

BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION,	)	
	)	DOCKET TG-091774
Complainant,	)	
	)	
v.	)	
	)	
HAROLD LEMAY ENTERPRISES,	)	MEMORANDUM OF COMMISSION
INC., d/b/a RURAL GARBAGE	)	STAFF IN SUPPORT OF
SERVICE,	)	SETTLEMENT STIPULATION
	)	
Respondent.	)	
	)	

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**Background**

1           On November 12, 2009, Harold LeMay Enterprises, Inc., d/b/a Rural Garbage Service (“Rural” or the “Company”) filed tariff revisions with the Washington Utilities and Transportation Commission (“Commission”) proposing to increase rates for regulated solid waste collection services to recover increased disposal fees. The filing was prompted by a January 1, 2010, increase in disposal fees from \$80.00 per ton to \$110.00 per ton at the Thurston County Waste and Recovery Center. The Company provides solid waste collection service, curbside and multi-family recycling service, and yard waste collection service in eastern Thurston County to approximately 6,000 residential and commercial customers. The Company’s garbage rates in Thurston County have increased over time as disposal fees increased, but Rural’s last general rate increase in Thurston County became effective on January 1, 2007.

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 and multi-family recycling are mandatory-pay programs. 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           Rural's tariff revisions included recovery of only the increased disposal fees. However, the Company did not initially file all documents required by WAC 480-07-520(4) for a general increase filing, which Commission rule defines to include a disposal fee increase. WAC 480-07-505.

4           On December 23, 2009, the Commission entered Order 01 suspending the tariff revisions, allowing the revisions to go into effect January 1, 2010, on a temporary basis, subject to refund, and ordering the Company to file, by March 1, 2010, all documents required for a general rate case as provided in 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 temporary rates that went into effect January 1, 2010, will generate \$204,288 additional annual revenue.

8           Staff has reviewed all relevant documentation and has determined that the temporary and current rates should be adjusted. In support of that determination, Staff prepared a pro forma income statement (Attachment A to the Settlement Stipulation), upon which Staff concludes that:

1.       The overall annual revenue increase for all services for Rural should be \$381,827(14.31percent).
2.       The temporary solid waste collection rates are too high and should be revised downward. Staff has determined that the rates for residential and commercial garbage service should generate \$184,708 (6.92 percent) additional annual revenue. Because the temporary rates would generate \$204,288 additional annual revenue, a small rate decrease is required to reduce revenue by \$19,580 on an annual basis. Refunds for the decrease in temporary rates should be implemented through a one-time credit to affected to customers.
3.       The current rates for drop box, residential recycling and yard waste collection service are too low. Staff has determined that the rates for these services should increase to generate total additional annual revenue of \$197,119 (6.91 percent) as follows: the drop box revenue requirement should increase \$92,949 (38.26 percent), the residential recycling revenue requirement should increase \$84,238 (16.98 percent), and the yard waste revenue requirement should increase \$19,932 (31 percent). The revenue requirement for multi-family recycling did not change and no adjustment of rates is, therefore, necessary.

9           The current temporary rates were calculated by taking the increase in disposal fees, calculating the increase on a per pound basis and applying this per pound increase to an assigned weight per can or container. When Staff conducted its review of the general rate

case documents, it looked at the entire Company results and not just disposal fees. Various adjustments were made to the Company's books and the pro forma results were run through the Lurito Gallagher operating ratio formula.

10 Staff's adjustments included restating adjustments to correct errors, reclassify amounts into proper accounts, and remove any expenses not allowed for ratemaking. The largest of the restating adjustments was to adjust depreciation expense to current Commission methodology. Assets were recorded at original cost and depreciated over their useful lives using Commission guidelines, increasing depreciation expense and decreasing average investment.

11 Staff also made pro forma adjustments to show the effects of known and measurable future expense increases or decreases that are not offset by other factors. The increase in disposal fees was one such adjustment. Adjustments were made to record increases in salaries and wages and the resulting taxes, and for the most recent 12-month cost of fuel.

12 Residential and commercial garbage, drop box, residential recycling, multi-family recycling, and residential yard waste are considered stand-alone programs for revenue requirement purposes. The results for each of these entities are run through a separate Lurito Gallagher formula. Rates are then established on the separate results. Staff and the Company agreed to reduce residential and commercial garbage rates and increase drop box rates using a percentage basis. Residential recycling and residential yard waste rates, being a single rate for each service, were increased and multiplied by the annual number of participating customers to generate the specific revenue requirement.

## **Conclusion**

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Staff is of the opinion that the Settlement Stipulation is in the public interest and meets Staff's interest because, if approved by the Commission, it would result in rates that are fair, just, reasonable and sufficient. Staff and Rural have agreed to the revised rates and the Company has agreed to file revised tariff pages (Attachments B and C to the Settlement Stipulation) and provide the necessary refunds to affected customers as a one-time credit to their bills. Staff recommends that the Commission accept the Settlement Stipulation in its entirety.

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