Agenda Date: February 24, 2022
Item Number: B1

Docket: TG-220030
Company: Lee A. Lamb d/b/a Lamb's Disposal

Staff: Ben Sharbono, Regulatory Services
John Cupp, Consumer Protection

Recommendation

Take no action, allowing the tariff revisions filed on January 12, 2022, as revised on February 16, 2022, to go into effect March 1, 2022, by operation of law.

Discussion

On January 12, 2022, Lee A. Lamb d/b/a Lamb's Disposal (Lamb's Disposal or Company) filed a general rate case with the Utilities and Transportation Commission (Commission). The Company is seeking to increase annual revenues approximately $15,504 (36.7 percent). The filing is due to increasing disposal, fuel, maintenance, repair costs and revenue shortfalls from persistent underbilling of most residential and commercial customers. The Company was unaware they could only charge the rates in their tariff.

The Company serves approximately 110 residential and 15 commercial customers in Stevens County. This is the Company's first general rate increase since the company transferred ownership in 2011, when the Company adopted the tariff established by the prior owner in 2003. No formal investigation into the Company's revenue requirement was conducted under the previous owner, who was the initial holder of the certificate.

Commission staff (Staff) reviewed the financial statements and supporting documents provided by the Company and determined the Company rates have not been adjusted since 2003, not even for disposal fees increases. The Company provided documentation from Steven's County Department of Public Works stating the disposal rate for 2022 is $75 per ton at the Stevens County Landfill. Therefore, the magnitude of the increase is, in part, driven by the fact that increases in disposal fees since 2003 have not been included in rates.

While disposal fee increases account for a significant portion of the requested additional revenue, Staff's largest adjustment was to add payroll taxes of approximately $2,080 to the Company's proforma income statement because the Company's proposal for wages did not include employment-related taxes.

Another significant adjustment was made to fuel expense. The Company's fuel expense for the most current 12-month period shows it paid approximately $1,050 (47.5 percent) more than during the test year which covered the 12-month period of March 2020 to February 2021. During this period fuel costs rose from approximately $55 to $70 per week.

An examination of the Company's depreciation calculation resulted in an expense reduction of $1,360. This reduction is related to maintenance work done on a Company-owned truck. The Company had repair work completed, including replacing brake components and worn U-joints. Since these repairs are infrequent, Staff and the Company agreed to capitalize this repair over 5 years. The Company was unable to provide documentation for other repairs included in the initial asset list. Staff adjusted assets to only what was known and measurable.

Finally, insurance expenses were reduced by $1,340 because it was determined that the Company reported its total vehicle insurance costs which included insurance payments for a vehicle that supported non-regulated operations. Staff revised the insurance expense to cover only the vehicles supporting regulated operations and insurance costs for regulated services dropped by $1,340.

After analysis and adjustments made to employee wages, taxes and depreciation expense Staff found the Company's initial requested increase of $15,504 in annual revenue was understated. Staff and the Company agreed to a revised additional annual revenue amount of $16,554 (39.2 percent).

<u>Rate Comparison</u>

The proposed effective date of the tariff filing is March 1, 2022.

The tables below show select lines of service with current, proposed, and revised rates. The full list of rates is in the Company's tariff.

Residential Lines of Service	**Current Tariff Rate**	**Proposed Tariff Rate**	**Revised Tariff Rate**	**Bill Impact**	
1-32 gal Can Weekly	$37.15	$32.78	$33.70	($3.45)	-9.3%
1-32 g Can EOW[1]	$28.58	$20.03	$22.39	($6.19)	-21.6%
2-32 g Can Weekly[2]	$47.63	$48.15	$45.45	($2.18)	-4.6%
2-32 g Can EOW	$24.95	$27.98	$28.31	$3.36	13.5%
2-45 g Weekly	$49.79	$37.53	$51.22	$1.43	2.9%
2-45 g EOW	$27.12	$22.40	$31.25	$4.13	15.2%
Commercial Lines of Service (Per Pickup)	**Current Charged Rate**	**Proposed Tariff Rate**	**Revised Tariff Rate**		
Commercial Can	N/A	$5.94	$6.44		
Commercial 45 Gallon Can	N/A	$6.76	$7.15		
Commercial 64 Gallon Can	$4.46	$7.84	$7.99	$3.53	79%
Commercial 96 Gallon Can[2]	$5.20	$9.20	$10.41	$5.21	100%
50 Gallon Bag	N/A	$7.20	$7.41		

1) Every-Other-Week
2) Most common service level.

Commercial customers account for 95 percent of the increased revenue requirement. Staff used a cost-of-service model to calculate the rates for all lines of service and establish a commercial rate structure reflective of the cost to provide that service. Residential customers are spread out in the county and commercial customers are localized in the town of Northport.

Customer Comments

On January 28, the Company notified its customers by mail of the proposed rate increase. Staff received no comments.

Conclusion

Commission Staff has completed its review of the Company's supporting financial documents, books, and records. Staff's review shows the revised operating expenses are reasonable and required as part of the Company's operation. The Company's financial information supports the revised revenue requirement and charges are fair, just, reasonable, and sufficient.

Recommendation

Take no action, allowing the tariff revisions filed on January 12, 2022, as revised on February 16, 2022, to go into effect March 1, 2022, by operation of law.