

Agenda Date: July 31, 2008  
Item Number: B2

**Docket:** **TG-081071**  
Fiorito Enterprises, Inc., & Rabanco Companies d/b/a Kent Meridian  
Disposal Co., G-60

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

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Fiorito Enterprises, Inc., & Rabanco Companies d/b/a Kent Meridian.

### **Discussion**

On June 16, 2008, Fiorito Enterprises, Inc., & Rabanco Companies d/b/a Kent Meridian Disposal Co. (Kent Meridian or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$1,487,000 (11.9 percent) in additional revenue per year. The tariff revisions propose to increase rates for collecting solid waste, curbside recycling, and yardwaste. The proposed rate revisions are prompted by increases in labor, fuel, medical insurance, pension, and other operating expenses. Kent Meridian serves approximately 34,000 residential and commercial regulated customers in southern King County between North Bend, Issaquah and Auburn. Kent Meridian's last rate increase was a pass-through disposal fee increase which became effective on January 1, 2008.

### **Customer Comments**

Kent Meridian notified its customers of the proposed rate increase by mail on June 30, 2008. Staff notes a problem with the company's customer notice. The residential customer notice says, "The proposed rate increases for our residential service range from 0% to 27.11% and not all residential services are listed above." Upon review of the company's filing, this statement is not accurate. The company proposed increases of more than 27.11 percent for several services. For example, the charge for one 20-gallon can monthly service and mandatory recycling service would increase from \$8.18 per month to \$11.52 per month, or 40.8 percent. However, staff does not believe this error is sufficient to require the company to re-notice customers.

The commission has received 17 comments on this filing to date. The following is staff's summary of the comments received and staff's response.

- Customer Comment – Customers oppose the amount of the rate increase because:
  - The company is poorly run and does not deserve an increase.
  - The company lacks good management.
  - The company is asking for an increase with no enhancement of their service.
  - The company should cut costs.
  - Customers cannot afford an increase with the cost of gas up so much.
  - The company already makes too much money.

- The company is asking too much in relationship to inflation.
- The proposed rate increase will be a hardship.
- Gas prices are starting to go down so the increase is invalid.
- A 27.11 percent increase is extremely difficult to justify.
- The rates are too high when compared to similar services being offered by companies in the area.

Staff 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 to ensure the company's costs are appropriate and reasonable. Staff then uses a cost of service analysis to recommend rates. 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 – The company provides poor service.

Staff's response – Staff agrees that the company needs to provide reasonable, adequate service. The commission's Consumer Protection Staff (1-800-562-6150 or 360-664-1120) works with the company and customers to ensure that happens. Staff has been unaware of service quality issues because we have received no customer complaints since 2005. Staff contacted each customer who commented in this case and offered assistance with any service quality issues.

- Customer Comment – There are other solutions than just raising rates. Routes could be combined to eliminate one pick up day per week. The company should provide automated service.

Staff's response – The company can choose to change collection schedules to every other week, use automated service, and make other service changes today. The county can also require the company to provide every-other-week service, use automated service, and to make other changes by passing minimum service level ordinances. Automated service would require additional investment in trucks and carts which, in the short term, would likely increase rates. The efficiencies provided by automated service would mitigate the rate effect of the added investment and may solve some of the service complaints.

- Customer Comment – If the increase goes into effect we will switch to once a month service.

Staff's response – The company provides several service level options, including 20 gallon can weekly service at \$8.54 per month and 30 gallon once-a-month service at \$5.21 per month. Staff encourages all customers to manage their waste and recycling services and choose the services that best meet their needs.

**Rate Comparison**

<b><u>Residential - monthly rates</u></b>	<b><u>Present</u></b>	<b><u>Proposed</u></b>
One Mini Can per week	\$ 7.51	\$8.45
One 32 gallon Cart per week	11.40	13.03
One 64 gallon Cart per week	18.91	20.08
Curbside Recycling	5.14	7.71
Recycling Commodity Credit	(1.40)	(1.40)
Yardwaste	6.29	8.37
<b><u>Commercial - per pickup</u></b>		
One Yard Container	12.06	16.63
Two Yard Container	22.22	30.61

**Average Customer Charge Comparison – One 32 Gallon Cart Customer**

<b><u>Monthly Service</u></b>	<b><u>Present</u></b>	<b><u>Proposed</u></b>
Garbage Component	\$11.40	\$13.03
Mandatory Recycling net of commodity credit	<u>3.74</u>	<u>6.31</u>
Total Garbage and recycling	\$15.14	\$19.34 <u>(27.7%)</u>
Voluntary Yardwaste	<u>6.29</u>	<u>8.37</u>
Total: Garbage, Recycling and Yardwaste	<u><u>\$21.43</u></u>	<u><u>\$27.71</u></u> <u>(29.3 %)</u>

Commission staff has not yet completed its review of Kent Meridian’s financial documents, books and records. Because the proposed increases in rates might injuriously affect the rights and interest of the public and Kent Meridian has not demonstrated that the increases would result in rates that are fair, just, reasonable and sufficient, staff recommends that the commission suspend the proposed filing.

**Conclusion**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Fiorito Enterprises, Inc., & Rabanco Companies d/b/a Kent Meridian.