

Agenda Date: August 12, 2010
Item Number: B1

Docket: TG-101157
Company Name: Rabanco LTD. d/b/a Lynnwood Disposal, Maltby division G-12

Staff: Layne Demas, Regulatory Analyst
Dennis Shutler, Consumer Protection Staff

Recommendation

1. Grant the company's request for an exemption from WAC 480-70-266, Tariffs, to allow the revised rates to become effective on August 15, 2010, on less than statutory notice.
2. Grant the company's request for an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.
3. Approve the staff recommended revised rates, as filed by the company on August 4, 2010, to become effective August 15, 2010, on less than statutory notice.

Discussion

On July 1, 2010, Rabanco, LTD. d/b/a Lynnwood Disposal, Maltby Division (Lynnwood or company) filed tariff revisions with the Utilities and Transportation Commission (commission). The tariff revisions would generate approximately \$357,000 (4.2 percent) in additional annual revenue. The proposed increases are prompted by increases in labor, healthcare, pension, maintenance and fuel costs. Lynnwood provides regulated service to approximately 47,000 residential and commercial customers in Snohomish County. The company's last general rate increase became effective on July 1, 2005.

Staff's analysis showed a higher revenue requirement for residential and commercial solid waste collection than what the company proposed and a lower revenue requirement for curbside recycling, multi-family recycling, and yard waste service than what the company proposed.

Staff and the company agreed to a revised revenue requirement of \$390,000 (4.6 percent) in additional annual revenue and revised rates. On August 4, 2010, the company filed revised rates at staff recommended levels.

Lynnwood has requested the increase become effective August 15, 2010. This requires a mid-month billing methodology be implemented. No solid waste company has ever implemented a mid-month billing process for rates approved by the UTC. The company has demonstrated that it has the capability to prorate the rates for services provided the entire month of August to reflect the increase occurring mid-month. The company will bill customers who receive all service prior to the proposed effective date at the old rates. For customers who receive service prior to and after the proposed effective date, the company will apply half of the monthly increase to all services provided during the month. Staff has determined that the proposed billing methodology

will have a small effect on a small number of customers, and concludes the proposed methodology is reasonable.

The company requests an exemption from Washington Administrative Code (WAC) 480-70-266, Tariffs, to allow the revised rates to become effective on August 15, 2010, on less than statutory notice, and an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.

RCW 81.28.050 and WAC 480-70-266 require forty-five days' notice to the commission prior to the effective date of the tariff. The company requests, however, less than statutory notice as permitted by WAC 480-70-276, so that the tariff revisions become effective on August 15, 2010. The company must request less than statutory notice because the revised rates result in some increases compared to the rates the company originally proposed and sent notice to customers.

Under WAC 480-70-271, solid waste companies must provide each affected customer a notice at least thirty days before the requested effective date of the proposed rate increase. For the same reason listed in seeking less than statutory notice to the commission, the company seeks an exemption from customer notice requirements. The company originally notified customers of the proposed rates filed on June 1, 2010, and requests waiver of customer notice of the revised rates. The company proposes to notify customers by bill insert in the next billing cycle.

Customer Comments

On June 1, 2010, the company notified its customers of the proposed rate increase by mail. The commission received 15 customer comments on this filing. All customers oppose the proposed increase.

Consumer Protection staff advised customers that they may access company documents about this rate case at www.utc.wa.gov, and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

Filing Documents and Methodology

- Two customers believe the increased rates are a result of the recent union contract settlement.

Staff Response:

Employee wages and benefits are only one component of a company's expenses. The commission allows companies to recover reasonable employee wages and benefits through rates.

- One customer believes the proposed rate for a mini-can is too costly when compared to other service levels.

Staff Response

Staff's rate design ensures that rates are fair, just, reasonable and sufficient for each service provided.

Service Quality

- Two customers commented on poor customer service, such as trash left on the ground and misplaced lids and cans.

Staff Response

Staff contacted the customers and offered to open an informal complaint. Both customers declined.

General

- Five customers believe the amount of the increase is excessive due to increased costs of living and current economic conditions. Four customers believe the company should work within a budget, like its customers. One customer stated they will cancel their service if the rates increase.

Staff Response

Customers were advised that state law requires rates to be fair, reasonable and sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

Rate Comparison

Residential Monthly Rates	Current Rate	Proposed Rate	Revised Rate
32-Gallon Can Weekly Pick-up	\$ 9.75	\$ 9.88	\$10.22
32-Gallon Cart Weekly Pick-up	\$ 9.75	\$ 9.88	\$10.22
64-Gallon Cart Weekly Pick-up	\$15.95	\$16.16	\$16.71
Mandatory Curbside Recycling 96 Gallon Cart-Comingled	\$ 6.48	\$ 6.85	\$6.45
Optional Yard Waste Service – 96 Gallon Cart	\$ 7.04	\$8.60	\$ 8.25
Commercial Per Pick-up Rates			
1 Yard Container	\$10.90	\$11.04	\$11.42
2 Yard Container	\$20.54	\$20.81	\$21.52
Multi-Family - Per Yard	\$ 2.56	\$ 2.48	\$ 2.36
20 Yard Drop Box (Non-Compacted)	\$101.00	\$102.30	\$105.80

Bill Comparison – Residential Customer

Monthly Rates	Current Rate	Proposed Rate	Revised Rate
32-Gallon Cart (Weekly Garbage Service)	\$ 9.75	\$ 9.88	\$10.22
Recycling Cart (Mandatory Every Other Week Service)	\$ 6.48	\$ 6.85	\$6.45
Recycle Commodity Credit	(\$.06)	(\$.06)	(\$.06)
Total Solid Waste and Mandatory Recycling	\$16.17	\$16.67	\$16.61
Percent Increase		3.09%	2.72%
Yard Waste (Optional Every Other Week Service)	\$ 7.04	\$ 8.60	\$ 8.25
Total Monthly Bill	\$23.21	\$25.27	\$24.86
Percent Increase		8.88%	7.11%

Conclusion

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 operation. The customer’s comments do not change staff’s opinion that the company’s financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable and sufficient. Therefore, staff recommends the following:

1. Grant the company’s request for an exemption from WAC 480-70-266, Tariffs, to allow the revised rates to become effective on August 15, 2010, on less than statutory notice.
2. Grant the company’s request for an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.
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