

Agenda Date: August 27, 2009
Item Number: B1

Docket: **TG-091148**
Sanitary Service Co., Inc., G-14

Staff: Layne Demas, Transportation Program Staff
Nancy Paulson, Consumer Protection Staff

Recommendation

Take no action, allowing the proposed revised rates filed by Sanitary Service Co., Inc., to become effective September 1, 2009, by operation of law.

Discussion

On July 17, 2009, Sanitary Service Co., Inc., (Sanitary Service or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$472,716 (4.2 percent) in additional revenue per year. The tariff revisions propose to increase rates for solid waste collection. The proposed rate revisions are prompted by increases in driver wages, fringe benefits, and payroll taxes, disposal fees, billing and collecting costs, and fuel. Sanitary Service serves approximately 21,700 residential and commercial regulated customers in Southwestern Whatcom County. Sanitary Service's last general rate increase became effective July 1, 2008.

Staff's analysis shows Sanitary's proposed rates are excessive. Staff and the company have negotiated revised rates that would generate approximately \$162,000 (1.5 percent) in additional annual revenue. On August 21, 2009, Sanitary filed substitute pages with the commission reflecting the revised rates.

Staff's review identified two areas in which the company must improve its recordkeeping.

1. Consultant. The company retains a consultant who provides business consulting and lobbying services. Compared to the last general rate case, the company provided better justification for these expenses and, after lengthy conversations with company representatives, staff has a much better understanding of the consultant's role and the services provided. The company removed all lobbying expenses and allocated the remaining business consulting expenses between regulated and nonregulated services. Staff made additional adjustments to the amount the company allocated to regulated services and believes that the company has reasonably demonstrated those expenses are appropriate and that the company's overall management and overhead expenses are reasonable. The company understands staff's concerns regarding the level of detail provided for this activity and has committed to work with staff to improve supporting documentation of work and time.
2. Allocation of Regulated Drop Box and Nonregulated Commercial Recycling. The company uses the same trucks and containers for regulated drop box service and nonregulated commercial recycling service. The company separated the two services

using a revenue allocation factor. That allocation treats the two services as having the same average cost.

The company provided a time study that indicates the average time required to serve nonregulated commercial recycling accounts is less than the average time required to serve regulated drop box accounts; however, the company did not use the study results to allocate costs between the regulated and unregulated services. Using the results of that study would increase the cost for regulated drop box service and decrease the cost of nonregulated commercial recycling service. That is, nonregulated commercial recycling customers appear to be subsidizing regulated drop box customers. Staff does not believe the study provides sufficient information to change the allocation factor, which would result in an increase to regulated drop box customers. The company agrees with staff that the company needs to maintain more accurate data on the time assets are used to provide different services and has committed to work with staff to identify appropriate data to collect on an ongoing basis.

3. The company commits to filing a rate case to implement the results of the data collected by improved methods for both the consulting services and the use of assets. Considering the time to develop and implement data collection processes, collect 12 months of data, analyze data, and prepare and file a rate case, staff believes that it is reasonable for the company to file the rate case with an anticipated effective date of March 1, 2011.

Customer Comments

On June 23, 2009, the company notified its customers of the proposed rate increase by mail. A total of six customer comments have been received to date. All comments oppose the proposed rate increase. Please note that customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff advised customers that they have access to all company's documents pertinent to this rate case at www.utc.wa.gov and that they may contact Nancy Paulson at 888-333-9882 with questions or concerns.

Business Practice Comments

- One customer is angry about the 'unlatch' charge to unlock the dumpster at her apartment complex. One customer commented that Sanitary Service Company and Blaine Bay Refuse both run trucks in the same territory. Services should be integrated to cut costs.

Staff Response

- The 'unlatch' charge is allowed per the company's tariff. Sanitary Service Company and Blaine Bay Refuse are allowed overlapping service territories on the Blaine Bay peninsula at this time.

General Comments

- Three customers are opposed to the proposed increase because they are on fixed incomes. Two customers are opposed to a rate increase because of the poor economy. One customer is an apartment owner and the rent is her only source of income. She cannot raise her rents to cover a rate increase so her own income will decrease. One customer commented the proposed rates should be decreased 50 percent. Three customers mentioned the price of fuel has decreased so fuel costs should not be factored into an increase.

Staff Response

- Consumer Protection staff advised customers that state law requires rates to be fair and reasonable for customers, and sufficient to allow the company a chance to recover operating expenses and earn a return on investment. Even though fuel costs have come down from last year's level, the commission uses a twelve month average to determine the fuel costs allowed in rates.

Rate Comparison

<u>Residential - Monthly Rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
One Mini Can Per Week	\$ 9.67	\$10.15	\$ 9.84
One 32 Gallon Can Per Week	11.83	12.41	12.03
One 64 Gallon Cart	15.92	16.71	16.20

Commercial - Per Pickup

One Yard Container 1 st Pickup	22.16	23.25	22.52
Addl. Pickup	12.95	13.59	13.17
Two Yard Container 1 st Pickup	36.18	37.98	36.79
Addl. Pickup	23.75	24.92	24.15

Average Customer Charge Comparison – One Can Customer

<u>Monthly Service</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
Garbage Component	\$11.83	\$ 12.41	\$ 12.03
Mandatory Recycling <i>net of commodity credit</i>	<u>\$4.14</u>	<u>\$4.14</u>	<u>\$4.14</u>
Total Garbage and Recycling	\$15.97	\$16.55	\$16.17
Voluntary Yardwaste	<u>\$10.70</u>	<u>\$10.70</u>	<u>\$10.70</u>
Total: Garbage, Recycling and Yardwaste	\$26.67	\$27.25	\$26.87
Percentage Increase		2.2 %	.7 %

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 operations. The company's financial information supports the proposed revenue requirement and the proposed rates and charges are fair, just, reasonable, and sufficient.

Conclusion

Take no action, allowing the proposed revised rates filed by Sanitary Service Co., Inc., to become effective September 1, 2009, by operation of law.