

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

**In the Matter of the Small Company Rate)
Increase Request of Mill Creek Sewers, Inc.)**

Case No. SR-2005-0116

STATUS REPORT

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its Status Report states the following to the Missouri Public Service Commission ("Commission").

1. On September 28, 2005, Mill Creek Sewers, Inc. ("the Company"), the Staff, and the Office of Public Counsel filed in this case their Second Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request ("Second Supplemental Agreement"). As a part of the Second Supplemental Agreement, the Staff agreed to monitor, and offered to file monthly status reports on, the Company's business operations to ensure that the funds generated by the Company's customer rates are used solely for the purposes specified in the agreement.

2. On September 29, 2005, the Commission ordered the Staff to file monthly reports, as the Staff had offered to do in the Second Supplemental Agreement. The Staff filed monthly status reports, beginning in January 2006 and continuing through March 2007; except that it did not file a report in December 2006, per leave of the Commission.

3. On April 3, 2007, the Commission granted a Staff motion to change the frequency of the status report filings from monthly to quarterly, with the first quarterly report due on June 15, 2007. The Staff filed quarterly status reports on June 15, 2007, and September 14, 2007. The Staff filed quarterly status reports on June 15, 2007 and September 14, 2007.

4. Attached as Appendix A hereto is the *Staff Monitoring Report* dated December 14, 2007, which covers the Company's activities during the months of September,

October, and November 2007. Included in this report is information regarding the following matters: (a) the Company's most recent customer billings; (b) the Staff's most recent review of the Company's books and records; (c) the Staff's conclusions regarding the Company's use of its funds; (d) the Company's past-due customer account balances; (e) the Company's efforts regarding collection of certain of the past-due customer accounts; (f) customer service complaints and/or inquiries; (g) commercial general liability insurance; (h) the Company's DNR operating permit fees; (i) the Company's personal property taxes; and (j) personal property taxes.

5. As is noted in the attached *Staff Monitoring Report*, Mill Creek spent the customer funds that it collected from its September, October, and November 2007 billings as required by the Second Supplemental Agreement, and did not divert any of those funds to its owners or shareholders.

6. The Staff will continue to file quarterly status reports in this case, unless otherwise ordered by the Commission.

WHEREFORE, the Staff respectfully submits this Status Report, and the attached *Staff Monitoring Report*, 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 this Status Report, and the attached *Staff Monitoring Report*, 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 14th day of December 2007.

/s/ Keith R. Krueger

APPENDIX A

Staff Monitoring Report

Case No. SA-2005-0116

December 14, 2007

Staff Monitoring Report

Case No. SR-2005-0116

Mill Creek Sewers, Inc.

Prepared By:

John Cassidy

Auditing Department

and

James Merciel

Water & Sewer Department

Missouri Public Service Commission

December 14, 2007

ORDER REGARDING STATUS REPORTS

As part of its Order regarding status reports, filed on April 3, 2007, the Commission granted the Staff permission to reduce the frequency of filing Mill Creek status reports from a monthly basis to a quarterly basis. Staff's last monthly Mill Creek status report was filed on March 15, 2007, quarterly status reports were filed on June 15, 2007, and September 14, 2007.

Also, as part of its April 3, 2007 Order, the Commission directed the Staff to immediately notify the Commission if at any time, changes are made regarding the operation or management of Mill Creek Sewers, particularly a change in the management company from Testing Analysis and Control, Inc. to a different entity. Jim Holmes, Mill Creek's office manager indicated that no such changes in operation or management have occurred at this time.

INFORMATION REGARDING CUSTOMER BILLINGS

Since the time of Staff's previous Mill Creek quarterly status report, dated September 14, 2007, the Company has issued additional customer billings. On or about September 1, October 1 and November 1, 2007, Mill Creek issued its twenty-second, twenty-third and twenty-fourth customer billing under its new rates, for service provided during the months of August, September and October 2007 respectively. On or about December 1, 2007, Mill Creek issued its twenty-fifth customer billing under its new rates, for service provided during the month of November 2007, which will be addressed as part of the Staff's fourth quarterly review of the Company's books and records, scheduled to be filed by March 15, 2008.

STAFF'S REVIEW OF MILL CREEK'S BOOKS AND RECORDS AND CONCLUSIONS REGARDING MILL CREEK'S USE OF ITS FUNDS

On December 5, 2007, John Cassidy of the Auditing Department's St. Louis Office reviewed Mill Creek's books and records to determine if the Company's use of the funds that were collected from its September 1, October 1 and November 1 customer billings complied with the provisions of the Second Supplemental Agreement applicable to that matter.

Based on this December 5th review of the Company's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent the customer funds collected from its September 1, October 1 and November 1 customer billings on the following items: (1) operations and maintenance of the wastewater treatment plant; (2) electricity expense; (3) cellular phone expense; (4) sewer line cleaning, related pumping and repair expenses; (5) compensation to Jim Holmes, Mill Creek's office manager, for customer billing and office manager duties; (6) partial payment for PSC assessment; and (7) payment for annual corporate registration with the office of the Missouri Secretary of State (MoSOS).

The Staff noted during its review that, on October 1, 2007, Mill Creek issued a \$65 payment to Mr. Joseph Afshari, owner of Mill Creek Sewer Company, in order to reimburse him for a payment that he made by his personal credit card for the Mill Creek's annual corporate registration with the MoSOS. Mr. Holmes explained that Mr. Afshari

pays for corporate registrations for all other businesses that he owns online with a personal credit card. However, the Staff recommended to Mr. Holmes, that in the future, Mill Creek pay for future corporate registrations through its company checking account in order to avoid the appearance that any payments are being made to Mr. Afshari, Mill Creek's owner and sole shareholder.

INFORMATION REGARDING PAST-DUE ACCOUNT BALANCES AND COLLECTION EFFORTS PERTAINING TO CERTAIN OF THOSE ACCOUNTS

As of November 30, 2007, Mill Creek's customer account past-due balances totaled approximately \$4,890. During the review, Mr. Holmes reported that seven of Mill Creek's customers are responsible for \$2,915 (approximately 60%) of this total.

Additionally, there are two accounts that are responsible for approximately \$1,005 (approximately 21%) of the total, for which the current customers did not create the past-due balances. Mill Creek is attempting to collect the past-due balances for these two accounts from real estate title companies. Mr. Holmes has been in contact with a title company with regard to one of these two accounts but still has been unable to reach a resolution with the title company.

Mr. Holmes also reported that three additional customers (not previously discussed above) have been paying extra amounts as part of a special billing arrangement over the past year. These three customers are responsible for approximately \$400 (approximately 8%) of the past due total. The remaining \$570 of past due amounts (approximately 11%) pertain to small past due balances owed by various customers.

A historical summary of Mill Creek's total past-due account balances, which include the outstanding balances related to title company matters, is set out below, with the amounts shown being rounded to the nearest \$5 increment.

Balance at October 31, 2005	\$10,445
Balance at November 30, 2005	\$8,775
Balance at December 31, 2005	\$7,100
Balance at January 31, 2006	\$7,185
Balance at February 28, 2006	\$6,825
Balance at March 31, 2006	\$6,535
Balance at April 30, 2006	\$6,260
Balance at May 31, 2006	\$4,995
Balance at June 30, 2006	\$4,670
Balance at July 31, 2006	\$4,875
Balance at August 31, 2006	\$4,945
Balance at September 30, 2006	\$5,010
Balance at October 31, 2006	\$5,030
Balance at November 30, 2006	\$5,615
Balance at December 31, 2006	\$6,455
Balance at January 31, 2007	\$6,100
Balance at February 28, 2007	\$5,720
Balance at March 31, 2007	\$4,745
Balance at April 30, 2007	\$5,110
Balance at May 31, 2007	\$5,500
Balance at June 30, 2007	\$5,740
Balance at July 31, 2007	\$5,970
Balance at August 31, 2007	\$4,990
Balance at September 30, 2007	\$4,915
Balance at October 31, 2007	\$5,050
Balance at November 30, 2007	\$4,890

The Staff will continue to monitor the progress of Mill Creek's collection efforts regarding its past-due customer accounts, will assist the Company in those efforts as deemed appropriate and will include updates regarding this matter in its future quarterly status reports.

CUSTOMER SERVICE COMPLAINTS AND INQUIRIES

A review of the Consumer Quality data base in the Commission's electronic filing and information system (EFIS) revealed that there were no new customer complaints or inquiries since the time of the last quarterly review, which was conducted in September 2007.

COMMERCIAL GENERAL LIABILITY INSURANCE

During the review, Mr. Holmes supplied the Staff with a copy of a quote, from the Associated Insurance Group, Inc., to provide commercial general liability insurance for Mill Creek. The insurance coverage provides for needed protection against bodily injury, property damage, personal injury and medical payments resulting from accidents occurring on Mill Creek's premises and will cost Mill Creek approximately \$1,075 annually. The cost of this insurance protection is comparable to what other small utility companies pay and the Staff recommended to Mr. Holmes that he sign up for this insurance coverage for Mill Creek as soon as possible.

DNR OPERATING PERMIT FEES

The Missouri Clean Water Law requires that all sewer companies pay an annual operating permit fee to the Missouri Department of Natural Resources (DNR) for each wastewater treatment plant that discharges to the waters of the State, with that permit fee normally being based on the design flow of each particular treatment plant. Mill Creek is assessed \$2,500 annually for this permit fee based on the design flow of its wastewater treatment plant. As recently as August 2006, Mill Creek owed DNR approximately \$10,000 for past due operating permit fees and related late fees. Since that time Mill Creek has made significant progress towards paying for this past due balance owed.

The Staff contacted DNR and learned that Mill Creek currently owes the DNR \$3,000 (\$500 for past due late fees related to late payment for prior years' operating permits plus \$2,500 for its 2007 operating permit, which was billed on May 1, 2007). Mill Creek needs to continue to budget its expenses in order to address this remaining balance still owed to DNR.

PERSONAL PROPERTY TAXES

During October 2007, Mill Creek received from the St. Louis County Collector of Revenue, a personal property tax bill in the amount of approximately \$6,590. This balance owed reflects amounts owed for the current year's assessment, as well as delinquent amounts owed from prior years' assessments, for taxes related to Mill Creek's sewage treatment plant facilities.

Mr. Holmes indicated to the Staff that this is the first time that he personally became aware that Mill Creek was being assessed for personal property taxes. Mr. Holmes indicated that for some unexplained reason, he did not receive a copy of this bill during either 2005 or 2006. Mr. Holmes will contact St. Louis County to obtain a detailed breakdown of the amounts that are owed and determine if any type of appeal might be necessary. Mr. Holmes also plans to research Mill Creek's past records to determine if Mill Creek has paid any amounts for personal property taxes in prior years. After performing this research, Mill Creek will also need to budget its expenses in order to pay for the outstanding balance that is owed for the personal property taxes much in the same way as it has previously done to address its past due balances owed to DNR.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES A. MERCIEL, JR.

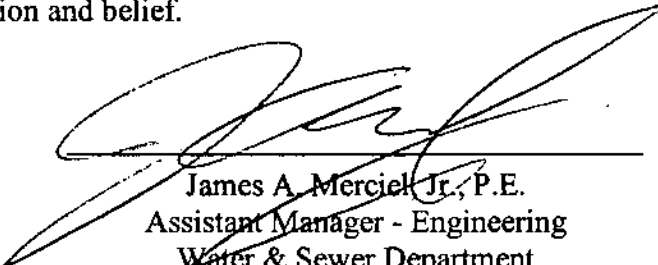
STATE OF MISSOURI)

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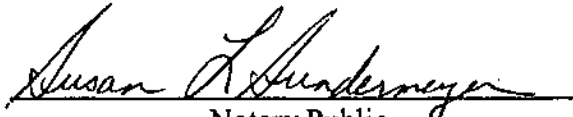
Case No. SR-2005-0116

COUNTY OF CALLAWAY)

James A. Merciel, Jr., of lawful age, on his oath states: (1) that he is the Assistant Manager – Engineering in the Water and Sewer Department of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Staff Monitoring Report*; (3) that he has knowledge of the matters set forth in the foregoing *Staff Monitoring Report*; and (4) that the matters set forth in the foregoing *Staff Monitoring Report* are true and correct to the best of his knowledge, information and belief.


James A. Merciel, Jr., P.E.
Assistant Manager - Engineering
Water & Sewer Department
Utility Operations Division

Subscribed and sworn to before me this 14th day of December 2007.


Notary Public



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086