

To: Danny Kermode
From: Scott Sevall
Date: January 24, 2019
Subject: **Financial Review** - TG-181023, Superior Waste & Recycle LLC

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Recommendation

Staff finds the company is financially fit to provide the applied for solid waste service for at least 12 months. There is no statutory requirement for solid waste application to be reviewed for a 12 month feasibility. The 12 month review is required for other industries so staff finds it good practice for an application even when law does not specifically require it. There is no financial reason preventing the issuance of the company requested certificate of convenience and necessity (CC&N).

Discussion

On December 11, 2018, Superior Waste & Recycle LLC (Superior or company) filed with the Utilities and Transportation Commission an application to obtain a CC&N to provide solid waste service located in Kitsap County. Staff reviewed the application including financials to determine whether the company has the financial resources to operate its proposed service. Staff has reviewed the filed financial information and has concluded that the company does have the resources to operate the proposed service for a twelve month period.

Company Structure:

Superior started business in Washington on July 3, 2018, according to the Washington Secretary of State's Corporations Division website and registered with the Department of Revenue on September 23, 2018. The company's application indicates that Superior is wholly owned by Daniel Stein. The company indicated in its answers to staff questions that it has experience providing solid waste hauling. The company proposes to offer residential solid waste hauling in the surrounding area of Seabeck, Washington

The company currently owns a pickup truck, trailer and cans. The company has a known customer count for individual services that are proposed. The company is currently providing the service to but not receiving compensation.¹

¹ See docket TG-180181, Order 02

Balance Sheet Review:

- Assets, \$46,671
- Liabilities, \$33,000
- Equity, \$13,671

The applicant reports \$8,000 of cash on hand in its application. Additionally, the applicant reports \$38,671 in equipment assets for providing service. On the liabilities side, the company has reported \$33,000 in notes payable for the vehicle loan.

Pro forma Income Statement:

- Revenue, \$24,864
- Expenses, \$21,944
- Net Income, \$2,920

The company estimates a total annual revenue of \$24,864. This is comprised of a customer count totaling 49 customers using 5 different service levels. The company stated at a meeting January 18, 2019, that the customer count is known, and not a projection. He is currently serving the customers but not receiving compensation. At this time, Staff believes the customer count is reasonable. The company provided customer count also is between the customer counts derived in test 1 and test two of staff's analysis.²

Total expenses of \$21,944 are estimated by Superior. The expenses listed seem appropriate for the type of business. Some expense items have the potential to fluctuate outside of the company's control, for example fuel and maintenance costs; while others, like wages and debt costs, should remain relatively static. The company estimates a net income of \$2,920 after its first year of operations.

Since Staff's calculations, are based off of an actual customer count and not an estimate the gross revenue calculated should be accurate. The risk in the analysis is that expenses are not estimated correctly, however, fixed costs that are known make up almost 50 percent of the estimated expenses. The company would have to have underestimated expenses by 13.3 percent for the company to be at breakeven. In that case the company would still have \$8,000 of cash on hand. If the company generates the projected revenue the estimates of expenses would have to have been off by almost 50 percent for the company to use up its cash reserve.

Conclusion

Staff has reviewed Superior Waste & Recycle LLC financial information submitted in Docket TG-181023 and concludes the company has made reasonable efforts to estimate its finances under the proposed application. Based on the company's financial records provided, the company has adequate resources and therefore staff concludes Superior Waste & Recycle LLC has the financial resources to operate the proposed service for at least twelve months.

² See Staff Financial Analysis of Docket TG-181023