

**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 AND MOTION
FOR ORDER AUTHORIZING STAFF
TO DISCONTINUE OR REDUCE THE
FREQUENCY OF FILING STATUS REPORTS**

COMES NOW the Staff of the Missouri Public Service Commission and, for its Status Report and Motion for Order Authorizing Staff to Discontinue or Reduce the Frequency of Filing Status Reports (Report and Motion), states to the Missouri Public Service Commission as follows.

1. On September 28, 2005, Mill Creek Sewers, Inc., 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 report on, Mill Creek's business operations on a monthly basis to ensure that the funds generated by Mill Creek's customer rates are used solely for the purposes specified in the agreement.

2. On September 29, 2005, the Commission issued its **Order Approving Tariff and Agreement** (09/29/05 Order), by which it approved an increase in Mill Creek's monthly sewer rate from \$5.00 per customer per month to \$30.11 per customer per month, with the increased rate becoming effective on October 12, 2005. As a part of the 09/29/05 Order, the Commission also ordered the Staff to file monthly reports, as the Staff had offered to do in the Second Supplemental Agreement.

3. On December 9, 2005, the Staff filed its first monitoring report as contemplated by the Commission's 09/29/05 Order. As a part of that filing, the Staff requested that its future reports be due on or before the fifteenth of each month, until such time that the Commission determines that the reports are no longer needed.

4. Consistent with its December 9, 2005 filing, the Staff has filed monthly status reports on or before the fifteenth of each month, or on the first business day thereafter, except that it did not file a report in December 2006, per leave of the Commission.

5. Included as Appendix A, attached hereto, is the *Staff Monitoring Report* dated February 15, 2007, which covers the Company's activities during January 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 past-due customer accounts; (f) customer service complaints and/or inquiries; (g) the Company's DNR operating permit fees; and (h) the Company's corporate registration with the Secretary of State.

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

7. As noted above, the Staff has filed regular monthly reports regarding the Company's compliance with the terms of the Second Supplemental Agreement. As those reports show, the Company has complied with the requirements of the Second Supplemental Agreement, and with the Commission's orders in this case. Furthermore, the Staff has not had any significant new developments to report in any of its recent monthly Status Reports. The Staff

further believes that the monthly Status Reports are no longer necessary or beneficial to the Commission. The Staff therefore requests that the Commission issue its order authorizing the Staff to discontinue the filing of the Status Reports. In the alternative, the Staff requests that the Commission authorize the Staff to file its Status Reports on a quarterly basis.

8. The Staff requests, however, that this case remain open, so that the Staff can continue to monitor Mill Creek's business operations, as required by Paragraph 5 of the Second Supplemental Agreement. The Staff also notes that Paragraph 9 of the Second Supplemental Agreement requires that Mill Creek continue its efforts, and continue to cooperate in the efforts of others, to see that its system is transferred to a new owner under conditions acceptable to the Company, the Staff, the Office of the Public Counsel, and the Commission.

WHEREFORE, the Staff respectfully submits this Report and Motion, 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

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CERTIFICATE OF SERVICE

I hereby certify that copies of this Report and Motion, 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 15th day of February 2007.

/s/ Keith R. Krueger

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF DALE W. JOHANSEN

STATE OF MISSOURI)

) SS

CASE NO. SR-2005-0116

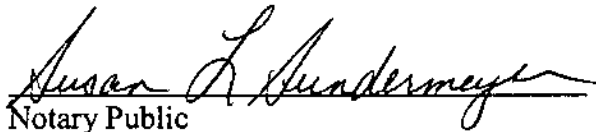
COUNTY OF COLE)

COMES NOW Dale W. Johansen, being of lawful age, and on his oath states the following: (1) that he the Manager of the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the preparation of the foregoing Status Report and Motion for Order Authorizing Staff to Discontinue or Reduce the Frequency of Filing Status Reports (Report & Motion) and the *Staff Monitoring Report* that is included in the following appendix; (3) that he has knowledge of the information presented in the foregoing Report & Motion and the following *Staff Monitoring Report*; and (4) that the information presented in the foregoing Report & Motion and the following *Staff Monitoring Report* is true and correct to the best of his knowledge, information and belief.



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

Subscribed and sworn to before me this 15th day of February 2007.


Notary Public

My Commission Expires: 9-21-10



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

APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

February 15, 2007

Staff Monitoring Report

Case No. SR-2005-0116

Mill Creek Sewers, Inc.

Prepared By:

John Cassidy

Auditing Department

and

Dale Johansen

Water & Sewer Department

February 15, 2007

BACKGROUND

On September 29, 2005, the Commission issued its **Order Approving Tariff and Agreement** ("09/29/05 Order"), by which it approved an increase in Mill Creek Sewers, Inc.'s ("Mill Creek" or "Company") monthly sewer rate from \$5.00 per customer per month to \$30.11 per customer per month, with the increased rate becoming effective on October 12, 2005.

As a part of its 09/29/05 Order, the Commission directed the Staff to file monthly reports regarding Mill Creek's use of the operational funds generated by this rate increase, and to file a complaint if it found that any of the operational funds were being misused. The genesis of this part of the Commission's order was apparently the provisions of Paragraphs 3, 4 and 5 of the *Second Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request* ("Second Supplemental Agreement") entered into by Mill Creek, the Staff and the Office of the Public Counsel.

On December 9, 2005, the Staff filed its first monitoring report as contemplated by the Commission's 09/29/05 Order. As a part of that filing, the Staff requested that its future reports be due on or before the fifteenth of each month, until such time that the Commission determines that the reports are no longer needed.

On January 13, 2006, the Staff filed its second monitoring report.

On January 23, 2006, the Commission issued its **Order Directing Filing** ("01/23/06 Order") directing the Staff to provide an indication of Mill Creek's customer satisfaction in its February status report by addressing the following issues set out in the order: "Are the customers satisfied with the service? What concerns or problems do they have? In particular, Staff notes that ten of the customers account for 75% of the company's bad debt. Are their non-payments because of dissatisfaction with the company's service?"

On February 15, 2006, the Staff filed its third monitoring report, in which it included information regarding the issues raised in the Commission's 01/23/06 Order and other information relevant to Mill Creek's operations.

Subsequent to its February 15, 2006 filing, the Staff has continued to file monthly monitoring reports, on or around the fifteenth day of each month, with those reports including information regarding the following matters:

- * The Company's monthly customer billings (all reports for March 2006 through January 2007);
- * The Staff's monthly review of the Company's books and records (all reports for March 2006 through January 2007);
- * The Staff's conclusions regarding the Company's use of its funds (all reports for March 2006 through January 2007);
- * The Company's past-due account balances (all reports for March 2006 through January 2007);
- * Customer service complaints and inquiries (all reports for March 2006 through January 2007);
- * The Department of Natural Resources ("DNR") operating permit and permit fees for the Company's sewage treatment plant (the April 2006 report and all reports for June 2006 through January 2007);
- * Efforts regarding the collection of past-due customer accounts (all reports for June 2006 through January 2007);
- * The Company's corporate registration with the Secretary of State (all reports for July 2006 through January 2007);
- * Customer access to Company personnel outside of normal business hours (the reports for April 2006 and May 2006);
- * The Company's purchase of a telephone answering machine (the report for March 2006);
- * The Company's annual statement of operating revenues to the Commission (the report for June 2006); and
- * The Company's payment of previous court-ordered penalties related to past environmental noncompliances (the report for July 2006).

INFORMATION REGARDING CUSTOMER BILLINGS

On or about January 2, 2007 (unless noted otherwise, all dates hereinafter refer to the year 2007), Mill Creek issued its fourteenth customer billing under its new rates, for service provided during the month of December 2006. On or about February 2, Mill Creek issued its fifteenth customer billing under its new rates, for service provided during the month of January. The fifteenth billing will be addressed during the Staff's next review of the Company's books and records.

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

On February 12, 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 January 2nd customer billings complied with the provisions of the Second Supplemental Agreement applicable to that matter.

Based on his February 12th review of the Company's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent the customer funds collected from its January 2nd customer billings on the following items: (1) operations and maintenance of the wastewater treatment plant; (2) electricity expense; (3) cellular phone expense; (4) postage for billing; and (5) compensation paid to Jim Holmes, Mill Creek's office manager, for customer billing and office manager duties.

No payments to the owners or shareholders were noted during the course of Mr. Cassidy's February 12th review of the Company's books and records.

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

As of January 31st, Mill Creek's customer account past-due balances totaled approximately \$6,100. Seven current Mill Creek customers are responsible for approximately \$3,275 (approximately 54%) of this total. Additionally, there are two accounts that are responsible for approximately \$1,005 (approximately 16%) of the total, for which the current customers did not create the past-due balances. Mill Creek plans to attempt 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 regarding one of these accounts and hopes to resolve that account in the near future.

Further, Mr. Holmes reported that three customers have, until recently, been paying extra amounts each month as part of a special billing arrangement to address their unpaid past-due balances. Currently, the three customers with billing arrangements have past-due account balances totaling approximately \$1,170 (approximately 19%) of the past-due balance. (These customers are not included in the situations discussed in the preceding paragraph.)

An historical summary of Mill Creek's total past-due account balances is set out below, with the amounts shown being rounded to the nearest \$5 increment.

Balance at 10/31/05	\$10,445
Balance at 11/30/05	\$8,775
Balance at 12/31/05	\$7,100
Balance at 01/31/06	\$7,185
Balance at 02/28/06	\$6,825
Balance at 03/31/06	\$6,535

Balance at 04/30/06	\$6,260
Balance at 05/31/06	\$4,995
Balance at 06/30/06	\$4,670
Balance at 07/31/06	\$4,875
Balance at 08/31/06	\$4,945
Balance at 09/30/06	\$5,010
Balance at 10/31/06	\$5,030
Balance at 11/30/06	\$5,615
Balance at 12/31/06	\$6,455
Balance at 01/31/07	\$6,100

During Mr. Cassidy's February 12th review of Mill Creek's books and records, Mr. Holmes said he would mail certified letters the next day to the seven customers that are responsible for a significant portion of the Company's past-due account balances. He said the letters would inform the customers that their service is subject to disconnection. As noted in prior monitoring reports, the Staff provided Mr. Holmes with a draft letter regarding this matter. As has also been noted in prior monitoring reports, Staff members from the Water & Sewer Department are assisting Mill Creek with the development of a service disconnection agreement with Missouri-American Water Company ("MAWC"), under which MAWC would agree to disconnect water service for non-payment of sewer service charges at the request of Mill Creek. These types of agreements are provided for in Section 393.015 of the Missouri statutes. The Water & Sewer Department will also assist Mill Creek with the filing of the necessary tariff revisions that will be needed if Mill Creek and MAWC execute a service disconnection agreement.

Also during Mr. Cassidy's February 12th review, Mr. Holmes stated his belief that the recent increasing trend in the Company's total past-due account balances is primarily due to the seven non-paying customers. Mr. Holmes further indicated that he believes the above-referenced disconnect letter will eventually lead to the collection of the past-due balances owed by these seven customers. Mr. Holmes also noted he has contacted the three customers with payment arrangements that have recently stopped making payments and requested that they resume their scheduled payments. If they do not do so, Mr. Holmes will send these customers disconnection letters similar to the letters he sent to the seven non-paying customers.

The Staff will continue to monitor Mill Creek's collection efforts regarding its past-due customer accounts, and will assist the Company in those efforts as deemed appropriate.

CUSTOMER SERVICE COMPLAINTS AND INQUIRIES

A Staff review of the Consumer Quality data base in the Commission's electronic filing and information system (EFIS) revealed that there have been no customer complaints or inquiries submitted to EFIS since the Staff filed its last Status Report on January 12th.

DNR OPERATING PERMIT FEES

The Missouri Clean Water Law requires that all sewer companies pay an annual operating permit fee to the 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.

Mill Creek currently owes the DNR approximately \$5,450 for past-due operating permit fees and associated late fees. Mr. Holmes continues to budget Mill Creek's funds in an effort to make progress toward paying this past-due balance. During Mr. Cassidy's February 12th review of the Company's books and records, Mr. Holmes indicated he plans to make a payment of \$2,500 to the DNR by the end of February.

CORPORATE REGISTRATION WITH MISSOURI SECRETARY OF STATE

During Mr. Cassidy's August 1, 2006 review of Mill Creek's books and records, Mr. Holmes reported that the Company's owner, Joe Afshari, had paid the Company's annual corporate registration fee and that the Company would reimburse Mr. Afshari for the amount of his personal payment. As of the time of Mr. Cassidy's February 12th review of the Company's books and records, Mill Creek had not yet reimbursed Mr. Afshari for the registration fee.