

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION,	)	
	)	DOCKET TG-091769
Complainant,	)	
	)	
v.	)	
	)	
HAROLD LEMAY ENTERPRISES,	)	MEMORANDUM OF COMMISSION
INC., d/b/a JOE’S REFUSE SERVICE,	)	STAFF IN SUPPORT OF
	)	SETTLEMENT STIPULATION
Respondent.	)	
	)	
.....	)	

**Background**

*I* On November 10, 2009, Harold LeMay Enterprises, Inc., d/b/a Joe’s Refuse Service, (Joe’s or the “Company) filed with the Washington Utilities and Transportation Commission (“Commission”) tariff revisions that would generate approximately \$227,800 (13.4 percent) in additional annual revenues for its solid waste collection operations in southwestern Thurston County. The filing was prompted by a January 1, 2010, increase in disposal fees from \$80 per ton to \$110 per ton at the Thurston County Waste and Recovery Center. The Company provides solid waste collection service to customers in Lewis and southwestern Thurston counties. In addition to its regulated business, the Company provides solid waste collection service under contract with cities in Thurston and Lewis counties. The Company serves approximately 11,800 regulated customers in Lewis County and approximately 4,400 regulated customers in Thurston County. The Company’s garbage rates in Thurston County

have increased over time as disposal fees increased, but Joe's last general rate increase in Thurston County became effective on July 1, 1996.

2           The Company's regulated operations include residential and commercial garbage, residential recycling, multi-family recycling, and residential yard waste collection. In Thurston County, per Ordinance 13696, residential recycling and multi-family recycling are mandatory-pay programs. In Lewis County, Ordinance 1196 established a designated area where residential recycling and multi-family recycling (units with four or fewer dwellings) are also mandatory-pay programs. In both counties, the Company tracks the revenue it receives from the sale of recycling commodities using a deferred accounting methodology. The Company returns to customers all money it receives from the sale of recyclable materials it collects in its residential recycling and multi-family recycling service; it does not retain any revenue under a revenue sharing agreement.

3           In this filing, the Company proposed to increase rates for just its Thurston County customers. However, the Company did not initially file all documents required by WAC 480-07-520(4) for a general rate increase filing, which Commission rule defines to include a disposal fee increase. WAC 480-07-505.

4           On December 23, 2009, the Commission issued a complaint and order suspending the tariff revisions filed by the Company, and, allowed the revisions to become effective on January 1, 2010, on a temporary basis, subject to refund. Order 01. The Commission also ordered the Company to file, by March 1, 2010, all documents required by WAC 480-07-520(4), together with any additional documents that may be requested by Commission Staff.

5           On February 19, 2010, the Company requested that the Commission extend the document filing compliance date to May 14, 2010, and requested a waiver of the 10-month

suspension period under RCW 81.04.130 to accommodate the delay. The Commission, in Order 02, granted the Company's requests. In Commission Order 03, the Commission approved a stipulation of the Company and Commission Staff that allowed a partial exemption from the document filing requirements of WAC 480-07-520(4).

6           Following the exchange of data and other information between the Company and Commission Staff, these parties engaged in negotiations in an attempt to resolve all issues in this docket. Those negotiations resulted in a Settlement Stipulation, filed with the Commission on September 2, 2010, as a "full settlement" under WAC 480-07-730(1).

**Discussion in Support of Settlement Stipulation**

7           The Company's total operations include regulated and unregulated solid waste collection and transfer station hauling. Regulated solid waste operations are further separated between Thurston County and Lewis County. Some costs can be identified and assigned directly to one county or the other, but other costs need to be allocated between counties. Allocated expenses have been allocated principally using route hours or customers, whichever factor relates most to the cost being allocated.

8           In addition to allocating costs, Staff developed a pro forma income statement (Attachment A to the Settlement Stipulation) that contains adjustments that restate the Company's test period expenses and revenues. The Company's net average investment and depreciation were adjusted to reflect historical cost and straight-line depreciation and have been updated to include the December 2009 completion of storm water improvements at the Company's Centralia facility to meet state Department of Ecology standards. Expenses were also restated to include costs that the Company incurred, but did not assign to this

operation. These include billing, accounting wages, and recycle processing costs. Staff also eliminated non-allowable costs such as lobbying and charitable contributions.

9 Staff also included pro forma adjustments for known and measurable changes in revenues or expenses that are not offset by other factors. In the pro forma income statement, expenses are increased to reflect the most recent 12-month cost of fuel and payroll expenses reflect 2010 pay increases. The January 1, 2010, increase in disposal fees is also shown as a pro forma adjustment.

10 When disposal fees in Thurston County increased to \$110 per ton, Staff questioned why Joe's did not then take its waste to the Lewis County Central Transfer Station for disposal. Disposal fees in Lewis County are \$82 per ton and the Central Transfer Station is closer to Joes' operating territory in Thurston County than the Thurston County Waste and Recovery Center. Staff asked the Company in Data Request No. 1 to:

Please explain in detail all reasons supporting the decision of Harold LeMay Enterprises, d/b/a Joe's Refuse Service to utilize the Thurston County Waste and Recovery Center for solid waste disposal, rather than the Central Transfer Station in Lewis County. Please include in your response all supporting documentation including, but not limited to, any local comprehensive solid waste management plan or ordinance. For any documentation provided with your response, please highlight the specific language upon which the Company relies.

The Company responded that taking Thurston County waste to Lewis County for disposal would be in conflict with Lewis County Code Section 8.15.060. Section 8.15.060 states that any Lewis County-owned disposal sites "...shall be available to accept solid wastes generated and collected . . . in other counties; provided that the governing bodies of such jurisdictions enter into and maintain interlocal agreements with the county..."

11 The Company did not believe that any such interlocal agreement existed that allowed it to dispose of Joe's waste in Lewis County. Staff's research also found no evidence of any

interlocal agreement. Since it appears at this time that Joe's cannot utilize the Lewis County Central Transfer Station without violating the Lewis County Code, Staff believes that it is proper to include the Thurston County disposal fee of \$110 per ton in Joe's Thurston County solid waste collection rates.

12. Staff completed its analysis of the Company's supporting financial records and found that the Company's revenue requirement is higher than the revenue generated by the temporary rates. The Company initially asked for approximately \$227,800 (13.4 percent) of additional annual revenue to recover the increased disposal fees for Joe's operations, but Staff found that the Company's financial records support approximately \$308,000 in additional annual revenue, for a total of approximately \$535,800 (31.6 percent). Rates for residential and commercial garbage, drop box hauling, residential recycling, multi-family recycling and residential yard waste are all currently below cost.

13. Staff used the Lurito-Gallagher methodology to calculate individually the revenue requirements for the garbage, the residential recycling, the multi-family recycling and the residential yard waste programs. In the residential and commercial garbage, drop box hauling and drop box disposal fees, including the January 1, 2010, disposal fee increase, there is a revenue requirement of \$451,633 (31.9 percent). Residential recycling increases \$79,291 (30.6 percent). The revenue requirement for multi-family recycling is an increase of \$4,354 (29.4 percent). The residential yard waste program has a revenue need of \$548 (13.6 percent).

14. In order to recover these additional revenue requirements, Staff and the Company developed revised rates by individual program. (Attachments B and C of the Settlement Stipulation). The proposed residential and commercial garbage can and container rates

reflect the \$154,438 January 1, 2010, disposal fee increase, which is currently included in the temporary rates. Rates are proposed to further increase, generally on an equal percentage basis, to recover \$124,663 of additional revenue requirement. Drop box hauling revenues need to increase by \$99,175 for the cost of collection and \$73,357 for the disposal fee increase. Drop box hauling rates are proposed to increase generally on an equal percentage basis. In the residential recycling, multi-family recycling and residential yard waste programs, the rates are calculated by dividing the annual revenue requirement by the annual number of participating customers. It is Staff's position that these rates are fair, just, reasonable and sufficient and, thus, that they meet the public interest and Staff's interest.

**Conclusion**

15 Commission Staff engaged in a full review of the tariff filing and general rate case documents, including all relevant supporting Company financial documents, books and records. Staff's review supports the revised revenue requirement, and shows that the proposed revised rates and charges are fair, just, reasonable, and sufficient. Staff recommends that the Commission accept the Settlement Stipulation in its entirety.

DATED this 2<sup>nd</sup> day of September 2010.