

Agenda Date: October 28, 2010  
Item Number: B2

**Docket:** **TG-101536**  
Company Name: Harold LeMay Enterprises, Inc. d/b/a  
City Sanitary Co., Joe's Refuse Service, White Pass Garbage Co., G-98

Staff: Nicki Johnson, Regulatory Analyst  
Dennis Shutler, Consumer Protection Staff

### **Recommendation**

1. Grant the company's request for an exemption from WAC 480-07-520(4) Work papers, for the purposes of this filing only.
2. Grant the company's request for an exemption from WAC 480-70-266, Tariffs, to allow the revised rates to become effective on November 1, 2010, on less than statutory notice.
3. Grant the company's request for an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.
4. Approve the staff recommended revised rates, as filed by the company on October 19, 2010, to become effective November 1, 2010, on less than statutory notice.

### **Discussion**

On September 15, 2010, Harold LeMay Enterprises, Inc. d/b/a City Sanitary Co., Joe's Refuse Service, White Pass Garbage Co. (LeMay or company) filed tariff revisions with the Utilities and Transportation Commission (commission). The tariff revisions would generate approximately \$429,000 (9.0 percent) in additional annual revenue. The proposed increases are prompted by increases in labor, employee benefits, fuel costs and new investment. LeMay provides regulated service to approximately 11,800 residential and commercial customers in Lewis County. The company's last general rate increase became effective on December 1, 2008.

On September 15, 2010, LeMay also filed a petition requesting an exemption from the work paper filing requirements set out in WAC 480-07-520(4).

WAC 480-07-520(4) requires LeMay to file work papers that contain detailed financial data for the company, its affiliated interests, and its business units. The plain language of the rule requires these work papers to address company-wide finances as a whole, not a limited subset of one or more business units.

LeMay operates in more than one county and the company maintains separate financial records and tariffs in each of those counties (the company calls these districts). The company is seeking an exemption, for purposes of this filing only, to file a detailed income statement and proforma income statement separated into garbage collection, residential recycling, multi-family recycling and yard waste for only its Lewis County operations (districts 2188 and 2189). It is further requesting an exemption that it not be required to file the rates for its unregulated long haul

trucking operations. Staff reviewed LeMay's request for an exemption from WAC 480-07-520(4) and recommends that the commission grant the request.

Staff's analysis of the company's financial information showed a higher revenue requirement for drop box hauling and a lower revenue requirement for residential and commercial solid waste collection than what the company proposed. The residential recycling rate is appropriate at the proposed rate. Staff does not recommend any increase in the yard waste rate.

Staff and the company agreed to a revised revenue requirement of \$421,000 (8.9 percent) in additional annual revenue and revised rates, some of which are higher than the rates the company originally proposed. On October 19, 2010, the company filed revised rates at staff recommended levels. The revised rates for residential and commercial garbage collection are less than the proposed rates, the revised rate for residential recycling is the same as the proposed rate, and the revised rate for yard waste is the same as the current yard waste rate.

The revised rates for drop box service are greater than the proposed rates. The company serves 37 permanent drop box customers and averages 22 temporary drop box hauls per month. The revised drop box rates would increase rates by about 65 percent compared to the proposed rates that would increase rates by about 54 percent. The company's notice to drop box customers states "The Commission has the authority to set final rates that may be either lower or higher from the company's request, depending on the results of its investigation". The commission did not receive any comments addressing the proposed drop box rates.

The company requests an exemption from Washington Administrative Code (WAC) 480-70-266, Tariffs, to allow the revised rates to become effective on November 1, 2010, on less than statutory notice, and an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.

RCW 81.28.050 and WAC 480-70-266 require forty-five days' notice to the commission prior to the effective date of the tariff. The company requests, however, less than statutory notice as permitted by WAC 480-70-276, so that the tariff revisions become effective on November 1, 2010. The company must request less than statutory notice because the revised rates result in some increases compared to the rates the company originally proposed and sent notice to customers.

Under WAC 480-70-271, solid waste companies must provide each affected customer a notice at least thirty days before the requested effective date of the proposed rate increase. For the same reason listed in seeking less than statutory notice to the commission, the company seeks an exemption from customer notice requirements. The company originally notified customers of the proposed rates filed on September 30, 2010, and requests waiver of customer notice of the revised rates. The company proposes to notify customers by bill insert in the next billing cycle.

### **Customer Comments**

On September 30, 2010, the company notified its customers of the proposed rate increase by mail. The commission received eight customer comments on this filing. All customers oppose the proposed increase.

Consumer Protection staff advised customers that they may access all company documents about this rate case at [www.utc.wa.gov](http://www.utc.wa.gov), and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

### **Service Quality**

- Two customers believe the company could cut costs by scheduling service routes more efficiently.

#### **Staff Response**

Staff contacted the customers and told them that the company reviews routes, at a minimum, bi-annually for various items such as efficiency. Other considerations are safety, customer needs, and various government regulations.

### **General Comments**

- One customer believes the company does not turn in the recyclables for money.

#### **Staff Response**

The customer was advised that LeMay sells the recycling materials it collects in its curbside recycling program. All proceeds are returned to the customers in the form of a commodity credit. In Lewis County, effective July 1, 2010, residential and multi-family recycling customers' receive a recycling commodity credit of \$.92 per month, which is reflected on the customer's bill.

- One customer believes the company should pick up glass rather than offer drop boxes throughout the county.

#### **Staff Response**

The customer was advised that glass may not be commingled with other recyclables because Lewis County's solid waste ordinance does not require glass be recycled and LeMay's processing facility is not designed to separate glass from comingled recyclables. Drop boxes specifically for glass are located at the Central Transfer Station in Centralia, the Forest Grange in Chehalis, the Sewage Treatment Plant in Pe Ell, the East Lewis County Transfer Station, and the Packwood Senior Center/Community Center.

- Two customers believe the company should work within a budget, like its customers.

**Staff Response**

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 investment.

**Rate Comparison**

<b>Residential Monthly Rates</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
65-Gallon Can Weekly Pick-Up	\$19.55	\$20.40	\$20.24
65-Gallon Cart Every-Other-Week Pick-Up	\$13.13	\$13.70	\$13.57
65-Gallon Cart Monthly Pick-Up	\$ 8.50	\$ 8.87	\$8.50
Mandatory Curbside Recycling 96-Gallon Cart-Comingled	\$ 5.46	\$ 6.49	\$6.49
Optional Yard Waste Service – 96-Gallon Cart	\$ 7.50	\$8.70	\$ 7.50
<b>Commercial Per Pick-Up Rates</b>			
1-Yard Container	\$16.00	\$16.70	\$16.54
2-Yard Container	\$27.40	\$28.59	\$28.32
20-Yard Drop Box	\$95.00	\$146.50	\$156.36

**Bill Comparison – Residential Customer**

<b>Monthly Rates</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
65-Gallon Cart Every-Other-Week Pick-Up	\$13.13	\$13.70	\$13.57
Recycling Cart (Mandatory Every Other Week Service)	\$ 5.46	\$ 6.49	\$6.49
Recycle Commodity Credit*	(\$ .92)	(\$ .92)	(\$ .92)
Total Solid Waste and Mandatory Recycling	\$17.67	\$19.27	\$19.14
Percent Increase		9.1%	8.3%
Yard Waste (Optional Every Other Week) Service	\$ 7.50	\$ 8.70	\$ 7.50
Total Monthly Bill	\$25.17	\$27.97	\$26.64
Percent Increase		11.1%	5.8%

\*All revenue from the sale of commodities is returned to customers. The company does not have revenue sharing.

## **Conclusion**

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the expenses are reasonable and required as part of the company's operation. The customer's comments do not change staff's opinion that the company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable and sufficient. Because the company notified drop box customers that the commission may set rates that are higher than the rates contained in the customer notice and the revised rates result in increases of about 65 percent instead of about 54 percent for the proposed rates, staff believes the company's request for exemptions from rules to allow the higher revised rates to become effective on November 1, 2010, on less than statutory notice, and allow the company to notify drop box customers affected by the higher rates in the next billing cycle are reasonable and should be granted.

Therefore, staff recommends the following:

1. Grant the company's request for an exemption from WAC 480-07-520(4) Work papers, for the purposes of this filing only.
2. Grant the company's request for an exemption from WAC 480-70-266, Tariffs, to allow the revised rates to become effective on November 1, 2010, on less than statutory notice.
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