

Agenda Date: February 9, 1994
Item Number: 3A

Ex _____ (LAS-7)

Docket: TG-931585
Company Name: Seattle Disposal Co., Rabanco Ltd., d/b/a Eastside
Disposal and Container Hauling, G-12

Staff: Layne Demas, Revenue Requirements Specialist
Curt Bjorkheim, Revenue Requirements Specialist
Nancy Stanton, Public Involvement Coordinator

Recommendation:

Approve the filing by Eastside Disposal in Docket TG-931585 with staff recommended rates to become effective February 15, 1994.

Discussion:

On December 28, 1993, Eastside Disposal filed for increased residential garbage and residential recycle rates in Docket TG-931585. The primary reasons for the filing are to recover wage increases, recycling cost increases, and increased B&O taxes. Rabanco Recycle, an affiliated company, has increased the processing fee for recyclable products. Staff has reviewed the recycling processing fee and is of the opinion that it is fair, just, and reasonable. The company is filing for increased residential garbage and recycle rates.

Eastside Disposal serves approximately 22,000 residential and 1,000 commercial regulated customers in King County on the east side of Lake Washington. It also has service contracts with the cities of Bellevue, Mercer Island and Lake Forest Park.

The Commission received 136 letters opposing the proposed rate increase. Customers believe the proposed rate increase is excessive. Many state that they are living on fixed incomes and believe that the company could better control costs. Customers also state that they feel they are doing their part in recycling and believe their efforts at reducing waste should help lower costs. Customers also express concerns that escalating rates will result in an increase in illegal dumping.

Staff has completed an investigation of Eastside Disposal's separated regulated books and records for the test period ended June 30, 1993. The results of this investigation are shown on Attachments 1, 2, 3, and 4. The company resubmitted the appropriate revised pages at staff recommended levels on February 3, 1994.

The following table represents a sampling of current, proposed, and staff recommended rates:

WASHINGTON UTILITIES	COMMISSION
TG-940411	71V

WVIL
 APPROVED
 STAFF
 RECOMMENDATION
 BY VOICE
 NOTE.

	<u>Current</u>	<u>Proposed</u>	<u>Staff Recommended</u>
Residential			
Monthly rate for weekly pickup. Includes the recycle component			
minican	\$5.64	\$10.15	\$ 9.65
One can	9.01	11.52	10.90
Two can	12.28	13.60	12.75
Three can	15.80	17.00	15.80
Yardwaste Component	6.00	N/A	N/A
Recycle Component	4.03	4.15	4.44

There is no proposed increase in commercial rates.

Originally proposed rates would have generated approximately \$344,000. The staff recommended rates will generate additional revenues of approximately \$286,000. The increase in the recycle component will generate approximately \$110,000 (9%) in additional revenues while the rates will generate additional garbage revenues of \$176,000 (6.8%) with anticipated operating ratios of 92.23% and 96.06% respectively. The operating ratio targets were calculated using the modified Lurito/Gallagher operating ratio methodology.

Staff recommends that the filing in Docket TG-931585 be approved with staff recommended rates to become effective February 15, 1994.

Attachments

EASTSIDE DISPOSAL
Results of operations
Year Ended June 30, 1993

Attachment 1

Revenues	Per Books	Garbage Restating Adj	Per Books Garb Exp. Restated	Non Regulated Operations	Regulated Operations	Pro forma Adjustments	Pro forma Before Rates
Residential	8,015,664	(182,379)	7,833,285	4,213,398	3,619,888	211,717	3,831,605
Commercial	6,704,263	78,504	6,782,767	5,128,506	1,654,261	3,439	1,657,700
Dropbox	1,289,453	16,744	1,306,196	1,052,790	253,406	3,949	257,355
Pass-through	2,407,721		2,407,721	1,911,144	496,578		496,578
Late fees	61,638		61,638	41,045	20,592		20,592
Recyclables	492,782	(3,483)	489,299	87,661	401,638	(21,865)	379,773
Container Rent	1,012,183		1,012,183	745,865	266,318	(1,237)	265,080
Common Carrier	49,308		49,308		49,308		49,308
Other	57,607		57,607	56,809	798		798
Storm Cleanup	298,060		298,060	298,060			
City Tax	307,428	84,906	392,334	335,398	56,937		56,937
Total Revenue	20,696,108	(5,708)	20,690,399	13,870,576	6,819,723	196,003	7,015,726
Expenses							
Mechanic wages	378,338		378,338	231,755	146,583	7,005	153,588
Driver & Sup wages	2,122,151		2,122,151	1,298,177	823,973	14,869	838,942
Office Wages	92,237		92,237	58,771	33,467		33,467
R & M	903,376	(285)	903,092	545,855	357,236		357,236
Taxes & Fees	2,885,838	(233,362)	2,652,476	2,212,435	440,041	39,729	479,770
Emp. Benefits	512,123	411	512,535	314,915	197,619		197,619
Payroll Taxes	433,484		433,484	256,514	166,970	6,748	172,718
Fuel	355,521	(3,202)	352,319	214,397	137,923		137,923
Tires							
Office Exp	172,435		172,435	109,871	62,565	7,847	70,411
Disposal Fees	8,415,448	4,040	8,419,488	5,869,231	2,550,257		2,550,257
Recycle Proc.	610,087		610,087	104,871	505,216	186,821	702,037
Yardwaste Proc							
Advert promo	65,250	(1,047)	64,202	40,908	23,294		23,294
Mgmt Fee	1,549,434	(289,504)	1,259,930	786,715	473,214		473,214
Misc.	23,331	5,337	28,669	17,687	10,982		10,982
Insurance	301,079	(38,227)	262,851	162,092	100,759		100,759
Professional Serv	52,144		52,144	33,225	18,919		18,919
Utilities	49,782	(1,463)	48,319	30,787	17,532		17,532
Bad Debts	13,321	26,107	39,429	26,485	12,944		12,944
Regulatory Fees	11,563	2,823	14,387		14,387		14,387
Depreciation	1,112,858	(2,650)	1,110,208	609,886	500,321		500,321
Donation, dues	21,468	(9,419)	12,049	7,678	4,372		4,372
Building Rent	126,391	60,000	186,391	118,707	67,685	21,777	89,462
Misc. Income	(202,265)	145,587	(56,678)	(36,114)	(20,565)		(20,565)
Total Operating Expenses	20,005,394	(334,854)	19,670,541	13,024,846	6,645,695	293,896	6,939,590
Net Oper. Income BFTT	690,713		1,019,859		174,029		76,136
Operating Ratio	96.66%		95.07%		97.45%		98.91%
Avg. Invest	3,195,863		3,195,863	1,358,819	1,837,044		1,837,044
Return on Investment	19.59%		26.39%		11.36%		7.85%

EASTSIDE DISPOSAL
Results of operations
Year Ended June 30, 1993

Attachment 2

Revenues	Proposed	Proposed	Revised	Effect	Proposed	Effect	Revised	Effect	Eastside Yardwast
	Rates Garbage	Rates Residential and Commercial Garbage	Rates Garbage	of Revised Rates Garbage	Rates Recycle	of Proposed Rates Recycle	Rates Recycle	of Revised Rates Recycle	
Residential	308,056	2,696,242	175,981	2,564,167	34,878	1,135,225	109,998	1210345	343,071
Commercial		1,657,700		1,657,700					
Dropbox		257,355		257,355					
Pass-through		496,578		496,578					
Late fees		20,592		20,592					
Recyclables		138,980		138,980		240,783		240782.5	
Container Rent		265,080		265,080					
Common Carrier		49,308		49,308					
Other		798		798					
Storm Cleanup									
City Tax		56,937		56,937					
Total Revenue	308,056	5,639,571	175,981	5,507,496	34,878	1,376,018	109,998	1,451,138	343,071
Expenses									
Mechanic wages		110,176		110,176		30,461		30,461	12,951
Driver & Sup wages		616,030		616,030		173,543		173,543	49,369
Office Wages		33,467		33,467					
R & M		212,580		212,580		111,063		111,063	33,594
Taxes & Fees	6,562	426,804	3,748	423,991	743	47,578	2,343	49,178	12,693
Emp. Benefits		149,544		149,544		37,361		37,361	10,715
Payroll Taxes		130,488		130,488		32,420		32,420	9,811
Fuel		82,119		82,119		34,018		34,018	11,786
Tires									
Office Exp		67,665		67,665		1,554		1,554	1,193
Disposal Fees		2,533,718		2,533,718		16,539		16,539	
Recycle Proc.		221,179		221,179		480,858		480,858	
Yardwaste Proc		(87,111)		(87,111)					87,111
Advert promo		23,294		23,294					
Mngmt Fee		384,174		384,174		70,716		70,716	18.3
Misc.		8,453		8,453		1,827		1,827	702
Insurance		66,082		66,082		26,807		26,807	7,870
Professional Serv		18,919		18,919					
Utilities		17,532		17,532					
Bad Debts		12,944		12,944					
Regulatory Fees	1,232	10,464	704	9,835	140	3,922	440	4,223	1,372
Depreciation		172,155		172,155		267,593		267,593	60,574
Donation, dues		4,372		4,372					
Building Rent		89,216		89,216		178		178	68
Misc. Income		(20,565)		(20,565)					
Total Operating Expenses	7,794	5,293,697	4,452	5,290,356	882	1,336,436	2,783	1,338,336	318,133
Net Oper. Income BFTT		345,874		217,140		39,582		112,801	24,938
Operating Ratio		93.87%		96.06%		97.12%		92.23%	92.73%
Avg. Invest		655,819		655,819		791,005		791,005	390,420
Return on Investment		39.93%		26.97%		9.56%		15.57%	7.00%

EASTSIDE DISPOSAL
 Restating Adjustments
 Year Ended June 30, 1993

Attachment 3

Revenue	Restate Revenue to Actual	Restate Wages to Actual	Adjust Fuel to Actual	Adjust Haz waste and Sales Tax	Adjust Disposal Fees to Actual	Remove Non-allowed Expense	Adjust Depon Expense	Adjust Collection Expense	Adjust Management Fee	Adjust Utility Expense	Adjust Employee Benefits	Adjust Bad Debt Expense	Adjust Regulatory Fees	Adjust Rent Expense	Total Restating Adjustments
Residential	(182,379)														(182,379)
Commercial	78,504														78,504
Dropbox	16,744														16,744
Pass-through															0
Late fees															0
Recyclables	(3,483)														(3,483)
Container Rent															0
Common Carrier															0
Other															0
Storm Cleanup	84,908														84,908
City Tax															0
Total Revenue	(8,709)														(8,709)
Expenses															
Mechanics wages															0
Driver & Sup wages															0
Office Wages															0
R & M															0
Taxes & Fees		(268)		(233,362)							411				(268)
Emp. Benefits															0
Payroll Taxes			(3,202)												(3,202)
Fuel															0
Tires															0
Office Exp															0
Disposal Fees					4,040										4,040
Recycle Proc.															0
Yardwaste Pros															0
Advert promo						(1,047)									(1,047)
Mgmt Fee															0
Misc.															0
Insurance								6,337	(268,804)						(1,047)
Professional Serv															0
Utilities															0
Bad Debts															0
Regulatory Fees															0
Depreciation															0
Donation, dues															0
Building Rent															0
Misc. Income														60,000	60,000
Net Operating Income	0	(268)	(3,202)	(233,362)	4,040	(10,467)	(2,650)	6,337	(268,804)	(1,463)	411	26,107	2,823	60,000	(334,664)

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