

Agenda Date: December 29, 2011

Item Numbers: B4, B5 and B6

Dockets: TG-111991, TG-111992 and TG-111993

Company Names: Rabanco Ltd, G-12, d/b/a's:

- Eastside Disposal, Container Hauling, Rabanco Connections and Rabanco Companies;
- Allied Waste Services of Kent, Rabanco Companies and Sea-Tac Disposal; and
- Lynnwood Disposal

Staff: Dave Gomez, Deputy Assistant Director

Recommendation

1. Issue a complaint and order suspending revisions to each of the company's tariffs filed in Dockets TG-111991, TG-111992 and TG-111993, on November 16, 2011, December 21, 2011, and December 22, 2011.
2. Allow monthly recyclable commodity revenue adjustments filed by the company on November 16, 2011, as revised on December 21, 2011, and December 22, 2011, and fifty-percent revenue sharing to become effective on January 1, 2012, on a temporary basis, subject to refund or credit.

Discussion

On November 16, 2011, Rabanco Ltd (Rabanco or company), filed with the Washington Utilities and Transportation Commission (commission) revisions to three currently effective tariffs on behalf of three operating units:

- Rabanco Ltd, d/b/a - Eastside Disposal, Container Hauling, Rabanco Connections and Rabanco Companies, Tariff No. 11, Pages 1, 21, 23, 27, 30, 31 and 32 (serving approximately 17,000 customers in King County);
- Rabanco Ltd, d/b/a - Allied Waste Services of Kent, Rabanco Companies and Sea-Tac Disposal, Tariff No. 26, Pages 1, 21, 25, 31, 34, 35, 36 and 37 (serving approximately 7,400 customers in King County); and
- Rabanco Ltd, d/b/a - Lynnwood Disposal, Tariff No. 4, Pages 1, 21, 21a, 25, 25a, 25b and 30 (serving approximately 17,000 customers in Snohomish County).

The stated effective dates are January 1, 2012.

The company proposes to increase the amount it pays to single family and multi-family customers for the value of the recyclable materials collected as part of its residential recycling collection service. The monthly credit for single family customers would increase as follows:

- Eastside Disposal - from \$0.76 to \$1.98
- Sea-Tac Disposal - from \$0.83 to \$1.68
- Lynnwood Disposal - from \$0.68 to \$1.71

The multi-family customer per yard credit for each pickup would increase as follows:

- Eastside Disposal - from \$0.19 to \$0.63
- Sea-Tac Disposal - from \$0.35 to \$0.37
- Lynnwood Disposal - from \$0.14 to \$0.76

Not included in Rabanco’s initial filing of November 16, 2011, for each of its three operating units, was a request to retain fifty percent of the revenue the company receives from the sale of recyclable materials for the period of January 1, 2012, through July 31, 2012.¹ The company’s initial filing also did not include the following:

- A report on the amount of revenue it retained and the amount of money it spent on the activities identified in its recycling and revenue sharing plan; and
- Its 2011-2012 recycling and revenue sharing plan, certified by the appropriate local government authority as being consistent with the local government solid waste plan and that demonstrates how the revenues will be used to increase recycling.

On December 9, 2011, the company filed a revenue sharing report for the 2010-2011 plan period showing the amount of revenue retained and the amount of money spent on the activities identified in each of its operating unit’s recycling and revenue sharing plans with King and Snohomish Counties. The company reported the following for each of its operating units (Table 1 below):

Table 1

2010-2011				
Operating Unit	Revenue Retained @ Fifty Percent	Retained Revenue Spent on Recycling Plan Activities	Unspent Retained Revenues to be Kept by the Company	Percent Increase in Waste Diverted from Landfills (Results)
Eastside Disposal	\$323,166	\$183,386	\$139,780	0.7% ²
Sea-Tac Disposal	\$113,292	\$101,010	\$12,281	-0.6% ³
Lynnwood Disposal	\$307,577	\$134,474	\$173,103	2.2% ⁴
Total	\$744,035	\$418,870	\$325,164	1.0%

RCW 81.77.185 states that the commission shall allow a solid waste collection company collecting recyclable materials from residential single and multi-family customers to retain “up to fifty percent of the revenue paid” to the company for the material if the company submits a plan to the commission that is certified by the appropriate local government authority as being

1 However, the workpapers containing the deferred accounting mechanism filed by the Company for all three operating units on November 16, 2011, reflect fifty percent revenue retention in its calculation of the proposed credits.

2 Customer counts decreased by 10.4 percent between 2010 and 2011 which contributed to the decrease in diversion. Annual diversion pounds per customer decreased by 3.2 percent.

3 Customer counts decreased by 18.1 percent between 2010 and 2011 which contributed to the decrease in total diversion. Annual diversion pounds per customer increased by 2.3 percent while annual recycling pounds per household remained flat.

4 Customer counts were flat between 2010 and 2011. Annual diversion pounds per customer increased by 7.0 percent while annual recycling pounds per household also increased by 2.7 percent.

consistent with the local government solid waste plan and that demonstrates how the revenues will be used to increase recycling. The remaining revenue must be passed through to residential single and multi-family customers.

The company's filings of November 16, 2011, did not include recyclable commodity revenue sharing plans certified by their respective counties as required by RCW 81.77.185. Also lacking in each filing, was a statement from the county that the company has met the obligations and requirements specified in their 2010-2011 plans.

On December 21, 2011, the company filed approved plans for each of its operating units for the 2011-2012 period certified by the appropriate authority for each county (King and Snohomish). Each county certified the plans as being consistent with the local government solid waste plan and that each plan demonstrates how the retained revenues will be used to increase recycling. The counties also advised the commission that the company had satisfied all of the performance requirements in their respective recycling plans; all expiring on December 31, 2011.

The 2011-2012 plans for each operating unit include budgets with projected revenues, expenditures, performance bonuses and return on expenditures for each of the company's operating units (Table 3).

Table 2

2011-2012				
Operating Unit	Projected Revenue Retained @ Fifty Percent	Projected Expenditures Spent on Recycling Plan Activities	Projected Performance Bonuses (2.0 percent of Recyclable Commodity Revenues)	Return on Expenditures (5.0 percent)
Eastside Disposal	\$120,891	\$108,520	\$4,836	\$5,426 ⁵
Sea-Tac Disposal	\$55,094	\$48,685	\$2,204	\$2,434 ⁶
Lynnwood Disposal	\$178,848	\$159,230	\$7,154	\$7,987 ⁷
Total	\$354,833	\$316,435	\$14,194	\$15,847

On December 21, 2011, and December 22, 2011, the company filed substitute pages to increase the proposed credits for single family and multi-family customers to refund most of the unspent retained revenues from the 2010-2011 plan period. As a result, the monthly credit for single family customers would increase compared to the original filing on November 16, 2011, as follows:

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- 5 Staff compared the five percent proposed by the County and Company against Lurito-Gallagher (LG) returns from the Company's last general rate case (TG-100253). An LG return commensurate with an incremental expenditure of \$108,520 would be \$3,555 (3.3 percent).
 - 6 Staff compared the five percent proposed by the County and Company against Lurito-Gallagher (LG) returns from the Company's last general rate case (TG-070749). An LG return commensurate with an incremental expenditure of \$48,685 would be \$1,832 (3.8 percent).
 - 7 Staff compared the 5.0 percent proposed by the County and Company against Lurito-Gallagher (LG) returns from the Company's last general rate case (TG-101157). An LG return commensurate with an incremental expenditure of \$159,730 would be \$7,159 (4.5 percent).

- Eastside Disposal - from \$1.98 to \$3.39
- Sea-Tac Disposal - from \$1.68 to \$1.93
- Lynnwood Disposal - from \$1.71 to \$2.97

The multi-family customer per yard credit for each pickup would increase compared to the original filing on November 16, 2011, as follows:

- Eastside Disposal - from \$0.63 to \$1.15
- Sea-Tac Disposal - from \$0.37 to \$0.47
- Lynnwood Disposal - from \$0.76 to \$1.28

The revised net retention for the 2010-2011 plan period by each company is summarized in Table 3 below:

Table 3

2010-2011 (revised)				
Operating Unit	Revenue Retained @ Fifty Percent	Retained Revenue Spent on Recycling Plan Activities	Unspent Retained Revenues Returned to Ratepayers	Unspent Retained Revenues to be Kept by the Company
Eastside Disposal	\$323,166	\$183,386	\$124,441	\$15,339 ⁸
Sea-Tac Disposal	\$113,292	\$101,010	\$11,538	\$744 ⁹
Lynnwood Disposal	\$307,577	\$134,474	\$173,104	\$0
Total	\$744,035	\$418,870	\$325,164	\$16,082

Staff has two concerns with the company's filings in these dockets:

- The award of a retroactive performance bonus in Dockets TG-111991 and TG-111992 when no such provision existed in the plans previously approved by the commission; and
- The calculation of a return on expenditures for the 2011-2012 plan period of five percent in all three dockets, which is without basis and is greater than the return staff calculated using the Lurito-Gallagher method for the each operating unit's last general rate case.

The Commission is considering these same two issues in three other suspended dockets involving another solid waste collection company. Staff recommends that the Commission allow recyclable commodity revenue adjustments and revenue sharing to go into effect on a temporary basis, subject to refund or credit.

8 Staff compared the 8.4 percent proposed by the Company and the County against Lurito-Gallagher (LG) returns from the Company's last general rate case (TG-100253). An LG return commensurate with an incremental expenditure of \$183,386 would be \$5,004 (2.7 percent).

9 Staff compared the 0.8 percent proposed by the Company and the County against Lurito-Gallagher (LG) returns from the Company's last general rate case (TG-070749). An LG return commensurate with an incremental expenditure of \$88,410 would be \$3,302 (3.7 percent).

Conclusion

1. Issue a complaint and order suspending revisions to each of the company's tariffs filed in Dockets TG-111991, TG-111992 and TG-111993, on November 16, 2011, December 21, 2011, and December 22, 2011.
2. Allow monthly recyclable commodity revenue adjustments filed by the company on November 16, 2011, as revised on December 21, 2011, and December 22, 2011, and fifty-percent revenue sharing to become effective on January 1, 2012, on a temporary basis, subject to refund or credit.