

Agenda Date: December 27, 2013

Item Number: B2

Docket: TG-132050

Company Name: Yakima Waste Systems, Inc. G-89

Staff: Amy White, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff revisions filed by Yakima Waste Systems, Inc., on November 4, 2013, as revised on December 16, 2013, to become effective on January 1, 2014, by operation of law.

Discussion

On November 4, 2013, Yakima Waste Systems, Inc. (Yakima Waste or company), filed tariff revisions with the Utilities and Transportation Commission (commission) that would generate approximately \$362,000 (4.2 percent) additional annual revenue. Yakima Waste serves approximately 23,000 residential and commercial customers in rural parts of Yakima County and voluntary recycling service for the City of Yakima and some of the regulated rural customers. The filing is prompted by increases in labor costs, employee benefits, fuel, parts, and equipment. The company's last general rate increase became effective on November 1, 2011.

In 2009, the company filed a general rate case (Docket TG-091775) to comply with a commission order issued in Docket TG-091775. Staff's analysis found that the company had over-earned approximately \$103,000 in its solid waste operations during the test year while losing money in both recycling (\$139,000) and yard waste (\$57,000).

During proceedings related to the filing, Yakima County solid waste staff testified that voluntary recycling began in Yakima county in 1994 using a three-bin, customer-sorted, manual pick-up system. The county and the Department of Ecology provided funds for the purchase of the recycling bins, while Yakima Waste purchased one truck. These capital items used in the program were completely depreciated by 2004 but since no new investment was made in equipment for the program, rates remained artificially low at \$3.46 per month. In 2008, Yakima Waste purchased two automated trucks and numerous wheeled carts for single-stream recycling at a cost of more than \$600,000. UTC staff found that the \$3.46 monthly rate resulted in a significant revenue shortfall and proposed a cost-based recycling rate of \$9.00 per month, a 160 percent increase.

The Department of Ecology (DOE) commented that a rate increase of this magnitude would not "align with the Department of Ecology's goal to increase recycling and conserve landfill airspace in Washington State." The agency felt a large rate increase would cause many recycling subscribers, all of whom were voluntary, to cancel their service. Yakima County staff expressed an opinion that such a large rate increase would cause a "death spiral" for the recycling program in which ever-decreasing numbers of customers would be forced to carry an ever-increasing share of the costs. The commission

received 52 customer comments regarding the proposed rate increase, with 51 opposed to the proposed new rate. Of those opposed, 13 stated they would definitely cancel their recycling service.

The company proposed a smaller recycling increase to \$6.50 (87.9 percent increase) instead of the original proposed \$9.00 (160 percent increase), resulting in an \$80,000 loss in the recycling program. The company proposed to offset the recycling program's loss by charging higher-than-cost garbage rates spread across both residential and commercial solid waste customers. Staff objected to solid waste operations subsidizing recycling operations, and to commercial garbage customers subsidizing residential recycling customers.

The commission stated that all customers benefit from the recycling program since it extends the lives of the local landfills, and that incentivizing recycling over the use of garbage service is a desirable policy goal under RCW 70.95.010 (6). Order 03 in Docket TG-091775 states in paragraph 11:

“The Commission determined that the rates filed on April 29, 2010, do not support state and county objectives and policies. The Commission observed that although the counties have been delegated the primary responsibility to further recycling policies through minimum service levels or mandatory pay recycling programs, Yakima County has not adopted such measures. However, RCW 81.77.030(6) authorizes the Commission to require solid waste companies to “use rate structures and billing systems consistent with the solid waste management priorities set forth under RCW 70.95.010. . . .” Consequently, the Commission determined that the Company's proposed revised rates were appropriate and on May 27, 2010, authorized the Company to file revised rates. The Commission may rely upon the authority in RCW 81.77.030(6) on a case-by-case basis to provide reasonable comparability between rates charged for recycling and those charged for mixed waste disposal, keeping in mind the historic approach of the Commission in setting rates based on cost-of-service.”

A subsequent rate case, Docket TG-111598, increased recycling rates from \$6.50 to \$6.72 (3.4 percent increase). The commission received one comment in this filing in which the customer asked for more automated collection. Neither the DOE nor Yakima County commented on TG-111598.

In the current rate case, the company proposed to increase the recycling rate to \$8.42 per month (25.3 percent increase). The commission received three comments, two of which opposed all the proposed rate increases (see customer comments below). Staff proposed \$8.20 per month (22 percent increase), which is less than the \$9.15 two-can garbage rate.

On December 16, 2013, commission staff received an informal email inquiry from staff at DOE concerning the proposed recycling rate. DOE staff submitted a copy of the agency's comments from 2010 regarding Docket TG-091775 to reiterate that DOE's concerns regarding the recycling program remained consistent in this filing. DOE staff also relayed concerns from the Yakima County Solid Waste Advisory Council regarding the proposed recycling rates and stated that a Yakima County Commissioner had been concerned that the UTC had allowed rates that had “disallowed a garbage rate collection increase to help offset/subsidize recycling costs in the city.” The commission did not receive a comment directly from Yakima County.

Summary of Recycling Rate Changes and Number of Recycling Customers

Docket	Effective Date	Rate	Increase Allowed	Customers
TG-082053	1/1/2009	\$3.46	1.1 %	2,618
TG-091775	6/1/2010	\$6.50	88 %	2,102
TG-111598	11/1/2011	\$6.72	3.4 %	2,580
TG-132050	1/1/2014	\$8.20 *	22 % *	2,592

*staff proposed

While there was obviously a drop in the number of customers related to the rate increase in TG-091775, customer counts have recovered. The staff-proposed recycling rate of \$8.20 is set at a level to allow the company to recover the costs of the recycling program and earn a reasonable return, and it is less than the two-can garbage rate of \$9.15. As the commission noted in 2010, Yakima County has not adopted minimum service levels or mandatory pay recycling programs to further recycling policies.

Staff has completed its review of the company's supporting financial documents, books and records. Staff's review found that the company's proposed rates would result in excess revenue. Staff and the company agreed to a revised revenue requirement of approximately \$335,000 (3.9 percent) additional annual revenue. On December 16, 2013, Yakima Waste filed revised tariff pages with the revised proposed rates at staff recommended levels.

Rate Comparison

	Current Rate	Company Proposed Rate	Staff Revised Rate	Percent Increase
Residential Monthly Rates				
One 32-Gallon Can Weekly Pick-Up	\$6.71	\$6.99	\$6.97	3.9 %
One 32-Gallon Can Monthly Pick-Up	\$4.00	\$4.17	\$4.16	4.0 %
Two 32-Gallon Cans Weekly Pick-Up	\$8.80	\$9.17	\$9.15	4.0 %
Commercial Monthly Rates				
4.0-Yard Container	\$66.51	\$69.31	\$69.13	3.9 %
Recycling				
Every-Other-Week Pick-Up	\$6.72	\$8.42	\$8.20	22.0 %
Yard Waste				
Every-Other-Week Pick-Up	\$10.17	\$10.80	\$10.78	5.9 %

Bill Comparison – Residential Customer

Monthly Rates	Current Rate	Revised Rate
One 32-Gallon Can Weekly Pick-Up	\$6.71	\$6.97
Voluntary Recycling Every-Other-Week Service	\$6.72	\$8.20
Total Garbage and Recycling	\$13.43	\$15.17
Percent Increase		12.9%
Voluntary Yard Waste Every-Other-Week Service	\$10.17	\$10.78
Total Garbage, Recycling and Yard Waste	\$23.60	\$25.95
Percent Increase		9.9 %

Customer Comments

On Nov. 30, 2013, the company notified its customers of the proposed rate increase by mail. Staff received four consumer comments regarding the proposed rate increase; three opposed, and one in favor of the 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 at 1-888-333-9882 or jcupp@utc.wa.gov with questions or concerns.

General Comments

- One customer expressed his appreciation of the service he receives at a reasonable price. He supports the proposed increase. Two of the comments opposing an increase mentioned the high cost of living. One is from a customer on a fixed income. One customer believes recycling services should be provided free of charge.

Staff Response

The customers were advised 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. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Commission staff has completed its review of the company’s supporting financial documents, books and records. Staff’s review of the filing shows that the operating 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 revenue requirement and the proposed rates and charges are fair, just, reasonable, and sufficient.

Conclusion

Take no action, thereby allowing the tariff revisions filed by Yakima Waste Systems, Inc., on November 4, 2013, as revised on December 16, 2013, to become effective on January 1, 2014, by operation of law.