

Agenda Date: March 25, 2021  
Item Number: B2

**Docket:** TG-210038  
Company Name: Mason County Garbage Co., Inc.

Staff: Tiffany Van Meter, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendation**

Issue an order requiring a compliance filing removing asset salvage values from rates, to become effective no later than April 1, 2024, and allowing the tariff pages filed on January 15, 2021, as revised on March 18, 2021, to take effect April 1, 2021.

### **Discussion**

On January 15, 2021, Mason County Garbage Co., Inc. (Mason or company), filed for rate increases and revisions to Tariff No. 14 with the Washington Utilities and Transportation Commission (commission) that would generate approximately \$541,000 (8.4 percent) in additional annual revenue for the collection of garbage, recycling, and yard waste. The company has operations in Mason County. The company serves approximately 13,800 residential garbage and recycling customers, 1,000 commercial customers, and 100 roll-off customers Mason County. The company's last general rate case took effect April 1, 2013.

The proposed increase is a result of new truck purchases, payroll increases, and additional expenses related to Mason County's flow control ordinance 20-03 and increases in general expenses since the company's last general rate case that became effect April 1, 2013. The rate increase is primarily driven by the flow control changes and new asset acquisitions. The flow control established by Mason County no longer provides the ability for the company to take collected waste/recycling to the Kitsap County transfer station which is closer for north county customers and the company now must take all waste to the Mason County transfer station adding additional time to unload and pick up. The company added the expense of additional trucks and drivers to account for this additional drive time.

After review, commission staff (staff) found the proposed rates would result in excess revenue. Staff adjusted the company's depreciation schedule and removed certain non-allowable employee appreciation bonus expenses and employee free service, among other adjustments to normalize costs. A few items of contention were Covid-19 expenses, depreciation of stranded salvage value for fully depreciated trucks, and the Lurito Gallagher Methodology data used based on Commission Policy statement issued on December 5, 2020 in docket TG-131255.

Staff removed bonuses the company gave to employees due to the Covid-19 pandemic and asked the company to request the recovery of these costs through an accounting petition outside of the rate case. Mason paid each hourly employee an extra \$2 per hour due to the

essential service they provide during the COVID-19 pandemic.

Staff allowed the company's proposal to recover salvage values of certain trucks which the company had not previously recovered in rates. The trucks were fully depreciated on the company's books, but the salvage value remained. The company agreed not to include these salvage values in the average investment calculation. Staff proposes a compliance filing in three years to remove depreciation expense associated with these salvage values, which would be fully recovered by then.

This filing also included a revised Lurito-Gallagher model that increased the company's revenue requirement by approximately \$94,000 over the prior version of the model as used by Staff. This gives the company a 21.65% (compared to 18.9% in the previous version) return on investment based on asset turnover. Staff reviewed and accepted the revised model as it is similar to, if not the same as, the revised model referred to by the commission in its Policy Statement in docket TG-131255, issued December 3, 2020.

Staff and the company agreed to settle on a new additional annual revenue of approximately \$447,000 (6.9 percent). Staff decisions on adjustment will not be binding in future cases. On March 18, 2021, the company filed revised rates at staff recommended levels.

### **Rate Comparison**

<b>Residential Rates (Per Month)</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Revised Rates</b>	<b>Increase/Decrease</b>
64 Gal. Monthly Garbage (w/ Recy.)	\$ 17.45	\$ 19.96	\$ 19.13	9.6%
64 Gal. EOW Garbage (w/ Recy.)	\$ 24.43	\$ 28.16	\$ 27.22	11.4%
64 Gal. Weekly Garbage (w/ Recy.)	\$ 33.95	\$ 40.34	\$ 39.24	15.6%
96 Gal. Cart Weekly Garbage (w/ Recy.)	\$ 40.73	\$ 48.04	\$ 46.84	15%
Every-Other-Week Recycling	\$ 8.85	\$ 9.69	\$ 9.54	7.8%
<b>Commercial Rates (Per Pickup)</b>				
1 Yard Container First Pickup	\$ 17.61	\$ 18.73	\$ 18.49	5%
2 Yard Container First Pickup	\$ 25.92	\$ 27.58	\$ 27.21	5%

### **Customer Comments**

On January 26, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received four comments opposed to the rate increase and one in favor.

### **General Comments**

Customers feel it is a bad time to raise rates because of the pandemic's economic impact on customers. One customer stated the increase would be unnecessary "if employees of Mason County Garbage had to pay for their service..."

The customer in favor of the increase said, “This is one of the best run, responsive companies I’ve known in all my 82 years.”

**Staff Response**

Staff informed customers that 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. Customers were also told that commission staff performs a thorough review of rate filings to ensure all rates and fees are appropriate.

Staff also explained that WAC 480-70-336(4) says, “The company's owners or stockholders are responsible for the revenue not collected by providing service at free or reduced rates. Ratepayers will not subsidize the revenue a company donates by providing service at free and reduced rates.”

**Conclusion**

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