Agenda Date: December 30, 2010

Item Number: B4

**Docket: TG-101850**

Company Name: Harold LeMay Enterprises Inc., d/b/a Harbor Disposal Company and EHG Disposal G-98

Staff: Layne Demas, Regulatory Analyst

 Dennis Shutler, Consumer Protection Staff

**Recommendation**

1. Grant the company’s request for an exemption from WAC 480-70-266, Tariffs, to allow the revised rates, as filed by the company on December 14, 2010, to become effective on

January 1, 2011, on less than statutory notice.

1. Grant the company’s request for an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.
2. Approve the revised rates, filed by the company on December 14, 2010, to become effective January 1, 2011, on less than statutory notice.

**Discussion**

On November 15, 2010, Harold LeMay Enterprises, Inc., d/b/a Harbor Disposal Company and EGH Disposal (Harbor or company) filed tariff revisions with the Utilities and Transportation Commission (commission). The tariff revisions would generate approximately $694,000 (22.8 percent) in additional annual revenue. The proposed increases are prompted by increases in labor, healthcare, pension, maintenance and fuel costs. Harbor provides regulated solid waste collection service to approximately 7,300 residential and commercial customers in Grays Harbor County. The company’s last general rate increase became effective on January 1, 2007.

Staff’s analysis showed a higher revenue requirement for residential garbage and commercial garbage collection than what the company proposed and a lower revenue requirement for residential recycling than what the company proposed.

Staff and the company agreed to a revised revenue requirement of approximately $634,000 (21 percent) in additional annual revenue and revised rates. On December 14, 2010, the company filed revised rates at staff recommended levels.

The company requests an exemption from Washington Administrative Code (WAC) 480-70-266, Tariffs, to allow the revised rates to become effective on January 1, 2011, on less than statutory notice, and an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.

RCW 81.28.050 and WAC 480-70-266 require forty-five days’ notice to the commission prior to the effective date of the tariff. The company requests, however, less than statutory notice as permitted by WAC 480-70-276, so that the tariff revisions become effective on January 1, 2011. The company must request less than statutory notice because the revised rates result in some increases compared to the rates the company originally proposed and sent notice to customers.

Under [WAC 480-70-271](http://apps.leg.wa.gov/WAC/default.aspx?cite=480-70-271), solid waste companies must provide each affected customer a notice at least thirty days before the requested effective date of the proposed rate increase. For the same reason listed in seeking less than statutory notice to the commission, the company seeks an exemption from customer notice requirements. The company originally notified customers of the proposed rates filed on December 1, 2010, and requests exemption from customer notice requirements for the revised rates. The company proposes to notify customers using a bill insert in the next billing cycle.

**Customer Comments**

On November 30, 2010, the company notified its customers of the proposed rate increase by mail. The commission received 34 customer comments on this filing. All customers oppose the proposed increase. Please note that customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff advised customers that they may access all company documents about this rate case at www.utc.wa.gov, and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

Filing Documents and Methodology

* One customer believes the company should establish differing rates for differing amounts of recycling.

Staff Response

The company consults with Grays Harbor County to identify the appropriate service level and container size for the customers. In this case, they determined that one service level was appropriate.

* One customer believes the company should increase the cost for not recycling from $2 to $5 to penalize those who do not recycle.

Staff Response

The county set the $2 charge by ordinance as an incentive for people to recycle. In order to increase the charge to $5, the county would have to change the ordinance.

Service Quality

* One customer commented on missed pickups during periods of inclement weather.

Staff Response

Commission rules allow companies to determine when service should be stopped because road conditions are unsafe. Companies will collect what was missed on the next scheduled pick up.

Business Practices

* Six customers believe the company should offer once-a-month recycling in order to save operating expenses.

Staff Response

The county recycling plan provides for every-other-week recycling only.

* One customer believes when servicing customers on a dead-end road, the company should drive to the end of the road and then unload the cans on their way back.

Staff Response

When servicing a route, the direction the vehicle travels while loading is determined by the placement of the carts, the automated truck can only pick up carts on its right side. The ability of the truck to turn around safely at the end of a dead-end road, and the company’s liability for damages to the roadway are also factors the company considers.

* One customer believes the company should offer senior discounts.

Staff Response

Legislation in 2010 (SSHB 2539) authorizes low income senior rates, if requested by the county and then approved by the commission. The company does not have plans to include senior discounts in this rate filing.

* One customer believes the company should clean the customer’s cans.

Staff Response

All new customers receive a clean cart. If a customer wants the company to clean a cart, there will be a fee for labor and materials.

* One customer believes the company should notice its customers when service will be skipped due to inclement weather.

Staff Response

The company has a phone recording for customers to call about their service during inclement weather.

* One customer believes the company should provide brochures or calendars listing the dates when service will be picked up.

Staff Response

When a new customer orders service, the customer receives the cart(s) and a welcome packet which includes a service schedule listing the customer’s service dates. Customers may also call the company to confirm their service dates.

General Comments

* Nineteen customers believe the increase is excessive due to current economic conditions. Five customers believe the company should work within a budget. Five customers stated that they may cancel service if the increase is allowed. Five customers stated it would be cheaper to pay the difference and put everything into the garbage.

Staff Response

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 investment.

**Rate Comparison**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Residential Monthly Rates** | **Current Rate** | **Proposed Rate** | **Revised Rate** | **Percent****Increase** |
| 32-Gallon Can Weekly Pick-up | $ 13.96 | $ 14.81 | $15.23 | 9.10% |
| 65-Gallon Cart Weekly Pick-up | $ 22.02  | $ 23.37 | $24.02 | 9.08% |
|  |  |  |  |  |
| Mandatory Curbside Recycling 96 Gallon Cart-Comingled – Every-Other-Week Service | $ 4.39 | $ 9.29 | $ 7.87 |  79.27% |
|  |  |  |  |  |
|  |  |  |  |  |
| **Commercial Per Pick-up Rates** |  |  |  |  |
| 1-Yard Container – First Pick-up | $29.79 | $31.61 | $32.49 | 9.06% |
| 1-Yard Container – Addl. Pick-ups Each | $16.79 | $17.82 | $18.31 | 9.05% |
| 2-Yard Container– First Pick-up | $51.09 | $54.21 | $55.72 | 9.06% |
| 2-Yard Container – Addl. Pick-ups Each | $30.84 | $32.73 | $33.64 | 9.08% |
|  |  |  |  |  |
| 20-Yard Drop Box (Non-Compacted) First Pick-up | $160.00 | $270.00 | $265.00 | 65.63% |
| 20-Yard Drop Box (Non-Compacted)Addl. Pick-ups | $ 85.00 | $143.00 | $140.00 |  64.71% |

**Bill Comparison – Residential Customer**

|  |  |  |  |
| --- | --- | --- | --- |
| **Monthly Rates** | **Current Rate** | **Proposed Rate** | **Revised Rate** |
| 65-Gallon Cart (Weekly Garbage Service) | $22.02 | $23.37 | $24.02 |
| Recycling Cart (Mandatory Every-Other-Week Service) |  $ 4.39 | $ 9.29 | $ 7.87 |
| Recycle Commodity Credit  |  ( $ .58) | ( $ .58) | ( $ .58) |
| Total Monthly Bill  | $25.83 | $32.08 | $ 31.31 |
| Percent Increase |  |  24.20% |  21.22% |

**Conclusion**

Commission staff has completed its review of the company’s supporting financial documents, books and records. Staff’s review shows that the 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 revised revenue requirement and the revised rates and charges are fair, just, reasonable and sufficient. Therefore, staff recommends the following:

1. Grant the company’s request for an exemption from WAC 480-70-266, Tariffs, to allow the revised rates, as filed by the company on December 14, 2010, to become effective January 1, 2011, to become effective on January 1, 2011, on less than statutory notice.
2. Grant the company’s request for an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.
3. Approve the revised rates, filed by the company on December 14, 2010, to become effective January 1, 2011, on less than statutory notice.