

**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 and, for its Status Report, states to the Missouri Public Service Commission as follows.

1. On September 28, 2005, Mill Creek Sewers, Inc., 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, except that it did not file a report in December 2006, per leave of the Commission.

5. Included as Appendix A, attached hereto, is the *Staff Monitoring Report* dated March 15, 2007, which covers the Company's activities during February 2007. 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 noted in the attached *Staff Monitoring Report*, Mill Creek spent the customer funds that it collected from its February billings 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

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Missouri Public Service Commission

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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 March 2007.

/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

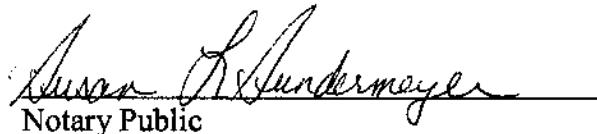
COUNTY OF COLE)

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 information presented in the foregoing Status Report and the following *Staff Monitoring Report*; and (4) that the information presented in the foregoing Status Report and the following *Staff Monitoring Report* is 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 2007.


Notary Public



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

My Commission Expires: 9-21-10

APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

March 15, 2007

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, 2007

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, in which it included 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, 2006 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 2006 through February 2007);
- * The Staff's monthly review of the Company's books and records (all reports for March 2006 through February 2007);
- * The Staff's conclusions regarding the Company's use of its funds (all reports for March 2006 through February 2007);
- * The Company's past-due account balances (all reports for March 2006 through February 2007);
- * Customer service complaints and inquiries (all reports for March 2006 through February 2007);
- * The Department of Natural Resources ("DNR") operating permit and permit fees for the Company's sewage treatment plant (the April 2006 report and all reports for June 2006 through February 2007);
- * Efforts regarding the collection of past-due customer accounts (all reports for June 2006 through February 2007);
- * The Company's corporate registration with the Secretary of State (all reports for July 2006 through February 2007);
- * Customer access to Company personnel outside of normal business hours (the reports for April 2006 and May 2006);
- * The Company's purchase of a telephone answering machine (the report for March 2006);
- * The Company's annual statement of operating revenues to the Commission (the report for June 2006); and
- * The Company's payment of previous court-ordered penalties related to past environmental noncompliances (the report for July 2006).

INFORMATION REGARDING CUSTOMER BILLINGS

On or about February 2, 2007 (unless noted otherwise, all dates hereinafter refer to the year 2007), Mill Creek issued its fifteenth customer billing under its new rates, for service provided during the month of January 2007. On or about March 2, Mill Creek issued its sixteenth customer billing under its new rates, for service provided during the month of January, which will be addressed during the Staff's next review of the Company's books and records.

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

On March 6, 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 were collected from its February 2nd customer billings complied with the provisions of the Second Supplemental Agreement applicable to that matter.

Based on his March 6th review of the Company's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent the customer funds collected from its February 2nd customer billings on the following items: (1) operations and maintenance of the wastewater treatment plant; (2) electricity expense; (3) cellular phone expense; (4) compensation paid to Jim Holmes, Mill Creek's office manager, for customer billing and office manager duties; and (5) partial payment due to the DNR for past-due operating permit fees.

No payments to the owners or shareholders were noted during the course of Mr. Cassidy's March 6th 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 February 28th, Mill Creek's customer account past-due balances totaled approximately \$5,720. Six current Mill Creek customers are responsible for approximately \$3,085 (approximately 54%) of this total. Additionally, there are two accounts that are responsible for approximately \$1,005 (approximately 18%) 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. Mr. Holmes has been in contact with a title company regarding one of these accounts and hopes to resolve that account in the near future.

Further, Mr. Holmes reported that three customers had, until recently, been 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 \$1,030 (approximately 18%) of the past-due balance. (These customers are not included in the situations discussed in the preceding paragraph.) During January and February, Mr. Holmes contacted these customers to remind them of their agreed-upon payment plans. Two of these three customers have resumed paying extra amounts consistent with their agreed-upon billing arrangement to address their unpaid past-due balances.

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 10/31/05	\$10,445
Balance at 11/30/05	\$8,775
Balance at 12/31/05	\$7,100

Balance at 01/31/06	\$7,185
Balance at 02/28/06	\$6,825
Balance at 03/31/06	\$6,535
Balance at 04/30/06	\$6,260
Balance at 05/31/06	\$4,995
Balance at 06/30/06	\$4,670
Balance at 07/31/06	\$4,875
Balance at 08/31/06	\$4,945
Balance at 09/30/06	\$5,010
Balance at 10/31/06	\$5,030
Balance at 11/30/06	\$5,615
Balance at 12/31/06	\$6,455
Balance at 01/31/07	\$6,100
Balance at 02/28/07	\$5,720

During Mr. Cassidy's March 6th review of Mill Creek's books and records, Mr. Holmes reported that he mailed disconnection notice to six of Mill Creek's non-paying customers on February 15th. These notices were delivered via United States Postal Service (USPS) certified mail that required the customer's signature upon receipt. To date, Mill Creek has received three signed receipts. One of these three customers has paid his outstanding balance in full. If no contact is made by the five remaining non-paying customers in the required 30 days, Mr. Holmes stated that he will leave an additional final past-due notification on the customers' front door, notifying them of their pending service disconnection. As has also been noted in prior monitoring reports, 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 Mill Creek's collection efforts regarding its past-due customer accounts, will assist the Company in those efforts as deemed appropriate, and will include updates regarding this matter in its future status reports.

CUSTOMER SERVICE COMPLAINTS AND INQUIRIES

A Staff review of the Consumer Quality data base in the Commission's electronic filing and information system (EFIS) revealed that there has been one customer complaint submitted to EFIS since the Staff filed its last Status Report on February 15th.

This complaint addresses billing issues and is apparently related to the subject customer being one of the customers that received a service disconnection notice, as discussed above. This complaint is currently being handled by the Consumer Services Department. The Staff will provide an update on the status of this complaint in its next 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.

During Mr. Cassidy's March 6th review of Mill Creek's books and records, he noted that Mill Creek had issued a payment in the amount of \$2,500 to the DNR on March 2nd. After making this payment, Mill Creek owes the DNR approximately \$2,950 for past-due operating permit fees and associated late fees. Mr. Holmes continues to budget Mill Creek's funds in an effort to make progress toward paying off this past-due balance in the coming months.

CORPORATE REGISTRATION WITH MISSOURI SECRETARY OF STATE

During Mr. Cassidy's August 1, 2006 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 amount of his personal payment. As of the time of Mr. Cassidy's March 6th review of the Company's books and records, Mill Creek had not yet reimbursed Mr. Afshari for the registration fee.