

Agenda Date: December 27, 2012
Item Number: B8

Docket: TG-121822
Company Name: Waste Management of Washington, Inc., G-237
dba Brem-Air Disposal

Staff: Amy White, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

1. Authorize the company to file changes to pages 22 and 25 that were suspended in Docket TG-121484.
2. Issue a Complaint and Order Suspending the Tariff Revisions filed by Waste Management of Washington, Inc., on November 16, 2012, and December 14, 2012.

Discussion

On November 16, 2012, Waste Management of Washington, Inc, (Waste Management or company) on behalf of Waste Management of Washington, Inc, dba Brem-Air Disposal (Brem-Air), filed with the Utilities and Transportation Commission (commission) revisions to its currently effective Tariff No. 20, designated as 12th Revised Page No. 2, 8th Revised Page No. 22, 3rd Revised Page No. 23, and 7th Revised Page No. 25. The proposed filing would generate approximately \$1,600,000 (10.8 percent) additional annual revenue for the collection of residential recycling and yard waste. On December 14, 2012, the company filed a replacement page, 3rd Revised Page No. 23, to correct a clerical error. The last Brem-Air general rate increase became effective on November 1, 2007. Brem-Air provides regulated solid waste collection service to approximately 40,000 residential and multi-family customers in Kitsap County.

Pages 22 and 25 included in the company's filing in Docket TG-121882 seek to revise pages 22 and 25 that the Commission suspended in Docket TG-121484 on October 25, 2012. The commission also ordered that the company must not change or alter the tariffs filed in Docket TG-121484 during the suspension period, unless authorized by the Commission.

Brem-Air nevertheless requests that the commission authorize the company to file changes to those pages for the purpose of filing a general rate case to increase rates for the collection of residential recycling and yard waste, and to revise the recycling commodity adjustment credit. Staff has reviewed the request and the proposed tariff revisions and recommends that the commission authorize the company to file changes to pages 22 and 25 that were suspended in Docket TG-121484.

The proposed increases are prompted by increased maintenance, labor, fuel, and other operating and administrative costs. In addition, the filing was prompted by the company's acquisition of a recycling processing company, JMK Fibers, LLC (JMK), which included a change in accounting

methods to include the processing costs of JMK on the company's income statement rather than netting the processing costs against the recycling commodity revenue before paying a commodity credit to customers.

Commission staff has not yet completed its review of the company's supporting financial documents, books and records. Unresolved issues include the company's transactions with its recently acquired affiliate, JMK, and the integrity of the company's rate case financial model. Therefore, the company has not demonstrated the proposed rates are fair, just, reasonable or sufficient.

Customer Comments

On Dec. 1, 2012, the company notified its customers of the proposed rate increase by mail. Staff received 27 consumer comments regarding the proposed rate increase; 21 opposed to the rate increase, 2 in favor, and 4 undecided. Customers were notified that documents related to the rate increase are available on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or jcupp@utc.wa.gov with questions or concerns.

General Comments

- Sixteen customers believe the amount of the proposed recycling rate increase is excessive.

Staff Response

The customers were advised that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and earn a reasonable return on its investment. Regulatory staff review filings to ensure that all rates and fees are appropriate.

- One customer asked that the company consider picking up old printers, computers, and other electronic items.

Staff Response

Staff provided the customer with information about E-Cycle Washington, a program for free recycling of electronic items.

Rate Comparison

Residential Recycling	Current Rate	Proposed Rate	Monthly Change	Percent Increase
Monthly Service Rate	\$ 4.05	\$ 7.15	\$ 3.10	76.5%
Less: Commodity Credit	(\$ 1.01)	(\$ 2.72)	\$ 1.71	169%
Net Monthly Recycling Cost	\$ 3.04	\$ 4.43	\$ 1.39	45.7%

Yard Waste	Current Rate	Proposed Rate	Monthly Change	Percent Increase
Monthly Service Rate	\$ 8.15	\$ 8.45	\$ 0.30	3.7%

Conclusion

Commission staff has not yet completed its review of the company's supporting financial documents, books and records. Therefore, staff recommends that the commission :

1. Authorize the company to file changes to pages 22 and 25 that were suspended in Docket TG-121484.
2. Issue a Complaint and Order Suspending the Tariff Revisions filed by Waste Management of Washington, Inc., on November 16, 2012, and December 14, 2012.