

Agenda Date: August 28, 2008  
Item Number: B3

**Docket:** TG-080868  
Company Name: Rabanco Ltd, G-12  
d/b/a Eastside Disposal and Allied Waste Services of Bellevue

Staff: Nicki Johnson, Regulatory Analyst  
Dennis Shutler, Consumer Affairs Specialist

### **Recommendation**

1. Continue the Complaint and Order Suspending the Tariff Revisions filed by Rabanco Ltd, d/b/a Eastside Disposal and Allied Waste Services of Bellevue.
2. Allow temporary rates at the staff recommended revised rates to become effective September 1, 2008, on less than statutory notice, subject to refund.

### **Discussion**

On May 16, 2008, Rabanco Ltd, d/b/a Eastside Disposal and Allied Waste Services of Bellevue (Rabanco or company), filed with the Utilities and Transportation Commission (commission) tariff revisions for garbage, recycling and yard waste collection that would generate \$672,000 (7.35 percent) in additional revenue per year. Rabanco serves approximately 21,200 regulated customers in Eastern King County in the areas around Bellevue and Issaquah. The proposed rate revisions are prompted by increases in labor, fuel, equipment, healthcare, pension and other operating costs. The company's last general rate increase became effective in May 2006.

At the June 26, 2008, open meeting, the commission suspended the filing because the company had not yet demonstrated that the proposed rates were fair, just, reasonable and sufficient.

Staff's analysis showed Rabanco's proposed rates were excessive. Staff and the company negotiated revised rates that would generate approximately \$312,000 (3.42 percent). On August 22, 2008, the company filed substitute pages with the commission at staff revised rates. According to the staff analysis, the proposed yard waste rates are below the cost of providing the service. As a result, the company requests that the higher revised yard waste rates go into effect at staff recommended levels on less than statutory notice per WAC 480-70-276.

The company's original customer notice of May 30, 2008, did not contain the higher revised yard waste rates. The company is also petitioning the commission for an exemption from WAC-480-70-271, the rule that requires 30 days notice to customers.

### **Customer comments**

On May 30, 2008, the company notified its customers of the rate increase by mail. The commission has received 17 customer comments on this filing. The following is staff's summary of the comments received and staff's response:

- Customer Comment – Opposed to the amount of the rate increase because:
  - A six to 27 percent increase with 30-days' notice is wrong.

- The charge for recycling is too high.
- Customers are struggling to keep up with other cost-of-living increases. The company should improve its service and not raise rates.
- The company had a rate increase two years ago.
- The company's rates are already too high when compared to neighboring service areas.
- The rate for renting the company's carts is absurd.
- The proposed increases exceed cost-of-living increases.
- The proposed rates should be denied because the rates are already too high.

Staff's response – Although staff understands the customers' concerns regarding the amount of the increase, we do not explicitly consider the amount of the increase in preparing recommendations. The company is entitled to recover reasonable, prudent expenses and the opportunity to earn a reasonable return. Staff audits the company's financial records to ensure the company's costs are accurate and reasonable. We use a cost of service analysis to recommend rates for the various customer classes and service options. Staff's goal is to recommend the "right" rates that will allow the company to recover reasonable operating expenses and provide an opportunity to earn a reasonable return on investment.

- Customer Comment – The company provides a poor quality of service.

Staff's response – A customer should first try to resolve service quality complaints with the company. Many disputes can be resolved by asking for a supervisor. If unable to resolve the issue, the customer should contact the commission's Consumer Protection and Communication Section. Consumer Affairs staff has contacted each customer and offered assistance. The commission has received no customer complaints on either company since 2005.

- Customer Comment – The proposed rate design does not encourage recycling or conservation.
  - The one can rate increases by \$.56. And although the four can rate increases \$1.56, the increase is only \$.39 per can.
  - The mini-can price should remain the same and all other rates should increase.
  - Rate increases should be conditioned by consumer incentive programs or charged by the pounds of garbage collected, not by a weekly or monthly service fee that provides no incentive for conservation.

Staff's response – Staff recommends rates using a cost of service methodology that determines the spread between service levels. The rates using the cost of service methodology are not linear rates. For example, four cans of garbage do not weigh, or cost, four times as much to collect, as one can of garbage. The cost of service methodology does, however assign more collection costs to those who generate greater amounts of waste.

- Customer Comment – The company is still operating under the cumbersome three-bin recycling system. The company should make the additional investment to convert to single-cart recycling.

Staff's response – The company's recycling collection systems comply with the King County service level ordinances. The county controls minimum service levels, including the type of recycling collection and materials collected, through its comprehensive solid waste management plan. Both Pierce and Thurston counties recently changed from multi-bin collection systems to a "single-stream" collection system.

- Customer Comment – Picking up a mini-can is basically the same labor effort and gas cost as single can, yet its increase is only 4.3 percent. Why is this percentage increase less than the 5.8 percent increase for a one can rate?

Staff's response – Staff recommends rates using a cost of service methodology that determines the spread between service levels. The cost of service methodology assigns more collection costs to those who generate greater amounts of waste.

- Customer Comment – Any increase due to high fuel prices should also have an expiration date as fuel prices decline.

Staff's response – Staff calculates fuel increases using the most recent 12 months average cost of fuel, not the most current price per gallon. Recent fuel price fluctuations have not dropped below the 12 month average cost.

- Customer Comment – Does the rate increase apply to garbage, recycle and yard waste service? When was the company's last increase and how much was it?

Staff's response – The proposed rate increases apply to garbage, recycling and yard waste service. Under the staff recommended revised rates, yard waste and recycle rates increase, however garbage rates decrease. Rates increased in January 2008, to recover a 15.15 percent increase in disposal fees at the King County landfill.

- Customer Comment – The company's customer notice was improper because it did not individually list all of the rates that the company proposed to increase.

Staff's response – The Consumer Protection staff reviewed the commission's customer notice rule and found the company's customer notice in compliance with the rule requirements.

Customers deserve to know about, and comment on, the proposed revised rates. The purpose of the recommendations contained in this memo is to allow additional time for customers to comment. The commission should consider all information, including any additional customer comments, in deciding whether to approve the proposed revised rates on a permanent basis. Rabanco, therefore has not demonstrated the proposed revised rates are fair, just, reasonable, or

sufficient. Staff recommends that the commission continue the Complaint and Order Suspending Tariff Revisions and allow the revised rates to go into effect on September 1, 2008, on a temporary basis, subject to refund.

**Rate Comparison**

	<b>Present</b>	<b>Proposed</b>	<b>Revised</b>
<b>Residential Monthly Rates</b>			
1 can weekly garbage service	\$9.64	\$10.20	\$9.24
60 gallon cart weekly garbage service	\$16.17	\$17.25	\$15.57
60 gallon cart rental	\$1.50	\$1.75	\$1.50
Residential recycling every-other-week (EOW)	\$7.50	\$8.35	\$8.20
Residential recycling weekly	\$9.31	\$10.43	\$10.18
Residential yard waste every-other-week (EOW)	\$5.29	\$6.14	\$7.00
Residential yard waste weekly	\$7.93	\$9.19	\$9.50
<b>Commercial</b>			
One yard container service per month	\$61.29	\$63.93	\$61.29
20 yard drop box service per pick-up	\$111.00	\$114.87	\$111.00

**Average Customer Charge Comparison – One Can Customer Bellevue Area**

<b>Monthly Service</b>	<b>Present</b>	<b>Proposed</b>	<b>Revised</b>
Garbage Component	\$9.64	\$10.20	\$9.24
Mandatory Recycling EOW	\$7.50	\$8.35	\$8.20
Commodity Credit	(\$2.49)	(\$2.49)	(\$2.49)
Total Garbage and Recycling	\$14.65	\$16.06	\$14.95
Voluntary Yard waste EOW Service	\$5.29	\$6.14	\$7.00
Total Garbage, Recycling, Yard waste	\$19.94	\$22.20	\$21.95
			(10.1%)

**Average Customer Charge Comparison – One Can Customer Issaquah Area**

<b>Monthly Service</b>	<b>Present</b>	<b>Proposed</b>	<b>Revised</b>
Garbage Component	\$9.64	\$10.20	\$9.24
Mandatory Recycling Weekly Service	\$9.31	\$10.43	\$10.18
Commodity Credit	(\$2.53)	(\$2.53)	(\$2.53)
Total Garbage and Recycling	\$16.42	\$18.10	\$16.89
Voluntary Yard waste Weekly Service	\$7.93	\$9.19	\$9.50
Total Garbage, Recycling, Yard waste	\$24.35	\$27.29	\$26.39
			(8.4%)

Commission staff has completed its review of Rabanco's supporting financial documents, books and records. Staff's review shows that the expenses are required and reasonable for Rabanco's operation. The company's financial information supports the revised revenue requirement and the revised rates are fair, just, reasonable, and sufficient.

**Conclusion**

1. Continue the Complaint and Order Suspending the Tariff Revisions filed by Rabanco Ltd, d/b/a Eastside Disposal and Allied Waste Services of Bellevue.
2. Allow temporary rates at the staff recommended revised rates to become effective September 1, 2008, on less than statutory notice, subject to refund.