

**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. SR-2006-0285

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

1. On January 4, 2006, (unless noted otherwise, all dates herein refer to the year 2006) KMB Utility Corporation ("Company") submitted to the Commission revised tariff sheets to implement increases in its sewer service rates and charges and the instant case was established.

2. As is noted in the Company's tariff filing transmittal letter, the changes contained in the subject revised tariff sheets are based upon a *Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request* ("Unanimous Agreement") entered into by the Company, the Staff and the Office of the Public Counsel. As is also noted in the Company's tariff filing transmittal letter, the Unanimous Agreement pertains to the small company rate increase request that the Company submitted to the Commission on May 2, 2005 (Tracking File No. QS-2005-0005).

3. Included in the document that is attached hereto and identified as Appendix A are copies of the above-referenced Unanimous Agreement and related attachments.

4. Included as a part of the Unanimous Agreement is acknowledgement of the Company/Staff agreements regarding extensions of the 150-day tariff filing period that normally

applies to small company rate increase requests (3rd paragraph on page 4 of the agreement). Additionally, copies of the extension agreements are included in the above-referenced tracking file for the Company's rate increase request as Item Nos. 3, 5 and 6.

5. Consistent with established internal procedures regarding small company rate increase requests, the Staff intends to file its recommendation in this case by the end of business on February 14, 2006.

WHEREFORE, the Staff respectfully submits this Agreement Notice for the Commission's information and consideration in this case.

Respectfully Submitted,

/s/ Keith R. Krueger

Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857

Attorney for the Staff of the
Missouri Public Service Commission

P.O. Box 360
Jefferson City, MO 65102
573-751-4140 (telephone)
573-751-9285 (facsimile)
keith.krueger@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that copies of Agreement Notice 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 13th day of January 2006.

/s/ Keith R. Krueger

AFFIDAVIT OF DALE W. JOHANSEN


STATE OF MISSOURI)

) ss


Case No. SR-2006-0285

COUNTY OF COLE)

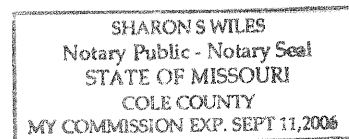
Dale W. Johansen, of lawful age, on his oath states: (1) that he is a member of the Staff of the Missouri Public Service Commission; (2) that he participated in the preparation of this Notice of Agreement Regarding Disposition of Small Company Rate Increase Request (Agreement Notice) and the documents included in the attached appendix; (3) that he has knowledge of the matters set forth in this Agreement Notice and the documents included in the attached appendix; and (4) that the matters set forth in this Agreement Notice and the documents included in the attached appendix are true and correct to the best of his knowledge and belief.


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

Subscribed and sworn to before me this 13th day of January 2006.


Notary Public

My Commission Expires: _____



APPENDIX A

DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. SR-2006-0285

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Company/Staff/OPC Disposition Agreement

UNANIMOUS AGREEMENT REGARDING DISPOSITION
OF SMALL SEWER COMPANY RATE INCREASE REQUEST

KMB UTILITY CORPORATION

MO PSC WORK I.D. No. QS-2005-0005

BACKGROUND

KMB Utility Corporation ("Company") initiated the small company rate increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") tracking file by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.330, Sewer Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). In its request letter, which was received at the Commission's offices on May 2, 2005, the Company set forth its request for an increase of \$17,121 in its total annual sewer service operating revenues. In its request letter, the Company also stated its understanding that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would also be reviewed during the Commission Staff's review of the rate increase request, and could thus be the subject of Staff recommendations at the conclusion of the rate increase process. The Company provides sewer service to approximately 185 residential customers in its Cape Rock Village service area near Cape Girardeau.

Upon receipt of the Company's request letter, personnel in the Commission's Data Center entered the letter into the Commission's electronic filing and information system and the system assigned Work I.D. No. QS-2005-0005 to the Request. The Request was then routed to the Commission's Water & Sewer Department for processing under the Small Company Rate Increase Procedure.

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 completion of its investigation of the Company's Request, the Staff provided the Company and the Office of the Public Counsel ("OPC") various information regarding the results of the investigation, as well as its initial recommendations for resolution of the Company's Request.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the Staff's investigation of the Company's Request, the Staff, the Company and the OPC hereby state the following agreements:

- (1) That for the purpose of implementing the agreements set out herein, the Company will file tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheets that are included in Attachment A hereto.
- (2) That the ratemaking income statement that is included in Attachment B hereto accurately reflects the Company's annualized revenues generated by its current customer rates, the Company's total annualized cost of providing service and the agreed-upon annualized sewer operating revenue increase of \$775.
- (3) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet that is included in Attachment C hereto, are designed to generate revenues sufficient to recover the agreed-upon annualized sewer operating revenue increase of \$775, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.

- (4) That the rates included in the attached example tariff sheets are just and reasonable.
- (5) That the schedule of sewer plant depreciation rates that is included in Attachment D hereto should be the prescribed schedule of sewer plant depreciation rates for the Company, as the depreciation rates set out in that schedule were the rates used by the Staff in its revenue requirement analysis.
- (6) That the Company will make adjustments to its books and records regarding plant-in-service, depreciation reserves and CIAC necessary to reflect the agreed-upon overall revenue requirement.
- (7) That the Company will submit amended entries for its most recently submitted annual report regarding plant-in-service, depreciation reserves and CIAC necessary to reflect the agreed-upon overall revenue requirement.
- (8) That the Company will document all customer complaints and inquiries and retain the information for at least two years, consistent with the provisions of Commission rule 4 CSR 240-13.040(5).
- (9) That the Company will maintain proper documentation regarding the utilization of all outside contractors, including all affiliated company contractors. For capital improvements or repair projects that exceed \$4,000 and that are also performed by a non-affiliated outside contractor, the Company will obtain at least three competitive bids. With regard to its affiliated company contractor, the Company will retain copies of all records detailing competitive bids submitted by its affiliated company to any other water or sewer utility of any type and copies of all contracts awarded to its affiliated company by any other water or sewer utility of any type. The Company will make all of these records available for review upon request by the Staff or the OPC.
- (10) That the Company will develop a customer informational brochure to be distributed to all customers informing them of the rights and responsibilities of the customer and the Company. The procedures utilized by the Company for delinquent accounts will be included in this brochure.
- (11) That the Company will evaluate the use of deposits for new customers, consistent with the provisions of Commission rule 4 CSR 240-13.050, to assist the Company in its management of bad debt.
- (12) That for future rate increase requests the Company will submit the requests for all of its service areas concurrently.
- (13) That the above agreements satisfactorily resolve all issues identified by the Staff, the Company and the OPC regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

Since this Disposition Agreement is between the Staff, the Company and the OPC, the Small Company Rate Increase Procedure does not require that the Company send a notice to its customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement, nor does it provide for a local public hearing, unless the Commission orders otherwise.

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff, the Company and the OPC, and none of the parties have agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company and the Staff acknowledge that they have previously agreed on extensions of the normal 150-day tariff filing date for small company rate increase requests because of delays related to the following: (1) the purchase and installation of a new billing system; and (2) the verification of the completion of that project by the Staff.

The Company and the OPC acknowledge that the Staff will be making an additional filing with the Commission regarding this matter, with that filing including the following: (a) the Staff's recommendation for approval of the subject tariff revisions, and any other related recommendations; (b) background information regarding the Company's Request and the Staff's investigation thereof; (c) the Staff's audit workpapers; (d) a general overview of the Company, including an overview of the Company's customer service procedures and practices; (e) information regarding the status of the Company's payment of its Commission assessments; (f) the status of the Company's submission of its Commission annual reports; (g) the status of the Company's submission of its Commission annual statement of operating revenues; (h) any other pending cases that the Company may have

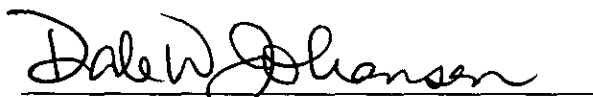
before the Commission; (i) any recent Notices of Violations issued to the Company by the Missouri Department of Natural Resources; and (j) the status of the Company's corporate standing with the Missouri Secretary of State.

Additionally, the Company and the OPC agree that the Staff shall have the right to provide whatever oral explanation the Commission may request regarding the rate case that will be created when the Company files the tariff revisions called for in this agreement, at any agenda meeting at which that case is noticed to be considered by the Commission. To the extent reasonably practicable, the Staff will provide the Company with advance notice of any such agenda meeting so that it may have the opportunity to also be represented at the meeting.

EFFECTIVE DATE AND SIGNATURES

This Disposition Agreement shall be considered effective as of the date that the Company files the tariff revisions required herein with the Commission.

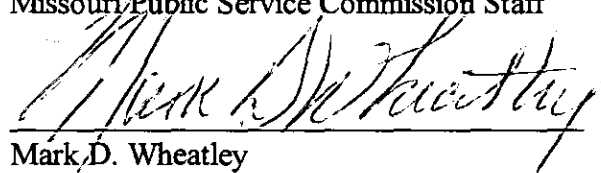
Agreement Signed and Dated:



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

12/13/05

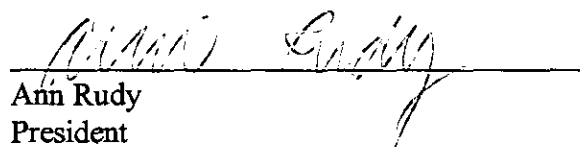
Date



Mark D. Wheatley
Senior Public Counsel
Office of the Public Counsel

1/13/06

Date



Ann Rudy
President
KMB Utility Corporation

12/13/05

Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Ratemaking Income Statement
- Attachment C – Rate Design Worksheet
- Attachment D – Schedule of Depreciation Rates

Agreement Attachment A

Example Tariff Sheets

6th Revised Sheet No. 5

P.S.C. MO No. 1

5th Revised Sheet No. 5

KMB Utility Corporation
Name of Issuing Company

For: Cape Rock Village (Cape Girardeau County)
Certificated Service Area

Rules Governing Rendering of Sewer Service

SCHEDULE OF SEWER RATES

Sewer Rate Schedule A: Single Family Dwelling

Availability:

The following rate is applicable to single family residences, including mobile homes not located in mobile home parks, and is applicable to all customers located in the Company's Cape Rock Village certificated service area and adjacent to the Company's collection sewer.

Customer Charge \$26.83 per Month +
The Customer Charge will be billed each customer monthly.

Sewer Rate Schedule B: Multiple Family Dwelling

Availability:

The following rate is applicable to each rental unit of a multiple family dwelling and for individual mobile homes located in mobile home parks, where customers are located in the Company's Cape Rock Village certificated service area and adjacent to the Company's collection sewer.

Customer Charge \$21.46 per Month +
The Customer Charge will be billed each customer monthly.

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.

* 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

510 Dulin Creek Road House Springs MO 63501
Company Mailing Address

Agreement Attachment B

Ratemaking Income Statement

KMB UTILITY CORPORATION-CAPE ROCK VILLAGE

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	66,062
2	Other Operating Revenues *	\$	2,505
3	Total Operating Revenues	\$	68,567
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Sewer Treatment Expense-Chemicals	\$ 292
2 Sewer Treatment -Testing/Laboratory Fees	\$ 253
3 Repairs and Maintenance Expense	\$ 9,191
4 Electricity	\$ 6,141
5 City of Cape Girardeau-Water	\$ 790
6 Vehicle Fuel Expense	\$ 1,698
7 Outside Services-Monthly Inspections	\$ 810
8 Outside Services-Mowing	\$ 1,080
9 Operations Salary	\$ 8,445
10 Other Labor	\$ 116
11 Permit Fees	\$ 3,127
12 Administration & General - Salaries	\$ 6,869
13 Office Supplies	\$ 169
14 Professional Services-Accounting	\$ 866
15 Professional Services-Legal	\$ 152
16 Employee Pensions & Benefits	\$ 1,630
17 Bank Charges	\$ 353
18 Office Rent	\$ 1,459
19 Telephones	\$ 862
20 Postage	\$ 1,206
21 Insurance	\$ 1,852
22 Computer Maintenance Fee	\$ 182
23 Regulatory Commission Expense	\$ 5,631
24 Miscellaneous General Expenses	\$ 338
25 Sub-Total Operating Expenses	\$ 53,512
26 Property Taxes	\$ 203
27 Employer FICA Taxes	\$ 1,142
28 State & Federal Income Taxes	\$ -
29 Sub-Total Taxes	\$ 1,345
30 Depreciation Expense	\$ 7,251
31 Normalization of Sewer Line (2002 case)	\$ 1,058
32 Sub-Total Depreciation/Amortization	\$ 8,309
33 Return on Rate Base	\$ 6,176
34 Total Cost of Service	\$ 69,342
35 Overall Revenue Increase Needed	\$ 775

Agreement Attachment C

Rate Design Worksheet

KMB UTILITY CORPORATION-CAPE ROCK VILLAGE

Development of Tariffed Rates-Sewer

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 66,062
Agreed-Upon Overall Revenue Increase/(Decrease)	\$ 775
Percentage Increase Needed	1.173%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
Single Family	\$ 26.52	\$ 26.83	\$ -	\$ -
Multi Family	\$ 21.21	\$ 21.46	\$ -	\$ -

Agreement Attachment D

Schedule of Depreciation Rates

(SEWER)

<u>ACCOUNT</u> <u>NUMBER</u>	<u>ACCOUNT</u>	<u>PLANT</u> <u>TOTAL</u>	<u>COMPANY</u> <u>DEPRECI</u> <u>ATION</u> <u>RATES %</u>	<u>STAFF</u> <u>DEPRECI</u> <u>ATION</u> <u>RATES %</u>	<u>AVERAGE</u> <u>SERVICE</u> <u>LIFE</u> <u>(YEARS)</u>	<u>SALVAGE</u>	<u>DEPRECI</u> <u>ATION</u> <u>RESERVE</u>	<u>RESERVE</u> <u>BALANCE</u> <u>END OF</u> <u>YEAR</u>	<u>STAFF</u> <u>RECOMM</u> <u>END</u> <u>ACCRUAL</u>	<u>CURRENT</u> <u>ACCRUAL</u>
301	Organization	3,000	10.00%	N/A	N/A	N/A	24646	24946	0	300
310	Land & Land Rights	8,800	0.00%	N/A	N/A	N/A	11	11	0	0
363	Pumping Equipment	45,892	10.00%	10.0%	10	0.0%	10868	15458	4,589	4,589
372	Oxidation Lagoons	20,559	2.00%	4.0%	25	0.0%	-543	-132	822	411
391	Office Furniture & Equipment	1,016	14.30%	0.0%	20	0.0%	1535	1680	0	145
391.1	Office Computer Equipment			20.0%	5	0.0%			0	0
392	Transportation Equipment	4,641	12.50%	13.0%	7	9.0%	574	1154	603	580
393	Other General Equipment	3,141	5.00%	10.0%	10	0.0%	0	157	314	157
ANNUAL TOTAL DEPRECIATION ACCRUAL >>>									6,329	6,183