

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

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

**STAFF RESPONSE TO ORDER DIRECTING STAFF TO STATE  
POSITION AND  
REQUEST FOR WAIVER OF COMPLIANCE**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), and  
for its response and request for waiver of compliance, states the following:

1. On January 21, 2009, the Commission issued its *Order Directing Staff To State Position* (Order) regarding the matter of problems encountered by KMB Utility Corporation (KMB or Company) that prevent the company from fully complying with agreement sections (6) and (7) of the *Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request* (Agreement). The Order directed Staff to file a pleading stating its position regarding the possible waiver of compliance with sections (6) and (7) not later than February 5, 2009.

2. On June 10, 2008, the Staff filed its Notice in compliance with the Commission's order that approved the Agreement. In that Notice, the Staff addressed KMB's compliance with the requirements of the Agreement, stating:

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".

3. In its Order, the Commission referenced the following portion of Staff's Notice that discusses the problems encountered by KMB in complying with Agreement sections (6) and (7):

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.

4. Staff's assessment of the problems encountered by KMB in complying with sections (6) and (7), as discussed in Staff's Notice, has not changed. Accordingly, Staff believes KMB has demonstrated good cause to seek a waiver of compliance with sections (6) and (7). Therefore, the Staff respectfully requests the Commission grant KMB a waiver of compliance with these sections of the Agreement.

5. Staff has discussed this pleading with the Company and represents that KMB agrees with Staff's position and supports this request for waiver.

6. Staff further notes no party has filed a response to either Staff's Notice of June 10, 2008, or to Staff's December 10th Motion to Close Case.

**WHEREFORE**, in accordance with the Commission's Order, the Staff respectfully requests the Commission accept its statement of position and grant Staff's request for a waiver of compliance with sections (6) and (7) of its Agreement.

Respectfully Submitted,

**/s/ Robert S. Berlin**

Robert S. Berlin  
Senior Counsel  
Missouri Bar No. 51709

Attorney for the Staff of the  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102  
573-526-7779 (telephone)  
573-751-9285 (facsimile)  
[bob.berlin@psc.mo.gov](mailto:bob.berlin@psc.mo.gov) (e-mail)

### **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 5th day of February 2009.

**/s/ Robert S. Berlin**

Robert S. Berlin