

Agenda Date: January 29, 2009
Item Number: B1

Docket: TG-082230
Company Name: Sanitary Service Co., Inc., G-14

Staff: Nicki Johnson, Regulatory Analyst
Nancy Paulson, Consumer Protection Staff

Recommendation

1. Issue a Complaint and Order Suspending the Tariff revisions filed by Sanitary Service Co., Inc., to allow customers the opportunity to comment on the revised rates; and
2. Allow the revised rates filed by Sanitary Service Co., Inc., on January 22, 2009, to become effective February 1, 2009, on a temporary basis, subject to refund.

Discussion

On December 16, 2008, Sanitary Service Co., Inc., (Sanitary Service or company), filed with the Utilities and Transportation Commission (commission) tariff revisions for residential recycling and yard waste collection service that would generate \$90,871 (10.4 percent) in additional annual revenue. The proposed rates would increase the residential recycling revenues by \$83,633 (10.8 percent) and yard waste revenues by \$7,238 (7.0 percent) on an annual basis. The company serves approximately 17,500 residential customers in Whatcom County. The proposed rates are prompted by increases in labor, fuel, and other operating costs. The company's last general rate increase became effective in July 2008.

Staff's analysis showed Sanitary Service's proposed residential recycling rates were excessive. Staff and the company negotiated lower, revised rates for recycling that would generate about \$54,500 (7.0 percent) in additional revenue. The proposed yard waste rates are cost justified. On January 22, 2009, the company filed a substitute page with the commission at staff's revised rates.

Customer Comments

On December 23, 2008, the company notified its customers of the rate increase by mail. Staff's open meeting memorandum, dated January 15, 2009, summarized and responded to two of the customers' comments. The commission received four additional comments that raised the following new issues:

- **Customer Comment** – One customer stated that the company missed a garbage pickup. The customer believes her garbage bill should be credited to compensate for the inconvenience.

Staff's Response – Consumer Protection staff contacted the customer and found that the

missed pick up was weather related. Staff explained the company is not required to issue credits for missed pickups since the company will pick up accumulated trash on the next scheduled pickup or available date.

- **Customer Comment** – Two customers commented on the curbside recycling program:
 - One customer wanted to know if he was required to pay for recycling even if he chose not to use the service.
 - One customer objects to the recycling increase because when recycling started he was told that it would be free and that he might even get money from the sale of the recycle material.

Staff's Response –The Whatcom County minimum service level ordinance requires all garbage customers to pay for recycling service regardless of whether they use the curbside service. This serves as an incentive to participate in curbside recycling. Staff audits the company's financial records to ensure that the recycling rate includes only reasonable costs and a reasonable return on investment. The costs of collecting and processing residential recycle materials have always exceeded the revenue the company receives from the sale of the materials.

- **Customer Comment** – Three customers questioned increased fuel costs as one of the reasons for the proposed rate increases. Not only has fuel decreased in price, but the company recovered the fuel costs through temporary fuel surcharges.

Staff's response – The fuel surcharge does not recover the current cost of fuel. The current fuel surcharge, which expires at the end of February, is recovering the costs of fuel for June, July and August 2008. The company's cost of fuel for the most recent twelve months is higher than the fuel costs imbedded in the current rates.

Rate Comparison

	Present	Proposed	Revised
Residential Monthly Rates			
Mandatory Recycling – Every-Other-Week	\$3.73	\$4.13	\$3.99
Voluntary Yard Waste - Every-Other-Week	\$10.00	\$10.70	\$10.70

Average Customer Charge Comparison – One Can Garbage

Monthly Garbage	Present	Proposed	Revised
Garbage Component	\$11.83	\$11.83	\$11.83
Mandatory Recycling – Every-Other-Week	\$3.73	\$4.13	\$3.99
Recycle Commodity Charge	\$.38	\$.38	\$.38
Total Garbage and Mandatory Recycling	\$15.94	\$16.34	\$16.20
		2.5%	1.6%
Total Garbage and Mandatory Recycling	\$15.94	\$16.34	\$16.20
Voluntary Yard Waste - Every-Other-Week	\$10.00	\$10.70	\$10.70
Total Garbage, Mandatory Recycling and Voluntary Yard Waste	\$25.94	\$27.04	\$26.90
		4.2%	3.7%

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 revised revenue requirement and the revised 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. Customers deserve to know about, and 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.

1. Issue a Complaint and Order Suspending the Tariff Revisions filed by Sanitary Service Co., Inc., to allow customers the opportunity to comment on the revised rates; and
2. Allow the revised rates filed by Sanitary Service Co., Inc., on January 22, 2009, to become effective February 1, 2009, on a temporary basis, subject to refund.