

Agenda Date: April 23, 2020
Item Number: B1 and B2

Dockets: TG-200044 and TG-200358
Company Name: Harold Lemay Enterprises, Inc., d/b/a Pierce County Refuse (G-98)

Staff: Greg Hammond, Regulatory Analyst
Tiffany Van Meter, Regulatory Analyst
Benjamin Sharbono, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Issue an order in Docket TG-200044 granting the requested exemption from portions of WAC 480-07-520(4) and allowing the tariff pages filed on January 17, 2020, as revised on April 17, 2020, to take effect May 1, 2020.

Issue an order in Docket TG-200358 granting the company's petition to defer billing customers the proposed rates until August 31, 2020, to be recovered over a 12-month period beginning September 1, 2020.

Discussion

On January 17, 2020, Harold Lemay Enterprises, Inc. d/b/a Pierce County Refuse (PCR or company), filed original Tariff No. 10 with the Washington Utilities and Transportation Commission (commission) that would generate approximately \$1.4 Million (4.1 percent) in additional annual revenue for the collection of garbage, recycling, and yard waste. For the company's operations in Pierce County, the proposed rates would generate approximately \$1.7 Million (5.6 percent) in additional annual revenue. The company serves approximately 53,000 residential garbage and recycling customers, 27,800 yard waste customers, 5,400 commercial customers, and 600 multi-family customers in Pierce County. The proposal would generate a revenue decrease of approximately \$289,000 (-13.8 percent) in annual revenue for the services on Joint Base Lewis-McChord (JBLM). The company serves approximately 4,200 garbage and recycling customers and 600 yard waste customers on JBLM. The company's last general rate case took effect November 1, 2011.

The proposed increase is a result of new truck purchases, payroll increases, and growth in other operating expenses due to the amount of time elapsed since the company's last general rate case. The rate increase is primarily driven by a revenue deficiency from the company's recycling operations. The current every-other-week recycling rate of \$5.07 has been unable to cover the cost of providing the service as the company has experienced customer growth and rising costs since the last rate increase in 2011. The revenue decrease for the company's JBLM areas is caused by differing per-ton garbage disposal rates. The per-ton disposal rate for garbage generated on JBLM is \$55 lower than what is charged in the company's Pierce County operations. This difference between the two disposal rates had not yet been recognized in the collection rates for the Pierce County and JBLM tariffed areas.

After review, commission staff (staff) found the proposed rates would result in excess revenue. Staff made adjustments to the company's depreciation schedule, removing assets that have been fully depreciated. Staff also removed certain non-allowable bonuses and non-allowable employee appreciation expenses, among other adjustments. The company and staff have agreed on a revised revenue requirement of approximately \$1.1 Million (3.2 percent) additional annual revenue in total. The increase to Pierce County operations would be approximately \$1.4 Million (4.1 percent), and the decrease to the company's JBLM operations would be approximately \$330,000 (-15.7 percent). On April 17, 2020, the company filed revised rates at staff recommended levels. Staff believes these revised rates are fair, just, reasonable, and sufficient.

Also, in reaction to the COVID-19 outbreak which began while the case was in process, the company elected to extend the effective date of the rate increase to June 1, 2020. This was done to lessen the short-term impact the rate increase would have on its customers. The effective date was subsequently moved up to May 1, 2020. Along with this, the company filed a petition on April 17, 2020 under docket TG-200358, proposing that, while the tariff rates would become effective May 1, 2020, the company would continue to charge customers the previously existing tariff rates until August 31, 2020. The company would defer recognition of the unrecovered revenue in a deferral account, or tracker, until August 31, 2020, to help customers during this time of uncertainty. The company also requests recovery of the deferred amount in the form of a temporary surcharge until the deferred amount is fully recovered over a period of 12 months, beginning September 1, 2020. This four-month deferral would result in an additional \$488,000 to be recovered over the proposed 12-month recovery period. For the average residential customer¹, this would result in an additional rate increase of \$0.54 per month. For comparison, without the deferral, the average residential customer would see an increase of \$1.64 per month, and a total increase of \$2.18 per month once recovery of the deferral begins. Also, the company has requested that the rate decrease to JBLM garbage customers would go into effect May 1, 2020, but the increase to these customers' recycling and yard waste rates would be deferred. Staff believes, because of the extraordinary circumstances we are experiencing, that this request is reasonable and in the public interest.

¹ Average Residential customer is defined as a customer subscribed to 65 Gallon Weekly Garbage and Every-Other-Week Recycling service.

Rate Comparison

Pierce County

Residential Rates (Per Month)	Current Rates	Proposed Rates	Revised Rates	Increase
35 Gal. Monthly Garbage (w/ Recy.)	\$ 9.41	\$ 9.52	\$ 9.44	0.3%
35 Gal. EOW Garbage (w/ Recy.)	\$ 12.87	\$ 13.02	\$ 12.91	0.3%
35 Gal. Weekly Garbage (w/ Recy.)	\$ 19.39	\$ 19.61	\$ 19.45	0.3%
65 Gal. Weekly Garbage (w/ Recy.)	\$ 26.84	\$ 27.15	\$ 26.92	0.3%
95 Gal. Cart Weekly Garbage (w/ Recy.)	\$ 35.61	\$ 36.02	\$ 35.71	0.3%
Every-Other-Week Recycling	\$ 5.07	\$ 6.73	\$ 6.63	30.7%
Every-Other-Week Yard waste	\$ 5.53	\$ 6.31	\$ 6.24	12.8%
Commercial Rates (Per Pickup)				
1 Yard Container First Pickup	\$ 31.95	\$ 32.32	\$ 32.04	0.3%
2 Yard Container First Pickup	\$ 52.95	\$ 53.56	\$ 53.11	0.3%

JBLM

Residential Rates (Per Month)	Current Rates	Proposed Rates	Revised Rates	Increase
65 Gal. Weekly Garbage	\$ 22.08	\$ 17.16	\$ 17.98	-18.5%
95 Gal. Weekly Garbage	\$ 28.85	\$ 22.42	\$ 23.50	-18.5%
Every-Other-Week Recycling	\$ 5.07	\$ 6.73	\$ 6.63	30.7%
Every-Other-Week Yard waste	\$ 5.53	\$ 6.31	\$ 6.24	12.8%

Customer Comments

On January 24, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may access documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received six consumer comments regarding the proposed rate increase: five opposed and one in favor.

Comments

One customer commented in favor of the rate increase, and thanks sanitation workers for their hard work. Two customers said the company is already rich and does not need an increase. Two are unhappy that the company forces them to pay for recycling service they don't use. Others say they cannot afford an increase.

Staff Response

Staff explained that Pierce County requires solid waste carriers to charge curbside garbage customers for recycling. Staff also informed customers that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover necessary 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

Issue an order in Docket TG-200044 granting the requested exemption from portions of WAC 480-07-520(4) and allowing the tariff pages filed on January 17, 2020, as revised on April 17, 2020, to take effect May 1, 2020.

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