

Agenda Date: May 31, 2012  
Item Number: B1

**Docket: TG-120283**

Company Name: Peninsula Sanitation Service, Inc., G-011

Staff: Mike Young, Regulatory Analyst  
Pam Smith, Consumer Protection Staff

### **Recommendation**

Issue a complaint and order suspending the tariff revisions filed by Peninsula Sanitation Service, Inc., on February 29, 2012, and on March 15, 2012.

### **Discussion**

On February 29, 2012, Peninsula Sanitation Service, Inc. (Peninsula or company), filed tariff revisions with the Utilities and Transportation Commission (commission). The tariff revisions would generate approximately \$638,000 (31.5 percent) additional annual revenue. The company requested an extension of the effective date of the proposed rates to June 1, 2012, to allow more time to provide supporting information. Commission staff has completed its review of the company's supporting financial documents, books and records and concludes that the proposed revenue requirement is excessive.

The company provides the following services:

- Regulated residential garbage: weekly and monthly pick-up for approximately 4,200 customers, and summer residential service on an as-needed basis, which generates approximately \$952,000 annual revenue.
- Regulated commercial garbage: 60-gallon and 90-gallon, and 1.5-yard pick-up service to 557 commercial customers, which generates approximately \$617,000 annual revenue.
- Regulated drop box: 20-yard and 30-yard drop box service, both compacted and non-compacted, to 15 customers. Revenue, not including disposal fees, from this service is approximately \$226,000 annually.
- Nonregulated recycle drop box: The company hauls recycle drop boxes to its affiliated transfer station under contract with Pacific county.
- Nonregulated hauling: The company provides hauling services to Weyerhaeuser (ash), Red Barn Arena (compost) and Wahkiakum County.
- Nonregulated hauling from transfer stations to disposal: Peninsula provides hauling service for its affiliated transfer station to a loading site for final disposition..

The company proposed approximately \$638,000 (31.5 percent) increase in annual revenue. The Lurito-Gallagher, as calculated by staff using total regulated and nonregulated operations, shows a projected \$182,555 (16.2 percent) after tax return on total investment.

Staff's review of the filing concluded that the proposed revenue requirement is excessive. The primary unresolved issue regarding expenses is salary for management activities. The company

proposed \$258,000 expense for management salaries for two employees, who are the sole owners of the company. Staff reviewed similar-sized solid waste companies and concluded that, based on the number of customers served, the proposed expense is too high to include in rates.

The company has not kept sufficient operating records to allocate costs between regulated and nonregulated services. Staff and the company have not agreed how to address that in calculating the revenue requirement using the Lurito-Gallagher methodology.

The company has also not kept sufficient operating records to conduct a cost-of-service analysis to set rates for regulated services. Finally, the company has not provided support for its proposed increases that vary by customer class as follows; residential (25.7 percent to 52.3 percent), commercial (33.3 percent to 51.5 percent) and drop box (24.5 percent to 29.0 percent).

Therefore, the company has not demonstrated the proposed rates are fair, just, reasonable or sufficient.

**Rate Comparison**

<b><u>Residential Monthly Rates</u></b>	<b><u>Current Rate</u></b>	<b><u>Proposed Rate</u></b>	<b><u>Percent Increase</u></b>
One 60-Gallon Can Weekly Pick-up	\$18.70	\$23.50	25.7%
One 60-Gallon Can Monthly Pick-up	\$11.30	\$14.45	27.9%
One 90-Gallon Can Weekly Pick-up	\$22.00	\$33.50	52.3%
<b><u>Commercial Rates</u></b>			
1.5-Yard Container Per Pick-up	\$23.10	\$35.00	51.5%
One 60-Gallon Can Per Pick-up	\$6.00	\$8.00	33.3%
One 90-Gallon Can Per Pick-up	\$6.95	\$10.00	43.9%
<b><u>Drop Box Rates</u></b>			
20-Yard Per Pick-up	\$151.20	\$195.00	29.0%
30-Yard Per Pick-up	\$171.20	\$220.00	29.0%
20-Yard Compacted Per Pick-up	\$171.20	\$220.00	29.0%
20-Yard Compacted-Customer Owned Per Pick-up	\$241.00	\$300.00	24.5%

### **Customer Comments**

On March 30, 2012, the company notified its customers of the proposed rate increase by mail. Staff received 11 customer comments opposing the rate increase. Consumer Protection staff advised the customers that they may access company documents pertinent to this rate case at [www.utc.wa.gov](http://www.utc.wa.gov) and that they may contact Pam Smith at 1-888-333-WUTC (9882) with questions or concerns.

### **General Comments**

- Six customers oppose the increase due to current economic conditions. One customer believes the rate increase is too high.

#### **Staff Response**

The customers were advised that state law requires solid waste and recycling rates to be fair, just, reasonable and sufficient. The rates must allow the company to recover reasonable operating expenses and provide the company the opportunity to earn a reasonable return on investment. They were also advised that the commission's regulatory staff will review the filing to ensure that all rates and fees are appropriate.

- Two customers would like a low-income senior citizen rate.

#### **Staff Response**

Staff attempted to reach the customers to discuss a low-income rate for seniors. If the calls are returned, staff will advise the customers that a reduced low-income rate must be adopted into the Pacific County solid waste management plan. Once adopted, it may be considered by the commission.

### **Business Practices**

- One customer was concerned the company was ending the summer resident (vacation rate) option.

#### **Staff Response**

Staff attempted to reach the customer to discuss the vacation rate. If the call is returned staff will advise the customer that there is a pre-paid bag service option for infrequent users of the service.

### **Service Quality**

- There was an additional comment concerning poor service.

#### **Staff Response**

Staff attempted to reach the customer to gather information regarding the poor service issue. The customer did not return the telephone call.

### **Conclusion**

Commission staff has completed its review of the company's supporting financial documents, books and records as provided and concludes that the proposed revenue requirement is excessive and the company has not demonstrated that the proposed rates are fair, just, reasonable and sufficient. Therefore, staff recommends the commission issue a complaint and order suspending

Docket TG-120283

May 31, 2012

Page 4

the tariff revisions filed by Peninsula Sanitation Service, Inc., on February 29, 2012, and on March 15, 2012.