Agenda Date:	March 10, 2022
Item Number:	B1
Docket:	**TG-220039**
Company:	Harold LeMay Enterprises, Inc. d/b/a Pacific Disposal, Butler's Cove Refuse Service, and Rural Garbage Service
Staff:	Ben Sharbono, Regulatory Services John Cupp, Consumer Protection

Recommendation

Take no action, allowing the tariff revisions filed on January 14, 2022, as revised on March 4, 2022, to go into effect March 11, 2022, by operation of law.

Discussion

On January 14, 2022, Harold LeMay Enterprises, Inc. d/b/a Pacific Disposal (Pacific or Company) filed a general rate case with the Utilities and Transportation Commission (Commission). The Company is seeking to increase annual revenues by $1,772,957 (5.7 percent). The filing is due to increases in capital investments, employee costs, fuel, and other general operating expenses. The Company serves approximately 59,000 residential, 5,000 commercial, 240 roll-off, 71,000 recycling, and 23,500 yard waste customers in Thurston County. The Company's last general rate increase became effective August 1, 2019.

A significant portion of the requested revenue requirement is due to increases in capital investments for equipment and facilities. The Company asset list shows it acquired 13 vehicles since 2019. Most of the vehicles were to replace older equipment reaching the end of life. Three trucks are due to expanding residential customer volumes. The most significant addition to the asset list, is the Company's new office facilities placed in service during the third quarter 2021. The total cost for the new office is approximately $3,970,000 and has a 20-year depreciable life.

Commission staff (Staff) reviewed the financial statements and supporting documents provided by the Company. Staff's review found the assets were reasonable and necessary for the services. However, Staff removed salvage value recovery assets that are expiring in the rate year. These were created in TG-190516 to allow the Company recovery of assets that have been on the books for years beyond their normal recovery period.

The Company is experiencing rising employee costs, both in wages and benefit requirements, in addition to employee scheduling issues. The Company stated part of the scheduling issues revolve around increases in sick leave available under new laws. The Company has also been seeing significant turnover. The Company hired a new controller, eight employees, and is in the process of hiring five drivers and one customer service position. The majority of these have been replacing employees who have left the Company. The Company is also increasing staffing to keep up with rising customer counts.

The Company is actively recruiting for and hiring two relief drivers. These positions are expected to reduce overtime and allow more flexibility for driver leave hours. Much of these positions time will be fulfilling activities that current employees have been receiving overtime for. Staff settled on approximately half the hours being directly offset against overtime. This removed approximately $86,000 in overtime expense. The Company said that in addition to reducing overtime the positions will help with covering expansion in a rapidly growing territory.

Staff's review of the Company's bonuses, travel related items, repairs, and insurance accounts found items that Staff believes were excessive:

- Bonuses not related to contract obligations or safety programs were removed creating a downward adjustment.
- Travel expenses, including food, lodging, and meetings were removed or split to share costs between customers and shareholders.
- Insurance payments for claims were averaged for the 30-month period since the last general rate case.
- Building repair expenses identified several items that would have expected lives exceeding 1-year and were of significant value. These expenses were capitalized to allow recovery through depreciation.

After analysis and adjustments made to employee wages, taxes and depreciation expense Staff found the Company's initial requested increase of $1,772,957 in annual revenue was overstated. Staff and the Company agreed to a revised additional annual revenue amount of $1,697,593 (5.5 percent).

Rate Comparison

The proposed effective date of the tariff filing is March 11, 2022.

The below tables show select lines of service current, proposed, and revised rates. The full list of rates is in the Company's tariff.

Residential Most Common Lines of Service	Current Rate	Proposed Rate	Revised Rate	Difference Revised to Current	
1-20 Gallon Weekly	$9.60	$9.96	$9.98	$0.38	4.0%
1-35 Gallon Weekly	$13.65	$14.16	$14.20	$0.55	4.0%
1-65 Gallon Weekly	$20.56	$21.33	$21.38	$0.82	4.0%
1-95 Gallon Weekly	$28.74	$29.81	$29.89	$1.15	4.0%
Recycling Service	$6.72	$7.47	$7.35	$0.63	9.4%
Yard Waste Service	$7.66	$8.60	$8.45	$0.79	10.3%
Commercial Lines of Service (Per Pickup)	**Current Rate**	**Proposed Rate**	**Revised Rate**	**Difference**	
35 Gallon Min. Monthly Charge	$14.32	$14.85	$14.89	$0.56	4.0%
35 Gallon Per Pickup	$3.01	$3.12	$3.13	$0.12	4.0%

65 Gallon Min. Monthly Charge	$21.14	$21.93	$21.99	$0.85	4.0%
65 Gallon Per Pickup	$4.88	$5.06	$5.08	$0.20	4.0%
95 Gallon Min. Monthly Charge	$28.32	$29.38	$29.45	$1.13	4.0%
95 Gallon Per Pickup	$6.54	$6.78	$6.80	$0.26	4.0%
4-Yard Dumpster First Pickup	$86.43	$89.66	$89.89	$3.46	4.0%
4-Yard Dumpster Add. Pickup	$45.98	$47.70	$47.82	$1.84	4.0%
6-Yard Dumpster First Pickup	$114.58	$118.86	$108.95	$4.19	4.0%
6-Yard Dumpster Add. Pickup	$63.66	$66.04	$57.61	$2.21	4.0%
Multi-Family Recycling[1]	$4.15	$4.62	$4.54	$0.39	9.4%

1) Per Residential Unit

Customer Comments

On January 28, the Company notified its customers by mail of the proposed rate increase. Customers were notified that they may contact John Cupp at john.cupp@utc.wa.gov with questions or concerns. Staff received 10 consumer comments regarding the proposed rate increase; nine opposed to the rate increase and one in favor.

General Comments

- Customers opposed to the rate increase gave many reasons, including the condition of our economy and the frequency of rate increases. Several feel the cost of living is already too high and the increase will harm those on fixed incomes.

  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.

Conclusion

Commission Staff has completed its review of the Company's supporting financial documents, books, and records. Staff is not able to determine if the Company's financial information supports the revised revenue requirement or charges.

Recommendation

Take no action, allowing the tariff revisions and rates, filed on January 14, 2022, as revised on March 4, 2022, to go into effect March 11, 2022, by operation of law.