

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 11th day
of April, 2006.

Application of KMB Utility Corporation for)	
Authority to File a Proposed Tariff to Increase)	<u>Case No. WR-2006-0286</u>
Water Service Rates.)	Tariff No. YW-2006-0526

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

Issue Date: April 11, 2006

Effective Date: April 21, 2006

This order approves a Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request among 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 the Company/Staff Agreement Regarding Disposition of Small Rate Increase Request, the depreciation rates for the company, and a tariff implementing the agreed-upon rate increase.

KMB provides water service to approximately 504 customers¹ 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. On May 2, 2005, KMB initiated a small company rate increase under Commission Rule 4 CSR

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

240-3.330.² In its initial submissions to the Commission's Staff, KMB requested a rate increase that would generate an additional \$152,229³ in annual water service operating revenues.

On January 4, 2006, KMB filed a tariff designed to increase its rates for water service that would generate only \$9,221⁴ in additional annual revenues. Along with its tariff, KMB filed a letter indicating that it had reached a Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request with the Staff. 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's water supply was not considered "to be in significant non-compliance or a threat to public health or the environment" DNR also stated that the company had failed to submit a lead/copper sample from June through September of 2005 for the Warren Woods subdivision in House Springs, Missouri.

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 \$9,221 increase in

² The request was assigned Tracking No. QW-2005-0006 in the Commission's Electronic Filing and Information System (EFIS).

³ Cedar Hills Estates -- \$26,269; Crestview Acres -- \$15,808; High Ridge Manor -- \$9,253; Hillshine Community -- \$6,868; Lakewood Hills -- \$65,291; City of Scottsdale -- \$19,790; Warren Woods -- \$8,950.

⁴ Cedar Hills Estates -- \$3,430; Crestview Acres -- \$566; High Ridge Manor -- (\$4,825) reduction; Hillshine -- \$155; Lakewood Hills -- \$10,404; City of Scottsdale -- (\$603) reduction; Warren Woods -- \$96.

the company's annual water service operating revenues is necessary for the company to recover its cost of service. The agreement also indicates that certain changes to the service charges, the system operations, and the administrative operations are appropriate. Staff recommends that these changes be made. In addition, Staff recommends new depreciation rates. The agreement also states that the new rates are designed to generate the necessary revenues and are just and reasonable.

Staff also stated in its recommendation that it had contacted DNR regarding the lead/copper sample for 2005. DNR informed Staff that the company had submitted a sample for 2005, but that DNR inadvertently had provided the company with the wrong size collection container. Thus, it appeared in DNR's records that the company had not submitted a sample at all. DNR has given the company credit for the sample and will require it to submit another sample in the summer of 2006.

On February 10, 2006, the Office of the Public Counsel filed an objection to the agreement and a motion to suspend the tariff. As a result, the Commission suspended the tariff until April 23, 2006. On March 28, 2006, the parties filed a Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request. On March 29, 2006, the company filed substitute pages for its tariff and on March 30, 2006, Staff filed a supplemental recommendation requesting approval of the original and the supplemental agreements as well as the revised tariff sheets.

Although DNR is a party to this case it did not join in either of the agreements. The time for objections, however, has passed. Therefore, the Commission may treat the agreement as unanimous.⁵

⁵ 4 CSR 240-2.115(B).

Based on the pleadings and the recommendations of Staff, the Commission finds that the original agreement as amended by the supplemental agreement is reasonable and shall be approved. KMB shall be directed to comply with the terms and recommendations set out in the agreements. Furthermore, KMB's tariffs, as substituted, and the rates they establish, 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 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 are approved.

2. KMB Utility Corporation is directed to comply with the terms of the Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request and the terms of the Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request.

3. That 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.

4. The following tariff sheets, as substituted, filed by KMB Utility Corporation, and assigned Tariff File No. YW-2006-0526, are approved for service on or after April 21, 2006:

P.S.C. MO No. 1

**4th Revised Sheet No. 3 Canceling 3rd Revised Sheet No. 3
Original Sheet No. 3A
2nd Revised Sheet No. 4 Canceling 1st Revised Sheet No. 4
6th Revised Sheet No. 6 Canceling 5th Revised Sheet No. 6
3rd Revised Sheet No. 6A Canceling 2nd Revised Sheet No. 6A
5th Revised Sheet No. 6B Canceling 4th Revised Sheet No. 6B
4th Revised Sheet No. 6C Canceling 3rd Revised Sheet No. 6C
4th Revised Sheet No. 6D Canceling 3rd Revised Sheet No. 6D
3rd Revised Sheet No. 6E Canceling 2nd Revised Sheet No. 6E
Original Sheet No. 6F
4th Revised Sheet No. 7 Canceling 3rd Revised Sheet No. 7**

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

6. This order shall become effective on April 21, 2006.

7. This case may be closed on April 22, 2006.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

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

Dippell, Deputy Chief Regulatory Law Judge