



May 16, 2011

Supplemental Filing to TA49-692  
Regulatory Commission of Alaska  
701 West 8<sup>th</sup> Avenue, Suite 300  
Anchorage, Alaska 99501

Re: Response to Customer Comments Regarding  
Standard Can Service Phase-Out, TA49-692

Dear Commissioners:

Alaska Waste submits this letter in response to the customer comments filed in TA49-692, the Standard Can Service Phase-Out Notification (Phase Out). Alaska Waste values each and every one of its customers and has carefully read all the comments filed during the public comment phase of this proceeding. I will try to address the comments that were submitted during the public comment phase of TA49-692 and the recent media attention given to the Phase Out below:

- TA49-692 is not requesting a rate increase or change in the tariff rates as they were approved in September 2010.
- Alaska Waste expects that rental fees for non-regulated roll carts will only be assessed until Alaska Waste files its next rate case in 2013. At that time Alaska Waste anticipates the cost of residential containers will be included with all regulated expenses upon which the residential rates will be based.
- Alaska Waste maintains, repairs, and replaces its roll carts at its expense unless abuse or extraordinary circumstances, as determined by the Company, dictate otherwise. No signed rental agreement exists.
- Any efficiencies gained through automated collection will be passed through to the consumer when the efficiencies become "known and measurable" in Alaska Waste's 2013 rate case.
- Extra bags of refuse will continue to be picked up for an additional charge of \$2.00 per bag pursuant to Alaska Waste's tariff. For oversize items, special pick up can be arranged by contacting the Utility.
- Several uses exist for old trash cans including garage organization, sports equipment storage, garden soil container, pet food storage container etc.

Background: Alaska Waste's Rate Case Filed July 2009, approved September 2010

As Alaska Waste stated when it filed TA49-692 on April 8, 2011, the transition to roll carts has been in the planning stages for quite some time. Alaska Waste submitted its Revenue Requirement and Cost of Service and Rate Redesign Studies, in July 2009. These studies revealed to the Regulatory Commission of Alaska (Commission) Alaska Waste's plan to remove standard can service and replace it with roll cart service. Those studies were publicly noticed and carefully reviewed by the Commission and the Regulatory Affairs and Public Advocacy section (RAPA) of the Attorney General's office, which represents the interests of the utility consumers. RAPA propounded extensive discovery on Alaska Waste during its investigation. RAPA then filed testimony in the case. The parties were involved in multiple negotiation sessions over the next several months before arriving at a final stipulated agreement (Stipulation).

Alaska Waste's Municipality of Anchorage service area tariff rates were redesigned based upon the Stipulation which included the planned transition to roll cart service which is the subject of TA49-692. The historic demand for Alaska Waste's standard can service and associated revenue was adjusted (reduced by 50% which is the average of Year 1's 100%, Year 2's 50%, and Year 3's 0%) in the rate redesign phase of its rate case to account for the phase out and transition of standard can customers to roll cart service.<sup>1</sup> RAPA agreed with the final rate redesign as did the Commission when it approved the Stipulation and associated exhibits containing tariff rates on September 14, 2010 and November 29, 2010, respectively. The Stipulation stated that the Studies were accepted by the parties as modified and the modifications were explained in the Stipulation. The Phase Out was never an outstanding or disputed item and as such was not modified and not included in the Stipulation, rather, it was accepted as originally filed by the parties, as stated in the Stipulation on page 8, Part IV, A., 32.

Alaska Waste must satisfy all conditions of the Stipulation including the requirement shown under item 42 (d) on page 13, which states that Alaska Waste will incorporate the cost of residential containers in its proposed monthly service fee in the next rate case. The year 2012 will be Alaska Waste's next test year. If Alaska Waste is not allowed to implement the Phase Out, it will not be able to meet the requirements of the Stipulation, it will not achieve its approved revenue requirement, and it will not gain the operating experience necessary to meet "known and measurable" standards developed by the Commission.

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<sup>1</sup> See Order U-09-12(10)/U-09-13(10)/U-09-14(10), Order Accepting Stipulation, Subject to Condition, Approving Refund Plan, and Requiring Filings and its appendix dated September 14, 2010.

As the final step in its rate case, Alaska Waste was required to complete a refund plan to customers. Refunds were made as set forth in its final compliance filing in the rate case with the Commission on March 3, 2011. The table below shows the rates before and after the rate case.

Type of Service	Rate to 12/31/10	Disposal Surcharge 11.7%	Total Charge Prior to 12/31/10	Monthly Rate Approved in Rate Case on 9/14/10	Disposal Surcharge 0.0%	Total Charge after 1/1/11	Rate Variance Increase / (Decrease)
Standard Can/Bag	\$15.00	\$1.76	\$16.76	\$15.63	\$0.00	\$15.63	(\$1.13)
32 Gallon Roll Cart	\$11.50	\$1.35	\$12.85	\$11.71	\$0.00	\$11.71	(\$1.14)
64 Gallon Roll Cart	\$16.00	\$1.87	\$17.87	\$15.44	\$0.00	\$15.44	(\$2.43)
96 Gallon Roll Cart	\$19.00	\$2.23	\$21.23	\$18.58	\$0.00	\$18.58	(\$2.65)
Fuel Surcharge	Adjusts Quarterly based on actual diesel fuel expense.			Adjusts Quarterly based on actual diesel fuel expense.			
Non-regulated Roll Cart Rental Fee	\$2.00		\$2.00	\$2.00		\$2.00	\$0.00

It should be emphasized that the final approved rates for the 64 and 96 gallon roll carts were reduced and the disposal surcharge was eliminated (elimination of the disposal fee also effectively reduced the rate charged for the 32 gallon cart as well). The rental rates stayed the same. As a result, a customer transitioning to roll cart service today will pay less now than they would have for equivalent service in 2010.

Costs of Roll Carts are not currently under the Commission's jurisdiction but will be included in next rate case.

The residential refuse containers owned by the utility have historically been considered non-regulated equipment and the rental fee charged for that equipment is not controlled by the Commission. Alaska Waste's initial plan when it filed the 2009 Studies described above, was to include the cost of roll carts with all its other regulated expenses, and not charge a separate rental fee. The inclusion of roll carts into regulated operations was extensively examined by RAPA. For various reasons, including an indeterminate life of the cart for depreciation purposes<sup>2</sup>, the lack of current roll cart inventory, and insufficient operating experience to satisfy the Commission's "known and measurable" standard, and not having begun the transition to roll carts, Alaska Waste did not have enough operating history to justify the inclusion of costs of the roll carts in rates. As a result, the roll carts were excluded from regulated operations. However, it was agreed by the parties and included in the Stipulation approved by the Commission that Alaska Waste would include the cost of residential containers in its proposed monthly service fee in the next rate case. In other words, the capital cost, maintenance, and repair of the roll carts will be included in expenses upon which the final rates will be calculated in the 2013 rate case. Alaska Waste must proceed with its planned Phase Out in order to transition customers to roll cart service. This is the only way Alaska Waste will obtain the historical financial information necessary to satisfy the "known and measurable" standard and fulfill the terms of its Stipulation. Alaska Waste is trying to avoid having customers purchase roll carts now only to have the cost of the roll carts embedded in the service rate after the next rate case is completed.

Automation of Collection Service

As mentioned above, it has long been Alaska Waste's plan to fully automate residential routes in the core section of its Municipality of Anchorage service area. It is incumbent upon Alaska Waste to manage its operations in a fiscally sound, safe and responsible manner, in fact it is dictated by the regulatory paradigm in which Alaska Waste operates. Alaska Waste believes that the move to automated service will vastly improve its operations.

In the Matanuska Susitna Valley area, residential service is already fully automated and working well. There are no significant problems with pick up service due to winter road conditions. Before automation, significant problems existed as a result of wind and animals strewing garbage throughout neighborhoods on garbage day. Now, due to the

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<sup>2</sup> Until Alaska Waste gains more experience with automated pick up of the carts, the life of the carts cannot be finally determined. The forks on the truck grab and squeeze the cart while emptying which creates different stress on the carts as compared to manually lifting and emptying them, especially during cold winter months.

attached lids on the roll carts, rarely are winds strong enough to create problems. The advantages gained due to the reduction of birds and dogs and other animals tearing open bags on garbage days are significant. The lids keep out rain and snow as well preventing unnecessary weight. The streets remain cleaner resulting in more sanitary conditions for the neighborhoods. The large wheels on the carts allow for ease of use. Many of our elderly customers use the roll carts without difficulty and automated pick up service is safer for Alaska Waste workers.

The Municipality of Anchorage owned refuse division, Solid Waste Services (SWS) is also currently migrating its customers to automated roll cart pick up service as well. The migration is due to be completed by the end of 2011. The SWS service is mandated by municipal code to keep neighborhoods clean and free from litter, reduction of possible health problems and reduced costs.<sup>3</sup>

Solid waste industry employees are prone to repetitive motion injury from lifting heavy cans and bags and twisting to throw them into the trucks. Other injuries come from sharp debris, broken glass and even discarded hypodermic needles. The thin, plastic, garbage bags offer no protection from these health hazards. Alaska Waste expects that injuries to its workers will be substantially reduced by automation. Alaska Waste expects to see cost savings such as Worker's Compensation Insurance reduction and possibly labor expense reductions, but those savings will not be realized immediately. Worker's Compensation insurance premiums are based on realization and experience factors for the company over time as compared to the risk of the refuse industry as a whole. At this time, no hard numbers exist to demonstrate the potential savings this could generate. For any cost savings to flow through to customer rates, they must be "known and measurable". At this time we simply don't have enough information to know what cost savings will be realized. All fluctuations in expenses will be monitored and considered during Alaska Waste's next rate case due in 2013. Company wide efficiencies gained will flow through to benefit customers at that time.

Alaska Waste's Chief Operations Officer, Jeff Riley described Alaska Waste's proposed service design changes and improvements in his pre-filed testimony submitted in the Studies on July 2, 2009, In his testimony, he stated numerous benefits that are expected to be gained by consumers and Alaska Waste by automating service, including safety, efficiency, rolling wheeled carts with lids to contain trash, and more sanitary streets. Mr. Riley goes on to describe how Alaska Waste works cooperatively with the Department of Fish and Game to identify the higher risk bear areas and where

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<sup>3</sup> See the Municipality of Anchorage website:  
<http://www.muni.org/Departments/SWS/Pages/ResidentialCollection.aspx>

And: rules roll carts <http://www.muni.org/Departments/SWS/curbside/Pages/serviceinfo.aspx#parking>

to utilize bear carts.<sup>4</sup> In Section V, the Rate Design section of his testimony, Mr. Riley further describes the plans to eliminate can and bag service and introduce roll carts and curbside recycling and how that may affect the volume of trash going to the landfill. In addition, curbside recycling will be available in all locations with automated roll cart routes.

RAPA's witness, Janet Fairchild, did not object to the upcoming Phase Out and transition of standard can service customers to roll cart service. She stated that based on the prefiled testimonies of the company representatives, she did not take exception to the proposal to require bag/can customers to transition to roll cart service.<sup>5</sup> She did have an issue with the level of investment and depreciation expense Alaska Waste had included in its Studies as it was not "known and measurable". As a result, Alaska Waste agreed to remove the proposed roll cart investment from its 2009 Study and continue to treat roll carts as non-regulated equipment and charge a rental fee. However, as has been stated earlier, the parties agreed that Alaska Waste would transition customers to roll cart service, phase out standard can and bag service, and include its residential containers in its 2013 rate case.

Alaska Waste has been preparing to migrate customers from standard can service to roll cart service since the conclusion of its rate case. It has added approximately 10,000 roll carts to its inventory for the Phase One transition. The timing of the transition is scheduled during spring and summer as to help customers get accustomed to the use of the carts during the months with more pleasant weather. Alaska Waste has committed to purchasing an additional 15,000 roll carts from its supplier this year and will be adding those carts in time for Phase Two of its transition in the summer.

As customers' routes become suitable for transition to automation, Alaska Waste will provide advance notification to standard can service customers through the United States mail of the upcoming transition plan and the options available to them. Migrating customers will have the option of choosing from roll cart services described in the Alaska Waste tariff. Every customer is important to Alaska Waste, and we hope that all our customers will continue to subscribe to our service, however, we understand some customers simply do not wish to take a roll cart and, since our service is not mandatory, will choose to haul their own refuse. We expect some of these customers will eventually come back to Alaska Waste service and give the roll carts a try.

As Alaska Waste continues its transition to roll cart service in the Municipality of Anchorage service area, it will stop offering the standard can service option. When all customers are transitioned, standard can service rates, terms and conditions will be

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<sup>4</sup> See July 2, 2009 prefiled testimony of Jeff Riley, Section II, Residential Service, pp. 6 -10 and Section IV, Service Improvements, pp. 14-16.

<sup>5</sup> See April 7, 2010 prefiled testimony of Janet Fairchild filed in Docket Nos. U-09-12/U-09-13/U-09-14, p. 50.

removed from the tariff. At that point, all areas will either be served by automated roll cart service or bear carts.

### Other Issues

Alaska Waste's tariff allows for a customer to purchase their own roll cart as long as it is compatible with the Alaska Waste truck picking up the refuse. Several different types are available locally for approximately \$100. Alaska Waste will not be responsible for maintenance or replacement of a customer owned cart. As a reminder the separate rental fee will be eliminated on the roll carts during the 2013 rate case.

Alaska Waste will repair or replace its roll carts at no charge to the customer unless the Company determines that repetitive damage or extraordinary circumstances exist. For comparative purposes SWS charges \$75 for a replacement cart or a cart that cannot be repaired.

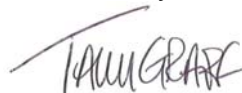
Available roll cart sizes are 32, 64 and 96 gallon. All sizes are in stock.

### Conclusion

Alaska Waste values all its customers and believes it has addressed the issues raised by comments filed in TA49-692. We will place this letter on our website so all customers have a chance to review our response. The Phase Out was an integral part of Alaska Waste's rate design, was fully revealed and approved by RAPA and the approved by the Commission in U-09-12(10). The Phase Out and transition to roll cart service is essential in order for Alaska Waste to fulfill the terms of its Stipulation and be prepared for its 2013 rate case.

For the reasons set forth above, Alaska Waste requests the Commission approve the roll cart transition clarifying language that was filed in TA49-692 with an effective date of May 26, 2011.

Sincerely,



Tami Graff  
Chief Financial Officer  
Alaska Waste