

Agenda Date: May 28, 2008  
Item Number: B1

**Docket: TG-080671**  
Harold LeMay Enterprises, Inc., G-98  
d/b/a Pacific Disposal and Butlers Cove Refuse Service

Staff: Nicki Johnson, Regulatory Analyst  
Dennis Shutler, Consumer Affairs Specialist

### **Recommendations**

1. Issue a Complaint and Order Suspending the Tariff Revisions filed by Harold LeMay Enterprises, Inc., d/b/a Pacific Disposal and Butlers Cove Refuse Service.
2. Allow temporary rates at the staff recommended revised rates to become effective June 1, 2008, subject to refund.

### **Discussion**

On April 17, 2008, Harold LeMay Enterprises, Inc., (Pacific Disposal or company), filed with the Utilities and Transportation Commission (commission) a revision to its tariff for solid waste collection rates that would generate \$400,000 (3.0 percent) in additional annual revenue. Pacific Disposal serves approximately 42,000 customers in Thurston County. The proposed increase in rates is due to increases in the costs of labor, fuel, equipment, executive pay and medical insurance.

Staff's analysis showed Pacific Disposal's proposed rates were excessive. Staff and the company have negotiated revised rates that will generate approximately \$353,000 (2.7 percent) in additional annual revenue. On May 22, 2008, Pacific Disposal filed substitute pages with the commission at staff revised rates.

The company notified its customers of the proposed rate increase by mail on April 25, 2008. Customers were not advised that the commission would take public comments on the filing at the May 15, and May 28, open meetings. At the commission's request, the company re-notified the customers informing them of the opportunity to comment at the May 28 open meeting.

### **Customer comments**

The commission has received 19 customer comments on this filing. Within these 19 comments, three customers believe the increase is reasonable while 16 customers opposed the increase because:

- The company should find ways to decrease its expenses rather than request an increase in rates.

Staff's response - Staff's goal is to recommend the "right" rates that will allow the company to recover reasonable operating expenses and provide an opportunity to earn a reasonable return on investment.

- The proceeds from the sale of recycled materials should offset any need to increase rates. The commission should find out how much the company receives for selling the recycled materials before granting any increase in rates.

Staff's response – The total value the company receives from the sale of the recycled materials is already returned to the customers. A credit of \$5.18 (\$2.09 per month) appears on the customer's bi-monthly statement.

- The company should change to a bi-weekly collection schedule (alternating garbage and recycle pick-ups) to reduce costs. In the City of Olympia, this bi-weekly collection schedule is quite successful.

Staff's response – Nothing today prevents the company from offering this level of service. Until the company files a tariff with the commission specifying what it would charge in rates, staff cannot evaluate the difference in costs associated with either weekly or bi-weekly service.

Customers deserve to know about, and comment on, the proposed revised rates. The purpose of the recommendation contained in this memo is to allow additional time for customers to comment. The commission should consider all information, including any additional customer comments, in deciding whether to approve the proposed revised rates on a permanent basis. Pacific Disposal, therefore, has not demonstrated the proposed revised rates are fair, just, reasonable, or sufficient.

### Rate Comparison

|                                       | <b>Present</b> | <b>Proposed</b> | <b>Revised</b> |
|---------------------------------------|----------------|-----------------|----------------|
| <b>Residential Monthly Rates</b>      |                |                 |                |
| 35 gallon cart weekly garbage service | \$10.39        | \$10.95         | \$10.85        |
| 65 gallon cart weekly garbage service | \$16.09        | \$16.80         | \$16.65        |
| Residential recycling                 | \$6.22         | \$6.22          | \$6.22         |
| <b>Commercial</b>                     |                |                 |                |
| Two yard container service per month  | \$110.59       | \$111.96        | \$111.96       |
| 20 yard drop box service per pick-up  | \$74.00        | \$80.00         | \$80.00        |

**Average Customer Charge Comparison – 35 Gallon Cart Customer**

| <b>Monthly Service</b>      | <b>Present</b> | <b>Proposed</b> | <b>Revised</b> |
|-----------------------------|----------------|-----------------|----------------|
| Garbage Component           | \$10.39        | \$10.95         | \$10.85        |
| Mandatory Recycling         | \$6.22         | \$6.22          | \$6.22         |
| Commodity Credit            | (\$2.09)       | (\$2.09)        | (\$2.09)       |
| Total Garbage and Recycling | \$14.52        | \$15.08         | \$14.98        |

Commission staff has completed its review of Pacific Disposal's supporting financial documents, books and records. Staff's review shows that the expenses are required and reasonable for Pacific Disposal's operation. The company's financial information supports the revised revenue requirement and the revised rates are fair, just, reasonable, and sufficient.

**Conclusion**

Issue a Complaint and Order suspending the Tariff Revisions filed by Harold LeMay Enterprises, Inc., d/b/a Pacific Disposal and Butlers Cove Refuse Service and allow temporary rates at the staff recommended revised rates to become effective June 1, 2008, subject to refund.