

**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

STAFF'S STATUS REPORT

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Status Report on Mill Creek Sewers, Inc. (Company) states the following:

1. On September 29, 2005, the Commission issued its *Order Approving Tariff and Agreement* approving an increase in the Company's monthly sewer rate effective October 12, 2005. The Commission also ordered the Staff to file status reports.
2. Attached as Attachment A, hereto, is the Staff's Eighth Quarterly Status Report outlining the Company's activities for the months of December 2008, January 2009 and February 2009.

WHEREFORE, the Staff respectfully submits Staff's Eighth Quarterly Status Report for the Commission's information and consideration in this case.

Respectfully submitted,

/s/ Shelley Syler Brueggemann

Shelley Syler Brueggemann
Missouri Bar No. 52173

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526-7393 (Telephone)
(573) 751-9285 (Fax)
shelley.brueggemann@psc.mo.gov (e-mail)

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record and/or parties of record this 12th day of March 2009.

/s/ Shelley Syler Brueggemann

Public Service Commission Staff's Eighth Quarterly Status Report for Mill Creek Sewers, Inc.

March 12, 2009

Prepared by Lisa Hanneken

ORDER REGARDING STATUS REPORTS

As part of its Order Regarding Status Reports (Order), effective April 3, 2007, the Commission granted the Staff permission to reduce the frequency of filing of its Status Reports for Mill Creek Sewers, Inc.'s (Mill Creek's or Company) status reports from a monthly basis to a quarterly basis. Staff's last monthly Mill Creek status report was filed on March 15, 2007 and the first quarterly status report was filed on June 15, 2007. Also, as part of its Order, the Commission directed the Staff to immediately notify the Commission if at any time changes are made regarding the operation or management of Mill Creek, particularly a change in the management company from Testing, Analysis and Control, Inc. (TAC) to a different entity.

CURRENT STATUS OF MILL CREEK'S OPERATIONS

Staff noted in its last quarterly report filed December 15, 2008, the status of the change in the day-to-day management of Mill Creek. On September 11, 2008 Mill Creek's owner, Mr. Joseph Afshari hired Mrs. Marilyn Wyatt as a new office manager. Mrs. Wyatt replaced Mr. Jim Holmes in this role. As reported in Staff's last quarterly report, Mrs. Lisa Hanneken and Ms. Lisa Ferguson from Staff's auditing department worked with Mrs. Wyatt to assist her with learning her duties as office manager for Mill Creek. In addition, in the last report it was noted that Mr. Charlie Stroud, a civil engineer was discussing the possible purchase of Mill Creek with Mr. Afshari.

Since the last quarterly report, Mr. Afshari and Mr. Stroud have continued with additional sales discussions. Additionally, Mr. Stroud has now taken over the day-to-day management of Mill Creek since Mrs. Wyatt was no longer able to continue in this role.

INFORMATION REGARDING CUSTOMER BILLINGS

Since the time of the Staff's previous quarterly status report filed December 15, 2008, Mill Creek has issued additional customer billings. On or about December 1, 2008, and January 1 and February 1, 2009, Mill Creek issued its thirty-seventh, thirty-eighth and thirty-ninth customer billing under its new rates, for service provided during the months of November, December, 2008 and January 2009 respectively.

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

Mrs. Hanneken and Ms. Ferguson of the Auditing Department's St. Louis Office visited Mr. Afshari's office on March 2, 2009 and met with Mr. Stroud to review all available Mill Creek

books and records to determine if the Company's use of the funds that were collected from its December 1, 2008, and January 1 and February 1, 2009 customer billings complied with the provisions of the Second Supplemental Agreement applicable to that matter.

Based on this review of the books and records and additional investigation, Staff determined Mill Creek had appropriately spent the customer funds collected from its aforementioned customer billings on the following items: (1) payment for operations and maintenance of the wastewater treatment plant; (2) payment for electricity expense; (3) compensation paid to Marilyn Wyatt, Mill Creek's office manager, for customer billing and office manager duties; (4) payment for telephone expense; (5) payment for postage; (6) payment to Metropolitan Sewer District for storm drain service; and (7) payment for office supplies; (8) payment for the Missouri Department of Natural Resources fees; (9) payment for real estate taxes and (10) payment of the Missouri Public Service Commission assessment fee.

Presently, Mill Creek is current on all payments, with the exception of its St. Louis County personal property taxes and one quarter of its Missouri Public Service Commission assessment. Each of these are discussed in greater detail below. The Company is not in a position at this time to pay all of these outstanding balances, but is budgeting for these items and will make payments as the funds are available to them.

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

As of February 28, 2009, Mill Creek's customer account past-due balances totaled approximately \$5,417. Seven of Mill Creek's current customers are responsible for \$2,915 (approximately 54%) of this total. Mr. Stroud is currently taking steps to begin his collection options of the most severely delinquent customers. Additionally, there is one account that is responsible for approximately \$753 (approximately 14%) of the total, for which the current customer at the location did not create the past-due balances. Mr. Stroud is investigating this situation and is in the process of gathering new information which he believes will allow Mill Creek to collect the past-due balances for this account. The remaining amount of past due amounts pertain to small past due balances owed by various customers.

A historical summary of Mill Creek's total past-due account balances, which include the outstanding balances related to title company matters, 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
Balance at November 30, 2006	\$5,615
Balance at December 31, 2006	\$6,455
Balance at January 31, 2007	\$6,100
Balance at February 28, 2007	\$5,720
Balance at March 31, 2007	\$4,745
Balance at April 30, 2007	\$5,110
Balance at May 31, 2007	\$5,500
Balance at June 30, 2007	\$5,740
Balance at July 31, 2007	\$5,970
Balance at August 31, 2007	\$4,990
Balance at September 30, 2007	\$4,915
Balance at October 31, 2007	\$5,050
Balance at November 30, 2007	\$4,890
Balance at December 31, 2007	\$4,980
Balance at January 31, 2008	\$3,850
Balance at February 29, 2008	\$4,110
Balance at March 31, 2008	\$4,175
Balance at April 30, 2008	\$3,955
Balance at May 31, 2008	\$4,090
Balance at June 30, 2008	\$4,610
Balance at July 31, 2008	\$4,450
Balance at August 31, 2008	\$3,535
Balance at September 30, 2008	\$3,505
Balance at October 31, 2008	\$3,420
Balance at November 30, 2008	\$3,800
Balance at December 31, 2008	\$3,905
Balance at January 31, 2009	\$4,180
Balance at February 28, 2009	\$5,417

It should be noted that a number of payments from regular paying customers had not yet been received at the time of this review. Because of this, Staff believes that the higher balance at the end of the review period is slightly distorted and will most likely return to more normal levels once those payments are booked.

The Staff will continue to work with Mr. Stroud and also monitor the progress of Mill Creek's collection efforts regarding its past-due customer accounts. Additionally, the Staff will assist the Company in those efforts as deemed appropriate and will include updates regarding this matter in its future quarterly status reports.

CUSTOMER SERVICE COMPLAINTS AND INQUIRIES

A review of the Consumer Quality data base in the Commission's electronic filing and information system (EFIS) revealed that there were no customer service complaints or inquiries made since the time of the last quarterly review with the exception of an entry related to a previous email received in August of 2008, which was not officially logged into the system until February 11, 2009.

As discussed in Staff's previous quarterly reports, the email to the Missouri Public Service Commission (PSC) and the Attorney General's Office was received from a Mill Creek customer on August 21, 2008 regarding a sewer back-up that occurred on July 20, 2007. The customer was requesting assistance in obtaining reimbursement of clean-up expenses as well as consideration for damages to property. Since the time of assuming his duties as office manager, Mr. Stroud has met with this customer at their home to discuss the matter. At the present, Mill Creek and the customer are in the process of determining an equitable solution to this incident. Mr. Stroud is confident that a resolution will be reached soon that will have a minimum impact on Mill Creek, while maintaining good customer relations with the customer. He is to inform Staff of new developments in this matter as they become available.

TESTING, ANALYSIS & CONTROL, INC. (TAC)

TAC continues to maintain and monitor the system, as well as ensuring compliance with DNR standards. Mr. Allgire, who is responsible for the operations of Mill Creek through TAC, has informed Mr. Stroud that in a month or so he will need to order sludge removal from the plant. Mr. Stroud is currently budgeting for this event.

COMMERCIAL GENERAL LIABILITY INSURANCE

As discussed in Staff's previous reports, Staff has recommended to the Company that they should obtain liability insurance. Currently the Company is obtaining quotes for insurance.

DNR OPERATING PERMIT FEES

The Missouri Clean Water Law requires that all sewer utilities pay an annual operating permit fee to The Missouri Department of Natural Resources (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 is current on all DNR fees and is in good standing. Mr. Stroud is aware that the next annual fee will be due in a few months and is budgeting to meet this obligation.

MO PSC ANNUAL ASSESSMENT PAYMENTS

Although Mill Creek made quarterly payments each in the correct amount of \$606.09 on September 18, 2008 and January 30, 2009, a quarterly payment that was due July 15, 2008 was not made, and thus Mill Creek remains past due on one quarterly payment.

PERSONAL PROPERTY TAXES

Recently, Mill Creek received from the St. Louis County Collector of Revenue, a personal property tax bill for approximately \$8,515. Of this amount, \$7,529 represents a past due balance which continues to accrue interest. This past due balance reflects delinquent amounts owed from five prior years' assessments, for taxes pertaining to Mill Creek's plant facilities.

In addition to non-payment, the Company has also not submitted its declaration forms for the past 6 years, which prevents it from seeking any recourse on the taxes owed. In the past, Mr. Holmes had contended that the tax bill was inaccurate given the fact that the amount of assessment was an estimated amount and thought the property should be reassessed. However, when speaking with the taxing authority, they indicated that because the declarations had never been sent indicating what type of property was present and the Company had not requested a reassessment, they could not change the previous tax amounts, but could on a going-forward basis if the Company were to ask for a reassessment and submit its required declaration.

During Staff's visit on March 2, 2009, Mr. Stroud indicated that he had submitted the necessary declaration for the current year and was contacted by the taxing authority regarding the submission. During this conversation Mr. Stroud was informed that the information on the declaration needed to be discussed in more detail. He was referred to a supervisor, which was not available at the time. Mr. Stroud is to contact this supervisor shortly and arrange a time to discuss the declaration and the past due situation.

Mr. Stroud has indicated he will keep Staff apprized of the developments of this situation as it progresses.

INCOME TAXES

As discussed in Staff's previous quarterly reports, the status of Mill Creek's income tax filings was unclear. At the meeting with Staff for this review on March 2, 2009, Mr. Stroud indicated that his investigation into the matter resulted in determining that the returns for 2005 through 2008 had not been filed with either the Federal or State authorities. He did indicate however, that Mr. Afshari had presented all data related to these periods to a tax preparer and that Mr. Afshari indicated that the situation was in the process of being corrected.

However, in a subsequent email, Mr. Stroud indicated that the documents the preparer submitted to Mill Creek were inadequate to file the necessary returns and that Mill Creek would need to acquire a new preparer in order to resolve the situation.

Staff indicated that they would inquire as to the status of this situation during the next quarterly review.