

Agenda Date: April 28, 2022
Item Number: B1

Docket: TG-220174
Company Name: Torre Refuse & Recycling LLC d/b/a Sunshine Disposal & Recycling,
Certificate G-260

Staff: Greg Hammond, Regulatory Analyst
Mike Young, Assistant Director, Water and Transportation
John Cupp, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff pages filed on March 10, 2022, and revised on April 22, 2022, to go into effect May 1, 2022, by operation of law.

Discussion

On March 10, 2022, Torre Refuse & Recycling LLC d/b/a Sunshine Disposal & Recycling (Sunshine or Company), filed revisions to Tariff No. 4 with the Washington Utilities and Transportation Commission (Commission) that would generate approximately \$443,000 (7.8 percent) additional annual revenue from garbage collection services. The proposed increase would become effective May 1, 2022, and is prompted by new truck purchases, labor cost increases, and increases in other general operating expenses. The Company currently serves approximately 7,500 residential and commercial customers in Spokane County. The Company's last general rate increase became effective July 1, 2017.

Commission staff's (Staff) review found that the proposed rates would result in excess revenue. Staff made adjustments to reclassify yard waste and recycling activities to more accurately reflect the expenses associated with serving garbage customers. These adjustments caused a decrease of roughly \$142,000 to the annual revenue requirement. In addition, Staff made an adjustment to the depreciation schedule, removing assets that would be fully depreciated by the effective date of the proposed tariff, and adjusting the Lurito Gallagher model to reflect end-of-period investment rather than average investment. Subsequent to the initial filing, the Company provided a corrected invoice for a new truck purchase and updated its fuel cost data to reflect the most recent 12-month period, resulting in slight upward adjustments. The combined effect of all adjustments mentioned above resulted in a revised revenue requirement of approximately \$304,000 (5.3 percent) in additional annual revenue.

Also at issue in this case is the Company's proposed federal income tax treatment. The Company is an LLC which has elected for flow-through treatment, meaning the Company's profits flow through to the owners and are taxed at the owners' personal income tax rate, as opposed to being taxed as a corporation at a fixed 21 percent tax rate. As filed, the Company proposed a higher tax rate than the corporate tax rate historically used in setting solid waste rates. The proposed tax rate represents the effective tax rate of the ownership. Staff disagreed with using the Company's proposed tax rate, and after some discussion on the issue, the Company agreed to using the

corporate tax rate, which has been the ongoing Commission practice. The effect of this change, after taking into consideration the other adjustments mentioned above, caused an approximate \$73,500 (1.3 percent) reduction to the revenue requirement.

Overall, the effect of the adjustments mentioned above resulted in a total additional annual revenue requirement of approximately \$230,500 (4.0 percent). The Company agreed to the revised number and filed revised tariff pages reflecting the revised revenue requirement and revised rates. Staff believes the revised rates are fair, just, reasonable, and sufficient.

Rate Comparison

	Current Rate	Proposed Rate	Revised Rate	Percent Increase
Residential Garbage				
32 Gal. Toter Monthly	\$ 14.25	\$ 15.83	\$ 15.07	5.7%
32 Gal. Toter Weekly	\$ 23.05	\$ 25.15	\$ 24.13	4.7%
64 Gal. Toter Weekly	\$ 31.30	\$ 34.10	\$ 32.76	4.7%
96 Gal. Toter Weekly	\$ 39.80	\$ 43.20	\$ 41.55	4.4%
Commerical Garbage				
1 YD Per Pickup	\$ 22.12	\$ 23.93	\$ 23.07	4.1%
2 YD Per Pickup	\$ 38.03	\$ 41.02	\$ 39.59	4.1%

Customer Comments

On March 29, 2022, the Company notified its customers by mail of the proposed rate increase. Customers were notified that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received two comments opposed to the increase.

General Comments

Customers feel the rates are already too high, resulting in people littering and collecting garbage in their yards. Customers also expressed the need for curbside recycling in their area.

Staff Response

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 its investment. Commission Staff performs a thorough review of rate filings to ensure that all rates and fees are appropriate. Staff advised customers to reach out to the company and the county with their curbside recycling concerns.

Conclusion

Take no action, thereby allowing the revised tariff pages to go into effect May 1, 2022, by operation of law.