

**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 ninth *Staff Monitoring Report*, dated August 15, 2006, covering the Company's activities during July 2006, which included the ninth 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 July 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 ninth *Staff Monitoring Report*: (a) the status of Mill Creek's past-due customer account balances, and the Company's collection efforts pertaining to certain of the past-due customer accounts; (b) customer service complaints and inquiries; (c) payment of the Company's past-due DNR operating permit fees; and (d) the status of Mill Creek's corporate registration with the Missouri Secretary of State.

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 15th day of August 2006.

/s/ Keith R. Krueger

AFFIDAVIT OF DALE W. JOHANSEN


STATE OF MISSOURI)

) ss

Case No. SR-2005-0116

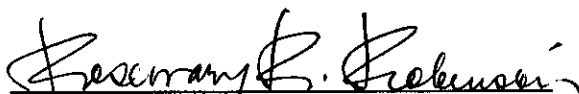
COUNTY OF COLE)

Dale W. Johansen, of lawful age, on his oath states: (1) that he 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 matters set forth in the foregoing Status Report and the *Staff Monitoring Report* included in the following appendix; and (4) that the matters set forth in the foregoing Status Report and the *Staff Monitoring Report* included in the following appendix are true and correct to the best of his knowledge, information and belief.



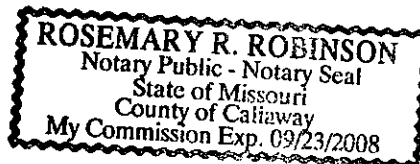
Dale W. Johansen – Manager
Water & Sewer Department
Utility Operations Division

Subscribed and sworn to before me this 15th day of August 2006.


Notary Public

My Commission Expires:

9-23-2008



APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

August 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

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

On July 14, the Staff filed its eighth 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; (c) the Staff's conclusions regarding Mill Creek's use of its funds; (d) Mill Creek's past-due customer account balances; (e) Company/Staff efforts regarding collection of past-due customer accounts; (f) customer service complaints and inquiries; (g) Department of Natural Resources' ("DNR") operating permit fees; (h) Mill Creek's corporate registration with the Secretary of State; and (i) payment of previous court-ordered penalties related to past environmental noncompliances.

INFORMATION REGARDING CUSTOMER BILLINGS

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. On or about August 1, Mill Creek issued its ninth customer billing under its new rates, for service provided during the period covering July 1 through July 31, which will be addressed during the Staff's review scheduled to be conducted in early September.

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

On August 1, 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 July 3rd customer billing complied with the applicable provisions of the Second Supplemental Agreement.

Based on his August 1 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: (1) operations and maintenance of the wastewater treatment plant; (2) electricity expense; (3) cellular phone expense; (4) compensation to Jim Holmes, Mill Creek's office manager; (5) postage expense; and (6) partial payment of the Company's past-due DNR operating permit fees.

No payments to Mill Creek's owners or shareholders were noted during the course of Mr. Cassidy's August 1 review.

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

As of July 31, Mill Creek's customer accounts past-due balances totaled approximately \$4,875. Six Mill Creek customers are responsible for approximately \$2,145 (approximately 44%) of the total. Additionally, there are three accounts that are responsible for approximately \$1,180 (approximately 24%) 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 three accounts from real estate title companies.

During Mr. Cassidy's August 1 review of Mill Creek's books and records, Jim Holmes, Mill Creek's office manager, reported 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, which are not included in the above-referenced situations, have past-due account balances totaling approximately \$1,190 (approximately 24%) of the total past-due balance.

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 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

During Mr. Cassidy's August 1 review, Mr. Holmes also reported that three of the Company's customers have made no payments to Mill Creek since the Company's new rates went into effect in October 2005. Mr. Holmes also reported that he required additional time to work with one of these customers in an effort to establish a mutually agreed-upon billing payment plan. With regard to the other two customers, Mr. Holmes reported that he plans to send a certified letter to the customers, with return receipt requested, to notify these customers of their past-due balances and the consequences of continued non-payment.

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

A Staff 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 July 14 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.

A DNR invoice dated July 6, shows that Mill Creek currently owes the DNR \$10,000 for past-due operating permit fees and related late fees. During Mr. Cassidy's August 1 review, Mr. Holmes reported that he had mailed a payment of \$2,500 to the DNR earlier that day. Mr. Holmes also stated that he will continue to budget for this expense in order to pay the remainder of the outstanding balance that Mill Creek owes to the DNR.

CORPORATE REGISTRATION WITH MISSOURI SECRETARY OF STATE

During Mr. Cassidy's June 30 review of Mill Creek's books and records, he discovered that Mill Creek had not yet filed its annual corporate registration papers with the office of the Missouri Secretary of State ("SOS"). Additionally, Mr. Cassidy advised Mr. Holmes that Mill Creek had until July 31 to complete this filing and pay all related fees, and Mr. Holmes committed that he would complete the necessary paperwork and pay the required fees before the July 31 deadline.

During Mr. Cassidy's August 1 review of Mill Creek's books and records, Mr. Holmes reported that he had submitted Mill Creek's corporate registration papers to the SOS prior to the July 31 deadline and that the Company's owner, Joe Afshari, had paid the related fees online using his personal credit card. Mr. Holmes also noted that Mill Creek would reimburse Mr. Afshari the exact amount of his payment to the SOS for the Company's annual corporate registration fee. The Staff will verify that this transaction is handled appropriately during its next review of Mill Creek's books and records. Additionally, the Staff notes that the SOS's Internet-based business entity database shows that Mill Creek's 2006 annual report was filed on July 31 and that the Company is classified as being in "Good Standing" with the SOS.