



FROM Cristina Steward, Regulatory Analyst

DATE February 13, 2019

SUBJECT **TG-190084**
Sanitary Service Company, Inc.

Discussion:

Sanitary Services Company, Inc. (Sanitary Service or company) is a Class “A” solid waste company as defined in rule; WAC 480-70-041 with over \$18.2 million in regulated intrastate gross revenues. As required in WAC 480-70-079, the company filed on February 7, 2019, with the Utilities and Transportation Commission (UTC or commission) a report on its affiliated interest and subsidiary transactions.

Scope of Staff Investigation:

Staff will examine the filing in UTC Docket TG-190084 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):

<i>Requirement</i>	<i>Staff opinion</i>
Corporate organization chart of the company and its affiliated interests and subsidiaries (WAC 480-70-079 (2)).	Sanitary Services has met this requirement.

For 2018, Sanitary Services reported the following affiliate transactions:

- Blaine-Bay Refuse, Inc. – Sanitary Service pays Blaine Bay Refuse, Inc. equipment rental of \$8,000 per month, \$96,000 per year; and
- Patrick Dunn and Associates, Ltd. – Patrick Dunn, a director for Sanitary Service owns Patrick Dunn & Associates, LTD. Patrick Dunn & Associates provided the following services to Sanitary Service in 2018:
 - Managerial consulting for Sanitary Service Company, Inc. totaling \$239,000.
 - Lobbying on behalf of Sanitary Service Company, Inc. and affiliates amounting to \$15,000. Lobbying expense is not included in regulated customer rates.

<i>Requirement</i>	<i>Staff opinion</i>
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 Services has met this requirement.
For 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))	
<i>Requirement</i>	<i>Staff opinion</i>
Balance sheet and income statement for such affiliated interest (WAC 480-70-079 (3) (a)).	Sanitary Services 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 Services 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 Services 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

<i>Requirement</i>	<i>Staff opinion</i>
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 Services 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 Services 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 for Examination in the Next Rate Case:

Amounts paid for management fees, equipment rental, and lobbying have increased slightly each year since 2014. The process and methods of allocating the rental costs and portions of the managerial costs to regulated operations should be closely examined for reasonableness. Payments to Blaine Bay for equipment rentals should be compared to fair market value for comparable rentals, and staff should ensure the rented assets owned by Blaine Bay are not included in rate base. Additionally, staff should thoroughly review expenses to confirm the lobbying expense is not included in rates.

Conclusion

Staff recommends, take no action on this filing and close the docket.