

Agenda Date: October 24, 2024
Item Number: B1

Docket: TG-240529

Company Name: Waste Management of Washington, Inc. d/b/a Waste Management - North Sound and Waste Management - Marysville

Staff: Tiffany Van Meter, Regulatory Analyst
Kris Irelan, Consumer Protection Staff

Recommendation

Issue an order in Docket TG-240529:

1. Granting the requested exemption from WAC 480-07-520(4);
2. Ordering the Company file a compliance rate case no later than October 16, 2026, to include a cost-of-service analysis and;
3. Allowing the tariff pages filed on June 17, 2024, as revised on October 17, 2024, to take effect November 1, 2024.

Background

On June 17, 2024, Waste Management of Washington, Inc. Waste Management North Sound and Waste Management Marysville (Waste Management or Company), filed original Tariff No. 20, that replaces Tariff 19, with the Washington Utilities and Transportation Commission (Commission) that would generate approximately \$5,952,000 (7.6 percent) in additional annual revenue for the collection of garbage, recycling, and yard waste. The Company also filed a request for an exemption from the work paper filing requirements in WAC 480-07-520(4) requesting Commission approval to submit work papers that vary from a strict interpretation of the filing requirements and file financial statements that only pertain to the regulated operations of the North Sound/Marysville division. The Company serves approximately 93,000 residential garbage, 108,000 recycling customers, 49,000 yard waste customers in Snohomish County and approximately 22,000 garbage, 26,000 recycling customers and 13,000 yard waste customers in King County. The Company's last general rate case took effect September 1, 2015.

Discussion

The proposed increase is a result of many factors. The Company has not filed for a rate increase since 2015 and the cost of doing business has significantly increased due to inflation alone. The Company has made a large amount of capital investment since the last rate case, and payroll increases, which are subject to union contracts, are the bulk of the requested increase.

After review, Commission staff (Staff) found the proposed rates would result in excess revenue. Staff made adjustments to the Company’s depreciation schedule, changing the investment calculation from average investment to Net Book Value and adjusting depreciation expense to Staff’s calculated numbers. Staff also removed non-allowable expenses at both the operation level and corporate overhead level. In Staff’s review, the allocations between regulated and non-regulated were verified for appropriateness and allocations of the shared container shop were looked at to ensure the North Sound operation portion was reasonable.

Waste Management agreed to remove certain disputed costs in order to settle the case. Although Staff removed the costs, this does not set precedent, and these costs will be reviewed in future filings. Staff and the Company agreed on a revised additional annual revenue of approximately \$3.9 million (4.98 percent).

During the review Staff found that there is a broad subsidization within the Company’s lines of business. Staff and the Company agreed to rates to minimize rate shock and start unwinding the subsidies. With this finding and to be able to update the processing costs at the newly remodeled material recovery facility (which became operational during the test year), Staff recommends the Commission order the Company to file a tariff revision in the form of a general rate case no later than October 16, 2026. Staff also recommends the Commission order the Company to file a cost-of-service study with that rate case so subsidization can be addressed.

The Company filed revised rates at Staff recommended levels on October 17, 2024. Staff is confident that the agreed upon rates are an appropriate small step in the right direction and thus the rates are fair, just reasonable and sufficient.

Rate Comparison

Snohomish County

Residential Rates (Per Month)	Current Rates	Proposed Rates	Revised Rates	Increase/Decrease
35 gallon cart weekly	15.41	16.88	17.04	10.6%
64 gallon cart weekly	24.51	26.86	27.10	10.6%
96 gallon cart weekly	33.20	36.38	36.70	10.6%

King County

Residential Rates (Per Month)	Current Rates	Proposed Rates	Revised Rates	Increase/Decrease
35 gallon cart	20.11	22.03	22.23	10.6%
64 gallon cart	30.53	33.45	33.75	10.6%
96 gallon cart	41.91	45.92	46.33	10.6%

Roll off rate (Per pickup) hauling only	Current Rates	Proposed Rates	Revised Rates	Increase/Decrease
20, 30, 40, 50 YD	126.34	167.78	164.24	29.9%

Customer Comments

On June 17, 2024, the Company notified its customers of the proposed rate increase by mail. Staff received 77 consumer comments regarding the proposed rate increase including one from the King County Solid Waste Division; 73 comments opposed to the rate increase, two were in favor, and two were undecided. Commenters asked why low income and senior discounts are not offered to customers. Commenters also mentioned that the modified recycling pick-up times of twice a month has led to a drop in the quality of service they receive. Customers feel that they are being “nickel and dimed” by the Company’s use of cameras to charge extra fees for a can lid that is slightly open.

Customers were notified that they may access relevant documents about this rate increase on the Commission's website, and that they may contact Kris Irelan at 1-888-333-9882 or kris.irelan@utc.wa.gov with questions or concerns.

Conclusion

Issue an order in Docket TG-240529:

1. Granting the requested exemption from WAC 480-07-520(4);
2. Ordering the Company file a compliance rate case no later than October 16, 2026, to include a cost-of-service analysis and;
3. Allowing the tariff pages filed on June 17, 2024, as revised on October 17, 2024, to take effect November 1, 2024.