

Agenda Date: November 24, 2021
Item Number: B1

Docket: TG-210647
Company Name: Rubatino Refuse Removal

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

Recommendation:

Take no action, thereby allowing the tariff pages filed by Rubatino Refuse Removal on August 16, 2021, as revised on November 19, 2021, to take effect December 1, 2021, by operation of law.

Discussion

On August 16, 2021, Rubatino Refuse Removal (Rubatino or Company) filed with the Washington Utilities and Transportation Commission (Commission) a proposed general rate increase that would generate approximately \$2,126,500 (12.2 percent) in additional annual revenue. The proposed increase is prompted by increased employee wages and benefits, recovery of newly purchased operating assets, and other general operating expenses. The Company provides service to approximately 28,000 residential customers in Snohomish County. The Company's last general rate filing was approved for \$606,000 (3.5 percent) additional annual revenue and became effective September 1, 2019.

Commission staff's (Staff) review found that the proposed rates would result in excessive revenue. The Company and Staff have agreed to a revised revenue requirement of approximately \$2,020,000 (or 11.0 percent) in additional annual revenue.

The revised revenue requirement (and its associated rates) would be implemented in two stages: year one's revenue requirement is \$1,189,000 and year two's revenue requirement is \$2,020,000. Year one's revenue requirement of \$1,189,000 is lower than year two's because it recognizes the excess revenue received from customers during the test year, after the Company had received a Paycheck Protection Program (PPP) loan from the federal Small Business Administration, of \$909,450, which was subsequently forgiven. As such, the total revenue requirement of \$2,020,000 was reduced by the portion of the PPP loan amount allocated to regulated activities, resulting in a year one revenue requirement of approximately \$1,189,000 (or 6.5 percent) in additional annual revenue.

The revised revenue requirement also includes the effect of an updated Lurito Gallagher Model provided by the Company after its initial filing. This model is the result of the Berkley Research

Group's analysis into updating the data set used to calculate a reasonable rate of return for the solid waste industry. When compared to the prior model available for use by the industry, the total revenue requirement is approximately \$554,000 higher using the updated model.

The Company's rate request also called into question costs from affiliated companies incurred by the regulated garbage company in its provision of service. Staff's revised revenue requirement includes adjustments to the allowable charges for recycling processing fees between the Company and its affiliate, Reclamation, Inc. Staff used a lower of cost or market approach to determine reasonable charges based on the cost information of the affiliate, while allowing a reasonable return. This adjustment resulted in a decrease in revenue requirement of approximately \$193,000. While the Company disputed this adjustment, as well as the adjustment related to PPP funds, it ultimately agreed to these treatments in order to settle the case. Staff also reviewed the rates charged for truck repairs by the affiliate Truck Care, Inc., and found that the proposed charges approximated market rates, and that the Company's cost data, and Staff's research supported these charges. This adjustment from affiliate charges totaled approximately \$255,000 and is included in the agreed upon revenue requirement

The Company's initial proposal included equal rate increases of 17.5 percent across all lines of service (i.e., garbage, recycling, and yard waste services). However, Staff determined that Company's proposed rate design didn't properly reflect costs incurred by each line of service. Staff examined cost allocations between different lines of service and put forward a set of rates that better reflects service-specific costs. The revised rates agreed to between Staff and the Company reflect increases to rates across all service types that better reflect service specific costs. The revised rates as of year two include increases to garbage, recycling, and yard waste services, of 9.7 percent, 26.9 percent, and 33.2 percent, respectively. The resulting rates for both year one and year two are shown in the rate table below.

While the revenue deficiencies identified for each line of service are relatively similar, the largest rate impact is attributed to recycling and yard waste services. For recycling, this is caused by a few different factors, most notably, the current recycling rate. The previous recycling rate was not properly determined in prior cases due in part to the misapplication of recycling processing and disposal costs. Staff also discovered inaccuracies in the methodology for allocating company overhead, which resulted in significantly more overhead costs being allocated to garbage service than to recycling and yard waste services. The ultimate outcome was that garbage rates partially subsidized recycling and yard waste collection rates. In addition, a significant portion of the current increase to yard waste rates is the result of a pro forma adjustment due to Cedar Grove Composting increasing rates 9 percent effective January 1, 2022. While the percentage increases to these rates is relatively large, the revised rates would

now be more in line with rates charged by other companies in the surrounding area.¹

Staff believes the revised rates more appropriately reflect the costs of providing these services, and that the revised rates are fair, just, reasonable, and sufficient.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate (Year 1)	Percent Increase (Year 1)	Revised Rate (Year 2)	Percent Increase (Year 2)
32 Gallon Toter Weekly Garbage	\$15.41	\$18.10	\$15.93	3.4%	\$16.90	9.7%
Recycling – Weekly	\$6.75	\$7.93	\$8.17	21.1%	\$8.56	26.9%
Yard waste – Every Other	\$10.40	\$12.22	\$13.22	27.1%	\$13.85	33.2%
1 Yard Weekly Garbage	\$75.26	\$88.41	\$77.82	3.4%	\$82.56	9.7%

Customer Comment Summary

On August 31, 2021, 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 18 comments opposed to the increase.

Customer Comments

Seven of the commenters feel the amount of the requested increase is excessive. Six customers said the increase should be denied because they receive poor service; mainly missed pickups and garbage being left on the ground. Several feel the rates are already too high, and some feel rates should not be increased during the pandemic. Two customers said they should not be charged for recycling because recyclable materials are disposed of with the garbage.

Staff Response

State law requires rates to be fair, just, reasonable, and sufficient to allow the Company to

¹ Waste Management North Sound – Marysville’s current rates for residential recycling and yard waste are \$9.23 and \$13.00, respectively. Rabanco LTD – Lynnwood’s current rates for residential recycling and yard waste are \$11.07 and \$10.20, respectively.

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.

The Company says it has taken steps to mitigate the loose debris issue by installing tarps on certain vehicles and offers at no charge additional recycling containers that are less susceptible to wind. The Company also said it has a policy against recyclable materials being dumped in with garbage. Staff informed customers how to contact Consumer Protection if they are unable to resolve service issues with the Company.

Recommendations

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