

**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. ("Mill Creek" or "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 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. Included as Appendix A attached hereto is the eleventh *Staff Monitoring Report*, dated October 13, 2006, covering the Company's activities during September 2006, which included the eleventh billing cycle under the rates approved by the Commission's 09/25/05 Order. As stated in the report, Mill Creek spent the customer funds that it collected from its September billing as required by the Second Supplemental Agreement, and did not divert any of those funds to its owners or shareholders.

5. In addition to the information noted in Paragraph 4 herein, the Staff also presents information regarding the following matters in its eleventh *Staff Monitoring Report*: (a) the Company's past-due customer account balances and its collection efforts pertaining to certain of the past-due customer accounts; (b) customer service complaints and inquiries submitted to the Commission; (c) the Company's contract for the operation and maintenance of its sewer system; (d) the Company's past-due DNR operating permit fees; and (d) the Company's corporate registration with the Missouri Secretary of State.

6. The Staff will continue to file monthly status reports on or before the fifteenth day of each month, 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 12th day of October 2006.

/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)

Dale W. Johansen, of lawful age, on his oath states: (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 the *Staff Monitoring Report* that is included in the following appendix; (3) that he has knowledge of the matters set forth in the foregoing Status Report and the *Staff Monitoring Report* included in the following appendix; and (4) that the matters set forth in the foregoing Status Report and the *Staff Monitoring Report* included in the following appendix are true and correct to the best of his knowledge, information and belief.



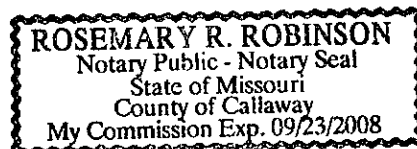
Dale W. Johansen – Manager
Water & Sewer Department
Utility Operations Division

Subscribed and sworn to before me this 12th day of October 2006.



Notary Public

My Commission Expires: 9-23-2008



APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

October 12, 2006

Staff Monitoring Report

Case No. SR-2005-0116

Mill Creek Sewers, Inc.

Prepared By:

John Cassidy

Auditing Department

and

Dale Johansen

Water & Sewer Department

October 12, 2006

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 (unless noted otherwise, all dates hereafter refer to the year 2006), the Staff filed its second monitoring report.

On January 23, 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, the Staff filed its third monitoring report, including information regarding the issues raised in the Commission's 01/23/06 Order and other information relevant to Mill Creek's operations.

On March 15, the Staff filed its fourth monitoring report, which included information regarding the following items: (a) Mill Creek's most recent customer billings; (b) the Staff's most recent review of Mill Creek's books and records; (c) the Staff's conclusions regarding Mill Creek's use of its funds; (d) Mill Creek's past-due account balances; (e) an update regarding the "customer satisfaction issues" raised in the Commission's 01/23/06 Order; and (f) Mill Creek's purchase of a telephone answering machine.

On April 17, the Staff filed its fifth monitoring report, which included information regarding the following items: (a) Mill Creek's most recent customer billings; (b) the Staff's most recent review of Mill Creek's books and records; (c) the Staff's conclusions regarding Mill Creek's use of its funds; (d) Mill Creek's past-due account balances; (e) an update regarding customer service complaints and inquiries; (f) customer access to Mill Creek personnel outside of normal business hours; and (g) the Department of Natural Resources' ("DNR") operating permit for Mill Creek's sewage treatment plant.

On May 15, the Staff filed its sixth monitoring report, which included information regarding the following items: (a) Mill Creek's most recent customer billings; (b) the Staff's most recent review of Mill Creek's books and records; (c) the Staff's conclusions regarding Mill Creek's use of its funds; (d) an update of Mill Creek's past-due account balances; (e) an update regarding customer service complaints and inquiries; and (f) an update regarding customer access to Mill Creek personnel outside of normal business hours.

On June 15, the Staff filed its seventh monitoring report, which included information regarding the following items: (a) Mill Creek's most recent customer billings; (b) the Staff's most recent review of Mill Creek's books and records; (c) the Staff's conclusions regarding Mill Creek's use of its funds; (d) Mill Creek's past-due customer account balances; (e) Company/Staff efforts regarding collection of past-due customer accounts; (f) customer service complaints and inquiries; (g) DNR operating permit fees; and (h) Mill Creek's annual statement of operating revenues to the Commission.

On July 14, the Staff filed its eighth monitoring report, which included information regarding the following items: (a) Mill Creek's most recent customer billings; (b) the Staff's most recent review of Mill Creek's books and records; (c) the Staff's conclusions regarding Mill Creek's use of its funds; (d) Mill Creek's past-due customer account balances; (e) Company/Staff efforts regarding collection of past-due customer accounts; (f) customer service complaints and inquiries; (g) DNR operating permit fees; (h) Mill Creek's corporate registration with the Secretary of State; and (i) payment of previous court-ordered penalties related to past environmental noncompliances.

On August 15, the Staff filed its ninth monitoring report, which included information regarding the following items: (a) Mill Creek's most recent customer billings; (b) the Staff's most recent review of Mill Creek's books and records; (c) the Staff's conclusions regarding Mill Creek's use of its funds; (d) Mill Creek's past-due customer account balances; (e) Company efforts regarding collection of past-due customer accounts; (f) customer service complaints and inquiries; (g) DNR operating permit fees; and (h) Mill Creek's corporate registration with the Secretary of State.

On September 15, the Staff filed its tenth monitoring report, which included information regarding the following items: (a) Mill Creek's most recent customer billings; (b) the Staff's most recent review of Mill Creek's books and records; (c) the Staff's conclusions regarding Mill Creek's use of its funds; (d) Mill Creek's past-due customer account balances; (e) Company efforts regarding collection of past-due customer accounts; (f) customer service complaints and inquiries; (g) DNR operating permit fees; and (h) Mill Creek's corporate registration with the Secretary of State.

INFORMATION REGARDING CUSTOMER BILLINGS

On or about September 1, Mill Creek issued its tenth customer billing under its new rates, for service provided during the period covering August 1 through August 31. On or about October 2, Mill Creek issued its eleventh customer billing under its new rates, for service provided during the period covering September 1 through September 30. The eleventh customer billing will be addressed during the Staff's review that is scheduled to be conducted in early November.

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

On October 4, John Cassidy of the Auditing Department's St. Louis Office reviewed Mill Creek's books and records to determine if the funds that were collected from its September 1 customer billing complied with the provisions of the Second Supplemental Agreement applicable to the Company's use of the funds collected.

Based on his October 4 review of Mill Creek's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent customer funds collected from its September 1 customer billing on the following items: (1) operations and maintenance of the wastewater treatment plant; (2) sludge removal expense; (3) electricity expense; (4) cellular phone expense; (5) postage expense; (6) office supplies; and (7) 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 October 4 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 September 30, Mill Creek's customer account past-due balances totaled approximately \$5,010. Seven Mill Creek customers are responsible for approximately \$2,465 (approximately 49%) of this total. Additionally, there are three accounts that are responsible for approximately \$1,180 (approximately 24%) 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 three accounts from real estate title companies.

Further, Mr. Holmes reported that four customers are currently paying extra amounts each month as part of a special billing arrangement to address their past-due balances. Currently, the four customers with billing arrangements have past-due account balances totaling approximately \$970 (approximately 19%) of the total 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 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

The Staff is currently working with Mr. Holmes in developing "disconnection letters" to send to two of Mill Creek's non-paying customers. The Staff will continue to monitor the progress of Mill Creek's collection efforts with regard to customers that still have past-due balances and will provide updates to the Commission regarding those efforts in its future monthly status reports.

CUSTOMER SERVICE COMPLAINTS AND INQUIRIES

A Staff review of 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 September 15 Status Report.

OPERATIONS, MAINTENANCE AND TESTING CONTRACT

During September, Mill Creek's owner, Joe Afshari, signed a new contract with Testing Analysis and Control, Inc. (TAC), which is the company that performs monthly operations, maintenance and testing functions for Mill Creek. The terms of this new contract provide for a \$700 per month payment for performance of TAC's services, which is a \$30 per month increase from the terms of the previous contract.

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.

Currently, Mill Creek owes the DNR \$7,750 related to past-due operating fees and associated late fees. During Mr. Cassidy's October 4 review of Mill Creek's books and records, Mr. Holmes indicated that he is budgeting for this expense and that he plans to send a payment of \$2,500 to the DNR sometime during October.

CORPORATE REGISTRATION WITH MISSOURI SECRETARY OF STATE

During Mr. Cassidy's August 1 review of Mill Creek's books and records, Mr. Holmes reported that the Company's owner, Joe Afshari, had paid Mill Creek's annual corporate registration fee and that the Company would reimburse Mr. Afshari for the exact amount of his personal payment. As of the time of Mr. Cassidy's October 4 review of Mill Creek's books and records, Mill Creek had not yet reimbursed Mr. Afshari for the registration fee.