Agenda Date: May 30, 2019
Item Number: B6

**Docket:** **TG-190293**
Company Name: Zippy Disposal Service, Inc.

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

## Recommendation

Issue an order approving the company's request for less than statutory notice and allow the tariff pages filed on April 18, 2019, and revised on May 23, 2019, to take effect June 1, 2019.

## Discussion

On April 18, 2019, Zippy Disposal Service, Inc. (Zippy Disposal or company), filed Tariff No. 18 with the Utilities and Transportation Commission (commission) that would generate approximately $118,700 (9.6 percent) additional annual revenue. The proposed increase would become effective June 1, 2019, and is prompted by new truck purchases, increases in payroll and related expenses, and other general operating expenses. Zippy Disposal currently serves approximately 2,500 residential, commercial, and drop box customers in Chelan, Douglas, and Okanogan Counties, and has non-regulated operations in the form of two city contracts with the cities of Bridgeport and Pateros. The proposed increase applies to Chelan County garbage rates only. The company's last general rate increase generated approximately $80,000 (5.7 percent) and became effective September 1, 2012.

The company offers residential recycling in Chelan County, a service that was added on May 1, 2018. The company has an active compliance item pertaining to its recycle rates and is required to file documentation to examine and possibly adjust the recycling rates currently in effect. The company was ordered to file no later than October 15, 2019, to meet the ordered effective date of December 1, 2019. Due to this requirement, the recycling operations were not under review in this rate case and all associated recycling costs and revenue have been removed from rate calculations.

Commission staff's (staff) review found the proposed revenue requirement was reasonable. The staff-revised additional revenue requirement totaled approximately $141,500, with approximately $22,500 attributable to Douglas County rates. The company agreed to forgo recovering that Douglas County portion of the revenue requirement in order to not impose additional costs on its Chelan County customers, who already pay higher rates than Douglas and Okanogan County customers due to differences in county disposal fees. The Okanogan County additional annual revenue requirement showed a decrease, which was netted against the Chelan County increase to arrive at the total $119,000 additional annual revenue requirement to be recovered from Chelan County customers. The netting of revenue requirements between Counties was done to maintain some degree of rate parity between the tariffed areas.

Staff made several adjustments to arrive at this total. First, the company proposed a 30 percent income tax rate on the Lurito-Gallagher model, which represented the effective tax rate of the company's owner. Commission policy has been to apply the corporate tax rate currently in effect, which is 21 percent. Second, staff changed the company's proposed depreciation methodology by removing fully depreciated assets carrying salvage values, and amortizing the remaining balance over three years. Third, staff employed the "rate year" approach with regard to depreciation expense and end-of-period investment. This resulted in an upward adjustment to the revenue requirement due to the fact that several assets added during the test year had not been given a full year of depreciation expense and investment in the company's calculations. Also, the company provided invoices for assets that had been added since the end of the test year, which staff added to the depreciation schedule. Finally, staff removed certain unallowable expenses, made changes to some of the company's proposed allocation factors, along with a few other minor adjustments. After all adjustments were taken into account and after removal of the increase attributable to Douglas County, the staff calculated revenue requirement totaled approximately $119,000, just slightly higher than the initially proposed rates would generate. Instead of increasing rates further, the company elected not to revise its initially proposed rates. On May 23, 2019, the company filed a replacement page to add certain special waste pass-through disposal fees to its Item 230 schedule.

The company is required by WAC 480-70-266 requires a company provide 45 days notice to the commission when filing a tariff increases rates or charges to customers. The company filed 42 days prior to the effective date and is therefore requesting Less than Staturory notice processing; customers were given the required 30 days' notice. Staff supports the companies LSN request.

**Rate Comparison**

| **Residential Rates** | **Current Rates** | **Proposed Rates** | **Increase** |
|---|---|---|---|
| Mini-Can Weekly | $ 14.72 | $ 16.15 | 9.7% |
| 1 Can Weekly Garbage | $ 18.10 | $ 19.85 | 9.7% |
| 45 Gal. Toter Weekly Garbage | $ 18.10 | $ 19.85 | 9.7% |
| 65 Gal. Toter Weekly Garbage | $ 22.25 | $ 24.40 | 9.7% |
| 95 Gal. Toter Weekly Garbage | $ 27.94 | $ 30.60 | 9.5% |
| **Commercial Service - Per Pickup** | | | |
| 1 Yard Container Per Pickup | $ 16.30 | $ 17.80 | 9.2% |
| 2 Yard Container Per Pickup | $ 26.03 | $ 28.50 | 9.5% |
| 6 Yard Container Per Pickup | $ 70.47 | $ 77.25 | 9.6% |
| **Drop Box - Per Pickup** | | | |
| 10 Yard | $ 105.00 | $ 114.50 | 9.0% |
| 20 Yard | $ 128.00 | $ 139.50 | 9.0% |
| 30 Yard | $ 138.00 | $ 150.50 | 9.1% |

**Customer Comments**

On April 29, the company notified its customers by mail of the proposed rate increase. Staff received no comments.

**Conclusion**

Issue an order approving the company’s request for less than statutory notice and allow the tariff pages filed on April 18, 2019, and revised on May 23, 2019, to take effect June 1, 2019.