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December 15, 2011

Tariff Advice Letter No. 56-692
Regulatory Commission of Alaska
701 West 8th Avenue, Suite 300
Anchorage, Alaska 99501

Re: Alaska Pacific Environmental Services Anchorage, LLC d/b/a Alaska Waste
Residential Tipping Fee Surcharge for the Municipality of Anchorage Service
Area

Dear Commissioners:

This tariff filing is transmitted to you by Alaska Pacific Environmental Services Anchorage, LLC d/b/a Alaska Waste (Alaska Waste) in compliance with the Alaska Public Utilities Regulatory Act and 3 AAC 48.200 – 3 AAC 48.430.

Alaska Waste, through its undersigned consultants, files this request to adjust the residential tipping fee surcharge in its tariff, as noted below and on the attached tariff sheet, as a pass through charge in order to recover the cost of a December 13, 2011 residential tipping fee increase passed by the Municipality of Anchorage (Municipality).

Tariff Sheet No.		Cancels Sheet No.		Schedule or Rule Number
Original	Revised	Original	Revised	
	63.1, 2 nd		63.1, 1 st	Section 300.10.25 Residential Surcharges

The Municipality recently passed ordinance number AO No. 2011-120(S), (AM 687-2011(A)), which has the effect of increasing tipping fees at its solid waste disposal facilities by \$5.00 per ton at both the Municipality’s Anchorage Regional Landfill facility and the Central Transfer Station. The rate increase will be effective April 1, 2012. For the Anchorage Regional Landfill the previous tipping fee was \$53.00 per ton (\$50.00 per ton

plus a \$3.00 per ton recycling initiative surcharge). AO No. 2011-120(S) raises the tipping fee to \$56.50 per ton plus a \$1.50 recycling initiative surcharge for a total of \$58.00 per ton. For the Central Transfer Station the previous tipping fee was \$63.00 per ton (\$60.00 per ton plus a \$3.00 per ton recycling initiative surcharge). AO No. 2011-120(S) raises the tipping fee to \$66.50 per ton plus a \$1.50 recycling initiative surcharge for a total of \$68.00 per ton. A draft copy of the ordinance is attached. A supplemental filing will be made to this tariff advice proceeding supplying a signed copy of the ordinance as soon as it becomes available.

As a result of the Municipality's tipping fee increase, Alaska Waste requests permission to pass through a tipping fee surcharge of 2.8% for residential customers in the Municipality of Anchorage service area.¹ The tipping fee surcharge is essential because without it Alaska Waste will not be able to recover a significant increase to its disposal costs, its largest operating expense, beginning April 1, 2012. Alaska Waste deposits approximately 770 tons of residential refuse per month at the Anchorage Regional Landfill and 4,300 tons of residential refuse per month at the Central Transfer Station. Based on these estimates, Alaska Waste anticipates that the increase in residential tipping fees imposed by the ordinance will add approximately \$25,500 per month to disposal costs. A review of the ordinance giving rise to the increase in tipping fees reveals that the increase is a discrete and identifiable charge directly associated with the provision of residential refuse service to a discrete class of residential customers.² Alaska Waste's current residential rates approved in U-09-012(10) were based on the prior tipping fee schedule. Accordingly, the additional tipping fees represent a substantial increase in an existing component of Alaska Waste's cost of providing residential service, which clearly are not included in the fees now charged for residential services by Alaska Waste. Given the substantial nature of the fee increase,

¹ The Municipality of Anchorage service area includes Anchorage, Eagle River and Girdwood.

² The proposed surcharge will only affect residential customers whose refuse is deposited at the Anchorage Regional Landfill or the Central Transfer Station. None of the other Alaska Waste locations will be affected by the disposal fee increases.

and the amount of residential refuse deposited at the Anchorage Regional Landfill and the Central Transfer Station on a monthly basis, the impact of the increase in tipping fees on Alaska Waste is estimated to be approximately \$300,000 per year. The surcharge represents a reasonable approach by Alaska Waste to allocate the increase in fees to residential customers whose waste is deposited at the Anchorage Regional Landfill and the Central Transfer Station. Allowing the increase on this basis will promote the public good and preserve the right of Alaska Waste to achieve its revenue requirement through recovery of the additional costs directly associated with the provision of residential refuse service.

By the time Alaska Waste files its next revenue requirement study on June 30, 2013, it will have lost approximately \$425,000 if the increased tipping fee costs are not recovered via the proposed surcharge. If Alaska Waste requests interim and refundable rates in order to help recover operating deficiencies revealed as a result of the revenue requirement study, the earliest those rates would be effective, barring requests for expedited consideration, would be mid August. An additional complication arises from Alaska Waste's practice of billing residential customers quarterly in advance. For example, on August 1, 2013, residential customers will be billed for August, September and October services. Alaska Waste will continue to lose approximately \$25,500 per month until the Commission makes a final determination on the interim and refundable rates

Alaska Waste does not seek to earn a return on the increased tipping fees. It will treat the tipping fees as simply a pass through surcharge. The calculation of the tipping fee surcharge of 2.8% is submitted as Attachment A. This tariff filing will affect all residential customers in the Anchorage, Eagle River and Girdwood areas for service rendered on and after April 1, 2012. Currently in those areas, Alaska Waste has approximately 51,500 residential customers that generate annual revenues of \$10,742,670. The purpose of the tipping fee surcharge will be to recover the estimated tipping fee expense of approximately \$25,500 per month. Alaska Waste proposes to true up the disposal surcharge semi-annually by calculating the actual disposal costs

compared to the surcharge collected. Alaska Waste will submit tariff advice filings to adjust the surcharge either up or down as the situation dictates. The commission will have the opportunity to fully review the cost support provided with the true-up filings. Through the true-up process, the public will be protected from the company over or under collecting.

Alaska Waste submits its tariff filing now for the tipping fee surcharge to allow it time to fully inform its Municipality of Anchorage residential customers and also to prepare for the necessary billing program modifications. If the Commission approves the tipping fee surcharge, Alaska Waste will make the necessary billing modifications for the quarterly statements that will be mailed to customers on February 1, 2012 for service rendered on or after April 1, 2012. On those statements, residential customers in the Municipality of Anchorage service area will be billed for services rendered during February, March and April. On that quarterly billing, it will be necessary for Alaska Waste software engineers to program the tipping fee surcharge, so it is only applied to the April services portion of the statement. In addition to the standard noticing requirements contained in 3 AAC 48.280, Alaska Waste also plans to fully inform its Municipality of Anchorage residential customers by printing information about the upcoming surcharge on statements as soon as it receives approval from the Commission. Alaska Waste will also provide information concerning the surcharge on its web site, www.alaskawaste.com.

Waiver of 3 AAC 48.275(a)(1) – (14)

Alaska Waste respectfully requests a waiver of the requirements for supporting information contained in 3 AAC 48.275(a)(1) – (14) pursuant to 3 AAC 48.805(a) because no legitimate public purpose would be served by requiring compliance with these requirements. The increased tipping fees are not a new charge or service. In addition, the provision for a tipping fee surcharge is already included in Alaska Waste's tariff at 0.00%. Alaska Waste merely seeks to recover the increased costs by passing through the expense to the affected customers by increasing its tipping fee surcharge to

a level that will recover the disposal cost increase. The disposal cost increase is outside of Alaska Waste's control, it is discrete, easily identifiable and with this filing Alaska Waste submits a recovery mechanism calculation with cost support previously approved by the Commission in TA19-692.

The requirements of 3 AAC 48.275(a)(1) – (14) contemplate the support for a comprehensive study which Alaska Waste will be supplying with its revenue requirement study in June 2013. The study will document the entire company's financial position. No public purpose would be served by requiring Alaska Waste to provide a full 3 AAC 48.275(a) filing with this tariff filing. The Municipality's tipping fee increase is not controlled by Alaska Waste. The tipping fee increase is a simple discrete expense easily analyzed by the Commission and its staff. In all events, the Municipality's timing of the tipping fee increase also does not allow sufficient time for Alaska Waste to thoroughly and adequately prepare a revenue requirement study and have interim and refundable rates in place in time to recover the increased disposal cost by its February 1, 2012 billing deadline for April 2012 service. A revenue requirement study for a company the size of Alaska Waste involves months of analysis, normalizations, allocations and preparation to adequately represent its financial position before it is submitted to the Commission. It is not practical or cost effective to compile the information to generate the schedules listed above for submission with the instant tariff filing seeking to recover increased disposal costs. Such a filing would entail considerable consultant expense that ultimately would be borne by Alaska Waste's residential rate payers. The cost to prepare a .275(a) study prior to the 2013 rate case would create a significant economic burden for the company, imposes a significant additional workload for commission staff and adds no value to the analysis of the proposed surcharge. For these reasons, providing the study is not in the public interest. Instead, Alaska Waste seeks to pass through the disposal cost in the form of a tipping fee surcharge without earning a return on the increased costs. A full review of all rates, revenues and expenses pursuant to the requirements of 3 AAC 275(a) will be included

in the revenue requirement and cost of service study submitted June 30, 2013 based on a 2012 test year.

Alaska Waste seeks permission to support its tipping fee surcharge with the cost support information contained within this letter and attached to this filing as Attachment A.

Previous Surcharges

The Commission has approved a tipping fee surcharge for Alaska Waste's Municipality of Anchorage service area in the past. In September 2008, the Municipality raised tipping fees at its disposal sites prompting Alaska Waste to file TA19-692 a request for a surcharge to cover its increased disposal costs. 2008 happened to be a test year for Alaska Waste's next revenue requirement and cost of service study filed in mid 2009. In its 2008 request for the disposal surcharge, Alaska Waste requested that its surcharge be approved on an interim and refundable basis since its rate case was imminent. The Commission issued Letter Order No. LO# L0800526 approving Alaska Waste's request and suspending the tariff advice filing which was ultimately subsumed in the rate case Docket No. U-09-12. The disposition of the tipping fee was discussed at the conclusion of the rate case in the Stipulation³ which was approved by the Commission on September 14, 2010 in U-09-12(10). As agreed in the Stipulation, the tipping fee surcharge was incorporated into the rates and the surcharge set to zero. A reconciliation was submitted and a small refund was passed on to the customers. Paragraph 38 of the Stipulation states, "this Stipulation shall not prevent Alaska Waste from requesting initiation of a new tipping fee or disposal surcharge if a governmental entity institutes significant fee increases in the future." That is exactly what has happened. The Municipality has instituted a 9% tipping fee increase at the Anchorage Regional Landfill and an 8% tipping fee increase at the Central Transfer station that will

³ See Docket No. U-09-12/U-09-13/U-09-14, Stipulation to Resolve Revenue Requirement, Cost of Service Study and Related Issued, dated July 16, 2010.

create financial harm to Alaska Waste if a tipping fee surcharge is not allowed. Disposal cost is Alaska Waste's largest operating expense.

Alaska Waste's next rate case is not due to be filed until June 30, 2013. Alaska Waste proposes to perform true-ups on July 31 and December 31 of each year to ensure that the correct tipping fee surcharge is collected and that customers are not overcharged.

The Commission has approved surcharges in similar situations for other utilities in the past. In U-87-29, the Anchorage Municipal Assembly increased landfill disposal fees from \$21.00 per ton to \$33.00 per ton. Anchorage Refuse, Inc., the refuse service provider at the time, filed a tariff advice letter requesting an interim emergency across the board increase in rates to recover the increase in tipping fees. The request was granted by the Commission. See U-87-29(1). In U-88-01, the Fairbanks North Star Borough entered into an agreement with a company affiliated with Far North Sanitation, Inc., the commercial and residential refuse service provider in the Fairbanks North Star Borough, for the management of the Borough's bailing station. The company managing the bailing station instituted a disposal fee of approximately \$21.00 per ton. It appears from the staff report attached to Order U-88-01(1) that no fee had previously been imposed by the Borough. The utility sought permission to pass-through the new disposal fee as a flow-through surcharge. The Commission approved the request with a caveat that the surcharge should be reviewed periodically to determine its continuing reasonableness. See U-88-01(6) at page 3, lines 10 through 14. Finally, in U-99-150, the Commission allowed USA Waste of Alaska, Inc. to add a surcharge to its tariff rate schedule for an additional dumpster to be added to its fleet to provide service to customers located on Gravina Island, a ferry ride from Ketchikan. See U-99-150(1) at page 3, lines 1 through 5 and the attached staff report outlining the rationale for the surcharge. Based on these dockets, it is evident that the Commission has employed a flexible approach and approved a reasonable surcharge when utilities have faced a sudden or unexpected increase in discrete costs of a substantial nature.

Extreme Economic Burden

Alaska Waste respectfully submits that the proposed surcharge is necessary to prevent extreme economic burden on the company. If Alaska Waste is not allowed to recover the increased disposal costs through a timely surcharge, the costs will forever be unrecovered. Alaska Waste estimates that the increased disposal costs will be approximately \$300,000 per year which is approximately 50% of Alaska Waste's allowed return and will cause a significant under recovery of its revenue requirement.⁴ Alaska Waste's current rates do not include the announced increase in residential tipping fees. Since the current rates do not allow for recovery of the additional tipping fees (a known and measurable expense) they are confiscatorily low. If not allowed recovery through a surcharge, the current rates will remain in effect until forty-five days after Alaska Waste files its next rate case or until mid-August 2013. In that event, Alaska Waste will bear the loss over seventeen months equating to a loss in revenue of approximately \$425,000.

The utility will suffer irreparable harm in the event the interim rate relief is not granted for the surcharge request. If the tipping fee increase is not approved in time to apply to bills for service rendered on or after April 1, 2012 Alaska Waste will be irreparably harmed since Alaska Waste cannot recoup the additional fees paid to the Municipality prior to approval of new rates due to the prohibition on retroactive rate making. If Alaska Waste is not allowed to implement the surcharges in its service areas, it will not be able to recover the additional cost of providing residential service. The ratepayers can be adequately protected by Alaska Waste performing regular true-up filings with the Commission. Alaska Waste can and will maintain adequate billing records to ensure

⁴ See Attachment A to Stipulated Settlement in U-09-12 et. al.

the accurate amount of disposal cost that is not included in the rates is passed through to the residential customer through its tipping fee surcharge.

For all the reasons set forth above, Alaska Waste respectfully requests approval of its tipping fee surcharge increase to pass through increased disposal costs. Approval of its tipping fee surcharge will allow Alaska Waste to avoid substantial financial losses while providing cost effective service.

This filing is not for a new service. This filing will increase customer rates across the board by adding a tipping fee surcharge to residential customer monthly charges in the Municipality of Anchorage service area. This filing will not result in the termination of an existing service, conflict with any other schedule or rate, or in any other way adversely affect customers, or the public.

Alaska Waste requests that the Commission approve this tariff filing following the statutory forty-five day noticing period or for bills issued after February 1, 2012 for services rendered on or after April 1, 2012.

Alaska Waste and its undersigned consultants are available to answer any Commission Staff questions concerning this tariff filing if need be. Any inquiries regarding this filing should be addressed to:

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Alaska Waste Tariff Advice Letter No. 56-692
Regulatory Commission of Alaska
December 15, 2011
Page No. 10

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Sincerely,



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cc: Tami Graff
Joe Moran