

Agenda Date: May 28, 2015
Item Number: B2

Docket: TG-150487
Company Name: Fiorito Enterprises, Inc. & Rabanco Companies, G-60, dba Kent-Meridian Disposal Company

Staff: Scott Sevall, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff revisions filed by Fiorito Enterprises, Inc. & Rabanco Companies, dba Kent-Meridian Disposal Company, on March 24, 2015, as revised on May 20, 2015, to become effective on June 1, 2015, by operation of law.

Discussion

On March 24, 2015, Fiorito Enterprises, Inc. & Rabanco Companies, dba Kent-Meridian Disposal Company (Kent-Meridian or company), filed tariff revisions with the Utilities and Transportation Commission (commission) that would generate approximately \$1,501,000 (16.3 percent) additional annual revenue. Kent-Meridian serves approximately 51,000 residential, commercial, and drop box customers in King County. The filing was prompted by increases in labor, fuel, maintenance, healthcare, pension, and other general operating expenses. The company's last general rate increase became effective on October 1, 2013.

Staff has completed its review of the company's supporting financial documents, books and records. Staff's review found that the company's proposed rates would result in excess revenue. Staff and the company agreed to a revised revenue requirement of approximately \$1,387,000 (15 percent) additional annual revenue. On May 20, 2015, Kent-Meridian filed revised tariff pages with the revised proposed rates at staff recommended levels.

Since a 15 percent rate increase over current rates may be significant, staff believes some discussion of three factors contributing to the increase is warranted. A large contributor of the increase was the correction of a misclassification of twenty trucks from another business unit that, when corrected, resulted in an \$110,000 increase in depreciation expense and in average investment of \$800,000. In addition, expenses reflect the impact of expired service warranties on a large number of trucks resulting in a \$270,000 increase in parts, maintenance and labor costs. Finally, a federal compressed natural gas fuel credit (the Alternative Fuel Excise Tax Credit) expired at the end of 2014, increasing fuel costs by \$198,000.

Taken together, these three cost drivers, including additional return on capital, accounted for more than \$600,000 of new additional costs. While these costs are significant, staff believes that they were legitimately incurred and make up a large portion of the agreed upon increase in revenue requirement.

Rate Comparison

Residential Rates	Current Rate	Company Proposed Rate	Staff Revised Rate	Percent Increase
20-Gallon Mini-Can Weekly Pick-Up	\$ 9.13	\$ 10.46	\$ 10.33	13.2 %
32-Gallon Tote Weekly Pick-Up	\$ 13.69	\$ 15.69	\$ 15.49	13.2 %
96-Gallon Tote Weekly Pick-Up	\$ 29.61	\$ 33.93	\$ 33.49	13.1 %
Mandatory Residential Recycling				
Recycling Every-Other-Week Pick-Up	\$ 6.81	\$ 8.21	\$ 8.13	19.4 %

Yard Waste	Current Rate	Company Proposed Rate	Staff Revised Rate	Percent Increase
Yard Waste March-to-November Every-Other-Week Pick-Up	\$ 7.38	\$ 9.16	\$ 9.26	25.1 %
Commercial Per Pickup Rates				
2.0-Yard Container	\$ 35.64	\$ 40.84	\$ 40.31	13.1 %
4.0-Yard Container	\$ 62.99	\$ 72.18	\$ 71.25	13.1 %
8.0-Yard Container	\$ 118.81	\$ 136.15	\$ 134.39	13.1 %

Customer Comments

On April 30, 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 John Cupp at 1-888-333-9882 or jcupp@utc.wa.gov with questions or concerns. Staff received 32 consumer comments, all opposed to the rate increase.

General Comments

- Nearly all customers commented the amount of the increase is excessive. They state they do not believe costs could have increased that much since the last increase, and the company's rate increases exceed the current rate of inflation.

Many customers feel the company increases its rates too frequently, which they believe could be avoided by operating more efficiently. Five customers stated that competition would

require the company to decrease costs rather than raise rates.

Staff Response

The customers were advised that state law requires rates to be fair, just, reasonable and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Rates are based on company expenses and not the rate of inflation. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Conclusion

Take no action, allowing the tariff revisions filed by Fiorito Enterprises, Inc. & Rabanco Companies, dba Kent-Meridian Disposal Company, on March 24, 2015, as revised on May 20, 2015, to become effective on June 1, 2015, by operation of law.