

**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 and submits the following Status Report to the Commission.

1.       On September 28, 2005, Mill Creek Sewer Company, the Staff of the Public Service Commission, and the Office of Public Counsel filed in this case their Second Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request. As part of that agreement, the Staff agreed to monitor 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 Second Supplemental Agreement. On September 29, 2005, the Commission approved the Company’s pending tariff sheet and ordered the Staff to file monthly reports as indicated in the Second Supplemental Agreement.

2.       On November 29, 2005, the Commission issued its Order Directing Status Report, in which it noted that the Staff had not yet filed a status report as directed, and ordered the Staff to file a status report by no later than December 9, 2005.

3.       Included in Appendix A attached hereto is the Staff Monitoring Report, dated December 9, 2005, covering the Company’s activities during November, 2005, which includes the first billing cycle under the newly approved rates. As stated in the report, Mill Creek spent the customer funds that it collected from its November 1 billing as required by the Second

Supplemental Agreement, and did not divert any of those funds to its shareholders or use the funds improperly.

4. The Order Approving Tariff and Agreement did not specify the date on which the Staff should file its financial monitoring reports. The Staff requests that such reports be due on or before the fifteenth day of each month, until such time as the Commission determines that the reports are no longer needed.

**WHEREFORE**, the Staff submits its Status Report, as ordered by the Commission.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

/s/ Keith R. Krueger

Keith R. Krueger  
Deputy General Counsel  
Missouri Bar No. 23857

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or e-mailed to all counsel of record as shown on the attached service list this 9<sup>th</sup> day of December 2005.

/s/ Keith R. Krueger

# APPENDIX A

## STAFF MONITORING REPORT & ATTACHMENTS

CASE NO. SR-2005-0116

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# Staff Monitoring Report

# **Staff Monitoring Report**

**Case No. SR-2005-0116**

**Mill Creek Sewers, Inc.**

**Prepared By:**

**John Cassidy**

**Auditing Department**

**and**

**Dale Johansen**

**Water & Sewer Department**

**December 9, 2005**

## **BACKGROUND**

On September 29, 2005 the Commission issued its **Order Approving Tariff and Agreement** (September 29 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 September 29 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.

Based on the effective date of the revised customer rate and Mill Creek's historical billing cycles, the Staff anticipated that the Company's first billing using the new rate would occur around November 1 and thus result in a due date for payments of around November 20. As a result, the Staff planned to schedule a review of Mill Creek's books and records around the end of November and to subsequently submit a monitoring report to the Commission as contemplated by the Commission's September 29 Order.

On November 29, the Commission issued its **Order Directing Status Report**, in which it noted that the Staff had not yet filed a status report in response to the Commission's September 29 Order and directed the Staff to file such a report no later than December 9.

## **INFORMATION REGARDING BILLINGS AND COLLECTIONS**

On November 1, Mill Creek, under the Staff's oversight, issued its first customer bills using its new rates. Along with this billing, the Company included a letter explaining the changes that customers would see on their bills with regard to the sewer rate increase, a copy of the Commission's press release addressing the rate increase and a copy of the revised rate sheet from its tariff. Mill Creek had last billed its customers for service on July 1 as provided for in its then-effective tariff. Therefore, the November 1 billing represented a billing for sewer service covering the period July 1 through October 31. Customers' bills were appropriately prorated for

the increase that took place on October 12, 2005, which resulted in a bill of \$36.19 for service during this period. The Company explained this proration calculation in its letter to the customers and further explained that going-forward customers could expect to be billed \$30.11 at the first of each month with payment due by the 20th of each month on a going forward basis. A copy of the letter that Mill Creek included with its November 1 bills is attached hereto as Attachment A.

At November 1, Mill Creek's records indicated that a significant number of customers had not paid for sewer service for quite some time in the past and that the Company had a total of approximately \$10,445 of overdue balances related to sewer service provided prior to July 1. To address this situation, the Company explained in its letter that all outstanding balances owed by each customer would be clearly outlined on the billing statement and that these balances would be due and payable in addition to the current charges. The Company included the name and phone number of a Mill Creek representative who could answer customer questions or discuss possible arrangements regarding the payment of past due balances. The Company also included the toll-free phone number of the Commission's Consumer Services Department for customers to call with any additional concerns.

#### **STAFF'S COMPLIANCE REVIEW AND DETERMINATIONS**

On December 1, Staff member John Cassidy of the Auditing Department's St. Louis office examined Mill Creek's books and records to determine the funds that the Company collected as a result of its November 1 billing and to determine the Company's compliance with the provisions of the Second Supplement Agreement applicable to the Company's use of the funds collected.

Based on his examination of Mill Creek's books and records, Mr. Cassidy determined that Mill Creek had appropriately spent the customer funds collected from its November 1 billing on the operation and maintenance of the sewage treatment plant, testing expenses, electric expense and other daily activities directly related to the operation of the sewer company. Further, Mr. Cassidy determined that none of those funds had been diverted in any way to Mill Creek's shareholders or had been used for purposes outside of the context of the applicable provisions of the Second Supplemental Agreement.

During his examination of Mill Creek's books and records, Mr. Cassidy also noted that the Company continues to struggle with its collection of past due balances. During November 2005, Mill Creek collected approximately \$2,615 of the past due balances previously owed by its customers (\$10,445). However, Mill Creek received no payment for the \$36.19 amount of current charges issued on its November 1 billing from 26 customers, for a total of approximately \$940 of "new" past due balances. As a result, as of December 1 Mill Creek's total past due balances totaled approximately \$8,770 ( $\$10,445 - \$2,615 + \$940$ ).

## Report Attachment A

Company Letter re: Billings Under New Rate

**MILL CREEK SEWERS, INC.***Joseph P. Afshari, President*3160 Pershall Rd.  
St. Louis, Missouri 63136

Area Code 314 522-6000

**IMPORTANT NEW CHANGES**

Dear Mill Creek Customer:

On September 29, 2005 the Missouri Public Service Commission issued an order approving an increase in the monthly sewer rate from \$5.00 per month to \$30.11 per month. This rate increase took effect on October 12, 2005. This letter explains the changes you will be seeing in your bill with regard to this new sewer rate increase.

The last bill you received was for the billing cycle January-June 2005. Therefore the bill enclosed will cover the months of July, August, September, and a prorated amount for October. (See below).

<u>Period</u>	<u>Amount</u>	
July 2005	\$5.00	
August 2005	\$5.00	
September 2005	\$5.00	
October 1-11, 2005	\$1.77	(\$5.00 X 11 Days + 31 days in October)
October 12-31, 2005	<u>\$19.42</u>	(\$30.11 X 20 Days +31 days in October)
Total amount due	<b>\$36.19</b>	Billing period July 1-October 31, 2005.

All future bills will be billed monthly at the first of the month and will be due by the 20<sup>th</sup> of each month.

Any outstanding balance owed on your account prior to July 1, 2005 is outlined in the enclosed past due statement and is due and payable in addition to the amount shown on your enclosed current bill.

We have also enclosed a copy of the Rate Schedule No. S-1 document outlining the charges that are now in effect as well as a press release that was issued by the Missouri Public Service Commission.

If you should have any questions regarding your new sewer bill or if you would like to discuss arrangements regarding your past due balance please call our office at (314) 522-6000 and ask for Jim. You may also contact the Missouri Public Service Commission's Consumer Services Department at 1-800-392-4211 with any additional concerns.

Sincerely,  
MILL CREEK SEWER CO., INC.