

**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 third Staff Monitoring Report, dated February 15, 2006, covering the Company's activities during January 2006, which includes the third 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 January 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 third Staff Monitoring Report: (a) customer satisfaction issues raised by the Commission in a recent order; (b) Mill Creek's past-due customer account balances for sewer service; (c) payment of past bills for services provided to Mill Creek; (d) and Mill Creek's use 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

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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 15th day of February 2006.

/s/ Keith R. Krueger

APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

February 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

February 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?"

INFORMATION REGARDING CUSTOMER BILLINGS

On or about January 2, 2006, Mill Creek issued its third customer billing under its new rates that became effective on October 12, 2005. This billing was for service provided during the period December 1 through December 31, 2005. Mill Creek issued its fourth customer billing under its new rates on or about February 1, 2006 for service rendered during the period January 1 through January 31, 2006.

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

On January 31, 2006, Staff members Greg Meyer and 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 January 2 customer billing complied with the provisions of the Second Supplemental Agreement applicable to the Company's use of the funds collected.

Based on their January 31 review of Mill Creek's books and records, Mr. Meyer and Mr. Cassidy determined that Mill Creek had appropriately spent customer funds collected from its January 2 billing on the operations and maintenance of the sewage treatment plant, for electricity expense and for billing and postage expense. Additionally, no payments to the owners or shareholders were noted during the course of the January 31 examination.

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

In its January 13 Monitoring Report, the Staff noted that ten customers accounted for approximately 75% of Mill Creek's \$7,100 of past due balances for service. Subsequently, the Staff identified these ten customers for Mill Creek's office manager, Mr. Jim Holmes, and requested that he contact these customers by phone in order to make arrangements for payment, in an effort to proactively address the past-due balance situation. The Staff also requested that Mr. Holmes document the results of these customer contacts through the use of Mill Creek's customer contact phone log. Additionally, the Staff advised Mr. Holmes that it planned to examine Mill Creek's efforts in this regard as part of its scheduled review in February 2006.

On January 25, 2006, the Staff faxed the Commission's order to Mr. Holmes on January 25th and requested that in addition to addressing the past due balances with the ten customers in question that he also specifically ask each of these customers if they have experienced any problems with Mill Creek's service in any way, and if so to explain the problems that they have encountered. The Staff requested that Mr. Holmes document any concerns or problems that the customers identified in Mill Creek's customer contact phone log for the Staff's review during its planned review of Mill Creek's books and records of January 31, 2006.

During its January 31 review of Mill Creek's books and records, the Audit Staff also met with Mr. Holmes to discuss the "customer satisfaction" issues raised by the Commission in its 01/23/06 Order. Mr. Holmes indicated to the Audit Staff that none of the customers he contacted had indicated to him that they had any concerns or problems related to any service issues when he asked them about their satisfaction with Mill Creek's service. The Staff's review of the company's phone logs revealed that Mr. Holmes's statements were consistent with the written documentation contained in those records.

During the January 31 meeting, Mr. Holmes went on to explain to the Audit Staff that some of the reasons customers had given him regarding their failure to pay centered around customer confusion or a misconception that customers were not really responsible for their sewer bills because the old sewer treatment plant had already been paid for through previous sewer collections. One customer had relied on a neighbor telling him that they need not pay their sewer bill. Other customers indicated that they needed time to discuss finances with a spouse before they could commit to making payment for their outstanding balance owed and needed additional time before making payment arrangements.

Additionally, Mr. Holmes learned that four of the ten customers had moved into the subdivision served by Mill Creek in recent years and were therefore not obligated for the entire past due balance. In these circumstances, Mr. Holmes indicated he believes the Company will be able to seek reimbursement for the debt incurred by the prior customers, from title companies who failed to identify the outstanding debt owed by the previous homeowners. Mr. Holmes also indicated that most of the ten customers will require follow-up contacts in order to address each customer's specific situation. The Staff will continue monitoring these contacts and will report the results of the contacts to the Commission in its future monitoring reports.

With further regard to the Commission's "customer satisfaction" issues, the Staff has also reviewed the information contained in the Commission's electronic filing and information system pertaining to customer complaints, customer inquiries, customer public comments and customer contact "quick hits" related to Mill Creek for the period October 1, 2005 through February 14, 2006. Regarding that information, the Staff notes there were no customer complaints, customer inquiries or customer public comments submitted during the noted time period, but that there were three recorded customer contact "quick hits" during the noted time period. These quick hits were all entered into the system on November 17, 2005 and, as best as can be determined from the information in the system, were related to questions regarding the Company's new rates.

In addition to the information in the preceding paragraph, the Staff is aware of one service-related issue involving a sewage backup that occurred on or about February 5, 2006. The problem causing the subject backup has been corrected, and the Staff is working with the affected customer and the Company in an attempt to resolve other matters related to the backup.

INFORMATION REGARDING ADDITIONAL MATTERS

Unpaid Bills for Services Previously Provided: During previous reviews, including the most recent rate case, Mr. Joseph Afshari, the owner of Mill Creek, provided records to the Audit Staff that showed that Mill Creek had an outstanding debt of approximately \$9,000 to Environmental Analysis, a sewer operations and testing company that is owned by Mr. Ronald Ferris. Mr. Ferris formerly served as Mill Creek's system operator and testing contractor. Mr. Afshari indicated that Mr. Ferris had not been paid for his services related to operations and maintenance of the treatment plant, for sewer-related testing services and for work involved with the development of plans to retire the old single-cell treatment lagoon. On October 17, 2004, Mr. Ferris filed with the Circuit Clerk of St. Louis County a lien (#04ML-466) against the assets of Mill Creek with regard to the outstanding debt. Recently, Mr. Afshari was able to negotiate a settlement with Mr. Ferris for \$5,000 and during January 2006 Mill Creek issued two checks

totaling \$5,000 to Environmental Analysis in order to resolve this matter. As evidence of this resolution, Mr. Afshari provided to the Staff a notarized "Satisfaction of Lien" document that was signed by Mr. Ferris and that indicated that Mill Creek was released from any obligations regarding the lien that had been filed. Mr. Afshari indicated to the Staff that Mill Creek had no other outstanding debts with Mr. Ferris, or with any other creditor other than those associated with the daily operations of the Company currently being monitored by the Staff. Furthermore, this payment was made possible by Mill Creek's collection of approximately \$5,000 from past-due accounts for the provision of service under Mill Creek's previous \$5 monthly sewer rate.


Company Telephone Answering Machine: During previous reviews and contacts with the Company, the Audit Staff became aware that Mill Creek did not have a telephone answering machine for its customers to leave messages after normal business hours, which are currently from 8:30 a.m. to 4:30 p.m. Monday through Friday. During its January 31 review, the Audit Staff requested that Mr. Holmes obtain an answering machine in order to allow the Company's customers to leave messages when neither Mr. Holmes nor Mr. Afshari is in the office, and Mr. Holmes stated he would comply with this request.

AFFIDAVIT OF DALE W. JOHANSEN


STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Case No. SR-2005-0116

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 February 2006.


Notary Public
DAWN L. HAKE
My Commission Expires
March 16, 2009
Cole County
Commission #05407643

My Commission Expires: _____

