

Agenda Date: January 23, 2020  
Item Numbers: B1

**Dockets:** TG-190869  
Company Name: Pullman Disposal Service, Inc.

Staff: Scott Sevall, Regulatory Analyst  
Ben Sharbono, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendation**

Allow the tariff revisions filed by Pullman Disposal Service, Inc. on October 15, 2019, and as revised on January 21, 2020, to become effective on February 1, 2020, by operation of law.

### **Discussion**

On October 15, 2019, Pullman Disposal Service, Inc. (Pullman Disposal or company), filed tariff revisions with the Utilities and Transportation Commission (commission) that would generate approximately \$400,000 (8.7 percent) additional annual revenue. Pullman Disposal serves approximately 5,600 residential and commercial customers in Whitman County. The last general rate increase for Pullman Disposal became effective August 1, 2013, for \$154,000.

Pullman Disposal's filing was required by Order 01 in Docket TG-190085 which became effective April 1, 2019, in order to design appropriate multifamily recycling rates. This filing also addresses increased disposal fees, operating expenses, and investment in new assets.

Commission staff (staff) has completed its review of the company's supporting financial documents, books, and records. The review found the company's revenue request was insufficient to recover the costs it legitimately incurred. Staff and the company agreed to increase its revenue request by \$80,000 to generate \$480,000 (10.4 percent) in additional annual revenue. On January 21, 2020, Pullman Disposal filed revised tariff pages with the revised proposed rates at staff recommended levels.

The additional increase of \$80,000 over the company's initial request is based on increased depreciation expense due to vehicle purchases not accounted for in the company's original filing. Staff also revalued assets with listed salvage values to allow full recovery of the purchase cost of the asset. This is consistent with treatment of other solid waste companies.

The previous general rate filing utilized estimated costs to determine residential and multifamily recycling rates. During review of the company's commodity adjustment filings, staff determined that recycling rates appeared discriminatory. Staff arrived at this determination because the company has historically provided as many recycling totes as multifamily customers wanted, at no additional cost. Multifamily recycling rates were rates based on the garbage service being provided. This practice effectively grants multifamily recycling customers with a subsidized rate, resulting in customers paying different rates for the same level of recycling service.

Staff worked with Pullman Disposal on revisions to its multifamily recycling rates while addressing the company’s concerns that significant changes in recycling costs would reduce accessibility to recycling. The company agreed with staffs’ proposed rates: the first container provided at the base cost of service;<sup>1</sup> and additional containers provided at a small incremental rate approximating the container’s depreciation expense and the additional time necessary for pick up. Staff calculates the change will increase the average 1-yard solid waste customer’s total monthly bill \$13.51 (24 percent), from \$56.29 to \$69.80.<sup>2</sup>

Staff reviewed residential recycling rates and yardwaste rates and found that solid waste collection rates subsidized those services. The current rates for residential recycling and yard waste are below the base cost of service. The revised rates correct this.

**Rate Comparison**

<b>Pullman Rates</b>				
<b>Residential (Rates Monthly)</b>				
<b>Service</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>	<b>Percentage</b>
1-32 Gal WKLY	13.04	14.17	14.25	9.28%
2-32 Gal WKLY	19.14	20.80	20.95	9.47%
1-68 Gal YW – EOW	4.99	5.42	6.70	34.25%
1-95 Gal YW – EOW	5.43	5.90	7.20	32.58%
1-95 Gal Toter Recycling - EOW	5.31	5.77	6.70	26.16%

<b>Multi-Family and Commercial (Rates per pick-up)</b>				
<b>Service</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>	<b>Percentage</b>
Multi-Family Recycling – First Toter	0.00	0.00	3.10	NEW
Multi-Family Recycling – Additional Toter	0.00	0.00	.55	NEW
32-Gal Toter Pick-up	3.50	3.80	3.30	-5.75%
64-Gal Toter Pick-up	5.17	5.62	5.62	-6.29%
96-Gal Toter Pick-up	8.26	8.98	6.50	-23.32%
1-Yd Pick-up	12.03	13.07	13.15	9.28%
6-Yd Pick-up	55.85	60.70	61.10	9.40%

<sup>1</sup> Base rate is calculated by using the 2-32 gallon can weekly service line. The calculation converted rates to per pick-up, and removed disposal cost, leaving collection cost.

<sup>2</sup> Multi-family total rate includes Rent, Solid waste weekly pick-up, and Recycling every-other-week pick-up. The customer average bill includes the multi-family average of 2.3 recycling containers.

### **Customer Comments**

On November 29, 2019, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may contact Staff with questions or concerns. Staff received two consumer comments, one opposed and one in support of the rate increase.

#### *General Comments*

One customer opposes the increase because they are forced to pay for recycling and the company told her it does not recycle any materials.

#### *Staff Response*

The City of Pullman has a city ordinance mandating recycling be provided. Staff explained that while the company does not have on-site recycling facilities, it does transfer the material to Material Recovery Center, which sorts and markets the products to companies seeking to use the material.

Another customer supports the increase but feels the rate structure does not promote waste reduction.

#### *Staff Response*

Staff explained 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. Commission staff performs a thorough review of rate filings to ensure that all rates and fees are appropriate. Staff works to avoid subsidies between levels of service while being mindful of waste reduction incentives.

### **Conclusion**

Allow the tariff revisions filed by Pullman Disposal Service, Inc. on October 15, 2019, and as revised on January 21, 2020, to become effective on February 1, 2020, by operation of law.