

**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. 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.

5. Included as Appendix A attached hereto is the twelfth *Staff Monitoring Report*, dated November 15, 2006, covering the Company's activities during October 2006. 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 stated in the attached *Staff Monitoring Report*, Mill Creek spent the customer funds that it collected from its October billing as required by the Second Supplemental Agreement, and did not divert any of those funds to its owners or shareholders.

7. 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](mailto: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 15th day of November 2006.

/s/ **Keith R. Krueger**

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

**AFFIDAVIT OF DALE W. JOHANSEN**

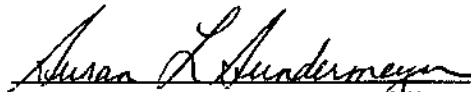
STATE OF MISSOURI     )  
                                  ) SS         CASE NO. SR-2005-0116  
COUNTY OF COLE        )

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 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 following *Staff Monitoring Report*; and (4) that the matters set forth in the foregoing Status Report and the following *Staff Monitoring Report* 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 14<sup>th</sup> day of November 2006.



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

November 15, 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**

**November 15, 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.

Subsequent to its February 15 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 through October);
- \* The Staff's monthly review of the Company's books and records (all reports for March through October);
- \* The Staff's conclusions regarding the Company's use of its funds (all reports for March through October);
- \* The Company's past-due account balances (all reports for March through October);
- \* Customer service complaints and inquiries (all reports for March through October);
- \* The Department of Natural Resources ("DNR") operating permit and permit fees for the Company's sewage treatment plant (the April report and all reports for June through October);
- \* Efforts regarding the collection of past-due customer accounts (all reports for June through October);
- \* The Company's corporate registration with the Secretary of State (all reports for July through October);
- \* Customer access to Company personnel outside of normal business hours (the reports for April and May);
- \* The Company's purchase of a telephone answering machine (the report for March);
- \* The Company's annual statement of operating revenues to the Commission (the report for June); and
- \* The Company's payment of previous court-ordered penalties related to past environmental noncompliances (the report for July).

### **INFORMATION REGARDING CUSTOMER BILLINGS**

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

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

On November 3, 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 October 2 customer billing complied with the provisions of the Second Supplemental Agreement applicable to the Company's use of the funds collected.

Based on his November 3 review of the Company's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent customer funds collected from its October 2 customer billing on the following items: (1) operations and maintenance of the wastewater treatment plant; (2) partial payment to the DNR for past-due operating permit fees; (3) electricity expense; (4) cellular phone expense; (5) real estate taxes; and (6) 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 November 3 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 October 31, Mill Creek's customer account past-due balances totaled approximately \$5,030. Seven Mill Creek customers are responsible for approximately \$2,680 (approximately 53%) of this total. Additionally, there are two accounts that are responsible for approximately \$1,005 (approximately 20%) 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. During October 2006, Mill Creek successfully collected \$174 from a title company that related to amounts owed by a former customer.

Further, Mr. Holmes reported that three customers are currently 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 \$900 (approximately 18%) 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 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

The Staff is currently working with Mr. Holmes in developing letters to send to two of the Company's non-paying customers regarding the possible disconnection of service to those customers. Additionally, 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.

The Staff will continue to monitor the progress of the Company'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 October 12 Status Report.

### **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.

As of October 4, Mill Creek owed the DNR \$7,750 related to past-due operating permit fees and associated late fees. However, on October 26, Mr. Holmes sent a payment in the amount of \$2,500 to the DNR to address a portion of the Company's past-due balance. After making the October 26 payment, and after incurring additional late fees of \$200 related to the outstanding balance, Mill Creek now owes the DNR \$5,450 for the past-due operating permit fees and associated late fees.

### **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 the Company'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 November 3 review of the Company's books and records, Mill Creek had not yet reimbursed Mr. Afshari for the registration fee.