BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant,v.MURREY’S DISPOSAL COMPANY, INC., G-9, Respondent.………………………………………………WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant,v.AMERICAL DISPOSAL COMPANY, INC., G-87, Respondent. | DOCKETS TG-130501and TG-130502 (*consolidated*) COMMISSION STAFF’S NARRATIVE IN SUPPORT OF SETTLEMENT AGREEMENT |

**I. INTRODUCTION**

1. On April 8, 2013, Murrey’s Disposal Company, Inc. (“Murrey’s”), American Disposal Company, Inc. (“American”) (or “the Companies”), filed tariff revisions with the Utilities and Transportation Commission (Commission) that would generate approximately $2,287,000 (8.2 percent) additional annual revenue. The proposed increases relate to increases in employee wages and benefits, fuel, and parts and equipment, and were scheduled to become effective June 1, 2013. The Companies’ last general rate increase became effective March 1, 2010. The Companies serves approximately 53,000 customers in Pierce County.
2. On May 10, 2013, the Commission entered Order 01 in Docket TG-130501 and Order 01 in Docket TG-130502, suspending the tariff revisions in those dockets. A Prehearing Conference Order (Order 02) issued on May 21, 2013, consolidated the two dockets and, among other things, established a procedural schedule. On June 20, and July 11, 2013, the Commission granted motions for continuance of testimony filing dates while the parties discussed settlement. On July 16, 2013, the parties notified the Commission that they had reached a tentative settlement and requested that the procedural schedule be suspended. By notice of July 17, 2013, the Commission granted that request.
3. The Commission Staff (Staff) and the Companies have reached a full settlement resolving all issues in the consolidated dockets. This Narrative summarizes many aspects of the Settlement Agreement (Settlement). It is not intended to modify any terms of the Settlement.
4. The Staff does not intend to file supporting documentation in addition to this Narrative, and the pleadings already in the Commissions files on this matter. Staff will file additional supporting documents if the Commission so requires. In accordance with WAC 480-07-740(2)(b), Staff and the Companies are each prepared to present one or more witnesses to testify in support of the proposal, and answer questions concerning the Settlement’s details, and its costs and benefits.

**II. SCOPE OF THE UNDERLING DISPUTE**

1. Initially, the parties disagreed about discovery and the treatment of several substantive accounting issues and the Companies provided Staff with a list of ten contested issues regarding discovery upon which they sought Commission ruling.
2. Accounting issues included allocations of corporate overhead; asset cost, salvage value, and useful life used for calculating depreciation; allocation of transfer station, trucks, buildings and containers; allocation of safety and training expenses to regulated and non-regulated divisions; salaries and allocation of personnel to regulated and non-regulated activities; treatment of expenses related to prior year insurance claims; treatment of legal expenses; depreciation of assets; treatment of proceeds from the sale of assets; normalization of certain expenses; whether assets are used and useful; allocation of expenses to regulated and unregulated activities; recycling processing fees paid to an affiliate; rents paid to an affiliate; treatment of a pro forma revenue adjustment for disposal fees embedded in current rates to recover a return using the Lurito-Gallagher calculation; and, standards for calculating a sufficient return on disposal fee.
3. The parties engaged in discussions to narrow those issues and in the end were able to come to a full agreement with respect to rates, but the settlement does not address the discovery issues that the Companies raised with Staff. As noted, the Commission granted motions for continuance of the procedural schedule to facilitate those discussions.
4. Staff conducted a thorough investigation of the tariff revisions filed by the Companies and the information the Companies provided in response to formal data requests and informal exchanges.

**III. SCOPE OF THE SETTLEMENT AND ITS PRINCIPAL ASPECTS**

**A. Rate Increase and Effective Date**

1. As noted, this is a full settlement. The Settlement provides that the Companies are authorized to implement rate changes designed to increase annual revenues from residential yard waste customers by $198,530(or 10.51 percent on average); and from residential recycling customers by $845,436 (or 20.98 percent on average). There is no increase to rates or annual revenue for residential, commercial, and drop box garbage service.
2. The settling parties agree that the rate changes identified herein should be effective the first day of the month after the Commission approves the Settlement.

**B. Rate Spread and Rate Design for Revenue Increase**

1. The Settlement provides that the total revenue increase of $1,043,966 will be implemented as shown on Attachment B to the Settlement.

**C. Amortization Period and Requirement to File a General Rate Case**

1. The Settlement provides that the Companies can amortize the expenses of both the sale of assets and prior year insurance claims over three years, provided that the Companies shall file, no later than April 1, 2016, a general rate case using calendar year 2015 as the 12-month test period.

**IV. STATEMENT WHY THE PROPOSED SETTLEMENT IS IN**

**THE STAFF’S AND THE PUBLIC INTEREST**

1. The settlement resolves all the rate issues in dispute. Consequently, from Staff’s perspective, there is no need to litigate those issues and incur the expense and delay of a hearing. The Settlement represents a compromise of the parties to the extent of the issues that were in dispute. It is likewise in the public interest that the matter be resolved without further expenditure of public resources on litigation.
2. If approved by the Commission, the Settlement will result in rates that meet the statutory standard of fair, just, reasonable and sufficient.

**V. SUMMARY OF LEGAL POINTS THAT BEAR**

**ON THE PROPOSED SETTLEMENT**

1. As noted, Staff believes the Settlement will result in rates that meet the statutory standard of fair, just, reasonable and sufficient. Staff does not believe there are additional significant legal points to discuss under this topic listed in WAC 480-07-740(2)(a).

**VI. CONCLUSION**

1. For the reasons stated above, Staff recommends that the Commission approve the Settlement Agreement in its entirety.

Dated this \_\_\_\_\_\_\_ day of July, 2013.

Respectfully submitted,

ROBERT W. FERGUSON

Attorney General

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