Agenda Date: February 23, 2017
Item Numbers: B1 and B2

Dockets: TG-170036 and TG-170037
Company Name: Murrey’s Disposal Company, Inc. G-9
American Disposal Company, Inc. G-87

Staff: Greg Hammond, Regulatory Analyst
Mike Young, Regulatory Analyst
John Cupp, Consumer Protection Staff
Rachel Stark, Consumer Protection Staff

Recommendation

Issue an Order granting the company’s request for exemption from workpaper requirements and allows Tariff Nos. 27, filed on January 13, 2017, and revised on February 15, 2017, to go into effect March 1, 2017.

Discussion

On January 13, 2017, Murrey’s Disposal Company, Inc. and American Disposal Company, Inc. (Murrey’s and American or company), filed Tariff Nos. 27 with the Utilities and Transportation Commission (commission) that would generate approximately $1,663,000 (6.4 percent) additional annual revenue. This rate increase is proposed with an effective date of March 1, 2017, and is prompted by company’s move to automated garbage collection, requiring significant investment in new trucks and garbage containers. Murrey’s and American currently serves approximately 34,600 residential, multifamily, and commercial customers in Pierce County.

This is a somewhat unique filing, as the company recently had a general rate increase effective June 1, 2016, as required by a formal settlement agreement in Dockets TG-130501 and TG-130502. Shortly after this rate case, the company began purchasing new trucks, containers, and equipment in its move to automate its residential, multifamily, and commercial garbage operations. In late 2016, the company contacted commission staff and proposed an expedited rate filing, using the same numbers from the recent rate case but including the new assets purchased, including a payroll increase for its automated drivers, and adjusting for the projected cost savings from moving to automation.

In conjunction with this filing, the company also filed for disposal fee increases for both Murrey’s and American (Dockets TG-170021 and TG-170023) as well as commodity credit true-ups (Dockets TG-170020 and TG-170022). These changes have been incorporated into this filing and are reflected in the revised tariff pages submitted by the company on February 15, 2017.

Staff’s review found the proposed rates would result in excessive revenue. Staff removed a company proposed adjustment for a prospective loss of “extras” revenue from switching to automated carts. Additionally, staff brought the depreciation expense up to date and made an adjustment to the company proposed payroll expense. The company and staff have agreed on a revised revenue requirement of approximately $1,026,720 (4.0 percent) additional annual revenue, and on revised rates, which are fair, just, reasonable, and sufficient. On February 15, 2017, the company filed revised rates at staff recommended levels.

Rate Comparison

Residential Rates (Monthly)	Current Rates*	Revised Rates	Increase
20 Gal. Cart Weekly Garbage	$ 14.44	$ 15.53	7.5%
35 Gal. Cart Weekly Garbage	$ 17.81	$ 19.30	8.4%
65 Gal. Cart Weekly Garbage	$ 26.71	$ 28.91	8.2%
95 Gal. Cart Weekly Garbage	$ 37.30	$ 40.45	8.4%
Multi-Family Rates (Monthly)			
35 Gal. Cart Weekly Garbage	$ 19.06	$ 20.63	8.2%
64 Gal. Cart Weekly Garbage	$ 29.52	$ 31.96	8.3%
Commercial Rates (Per Pickup)			
35 Gal. Cart	$ 4.04	$ 4.28	5.9%
64 Gal. Cart	——	$ 6.41	——

Note – Revised rates include effect of disposal fee increase (TG-170021 and TG-170023)
* Denotes current rate of equivalent line of service

Customer Comments

On January 31, 2017, the company notified its customers by mail of the proposed tariff revision. Customers were notified that they may access relevant documents about this tariff revision on the commission's website, and that they may contact Rachel Stark at 1-888-333-9882 or rstark@utc.wa.gov, or John Cupp at 1-888-333-9882 or jcupp@utc.wa.gov with questions or concerns. Staff received 35 consumer comments regarding the proposed rate increase; 29 are opposed and 6 are undecided to the tariff revision.

General Comments
Customers are unhappy that they will be required to use company-provided carts, and not the cans that they already own.

> **Staff Response**
> The company understands the transition to the automated system will result in customers having cans that will no longer be used for curbside pickup. The company intends to provide its customers with information about the program, including recommendations on how they can reuse the cans they own. Also, the company will have drop off sites next fall for customers to drop off their old cans.

Customers believe the automated system will save the company money because of lower injury rate and labor costs, therefore the need for an increase is not justified.

> **Staff Response**
> The automated system will result in some efficiencies and staff changes, however an increase is necessary as the efficiencies will not completely offset the costs of the new program.

Customers are unhappy that the company got a rate increase in June 2016, and now asks for another.

> **Staff Response**
> The previous rate increase did not include the investment in the automated program. Wage increases also took place after the previous increase.

Customers believe the amount of the increase is excessive.

> **Staff Response**
> 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. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Conclusion

Grant the company's request for exemption from workpaper requirements and allow Tariff Nos. 27, filed on January 13, 2017, and revised on February 15, 2017, to go into effect March 1, 2017.