

Agenda Date: May 15, 2008
Item Number: B1

Docket: TG-080298
Company Name: Island Disposal, Inc., G-154

Staff: Layne Demas, Regulatory Analyst
Dennis Shutler, Consumer Program Specialist

Recommendation

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Island Disposal, Inc.; and
2. Allow the staff recommended revised temporary rates to become effective May 16, 2008, on a permanent basis.

Discussion

On February 15, 2008, Island Disposal, Inc., (Island or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$828,000 (18.8 percent) in additional revenue per year. The tariff revisions propose to increase rates for solid waste collection. Island serves approximately 10,900 residential and commercial customers on Whidbey Island. Island's last general rate increase became effective January 1, 2002. The proposed rate revisions are prompted by increases in processing fees at the company's material recycling facility, and fuel, labor and benefits expenses.

Staff's review of the company's books and records found the proposed rates were excessive. On March 18, 2008, the company filed revised rates at the staff recommended level. The revised rates generate approximately \$181,600 (4.12 percent) of additional revenue per year.

On March 27, 2008, the commission entered a Complaint and Order Suspending Tariff Revisions to allow customers the opportunity to comment on the revised rates before determining whether the revisions were fair, just, reasonable, and sufficient. The commission allowed the revised rates to go into effect on a temporary basis April 1, 2008, subject to refund.

On March 27, 2008, the Consumer Affairs section sent every customer who had commented on Island Disposal's filing a letter advising each respondent of staff's recommended revised rates. Two customers responded to staff's letter. One customer believes the revised rates are appropriate and will not impose an undue burden on the ratepayers. This customer also commended Dennis Shutler for his prompt response. The second customer objected that the rate spread was not great enough between services, resulting in low-income customers paying a disproportionate amount compared to two or more can customers.

Staff response: The staff recommends rates using a cost-of-service methodology. The effect of this methodology shows the cost to provide the next higher level of service is not linear. For example, the cost to provide two can service is not twice the cost of one can service. The rates reflect the true cost to provide service at each level.

Rate Comparison

<u>Residential - monthly rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
One Mini-Can per week	\$ 12.32	\$ 17.66	\$ 12.92
One 32 gallon Can per week	15.50	21.03	16.26
Two 32 gallon Cans per week	22.37	28.31	23.46
<u>Commercial - per pickup</u>			
One Yard Container -1 st pick up	\$ 30.12	\$ 32.54	\$ 31.68
One Yard Container – additional pick ups	17.37	19.02	\$ 18.31
20 Yard Drop Box	\$ 68.17	\$ 74.68	\$ 71.90

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 operations. The company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

Conclusion

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Island Disposal, Inc.; and
2. Allow the staff recommended revised temporary rates to become effective May 16, 2008, on a permanent basis.