

Docket TG-061433
Attachment A
The Criteria and Procedures for the Deferred Fuel Approach

Criteria:

- 1) The starting point for this case will be the staff pro forma operating results for WM-SnoKing's most recent general rate case.
- 2) The initial deferred fuel component filing will establish a pilot program that will expire on November 30, 2009, and be evaluated after the three year time period to determine its effectiveness.
- 3) WM-SnoKing must file a general rate case within three years after the effective date of the initial program. If the program is extended beyond the initial pilot period ending November 30, 2009, thereafter general rate increases must be filed every two years.

Procedures:

- 1) The Company will participate in the deferred fuel component program voluntarily.
- 2) The decision to adopt the new deferred fuel approach is irrevocable.
- 3) The Company must file a new, temporary tariff reflecting a revenue requirement excluding fuel as an operating expense. It must use uniform percentages by customer class to reduce existing rates. In addition to garbage, the total residential component should include recycling and yard waste, if those services are provided by the Company. **See Example 1 below.**
- 4) In determining the new revenue requirement, the Company must use the same Lurito/Gallagher curve, capital structure, revenue sensitive cost rates, debt, and Federal Income Tax rates, and revenue price-outs that the Staff used in the Company's last general rate increase.
- 5) A fuel component must be proposed concurrently with the new tariff showing the percentages by customer class necessary to recover current fuel costs over the next 12 months. Future fuel costs will equal actual fuel expenses incurred by the Company for the most recent 12 months available. **See Example 2 below.**
- 6) This filing results in an increase in rates for WM-SnoKing customers. The Company therefore requested the Commission to grant a waiver of the normal customer notification requirements contained in WAC 480-70-271(1). The first notice of the increase will appear on the first regularly scheduled billing after the effective date, as approved by the Commission. All supplements must have at least 45 days between the issue and effective dates.
- 7) Assuming normal customer notification requirements, Fuel Component Supplements become effective no earlier than three months after the 12 months used to establish the most recent historical fuel expense level. See the below table as a timing example:

<u>12 Months Ending</u>	<u>File Date</u>	<u>Nominal Effective Date</u>	<u>Earliest 12 month Pro Forma Fuel Year ending</u>
February 06	March 15 '06	May 1 '06	April 31 '04
March 06	April 15 '06	June 1 '06	May 31 '04
April 06	May 15 '06	July 1 '06	June 30 '04
May 06	June 15 '06	August 1 '06	July 31, '04
June 06	July 15 '06	September '06	August 31 '04
July 06	August 15 '06	October 1 '06	September 30 '04
August 06	September 15 '06	November '06	October 31 '04
September 06	October 15 '06	December '06	November 30 '04
October 06	November 15 '06	January 1 '07	December 30 '04
November 06	December 15 '06	February '07	January 30 '05
December 06	January 15 '06	March 1 '07	February 28 '05
January 07	February 15 '06	April 1 '07	March 31, '05

- 8) Fuel Component Supplements expire after one year.
- 9) In each subsequent year, a new fuel component supplement must be filed immediately, with the additional consideration of including a true-up of actual incurred fuel expense during the last 12 months versus the amounts collected from customers – the deferred adjustment. The Company must absorb the first 10 percent of increased fuel expense over the amounts included in rates for the prior year. **See Example 3 & 4 below.**
- 10) Approved tariffs reflecting the elimination of fuel from the revenue requirement and adding a fuel component supplement become effective on the effective date approved by the commission.
- 11) WM-SnoKing must show the new fuel component charge as a separate line item for each separate type of service or the total fuel component as a separate line item for all combined services. For example:

<u>Service</u>	<u>Residential</u> 64 gal. tote + Recy. + Yard Waste	<u>Commercial</u> One Yard Container	<u>Drop Box</u> 20 Yd w/o Pass Thru
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Combined

Garbage	\$16.76		
Recycle	\$7.75		
Yard Waste	\$8.81		
Fuel Component	\$1.59		
Total	\$34.91	\$79.50	\$169.79

Separate Line Item

Garbage	\$16.76	\$77.52	\$148.46
Fuel Component	\$0.80	\$1.98	\$21.33
Sub Total	\$17.56	\$79.50	\$169.79

Recycle	\$7.75
Fuel Component	\$0.37
Sub Total	\$8.12

Yard Waste	\$8.81
Fuel Component	\$0.42
	\$9.23

Sub Total

Total Due	\$34.91
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12) The accounting entries tracking the above transactions should include the following account titles and numbers:

Account Title	Account Title
Fuel Component Receivable	128904
Fuel Component Payable	239904
Fuel Component Revenue	409000

13) Carriers must keep and maintain all relevant records and documents pertaining to fuel expenses and amounts owed to/from customers in a manner readily verifiable by staff.

Example 1 shows how to initially reduce fuel related costs from present, temporary rates.

<u>Action / Category</u>	<u>Residential Garbage</u>	<u>Recycle (excl. Commod ities)</u>	<u>Yard Waste</u>	<u>Total Residential</u>
L 1 Total Pro Forma Fuel Cost Embedded in Rate Case	\$42,000	\$23,500	\$8,000	\$73,500
L 2 Pro Forma Present Revenue w/ Rates in Recent Rate Case	\$1,250,000	\$ 584,793	\$266,565	\$2,101,358
L 3 Fuel as a Percent of Revenue	3.76%	4.02%	3.00%	3.74%
L 4 New Revenue Requirement Excluding Fuel – per Revised Lurito/Gallagher Curve	\$ 1,207,143	\$559,167	\$257,883	\$2,024,192
L 5 Percentage Reduction in Present Rates to Remove Fuel Costs	-3.43%	-4.38%	-3.26%	-3.67%

Decrease residential related rates by 3.67 percent. Make similar calculations for commercial and drop box service. The drop box reduction applies to drop box revenue excluding Item 230 pass through fees.

$$L 3 = L 1 / L 2$$

$$L 5 = L 1 / L 4$$

Example 2 shows how to calculate the initial Fuel Component Supplement percentage amounts.

Action/Category	Residential <u>Garbage</u>	Recycle (excl. Commodities)	<u>Yard Waste</u>	Total <u>Residential</u>
Total ProForma Fuel Cost Embedded in Last Rate Case	\$ 42,000	\$ 23,500	\$ 8,000	\$ 78,500
New Revenues Excluding Fuel	\$ 1,207,143	\$ 559,167	\$ 257,883	\$ 2,024,193
Anticipated Future Fuel Expense Most Recent 12 mo. Actual Fuel Expense	\$ 58,000	\$ 29,000	\$ 10,000	\$ 97,000
B&O Tax	1.50%			
Estimated WUTC Fees	0.19%			
Estimated Bad Debts	<u>0.80%</u>			
Total Revenue Related Fees	2.49% <u>\$ 1,444</u>	<u>\$ 722</u>	<u>\$ 249</u>	<u>\$ 2,415</u>
Total Increased Fuel & Fees	<u>\$ 59,444</u>	<u>\$ 29,722</u>	<u>\$ 10,249</u>	<u>\$ 99,415</u>
Percent Expected Fuel & Taxes Over Temporary Present Rates Without Fuel	4.92%	5.32%	3.97%	4.91%

Increase residential related rates by 4.91 percent. Make similar calculations for commercial and drop box service. The drop box increase applies to drop box revenue excluding Item 230 pass through fees.

Example 3 shows how to calculate the Fuel Component Supplement one year later when fuel prices go up.

Line	Action/Category	Residential <u>Garbage</u>	Recycle (excl. Commodities)	<u>Yard Waste</u>	Total <u>Residential</u>
L 1	Actual New Revenue Excluding Fuel	\$ 1,210,000	\$ 580,000	\$ 250,000	\$ 2,040,000
L 2	Last Year's Anticipated Fuel Expense	\$ 58,000	\$ 29,000	\$ 10,000	\$ 97,000
L 3	Fuel Revenue Actually Collected fm Customers	\$ 53,500 est	\$ 27,000	\$ 11,000	\$ 91,500
L 4=L2 - L3	Difference Passed to Customers	\$ 4,500	\$ 2,000	\$ (1,000)	\$ 5,500
L 5	Actual Fuel Expense Incurred 2nd Year (gals x price) Largest Allowable Increase Passed to Customers	\$ 65,000	\$ 32,500	\$ 11,207	\$ 108,707
L6=L2x1.1	Last Year's Anticipated at 10 % increase	\$ 63,800	\$ 31,900	\$ 11,000	\$ 106,700
L7=L5 - L6	Net Amount Passed to Customers	\$ 1,200	\$ 600	\$ 207	\$ 2,007
L8=L4+L7+L5	Next Year's Total Fuel Component	<u>\$ 70,700</u>	<u>\$ 35,100</u>	<u>\$ 10,414</u>	<u>\$ 116,214</u>
	B&O Tax	1.50%			
	Estimated WUTC Fees	0.19%			
	Estimated Bad Debts	<u>0.80%</u>			
L9=2.49%xL8	Total Revenue Related Fees	2.49% <u>\$ 1,760</u>	<u>\$ 874</u>	<u>\$ 259</u>	<u>\$ 2,894</u>
L10=L8+L9	Total Increased Fuel & Taxes	<u>\$ 72,460</u>	<u>\$ 35,974</u>	<u>\$ 10,673</u>	<u>\$ 119,108</u>
L11=L10/L1	Percent Fuel & Taxes Over New Revenue w/out Fuel	5.99%	6.20%	4.27%	5.84%

Increase residential related rates by 5.84 percent. Make similar calculations for commercial and drop box service. The drop box increase applies to drop box revenue excluding Item 230 pass through fees.

Example 4 shows how to calculate the Fuel Component Supplement one year later when fuel prices go down.

Line	Action/Category	Residential Garbage	Recycle (excl. Commodities)	Yard Waste	Total Residential
L 1	Actual New Revenue Excluding Fuel	\$ 1,210,000	\$ 580,000	\$ 250,000	\$ 2,040,000
L 2	Last Year's Anticipated Fuel Expense	\$ 58,000	\$ 29,000	\$ 10,000	\$ 97,000
L 3	Fuel Revenue Actually Collected fm Customers	\$ 53,500	\$ 27,000	\$ 11,000	\$ 91,500
L 4=L2 - L3	Difference Passed to Customers	\$ 4,500	\$ 2,000	\$ (1,000)	\$ 5,500
L 5	Actual Fuel Expense Incurred 2nd Year (gals x price) Largest Allowable Increase Passed to Customers	\$ 52,000	\$ 26,000	\$ 8,950	\$ 86,950
L6=L2x.9	Last Year's Anticipated at 10 % decrease	\$ 52,200	\$ 26,100	\$ 9,000	\$ 87,300
L7=L5 - L6	Net Amount Passed to Customers	\$ (200)	\$ (100)	\$ (50)	\$ (350)
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L8=L4+L7+L5	Next Year's Total Fuel Component	\$ 56,300	\$ 27,900	\$ 7,900	\$ 92,100
	B&O Tax	1.50%			
	Estimated WUTC Fees	0.19%			
	Estimated Bad Debts	0.80%			
L9=2.49%xL8	Total Revenue Related Fees	2.49%	\$ 1,402	\$ 695	\$ 197
L10=L8+L9	Total Increased Fuel & Taxes		\$ 57,702	\$ 28,595	\$ 8,097
L11=L10/L1	Percent Fuel & Taxes Over New Revenue w/out Fuel		4.77%	4.93%	3.24%
					4.63%

Increase residential related rates by 4.63 percent. Make similar calculations for commercial and drop box service. The drop box increase applies to drop box revenue excluding Item 230 pass through fees.