

Agenda Date: May 26, 2011
Item Number: B1

Docket: **TG-102022**
Sanitary Service Co., Inc., G-14

Staff: Layne Demas, Transportation Program Staff
Pam Smith, Consumer Protection Staff

Recommendation

1. Grant the company's request for an exemption from WAC 480-70-266, Tariffs, to allow the revised rates, as filed by the company on May 17, 2011, to become effective on June 1, 2011, on less than statutory notice.
2. Grant the company's request for an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.
3. Approve the revised rates, filed by the company on May 17, 2011, to become effective June 1, 2011, on less than statutory notice.

Discussion

On December 16, 2010, Sanitary Service Co., Inc., (Sanitary Service or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$12,000 (.08 percent) additional annual revenue. The original proposed effective date was February 1, 2011. During the review, staff found that the pro forma level of driver and shop wages was not known and measurable because the union contract negotiations were not complete. The company agreed to extend the effective date of the filing until the labor contracts were ratified. Although the labor contracts were ratified in late April, there was not sufficient time to complete the analysis for a May 1, 2011, effective date, and Sanitary Service extended the effective date to June 1, 2011.

The tariff revisions propose to increase and decrease rates for solid waste collection, residential recycling, and yard waste service to equalize the rates for Sanitary Service and Blaine Bay Refuse (Blaine Bay) customers. Sanitary Service purchased Blaine Bay refuse in October 2008 and adopted Blaine Bay's tariff. The current rates in the Blaine Bay service area are lower than the current rates in the Sanitary Service area. As shown in the table below, Sanitary Service proposes to lower the rates in the Sanitary Service service area and to increase the rates in the Blaine Bay service area. Sanitary Service serves approximately 25,500 residential and commercial regulated customers in Southwestern Whatcom County, which includes approximately 3,700 Blaine Bay residential and commercial customers. Sanitary Service's last general rate increase became effective September 1, 2009. Blaine Bay's last general rate increase was effective October 1, 2002.

This filing also addresses two recordkeeping issues that were identified in the company's last rate case, Docket TG-091148 effective September 1, 2009; consultant expense, and allocation of

regulated drop box and nonregulated commercial recycling. The company also committed to filing another rate case to address these issues.

For consultant expense, the company worked with staff to improve its supporting documentation of work and time. For allocation of regulated drop box and nonregulated commercial recycling, the company worked with staff to identify appropriate data to collect on an ongoing basis and is maintaining more accurate data on the time assets are used to provide different services. Staff is satisfied that the company has appropriately addressed these issues in the current rate case.

Staff's analysis indicates Sanitary Service's proposed rates are too low. During the period that the company extended the tariff's effective date while negotiating its labor contract, fuel costs kept climbing and two disposal fee increases became effective, causing an increase in revenue requirement. Staff and the company negotiated revised rates that would generate approximately \$120,000 (.82 percent) in additional annual revenue. On May 17, 2011, Sanitary Service filed substitute pages with the commission reflecting the higher revised rates.

Customer Comments

On January 1, 2011, the company notified its customers of the proposed rate increase by mail. The commission received 19 customer comments on this filing; 18 oppose and one supports the increase.

Consumer Protection staff advised customers that they may access company documents about this rate case at www.utc.wa.gov and that they may contact Pam Smith at 1-888-333-9882 with questions or concerns.

General Comments

- Nine customers believe the amount of the increase is excessive due to the current economic conditions, that it is too drastic, or that they are on a fixed income. One customer supports the increase.

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 to earn a reasonable return on investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Business Practice Comments

- Six customers believe the recycling increase is too much. Three of these six customers believe that customers that produce more waste and/or who do not recycle should be charged more.

Staff Response

The 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 to earn a reasonable return on investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Service Quality Comments

- Three customers commented that there are multiple trucks driving down their street each week, and that the company could schedule more efficiently.

Staff Response

One customer was advised of the company plans for route consolidation. Messages were left for the other two customers to discuss route consolidation.

Rate Comparison

	Sanitary Service Present	Blaine Bay Present	Sanitary Service & Blaine Bay Proposed	Sanitary Service Revised	Blaine Bay Revised
<u>Residential - Monthly Rates</u>					
One Mini Can Per Week	\$9.84	\$7.65	\$9.05	\$9.12	\$9.12
One 32-Gallon Can Per Week	\$12.03	\$10.76	\$11.25	\$11.33	\$11.33
One 64-Gallon Cart	16.20	\$14.66	\$15.85	\$15.97	\$15.97
Mandatory Recycling	\$3.99	\$2.85	\$4.36	\$4.40	\$4.40
Commodity Debit	\$.58	\$.25	\$.58	\$.58*	\$.25*
Voluntary Yard Waste	\$10.70	\$8.00	\$9.89	\$9.96	\$9.96
<u>Commercial - Per Pickup</u>					
One-Yard Container - Weekly Service	\$66.38	\$58.86	\$64.84	\$66.00	\$66.00
Two-Yard Container - Weekly Service	\$117.21	\$108.06	\$114.84	\$116.00	\$116.00

*The commodity debit will not change with this filing but will be addressed at the next commodity credit/debit filing effective July 1, 2011.

Average Customer Charge Comparison – One Can Customer

<u>Monthly Service</u>	<u>Sanitary Service Present</u>	<u>Blaine Bay Present</u>	<u>Sanitary & Blaine Bay Proposed</u>	<u>Sanitary Service Revised</u>	<u>Blaine Bay Revised</u>
Garbage Component	\$12.03	\$10.76	\$11.25	\$11.33	\$11.33
Mandatory Recycling	\$3.99	\$2.85	\$4.36	\$4.40	\$4.40
Commodity Debit	\$.58	\$.25	\$.58	\$.58*	\$.25*
Total Garbage and Recycling	\$16.60	\$13.86	\$16.19	\$16.31	\$15.98
Voluntary Yard Waste	\$10.70	\$8.00	\$9.89	\$9.96	\$9.96
Total: Garbage, Recycling and Yard Waste	\$27.30	\$21.86	\$26.08	\$26.27	\$25.94
Percentage Increase					
Sanitary Service			-4.5%	-3.8%	
Blaine Bay			19.3%		18.6%

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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

1. Grant the company's request for an exemption from WAC 480-70-266, Tariffs, to allow the revised rates, as filed by the company on May 17, 2011, to become effective on June 1, 2011, on less than statutory notice.
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