

Agenda Date: May 27, 2010
Item Number: B4

Dockets: TG-091933 & TG-091945 (*consolidated*)
Company Name: Waste Management of Washington, Inc. G-237

Staff: Christopher Mickelson, Regulatory Analyst
Dennis Shutler, Consumer Protection Staff

Recommendation

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Waste Management of Washington, Inc., in Docket TG-091933.
2. Grant the company's request for an exemption from WAC 480-70-266, Tariffs, to allow the revised substitute pages to become effective on June 1, 2010, on less than statutory notice.
3. Grant the company's request for an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.
4. Approve Tariff No. 15 filed on December 17, 2009, and substitute pages filed on May 14, 2010, to become effective June 1, 2010, on a permanent basis, on less than statutory notice.

Discussion

On December 17, 2009, Waste Management of Washington, Inc., (Waste Management or company) filed tariff revisions, designated as Tariff No. 15, with the Utilities and Transportation Commission (commission) for the operations it conducts under the registered trade name Waste Management Sno-King (Sno-King) in Docket TG-091933. The tariff revisions would increase Waste Management's rates in its Sno-King division by \$475,301 (4.4 percent) in additional annual revenue. The commission suspended operation of the proposed tariff revisions by complaint and order entered on January 14, 2010.

Sno-King provides regulated service to approximately 21,200 residential and commercial customers in the northeastern part of King County. Sno-King's last general rate increase became effective on September 1, 2005.

Staff's analysis showed a higher revenue requirement for residential and commercial garbage, and recycling collection services than what the company proposed. Staff's analysis also showed that yard waste rates were too high and would generate more than the required revenue requirement.

Staff and the company agreed to a revised revenue requirement of \$743,617 (6.9 percent) in additional annual revenue and revised rates. On May 14, 2010, the company filed substitute tariff pages 2, 6, 15, 16, 17, 19, 21, 22, 24, 25, 28, 29, 34, 35, 36, 37, 38 and 39; these pages reflect proposed revised rates at staff recommended levels.

The larger revenue requirement, as compared to what the company originally filed, is due to the following:

- 1) The pro forma fuel cost adjustment using the most recent 12-month period increased the regulated revenue requirement by \$61,699. The average price of fuel increased from \$2.48 per gallon to \$2.88 per gallon for the most recent 12-month period.
- 2) Pro forma wages and benefits increased to reflect the recently negotiated union contract, resulting in an additional \$74,581 regulated revenue requirement.
- 3) The company's original filing contained numerous errors. An error in the allocation factors for driver hours resulted in approximately \$406,700 in additional regulated revenue requirement.

In response to recent legislation, the company added a 0.3 percent business and occupation tax to Item 5 (Application of Rates – Taxes) of Tariff No. 15, with an effective date of May 1, 2010, to expire on June 30, 2013. *See* Laws of 2010, c. 23, § 1001. The temporary tax will appear on customers' invoices as a separate line item.

A customer receiving weekly 35-gallon garbage service and every other week 96-gallon recycling service would pay \$1.85 (9.5 percent) more per month using the revised rates instead of \$1.00 (5.1 percent) more using the original rates proposed by the company (see "Bill Comparison – Residential Customer" table below).

The company requests an exemption from WAC 480-70-266, Tariffs, to allow the revised rates to become effective on May 1, 2010, on less than statutory notice, as well as an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.

RCW 81.28.050 and WAC 480-70-266 require forty-five days' notice to the commission prior to the effective date of the tariff. The company requests less than statutory notice as permitted by WAC 480-70-276, so that the tariff revisions become effective on June 1, 2010. The company requests less than statutory notice because the revised rates result in some increases, as compared to the rates the company originally proposed.

WAC 480-70-271 requires solid waste companies to provide each affected customer a notice at least thirty days before the requested effective date of a proposed rate increase. Granting the company's request for less than statutory notice also requires an exemption from WAC 480-70-271, regarding notice to customers. For the same reason the company identified for seeking less than statutory notice, the company seeks such an exemption from customer notice requirements. The company originally notified customers of the proposed rates filed on December 31, 2009, and requests an exemption from the customer notice rule to allow the company to notify customers by bill insert in the next billing cycle.

Docket TG-091945 addressed a petition filed by Waste Management seeking the commission's interpretation of the filing requirements of WAC 480-07-520(4) or, in the alternative, an exemption from those requirements. The commission consolidated Docket TG-091945 with Docket TG-091933 because the decision on the petition may have affected the company's filing in Docket TG-091933. On March 23, 2010, the commission denied Waste Management's petition in part and granted an exemption from a portion of the rule for this Docket TG-091933 only. The filing in Docket TG-091933 complies with WAC 480-07-520(4) and Order 03 in Docket TG-091945.

Rate Comparison

Residential Monthly Rates	Current Rate	Proposed Rate	Revised Rate
32-Gallon Can Weekly Pick-up	\$10.60	\$11.30	\$11.80
35-Gallon Cart Weekly Pick-up	\$11.70	\$12.50	\$13.00
64-Gallon Cart Weekly Pick-up	\$17.90	\$19.20	\$19.90
96-Gallon Cart Every-Other-Week Pick-up (Mandatory Recycling Service)	\$7.75	\$7.95	\$8.30
96-Gallon Cart Every-Other-Week Pick-up (Optional Yard Waste Service)	\$9.60	\$8.65	\$8.20

Commercial Per Pick-up Rates	Current Rate	Proposed Rate	Revised Rate
1 Yard Container	\$17.60	\$18.90	\$19.70
2 Yard Container	\$28.90	\$31.10	\$32.40
10-40 Yard Drop Box (Non-Compacted)	\$97.40	\$124.70	\$111.60
15-40 Yard Drop Box (Compacted)	\$130.20	\$166.70	\$149.20

Bill Comparison – Residential Customer

Monthly Rates	Current Rate	Proposed Rate	Revised Rate
35-Gallon Cart (Weekly Garbage Service)	\$11.70	\$12.50	\$13.00
Recycling Cart (Mandatory Pay Every Other Week Service)	\$7.75	\$7.95	\$8.30
Total Monthly Bill	\$19.45	\$20.45	\$21.30
Increase		5.1%	9.5%

Customer Comments

On December 31, 2009, the company notified its customers of the proposed rate increase by mail. The commission received 13 customer comments on this filing; 11 customers oppose the proposed increase, and two are undecided. Please note that customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff advised customers that they may access company documents about this rate case at www.utc.wa.gov, and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

Business Practice Comments

- One customer believes the company should offer more than one size of recycling bin.

Staff Response

The company currently offers a 96 gallon recycling cart. At this time, the company has no plans to purchase or offer different sized recycling carts.

- One customer believes the company should change its service schedule following holidays to avoid overtime expenses.

Staff Response

The company has determined servicing the customer the day following one of three recognized holidays is the most effective process for their operations. The three holidays are Thanksgiving, Christmas and New Year's.

Service Quality Comments

- One customer commented on poor customer service from missed pickups during extreme winter weather.

Staff Response

Staff contacted the customer and explained that the commission's rules allow companies to determine when service should be stopped because road conditions are unsafe. Companies then collect what they missed when conditions allow with no additional charge to the customer, as long as the amount of the extra garbage is reasonably what would have accumulated during the missed period.

General Comments

- Five customers believe the amount of the increase is excessive due to the current economic conditions.

Staff Response

Customers were advised that state law requires rates to be fair and reasonable, and sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

- Two customers want improved recycling efforts, such as weekly service.

Staff Response

Staff advised the customers to contact King County's Solid Waste Division at 1-800-325-6165, extension 64466, to comment on this issue. Recycling decisions are made through King County's solid waste management plan.

Conclusion

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the expenses are reasonable and required as part of the company's operation. The customers' comments do not change staff's opinion that the company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

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