly surcharge of \$1.50 will be added to the bills of any customer that has a meter replaced or that has a meter installed where one did not previously exist, pursuant to the provisions of the *Unanimous Supplemental Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Supplemental Agreement") filed in Commission Case No. WR-2006-0286. Specifically, this surcharge is applicable to all meter replacements or installations made in the Warren Woods, Hillshine and Crestview Acres service areas and ten specific meters located in the Cedar Hill service area, where such replacements and installations are made in accordance with the schedules set out in the Supplemental Agreement. This surcharge will be in effect for customers in the affected service areas that have an existing meter replaced or that receive a new meter installation from the month of the meter replacement or installation for a period of seven years from the effective date of this tariff sheet or until such time as the Company's rates change a result of a rate case, whichever occurs first. *

The total proceeds from this surcharge will be accounted for separately from other Company funds and the portion of the proceeds that is equivalent to \$1.00/month/customer will be used to offset the Company's investment in the subject meter replacements and installations for ratemaking purposes. *

All meter replacements and installations will be verified by the Commission Staff in accordance with the provisions of the Supplement Agreement referenced herein. To the extent that the replacement/installation schedule set out in the Supplemental Agreement for each affected service area is not met in its entirety, the provisions of this tariff sheet will cease immediately for all customers located in the service area where the schedule has not been met. *

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: January 4, 2006
Month/Day/Year

Effective Date: February 21, 2006
Month/Day/Year

Issued By: Ann Rudy – President
Name & Title of Issuing Officer

5108 Dulin Creek Road House Springs MO 63501
Company Mailing Address

Agreement Appendix B

Example Tariff Sheet Warren Woods Service Area Rate Sheet

P.S.C. MO No. 1

3rd Revised Sheet No. 6E

Canceling P.S.C. MO No. 1

2nd Revised Sheet No. 6E

KMB Utility Corporation
Name of Issuing Company

For: Warren Woods Subdivision (Jefferson County)
Certificated Service Area

**Rules Governing
Rendering of Water Service**

SCHEDULE OF WATER RATES

Applicability +

The following rates are applicable to customers in the Company's Warren Woods Subdivision certificated service area that are located adjacent to the Company's distribution mains and that are using standard water service. +

Rate Schedule

Metered Rate (when available) *

Customer Charge \$12.92 per month *

Commodity Charge \$ 2.92 per 1,000 gallons *

Non-Metered Rate *

Monthly Flat Rate + \$38.51 per month +

Taxes

Any applicable Federal, State or local taxes shall be in addition to above charges.

Late Charges

Billings will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which payment will then be considered delinquent is 21 days after rendition of the bill. A charge of \$5.00 or three percent (3%) per month times the unpaid balance, whichever is more, will be added to delinquent amounts.

Returned Check Charge +

A returned check charge of \$20 per check will be charged for all checks returned from the bank for insufficient funds. +

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: January 4, 2006
Month/Day/Year

Effective Date: February 21, 2006
Month/Day/Year

Issued By: Ann Rudy - President
Name & Title of Issuing Officer

5108 Dulin Creek Road House Springs MO 63501
Company Mailing Address

Agreement Appendix C

Listing of Meters to be Replaced in Cedar Hill Estates Service Area

Listing of Meters to be Replaced in the Cedar Hill Estates Service Area

Service Address

6602 Gazebo

6604 Gazebo

6606 Gazebo

6610 Gazebo

6612 Gazebo *

6616 Gazebo *

6618 Gazebo *

6620 Gazebo

6622 Gazebo *

6600 Industrial

* Replaced as of 03/27/06