

**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 seventh *Staff Monitoring Report*, dated June 15, 2006, covering the Company's activities during May 2006, which includes the seventh 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 May 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 seventh *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; and (e) Mill Creek's annual statement of operating revenues to the Commission.

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 June 2006.

/s/ Keith R. Krueger

AFFIDAVIT OF DALE W. JOHANSEN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

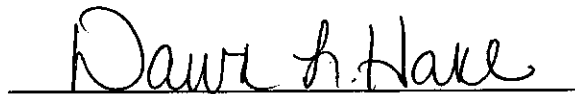
Case No. SR-2005-0116

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 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 15th day of June 2006.





Notary Public
My Commission Expires
March 16, 2009
Cole County
Commission #05407643

My Commission Expires: _____

APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

June 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

June 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 (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.

INFORMATION REGARDING CUSTOMER BILLINGS

On or about May 2, Mill Creek issued its sixth customer billing under its new rates, for service provided during the period covering April 1 through April 30. On or about June 2, Mill Creek issued its seventh customer billing under its new rates, for service provided during the period covering May 1 through May 31.

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

On June 5, 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 May 2 customer billing complied with the provisions of the Second Supplemental Agreement.

Based on his June 5 review of Mill Creek's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent customer funds collected from its May 2 billing on the following items: operations and maintenance of the wastewater treatment plant; electricity expense; and compensation to Mr. Jim Holmes, Mill Creek's office manager, for performing his customer billing and office manager duties. No payments to Mill Creek's owners or shareholders were noted during the course of Mr. Cassidy's June 5 review.

INFORMATION REGARDING PAST-DUE ACCOUNT BALANCES

As of June 5, Mill Creek's customer accounts past-due balances totaled approximately \$4,995. Seven Mill Creek customers are responsible for approximately \$2,160 (approximately 43%) 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. Mr. Holmes also reported to the Staff that four customers are currently paying extra amounts each month as part of an agreed-upon payment plan to address their unpaid past-due balances. Currently, the four customers with billing arrangements have past-due account balances totaling approximately \$1,375.

An historical summary of Mill Creek's total past-due account balances is set out below.

Balance at October 31, 2005	\$ 10,445
Balance at November 30, 2005	\$ 8,773
Balance at December 31, 2005	\$ 7,101
Balance at January 31, 2006	\$ 7,187
Balance at February 28, 2006	\$ 6,827
Balance at March 31, 2006	\$ 6,534
Balance at April 30, 2006	\$ 6,261
Balance at May 31, 2006	\$ 4,995

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

On May 30, Mill Creek's office manager, Jim Holmes, visited the homes of ten Mill Creek customers that had the largest past-due account balances. Three Commission Staff members were present during these customer visits in order to assist Mr. Holmes with customer questions or concerns. The Staff members present during these visits included Steve Loethen of the Commission's Water and Sewer Department as well as Greg Meyer and John Cassidy of the Auditing Department's St. Louis Office.

During the May 30 visit, three Mill Creek customers paid their respective account balance owed in full. One other customer agreed to a payment plan that would allow them to pay off the balance during the next three months. Subsequent to the visit, the Staff learned that this customer paid approximately one third of the account balance owed to Mill Creek after the visit to their home.

During the visits, four Mill Creek customers indicated that they needed additional time to review their bills or to speak to a spouse and that they would contact Mr. Holmes within a few days to make arrangements for payment. As of June 9, Mr. Holmes reported that all four customers had contacted him, but resolution is still pending on all four accounts.

Two additional Mill Creek customers were not home at the time of the visits that were conducted on May 30th. Mr. Holmes left notices on the front doors of these two customers that explained the situation and requested that the customer contact Mill Creek regarding payment of the past-due balance. Commission Staff phone numbers were also included on this notice, if the customers had questions for the Staff.

Mr. Holmes reported to the Staff during the June 5th review that one of these customers contacted him after May 30th, and disputed the past-due balance owed. This same customer contacted the Commission's Consumer Services Department with a billing inquiry regarding this matter on June 5, 2006. This customer also contacted Staff members Dale Johansen, Manager of the Water and Sewer Department, and John Cassidy, of the Auditing Department, with questions concerning the amount of the past-due balance owed. After performing additional research of past company records, Mr. Holmes agreed to adjust the past-due balance that was owed by this customer, which led to a resolution of the dispute involving this customer.

With regard to the second customer that was not home at the time of the visits, Mr. Holmes reported that, as of June 5, he had received no response to the notice that was left at the customer's home. Mr. Holmes attempted to contact this customer by phone on June 9th and learned that the customer has changed his phone number, with no forwarding number provided. Mr. Holmes plans to send a certified letter to this customer notifying him of the past-due balance owed and the consequences of non-payment.

The Staff will continue to monitor the progress of Mill Creek's collection efforts with regard to all of these customers and will provide updates to the Commission 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 was one customer inquiry, since the time of its last monthly status report dated May 15. This inquiry was made on June 5 and was related to a customer billing question pertaining to the past-due balance issue that has since been resolved as previously discussed in this 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. Mr. Holmes explained to the Staff 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.

ANNUAL STATEMENT OF OPERATING REVENUE

During his June 5 review of the Company's books and records, Mr. Cassidy learned that Mill Creek had not submitted its most recently required Statement of Operating Revenue ("Statement") to the Commission. This Statement is required to be submitted to the Commission pursuant to the provisions of Section 386.379, RSMo, and is used to calculate utilities' PSC assessments. Mr. Cassidy explained to Mr. Holmes the steps that were necessary to complete this form and Mr. Holmes has since reported that he completed the form and placed it in the mail on June 9.