

Agenda Date: December 23, 2008
Item Number: B3

Docket: **TG-081969**
Waste Management of Washington, d/b/a Valley Garbage, G-237

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

Recommendation

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

Discussion

On October 30, 2008, Waste Management of Washington, d/b/a Valley Garbage, (Valley or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$2,300,000 (9.8 percent) in additional annual revenue. The tariff revisions propose to increase and decrease rates for garbage collection service, increase rates for curbside recycling collection service, and decrease rates for yardwaste collection service. The proposed rate revisions are prompted by increases in disposal fees, labor, fuel, medical insurance, pension costs, and other operating expenses. The company has also built a new operating facility to replace the aging facility acquired years ago. Valley serves approximately 51,600 residential and commercial customers in eastern Spokane County. Valley's last rate increase was effective on February 1, 2003.

Staff's analysis showed Valley's proposed rates were excessive. Staff and the company negotiated revised rates that would generate approximately \$2,140,000 (9.2 percent) in additional revenue. On December 11, 2008, the company filed substitute pages with the commission at staff's revised rates.

Customer Comments

On November 28, 2008, the company notified its customers of the proposed rate increase by mail. The commission has received 33 comments on this filing.

- **Customer Comment** – Fourteen customers commented that since fuel costs are down dramatically, any proposed increase should be removed or reduced. The fuel surcharge should be removed also.

Staff's response – Current rates include an average fuel cost of \$1.93 per gallon for the twelve-month period ending June 30, 2008. The fuel surcharge allows the company to recover fuel expenses that exceeded the average cost of fuel included in the current rates. The proposed rates include an average cost of fuel of \$4.00 per gallon for the most recent

twelve-month period. The company will eliminate the fuel surcharge if the commission approves a rate increase.

- **Customer Comment** – Twenty-two customers asked the commission to not allow the proposed increase because:
 - With the severe economic downturn and the state the country is in, now is not the time to be asking for a rate increase.
 - Rates go up in inflation. We are in a deflationary period where costs are falling. Rates should decrease.
 - Rates are already too high.
 - Can't afford any increase.

Staff's response – Although staff understands the customers' concerns regarding the amount of the increase, we do not explicitly consider the amount of the increase in preparing recommendations. The company is entitled to recover reasonable, prudent expenses and the opportunity to earn a reasonable return. Staff audits the company's financial records from a twelve-month historical test period to ensure the company's costs are accurate and reasonable. We use a cost of service analysis to recommend rates for the various customer classes and service options. 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.

- **Customer Comment** – Three customers feel the company should justify expenses and look for solutions to higher expenses so these increases won't happen in the future.

Staff's response – The company must demonstrate the proposed rates are fair, just, reasonable, and sufficient. Commission staff reviews the company's expenses for prudence and adjusts or removes expenses as appropriate. The last general rate increase was effective in February 2003, which is almost six years from the effective date of this proposal.

- **Customer Comment** – Three customers commented on the fact that they, or others, may stop service and haul their garbage themselves.

Staff's response – Self hauling is an option available to everyone. It may or may not be less expensive to self haul, depending on the proximity of a disposal site.

- **Customer Comment** – Three customers commented on recycling.
 - Two customers object to the mandatory charge for curbside recycling.
 - One customer would like co-mingled recycle service.

- **Staff's response** – The county sets the recycling program requirements in its Comprehensive Solid Waste Management Plan and implementing service level ordinances. Spokane County has made recycling mandatory in a designated urban/suburban zone. Any person subscribing to solid waste collection service must pay for curbside recycling service. The county may choose to require the company to change its service level from source

separated recycling to co-mingled recycling. Staff referred these customers to the county solid waste division.

- **Customer Comment** – One customer does not like the two month in advance billing cycle.

Staff's response – Consumer Protection staff contacted the customer and explained that the billing cycle chosen by the company is authorized by statute.

- **Customer Comment** – One customer commented that the rates and services should be compared to other companies and rates made comparable while another said they enjoy the service but would like to “negotiate” a rate increase at half the proposed level.

Staff's response – All solid waste hauling companies are different. Some serve mostly rural areas while others serve more urban areas. All have differing equipment requirements in order to best serve their customers. One rate does not fit all. The company is entitled to recover its reasonable expenses and the opportunity to earn a reasonable return. Staff's goal is to recommend the “right” rates for each company on a stand-alone basis.

- **Customer Comment** – One customer would like to stop service and not pay for the time he is gone. The customer is upset that he needs to stop service of a minimum of four weeks to not be billed for the time period, even if he is gone for two or three weeks.

Staff's response – Consumer Protection staff explained the company's policy published in its tariff is to allow a person to stop service for a month or more with advance notice. A customer who uses the service once in any month must pay for the entire month. Consumer Protection staff believes the company's policy is reasonable.

- **Customer Comment** – One customer comments that he is against the rate increase for yardwaste service.

Staff's response – The proposed rate for yardwaste is a reduction from the current rate. The increasing participation in yardwaste service has allowed for greater operating efficiency.

This rate case is the final step to apply uniform rates to all customers. Due to various acquisitions, the company operated with three different rate structures that applied to three different service areas. The company proposed to bring all rates to parity in 2003. To avoid rate shock, staff recommended, and the company agreed, to bring all commercial rates and two residential areas into parity, and increase one residential area incrementally closer to the other two residential areas. The company agreed to file uniform rates in its next rate case. This filing brings all rates into parity by decreasing rates in one residential area and increasing rates in the other residential area.

Rate Comparison

Spokane

<u>Residential - monthly rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
One Mini Can per week	\$11.15	\$10.50	\$10.40
One 32 gallon Can per week	\$14.10	\$13.60	\$13.40
One 35 gallon Cart per week	\$15.10	\$14.70	\$14.50
Mandatory Curbside Recycling	\$3.35	\$4.65	\$4.65
Recycling Commodity Credit (<i>expires July 31, 2009</i>)	(\$1.32)	(\$1.32)	(\$1.32)
Voluntary Yardwaste	\$9.19	\$7.90	\$ 7.90
<u>Commercial - per pickup</u>			
One Yard Container	\$13.95	\$15.30	N/C
Two Yard Container	\$24.95	\$27.40	N/C

Valley

<u>Residential - monthly rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
One Mini Can per week	\$ 9.25	\$10.50	\$10.40
One 32 gallon Can per week	\$11.95	\$13.60	\$13.40
One 35 gallon Cart per week	\$12.95	\$14.70	\$14.50
Mandatory Curbside Recycling	\$3.35	\$4.65	\$4.65
Recycling Commodity Credit (<i>expires July 31, 2009</i>)	(\$1.32)	(\$1.32)	(\$1.32)
Voluntary Yardwaste	\$9.19	\$7.90	\$7.90
<u>Commercial - per pickup</u>			
One Yard Container	\$13.95	\$15.30	N/C
Two Yard Container	\$24.95	\$27.40	N/C

Average Customer Charge Comparison – One 35 Gallon Cart Customer
Spokane

<u>Monthly Service</u>	<u>Present</u>		<u>Proposed</u>		<u>Revised</u>
Garbage	\$15.10		\$14.70		\$14.50
Mandatory Recycling net of commodity credit	<u>\$2.03</u>		<u>\$3.33</u>		<u>\$3.33</u>
Total Garbage and Mandatory Recycling	\$17.13		\$18.03		\$17.83
			5.3%		4.1%
Voluntary Yardwaste	<u>\$9.19</u>		<u>\$7.90</u>		<u>\$7.90</u>
Total: Garbage, Mandatory Recycling and Voluntary Yardwaste	\$26.32		\$25.93		\$25.73
			-1.5%		-2.2%

Valley

<u>Monthly Service</u>	<u>Present</u>		<u>Proposed</u>		<u>Revised</u>
Garbage	\$12.95		\$14.70		\$14.50
Mandatory Recycling net of commodity credit	<u>\$2.03</u>		<u>\$3.33</u>		<u>\$3.33</u>
Total Garbage and Mandatory Recycling	\$14.98		\$18.03		\$17.83
			20.4%		19.0%
Voluntary Yardwaste	<u>\$9.19</u>		<u>\$7.90</u>		<u>\$7.90</u>
Total: Garbage, Mandatory Recycling and Voluntary Yardwaste	\$24.17		\$25.93		\$25.73
			7.3%		6.5%

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. 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.

Therefore, staff recommends that the commission:

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