

Agenda Date: January 27, 2022
Item Number: B1

Docket: TG-210912
Company Name: Murrey's Disposal Company, Inc., d/b/a Olympic Disposal

Staff: Greg Hammond, Regulatory Analyst
John Cupp, Consumer Protection
Staff

Recommendation:

Issue an order requiring a compliance filing no later than May 15, 2023, and allow the tariff pages filed on November 15, 2021, as revised on January 19, 2022, to take effect January 28, 2022.

Discussion

On November 15, 2021, Murrey's Disposal Company, Inc., d/b/a Olympic Disposal, (Olympic Disposal or Company) filed with the Washington Utilities and Transportation Commission (Commission) a proposed tariff revision that would generate approximately \$1,256,000 (6.8 percent) in additional annual revenue, to become effective January 1, 2022. The Company subsequently extended the effective date to January 28, 2022, to allow more time for Commission staff (Staff) to complete its review and to allow for input from the affected customers. The proposed rate increase applies only to the Company's Item 260 – Intermodal Box and Chassis rates, which currently apply to two paper mills in Clallam and Jefferson Counties. This filing is being made to update the Company's Item 260 rates to reflect the current costs of providing these services. The Company's last general rate increase became effective June 1, 2011.

On May 28, 2020, Port Townsend Paper (PTP) notified Olympic Disposal that effective June 15, 2020, they would no longer require their services. They cited cost pressures and a February 10, 2011, letter from Waste Management (WM) to the Commission stating these hauls are exempt from Commission regulation because they are exempt "Trailer On Flat Car/Container on Flat Car" service under 49 C.F.R 1090.1 and 1090.2. Olympic Disposal strongly disagreed with this interpretation of the law, but WM began moving equipment to the mill after June 15, which forced Olympic Disposal to cease hauling while obtaining legal review and the Commission's ruling. The Commission determined that the collection of the material at the paper mills met the definition of solid waste collection service, and therefore the current certificate holder should provide service.¹ Olympic Disposal resumed services to PTP and began service to McKinley Paper Company in June 2021.

¹ Order 06, Docket TG-200650, issued May 3, 2021.

Since June of 2021, the Company has begun to haul the waste from both paper mills using its current Item 260 rates, which have not been updated since 2011, aside from a slight increase in the Company's B&O tax filing in TG-200645, and do not reflect the current cost of providing these services. The Company has purchased additional operating assets and hired additional employees to service these hauls. Also, the current rates are structured in a way which is not entirely clear to its customers. Currently, customers that use this service schedule are charged a flat rate and an additional hourly charge for hauls over 200 miles. The Company's new proposal designates flat rates for each paper mill in relation to the specific disposal site used to dump the collected waste.

The proposed rates have been designed using a ground-up approach. Using the data that the Company has gathered over the last few months of providing the service, the Company has applied its known and measurable direct costs, such as labor, disposal costs, fuel, and depreciation expense, as well as an allocated portion of overhead costs, to create a flat rate for each mill site and disposal location. In comparison to the current rates, the Company's proposal would increase Item 260 rates by 35.7 percent to 78.2 percent, depending on the origin and disposal site used. (See table below)

Staff has completed its review of the filing and found that the proposed rates would result in excess revenue. Staff adjusted the Company's calculations for labor costs, operating hours, overhead allocations, and disposal tonnages. Also, there were subsequent updates to the monthly haul counts as more recent data became available. These adjustments resulted in a revised revenue requirement of approximately \$1,323,000 (7.3 percent) in additional annual revenue for Olympic Disposal as a whole. The revised additional annual revenue requirement has increased from the Company's initial proposal due to the effect of the updated monthly haul counts, which lowered the Company's estimated current annual revenue from these services. However, when comparing the expected annual revenue to be collected from these services, the revised rates would generate approximately \$200,000 less than what was initially proposed.

When compared to the initially proposed rates, the rate effect of these adjustments resulted in a lower range of increase to the Item 260 Intermodal rates, which would now increase by 19.4 percent to 65.1 percent, depending on the mill and disposal site. The revised rates would increase rates for hauls to the Cowlitz Landfill by approximately 19.7 percent on average and would increase rates for hauls to the Wasco Landfill by approximately 64.5 percent on average. The more considerable increase for hauls to the Wasco Landfill is due to the additional haul time associated with trips to the Wasco Landfill, located in The Dalles, OR, something which is not adequately reflected in the current rate structure. Per the Company, all hauls would ideally be taken to the Cowlitz Landfill, however, there have been recent instances where hauls are rejected at the Cowlitz Landfill due to excess moisture in the material and must then be taken to the Wasco Landfill.

This filing included a requested exemption from the workpaper filing requirements for general rate cases listed in WAC 480-07-520(4). This tariff revision falls under the exclusion provided in WAC 480-07-505(3)(a)(i), and therefore an exemption is not necessary. The Company

provided workpapers that adequately supported its proposed rates, and staff was able to review the appropriate books and records.

Due to the previously mentioned dispute over service territory, the Company did not have financial information for this service for a full 12-month test year available for review. Staff believes a compliance filing is necessary for potential rate adjustments after the Company has a full 12 months of providing these services. Staff recommends that Commission include in its order a required compliance filing to be filed no later than May 15, 2023. The compliance filing should include the full books and records for Olympic Disposal as a whole, to ensure there is no cross-subsidization between these services and its municipal solid waste, recycling, and yard-waste services.

The Company agreed with Staff’s proposed changes and filed revised tariff pages on January 19, 2022, at the agreed upon rates. Staff believes the revised rates are fair, just, reasonable, and sufficient.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate	Increase
Port Townsend Paper to Cowlitz Landfill	\$ 1,413.68	\$ 1,933.83	\$ 1,668.17	19.4%
McKinley Paper to Cowlitz Landfill	\$ 1,485.50	\$ 2,015.49	\$ 1,782.77	20.0%
Port Townsend Paper to Wasco Landfill	\$ 1,413.68	\$ 2,519.14	\$ 2,334.24	65.12%
McKinley Paper to Wasco Landfill	\$ 1,485.50	\$ 2,602.06	\$ 2,435.49	63.95%

Customer Comments

On November 30, the Company notified its customers by mail of the proposed rate increase. Customers were notified that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received one comment opposed to the rate increase.

Customer Comments

One customer said the rate increase is excessive and they may have to buy equipment to haul the waste themselves.

Staff Response

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 its investment. Commission Staff performs a thorough review of rate filings to ensure that all rates and fees are appropriate.

On January 13, Staff met with the Company and the two affected customers. Staff believes the customers have a better understanding of the proposed increase and Staff has a better understanding of the customers' concerns.

Recommendations:

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