

**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 fifth Staff Monitoring Report, dated April 17, 2006, covering the Company's activities during March 2006, which includes the fifth 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 March 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 fifth Staff Monitoring Report: (a) Mill Creek's past-due customer account balances; (b) customer service complaints and inquiries; (c) customer access to Mill Creek personnel outside of normal business hours; and (d) the DNR operating permit for Mill Creek's sewage treatment plant.

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 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 17th day of April 2006.

/s/ Keith R. Krueger

AFFIDAVIT OF DALE W. JOHANSEN

STATE OF MISSOURI)

) ss

Case No. SR-2005-0116

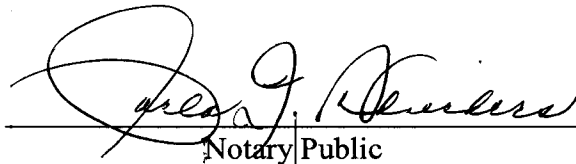
COUNTY OF COLE)

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.



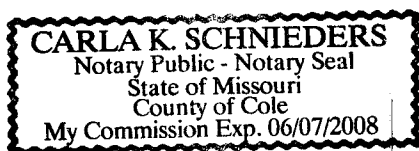
Dale W. Johansen – Manager
Water & Sewer Department
Utility Operations Division

Subscribed and sworn to before me this 17th day of April 2006.


Notary Public

My Commission Expires:

June 7, 2008



APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

April 17, 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

April 17, 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.

INFORMATION REGARDING CUSTOMER BILLINGS

On or about March 1, Mill Creek issued its fifth customer billing under its new rates, for service provided during the period covering February 1 through February 28. On or about April 4, Mill Creek issued its sixth customer billing under its new rates, for service provided during the period covering March 1 through March 31.

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

On April 3, 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 March 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 April 3rd review of Mill Creek's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent customer funds collected from its March 1 billing on the following items: operations and maintenance of the wastewater treatment plant; sludge removal; electricity expense; property taxes; and final payment for an unpaid balance related to operation and maintenance service that Mill Creek received from Environmental Analysis during 2004. No payments to Mill Creek's owners or shareholders were noted during the course of Mr. Cassidy's April 3rd review.

INFORMATION REGARDING PAST-DUE ACCOUNT BALANCES

Currently, Mill Creek's customers have past-due balances totaling approximately \$6,535, with ten of the customers being responsible for approximately \$4,965 (approximately 76%) of the total past-due balances.

Jim Holmes, an employee of Mill Creek, has been attempting to develop formal billing arrangements with customers having significant past-due balances, but has experienced mixed results in his efforts. Mr. Holmes reported to the Audit Staff that four customers are currently paying extra amounts each month as part of an agreed-upon payment plan that will address their unpaid past-due balances. Another customer paid \$526 to Mill Creek during March 2006 to satisfy the entire portion of the unpaid past-due balance that had accrued for service from the time he began taking service from Mill Creek in June 1999. Mr. Holmes also indicated that this

customer had provided the necessary title company information that will enable him to proceed with the collection of an additional unpaid balance of \$753 from the title company that relates to sewer service provided to the previous homeowner at this address.

Mr. Holmes indicated a few customers that he has spoken to about establishing a billing arrangement to address past-due balances were noncommittal. Mr. Holmes stated that there are a few customers that he has left voice mail messages with that have not returned his phone calls. Mr. Holmes also stated that he plans to develop an arrangement with a customer who experienced a sewage backup in his basement during February 2006. Mr. Holmes explained that the affected customer has a significant past-due balance and Mill Creek is willing reduce his overall past-due balance for a portion of the plumbing costs that were incurred as a result of this sewage backup. Steve Loethen of the Water and Sewer Department has worked with both the affected customer and Mill Creek in an effort to resolve the issues connected with this backup. Mr. Holmes also reported that during March 2006 one customer's payment that was intended to pay for a total past-due balance was returned by the bank as having insufficient funds.

The Staff intends to work with Mr. Holmes in contacting the customers with significant past-due balances, to determine the feasibility of developing customer payment plans to address these arrearages.

CUSTOMER SERVICE COMPLAINTS AND INQUIRIES

The Staff's review of the Commission's electronic filing and information system (EFIS) revealed that there has been no activity with regard to customer complaints or customer inquiries, since the time of its last monthly status report.

CUSTOMER ACCESS TO COMPANY OUTSIDE OF NORMAL OFFICE HOURS

Mill Creek maintains regular office hours from 8:30 a.m. to 5:00 p.m., Monday through Friday. On each bill, the customers are provided Mill Creek's office phone number to contact if they have any questions about their service. In previous reports to the Commission, the Staff pointed out that the Company did not have a telephone answering machine for its customers to leave messages after normal business hours. The Staff also raised concerns about the customers' ability to contact Mill Creek in the event of service-related emergencies. To address these concerns, Mr. Holmes will now provide the number of a cell phone that he keeps with him on nights and weekends on all customer bills. This will allow customers to contact Mr. Holmes outside of normal office hours. This cell phone also has voice mail that will ensure that customers can leave a message if the phone is in use at the time that they call. This cell phone has approximately a \$60 monthly fee and is paid for by Afshari Enterprises, an affiliated company. Mr. Holmes stated that the utility company will compensate the affiliated company \$20 per month for its share of phone usage. Going forward, Mr. Holmes will also include on each customer bill, the name of the contract plant operator, Mr. Tim Allgire with Testing Analysis and Control, as well as Mr. Allgire's cell phone number for customers to contact in the

event of service-related emergencies. As a result of these actions, the Staff believes that Mill Creek has reasonably addressed the concerns regarding customer access to the company in the event of service-related issues that could occur after normal business hours.

DEPARTMENT OF NATURAL RESOURCES (DNR) OPERATING PERMIT

The Missouri Clean Water Law requires that all sewer companies pay an annual operating permit fee to the 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. While recently assisting Mr. Holmes with the preparation of Mill Creek's 2005 PSC Annual Report, the Audit Staff discovered that Mill Creek owes the DNR approximately \$7,950 related to operating permit fees and late fees for 2004, 2005 and 2006. The 2004 and 2005 operating permit fees are past-due and the 2006 operating permit fee is due on May 1. The Audit Staff informed Mr. Holmes that Mill Creek will need to budget for payment of this expense in the upcoming months.