Agenda Date: March 24, 2022
Item Number: B1

Docket: TG-220100
Company: Island Disposal, Inc.

Staff: Ben Sharbono, Regulatory Services
John Cupp, Consumer Protection

Recommendation

Issue an order, allowing the tariff revisions filed on February 11, 2022, as revised on March 17, 2022, to go into effect April 1, 2022, and requiring the submission a general rate case with an effective date not later than November 1, 2023.

Discussion

On February 11, 2022, Island Disposal, Inc. (Island Disposal or Company) filed a general rate case with the Utilities and Transportation Commission (Commission). The Company is seeking to increase annual revenues by $271,665 (4.2 percent). The filing is due to increases in capital investments and other general operating expenses. The Company serves approximately 12,100 residential, 700 commercial, and 100 roll-off customers in Island County. The Company's last general rate increase became effective June 1, 2020.

The primary driver of this rate increase request are the Company's investments in new equipment to finished the transition from manual to automated collection routes. The Company states this will increase efficiency, improve safety, and reduce workloads and hours for employees. To complete the conversion, the Company purchased two automated-side-loader trucks.

Additionally, the Company no longer offers 32-gallon can service. The Company purchased and provided all customers with 35-, 64-, or 96-gallon carts. Individually inexpensive, converting the service required the Company to make large purchases of new containers and hire a service company to assist in assembling and distributing several thousand units.

During the review, Commission staff (Staff) did note the asset list has salvage recovery items. These assets were created to allow the Company to recover the remaining salvage value of equipment that has been on the books for a significant period after the asset has been fully depreciated. When created, these assets were given a 3-year recovery period. With a year-and-a-half of recovery remaining, Staff believes these items should be allowed to remain on the depreciation schedule to be fully recovered. However, Staff recommends requiring the Company to submit a rate case in 2023 to remove these fully recovered assets from rates.

As noted above the Company expects to reduce driver workhours by an estimated 20 percent, in addition to the removal of one helper position. Since the Company completed the conversion to automated routes in December 2021, the Company does not have 12-months of current payroll information reflecting the change. Staff used the Company estimate for reducing overtime because historical data was unavailable. Staff believes requiring the Company to submit a general rate case in 2023 will ensure any miscalculation in the time savings can be addressed, protecting both the company and customers.

To maintain coverage and prevent service interruptions due to employee leave for several reasons, including COVID emergency leave, the Company borrowed employees from other operations. While working for the Company, these employees were provided lodging so they would not have to commute several hours per day. Staff reviewed and discussed the lodging expenses with the Company. These expenses were extraordinary but, in Staff's opinion, reasonable to ensure safety and continuation of service. However, these are events that are unlikely to recur on a regular basis, thus Staff amortized the expenses over a 3-year period.

Staff removed "Safety Cultural Program" bonuses paid to employees as this is not a known-and-measurable expense due to variability in which, and how often, employees will be eligible. Additionally, Staff removed other non-safety and performance bonuses not required by contracts and revised the Company's Self-Insurance payments by normalizing the expense by calculating an average yearly expense since the Company's last general rate case.

Staff believes the Company should be required to submit a general rate case with an effective date no later than November 1, 2023. This requirement allows Staff to revise the Company's estimates using actual data for driver-hours. Additionally, it will allow the proper recovery and removal of salvage value on truck assets established in TG-200369.

After analysis and adjustments Staff found the Company's initial requested increase of $271,665 in annual revenue was overstated. Staff and the Company agreed to a combined revised additional annual revenue amount of $244,449 (3.8 percent).

Rate Comparison

The table below shows a comparison of rates for the most common lines of service. The full list of rates is in the Company's tariff.

Residential Most Common Lines of Service	Current Rate	Proposed Rate	Revised Rate	Difference Revised to Current	
1 x 35-Gallon Cart Weekly	$20.81	$21.91	$21.76	$0.95	4.6%
1 x 64-Gallon Cart Weekly	$30.10	$31.69	$31.57	$1.45	4.8%
1 x 96-Gallon Cart Weekly	$43.51	$45.80	$45.61	$2.10	4.8%
Commercial Lines of Service (Per Pickup)	**Current Rate**	**Proposed Rate**	**Revised Rate**	**Difference Revised to Current**	
35-Gallon Cart	$4.10	$4.32	$5.03	$0.93	22.7%
64-Gallon Cart	$6.32	$6.65	$7.29	$0.97	15.4%
96-Gallon Cart	$9.51	$10.01	$10.53	$1.02	10.7%

1-Yard Dumpster	$23.08	$24.30	$24.21	$1.13	4.9%
1.5-Yard Dumpster	$34.11	$35.91	$35.77	$1.66	4.9%
2-Yard Dumpster	$44.67	$47.03	$46.85	$2.18	4.9%

Customer Comments

On February 25, 2022, the Company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the Commission's website, and that they may contact John Cupp with questions or concerns. Staff received 6 comments, all opposed to the rate increase.

> Two customers stated that the Company claims to invest in labor saving equipment, however rates continue to increase. Others believe the condition of the economy make this a bad time to increase rates.
>
> > **Staff Response**
> > 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 its investment. Commission Staff performs a thorough review of rate filings to ensure that all rates and fees are appropriate.

Conclusion

Commission Staff has completed its review of the Company's supporting financial documents, books, and records. Staff has determined the Company's financial information supports the revised revenue requirement and the rates are fair, just, reasonable, and sufficient.

Recommendation

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