

Agenda Date: June 27, 2019
Item Number: B1

Docket: **TG-190181**
Company: Fiorito Enterprises Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal, Allied Waste Services of Kent, Republic Services of Kent

Staff: Cristina Steward, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff revisions filed by Fiorito Enterprises Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal, Allied Waste Services of Kent, Republic Services of Kent, on March 15, 2019, as revised on June 18, 2019, to become effective July 1, 2019, by operation of law.

Discussion

On March 15, 2019, Fiorito Enterprises Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal, Allied Waste Services of Kent, Republic Services of Kent (Fiorito, or company), filed tariff revisions with the Washington Utilities and Transportation Commission (commission) that as originally filed, would generate approximately \$862,000 (8.58 percent) in additional annual revenue. The company serves approximately 16,000 residential and 800 commercial customers in King County. The company's last general rate increase generated approximately \$605,000 (6.6 percent) and became effective on July 1, 2015.

The requested increase was prompted by increases in recycling processing costs due to China's National Sword policy. China has changed its requirements for accepting recycling material and made these requirements more stringent. This change has increased costs of processing and marketing recycling material. Due to the company's increased recycling processing costs, it has a temporary recycling processing surcharge of \$0.41.

The parent company (Rabanco LTD) has multiple locations and shared costs, so costs are allocated to each operation and service line using applicable allocation factors. The company model uses four different expense allocators, one of which was revenue. Revenue, as an allocator, is circular in that as revenue increases, the allocated expenses based on revenue also increase, which then leads to a higher revenue requirement.

In this filing, the company initially used revenue as a basis for allocating general and administrative expenses. However, commission staff (staff) finds customer count to be a more accurate basis for cost allocation and proposed a revised revenue requirement of \$730,000 (7.3 percent) additional annual revenue. The company agreed with staff's allocation methodology and the resulting annual revenue increase. Staff and the company further agreed to a general 7.2 percent increase to all rates to settle the case. The rate increase also eliminates the temporary

recycling surcharge of \$0.41 as recycling costs recovered in the surcharge are included in the revised revenue requirement and resulting rate increase.

Staff has completed its review of the company's books, records, and financial statements. The company filed revised tariff pages on June 18, 2019, at the agreed upon rates.

Residential Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Increase
1-Can Weekly Garbage	\$16.40	\$17.58	7.2%
Recycling – Every Other Week	\$7.90	\$8.47	7.2%
Yard waste – Every Other Week	\$9.22	\$9.88	7.2%

Commercial Rate Comparison

Per Pickup Rate	Current Rate	Proposed Rate	Increase
2-Yard per Pick-up	\$38.91	\$41.70	7.2%
6-Yard per Pick-up	\$102.54	\$109.89	7.2%
30-Yard Drop Box	\$129.23	\$138.49	7.2%
40-Yard Drop Box	\$129.23	\$138.49	7.2%

Customer Comments

On March 29, 2019, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received nine consumer comments, all opposed to the rate increase.

General Comments

Most customers commented that the amount of proposed increase in the recycling rate is excessive. They are also concerned about frequent rate increases.

Staff Response

Staff explained there are different types of rate increases, which is why rates are adjusted fairly often. Staff also explained that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Customers were also told that commission staff performs a thorough review of rate filings to ensure all rates and fees are appropriate.

Conclusion

Take no action, thereby allowing the tariff revisions filed by Fiorito Enterprises Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal, Allied Waste Services of Kent, Republic Services of Kent, on March 15, 2019, as revised on June 18, 2019, to become effective July 1, 2019, by operation of law.