

Agenda Date: June 27, 2019
Item Number: B2

Docket: TG-190378

Company Name: Waste Management of Washington, Inc. d/b/a WM – Healthcare Solutions of Washington

Staff: Greg Hammond, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff pages filed on May 14, 2019, and revised on June 18, 2019, to take effect July 1, 2019, by operation of law.

Discussion

On May 14, 2019, Waste Management of Washington, Inc. d/b/a WM – Healthcare Solutions of Washington (Healthcare Solutions or company) filed tariff revisions with the Utilities and Transportation Commission (commission). As initially proposed, the tariff revisions would have generated approximately \$582,000 (24.5 percent) in additional annual revenue. The proposed increases are prompted by increases in labor and processing costs. The company provides regulated medical waste collection service to approximately 2,000 customers in Washington State. The company's last general rate case took effect June 1, 2018.

Commission staff (staff) has reviewed the company's work papers and financial records. Staff's adjustments included the removal of bonuses and an adjustment to the end of period investment used to calculate the company's return-on-investment portion of the revenue requirement. This resulted in a slight reduction in the additional annual revenue requirement. Staff and the company agreed on a revised revenue requirement of approximately \$556,000 (23.4 percent) in additional annual revenue.

While staff found the company's proposed revenue requirement to be reasonable, after minor adjustments that resulted in a revised revenue requirement of \$556,000, staff had issues with the company's proposed recovery method which relied significantly on a new "Transportation and On-Site Management Fee" (new fee) which is an additional fee that would be charged on each pickup. This new fee would collect \$380,000 of the \$556,000 in additional annual revenue with the remaining revenue coming from an increase to its existing collection rates. The new fee is comprised of two proposed tiers that appears to be a zonal pricing structure. The first proposed tier is a \$12 per pickup rate that would apply to customers located along the I-5 corridor or within 40 miles of one of the company's base facilities, which are located in Seattle, Kennewick, Portland, and Coeur d'Alene. The second proposed tier was a \$75 per-pickup charge that would apply to customers who are not located along the I-5 corridor and are more than 40 miles from one of the base facilities. Staff found that the company did not provide adequate support for the amount to be recovered through this charge, nor the method on which the proposed fees were

calculated. Staff also felt that this additional charge as proposed would place a burden on some of the company's more rural customers and that the company did not provide the cost-of-service data necessary to ensure the charge was reasonable. Staff and the company agreed that the new fee should be removed, and that all of the additional annual revenue requirement would be recovered through increases to existing collection rates. The company is free to file for a separate transportation rate in the future, when they can provide a cost-of-service analysis for all rates and charges.

Also at issue was the proposed rate design on the company's existing rates. The company proposed varying percentage increases to its per-gallon charges, with the larger increases on its small volume and high volume rates. Because the company did not provide any cost-of-service data to support the varying percent increases on the different service levels, staff and the company agreed that all rates would increase proportionately, as is the typical practice.

Rate Comparison

Per Gallon Rates	Current Rates	Proposed Rates	Revised Rates	Increase
0-50 Gallons	\$ 1.56	\$ 1.85	\$ 1.92	23.1%
51-100 Gallons	\$ 1.18	\$ 1.22	\$ 1.45	22.9%
101-200 Gallons	\$ 0.86	\$ 0.86	\$ 1.06	23.3%
201-400 Gallons	\$ 0.64	\$ 0.64	\$ 0.78	21.9%
401-600 Gallons	\$ 0.48	\$ 0.48	\$ 0.59	22.9%
601-800 Gallons	\$ 0.36	\$ 0.36	\$ 0.44	22.2%
801-1,000 Gallons	\$ 0.30	\$ 0.32	\$ 0.37	23.3%
1,001-2,00 Gallons	\$ 0.28	\$ 0.30	\$ 0.34	21.4%
2,001+ Gallons	\$ 0.25	\$ 0.27	\$ 0.30	20.0%
Transportation and On-Site Management Fee				
Customers Not Along I-5 Corridor Outside 40 Miles of Base Facilities	N/A	\$ 75.00	N/A	N/A
Customers Along I-5 Corridor or Within 40 miles of Base Facilities	N/A	\$ 12.00	N/A	N/A

Customer Comments

On May 31, 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.

General Comments

Staff received one comment from a customer opposed to the increase because of its impact on smaller customers.

Staff Response

Staff informed the customer 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. The customer was 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 pages filed on May 14, 2019, and revised on June 18, 2019, to take effect July 1, 2019, by operation of law.