

**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 29, 2005, the Commission issued its **Order Approving Tariff and Agreement**, by which it approved an increase in the Company's monthly sewer rate effective October 12, 2005. The Commission also ordered the Staff to file monthly status reports

2. The Staff filed monthly status reports each month, from January 2006 through March 2007; except that it did not file a report in December 2006, per leave of the Commission.

3. On April 3, 2007, the Commission issued its **Order Regarding Status Reports**, in which it granted a Staff motion to change the frequency of the status report filings from monthly to quarterly. The Staff filed quarterly status reports in June, September, and December 2007 and in March 2008.

4. Attached as Appendix A hereto is the *Staff Monitoring Report* dated June 15, 2008, which covers the Company's activities during the months of March, April, and May 2008. Included in this report is information regarding the following matters: (a) the Company's most recent customer billings; (b) the Staff's most recent review of the Company's books and records; (c) the Staff's conclusions regarding the Company's use of its funds; (d) the Company's past-due customer account balances; (e) the Company's efforts regarding collection of certain of the past-due customer accounts; (f) customer service complaints and inquiries; (g)

general liability insurance; (h) the Company's DNR operating permit fees; (i) Walden sewer repair bill; (j) personal property taxes; (k) the Company's 2007 annual report and statement of revenues; and (l) the proposed sale of the Company's sewer system.

5. The principal findings in the attached *Staff Monitoring Report* are the following:

(a) Part of the compensation paid to Mr. Holmes represented a duplication of other payments, and adjustment will need to be made in the future.

(b) The past-due balances that Mill Creek's customers owe to the Company now total \$4,090.

(c) The Company has received a reasonable quotation for the purchase of a commercial general liability insurance policy, but has not yet purchased this insurance, and should do so soon.

(d) The Company needs to continue to budget for payment of all Department of Natural Resources operating permit fees;

(e) The Company needs to determine the correct amount of the bill for services provided by Walden Associated Technology and arrange to pay that bill;

(f) The Company needs to determine the correct amount of the bill for current and past due property tax obligations and budget for the payment of those tax obligations.

(g) The Company's owner has offered to sell all of his stock in the Company to Mr. Holmes. This offer has not been accepted or rejected, and negotiations continue.

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

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CERTIFICATE OF SERVICE

I hereby certify that copies of this Status Report, and the attached *Staff Monitoring Report*, have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronic mail to all counsel and/or parties of record this 13th day of June 2008.

/s/ Keith R. Krueger

APPENDIX A

Staff Monitoring Report

Case No. SR-2005-0116

June 13, 2008

Staff Monitoring Report

Case No. SR-2005-0116

Mill Creek Sewers, Inc.

Prepared By:

Lisa Hanneken

Auditing Department

And

James Merciel

Water & Sewer Department

Missouri Public Service Commission

June 13, 2008

ORDER REGARDING STATUS REPORTS

As part of its Order Regarding Status Reports (Order), effective April 3, 2007, the Commission granted the Staff permission to reduce the frequency of filing of its Status Reports for Mill Creek Sewers, Inc.'s (Mill Creek's) from a monthly basis to a quarterly basis. Staff's last monthly Mill Creek status report was filed on March 15, 2007 and the first quarterly status report was filed on June 15, 2007. Also, as part of its Order, the Commission directed the Staff to immediately notify the Commission if at any time, changes are made regarding the operation or management of Mill Creek, particularly a change in the management company from Testing Analysis and Control, Inc. to a different entity. Jim Holmes, Mill Creek's office manager, indicated that no such changes in operation or management have occurred.

INFORMATION REGARDING CUSTOMER BILLINGS

Since the Staff's previous quarterly status report dated March 15, 2008, Mill Creek has issued additional customer billings. On or about March 1, April 1 and May 1, 2008, Mill Creek issued its twenty-eighth, twenty-ninth and thirtieth customer billings under its new rates, for service provided during the months of February, March, and April 2008 respectively. On or about June 1, 2008, Mill Creek issued its thirty-first customer billing under its new rates, for service provided during the month of May 2008, which will be addressed as part of the Staff's fifth quarterly review of Mill Creek's books and records, scheduled to be filed by September 15, 2008.

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

On June 5, 2008, Lisa Hanneken of the Auditing Department's St. Louis Office reviewed all available Mill Creek books and records to determine if the Company's use of the funds that were collected from its March 1, April 1 and May 1, 2008 customer billings complied with the provisions of the Second Supplemental Agreement applicable to that matter.

The Staff notes that Mr. Holmes did not make all of Mill Creek's records available to the Staff during this review. However, subsequent to the meeting, Mr. Holmes faxed the remaining data required by Staff.

Based on this June 5th review of the books and records that the Company made available to the Staff, Ms. Hanneken determined that Mill Creek had appropriately spent the customer funds collected from its March 1, April 1 and May 1, 2008 customer billings on the following items: (1) payment for operations and maintenance of the wastewater treatment plant; (2) payment for electricity expense; (3) compensation paid to Jim Holmes, Mill Creek's office manager, for customer billing and office manager duties; (4) postage stamps used for billing customers and making payments; (5) envelopes for billing; and (6) payment for telephone expense.

During Staff's last review on March 5, 2008, the Staff discovered that Mill Creek had fallen behind in making payments to Testing Analysis and Control (TAC), for operation and maintenance services related to Mill Creek's wastewater treatment plant and also to AmerenUE for electric service to its wastewater treatment plant. During the June audit, Staff learned that the Mill Creek is now current in its payments to TAC and AmerenUE.

The Staff discovered during its December 5, 2007 review, that effective September 1, 2007, Mr. Holmes increased his salary from \$290 to \$325 on a monthly basis. The Staff believes that this increase for Mr. Holmes' salary, on a monthly basis, is reasonable. However, during the March 5, 2008 review the Staff noted a payment of \$176, during December 2007, made to Mr. Holmes as compensation for time that he spent handling matters related to a collecting sewer backup issued that occurred earlier in 2007. The Staff explained to Mr. Holmes that, serving in his role as Mill Creek office manager, he is expected to occasionally devote additional time to address these types of issues. The Staff also explained to Mr. Holmes that he is not an hourly employee and that his salary takes into consideration these types of events. The Staff will address how Mill Creek should handle this payment as part of another payroll issue that is discussed in the next three paragraphs.

Mr. Holmes was never paid for his completion of the first four customer billings under the new interim rates, specifically for customer billings that occurred on November 1, 2005, December 1, 2005, January 1, 2006 and February 1, 2006. During October 2007, Mr. Holmes issued an \$870 payment to himself for "back pay" that related to his completion of the December 1, 2005, January 1, 2006 and February 1, 2006 billings as well as for his other office managerial duties. Mr. Holmes had previously not been compensated for these billing services and therefore this payment was appropriate. Therefore, upon receipt of this \$870 payment, Mr. Holmes was only owed an additional \$290 for his completion of Mill Creek's first customer billing that was issued on November 1, 2005.

During the March 5, 2008 review, the Staff discovered that during December 2007, Mr. Holmes had issued a payment for \$905 for billing services that he had described on the memo line of the applicable check as pertaining to January and February 2006 billings as well as payment for the recent December 2007 customer billing (\$290 for January 2006 + \$290 for February 2006 + \$325 for December 2007). However, as was noted in the Staff's Status Report, payment for January 2006 and February 2006 would represent a double payment for Mr. Holmes billing

services. The Staff agrees that \$325 of the \$905 payment is appropriate to address the December 2007 billing. The Staff believes that an additional \$290 of the \$905 payment would also be appropriate, because it would compensate Mr. Holmes for Mill Creek's first customer billing that was issued on November 1, 2005. However the remaining \$290 of this \$905 total payment is inappropriate because Mr. Holmes was made whole for all previous billing services upon receipt of payment for the November 1, 2005 billing and therefore this \$290 portion represents a duplicate payment. The Staff has requested that Mr. Holmes apply the aforementioned \$176 payment as well as the \$290 duplicate payment as a credit toward future payments for customer billings during 2008.

During the June 5, 2008 review Staff noted that Mr. Holmes was paid \$325 for each the January, February, March and April 2008 billings. Mr. Holmes indicated he was discussing the \$176 with Mill Creek's owner, Mr. Joseph Afshari, to determine if Mr. Afshari would reimburse Mill Creek, given that Mr. Afshari authorized the payment. In addition Mr. Holmes indicated the \$290 had not yet been credited to Mill Creek. During the next quarterly review, the Staff will follow up on this matter to ensure that Mr. Holmes has handled this matter appropriately.

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

As of May 31, 2008, Mill Creek's customer account past-due balances totaled approximately \$4,090. During the review, Mr. Holmes reported that six of Mill Creek's current customers are responsible for \$2,815 (approximately 69%) of this total. Additionally, there are two accounts that are responsible for approximately \$1,005 (approximately 24%) of the total, for which the current customers did not create the past-due balances. Mill Creek is still attempting to collect the past-due balances for these two accounts from real estate title companies. Mr. Holmes has been in contact with a title company with regard to one of these two accounts but still has been unable to reach a resolution with the title company. Mr. Holmes also reported that two additional customers in addition to those discussed above continue to pay extra amounts, as part of a special payment plan arrangement. These two customers are responsible for approximately \$235 (approximately 6%) of the past due total. The remaining \$35 of past due amounts pertain to small past due balances owed by various customers.

A historical summary of Mill Creek's total past-due account balances, which include the outstanding balances related to title company matters, 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
Balance at August 31, 2006	\$4,945
Balance at September 30, 2006	\$5,010
Balance at October 31, 2006	\$5,030
Balance at November 30, 2006	\$5,615
Balance at December 31, 2006	\$6,455
Balance at January 31, 2007	\$6,100
Balance at February 28, 2007	\$5,720
Balance at March 31, 2007	\$4,745
Balance at April 30, 2007	\$5,110
Balance at May 31, 2007	\$5,500
Balance at June 30, 2007	\$5,740
Balance at July 31, 2007	\$5,970
Balance at August 31, 2007	\$4,990
Balance at September 30, 2007	\$4,915
Balance at October 31, 2007	\$5,050
Balance at November 30, 2007	\$4,890
Balance at December 31, 2007	\$4,980
Balance at January 31, 2008	\$3,850
Balance at February 29, 2008	\$4,110
Balance at March 31, 2008	\$4,175
Balance at April 30, 2008	\$3,955
Balance at May 31, 2008	\$4,090

The Staff will continue to monitor the progress of Mill Creek's collection efforts regarding its past-due customer accounts, will assist the Company in those efforts as deemed appropriate and will include updates regarding this matter in its future quarterly status reports.

CUSTOMER SERVICE COMPLAINTS AND INQUIRIES

A review of the Consumer Quality data base in the Commission's electronic filing and information system (EFIS) revealed that no customer complaints or inquiries were made since the time of the last quarterly review, which was conducted in March 2008.

COMMERCIAL GENERAL LIABILITY INSURANCE

As the Staff reported in its December 2007 status review, Mr. Holmes provided the Staff a copy of a quote that he obtained from the Associated Insurance Group, Inc. to provide commercial general liability insurance coverage for Mill Creek. The cost for this insurance coverage was approximately \$1,075 annually. This cost is comparable to what other small utilities must pay for similar types of insurance coverage. During that review period, as well as the current review period, Mr. Holmes indicated to the Staff that he has not yet obtained this commercial general liability insurance coverage for Mill Creek's operations. The Staff again recommended to Mr. Holmes that he should obtain this insurance coverage for Mill Creek as soon as possible.

DNR OPERATING PERMIT FEES

The Missouri Clean Water Law requires that all sewer utilities pay an annual operating permit fee to The Missouri Department of Natural Resources (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. As recently as August 2006, Mill Creek owed DNR approximately \$10,000 for past due operating permit fees and related late fees. Since that time Mill Creek has made significant progress towards paying for this past due balance owed.

The Staff contacted DNR on Tuesday, June 10, 2008 and learned that Mill Creek currently owes the DNR a total of \$5,500, of which \$3,000 is for previous years operating permit fees with applicable late fees, along with \$2,500 for its 2008 operating permit fee. Mill Creek needs to continue to budget its expenses in order to address the amounts owed to DNR for its current and past due annual operating permit fees.

WALDEN SEWER REPAIR

Since Staff's last review on March 5, 2008 Mill Creek experienced a collecting sewer blockage which was addressed by Walden Associated Technology. At the time of the present review, Mill Creek had just received the invoice for approximately \$2,400 from Walden. Mr. Holmes expressed some concern that the amount of the invoice was calculated incorrectly; therefore he has decided to contact Walden to discuss the invoice, and then make payment based on the results of that discussion. Staff will follow up on the results of this during its next review.

PERSONAL PROPERTY TAXES

During October 2007, Mill Creek received from the St. Louis County Collector of Revenue, a personal property tax bill in the amount of approximately \$6,590. On June 3, 2008, the Staff contacted the St. Louis County Collector of Revenue (Collector) to obtain the current balance that Mill Creek owed and discovered that this past due balance continues to accrue interest and penalties and has increased to a \$7,157 past due balance. This past due balance reflects amounts owed for the current year's assessment, as well as delinquent amounts owed from four prior years' assessments, for taxes pertaining to Mill Creek's plant facilities. The Collector indicated that it is will start its collection and court process this summer. When asked about the balance, Mr. Holmes stated he is trying to get someone from the Collector's office to come out to look at the facility because he does not feel the taxes are correct. Staff recommended that Mr. Holmes contact the Collector to arrange an appointment as soon as possible to prevent any negative action by the Collector. Once a determination has been made as to the correctness of the amounts, Mill Creek will need to budget its expenses in order to pay for any outstanding balance that is owed to St. Louis County Collector of Revenue for the personal property taxes, much in the same way as it has previously done to address its large past due balances owed to DNR.

2007 ANNUAL REPORT AND STATEMENT OF REVENUES

Mill Creek has submitted these items to the Missouri Public Service Commission, and they are in compliance with the filing requirements.

PROPOSED SALE OF SYSTEM

On January 15, 2008, Mill Creek's owner, Mr. Joseph Afshari, tendered a proposal of sale of Mill Creek Sewer Company, Inc. to Mill Creek's office manager, Mr. Jim Holmes. Mr. Afshari currently maintains 100% ownership of the stock of Mill Creek Sewers, Inc.. Mr. Afshari's proposal contemplates the sale of all of this stock to Mr. Holmes for the sum of \$100,000 with no down payment, zero percent interest, with a yearly payment of \$5,000 per year payable in one lump sum on or before December 31st of each calendar year for a period covering 20 years until said balance is paid in full. Mr. Holmes indicated to the Staff that he and Mr. Afshari are still engaged in negotiations and that no agreement has been reached yet. The Staff requested that Mr. Holmes contact the Staff regarding any new developments with regard to these negotiations.