

TARIFF ACTION MEMORANDUM

File No.: TA119-692

Date: December 20, 2018
 Date Filed: December 17, 2018
 Statutory End Date: January 31, 2019

Utility: Waste Connections of Alaska Inc. d/b/a Alaska Waste

Description: Residential Disposal Surcharge


Synopsis of Filing:

Waste Connections of Alaska, Inc. d/b/a Alaska Waste proposes to revise its Residential Disposal Surcharge.

Tariff Recommendations:

Staff recommends that the Commission:

1. Approve Waste Connections of Alaska, Inc. d/b/a Alaska Waste's request to shorten the statutory review period based on a finding that the company has demonstrated good cause exists to justify an early effective date.
2. Waive the publication notice for TA119-692.
3. Approve Tariff Sheet No. 63.1, filed December 17, 2018, by Waste Connections of Alaska, Inc. d/b/a Alaska Waste with TA119-692, as shown on the attached side-by-side tariff sheet (BA-1). The effective date of the tariff sheet should be January 1, 2019.

Prepared by:  Title: Utility Tariff Analyst
 Becki Alvey

Commissioner decision re this recommendation:

	Date (if different from 12/20/18)	I CONCUR	I DO NOT CONCUR	I WILL WRITE A DISSENTING STATEMENT*
McAlpine		<u>JMW for SMeA</u>		
Lisankie		<u>PFL</u>		
Pickett		<u>RMP</u>		
Scott		<u>AGS</u>		
Wilson		<u>JWJ</u>		

Instructions to Staff: _____

STATE OF ALASKA
The Regulatory Commission of Alaska
701 West 8th Ave., Suite 300
Anchorage, Alaska 99501-3469

M E M O R A N D U M

TO: Commissioners:

Stephen McAlpine, Chairman
Paul F. Lisankie
Robert M. Pickett
Antony Scott
Janis W. Wilson

DATE: December 20, 2018

Statutory End Date: January 31, 2019

Requested Effective Date: January 1, 2019

FROM: Becki Alvey, Utility Tariff Analyst

Subject: TA119-692
Residential Disposal Surcharge

Statement of Case

The Commission must decide whether Waste Connections of Alaska, Inc. d/b/a Alaska Waste (WCA) has shown good cause exists to justify shortening the 45-day review period and allowing an early effective date of January 1, 2019 for TA119-692. In addition, the Commission must decide whether or not to waive the publication notice for TA119-692 and approve the tariff sheet.

Recommendations

Staff recommends that the Commission:

1. Approve WCA' request to shorten the statutory review period based on a finding that the company has demonstrated good cause exists to justify an early effective date.
2. Waive the publication notice for TA119-692.
3. Approve Tariff Sheet No. 63.1, filed December 17, 2018, by WCA with TA119-692, as shown on the attached side-by-side tariff sheet (BA-1). The effective date of the tariff sheet should be January 1, 2019.

Background

WCA is a wholly-owned subsidiary of Waste Connections, Inc., providing solid waste collection, transfer, disposal, and recycling services within the Municipality of Anchorage. WCA provides regulated residential refuse service to 57,841 customers.¹

In Order No. U-14-104(19)/U-14-105(17)/U-14-106(19)/U-14-107(20) the Commission accepted a stipulation that approved the inclusion of a residential disposal surcharge in the WCA and Alaska Waste Mat-Su, LLC tariffs.² That order also required that WCA file revised tariff sheets that reflected the terms of the stipulation.³ WCA filed revised tariff

¹ See tariff advice letter for TA119-692, at page 1.

² See Order No. U-14-104(19)/U-14-105(17)/U-14-106(19)/U-14-107(20), issued April 6, 2016.

³ *Id.*, at 4.

sheets including a residential disposal surcharge tariff sheet on May 6, 2016.⁴ The Commission issued Order No. U-14-104(20)/U-14-105(18)/U-14-106(20)/U-14-107(21) on May 31, 2016, approving the tariff sheets.⁵

WCA now submits TA119-692, seeking to update its Residential Disposal Surcharge for the period beginning January 1, 2019. With TA119-692, WCA has requested an early effective date of January 1, 2019.

Analysis

Review Period - Early Effective Date

The statutory review period for tariff revisions is established by AS 42.05.411(a), which provides that a public utility may not place into effect new or revised tariff provisions except after 45 days notice to the Commission and 30 days' notice to the public.⁶ That statute also provides that the Commission may, for good cause shown, allow changes to take effect on less than 45 days notice to the Commission. 3 AAC 48.300 recognizes Commission's discretion to allow a tariff filing to take effect before the end of the 45-day statutory notice period, requiring the utility to include the request in its tariff advice letter and imposing the burden of showing good cause on the filing utility.⁷

WCA requests that this tariff filing be approved effective January 1, 2019, which would allow for 15 days' notice to the public and the Commission. With this filing, WCA is proposing to increase the Residential Disposal Surcharge. It believes that an early effective date should be granted because it was recently notified by the Municipality of

⁴ See Compliance Filing for Alaska Waste filed May 6, 2016.

⁵ See Order No. U-14-104(20)/U-14-105(18)/U-14-106(20)/U-14-107(21) issued May 31, 2016

⁶ AS 42.05.411(a) states:

A public utility may not establish or place in effect any new or revised rates, charges, rules, regulations, conditions of service or practices except after 45 days' notice to the commission and 30 days' notice to the public. Notice shall be given to the commission by filing with the commission and keeping open for public inspection the revised tariff provisions which shall plainly indicate the changes to be made in the schedules then in force and the time when the changes will go into effect. The commission shall prescribe means by regulation whereby notice is given to the public before or no later than 15 days after the filing that is reasonably adequate to notify customers affected by the filing. The commission, for good cause shown, may allow changes to take effect on less than 45 days' notice to the commission or 30 days' notice to the public under conditions the commission prescribes.

⁷ 3 AAC 48.300 (*Waiver of Statutory Notice*) provides in pertinent part:

(a) When a utility or pipeline carrier includes in its advice letter a request for authorization for a tariff filing to take effect before the end of the statutory notice period, the burden of showing good cause for waiving statutory notice must be borne by the filing utility or pipeline carrier.

(b) In response to each request under (a) of this section, the commission will, in its discretion

(1) deny the request and require at least the statutory notice period to expire before allowing the filing to take effect;

(2) grant the request as of the effective date specified;

(3) allow the filing to take effect before the end of the statutory notice period but later than the date specified in the request; and

(4) pending a public hearing, suspend the operation of the tariff filing for a period not longer than that permitted under AS 42.05.421 or AS 42.06.400.

Anchorage that the disposal costs would be increasing on January 1, 2019.⁸ WCA states that it filed its request for adjustment to its Residential Disposal Surcharge as expeditiously as possible after receiving the notice. WCA further states that the disposal costs are fully outside of its control and that WCA is in no way affiliated with the landfill facility. In addition, WCA states that it does not earn a return on the disposal surcharge, it is simply a pass through of the cost of disposal. WCA states that it bills its residential customers quarterly in advance and there is no balancing account in place for its Residential Disposal Surcharge and therefore no means by which WCA could recover the two months of lost revenues. WCA estimates that if the rate is not effective July 1, 2019 for January services, it will have to forego approximately \$31,500 in residential revenues. WCA states that the disposal costs are a significant portion of its total expenses and it will be unable to recover all of its disposal costs without the waiver. WCA believes that there is precedent for the Commission granting an earlier effective date. WCA states that in a similar situation, Alaska Waste Mat-Su, LLC d/b/a Alaska Waste requested an early effective that that was earlier than the statutory 45-day timeline for an adjustment to its residential disposal fee surcharge and the Commission granted that request.⁹

Staff notes that WCA' Residential Disposal Surcharge does not include a balancing account. Staff concurs with WCA that, should WCA not be able to implement the updated Residential Disposal Surcharge in time to allow for its billing for January services, the utility would not be able to recover the disposal costs because there is no mechanism through which it could do so. This may cause the utility financial harm. Staff notes that the Anchorage Assembly voted to approve the increase in disposal rates on December 4, 2018.¹⁰ Therefore, Staff believes that good cause exists to waive the statutory notice period and allow an early effective date for TA119-692. Staff recommends the Commission grant WCA' request and allow it to use an early effective date of June 30, 2018 for TA119-692.

Additional Publication Notice

In addition to waiving statutory notice, the Commission has the discretion to prescribe additional means by which a tariff filing must be noticed to the public, including newspaper publication. Staff notes that the utility did not request a waiver of the public notice in its tariff advice letter. However, Staff believes that 1) the information is already available on the Commission's website; 2) 3 AAC 48.280(3) provides that publication on the Commission's website as a means of additional public notice; and 3) any potential comments on the proposed changes would not impact or otherwise the Commission's decision. Staff believes a public notice would result in unnecessary cost to the utility. Therefore, Staff recommends the Commission waive the newspaper publication for TA119-692.

⁸ See tariff advice letter for TA119-692, at pages 1 and 2.

⁹ *Id.*, at page 3.

¹⁰ See the Anchorage Assembly's vote at http://anchorageak.granicus.com/VoteLogPrint.php?clip_id=102ad18f-1cd8-4b6f-ba12-ed63f4784727&vote_id=a44eb7ba-5134-4d9a-9d68-b6ed8afee71f&view_id=9, accessed on December 18, 2018. Staff notes that the Anchorage Assembly vote was unanimous to increase Solid Waste Services' collection and disposal fees.

Residential Disposal Surcharge Increase (Tariff Sheet 63.1)

The approved methodology for calculating the WCA's Residential Disposal Surcharge is as follows.

$$\text{Disposal Surcharge} = 12 \text{ Month Trailing Disposal Component} \times \text{Percentage Change in Disposal Fee}$$

WCA's calculation of the Residential Disposal Surcharge consists of two parts. The first part is the 12-month trailing disposal component. The 12-month trailing disposal component is calculated by multiplying the sample weight per collection by the current tip fee in \$/pound by the scheduled collections per month by the disposal normalization factor.¹¹ The second part is the percentage change in disposal fee. WCA provided support for the calculation of the 12-month trailing disposal component and percentage change in disposal fee.¹²

The following table shows the proposed 12-month trailing disposal component, percentage change in disposal fee, and the effect on an average customer.

Proposed Disposal Surcharge, Effective July 1, 2018			
Cart Size	12 Month Trailing Disposal Component in \$ (A)	Percentage Change in Disposal Fee (B)	Disposal Surcharge (A x B)
32 Gallon Cart	\$2.66	5.34%	\$0.14
64 Gallon Cart	\$4.91	5.34%	\$0.26
96 Gallon Cart	\$6.84	5.34%	\$0.36
Can/Bag Service	\$0.44	5.34%	\$0.02

The increase in the Residential Disposal Surcharge is a result of the increase in the Municipality of Anchorage Regional Landfill's disposal fee from \$58.00 per ton to \$61.50 per ton and the Central Transfer Station's disposal fee from \$68.00 per ton to \$71.50 per ton.¹³ Staff notes that WCA's Residential Disposal Surcharge methodology does not include the use of a balancing account balance or estimated revenues to calculate the surcharge.¹⁴

Staff has reviewed all information and calculations filed in support of the proposed surcharge. Staff confirmed that the proposed surcharge was calculated accurately, using WCA's approved methodology, and that the tariff sheet is correct. Therefore, Staff recommends the Commission approve Tariff Sheet No. 63.1.

¹¹ See Tariff Sheet No. 61.2. Staff notes that the disposal normalization factor is calculated by dividing the actual 12-month total disposal expense by the sum of hypothetical disposal calculations for all service levels. Staff also notes that the hypothetical disposal expense is calculated by multiplying the 12-month average customer count for a service level by the 12-month disposal component for that service level before applying the normalization factor by 12 months.

¹² See TA119-692 at Attachment A, at page 2. Staff notes that the fee includes a \$1.50 recycling initiative surcharge.

¹³ *Id.*, at page 1.

¹⁴ See Prefiled Direct Testimony and Exhibit of Joe Wonderlick, filed July 30, 2014 with TA86-692, at pages 29 through 30, which sets out the calculation that was discussed in the Stipulation.

CONCLUSION

With TA119-692, WCA requests approval of its updated Residential Disposal Surcharge. In addition, WCA requests an early effective date of January 1, 2019. Staff has verified the proposed surcharge was calculated accurately using WCA's approved methodology, the proper support was filed, and the tariff sheet is correct. Staff recommends the Commission:

1. Approve WCA' request to shorten the statutory review period based on a finding that the company has demonstrated good cause exists to justify an early effective date.
2. Waive the publication notice for TA119-692.
3. Approve Tariff Sheet No. 63.1, filed June 18, 2018, by WCA with TA119-692. The effective date of the tariff sheet should be January 1, 2019.

RCA NO. 692 First Revision SHEET NO. 63.1
 Canceling
 Original SHEET NO. 63.1

RECEIVED
 MAY 06 2016
 STATE OF ALASKA
 REGULATORY COMMISSION OF ALASKA

WASTE CONNECTIONS OF ALASKA, INC. d/b/a ALASKA WASTE SECTION 300.10.25 RESIDENTIAL SURCHARGES

MUNICIPALITY OF ANCHORAGE RESIDENTIAL SURCHARGES

Disposal Fee Surcharge	12 Month Trailing Disposal Component in \$ (a)	Percentage Change in Disposal Fee (b)
Cart Size		
32 Gal Cart	\$0.00	0.00%
64 Gal Cart	\$0.00	0.00%
96 Gal Cart	\$0.00	0.00%
96 Gal Bear Cart	\$0.00	0.00%
Can/Bag Service	\$0.00	0.00%
Extra Large Refuse Item	\$0.00	0.00%

This surcharge applies to Residential rates, including additional cart and extra can and bag charges.

The Formula for this Surcharge is calculated as follows:

Disposal Fee Surcharge = (a) x (b)

(a) = (Sample Weight per collection in lbs) x (Current Tip Fee \$ per lb) x (Scheduled Collections per month) x (Disposal Normalization Factor)

Disposal Normalization Factor = (Actual 12 Month Total Disposal Expense) / (Sum of Hypothetical Disposal Calcs for all Service Levels)

Hypothetical Disposal Expense for Service Level A = (12 Month Average Customer Count for Service Level A) x (12 Month Disposal Component for Level A BEFORE Applying Normalization Factor) x 12 Months.

(b) = Percentage Tip Fee Increase

D = Deleted previous tipping fee

pursuant to U-14-104(20)/U-14-105(18)/
 U-14-106(20)/U-14-107(21) Effective: May 31, 2016

Issued By: WASTE CONNECTIONS OF ALASKA, INC. d/b/a ALASKA WASTE

Robert Gill Title: Division Controller

RCA NO. 692 Second Revision SHEET NO. 63.1
 Canceling
 First Revision SHEET NO. 63.1

RECEIVED
 DEC 17 2016
 RCA

WASTE CONNECTIONS OF ALASKA, INC. d/b/a ALASKA WASTE SECTION 300.10.25 RESIDENTIAL SURCHARGES

MUNICIPALITY OF ANCHORAGE RESIDENTIAL SURCHARGES

Disposal Fee Surcharge	12 Month Trailing Disposal Component in \$ (a)	Percentage Change in Disposal Fee (b)
Cart Size		
32 Gal Cart	\$2.68	5.34%
64 Gal Cart	\$4.31	5.34%
96 Gal Cart	\$6.84	5.34%
Can/Bag Service	\$0.44	5.34%
Extra Large Refuse Item	\$0.44	5.34%

This surcharge applies to Residential rates, including additional cart and extra can and bag charges.

The Formula for this Surcharge is calculated as follows:

Disposal Fee Surcharge = (a) x (b)

(a) = (Sample Weight per collection in lbs) x (Current Tip Fee \$ per lb) x (Scheduled Collections per month) x (Disposal Normalization Factor)

Disposal Normalization Factor = (Actual 12 Month Total Disposal Expense) / (Sum of Hypothetical Disposal Calcs for all Service Levels)

Hypothetical Disposal Expense for Service Level A = (12 Month Average Customer Count for Service Level A) x (12 Month Disposal Component for Level A BEFORE Applying Normalization Factor) x 12 Months.

(b) = Percentage Tip Fee Increase

Tariff Advice No. 119-692 Effective: _____

Issued By: WASTE CONNECTIONS OF ALASKA, INC. d/b/a ALASKA WASTE

Heather Garland Title: Division Controller