

Agenda Date: May 27, 2010
Item Number: B3

Docket: **TG-091775**
Company Name: Yakima Waste Systems, Inc. G-89

Staff: Nicki Johnson, Regulatory Analyst
Dennis Shutler, Consumer Protection Staff

Recommendation

Issue an order to:

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Yakima Waste Systems, Inc.
2. Allow the revised rates filed by Yakima Waste on April 29, 2010, to become effective on June 1, 2010.
3. Require the company to refund to customers the difference between the rates in effect between January 1, 2010 and May 31, 2010, and the revised, permanent rates that will become effective June 1, 2010. Allow the company to choose to make a one-time refund immediately or refund the difference over a five month period, allow the company to make the refunds by issuing credits to the customers' bills, require the company to complete the refund process no later than December 15, 2010, and require the company to file a summary report showing each service level affected by a refund, the number of customers who received refunds for each service level and the total amount of the refunds made for each service level.

Background

On November 12, 2009, Yakima Waste Systems, Inc. (Yakima Waste or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$363,700 (4.7 percent) in additional annual revenue for solid waste collection services. The filing was prompted by an increase in disposal fees. Disposal fees increased from \$27.03 per ton to \$30.89 per ton effective January 1, 2010. Yakima Waste filed rates to recover the increased disposal fees without filing all the documents required in a general increase filing.

On December 23, 2009, the commission issued a complaint and order suspending the tariff revisions filed by the company on November 12, 2009, and the substitute pages the company filed on November 13, 2009, and December 10, 2009; and, allowed the proposed tariffs filed by the company to become effective on January 1, 2010, on a temporary basis, subject to refund if the commission determines that different rates will be fair, just, reasonable and sufficient. The commission also ordered the company:

1. To file all documents required for a general rate case as provided in WAC 480-07-520 by March 1, 2010, together with any additional documents that may be requested by commission staff.

2. To not change or alter the tariffs filed in this Docket during the suspension period, unless authorized by the Commission.

Yakima Waste filed the documents required for a general rate case on March 1, 2010. Staff completed its analysis of the company's supporting financial records, and found Yakima Waste's current, temporary rates generate more revenue than the company needs in its garbage operations. In the January 2010 filing, the company asked for approximately \$363,700 (4.7 percent) of additional garbage revenue. Residential and commercial rates increased by \$219,950. The remainder of the increase, \$143,750, was a pass-through of drop box disposal fees. The company's financial records support an increase of only about \$93,200 (1.1 percent); approximately \$270,500 less than the company requested. The analysis shows that:

- Residential and commercial rates in effect prior to January 1, 2010, were too high.
- The present rates for drop box service are less than the cost of providing the service.
- The present rates for voluntary residential recycling and yard waste programs are less than the cost of providing service. The revenue requirements for these programs are \$139,600 (99.1 percent increase) in additional annual revenue and \$56,900 (86.6 percent increase) in additional annual revenue, respectively.

Order 02 issued in this docket authorized Yakima Waste to file revised tariff pages reflecting the revised rates agreed to by staff and the company, and granted Yakima Waste's request for an exemption from WAC 480-70-266, Tariffs, to allow it to file the revised tariff pages on less than statutory notice to become effective on June 1, 2010. Yakima Waste filed the revised tariff pages on April 29, 2010.

The proposed revised rates are higher for some services and lower for others than the rates in effect prior to January 1, 2010, as well as the temporary rates that became effective January 1, 2010. Staff estimates that the Company has over-collected approximately \$180,000 since January 1, 2010. Staff recommends the Commission order the Company to refund to customers the difference between the rates in effect between January 1, 2010 and May 31, 2010, and the revised, permanent rates that will become effective June 1, 2010. Staff also recommends that the Commission allow the Company to choose to make a one-time refund immediately or refund the difference over a five-month period, allow the Company to make the refunds by issuing credits to the customers' bills, and require the company to file a summary report showing each service level affected by a refund, the number of customers who received refunds for each service level and the total amount of the refunds made for each service level.

Discussion

Customers and Service

Yakima Waste operates in Yakima County and serves approximately 6,300 commercial and 14,000 residential garbage customers. These customers include commercial garbage accounts in the city of Yakima. The company also provides voluntary subscription residential recycling and

yard waste service within limited portions of its operating area. Approximately 53 percent of the customers within the company's operating area do not have the option to subscribe to residential recycling or yard waste service.

The company serves residential recycling customers as follows:

- 1,670 (77 percent of Yakima Waste's recycling customers) customers within the city of Yakima. The city provides garbage service to about 22,000 residential accounts. Only about 7.6 percent of the city of Yakima's garbage customers subscribe to the regulated voluntary recycling collection service.
- 500 (23 percent of Yakima Waste's recycling customers) customers within the area in which Yakima Waste offers both garbage and recycling service. Of the approximately 6,600 residential garbage customers that Yakima Waste serves within the area that residential recycling is available, 500 (13.2 percent) subscribe to recycling service.
- Approximately 7,400 customers receive regulated garbage service in areas where recycling service is not available.

Approximately 1,100 (16.7 percent) of the 6,600 garbage customers served within the designated urban areas subscribe to yard waste service. Approximately 7,400 customers receive regulated garbage service in areas where yard waste service is not available.

Counties and cities exercise their responsibility to manage solid waste through their Comprehensive Solid Waste Management Plans. Neither the city of Yakima nor Yakima County require minimum service levels for residential recycling and neither have established mandatory-pay for recycling service. The city of Yakima provides residential garbage and yard waste collection service as a city function. However, the city neither provides nor contracts for residential recycling service.

Yakima County published its Preliminary Solid and Moderate Risk Waste Management Plan (Plan) in October 2009. Although the Plan discusses residential recycling options, including mandatory-pay programs, in Alternative D, Chapter 4-6, the Plan makes no recommendations for residential recycling in the unincorporated areas of the county. The Plan recommends in Chapter 13-7 that the county, "Consider adopting minimum service levels in the future."

Expenses

In 2008, the company purchased new automated trucks and 64-gallon carts to convert residential recycling to a single-stream collection system. The cost of the new trucks and carts exceeded \$600,000. The new trucks are used 70 percent for residential recycling collection and 30 percent for yard waste collection. The cost of the new investment and the relatively low participation rate contribute to the high average cost of these programs. In the recycling program, there is a potential for many more customers; the city serves more than 22,000 residential garbage accounts and the company serves approximately 6,600 residential garbage customers within the area that residential recycling is available. However, so far, few people have voluntarily subscribed to these services.

4. Require the company to refund to customers the difference between the rates in effect between January 1, 2010 and May 31, 2010, and the revised, permanent rates that will become effective June 1, 2010. Allow the company to choose to make a one-time refund immediately or refund the difference over a five month period, allow the company to make the refunds by issuing credits to the customers' bills, require the company to complete the refund process no later than December 15, 2010, and require the company to file a summary report showing each service level affected by a refund, the number of customers who received refunds for each service level and the total amount of the refunds made for each service level.

Rate Comparison

Note: Revised Rates that are greater than rates in effect prior to January 1, 2010, or Temporary Rates are highlighted.

	Rates Prior to January 1, 2010	Temporary Rates January 1, 2010	Revised Rates
Residential Monthly Rates			
One Can Garbage - Weekly Service	\$6.42	\$6.64	\$6.17
Two Cans Garbage - Weekly Service	\$8.42	\$8.81	\$8.09
Voluntary Residential Recycling – Every-Other-Week Service	\$3.46		\$9.00
Voluntary Yard Waste – Every- Other-Week Service	\$4.86		\$9.28
Commercial and Drop Box			
One and One Half Yard Container Per Pick Up	\$6.25	\$6.63	\$6.01
One and One Half Yard Container Rent Per Month	\$9.12		\$8.77
Drop Box 20 Yard - Per Pick Up	\$58.20		\$65.85
Drop Box 20 Yard - Rent Per Month	\$27.00		\$30.60

Average Customer Charge Comparison – One Can Customer

Monthly Rates	Rates Prior to January 1, 2010	Temporary Rates January 1, 2010	Revised Rates
One Can Weekly Garbage Service	\$6.42	\$6.64	\$6.17
Recycling Cart (Voluntary Every-Other- Week Service)	\$3.46	\$3.46	\$9.00
Total Monthly Bill	\$9.88	\$10.10	\$15.17
Increase		2.2%	50.2%

Customer Comments

On April 29, 2010, the company notified its customers of the proposed revised rate increase by mail. The commission received 52 customer comments on this filing; 51 customers oppose the proposed increase, and one is undecided. Please note that customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff advised customers that they may access company documents about this rate case at www.utc.wa.gov, and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

Business Practice Comments

- One customer believes the company would operate more cost effectively if recyclables are picked up less frequently. Two customers believe the company would operate more cost effectively if recyclables were picked up more frequently.

Staff Response

The company currently picks up recyclables every other week. Once a week service is more costly to the customer than once every other week.

Service Quality Comments

- Two customers commented on poor customer service; one because of missed pickups, and one because of disputed charges.

Staff Response

Staff contacted the customers and offered to open an informal complaint to look into their issues. Both customers declined.

General Comment

- Thirty-seven customers believe the amount of the increase is excessive due to the amount of the increase and current economic conditions. Nine customers believe a smaller rate increase should be considered.
- Thirteen customers stated they will cancel their recycling service if this rate increase is allowed.

Staff Response

Customers were advised that state law requires rates to be fair and reasonable, and sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

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, that the financial information supports the revised revenue requirement, and that the revised rates and charges are fair, just, reasonable, and sufficient. The

customers' comments do not change staff's opinion that the company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

Conclusion

Issue an order to:

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