## utclogo

FROM: Mike Young

**DATE:** July 30, 2014

**SUBJECT:** TG-140749

Sanitary Service Co., Inc.

**Discussion:**

Sanitary Service Co., Inc. (Sanitary Service or company) is a Class “A” solid waste company as defined in rule; WAC 480-70-041 with over $14 million in regulated intrastate gross revenues. As required in WAC 480-70-079, the company filed on April 29, 2014, with the Utilities and Transportation Commission (UTC or commission) a report on its affiliated interest and subsidiary transactions. The last time the company had filed such a report was in 2013 (for the year ending December 31, 2012 (UTC Docket TG-130618)). In addition, WAC 480-70-078 requires solid waste companies to file with the commission its contracts and arrangements with its affiliates.

**Scope of Staff Investigation:**

Staff will examine the filing in UTC Docket TG-140749 and answer the following questions:

1. Does the information provided by the company meet the requirements of WAC 480-70-079?
2. As a result of examining the transactions contained in this filing, what areas and elements of affiliate contracts and arrangements will need to be examined in a future rate case to validate that they are reasonable and consistent with the public interest?

**Requirements set forth in WAC 480-70-079:**

WAC 480-70-079 requires regulated solid waste companies to provide the commission with the following information relating to transactions between a regulated solid waste company and its affiliate(s):

|  |  |
| --- | --- |
| ***Requirement*** | ***Staff opinion*** |
| Corporate organization chart of the company and its affiliated interests and subsidiaries (WAC 480-70-079 (2)). | Sanitary Service has met this requirement. |

For 2013, Sanitary Service reported a total of two transactions:

* *Affiliated Interest Transaction #1* – Sanitary Service pays Blaine Bay Refuse, Inc. (affiliate) equipment rental of $8,000 per month; and
* *Affiliated Interest #2* – Patrick Dunn, a director for Sanitary Service owns Patrick Dunn & Associates, LTD. Patrick Dunn & Associates provided the following services to Sanitary Service in 2013:
  + Managerial consulting for Sanitary Service Company, Inc. and Blaine-Bay totaling $226,000 (more than was reported in 2012).
  + Lobbying on behalf of Sanitary Service Company, Inc. and affiliates amounting to $12,500 (more than was reported in 2012). Lobbying expense is not included in regulated customer rates.

| ***Requirement*** | ***Staff opinion*** |
| --- | --- |
| WAC 480-70-079 (3) states that if total affiliated interest or a subsidiary are less than $100,000 for the reporting period, the company must provide the name of the affiliated interest or subsidiary participating in the transactions and the total dollar amounts of the transactions. | Sanitary Service has met this requirement.  *Reference Affiliated Interest Transaction #1 identified in the company filing; Docket TG-140749* |
| For the transactions over $100,000 the following information is also required by rule (WAC 480-70-079 (3) (a) through (g) and WAC 480-70-079 (4))  *Reference Affiliated Interest Transaction #2 identified in the company filing; Docket TG-140749* | |
| ***Requirement*** | ***Staff opinion*** |
| Balance sheet and income statement for such affiliated interest (WAC 480-70-079 (3) (a)). | Sanitary Service has met this requirement. |
| Description of the products or services provided to or from the company and each such affiliated interest or subsidiary (WAC 480-70-079 (3) (b)). | Sanitary Service has met this requirement. |
| Description of the pricing basis or costing method, and procedures for allocating costs for such products or services, and the amount and accounts charged during the year (WAC 480-70-079 (3) (c)). | Sanitary Service has met this requirement. |
| Description of the terms of any loans between the company and each such affiliated interest or subsidiary and a listing of the year-end loan amounts and maximum loan amounts outstanding during the year (WAC 480-70-079 (3) (d)). | None reported. |
| Description of the terms and total amount of any obligation or liability assumed by the company for each such affiliated interest or subsidiary (WAC 480-70-079 (3) (e)). | None reported. |
| Description of the activities of each such affiliated interest or subsidiary with which the company has transactions (WAC 480-70-079 (3) (f)). | Sanitary Service has met this requirement. |
| A list of all common officers and directors between the solid waste company and each such affiliated interest or subsidiary, along with their titles in each organization (WAC 480-70-079 (3) (g)). | Sanitary Service has met this requirement. |
| File copies of affiliated interest contracts and arrangements as stated in WAC 480-70-078 (WAC 480-70-079 (4)). | None reported. |

**Areas and Elements to be Examined in the Next Rate Case:**

The amounts paid for management fees have increased significantly since 2013. The process and methods of allocating these costs to regulated rate payers and the impact on regulated rates should be examined. Additionally, although the company states that fees paid for lobbying are excluded from regulated rates, this claim should be verified as the amount paid for lobbying has also increased significantly since 2013. Blaine Bay is a wholly owned subsidiary and amounts paid to this company for equipment rental should be examined for their impact on regulated rate payers.

**Conclusion**

It is recommended that staff take no action on this filing and close the docket.