

Agenda Date: February 28, 2008
Item Numbers: B1 and B2

Dockets: TG-080079, TG-080082
Company Names: Murrey's Disposal Company, Inc. G-9
American Disposal Company, Inc. G-87

Staff: Nicki Johnson, Regulatory Analyst
Dennis Shutler, Consumer Affairs Specialist

Recommendations

1. Issue a Complaint and Order Suspending the Tariff Revisions filed by Murrey's Disposal Company, Inc., and American Disposal Company, Inc.
2. Allow temporary rates at the staff recommended revised rates to become effective March 1, 2008, subject to refund.

Discussion

On January 14, Murrey's Disposal Company, Inc. (Murrey's), and American Disposal Company, Inc. (American), (collectively, the companies), filed with the Washington Utilities and Transportation Commission (commission) tariff revisions that would generate \$1,268,000 (4.80 percent) in additional revenue per year. The companies are under common ownership and have identical rates. Murrey's and American serve 53,000 customers in Pierce County.

The proposed filings pass through the increased disposal fees, increase residential and multi-family recycling rates, and increase the yard waste rates. The last general rate increase for garbage, multi-family recycling and yard waste rates became effective January 1, 1999. The residential recycling rates were last increased in November 2005 in response to the new single-stream recycling program.

The proposed garbage rate increases are prompted by a \$3.06 per ton tip fee increase at Land Recovery, Inc., the disposal site in Pierce County. Customers will be notified of this disposal fee pass-through on their next bill. Proposed rates would generate \$346,000 (1.59 percent) in additional revenue per year.

The companies propose to increase the recycling rates to recover increased fuel, labor and processing costs. Proposed recycling rates would generate \$544,000 (16.54 percent) in additional revenue per year.

The proposed yard waste rate increase is intended to recover rising costs since the last rate increase nine years ago. Proposed yard waste rates would generate \$378,000 (31.09 percent) in additional revenue per year. Staff analysis of the yard waste program revealed that the proposed yard waste rates generated excessive revenue. On February 19, the companies filed revised rates at the staff recommended level. The revised rates would generate approximately \$197,000, a 16.19 percent increase.

Murrey's and American notified the recycling and yard waste customers of the proposed rate increase by mail on January 30, 2008. The commission has received 30 customer comments on this filing. Most customers object to the amount of the proposed increases in rates. They believe the increases exceed the cost of inflation.

Staff's 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. Staff's goal is to recommend the "right" rates that will allow the companies to recover reasonable operating expenses and provide an opportunity to earn a reasonable return on investment.

Two individuals believe they do not need the larger-sized containers (residential recycling carts are 96 gallon or 65 gallon; yard waste carts are 90 gallon) and would like to see an option of smaller container sizes or less frequent service at a reduced rate.

Staff's Response - The Pierce County residential recycling minimum service level states that collection companies should offer alternatives for collection containers that are smaller than 65 gallon, but there is no reduction in the collection rate. Nothing prohibits the companies from providing yard waste service in smaller containers or less frequent service at a reduced rate.

Although the companies filed revised rates at lower levels, customers have not yet been advised that staff and the companies have agreed to revised rates and, as such, have not had the opportunity to comment on the revised rates. Customers deserve to know about, and comment on, the revised rates. The commission should consider all information, including any additional customer comments on the revised rates, in deciding whether to approve the revised rates on a permanent basis.

Rate Comparison

	Current Rate	Proposed Rate	Revised Rate
Residential Recycling (per month)	\$4.75	\$5.50	\$5.50
Yard Waste (per month)	\$4.30	\$5.64	\$5.00
Yard Waste Extra	\$1.20	\$2.00	\$1.20
Multi-family Recycling (per yard)	\$3.19	\$4.14	\$4.14
Multi-family (96 gallon cart per pick up)	\$3.53	\$4.55	\$4.55
Multi-family (6 yard container per pick up)	\$28.14	\$31.55	\$31.55

Commission staff has completed its review of the companies' supporting financial documents,

books and records. Staff's review shows that the expenses are required and reasonable for the companies' operations. The companies' financial information supports the revised revenue requirement and the revised rates are fair, just, reasonable, and sufficient.

Conclusion

Staff recommends that the commission issue a Complaint and Order Suspending the Tariff Revisions filed by Murrey's Disposal Company, Inc., and American Disposal Company, Inc., and allow temporary rates at the staff recommended revised rates to become effective March 1, 2008, subject to refund.