

**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"), 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 that order, the Commission also ordered the Staff to file monthly reports, as it 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 in Appendix A attached hereto is the fourth Staff Monitoring Report, dated March 15, 2006, covering the Company's activities during February 2006, which includes the fourth 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 February 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, information regarding the following matters is also included in the fourth Staff Monitoring Report: (a) Mill Creek's past-due customer account balances for sewer service; (b) customer satisfaction issues raised by the Commission in a recent order; and (c) Mill Creek's installation of a telephone answering machine for customer contacts.

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 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 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 March 2006.

/s/ Keith R. Krueger

AFFIDAVIT OF DALE W. JOHANSEN

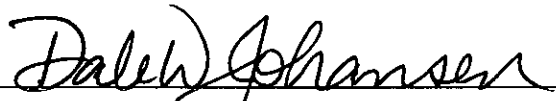
STATE OF MISSOURI)

) ss

Case No. SR-2005-0116

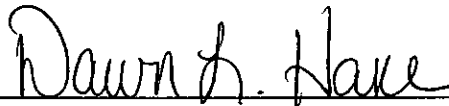
COUNTY OF COLE)

Dale W. Johansen, of lawful age, on his oath states: (1) that he is a member of the Staff of the Missouri Public Service Commission; (2) that he participated in the preparation of this Status Report and the *Staff Monitoring Report* included in Appendix A attached hereto; (3) that he has knowledge of the matters set forth in this Status Report and the *Staff Monitoring Report* included in Appendix A; and (4) that the matters set forth in this Status Report and the *Staff Monitoring Report* included in Appendix A 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 15th day of March 2006.





Notary Public
DAWN L. HARE
My Commission Expires
March 16, 2009
Cole County
Commission #05407843

My Commission Expires: _____

APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

March 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

March 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, 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, including information regarding the issues raised in the Commission's 01/23/06 Order and other information relevant to Mill Creek's operations.

INFORMATION REGARDING CUSTOMER BILLINGS

On or about February 1, 2006, Mill Creek issued its fourth customer billing under its new rates, for service provided during the period of January 1 through January 31, 2006. On or about March 1, 2006, Mill Creek issued its fifth customer billing under its new rates, for service provided during the period of February 1 through February 28, 2006.

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

On March 1, 2006, John Cassidy of the Auditing Department's St. Louis Office reviewed Mill Creek's books and records to determine if the funds that the Company collected from its February 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 March 1 review of Mill Creek's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent customer funds collected from its February 1 billing on the following items: operations and maintenance of the wastewater treatment plant, repairs related to a clogged sewer main, sludge removal, electricity expense and a telephone answering machine. No payments to the owners or shareholders were noted during the March 1 review.

INFORMATION REGARDING PAST-DUE ACCOUNT BALANCES AND THE COMMISSION'S "CUSTOMER SATISFACTION" ISSUES

Past-Due Account Balances: Currently, Mill Creek has past-due balances totaling approximately \$6,830, with ten of its customers being responsible for approximately \$5,585 (just over 80%) of the past-due balances.

As was reported in the Staff's third monitoring report, Mill Creek's office manager, Mr. Jim Holmes, contacted these customers in an effort to determine if any of the customers had any utility-service-related concerns. Mr. Holmes indicated to the Audit Staff that none of the customers he contacted, at that time, expressed any problems with Mill Creek's service.

Subsequently, Mr. Holmes has also attempted to develop formal payment arrangements with these customers in an effort to address the outstanding balances still owed to Mill Creek. Based on his contacts with customers, Mr. Holmes has formalized payment arrangements with two customers regarding the payment of those customers' past-due balances. In the Staff's opinion, Mr. Holmes demonstrated a reasonable amount of flexibility in establishing the payment arrangements with these customers.

Mr. Holmes has also informed the Audit Staff that three additional customers have responded to his contacts by paying additional amounts in an effort to pay down their past-due balances. Mr. Holmes explained that he plans additional follow-up contacts with these three customers in an effort to establish an agreed-upon payment arrangement.

Additionally, Mr. Holmes reported that four of the other five delinquent customers are not obligated for the entire past-due balance assigned to the listed address on the account. These four customers have moved into the subdivision served by Mill Creek in recent years and at the time of the sale the respective title companies failed to identify the past-due balances that existed. The balances on these four accounts total approximately \$3,095, and Mr. Holmes believes Mill Creek will be able to collect approximately \$1,200 of that total from the title companies. Once these payments are received, Mr. Holmes will attempt to formalize payment arrangements with these four customers to address their portion of the past-due balances.

The Staff will continue to monitor and report on this matter as a part of its routine monthly monitoring and reporting activities related to Mill Creek.

Customer Satisfaction Issues: As a part of its third monitoring report, the Staff noted that one customer had experienced a service-related issue involving a sewage backup that occurred on or about February 5, 2006, and that the problem that caused that backup had been corrected. Currently, Steve Loethen of the Water & Sewer Department is working with the affected customer and the Company in an attempt to resolve the remaining issues related to this backup.

A review of the Commission's electronic filing and information system (EFIS) revealed that there have been no customer complaints or inquiries, or other customer contacts, recorded in EFIS since the filing of the Staff's third monitoring report. The Staff will continue to monitor these matters and will report to the Commission any new customer complaints or inquiries, or other customer contacts, that are recorded in EFIS. The Staff will also continue to monitor Mr. Holmes' contact with Mill Creek customers and will report to the Commission any customer service issues of which it becomes aware through those efforts.

INFORMATION REGARDING ADDITIONAL MATTERS

Company Telephone Answering Machine: In its third monitoring report, the Staff noted that Mill Creek did not have a telephone answering machine on which its customers could leave messages after normal business hours, and that Mr. Holmes committed to purchasing an answering machine in order to address this concern. During his March 1 review of Mill Creek's books and records, Mr. Cassidy learned that Mill Creek had indeed purchased an answering machine. However, Mr. Holmes was unable to connect the answering machine in a way that would allow it to work because of the way Mill Creek's owner, Mr. Joseph Afshari, has configured his phone system in the building to accommodate phone lines for his other businesses. Mr. Holmes also tried connecting a second answering machine that he had on hand, but that machine was also not able to answer incoming calls. As a result of these problems, Mr. Holmes stated that he would return the answering machine that he purchased and return the refunded purchase price to Mill Creek's checking account. Mr. Holmes also stated that he would investigate the cost of obtaining some form of answering service to address this concern. Additionally, Mill Creek plans to include the phone number of its plant operator, Testing Analysis & Control, on each monthly customer bill, for the customers to use in the event of service related emergencies.