

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 4th day of
March, 2009.

Application of KMB Utility Corporation)
for Authority to File a Proposed Tariff)
to Increase Water Service Rates.)

File No. WR-2006-0286

**ORDER GRANTING WAIVER OF COMPLIANCE
WITH A PORTION OF A COMMISSION ORDER**

Issue Date: March 4, 2009

Effective Date: March 14, 2009

In April of 2006, the Commission issued an Order Approving Small Company Rate Increase and Accompanying Tariff in this matter. As part of that order, the company and the Staff of the Missouri Public Service Commission were required to comply with the provisions of 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. One of those provisions required Staff to file a notice verifying that KMB Utility Corporation had complied with the agreements.

Staff filed its notice indicating that the company had fulfilled all the terms of the agreements with the exception of sections (6) and (7) of the agreements. Those sections required KMB to “replace the existing inside meters in the Crestview Acres and Hillshine [subdivisions] with new meters, including remote meter reading devices, or alternatively . . . replace existing inside meters with new meter sets located at an accessible outside location. . . .” The agreements also required “that for the Crestview Acres and Hillshine

service areas the cost of moving inside meter sets to an 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.” Staff explained that KMB had not fulfilled those requirements for the following reasons:

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 the 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 for the true cost of the 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 the meter installation during the next rate case. The Staff agrees.

There was no response to Staff’s notice or to its Motion to Close Case.

The Commission issued an Order Directing Staff to State Position on January 21, 2009. In that order the Commission directed Staff to state its position regarding the possible waiver of those portions of the Commission’s order requiring compliance with the

approved disposition agreements. Staff filed its response on February 5, 2009, stating it was in favor of such a waiver and that through its contacts with the company, it understands that the company is also in favor of such a waiver. No other response to the order or to Staff's filing was received.

Therefore, because of the unexpected issues with installing inside meters as described by Staff and set out above, the Commission finds that good cause exists to waive compliance with sections (6) and (7) of the agreements.

THE COMMISSION ORDERS THAT:

1. The Commission waives compliance by KMB Utility Corporation with sections (6) and (7) of 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 as directed in Ordered Paragraph #2 of its Order Approving Small Company Rate Increase and Accompanying Tariff, issued on April 11, 2006.
2. This order shall become effective on March 14, 2009.
3. This file may be closed on March 15, 2009.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Clayton, Chm., Murray, Davis,
Jarrett, and Gunn, CC., concur.

Dippell, Deputy Chief Regulatory Law Judge