

Agenda Date: August 13, 2009  
Item Number: B1

**Docket:** TG-090899  
Company Name: Mason County Garbage Co., Inc., G-88

Staff: Nicki Johnson, Regulatory Analyst  
Dennis Shutler, Consumer Protection Staff

### **Recommendation**

1. Issue a Complaint and Order Suspending the Tariff revisions filed by Mason County Garbage Co., Inc.;
2. Allow the revised rates filed by Mason County Garbage Co., Inc., on July 23, 2009, to become effective August 14, 2009, on a temporary basis, subject to refund;
3. Require Mason County Garbage Co., Inc., to file monthly recycling and solid waste reports; and
4. Issue an order requiring deferred accounting treatment for recyclable commodities revenue and authorizing revenue sharing.

### **Background**

On June 12, 2009, Mason County Garbage Co., Inc., (Mason County Garbage or company) filed with the Utilities and Transportation Commission (commission) tariff pages to implement a mandatory-pay recycling program for residential garbage customers. At staff recommended revised rates, the recycling rate would be \$8.18 per month. The company originally proposed a rate of \$8.56 per month. The tariff also proposes a \$1.15 per month commodity credit, which staff recommends as reasonable and appropriate. Mason County Garbage operates in Mason County and provides service to approximately 10,200 residential customers.

In December 2008, the Mason County Board of Commissioners (Board) approved Ordinance No. 147-08, which established a new residential recycling collection service that will be available county-wide. The ordinance establishes a single-stream collection method, identifies what materials will be collected, requires customers to use wheeled carts provided by Mason County Garbage, and requires collection every-other-week. The curbside program does not include glass. Nor does the ordinance specify when the company should begin implementing the new service.

The company originally proposed that the new program and rates become effective August 1, 2009, but on July 17, 2009, the company requested to extend the effective date to August 14, 2009, to allow additional time for the Board to consider amendments to Ordinance No. 147-08 at a meeting scheduled for August 4, 2009. Because the effective date of the tariff is mid-month, most customers will receive only one recycling collection during August, and the company proposes to charge all customers one-half of the recycling fee, or \$4.09 per month.

At the August 4, 2009, meeting, the Board adopted amendments to the ordinance. The company's proposed recycling program complies with the amended ordinance. The Mason County Daily News reported that the Board suggested that the county staff work with Mason County Garbage to create a senior or low income rate, as well as create as many options as possible for garbage and recycling collection. Electrical and gas companies may charge discounted or reduced rates under RCW 80.28.068, which specifically authorizes discounts for "low-income senior customers and low-income customers." In contrast, there is no counterpart in RCW Title 81, under which solid waste companies are regulated. The Legislature has not authorized the commission to approve reduced rates for low-income senior customers or low-income customers of solid waste companies.

To provide the modified single-stream recycling service, Mason County Garbage purchased new 65 and 96 gallon carts, three new recycling trucks and expanded its facilities to handle the recyclable material. The proposed rates would generate an additional \$1,056,000, which is a 28.2 percent increase, to total company regulated operations.

Staff's review of Mason County Garbage's operations revealed that the proposed rates generating \$1,056,000 were excessive. On July 23, 2009, the company filed revised rates at the staff recommended level. The revised rates would generate approximately \$1,008,000, which is a 26.9 percent increase to total company regulated operations.

The commission should require the company to implement deferred accounting for the materials collected in the curbside recycling program. There are two rates that apply to recycling service: one rate reflects the cost of collecting and processing the materials for sale, and the other rate is a commodity credit (or debit) that reflects the value of the materials collected. The company estimates that materials collected over the next year will generate revenue of approximately \$1.15 per month per customer, which staff believes is reasonable. The company further proposes to return that amount to customers as a commodity credit. After a year, the company will use the most recent twelve-month test period to true-up the estimated revenue to actual revenue, and to estimate revenue for the next twelve-month period. Staff recommends that the commission condition its approval of the recycling rates on Mason County Garbage making its next commodity adjustment effective November 1, 2010, and each November 1 thereafter.

Along with its tariff filing, Mason County Garbage submitted a revenue sharing plan that seeks to retain thirty percent of the revenue it collects from the sale of recycle materials. RCW 81.77.185 "The commission shall allow solid waste collection companies collecting recyclable materials to retain up to thirty percent of the revenue paid to the companies for the material if the companies submit a plan to the commission that is certified by the appropriate local government authority as being consistent with the local government solid waste plan and that demonstrates how the revenues will be used to increase recycling. The remaining revenue shall be passed to residential customers." The appropriate local government authority has certified the company's recycling plan and recommends that the commission allow the company to retain thirty percent of the revenue it collects from the sale of recycle materials.

## **Customer Comments**

On June 28, 2009, the company notified its customers of the rate increase by mail. The commission received 147 customer comments on this filing; 131 are opposed, five are undecided and 11 support this filing. 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](http://www.utc.wa.gov), and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

## **Filing Documents and Methodology Comments**

- Twelve customers believe the mandatory recycling fee is excessive.

### **Staff Response**

Although staff understands the customers' concerns regarding the cost of recycling, our responsibility is to recommend the "right" rates that will allow the company to recover reasonable, prudent operating expenses and the opportunity to earn a reasonable return.

## **Business Practices Comments**

- Eleven customers believe the company should also recycle glass.

### **Staff Response**

The Board approved the ordinance which does not include glass in the list of materials the company is required to collect in the recycling program. Staff understands that the company is working with the county solid waste staff to locate a drop-off collection site for glass. Customers may contact the county's solid waste staff at (360) 427-7771 to ask how to request that additional materials, such as glass, be added to the list of materials that the company is required to collect in the curbside recycling program. The commission lacks the authority to override the county commissioners' decisions.

- Two customers believe the company should provide senior citizen discounts.

### **Staff Response**

Staff contacted these customers and explained that the law does not allow the commission to approve senior or low-income discounts for solid waste collection, unlike in the gas and electric industries where the Legislature has granted the UTC the authority to approve low-income discounted rates.

## **General Comments**

- Fifty-four customers believe they should not pay for a service they do not want and will not use. Forty-three customers believe the service should not be mandatory, and twelve customers stated they may cancel their service altogether.

**Staff Response**

The Board approved the ordinance that requires all residential garbage customers to pay for recycling service, even if the customer chooses to not use the recycling service. Solid waste companies must comply with the ordinance. The commission will consider only the rates for providing the service required by the county ordinance, and lacks the authority to override the county commissioners' decisions to require a mandatory-pay recycling program. Customers may contact the county's solid waste staff at (360) 427-7771 with questions or concerns about the mandatory-pay recycling program.

**Rate Comparison**

	<b>Present</b>	<b>Proposed</b>	<b>Revised</b>
<b>Residential Monthly Rates</b>			
Mandatory Recycle Every-other-Week Service (EOW)	Not Available	\$8.56	\$8.18
Recycle Only	Not Available	\$9.60	\$9.25
Recycle Cart Redelivery	Not Available	\$16.00	\$16.00

**Average Customer Charge Comparison – One Can Garbage**

<b>Monthly Garbage</b>	<b>Present</b>	<b>Proposed</b>	<b>Revised</b>
Garbage Component	\$14.03	\$14.03	\$14.03
Mandatory Recycling –(EOW) Service	Not Available	\$8.56	\$8.18
Recycle Commodity Credit	Not Available	\$1.15	\$1.15
Total Garbage and Mandatory Recycling	Not Available	\$21.44	\$21.06
		52.8%	50.1%

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that based on the company's estimated cost of the program, the expenses are reasonable and required as part of the company's operations. The company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable and sufficient based on the estimated cost of the program. However, because this is a new program in Mason County and the recommended revised rates are based on estimates, not actual costs, staff recommends that the commission suspend the filing and allow temporary rates, subject to refund. Further, staff recommends that the commission require the company to file solid waste and recycling reports that the staff will use to evaluate the actual cost of the program. The reports must include:

- (1) The number of residential customers, by garbage service level, and the average monthly weight of a can or cart for each garbage service level.
- (2) The total tons of residential solid waste disposed of and the total tons of residential recycle commodities collected.

(3) All route hours and payroll data for residential solid waste and residential recycling collection.

(4) Any other information that may be needed to evaluate the effectiveness and cost of the residential recycling program.

The company should file the reports with the commission no later than the fifteenth day of the month following the month in which the company provided recycling collection service. Staff needs at least three months data to evaluate the program and determine whether the temporary rates are appropriate.

### **Conclusion**

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