

Agenda Date: August 24, 2023  
Item Number: B2

**Docket:** TG-230599  
Company: Methow Valley Sanitation, Inc.

Staff: Ben Sharbono, Regulatory Analyst  
John Cupp, Regulatory Analyst

### **Recommendation**

Take no action, allowing the tariff revisions and rates, filed on July 18, 2023, as revised on August 16, 2023, to go into effect September 1, 2023, by operation of law.

### **Discussion**

On July 18, 2023, Methow Valley Sanitation, Inc. d/b/a Wastewise Methow (Methow or Company) filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that would generate approximately \$193,000 (14.0 percent) in additional annual revenue. Methow provides regulated garbage services to approximately 1,750 residential and 200 commercial customers in Okanogan County. The Company's last general rate increase became effective June 1, 2020.

Methow is seeking this increase due to increasing labor, pension, fuel, and maintenance costs. The Company continues to invest in necessary equipment to provide safe, efficient service.

Commission staff (Staff) reviewed the Company's capital assets and invoices. Since its last general rate increase, the Company acquired two new trucks and other equipment that are necessary and prudent to ensure reliable service. Assets whose depreciable life expired prior to the effective date of the new rates were removed, resulting in a slight decrease in depreciation expenses.

The Company noted in its filing that it has increased wages and benefits to employees. The Company states this is due to the increasing difficulty in hiring qualified personnel, especially in remote areas. Staff believes the increased wages were reasonable and justified by wages seen on other similar companies. Staff removed unallowable bonuses and revised the benefits expense to reflect the number of employees the Company documented were enrolled in the benefit programs, reducing wage and benefit expenses.

Staff made two revisions at the request of the Company. The first was to remove an expense that was owner related interest expense, decreasing expenses. The second was to correct a link in the workbook so the correct amount of non-regulated recycling processing costs were deducted from the company books, resulting in an increase in expenses.

Staff identified recycling processing costs were allocated using revenue. The Company stated it used the revenue to allocate the processing costs due its regulated rural recycling being picked up

by the same vehicle as the non-regulated rural commercial recycling pickups. It stated areas with higher customer density use separate collection routes. Staff advised the Company that revenue allocation may misallocate expenses since the revenue is not tied to a particular expense. The Company agreed to seek a more appropriate allocator in future requests.

Staff updated fuel expenses to the most recent 12-month period per Washington Administrative Code 480-70-360.

Staff has completed its review of the Company's books and other supporting documents and found the initial request for \$193,000 was overstated. Staff and the Company agree to a revised additional annual revenue of approximately \$162,500 (11.80 percent).

As part of the request, the Company requested to round rates to the nearest multiple of \$0.50. Staff's review of the impacts on customers found it could result in increasing or decreasing individual residential customers annual costs up to \$1.50. This could impact Commercial customers, positively or negatively, more significantly due to billing per pickup. Another factor Staff considered was the impact on future cases, which could stratify the rates depending on future rounding and whether the initial rounding created subsidization between rates.

After consideration, Staff and the Company agreed to round to the nearest 5 cents (\$0.05). Staff believes this balances, simplifying the rate structure, while not significantly impacting customers or risking compounding in future cases.

### **Rate Comparison**

The table below shows the current, Company-proposed, and Staff-revised rates, for the most common services. The full list of rates is included in the Company's tariff.

<b>Most Common Lines of Service</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>	<b>Difference</b>	
64-gal Cart Weekly	\$28.75	\$32.50	\$32.15	\$3.40	11.8%
1-Can Weekly	\$20.53	\$23.00	\$22.95	\$2.42	11.8%
Recycling with Garbage Service	\$23.50	\$26.50	\$26.25	\$2.75	11.7%
1-Yard per Pickup	\$19.84	\$22.50	\$22.20	\$2.36	11.9%

### **Customer Comments**

On July 31, 2023, the Company notified its customers by mail of the proposed rate increase. Staff received one comment, from a customer who supports the increase so the Company "can continue giving their excellent service."

### **Conclusion**

Take no action, allowing the tariff revisions and rates, filed on July 18, 2023, as revised on August 16, 2023, to go into effect September 1, 2023, by operation of law.