

**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

SUPPLEMENT TO STATUS REPORT

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

1. On March 14, 2008, the Staff filed its quarterly *Staff Monitoring Report*, which covers the Company's activities during the months of December 2007 and January and February 2008.

2. The said *Staff Monitoring Report* included numerous findings, but the Staff noted that it was incomplete, because the Staff had not been able to meet with Jim Holmes to discuss some of the items covered by the *Staff Monitoring Report*. The Staff also stated that it would meet with Mr. Holmes as soon as possible, and would supplement the report if necessary.

3. Attached hereto, as Attachment A, is the Supplement to Staff Report, regarding subsequent developments. As noted in the Supplement, the Staff met with Mr. Holmes on March 17, 2008, after his return from the hospital, to discuss the items mentioned in the report. The Staff notes that all of those items have been resolved to the satisfaction of the Staff, at least temporarily, but that some of the items will require future monitoring.

WHEREFORE, the Staff respectfully submits this Supplement to Status Report, and the attached *Supplement to Staff Monitoring Report*, for the Commission's information and consideration in this case.

Respectfully Submitted,

/s/ **Keith R. Krueger**

Keith R. Krueger
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Missouri Public Service Commission

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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 25th day of March 2008.

/s/ **Keith R. Krueger**

Supplement to 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

March 25, 2008

INTRODUCTION

On March 14, 2008, the Staff filed its most recent quarterly status report regarding Mill Creek Sewers, Inc.'s (Mill Creek's) operations. In that report the Staff noted that records and documentation had not been supplied by Mill Creek during a review conducted on March 5, 2008 due to an employee's illness, and therefore prevented the Staff from performing a complete review of all Mill Creek records. On March 17, 2008, the Staff met with Jim Holmes, Mill Creek's Office Manager, in order to review additional records and documentation that had not been supplied prior to March 14, 2008. During this most recent meeting, the Staff also provided assistance to Mr. Holmes with the completion of the 2007 Mill Creek Annual Report and Statement of Revenues. The Staff is submitting this supplemental Status Report to the Commission to discuss some of the issues that were raised in its March 14, 2008 filing.

ANNUAL REPORT AND STATEMENT OF REVENUES

During the review held on March 17, 2008, the Staff provided assistance to Mr. Holmes in completing Mill Creek's 2007 Annual Report and Statement of Revenues. Both of these reports were completed but still required the signature of Mill Creek's owner, Mr. Joseph Afshari, in the presence of a notary. Mr. Holmes indicated that he plans to mail these completed and notarized reports sometime before March 31, 2008.

FEBRUARY BANK STATEMENT REFLECTS DEPOSITS

Mr. Holmes was only able to provide Mill Creek's December 2007 and January 2008 bank statements during the review that was conducted on March 5, 2008. Mill Creek's January 2008 bank statement showed that no customer deposits had been made during the month. The Staff requested Mr. Holmes to provide to Staff a copy of the February 2008 bank statement. Mr. Holmes has since provided to the Staff a copy of Mill Creek's February 2008 bank statement.

The February 2008 statement properly reflects the deposit of revenue collected from customers that had not previously been reported as deposits on Mill Creek's January 2008 bank statement.

REIMBURSEMENT TO MILL CREEK FOR CELL PHONE PURCHASE

During the review conducted on March 5, 2008, Mr. Holmes provided a copy of a check, in the amount of \$423, related to the purchase of a new cell phone for Mill Creek Sewer Company. However, copies of the bill for the phone and copies of related bills for phone service were not made available to the Staff for review. At the time, Mr. Holmes indicated to the Staff that there would be a \$300 rebate forthcoming, but no documentation pertaining to this potential rebate was available for review either. During the March 17, 2008 meeting, Mr. Holmes made available copies of all phone-related bills, as well as proof that he had deposited \$300 into Mill Creek's checking account from his personal funds.

Mr. Holmes explained that AT&T, Mill Creek's cell phone provider, had notified Mill Creek that its cell phone service plan had expired and that his existing analog phone would no longer work in the future under the current setup. Mr. Holmes, states that he purchased a new cell phone for Mill Creek Sewer Company for \$423 and subsequent to that purchase he received two \$150 debit cards in return. These debit cards would have been impractical to use in making payments for sewer company related business. Therefore, Mr. Holmes deposited two payments totaling \$300 (\$150 on March 10 and \$150 on March 17) into Mill Creek's checking account in order to compensate the utility for these debit cards.

The Staff's review of the new cell phone bills for service showed that the rate Mill Creek now pays for cell phone service under its new contract remains within a few dollars from the rate it previously paid for a comparable level of service. Mr. Holmes also maintains a personal cell phone which he uses for all non-utility related business. The Staff has never had reason to suspect that Mr. Holmes is conducting personal business while using Mill Creek's cell phone. Given that Mr. Holmes refunded \$300 to the utility company, and that the cell phone service cost has not changed significantly, the Staff believes the cell phone issue has been properly handled by Mr. Holmes. The Staff reminded Mr. Holmes that he should act diligently to minimize the expenses that Mill Creek incurs in providing service to its customers.

DUPLICATE PAYROLL PAYMENT

During the March 5, 2008 review, the Staff discovered that Mr. Holmes had mistakenly made a duplicate payment to himself for his office manager duties. As explained in its previous status report, Mr. Holmes had not been paid for his issuance of the November 1 and December 1, 2005 and January 1 and February 1, 2006 customer billings. During October 2007, Mr. Holmes paid himself \$870 for the December 1, January 1 and February 1 billings. At that point in time Mr. Holmes was only owed for the November 1, 2005 customer billing – a total of \$290. However, during December 2007 Mr. Holmes paid himself an additional \$580. In doing so, Mr. Holmes effectively issued a duplicate \$290 payment to himself. Mr. Holmes indicated that he would

reduce a future monthly salary payment to himself by this \$290 amount. The Staff will follow up on this matter at the time of its next quarterly review that is scheduled during June 2008.

PAYMENT IN EXCESS OF SALARY

During the March 5, 2008 review, the Staff learned that Mr. Holmes had issued a \$176 payment related to time that he spent handling a sewer main backup issue that occurred during September 2007. The Staff has informed Mr. Holmes during previous reviews that he is considered a salaried employee and that his salary contemplates the fact that from time to time he will be required to spend additional time handling such matters. Mr. Holmes indicated during this meeting that he would like to speak to Mill Creek's owner Mr. Afshari, before he decides how to address this matter in the future. The Staff will revisit this matter again during the time of its next scheduled quarterly review.

PAST DUE OBLIGATIONS

In its Status Report filed on March 14, 2008, the Staff noted that Mill Creek was past due on its obligation to AmerenUE, the electric utility providing service for the treatment plant. The Staff also explained how Mill Creek had fallen behind in making payments to Testing Analysis and Control (TAC), their contract plant operator. Currently, the Staff finds that Mill Creek has caught up with its past due payments to TAC, though there is currently a \$730 balance owed for February service, which is due March 31. Mill Creek has a small past due balance still owed AmerenUE. Mr. Holmes indicated that he would request permission from Mr. Afshari to allow him to set up an on-line payment arrangement with AmerenUE that would enable him to pay the electric bill without Mr. Afshari's signature in the future.

PROPOSED SALE OF THE SYSTEM

There was no additional information to report regarding the potential sale of the system to Mr. Holmes. The Staff has requested that Mr. Holmes inform the Staff any new developments in these negotiations as they occur. The Staff will notify the Commission as soon as any new developments occur.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES A. MERCIEL, JR.

STATE OF MISSOURI

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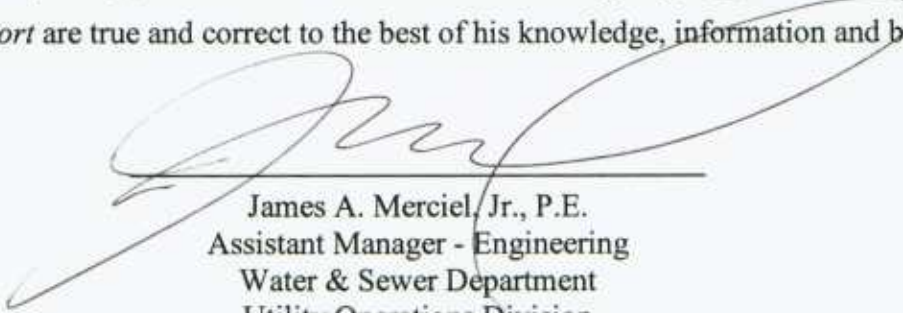
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Case No. SR-2005-0116

COUNTY OF CALLAWAY

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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 *Supplement to Staff Monitoring Report*; (3) that he has knowledge of the matters set forth in the foregoing *Supplement to Staff Monitoring Report*; and (4) that the matters set forth in the foregoing *Supplement to 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 25th day of March 2008.


Notary Public



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