



WASHINGTON REFUSE & RECYCLING ASSOCIATION

November 19, 2010

Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 South Evergreen Park Drive S.W.
PO Box 47250
Olympia, WA 98504

RE: Docket No. T-101661, Fuel Surcharge Inquiry

Dear Mr. Executive Director and Secretary:

The Washington Refuse & Recycling Association ("WRRA") is appreciative of the Commissioners' willingness to engage in a conversation/rulemaking in order to develop a process that would allow solid waste companies the ability to continue to impose fuel surcharges when warranted.

As you know, we did not support the commission's action to rescind Order 02 in Docket A-042090. Our rationale for retaining the fuel charge mechanism has not changed and I would direct your attention to our September 28, 2010 letter in Docket A-042090 and my testimony during the September 30th open meeting. I have provided a copy of the September 28th letter.

The commission staff recommended the elimination of the fuel surcharge based on three primary assumptions/assertions. First, that volatility with the price of diesel fuel has disappeared and will not reappear in the future. Secondly, that the large number of fuel surcharges they have been asked to review over the past five years is not an efficient use of staff time. We disagreed with both these points in our letter of September 28th and my testimony.

Finally, the WUTC Staff commented at the September 30th open meeting that they believe that the continued use of a fuel surcharge mechanism in lieu of a general rate case review could lead to over earning by regulated companies. We vigorously disagree with this point as well and addressed this issue specifically in my testimony before the commission.

This particular allegation has been disproved repeatedly as the commission has found in several recent rate cases dealing with disposal fees. Indeed, this issue transcends the fuel surcharge issue. Similar rationale was used to reverse the single item filing process policy for disposal fee adjustments that been in place for years at the WUTC.

WRRRA has previously offered solutions for rulemaking or policy clarification that would allow single item rate filings for several cost items (disposal fee increases, fuel surcharge, tax increases (specifically "temporary" increases)). We would again ask the commission to revisit our proposals to allow companies that have had a general rate case within the preceding 5 years to be allowed to utilize the expedited process of a single item filing. Such a policy would alleviate the expressed staff concerns while allowing for an efficient and expedited process for single item rate filings in lieu of general rate cases, which would save on costs to the WUTC, the regulated companies and the ratepayers.

Lastly, Commission staff commented at the open meeting that the WUTC does not audit the annual reports filed by regulated companies. The WRRRA would like to work with the WUTC staff and Commissioners to facilitate an audit of at least a sample group of solid waste collection companies' annual reports. Again, we believe this perceived deficiency does not well serve the WUTC, the regulated companies or the ratepayers, and has and will be misleading to or misrepresented by less informed parties.

WRRRA looks forward to working with the Commission to address the concerns featured in this docket. If the Commission believes the current fuel surcharge process is flawed, the WRRRA looks forward to working with the Commission to address any undue administrative burdens while maintaining the efficiencies of the current process.

Thank you for your consideration of these views. Please feel free to contact me at any time with your thoughts.

Respectfully,

A handwritten signature in black ink that reads "Brad Lovaas". The signature is written in a cursive, flowing style.

Brad Lovaas
Executive Director



WASHINGTON REFUSE & RECYCLING ASSOCIATION

September 28, 2010

Mr. Jeff Goltz, Chairman
Washington Utilities & Transportation Commission
PO Box 47250
Olympia, WA 98504

RE: Docket No. A-042090 Fuel Surcharge

Dear Chairman Goltz:

The Washington Refuse & Recycling Association (WRRA) is greatly concerned by the staff recommendation to eliminate the Fuel Surcharge. The WRRA does not support that action and believes the Commissioners should instead engage in a conversation that will allow the fuel surcharge mechanism to remain a tool for the Commission's use in the future.

Neither the WRRA nor industry members were consulted prior to the recommendation. The recommendation appears to be based upon two primary points.

First, that volatility within the price of diesel fuel has disappeared and will not reappear in the future. We strongly disagree with that premise and as such were surprised by the staff recommendation. The last year of this severe economic recession is not normal compared to the prior five years of fuel price volatility.

Secondly, that the number of fuel surcharges they have been asked to deal with over the past five years. We believe that the fuel surcharge procedure has actually saved staff time and has avoided more complex general rate filings to capture fuel volatility.

Fuel price volatility is of particular concern to the smaller-medium size haulers and/or those who serve in rural areas who would be forced to potentially incur the expense of a general rate case (not inconsequential in accounting and attorney fees) every time fuel spikes. Fuel is a very significant cost of service element in rural service areas, where some routes can amount to several hundred miles for a roundtrip. For companies using diesel vehicles averaging 4 mpg, spikes in fuel costs seriously undermine those companies' bottom lines. If these companies also have low disposal fees, then fuel is a bigger component of their overall costs and volatility is an even bigger factor. Adding the costs of a general rate increase to those over-burdened companies will detrimentally affect service levels across the state.

While the WRRRA understands the effect fuel surcharges may have had on agency resources, the regulated solid waste collection industry as a whole should not have to suffer. However, we propose the Commission leave in place the current process for our industry or instead propose a change to WAC 480-07-505 which, if approved, would recognize fuel spikes as justification for a single-item rate filing, thus reducing the costs of a general rate increase for our companies, their customers and at the same time, mitigating the impact on WUTC resources.

As explained above, for the smaller-medium size haulers and/or those who serve in rural areas, fuel is one of the largest single items of expense and forcing those companies to a general rate case filing when fuel spikes unexpectedly is not fair, just or reasonable. The fuel surcharge mechanism has allowed affected companies to obtain rate relief for defined intervals in a fashion that grants more immediate and directed relief than general rate filings, which require a minimum of 45 days' advance notice and significant accounting backup. Isolating the cause of the cost of service spike is a far more "surgical" method of dealing with surging cost pressures, which literally might threaten the long-term viability of affected carriers, and is far more economical and prudent than mandating general rate filings. Fuel has been a particularly volatile expense item over the past decade and treating that cost of service element differently has significant, practical and historical justification.

Prior to adoption to the current methodology for fuel surcharges which was indeed accomplished with the support of the WRRRA, the Commission had wrestled with alternatives for authorizing fuel surcharges for many years. The WUTC Staff, in the period leading up to implementation of the mechanism, held numerous and constructive meetings with the industry and proposed a streamlined and efficient procedure that would be straightforward, expeditious and relatively simple for both WUTC Staff and the industry. WRRRA would again be available to develop any revised process, if the Commission believes the current process is flawed, that addresses the concerns of administrative burdens while maintaining those beneficial characteristics of the current process.

In conclusion, we believe that the Commission should not adopt the recommendation in Docket Number A-042090. Thereafter, we would request that there at least be dialogue between the WUTC and the WRRRA on this issue before any steps are taken that could seriously affect our member companies. Lastly, we would ask the Commission, through policy or even better, rule adoption, to memorialize the current fuel surcharge process.

Thank you for your consideration of these views. Please feel free to contact me at any time with your thoughts.

Respectfully,

A handwritten signature in black ink that reads "Brad Lovaas". The signature is written in a cursive, flowing style.

Brad Lovaas
Executive Director