

Agenda Date: February 28, 2008  
Item Number: B3

**Docket: TG-080105**  
Harold LeMay Enterprises, Inc., d/b/a Pierce County Disposal, G-98

Staff: Layne Demas, Transportation Program Staff  
Dennis Shutler, Consumer Program Staff

### **Recommendation**

1. Issue a Complaint and Order Suspending the Tariff Revisions filed by Harold LeMay Enterprises, Inc., d/b/a Pierce County Disposal.
2. Allow temporary rates at the staff recommended revised rates to become effective March 1, 2008, subject to refund.

### **Discussion**

On January 16, 2008, Harold LeMay Enterprises, Inc., d/b/a Pierce County Disposal, G-98 (Pierce County Disposal or company), filed with the Washington Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$1,560,000 (7.56 percent) in additional revenue per year. The tariff revisions propose to increase rates for solid waste collection, curbside recycling, and update the recycling commodity credit. Pierce County Disposal serves approximately 45,000 residential and commercial customers in southern Pierce County and a small portion of northern Thurston County. Pierce County Disposal's last general rate increase became effective March 1, 2007. The proposed rate revisions are prompted by an increase in disposal fees, labor and benefits, and increased investment. Disposal fees are increasing in Pierce County from \$98.89 to \$101.95 per ton and in Thurston County from \$72.46 to \$76.00 per ton.

Staff's analysis showed Pierce County Disposal's proposed rates were excessive. Staff and the company have negotiated revised rates that will generate approximately \$1,500,000 (7.25 percent). On February 19, 2008, Pierce County Disposal filed substitute pages with the commission at the staff recommended revised rates

Pierce County Disposal notified its customers of the proposed rate increase by mail on January 31, 2008. The commission has received twenty comments on this filing. The commenting customers believe the requested rate increase is:

- More than what inflationary rates should be, unjust when consumers' incomes are not increasing proportionally and out of proportion to area wages and inflation.

Staff's response - Although staff understands the customers' concerns regarding the amount of the increase, we do not explicitly consider the amount of the increase in preparing recommendations. Staff's goal is to recommend the "right" rates that will allow the company to recover reasonable operating expenses and provide an opportunity to earn a reasonable return on investment.

- Excessive when the company owns the landfill and unjust when the company is profiting from the landfill.

Staff's response – The commission sets rates only for the company's regulated solid waste collection business. The commission does not regulate the company's landfill operation. Pierce County regulates the company's landfill and sets the disposal rates.

- Unjust to retired citizens living on limited and fixed incomes.

Staff's response – The commission sets rates using a cost-of-service methodology. Rates are charged by the service a customer chooses. A customer who generates little solid waste may choose a service more appropriate to his or her needs.

- One customer stated he did not like paying for benefits for another company that he himself cannot afford.

Staff's response – The company pays benefits that are normal and customary for businesses with employees. A fair portion of these benefits are mandated by collective bargaining agreements.

- One customer stated he wanted a different can size and date of pickup than is currently offered..

Staff response – The company offers a large variety of services, all of which must be listed in its tariff. The company cannot tailor its services to whatever a specific customer may wish.

- One customer thinks the company should offer senior discounts

Staff response - Senior discounts are not allowed in regulated rates as they are deemed discriminatory. Any rate reduced for a non-service related reason is made up by increased rates to another service.

Customers deserve to know about, and comment on, the proposed revised rates. The purpose of this recommendation is to allow additional time for customers to comment. The commission should consider all information, including any additional customer comments, in deciding whether to approve the proposed revised rates on a permanent basis. Pierce County Disposal, therefore, has not demonstrated the proposed revised rates are fair, just, reasonable, or sufficient.

### Rate Comparison

<u>Residential - monthly rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
One 32 gallon Can per week	\$ 12.50	\$ 14.25	\$ 14.20
Two 32 gallon Cans per week	18.70	21.00	20.80
One 65 gallon Cart per week	19.15	20.15	20.00
One 65 gallon Cart every other week	12.80	13.20	13.10
Curbside Recycling	4.35	5.02	N/C
Recycle Commodity Credit	( 1.68)	( 1.90)	N/C

### Commercial - per pickup

One Yard Container -1 <sup>st</sup> pick up	\$ 19.60	\$ 25.60	N/C
One Yard Container – additional pick ups	12.52	13.16	N/C
Two Yard Containers -1 <sup>st</sup> pick up	33.91	41.56	N/C
Two Yard Containers – additional pick ups	23.15	23.56	N/C
20 Yard Drop Box – 1 <sup>st</sup> pick up	123.00	160.00	N/C
20 Yard Drop Box – additional pick ups	70.00	115.00	N/C

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the expenses are required and reasonable for Pierce County Disposal's operation. The company's financial information supports the revised revenue requirement and the revised rates are fair, just, reasonable, and sufficient.

### Conclusion

1. Issue a Complaint and Order Suspending the Tariff Revisions filed by Harold LeMay Enterprises, Inc., d/b/a Pierce County Disposal.
2. Allow temporary rates at the staff recommended revised rates to become effective March 1, 2008, subject to refund.