



WASHINGTON REFUSE & RECYCLING ASSOCIATION

September 28, 2010

Mr. Jeff Goltz, Chairman
Washington Utilities & Transportation Commission
PO Box 47250
Olympia, WA 98504

RE: Docket No. A-042090 Fuel Surcharge

Dear Chairman Goltz:

The Washington Refuse & Recycling Association (WRRA) is greatly concerned by the staff recommendation to eliminate the Fuel Surcharge. The WRRA does not support that action and believes the Commissioners should instead engage in a conversation that will allow the fuel surcharge mechanism to remain a tool for the Commission's use in the future.

Neither the WRRA nor industry members were consulted prior to the recommendation. The recommendation appears to be based upon two primary points.

First, that volatility within the price of diesel fuel has disappeared and will not reappear in the future. We strongly disagree with that premise and as such were surprised by the staff recommendation. The last year of this severe economic recession is not normal compared to the prior five years of fuel price volatility.

Secondly, that the number of fuel surcharges they have been asked to deal with over the past five years. We believe that the fuel surcharge procedure has actually saved staff time and has avoided more complex general rate filings to capture fuel volatility.

Fuel price volatility is of particular concern to the smaller-medium size haulers and/or those who serve in rural areas who would be forced to potentially incur the expense of a general rate case (not inconsequential in accounting and attorney fees) every time fuel spikes. Fuel is a very significant cost of service element in rural service areas, where some routes can amount to several hundred miles for a roundtrip. For companies using diesel vehicles averaging 4 mpg, spikes in fuel costs seriously undermine those companies' bottom lines. If these companies also have low disposal fees, then fuel is a bigger component of their overall costs and volatility is an even bigger factor. Adding the costs of a general rate increase to those over-burdened companies will detrimentally affect service levels across the state.

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While the WRRRA understands the effect fuel surcharges may have had on agency resources, the regulated solid waste collection industry as a whole should not have to suffer. However, we propose the Commission leave in place the current process for our industry or instead propose a change to WAC 480-07-505 which, if approved, would recognize fuel spikes as justification for a single-item rate filing, thus reducing the costs of a general rate increase for our companies, their customers and at the same time, mitigating the impact on WUTC resources.

As explained above, for the smaller-medium size haulers and/or those who serve in rural areas, fuel is one of the largest single items of expense and forcing those companies to a general rate case filing when fuel spikes unexpectedly is not fair, just or reasonable. The fuel surcharge mechanism has allowed affected companies to obtain rate relief for defined intervals in a fashion that grants more immediate and directed relief than general rate filings, which require a minimum of 45 days' advance notice and significant accounting backup. Isolating the cause of the cost of service spike is a far more "surgical" method of dealing with surging cost pressures, which literally might threaten the long-term viability of affected carriers, and is far more economical and prudent than mandating general rate filings. Fuel has been a particularly volatile expense item over the past decade and treating that cost of service element differently has significant, practical and historical justification.

Prior to adoption to the current methodology for fuel surcharges which was indeed accomplished with the support of the WRRRA, the Commission had wrestled with alternatives for authorizing fuel surcharges for many years. The WUTC Staff, in the period leading up to implementation of the mechanism, held numerous and constructive meetings with the industry and proposed a streamlined and efficient procedure that would be straightforward, expeditious and relatively simple for both WUTC Staff and the industry. WRRRA would again be available to develop any revised process, if the Commission believes the current process is flawed, that addresses the concerns of administrative burdens while maintaining those beneficial characteristics of the current process.

In conclusion, we believe that the Commission should not adopt the recommendation in Docket Number A-042090. Thereafter, we would request that there at least be dialogue between the WUTC and the WRRRA on this issue before any steps are taken that could seriously affect our member companies. Lastly, we would ask the Commission, through policy or even better, rule adoption, to memorialize the current fuel surcharge process.

Thank you for your consideration of these views. Please feel free to contact me at any time with your thoughts.

Respectfully,

A handwritten signature in black ink that reads "Brad Lovaas". The signature is written in a cursive, flowing style.

Brad Lovaas
Executive Director