

Agenda Date: January 31, 2013  
Item Number: B2

**Dockets: TG-121484  
TG-121822**

Company Name: Waste Management of Washington, Inc. , G-237  
dba Brem-Air Disposal

Staff: Mike Young, Regulatory Analyst  
Amy White, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendation**

1. Issue an order to Dismiss the Complaint and Order Suspending the Tariff Revisions filed on September 10, 2012, by Waste Management of Washington, Inc., in Docket TG-121484, and allow revised rates filed on January 23, 2013, at the staff recommended levels to become effective February 1, 2013.
2. Issue an order to Dismiss the Complaint and Order Suspending the Tariff Revisions filed on November 16, 2012, as revised on December 14, 2012, by Waste Management of Washington, Inc., in Docket TG-121822, grant the company's request for an exemption from WAC 480-07-520, work paper filing requirements, and allow the revised rates filed on January 23, 2013, at the staff recommended levels, to become effective February 1, 2013.

### **Discussion**

#### **Docket TG-121484 – Recycling Commodity Credit**

On September 10, 2012, Waste Management of Washington, Inc. (WMW or company), dba Brem-Air Disposal (Brem-Air), in Docket TG-121484, filed with the Washington Utilities and Transportation Commission (commission) revisions to its currently effective Tariff No. 20, designated as 10th Revised Page No. 2, 6th Revised Page No. 22, and 5th Revised Page No. 25. The stated effective date is November 1, 2012. Brem-Air serves approximately 52,000 residential customers in Kitsap County.

WMW proposed to decrease the amount Brem-Air pays to customers for the revenue Brem-Air receives from the sale of recyclable materials that Brem-Air collects in its residential recycling collection service. On October 25, 2012, the commission suspended the tariff pages filed in docket TG-121484 but allowed a commodity credit of \$1.01 for single family customers, and \$0.17 credit for multifamily customers to go into effect November 1, 2012, on a temporary basis, subject to refund. The commission also ordered that WMW must not change or alter the tariffs filed during the suspension period, unless authorized by the Commission.

Staff's review of Brem-Air's financial information found that the temporary commodity credits are too low, and on January 23, 2013, WMW filed revised tariff pages reflecting a \$3.82 commodity credit for single family customers and a \$0.61 credit for multifamily customers, to become effective February 1, 2013, and expire October 31, 2013.

### **Docket TG-121822 – General Rate Case**

On November 16, 2012, WMW, in Docket TG-121822, filed with the commission additional revisions to its currently effective Tariff No. 20, designated as 12th Revised Page No. 2, 8th Revised Page No. 22, 3rd Revised Page No. 23, and 7th Revised Page No. 25. The proposed general rate case filing would generate approximately \$1,600,000 (10.8 percent) additional annual revenue for the collection of residential recycling and yard waste. On December 14, 2012, the company filed a replacement page, 3rd Revised Page No. 23, to correct a clerical error. The last Brem-Air general rate increase became effective on November 1, 2007.

#### Authorization to File Revise Pages.

Pages 22 and 25 filed in Docket TG-121822 seek to revise pages 22 and 25 that the Commission previously suspended in Docket TG-121484 on October 25, 2012. WMW requested that the commission authorize the company to file changes to those pages for the purpose of filing a general rate case to increase rates for the collection of residential recycling and yard waste, and to revise the recycling commodity adjustment credit.

On December 27, 2012, the commission issued combined Order 02 in Docket TG-121484 and Order 01 in Docket TG-121822 that:

- Consolidated the dockets.
- Authorized the company to file changes to pages 22 and 25 that were suspended in Docket TG-121484.
- Suspended the rates and tariffs filed in Docket TG-121822.

#### Petition for Exemption from WAC 480-07-520, Work Paper Filing Requirements.

On November 16, 2012, WMW also filed a petition asking for an exemption from the following sections of WAC 480-07-520(4) to limit the filing requirements to Brem-Air, the business unit providing services under the tariff that WMW proposes to amend:

- (a) Detailed pro forma income statement.
- (b) Revenue impact calculation for proposed tariff revisions.
- (c) Income Statement
- (f) Detailed price-out information.
- (h) Detailed depreciation schedule.
- (i) Computed average investment.

WMW also requests an exemption from:

- (d) Detailed separation of revenue and expenses between regulated and nonregulated activities to limit the filing to a detailed separation of revenue and expenses between Brem-Air, the business unit providing services under the tariff that WMW proposes to amend and other business units within WMW with which Brem-Air has intra-company transaction or arrangements that, but for the fact that the business units are not separate corporations, would be affiliated interest transactions. The filing also includes a detailed separation of all revenues and expenses for each of the other WMW business units performing collection operations, with expenses allocated proportionately on the basis of regulated and unregulated revenues, and a combined statement of detailed revenues and expenses for all of WMW's unregulated, non-collection operations added together.

Staff agrees with WMW that because the data for which this exemption is sought is not relevant to the tariff filing for Brem-Air, granting this exemption is not inconsistent with the underlying purposes of the general rate filing rule stated in WAC 480-07-520(4). WMW's request is consistent with previous filings in which the commission has found the exemption to be in the public interest and consistent with the purposes underlying the regulation and applicable statutes. Staff recommends that the commission grant the requested exemption.

#### General Rate Increase for Residential Recycling and Yard Waste.

The proposed increases in TG-121822 are prompted by increased maintenance, labor, fuel, and other operating and administrative costs. In addition, the filing was prompted by the company's acquisition of a recycling processing company, now known as Waste Management of Washington, Inc. dba WM-JMK Fibers (JMK), which included a change in accounting methods to include the processing costs of JMK on Brem-Air's income statement instead of netting the processing costs against the recycling commodity revenue before paying a commodity credit to customers.

Staff's review of costs related to Brem-Air and its affiliate JMK found that the proposed rates would result in excess revenue. Staff and WMW agreed to a revised revenue requirement of approximately \$1,369,000 (9.0 percent) additional annual revenue in Docket TG-121822 and on January 23, 2013, WMW filed revised tariff pages at staff recommended levels.

#### Customer Comments

On Dec. 1, 2012, the company notified its customers of the proposed rate increase by mail. Staff received 37 consumer comments regarding the proposed rate increase; 29 opposed to the rate increase, three in favor, and five undecided. Customers were notified that documents related to the rate increase are available 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.

**General Comments**

- Twenty-five customers believe the amount of the proposed recycling rate increase is excessive.

**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 earn a reasonable return on its investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

- One customer asked that the company consider picking up old printers, computers, and other electronic items.

**Staff Response**

Staff provided the customer with information about E-Cycle Washington, a program for free recycling of electronic items.

- One customer believes the company’s drivers are overpaid.

**Staff Response**

Staff provided information to the customer about driver wages, and why they are incorporated into rates.

**Rate Comparison**

<b>Residential Recycling, Single-Family</b>	<b>Current Rate</b>	<b>Company Proposed Rate</b>	<b>Staff Revised Rate</b>	<b>Percent Increase</b>	<b>Pertinent Docket</b>
Monthly Service Rate	\$ 4.05	\$ 7.15	\$ 7.10	75.3 %	TG-121822
Less: Commodity Credit	(\$ 1.01)	(\$ 2.72)	(\$ 3.82)	259 %	TG-121484
<b>Net Monthly Cost</b>	<b>\$ 3.04</b>	<b>\$ 4.43</b>	<b>\$ 3.28</b>	<b>7.9 %</b>	
<b>Residential Recycling, Multi-Family</b>					
Monthly Service Rate	\$ 4.05	\$ 4.03	\$ 4.40	8.6 %	TG-121822
Less: Commodity Credit	(\$ 0.17)	(\$ 0.42)	(\$ 0.61)	259 %	TG-121484
<b>Net Monthly Recycling Cost</b>	<b>\$ 3.88</b>	<b>\$ 3.61</b>	<b>\$ 3.79</b>	<b>( 2.3 % )</b>	
<b>Yard Waste</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Staff Revised Rate</b>	<b>Percent Increase</b>	
Monthly Service Rate	\$ 8.15	\$ 8.45	\$ 8.45	3.7 %	TG-121822

## **Conclusion**

1. Issue an order to Dismiss the Complaint and Order Suspending the Tariff Revisions filed on September 10, 2012, by Waste Management of Washington, Inc., in Docket TG-121484, and allow revised rates filed on January 23, 2013, at staff recommended levels to become effective February 1, 2013.
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