

Agenda Date: September 27, 2012
Item Number: B1

Docket: TG-121353
Company Name: San Juan Sanitation, Co., G-144

Staff: Amy White, Regulatory Analyst
Pam Smith, Consumer Protection Staff

Recommendation

1. Issue a Complaint and Order suspending the tariff revisions filed by San Juan Sanitation, Co.
2. Allow the revised rates filed by San Juan Sanitation, Co., on August 14, 2012, and revised on August 31, 2012, to become effective October 1, 2012, on a temporary basis, subject to refund; and
3. Require San Juan Sanitation, Co., to file actual cost and volume data for the first four months of operations no later than February 15, 2013.

Background

On August 14, 2012, San Juan Sanitation, Co., (San Juan or company) filed with the Utilities and Transportation Commission (commission) tariff pages to implement a mandatory-pay recycling program for residential garbage customers. The company proposes a recycling rate of \$9.40 per month for all residential garbage customers, except for those charged for special “tagged” prepaid pick-ups. San Juan operates in San Juan County and estimates it will provide recycling service to approximately 850 residential customers. The proposed rate would generate approximately \$98,000 (5.1 percent) additional annual revenue.

After a public hearing in April 2012, the San Juan County Council (County Council) approved Ordinance No. 2-2012, which established a new, mandatory-pay residential recycling collection service that will be available on San Juan, Lopez, Shaw and Orcas Islands. The ordinance establishes a single-stream collection method, identifies what materials will be collected, requires customers to provide their own containers, and requires collection every-other-week. The curbside program includes glass, used motor oil and anti-freeze and other items. The County Council amended Ordinance No. 2-2012 in June 2012 by approving Ordinance No. 9-2012, which updated requirements for the new program while retaining the required September 1, 2012, effective date.

Because the recycling service is new, the company believed that the requirements of WAC 480-70-262 applied to the filing and that a seven-day, less than statutory notice filing with the commission was sufficient. However, since the recycling service requires that all residential customers pay a rate of \$9.40 per month even those residential garbage customers who don't use the service, it is a rate increase governed by WAC 480-70-266, which, among other things, requires a 30-day notice to customers. Therefore, the company provided a notice to the customers which complies with the

requirements of WAC 480-70-271(1). The company also filed tariff revisions on August 31, 2012, to extend the effective date to October 1, 2012.

The Company's financial information supports the revised revenue requirement and charges are fair, just, reasonable and sufficient based on the estimated cost of the program. However, because this is a new program in San Juan County and the recommended revised rates are based on estimates, not actual costs, Commission Staff (staff) recommends the Commission suspend the filing and allow temporary rates, subject to refund.

In order for staff to determine the actual program costs, it is necessary that San Juan Sanitation, Co. provide data and information on its recycling and solid waste programs. San Juan Sanitation, Co. is therefore, required to submit volume and cost information for the company no later than February 15, 2013, for the first four months of recycling operations.

Customer Comments

On August 30, 2012, the company notified its customers of the proposed rate increase by mail. Staff received three customer comments regarding the proposed rate increase; both are opposed to the increase. Customers were notified that they may access relevant documents about this rate case on the commission's website and that they may contact Pam Smith at 1-888-333-WUTC (9882) with questions or concerns.

General Comments

- The commenters oppose the increase because they believe the recycling rate is too high.

Staff Response

Customers were advised that state law requires rates to be fair, just, reasonable and sufficient to allow the company to recover reasonable operating expenses, and the opportunity for the company to earn a reasonable return on investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Rate Comparison

	<u>Present</u>	<u>Proposed</u>
Residential Monthly Rates		
Mandatory Recycle Monthly Up To Two 32-gallon Cans (customer supplied)	Not Available	\$9.40
Recycle Only Monthly	Not Available	\$9.40
Occasional Extra 32-gallon Can Pick-up	Not Available	\$3.00

Average Customer Charge Comparison

Garbage Plus Mandatory Recycling Service	Present Charge	Proposed Recycling Charge	Proposed Total	Percent Change Monthly
Garbage - One 20-gallon Mini-can Monthly Pick-up Plus Recycling	\$ 7.70	\$9.40	\$17.10	122%
Garbage - One 32-gallon Can Monthly Pick-up Plus Recycling	\$ 8.50	\$9.40	\$17.90	111%
Garbage - Two 32-gallon Cans Every-Other-Week Pick-up Plus Recycling	\$30.65	\$9.40	\$40.05	30.7%
Garbage - Two 32-gallon Cans Weekly Pick-up Plus Recycling	\$54.65	\$9.40	\$64.05	17.2%

Conclusion

1. Issue a Complaint and Order suspending the tariff revisions filed by San Juan Sanitation, Co.
2. Allow the revised rates filed by San Juan Sanitation, Co., on August 14, 2012, and revised on August 31, 2012, to become effective October 1, 2012, on a temporary basis, subject to refund; and
3. Require San Juan Sanitation, Co., to file actual cost and volume data for the first four months of operations no later than February 15, 2013.