

Agenda Date: February 26, 2009
Item Number: B1

Docket: **TG-090086**
Waste Management of Washington, d/b/a Waste Management - Northwest, G-237

Staff: Layne Demas, Transportation Program Staff
Dennis Shutler, Consumer Protection Staff

Recommendation

1. Issue a Complaint and Order Suspending the Tariff revisions filed by Waste Management of Washington, d/b/a Waste Management - Northwest, to allow customers the opportunity to comment on the revised rates; and
2. Allow rates at the staff recommended revised rates to become effective March 1, 2009, on a temporary basis, subject to refund.

Discussion

On January 14, 2009, Waste Management of Washington, d/b/a Waste Management - Northwest, (Northwest or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$6,900,000 (17.5 percent) in additional annual revenue. The proposed effective date is March 1, 2009. The tariff revisions propose to increase rates for garbage, curbside recycling, and yardwaste collection services. The proposed rate revisions are prompted by increases in disposal fees, recycle and yardwaste processing costs, labor, fuel, medical insurance, pension costs, and other operating expenses. Snohomish County is increasing its disposal fee from \$89 to \$105 (18 percent) per ton. Northwest serves approximately 88,000 residential and commercial customers in Snohomish County. Northwest's last rate increase was effective June 1, 2005.

Staff's analysis showed Northwest's proposed rates were excessive. Staff and the company negotiated revised rates that would generate approximately \$6,300,000 (15.4 percent) in additional revenue. On February 18, 2009, the company filed substitute pages with the commission at staff's revised rates.

Customer Comments

A total of 149 customer comments have been received to date; four in favor, 138 opposed and seven undecided.

Consumer Protection staff advised customers that they have access to all company documents pertinent to this rate case at www.utc.wa.gov, and that they may contact Dennis Shutler at 360-664-1108 with questions or concerns.

Filing Documents and Methodology Comments

- Twenty-four customers commented on fuel expenses being one component of the rate increase request, though fuel costs have gone down.

Staff Response

The cost of fuel embedded in current rates, which became effective June 2005, is \$2.02. The company's fuel surcharges have recovered a portion of the fuel costs that were higher than the cost of fuel embedded in rates – the most recent price was \$4.15 in October 2008. The cost of fuel embedded in the proposed rates is \$3.67, and the fuel surcharges will expire.

Service Quality Comments

- Thirty-one customers stated charges should not be billed when services are not provided, such as during inclement weather.

Staff Response

Companies are not required to credit for missed pickups if they collect what they missed when conditions permit, as long as the amount of the extra garbage is reasonably what would have accumulated during the missed period.

Business Practices Comments

- Ten customers suggested differing levels of service from what is provided today, specifically: service once a month rather than weekly; service every other week rather than weekly; garbage cans smaller than 20 gallons; yard waste totes smaller than 96 gallons.

Staff Response

Consumer Protection staff forwarded these suggested service options to the company. The company responded stating if there was a sizeable interest and demand for additional levels of service, the company would consider this.

- One customer asked why the company is not developing a system to incinerate the garbage.

Staff Response

Consumer Protection staff forwarded these suggested service options to the company. The company responded stating the option of incineration is a decision of the county, and such consideration is not a part of the county's solid waste plan.

General Comments

- Eighty-five customers believe the amount of the increase is unacceptable and unaffordable, mentioning already high rates, increased cost of living and today's economic conditions as the reason for their opposition.

Staff Response

Consumer Protection staff advised customers that state law requires rates to be fair and reasonable for customers, but sufficient to allow the company the opportunity to recover operating expenses and earn a return on investment.

Rate Comparison

<u>Residential - monthly rates</u>	<u>Present</u>		<u>Proposed</u>		<u>Revised</u>
One Mini Can Per Week	\$7.45		\$8.90		\$7.70
One 32 Gallon Can Per Week	\$12.30		\$14.90		\$13.75
One 35 Gallon Cart Per Week	\$13.25		\$16.10		\$14.80
Mandatory Curbside Recycling	\$6.70		\$7.50		8.65
Recycling Commodity Credit (<i>expires July 31, 2009</i>)	(\$2.82)		(\$2.82)		(\$2.82)
Voluntary Yardwaste	\$9.20		\$10.80		\$9.55
<u>Commercial - per pickup</u>					
One Yard Container	\$13.30		\$16.60		N/C
Two Yard Container	\$22.90		\$28.60		N/C
Drop Box 10-50 Yard sizes	\$104.90		\$117.50		N/C

Average Customer Charge Comparison – One 35 Gallon Cart Customer

<u>Monthly Service</u>	<u>Present</u>		<u>Proposed</u>		<u>Revised</u>
Garbage	\$13.25		\$16.10		\$14.80
Mandatory Recycling- <i>net of commodity credit</i>	<u>\$3.88</u>		<u>\$4.68</u>		<u>\$5.83</u>
Total Garbage and Mandatory Recycling	\$17.13		\$20.78		\$20.63
Percentage increase			21.3%		20.4%
Voluntary Yardwaste	\$9.20		\$10.80		\$9.55
Total: Garbage, Mandatory Recycling and Voluntary Yardwaste	\$26.33		\$31.50		\$30.18
Percentage increase			19.6%		14.6%

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the expenses are reasonable and required as part of the company's operations. The company's financial information supports the proposed revenue requirement and the proposed rates and charges are fair, just, reasonable, and sufficient.

Conclusion

Although the company filed revised rates at lower levels, customers have not yet been advised that staff and the company have agreed to the revised rates and, as such, have not had the opportunity to comment on the revised rates. The commission should consider all information, including any additional customer comments on the revised rates, in deciding whether to approve the revised rates on a permanent basis.

Therefore, staff recommends that the commission:

1. Issue a Complaint and Order Suspending the Tariff revisions filed by Waste Management of Washington, d/b/a Waste Management - Northwest, to allow customers the opportunity to comment on the revised rates; and
2. Allow rates at the staff recommended revised rates to become effective March 1, 2009, on a temporary basis, subject to refund.