

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of Tariff Revisions to
Increase Rates Filed by

FREEDOM 2000, LLC d/b/a CANDO
RECYCLING AND DISPOSAL,

Certificate No. G-63819

DOCKET TG-180782

ORDER 01

ORDER ALLOWING TARIFF
REVISIONS TO GO INTO EFFECT
BY OPERATION OF LAW;
REQUIRING COMPLIANCE
FILINGS

BACKGROUND

- 1 On September 14, 2018, Freedom 2000, LLC d/b/a Cando Recycling and Disposal (Cando or Company) filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that would generate approximately \$398,000 (219.1 percent) additional annual revenue.¹ The Company currently serves approximately 300 customers in Point Roberts, Washington. Beginning January 1, 2019, Cando will be required by Whatcom Municipal Code to provide residential garbage and recycling service to an additional 1,800 customers. The Commission granted certificate G-63819 to the Company in 2008. This is the Company's first general rate case.
- 2 Point Roberts is located in an unincorporated area of Whatcom County noncontiguous with the mainland, and can be accessed only by boat in Washington or by road through Canada. Point Roberts has approximately 1,400 year-round residents. During the summer months, the population increases to approximately 3,500.
- 3 In 2009, Point Recycling, the certificated solid waste collection company that previously contracted with Whatcom County to serve the Point Roberts area, voluntarily relinquished its certificate following two unsuccessful attempts to obtain Commission authorization to cease offering recycling service due to low customer participation. In consolidated Dockets TG-081576 and TG-091687, the Commission denied Point Recycling's application to provide only drop-box and special clean up service in Point Roberts, and granted Cando's application to provide solid waste collection service. In its

¹ The Company also requested the tariff be approved with less than statutory notice. Because the Company complied with notice requirements, an exemption from Commission notice requirements is not necessary.

final order, Order 05, the Commission identified conditions that made service in the Point Roberts area problematic. Namely, a small resident population and a large number of summer residents; the number of residents claiming exemptions from universal service; significant non-compliance with universal service requirements and lack of enforcement; and the geographic location, which requires two border crossings to the US mainland, thereby increasing the cost of disposal.

- 4 Any certificated solid waste collection company operating in Point Roberts is subject to the provisions of the Whatcom County Code relating to solid waste collection,² which requires residents to subscribe to solid waste and recycling services. Ordinance 2018-031, which will become effective January 1, 2019, revokes the exemption from solid waste and recycling services for Point Roberts residents, including seasonal vacation residents. The Ordinance also establishes a minimum curbside collection service of 26 annual pickups consisting of one 32-gallon can and a three bin set of source separated recyclables. Finally, the Ordinance prescribes the cost of the minimum level of service, per Cando's Commission-authorized tariff, which will be billed annually concurrent with property tax assessments for each single family residence.
- 5 The Company has offered several concessions to ease the transition from voluntary to mandatory participation, the most significant of which is the option for customers to use the mandatory 26 pick-ups, the equivalent of every other week service, in whatever combination they choose. For example, summer-only residents may put out multiple cans for two or three months without incurring extra charges or having to go through the administrative process of starting and stopping service.
- 6 To increase its level of service, the Company has had to acquire additional resources such as trucks and containers, and will incur increased costs for additional labor. Those factors prompted the proposed rate increase, which also includes increased customer service costs, wage increases for drivers and helpers, increased insurance, and new software and computers.
- 7 Staff has reviewed the Company's books and records, as well as the County's proposal to collect fees for the minimum level of service through its property tax billing process. Staff determined that if the Company had requested a rate increase for its current level of service to 300 customers, it would be entitled to approximately \$34,000 additional annual revenue, or an increase of 18.7 percent. After adjusting for the additional 1,800 garbage

² Whatcom County implemented a county-wide solid waste collection district in 1996 (Ordinance 1990-096), which requires residents to subscribe to solid waste and recycling services. Point Roberts residents were exempt from this requirement until May 2018, when Ordinance 2018-031 was passed.

and recycling customers, and accounting for the increased cost of service and increased investment, the revised rates will generate approximately \$384,000 in additional annual revenue, or an increase of 211.9 percent.³

8 As filed, the Company’s revenue requirement would have entitled the Company to approximately \$492,000 in additional annual revenue using the Lurito-Gallagher (LG) rate, which is the ratemaking methodology the Commission employs when setting rates for solid waste companies. The Company’s proposed rates would have resulted in \$398,000 in additional annual revenue. Although Staff made several adjustments that significantly lowered the LG revenue requirement, the revised rates are relatively close to the rates the Company initially proposed. The rate comparisons are shown in the tables below.

Line of Service	Current Rate	Company Proposed Rate	Revised Rate	Percent Increase/ Decrease
32 Gal. EOW Garbage	\$ 10.80	\$ 12.12	\$ 11.68	8.1%
EOW Recycling	\$ 5.33	\$ 5.59	\$ 5.28	-0.9%
1.5 Yard Garbage Per Pickup	\$ 39.70	\$ 38.65	\$ 41.50	4.5%

9 Based on its review, Staff believes the Company has sufficiently demonstrated a need for additional annual revenue. The Company and Staff agreed upon revised rates, which the Company filed with the Commission on November 20, 2018. Staff recommends that the Commission find that the proposed revised rates, as filed on November 20, 2018, are fair, just, reasonable, and sufficient. Because the cost of service analysis is based on the estimated cost of providing expanded service, Staff recommends the Commission require the Company to make a compliance filing no later than August 15, 2019, to allow Staff to review the Company’s investment, actual revenue, and cost data for January to June 2019. The August filing date will allow the Commission to review any request for a rate increase prior to November 1, which will allow Whatcom County to make the appropriate changes to the property tax billing system within the timeframe for property tax assessment procedures.

³ To illustrate the effects of economies of scale, using the current 300 customer count, these revised rates would generate approximately \$15,000 in additional annual revenue, or an increase of 8.5 percent.

- 10 **Customer Comments.** On September 11, 2018, the Company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the Commission’s website, and that they may contact Staff with questions or concerns. Staff received 44 consumer comments regarding the proposed rate increase, 15 opposed to the rate increase, and 29 comments that addressed issues outside of the Commission’s jurisdiction. Most customers who oppose the rate increase stated they were promised a rate decrease, and believe the Company should delay any investment in equipment until actual usage statistics are available.
- 11 This matter first came before the Commission at its regularly scheduled open meeting on October 19, 2018. Several customers expressed concern that they had not received proper notice of the proposed rate increase. To allow the Company sufficient time to provide proper notice, the Commission set the matter for the November 30, 2018. The Company provided proper notice to its customers on October 25, 2018. Following the second notice, the Commission received several comments in favor of the rate increase.

DISCUSSION

- 12 We concur with Staff’s recommendation. We find that the proposed rate increase, which captures increases in operating costs and average investment due to the Company’s significantly expanded service, is fair, just, reasonable, and sufficient.
- 13 We also agree with Staff that the Company should be required to make a compliance filing by August 15, 2019, and again by August 15, 2020, to allow Staff to review the Company’s investment and actual revenue and cost data from January to June 2019, and then July to December, 2019. This will ensure that revised rates have been reviewed by the Commission in time for the County to include any rate changes in its property tax billing system. The compliance filing should serve as a true-up, and rates should be adjusted up or down to reflect actual experience.
- 14 Because the first true up will occur before a complete year of data is available – and will not include July or August, when collection rates are highest – we require the Company to make a second compliance filing no later than August 15, 2020, to capture the rate variances that will necessarily occur during the peak season. Because the Company’s customer base will increase significantly and the Company’s cost of service is based on projected operating costs, the subsequent compliance filings will ensure the Company is neither under- nor over-recovering its costs. This approach balances customer concerns about ensuring the Company does not over-recover with the Company’s need to begin

recovering the cost of its investments and expanded operations to ensure it has sufficient income to sustain its required level of service.

15 Finally, we are satisfied that the Company has provided proper notice to its customers of its proposed rate increase. The other issues raised by customers – related to mandatory service and the required number of pickups – are set by County Ordinance, and therefore not within the Commission’s jurisdiction.

FINDINGS AND CONCLUSIONS

- 16 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, and accounts of public service companies, including solid waste companies.
- 17 (2) Cando is engaged in the business of providing solid waste services within the state of Washington and is a public service company subject to Commission jurisdiction.
- 18 (3) This matter came before the Commission at its regularly scheduled meeting on November 30, 2018.
- 19 (4) The tariff revisions presently under consideration are fair, just, reasonable, and sufficient because the Company has demonstrated the need for additional annual revenue.
- 20 (5) It is in the public interest to allow tariff revisions filed on September 14, 2018, and revised on November 20, 2018, to become effective on January 1, 2019, by operation of law.
- 21 (6) The Company must make a compliance filing by August 15, 2019, that provides actual investment, revenue, and cost data from January 1, 2019, through June 30, 2019. Rates will be trued up based on actual costs incurred during that period.
- 22 (7) The Company must make a second compliance filing by August 15, 2020, that provides actual investment, revenue, and cost data for July 1, 2019, through June 30, 2020. Rates will be trued up based on actual costs incurred during that period.

ORDER

THE COMMISSION ORDERS:

- 23 (1) The tariff revisions Freedom 2000, LLC, d/b/a Cando Recycling and Disposal
filed on September 14, 2018, as revised on November 20, 2018, will become
effective on January 1, 2019, by operation of law.
- 24 (2) Freedom 2000, LLC, d/b/a Cando Recycling and Disposal must make a
compliance filing by August 15, 2019, providing actual investment, revenue, and
cost data from January 1, 2019, through June 30, 2019, and true-up its rates
accordingly.
- 25 (3) Freedom 2000, LLC, d/b/a Cando Recycling and Disposal must make a
compliance filing by August 15, 2020, providing actual investment, revenue, and
cost data from July 1, 2019, through June 30, 2020, and true-up its rates
accordingly.
- 26 (4) The Commission retains jurisdiction over the subject matter and the parties to this
proceeding.

DATED at Olympia, Washington, and effective November 30, 2018.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner