

CLEAN VERSION OF REVISED MEMO – OCTOBER 27, 2020

Agenda Date: October 29, 2020
Item Number: B1

Docket: **TG-180782**
Company Name: Freedom 2000, LLC, d/b/a Cando Recycling and Disposal

Staff: Greg Hammond, Regulatory Analyst
Mike Young, Section Manager, Water and Transportation
John Cupp, Consumer Protection Staff

Recommendations

Take no action, thereby allowing the tariff revisions filed by Freedom 2000, LLC on August 27, 2020, and revised on October 27, 2020, to take effect January 1, 2021, by operation of law.

Discussion

On August 27, 2020, Freedom 2000, LLC, d/b/a Cando Recycling and Disposal (Cando, or company) made a compliance filing with the Washington Utilities and Transportation Commission (commission) pursuant to Order 01 in Docket TG-180782, which required compliance filings to be made by August 15, 2019, and August 15, 2020. The ordered compliance filings were a result of the company's general rate case under this docket that was filed in 2018.

The company's proposed tariff revisions would result in an overall revenue decrease of approximately \$23,000 (-4.5 percent). This is comprised of a revenue decrease of approximately \$112,000 (-28.3 percent) for garbage operations, and a revenue increase of approximately \$89,000 (73.1 percent) for recycling operations. While the proposal would result in an overall revenue decrease, it would result in a rate increase to the company's residential customers of \$0.56 due to the large increase to recycling rates.

The Whatcom County Health department (County) passed Ordinance 2018-031 which established a minimum curbside collection service of 26 annual pickups, or every-other week service, consisting of one 32 gallon garbage can and three-bin set of source separated recyclables.¹ The ordinance dictates the cost of the minimum level of service, and as per the commission tariff, will be billed as an annual fee on the property tax bill for each single family residence.

Because the company's initial general rate case filing included several projections and estimates to determine appropriate rates for the new mandatory garbage and recycling service, the commission ordered two follow-up compliance filings to review, and if necessary, adjust the rates set during the general rate case. The company's first compliance filing, filed in 2019, used six months of financial data and resulted in no change to rates. However, the 2019 compliance filing identified a

¹ While the company offers residential customers weekly pickup service, customers selecting weekly service will be billed an additional amount by the company which is on top of the garbage and recycling collection assessment billed and collected by the county. The additional amount billed by the company to weekly customers will compensate the company for higher costs associated with weekly garbage pickups.

disparity between the company's garbage and recycling rates, which would have resulted in a minimal overall change to monthly charges for residential customers. This filing reflects the final compliance filing ordered by the commission and uses twelve months of actual financial data from July 1, 2019 through June 30, 2020.

Commission staff (staff) has reviewed the submitted workpapers and financial data provided by the company. Staff believes the proposed rates would result in excess revenue. Staff's primary adjustments include the removal of certain payroll and depreciation expenses which were double counted in the company's submitted workbook. Staff also added back the company's repairs and maintenance expense account, which had not been counted due to an error in the submitted workbook.

Staff also investigated the effects of COVID-19, as the test year does contain a few months (March-June) after the outbreak began. In March of 2020, the border between the US and Canada was closed, meaning some customers who reside in Canada were unable to visit their homes in Pt. Roberts. This has resulted in a slight reduction in residential tonnage volumes for garbage and recycling when compared to last year's filing. For the months of March through June, residential garbage tons dropped approximately 14 percent and approximately 13 percent for residential recycling tons when compared with the amounts reported in 2019. As a result, the costs incurred for disposal have decreased about \$4,000 for residential garbage and recycling over this period, when compared to 2019. Staff found the company's payroll expenses and driver hours were comparable over this period. Other company expenses are relatively fixed and have remained stable throughout the test year. Because a general rate case results in a true-up of revenues and expenses, any cost savings incurred by the company over this period would be passed back to customers in this rate filing.

Due to the nature of the billing process through the county, service levels for residential garbage and recycling are fixed. Therefore, company revenues and expenses remain relatively constant. For commercial garbage and roll-off services, both revenues and expenses fluctuate based on actual number of pickups, making any potential revenue excess from these services minimal. The significant changes in March-June resulted from reduced commercial pickups, with corresponding reductions in revenue.

After adjustments, the company and staff have agreed to a revised revenue requirement, which would result in an overall revenue decrease of approximately \$47,000 (-9.2 percent). This is comprised of a decrease to garbage revenue of approximately \$116,000 (-29.3 percent) and an increase to recycling revenue of approximately \$68,000 (56.3 percent). Residential customers would see an overall rate decrease of \$0.44 per month. On October 27, 2020, the company filed revised tariff pages at staff recommended levels.

Rate Comparison

Line of Service	Current Rate	Company Proposed Rate	Revised Rate	Percent Increase/Decrease
32 Gal. EOW Garbage	\$ 11.68	\$ 8.37	\$ 8.26	-29.3%
EOW Recycling	\$ 5.28	\$ 9.14	\$ 8.26	56.3%
1.5 Yard Garbage Per Pickup	\$ 41.50	\$ 29.75	\$ 29.34	-29.3%

Customer Comments

The company notified its customers of the proposed rate increase. The last letters were mailed Oct. 14. Staff received 20 consumer comments opposed to a rate increase.

General Comments

Customers do not understand how an increase could be justified with the border being closed to Canadians, who represent most of the customer base.

Staff Response

Staff's review found the company had not supported an increase, and in fact would result in an overall decrease in company revenues. The proposed rate impact for residential customers resulted in a total monthly rate increase for recycling and a decrease for garbage. The increase is driven by the revenue deficiency from the company's recycling operations. The garbage decrease is a result in lower disposal cost.

Rates are based on the company's expenses, and the service level set by Whatcom County. Customers were told that comments about service levels should be directed to the county.

Conclusion

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