

**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 that order, the Commission also ordered the Staff to file monthly reports, as the Staff 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 eighth *Staff Monitoring Report*, dated July 14, 2006, covering the Company's activities during June 2006, which included the eighth 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 June 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 following matters are also addressed in the eighth *Staff Monitoring Report*: (a) Mill Creek's past-due customer account balances; (b) Company/Staff efforts regarding collection of past-due customer accounts; (c) customer service complaints and inquiries; (d) DNR operating permit fees; (e) Mill Creek's corporate registration with the Secretary of State; and (f) payment of previously-ordered penalties related to past environmental noncompliances.

6. The Staff will continue to file monthly status reports on or about 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

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Missouri Public Service Commission

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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 14th day of July 2006.

/s/ Keith R. Krueger

AFFIDAVIT OF DALE W. JOHANSEN


STATE OF MISSOURI)

) ss

Case No. SR-2005-0116

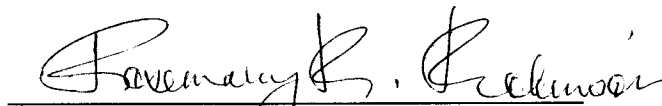
COUNTY OF COLE)

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 the foregoing Status Report and the *Staff Monitoring Report* that is included in Appendix A attached hereto; (3) that he has knowledge of the matters set forth in the foregoing Status Report and the *Staff Monitoring Report* included in Appendix A; and (4) that the matters set forth in the foregoing Status Report and the *Staff Monitoring Report* included in Appendix A are true and correct to the best of his knowledge, information and belief.

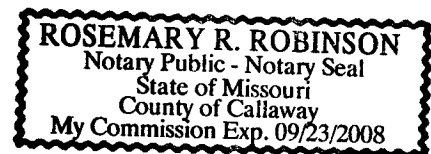


Dale W. Johansen – Manager
Water & Sewer Department
Utility Operations Division

Subscribed and sworn to before me this 13th day of July 2006.


Notary Public

My Commission Expires: 9-23-2008



APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

July 14, 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

July 14, 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, and the Staff's conclusions regarding Mill Creek's use of its funds; (c) Mill Creek's past-due account balances; (d) an update regarding the "customer satisfaction issues" raised in the Commission's 01/23/06 Order; and (e) 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, and the Staff's conclusions regarding Mill Creek's use of its funds; (c) Mill Creek's past-due account balances; (d) an update regarding customer service complaints and inquiries; (e) customer access to Mill Creek personnel outside of normal business hours; and (f) the 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, and the Staff's conclusions regarding Mill Creek's use of its funds; (c) an update of Mill Creek's past-due account balances; (d) an update regarding customer service complaints and inquiries; and (e) 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, and the Staff's conclusions regarding Mill Creek's use of its funds; (c) Mill Creek's past-due customer account balances; (d) Company/Staff efforts regarding collection of past-due customer accounts; (e) customer service complaints and inquiries; (f) DNR operating permit fees; and (g) Mill Creek's annual statement of operating revenues to the Commission.

INFORMATION REGARDING CUSTOMER BILLINGS

On or about June 1, Mill Creek issued its seventh customer billing under its new rates, for service provided during the period covering May 1 through May 31. On or about July 3, Mill Creek issued its eighth customer billing under its new rates, for service provided during the period covering June 1 through June 30.

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

On June 30, 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 it collected from its June 1 customer billing complied with the provisions of the Second Supplemental Agreement.

Based on his June 30 review of Mill Creek's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent customer funds collected from its June 1 billing on the following items: operations and maintenance of the wastewater treatment plant; electricity expense; and payment for Mill Creek's cellular phone bill. No payments to Mill Creek's owners or shareholders were noted during the course of Mr. Cassidy's June 30 review.

INFORMATION REGARDING PAST-DUE ACCOUNT BALANCES

As of June 30, Mill Creek's customer accounts past-due balances totaled approximately \$4,670. Six Mill Creek customers are responsible for approximately \$1,965 (approximately 42%) of this total. Additionally, Mill Creek plans to attempt to collect approximately \$1,180 (approximately 24%) of the total past-due balance from three different title companies. Jim Holmes, Mill Creek's office manager, also reported to the Staff that four customers are currently paying extra amounts each month as part of a special billing arrangement to address their unpaid past-due balances. Currently, the four customers with billing arrangements have past-due account balances totaling approximately \$1,275.

An historical summary of Mill Creek's total past-due account balances is set out below (dollar amounts are 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

COMPANY AND STAFF VISITS TO CUSTOMERS WITH LARGEST PAST-DUE ACCOUNT BALANCES

As was reported in the Staff's June 15 Status Report, on May 30 Mr. Holmes and Commission Staff members Steve Loethen of the Water & Sewer Department and Greg Meyer and John Cassidy of the Auditing Department's St. Louis Office visited the homes of ten Mill Creek customers that had the largest past-due account balances. The Staff members were present during these customer visits in order to assist Mr. Holmes with customer questions or concerns.

At the time of Mr. Cassidy's June 30 review, Mr. Holmes reported that seven of the ten customers visited had provided some amount of payment to Mill Creek. Five of these customers have paid their respective account balance owed in full. One customer agreed to a payment plan that would allow them to pay off the balance within three months. Another customer paid approximately half of the past due balance owed.

Mr. Holmes also reported that three of the ten customers visited have made no payment to Mill Creek. Mr. Holmes further reported that he has been unable to contact one of these three customers. This customer was not at home at the time of the May 30 visits, and at that time Mr. Holmes left a notice on the customer's front door that explained the customer's situation and asked the customer to contact Mill Creek regarding the past-due balance that is owed. Mr. Holmes attempted to contact this customer by phone during June, but found that the customer's phone number had been changed and that no forwarding number was provided. As of June 30, Mr. Holmes had received no response to the notice left on the customer's front door. Mr. Holmes plans to send a certified letter to this customer notifying the customer of the past-due balance and the consequences of non-payment. Regarding the other two customers who have yet to pay, Mr. Holmes reported that he has spoken to these customers and at this time hopes to develop an acceptable payment plan for these two 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 future monthly status reports.

CUSTOMER SERVICE COMPLAINTS AND INQUIRIES

The Staff's 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 June 15 Status Report.

DNR OPERATING PERMIT FEES

The Missouri Clean Water Law requires that all sewer companies pay an annual operating permit fee to the Missouri Department of Natural Resources (DNR) for discharges from water contaminating sources. The operating fee is based on the design flow of a company's 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 DNR \$9,850 for past-due operating permit fees and related late fees. During Mr. Cassidy's June 30 review, Mr. Holmes again noted that he is budgeting for this expense and will soon be able to make payments to DNR in an effort to reduce this past-due balance.

CORPORATE REGISTRATION WITH SECRETARY OF STATE'S OFFICE

As of June 30, Mill Creek had not yet filed its annual corporate registration papers with the office of the Missouri Secretary of State. Mill Creek has until July 31 to complete this filing and pay all related fees. During Mr. Cassidy's June 30 review, Mr. Holmes committed that he will complete the necessary paperwork and pay the required fees before the July 31 deadline. The Staff will include an update regarding this matter in its next Status Report.

PAYMENT OF PENALTIES RELATED TO PAST ENVIRONMENTAL NONCOMPLIANCES

In November 2003, the St. Louis County Circuit Court issued a judgment assessing penalties in the amount of \$558,000 against Joe Afshari, the owner of Mill Creek, related to various noncompliances with environmental regulations. On June 28, the Missouri Attorney General's Office (AGO) reported that it had received final payment for the environmental penalties assessed against Mr. Afshari. The payments received by the AGO consisted of a payment received in February 2004 for \$77,000 and a payment received in June 2006 for \$481,000, which combined satisfy the penalties assessed against Mr. Afshari by the 2003 court order.