

# NOTICE OF AGREEMENT REGARDING DISPOSITION OF SMALL COMPANY RATE INCREASE REQUEST

## APPENDIX A

### Company/Staff Disposition Agreement and Attachments

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Company/Staff Agreement Regarding Disposition  
Of Small Company Rate Increase Request

**Company/Staff Agreement Regarding Disposition  
of Small Company Rate Increase Request**

**Mill Creek Sewers, Inc.**

**MO PSC Work I.D. No. 2002 00682**

**Background**

Mill Creek Sewers, Inc. ("Company") initiated the small company rate increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") tracking file by submitting a letter to the Secretary of the Commission, which was received at the Commission's offices on February 20, 2002. The Company submitted its Request under the provisions of the then existing Commission Rule 4 CSR 240-2.200 Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). (This rule has since been rescinded and replaced by rules pertaining to small gas utilities, small sewer utilities and small water utilities in Chapter 3 of the Commission's rules.)

In its Request, the Company represented that it was asking for Commission approval of customer rates intended to generate an increase of \$43,700 in its total annual sewer service operating revenues. The Company provides service to approximately 75 customers, all of which are residential customers.

Upon receipt of the Company's Request, personnel in the Commission's Data Center assigned tracking number 2002 00682 to the Request, and the Request was forwarded to the Commission's Water & Sewer Department for processing under the Small Company Rate Increase Procedure.

Pursuant to the provisions of the Small Company Rate Increase Procedure and related internal operating procedures, the Staff of the Commission ("Staff") initiated an audit of the Company's books and records, a review of certain of the Company's general business practices, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (Hereafter, these activities will be collectively referred to as the Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, the Staff provided the Company and the Office of the Public Counsel ("OPC") various information regarding the results of the investigation, as well as its initial recommendations for resolution of the Company's Request.

### **Resolution of the Company's Rate Increase Request**

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the Staff's investigation of the Company's Request, the Staff and the Company hereby state the following agreements.

- (1) That for the purpose of implementing the agreements set out herein, the Company will file tariff revisions with the Commission containing the rates, charges and language included in the example tariff sheets attached hereto as Attachment A.
- (2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the Company's annualized cost of providing service, excluding a return on its plant investments and related income taxes, and the agreed-upon annualized operating revenue increase of \$22,301, which is required to recover the Company's cost of service, excluding a return on its plant investments and related income taxes.
- (3) That the rates included in the example tariff sheets attached hereto as Attachment A, the development of which is shown on the rate design worksheet attached hereto as Attachment C, are designed to generate revenues sufficient to recover the Company's total annualized cost of service, excluding a return on its plant investments and related income taxes, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.
- (4) That the rates included in the example tariff sheets attached hereto as Attachment A are just and reasonable under the circumstances under which these agreements were reached [see Items (6) through (11) set out below].
- (5) That the implementation of the following service charges is reasonable:
  - (a) a late payment charge of \$3.00 per month, up to a maximum of 3 months;
  - (b) a door collection charge of \$25.00 for collections of payments made at the time of a scheduled service disconnection;
  - (c) a service disconnection charge equal to the actual cost of performing the disconnection, applicable to disconnections due to non-payment of bills for service or violations of applicable tariff provisions, or made at the request of the customer;
  - (d) a service reconnection charge equal to the actual cost of the reconnection;  
and
  - (e) a returned check charge of \$20.00 per check returned from the issuer's bank.

- (6) That the depreciation rates included in Attachment D hereto should be the prescribed sewer plant depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.
- (7) That a return on the Company's plant investments and related income taxes is not being included in the Company's cost of service, at this time, in anticipation of the transfer of the Company's assets to either the Metropolitan Sewer District of St. Louis (MSD) or the property owners association (POA) of the development in which the Company provides service.
- (8) That the Company and the Staff agree to jointly pursue the transfer of the Company's assets to the MSD or the POA, as discussed in Items (8), (9) and (10) below.
- (9) That the Staff will take the actions necessary to involve the Missouri Attorney General's Office (AGO) and the Missouri Department of Natural Resources (DNR) in achieving the transfer of the Company's assets to the MSD or the POA. Specifically, these actions will include any necessary follow-ups related to the AGO's and DNR's agreement not to pursue the collection of court-awarded judgments pertaining to the Company's prior violations of the DNR's environmental regulations and related court orders in the event the Company's assets are contributed to the MSD or the POA.
- (10) That the Staff will pursue the asset transfer contemplated by these agreements with the MSD and the POA, with those efforts initially directed to the transfer being made to the MSD. Specifically, the Staff will attempt to see that a transfer of the assets to the MSD is agreed upon on or before December 31, 2004. In the event that does not occur, the Staff will focus its efforts on seeing that a transfer of the assets to the POA is agreed upon on or before March 31, 2005.
- (11) That if the transfer of the Company's assets discussed in these agreements occurs under the conditions contemplated in these agreements, the Company agrees to a sale price of \$1.00 to the entity to which the assets will be transferred.
- (12) That if the asset transfer contemplated by these agreements does not occur by March 31, 2005, through no fault of the Company, the Staff agrees that the Company should be allowed to increase its rates to include a return on its plant investments and related income taxes. Accordingly, the Staff's recommendation to the Commission regarding approval of the annual operating revenue increase identified in Item (2) above, will include a recommendation that the Company be authorized to file revised rate tariff sheets to increase its annual operating revenues by an additional amount of \$18,766. However, the Staff's recommendation will also include a provision that this subsequent tariff filing may only occur subsequent to the Staff filing a notice in the rate case that will be created by the Company's filing of the revised tariff sheets discussed in Item (1) above confirming that the asset transfer did not occur by March 31, 2005 through no fault of the Company. Additionally, the tariff filing that could occur under these conditions will contain the rates, charges and language included in the example tariff sheets attached hereto as Appendix E.

(13) That the ratemaking income statement attached hereto as Attachment F accurately reflects the Company's current operating revenues, the Company's full cost of providing service, including a return on its plant investments and related income taxes, and the resulting additional increase in revenues referenced in item (12) above.

(14) That the rates included in the example tariff sheets attached hereto as Attachment E were developed as shown on the rate design worksheet attached hereto as Attachment G.

(15) That the Staff agrees to send the required notice regarding these agreements to the Company's customers, rather than the Company being responsible for mailing that notice, and the Company thus agrees to provide the Staff with its customer address list at the time that it returns the signed copy of this agreement to the Staff. With further regard to this matter, the customer notice attached hereto as Appendix H will be the notice sent to the Company's customers by the Staff.

(16) That the above agreements satisfactorily resolve all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated.

### **Additional Matters**

This Disposition Agreement is only between the Staff and the Company, in which case the Small Company Rate Increase Procedure requires that a notice be sent to the Company's customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement. In compliance with the Small Company Rate Increase Procedure, that notice will provide the Company's customers an opportunity to send comments to the OPC and the Staff within twenty (20) days after the date of the notice. In addition to that customer notice, the Company acknowledges that the OPC also has the right to request that the Commission hold a local public hearing regarding the Company's Request and the provisions of this Disposition Agreement.

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff and the Company, and neither party has agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company and the Staff acknowledge that they have previously agreed to extensions of the normal 150-day tariff filing date for small company rate increase requests, specifically to allow time for the Company to comply with various Staff conditions related to the processing of the Request and to discuss and agree upon a possible transfer of the Company's assets to another entity.

The Company acknowledges that the Staff will be making an additional filing with the Commission regarding this matter. That filing will include the Staff's recommendation for approval of the subject tariff revisions, background information regarding the Company's Request and the Staff's investigation thereof, and certain Staff workpapers regarding at least the following items: (a) the ratemaking income statement referenced in Item (2) above; (b) the rate design worksheet referenced in Item (3) above; (c) a residential customer billing comparison reflecting the agreed-upon changes in the Company's rates; (d) an overview of the Company, including an overview of the Company's customer service procedures and practices.

Additionally, that filing will include information regarding the status of the Company's payment of its Commission assessments, the status of the Company's submission of its Commission annual reports, the status of the Company's submission of its Commission annual statement of operating revenues, any other pending cases that the Company may have before the Commission, any recent Notices of Violations issued to the Company by the Missouri Department of Natural Resources, and the status of the Company's corporate standing with the Missouri Secretary of State.



**Effective Date and Signatures**

This Disposition Agreement shall be considered effective as of the date that the Company files the tariff revisions required herein with the Commission.

Agreement Signed and Dated:



Dale W. Johansen  
Manager – Water & Sewer Department  
Missouri Public Service Commission Staff

10/25/04

Date



Joe Afshari  
President  
Mill Creek Sewers, Inc.

10-21-2004

Date

**List of Attachments**

- |              |  |
|--------------|--|
| Attachment A | Example Tariff Sheets (Initial Filing)               |
| Attachment B | Ratemaking Income Statement (Initial Filing)         |
| Attachment C | Rate Design Worksheet (Initial Filing)               |
| Attachment D | Schedule of Depreciation Rates                       |
| Attachment E | Example Tariff Sheet (Possible Future Filing)        |
| Attachment F | Ratemaking Income Statement (Possible Future Filing) |
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| Attachment H | Customer Notice                                      |

Attachment A – Example Tariff Sheets (Initial Filing)

P.S.C. MO No. 1

Original Title Page

Mill Creek Sewers, Inc.  
Name of Issuing Company

For: Castlereagh Estates, Plat 4  
Certificated Service Area

**Sewer Tariff Title Page**

**Example**

**MILL CREEK SEWERS, INC.**

**SCHEDULE OF RATES, RULES, REGULATIONS  
AND CONDITIONS OF SERVICE GOVERNING THE  
PROVISION AND TAKING OF SEWER SERVICE**

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: \_\_\_\_\_  
Month/Day/Year

Effective Date: \_\_\_\_\_  
Month/Day/Year

Issued By: Joseph P. Afshari – President  
Name & Title of Issuing Officer

3160 Pershall Road; St. Louis, MO 63136  
Company Mailing Address

P.S.C. MO No. 1

3rd Revised Sheet No. 4

Canceling

2nd Revised Sheet No. 4

Mill Creek Sewers, Inc.  
Name of Issuing Company

For: Castlereagh Estates, Plat 4  
Certificated Service Area

**Rules & Regulations Governing  
the Rendering of Sewer Service \***

**Rate Schedule No. S-1**

**Example**

**Availability**

Service is available to any customer located adjacent to the Company's collecting sewers suitable for supplying the service requested. +

**Monthly Flat Rate for Service** +

The charge for sewer service shall be \$30.11 per month, applicable to each service sewer connected to the Company's collecting sewers. +

Any applicable Federal, State or local taxes computed on a billing basis shall be added as separate items in rendering each bill.

**Service Charges** +

Connection Fee: The charge for connecting to Company's collecting sewers shall be \$150, which shall be payable prior to such connection being made in accordance with Rule 7 hereof. +

Late Payment Charge: \$3.00 per month, up to a maximum of 3 months. \*

Door Collection Charge: \$25.00 for collection of payments made at time of scheduled service disconnection. \*

Returned Check Charge: \$20.00 per check returned for insufficient funds or closed account. \*

Service Disconnection Charge: Actual costs for work performed to disconnect service due to non-payment of bills or for violation of Company rules and regulations, or to disconnect service at the request of the customer. \*

Service Reconnection Charge: Actual costs for work performed to reconnect service after service has been disconnected due to non-payment of bills or violation of Company rules and regulations, or where the service was disconnected at the request of the customer. \*

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: \_\_\_\_\_  
Month/Day/Year

Effective Date: \_\_\_\_\_  
Month/Day/Year

Issued By: Joseph P. Afshari – President  
Name & Title of Issuing Officer

3160 Pershall Road; St. Louis, MO 63136  
Company Mailing Address

Attachment B – Ratemaking Income Statement (Initial Filing)

# MILL CREEK SEWERS, INC.

## Ratemaking Income Statement (Without Return on Rate Base)

<b>Operating Revenues at Current Rates</b>		
1	Tariffed Rate Revenues *	\$ 4,440
2	Other Operating Revenues	\$ -
3	<b>Total Operating Revenues</b>	<b>\$ 4,440</b>
<b>Cost of Service</b>		
<b>Item</b>	<b>Amount</b>	
1	O & M Salary (plant operations, etc.)	\$ 4,356
2	Administrative Expenses (supervision, billing, etc.)	\$ 3,480
3	DNR Permit Fees	\$ 3,000
4	Sludge Hauling	\$ 2,772
5	Electric Expense (operation of treatment plant)	\$ 2,436
6	Testing Fees	\$ 2,119
7	Grounds Maintenance	\$ 500
8	Equipment Maintenance	\$ 407
9	PSC Assessment	\$ 261
10	Postage Expense	\$ 232
11	<b>Sub-Total Operating Expenses</b>	<b>\$ 19,563</b>
12	Property Taxes	\$ 416
13	State & Federal Income Taxes	\$ -
14	<b>Sub-Total Taxes</b>	<b>\$ 416</b>
15	Depreciation Expense	\$ 5,240
16	Amortization of Lagoon Closing	\$ 1,522
17	<b>Sub-Total Depreciation/Amortization</b>	<b>\$ 6,762</b>
18	<b>Return on Rate Base *</b>	<b>\$ -</b>
19	<b>Total Cost of Service</b>	<b>\$ 26,741</b>
<b>Overall Revenue Increase Needed</b>		<b>\$ 22,301</b>

\* 74 customers x \$5/month x 12 = \$4,440

Attachment C – Rate Design Worksheet (Initial Filing)

# MILL CREEK SEWERS, INC.

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## Development of Tariffed Rates (Without Return on Rate Base)

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1	Revenues Generated by Current Tariffed Rates	\$ 4,440
2	<u>Agreed-Upon Overall Revenue Increase</u>	<u>\$ 22,301</u>
3	<b>Total Revenues to Generate</b>	<b>\$ 26,741</b>
4	<b>Monthly Customer Charge (flat rate)</b> (annual revenues needed / 12 months per year / 74 customers)	<b>\$ 30.11</b>



## Attachment D – Schedule of Depreciation Rates

# MILL CREEK SEWERS, INC.

## Sewer Depreciation Rates

File No. 2002 00682

<u>Account Number</u>	<u>Account Description</u>	<u>Depreciation Rates - %</u>	<u>Avg. Service Life - Years</u>
351	Structures & Improvements	2.50%	40
373	Treatment & Disposal Facilities	5.00%	20

Attachment E – Example Tariff Sheet (Possible Future Filing)

P.S.C. MO No. 1

4th Revised Sheet No. 4

Canceling

3rd Revised Sheet No. 4

Mill Creek Sewers, Inc.  
Name of Issuing Company

For: Castlereagh Estates, Plat 4  
Certificated Service Area

**Rules & Regulations Governing  
the Rendering of Sewer Service**

**Rate Schedule No. S-1**

**Example**

**Availability**

Service is available to any customer located adjacent to the Company's collecting sewers suitable for supplying the service requested.

**Monthly Flat Rate for Service**

The charge for sewer service shall be \$51.25 per month, applicable to each service sewer connected to the Company's collecting sewers. +

Any applicable Federal, State or local taxes computed on a billing basis shall be added as separate items in rendering each bill.

**Service Charges**

Connection Fee: The charge for connecting to Company's collecting sewers shall be \$150, which shall be payable prior to such connection being made in accordance with Rule 7 hereof.

Late Payment Charge: \$3.00 per month, up to a maximum of 3 months.

Door Collection Charge: \$25.00 for collection of payments made at time of scheduled service disconnection.

Returned Check Charge: \$20.00 per check returned for insufficient funds or closed account.

Service Disconnection Charge: Actual costs for work performed to disconnect service due to non-payment of bills or for violation of Company rules and regulations, or to disconnect service at the request of the customer.

Service Reconnection Charge: Actual costs for work performed to reconnect service after service has been disconnected due to non-payment of bills or violation of Company rules and regulations, or where the service was disconnected at the request of the customer.

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: \_\_\_\_\_  
Month/Day/Year

Effective Date: \_\_\_\_\_  
Month/Day/Year

Issued By: Joseph P. Afshari – President  
Name & Title of Issuing Officer

3160 Pershall Road; St. Louis, MO 63136  
Company Mailing Address

Attachment F – Ratemaking Income Statement (Possible Future Filing)

# MILL CREEK SEWERS, INC.

## Ratemaking Income Statement (With Return on Rate Base)

<b>Operating Revenues at Current Rates</b>		
1	Tariffed Rate Revenues *	\$ 4,440
2	Other Operating Revenues	\$ -
3	<b>Total Operating Revenues</b>	<b>\$ 4,440</b>
<b>Cost of Service</b>		
<b>Item</b>	<b>Amount</b>	
1	O & M Salary (plant operations, etc.)	\$ 4,356
2	Administrative Expenses (supervision, billing, etc.)	\$ 3,480
3	DNR Permit Fees	\$ 3,000
4	Sludge Hauling	\$ 2,772
5	Electric Expense (operation of treatment plant)	\$ 2,436
6	Testing Fees	\$ 2,119
7	Grounds Maintenance	\$ 500
8	Equipment Maintenance	\$ 407
9	PSC Assessment	\$ 261
10	Postage Expense	\$ 232
11	<b>Sub-Total Operating Expenses</b>	<b>\$ 19,563</b>
12	Property Taxes	\$ 416
13	State & Federal Income Taxes	\$ -
14	<b>Sub-Total Taxes</b>	<b>\$ 416</b>
15	Depreciation Expense	\$ 5,240
16	Amortization of Lagoon Closing	\$ 1,522
17	<b>Sub-Total Depreciation/Amortization</b>	<b>\$ 6,762</b>
18	<b>Return on Rate Base *</b>	<b>\$ 18,766</b>
19	<b>Total Cost of Service</b>	<b>\$ 45,507</b>
<b>Overall Revenue Increase Needed</b>		<b>\$ 41,067</b>

\* 74 customers x \$5/month x 12 = \$4,440

Attachment G – Rate Design Worksheet (Possible Future Filing)

# MILL CREEK SEWERS, INC.

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## Development of Tariffed Rates (With Return on Rate Base)

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1	Revenues Generated by Current Tariffed Rates	\$ 4,440
2	<u>Agreed-Upon Overall Revenue Increase</u>	<u>\$ 41,067</u>
3	<b>Total Revenues to Generate</b>	<b>\$ 45,507</b>
4	<b>Monthly Customer Charge (flat rate)</b> (annual revenues needed / 12 months per year / 74 customers)	<b>\$ 51.25</b>



## Attachment H – Customer Notice Regarding Proposed Rates

**MILL CREEK SEWERS, INC.**  
3160 PERSHALL ROAD  
ST. LOUIS, MO 63136  
314/522-6000

**Month Day, Year**

Dear Customer:

On February 20, 2002, Mill Creek Sewers, Inc. (Company) submitted a request for a permanent increase in its current sewer rates and charges, under the provisions of the Missouri Public Service Commission's small company rate increase procedure. By its request, the Company was seeking to establish customer rates that would generate an increase of \$43,700 (approximately 985%) in its annual sewer operating revenues.

As a result of the Company's request, the Staff of the Public Service Commission (Commission Staff) conducted an independent audit of the Company's books and records, and an investigation of the Company's business and system operations. Based upon the results of its audit and investigation, the Commission Staff has concluded that an increase of \$22,301 (approximately 500%) in the Company's annual sewer operating revenues is currently warranted, and that changes to and the addition of certain service charges are warranted. The Company has agreed with the Commission Staff's audit findings and conclusions, and has filed tariff revisions to implement those findings and conclusions. A table summarizing the Company's proposed revisions to its rates and charges, and including a monthly customer bill comparison is set out at the end of this notice.

This proposed increase in the Company's operating revenues is based upon an agreement that the Company and the Commission Staff will work together in an attempt to have the Company's sewer system transferred to either the Metropolitan Sewer District or the homeowners association for the subdivision where the system is located. If such a transfer does not occur by March 31, 2005, through no fault of the Company, the Company could then file additional tariff revisions to implement a second rate increase. That second rate increase, if it happens, would result in an increase of \$18,766 in the Company's annual sewer operating revenues, over and above that currently proposed. Implementation of both of these operating revenue increases would result in a total operating revenue increase of \$41,067 (approximately 925%).

The Office of the Public Counsel (OPC), a state agency responsible for representing the interests of utility consumers before the Commission, has reviewed the results of the Commission Staff's investigation. However, the OPC has not yet taken a final position regarding those results.

Any customer that has questions or comments about the Company's proposed revisions to its rates and charges, or that has comments regarding recent service-related problems, should contact the Commission Staff and/or the OPC, within 20 days of the date of this notice. To do so, please use the mailing addresses, telephone numbers, fax numbers or e-mail addresses shown below, and please include a reference to Commission Case No. SR-2005-0116.

Public Service Commission  
Attn: Water/Sewer Dept.  
P.O. Box 360  
Jefferson City, MO 65102  
Phone: 800/392-4211  
Fax: 573/751-1847  
E-Mail: [pscisd@psc.mo.gov](mailto:pscisd@psc.mo.gov)

Office of the Public Counsel  
Attn: M. Ruth O'Neill  
P.O. Box 2230  
Jefferson City, MO 65102  
Phone: 573/751-4857  
Fax: 573/751-5562  
E-Mail: [mopco@ded.mo.gov](mailto:mopco@ded.mo.gov)

Depending upon the responses to this notice, the OPC may request that the Public Service Commission hold a local public hearing. However, regardless of whether a local public hearing is held, no increase in rates will take effect without the specific approval of the Public Service Commission.

Lastly, please be advised that all currently available information regarding the Company's rate increase request may be obtained via the Public Service Commission's Website as follows, and please also note that this information will be updated as the case moves forward.

- \* Go to <http://www.psc.mo.gov>
- \* On that page, click on the "EFIS" button near the top on the right side of the page
- \* On the next page, after reading the disclaimer, click on "I agree to terms above" and then click "Yes" when asked if you want to display the unsecured information
- \* On the next page, click on "Resources" near the top right of the page
- \* On the next page, click on "Case Information"
- \* On the next page, click on "Case Filing/Submission" and then click "Yes" when asked if you want to display the unsecured information
- \* On the next page, check the box to the left of "Case No."; enter SR-2005-0116 in the box to the right of Case No.; scroll to the bottom of the page and click on "Search"
- \* On the next page, click on "SR-2005-0116" and this will bring up a screen that contains all of the documents that have been filed in the case to date
- \* To view a document, click on the number in the "Item No." column

If you have questions about this notice, or about anything else with which I may be of assistance, please feel free to contact me at the telephone number listed at the top of the first page of this notice.

Sincerely,

**/s/ Joe Afshari**

Joe Afshari – President  
Mill Creek Sewers, Inc.

<b>Type of Charge</b>	<b>Current Rates</b>	<b>Proposed Rates *</b>
Monthly Flat Rate	\$5.00	\$30.11
Late Payment Charge	N/A	\$3.00 per month (3 months maximum)
Door Collection Charge	N/A	\$25.00
Returned Check Charge	N/A	\$20.00
Service Disconnection or Reconnection Charge	N/A	Actual Cost of Work Performed

\* If the second phase of the increase goes into effect, this rate will increase to \$51.25 per month.