

Agenda Date: September 26, 2013  
Item Number: B1

**Docket:** TG-130938  
Company Name: Waste Management of Washington, Inc., G-237  
dba Waste Management - Northwest

Staff: Kathryn Breda, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed on May 24, 2013, by Waste Management of Washington, Inc., dba Waste Management – Northwest.

### **Discussion**

On May 24, 2013, Waste Management of Washington, Inc., dba Waste Management – Northwest (WM Northwest or company) filed tariff revisions with the Utilities and Transportation Commission (commission) that combine the former tariffs of two operating units; WM Northwest Tariff 17 and Waste Management – Sno-King (WMSK) Tariff 15. The proposed filing would generate approximately \$5,155,000 (8.9 percent) additional annual revenue, which includes an additional \$4,605,000 (12.6 percent) in garbage service, \$22,000 (0.2 percent) in recycling service and \$528,000 (9.9 percent) in yard waste service.

The requested rate increase is primarily driven by the costs associated with combination of the two operating units, added investment in compressed natural gas (CNG) trucks and site improvements, and additional increases in labor, fuel and other operating expenses. The company has remodeled the main facility in Woodinville and expanded the satellite facility in Marysville to accommodate the combined operations.

WM Northwest provides regulated service to approximately 111,000 residential and commercial customers in King and Snohomish counties. The company's last general rate increases for WMNW and WMSK became effective March 2009 and June 2010, respectively. On July 10, 2013 and August 13, 2013, WM Northwest filed to extend the effective date to September 1, 2013 and October 1, 2013, respectively.

Staff is continuing its review of the company's supporting financial documents, books and records of the combined operating units. WM Northwest, as combined, is the largest business unit in Washington with approximately half of its service provided to contracted cities. As part of the review, Staff has made several adjustments that result in a substantial decrease in the revenue requirement. These adjustments include the removal of investment not used in regulated business, direct assignment of revenue and expenses where possible, affiliated transactions adjustments, removal of legal fees related to biomedical issues, and adjustments to the allocations of expenses between regulated operations and contracted cities. With these adjustments many issues were addressed that relate to allocation of cost from overhead organizations, between affiliates, between lines of business and between regulated customers and contracted cities. Among other things, King County disposal fees are approximately fourteen

percent higher than Snohomish County disposal fees and Staff is not convinced that this difference is reflected in the company's proposed rates.

**Company Proposed Rate Changes**

	Current Rate	Proposed Rate	Percentage Increase	Current Rate	Proposed Rate	Percentage Increase
Residential Monthly Rates	King County			Snohomish County		
20 Gallon Cart	\$ 12.50	\$ 10.40	-16.80%	\$ 9.45	\$ 10.40	10.05%
35 Gallon Cart	\$ 14.50	\$ 16.50	13.79%	\$ 14.80	\$ 16.50	11.49%
64 Gallon Cart	\$ 22.10	\$ 26.30	19.00%	\$ 23.55	\$ 26.30	11.68%
96 Gallon Cart	\$ 29.70	\$ 36.10	21.55%	\$ 31.90	\$ 36.10	13.17%
Recycling Service	\$ 8.33	\$ 8.60	3.24%	\$ 8.65	\$ 8.60	-0.58%
96 Gallon Yard Waste	\$ 8.23	\$ 10.17	23.57%	\$ 9.55	\$ 10.17	6.49%
Commercial Monthly Rates	King County			Snohomish County		
1.0 Yard Container	\$ 95.69	\$ 86.63	-9.47%	\$ 71.88	\$ 84.00	16.87%
2.0 Yard Container	\$ 157.61	\$ 150.32	-4.63%	\$ 123.84	\$ 145.06	17.13%
4.0 Yard Container	\$ 256.77	\$ 240.01	-6.53%	\$ 196.15	\$ 229.49	17.00%
6.0 Yard Container	\$ 332.54	\$ 331.87	-0.20%	\$ 270.19	\$ 316.09	16.99%

**Customer Comments**

On June 10, 2013, the company notified its customers of the proposed rate increase by mail. Staff received 107 consumer comments regarding the proposed rate increase; 99 opposed to the rate increase, 3 in favor, and 5 undecided. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or jcupp@utc.wa.gov with questions or concerns.

**Business Practices**

- Twenty customers commented on pickups that have been missed due to weather or labor disputes, and that they must pay for the service they did not receive.

**Staff Response**

Staff is working with companies to resolve issues related to missed pickups.

**General Comments**

- Twelve customers stated that the company's drivers are overpaid. Nine customers said the amount of the proposed increase is excessive. The condition of the economy was mentioned in seven comments; poor customer service was mentioned six times. Many customers mentioned that they are senior citizens on fixed incomes. Many also feel their rates are already too high.

### **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 its investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

### **Summary**

This filing was precipitated by the combination of WM Northwest and WMSK, the related facilities changes to accommodate the combination, new CNG investment and increases in labor, fuel and other operating expenses. The resulting business unit, WM Northwest, is the largest in Washington with over 111,000 customers. Staff has made several substantial adjustments primarily related to investment and the allocation of costs to regulated operation.

Staff is willing to continue its review of the combined operating unit results based on additional information to be provided by the company in support of their filing.

### **Recommendation**

Staff recommends the commission issue Complaint and Order Suspending the Tariff Revisions filed on May 24, 2013, by Waste Management of Washington, Inc., dba Waste Management – Northwest.