

**HB 1410**

# HOUSE COMMITTEE REPORT

(11)

Date Referred: February 27, 1991

FURTHER REFERRALS:

Date of Committee Action: 3/6/91

The FINANCE Committee considered:

HB 140

HOUSE BILL NO. 140

ALLOW RECYCLING COST RECOVERY IN RATES

"An Act relating to rate review by the Alaska Public Utilities Commission for solid waste recovery and recycling services of public utilities."

**RECOMMENDATIONS:**

be replaced with CSHB 140 (L.C.)  the same title  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) Department Com Ec. Develop 2/27/91

	SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
NAVARRE	Mike Navarre		Eileen P. MacLean MACLEAN		✓	
BOYER	Mark K. Allen	X				
BROWN	Jack Brown	X				
NOBLES	Jim Korman	✓	Jack		X	
LARSON	Gerald J. Larson	X	Tamara Barnes Barnes		X	
WILSON	Kenn Ulmer	X	Bob Sharp Sharp		X	
			CRISP J. CRISP		✓	

NAVARRE Mike Navarre EP MacLean  
 CO-CHAIRMAN'S SIGNATURE maclean

**CS FOR HOUSE BILL NO. 140 (L&C)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE LABOR AND COMMERCE COMMITTEE**

**Offered: 2/27/91**

**Referred: Finance**

**Sponsor(s): REPRESENTATIVES FINKELSTEIN, Brown, Boyer, Ulmer, Koponen, Ellis**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to rate review by the Alaska Public Utilities Commission for solid waste  
2 recovery and recycling services of public utilities."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 \* Section 1. AS 42.05.431 is amended by adding new subsections to read:

5 (f) In the establishment of rates of a utility furnishing solid waste material collection and  
6 disposal service, the commission shall permit recovery of reasonable, net capital and operating  
7 costs after considering the utility's recovery of revenue associated with the service.

8 (g) In the establishment of rates under this chapter, the commission shall promote solid  
9 waste recovery and recycling services.

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

No. 1  
Bill Version: CSHB 140(L&C)  
(H) Publish Date: 2/27/91

Revision Date: \_\_\_\_\_ Department Affected: Commerce & Economic Deve  
Title: Deregulation of Refuse BRU: APUC  
Utilities Component: \_\_\_\_\_  
Sponsor: Rep David Finkelstein  
Requestor: Rep David Finkelstein COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS. CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)  
No fiscal impact for FY91

Prepared By: Ray Wimmerman, Acting Exec. Director Phone: 276-6222  
Division: Alaska Public Utilities Commission Date: 2/15/91  
Approved by Commissioner: [Signature] Sec ASST.  
Agency: Department of Commerce & Economic Development Date: 2-19-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

# STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

## ALASKA PUBLIC UTILITIES COMMISSION DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

1016 WEST 6TH AVENUE  
SUITE 400  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 778-8222

February 12, 1991

The Honorable David Finkelstein  
Alaska State Legislature  
P. O. Box V  
Juneau, Alaska 99811

Dear Representative Finkelstein:

A public meeting was held on February 12, 1990, to discuss the draft of the proposed bill that Representative Brown is sponsoring for the recovery and recycling of solid waste services. The meeting was attended by Commissioners Schröer, O'Tierney, May and Foster. Also participating were members of the Commission Staff (Staff).

It is assumed that if a utility were to request the capital and operating costs associated with the recovery operation that the costs should be prudent and reasonable. In other words, the review of Staff and approval by the Commission in conjunction with the allowing of the costs would fall under AS 42.05.381, Rates to be just and reasonable. In order to avoid any confusion the Commission suggests that the language be amended to substitute the word "reasonable" for the word "the" (preceding capitol) on line 6 of the work draft.

The meeting also focused on a general discussion of the practicality of utilities including the costs as part of a revenue requirement determination. The term "shall" on line 5 of the work draft assumes that it is at the option of the utility to request the costs. If costs were requested in the determination of a revenue requirement, any revenues associated with its operation would be subtracted from the revenue requirement.

The Commission also wanted to make you aware that landfills are not regulated and are typically Municipality operated. If the recycling operation is a landfill service, the costs would not be part of any revenue requirement other than the transportation and separation of the recyclable materials by the utility. However, any revenues that may be received would be used to offset the revenue requirement. For those utilities that have a landfill operation, the operation of the landfill is also not jurisdictional, but the tipping fee cost is determined in the affiliated interest decision as to reasonable cost,

AS 42.05.511(c). If landfill recycling is undertaken, the recycling aspects would be considered in the tipping fee determination.

The public meeting was recorded and is available upon request. Please contact me at 276-6222 if you have any questions or require further assistance.

Sincerely,

  
ALASKA PUBLIC UTILITIES COMMISSION

Don Schröer, Chairman



## Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-463-3366

March 4th, 1991

Representative David Finkelstein  
Capitol, Room 15  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Finkelstein:

The Alaska Environmental Lobby would like to take this opportunity to thank you for introducing HB 140. HB 140 will allow the Alaska Public Utilities Commission to consider some costs related to recycling when it reviews and approves rates for public utilities.

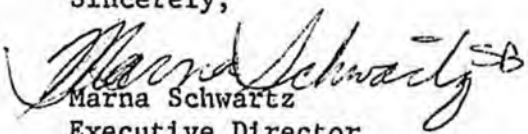
It is economically as well as environmentally wise for the State to make provisions for recycling, as HB 140 would do.

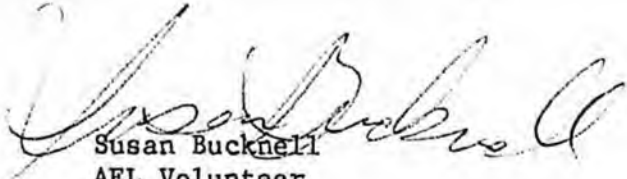
Rate structures for solid waste disposal should reflect longterm costs of disposal. Rates that don't are artificially low. Communities nationwide are being forced to deal with solid waste disposal crises. Many are turning to recycling as part of the solution. Allowing APUC more options in rate structure paves the way for farsighted solid waste management planning in the State of Alaska.

Recycling extends the life of landfills and postpones the time when we need major capital outlays for new solid waste facilities. HB140 has no fiscal note attached, and it will save on waste disposal costs in the future. Therefore, AEL supports the passage of HB140.

Once again, thank you for your effort in introducing this bill.

Sincerely,

  
Marna Schwartz  
Executive Director

  
Susan Bucknell  
AEL Volunteer

CLEAN AIR COALITION • PRINCE WILLIAM SOUND CONSERVATION ALLIANCE • ALASKA CENTER FOR THE ENVIRONMENT  
ALASKA CHAPTER, SIERRA CLUB • JUNEAU GROUP, SIERRA CLUB • KNIK GROUP, SIERRA CLUB • DENALI GROUP, SIERRA CLUB  
ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY • DENALI CITIZENS' COUNCIL • ALASKA FRIENDS OF THE EARTH  
JUNEAU AUDUBON SOCIETY • KACHEMAK BAY CONSERVATION SOCIETY • KENAI PENINSULA AUDUBON SOCIETY • KODIAK AUDUBON SOCIETY  
LYNN CANAL CONSERVATION • SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER  
SOUTHEAST ALASKA CONSERVATION COUNCIL • KNIK CANOERS AND KAYAKERS



Official Business

# Alaska State Legislature

## House

P.O. BOX V  
State Capitol  
Juneau, Alaska 99811

### MEMORANDUM

To: House Finance Committee

From: Representative David Finkelstein 

Date: March 6, 1991

Re: HB 140; "An Act Relating to Rate Review by the Alaska Public Utilities Commission for Solid Waste Recovery and Recycling Services of Public Utilities."

HB 140 would allow utilities to include the cost of waste recovery and recycling in their rates. Currently, refuse companies that do recycling cannot include the cost in their rates.

Waste disposal in Alaska is a major problem. The ecological and economic costs of landfills are rising, and without a plan to control the amount of waste dumped in landfills, we could soon be facing a crisis. Solid-waste recovery and recycling are important parts of the solution for controlling the landfill problem.

By paying for recycling now, consumers will be reducing the need for more landfills and higher landfill fees in the future. In a recent survey by the Anchorage Recycling Center, 90% of the respondents felt that solid-waste recycling is a community priority and 57% of them were willing to pay more in their refuse bill for recycling.

Currently, recycling centers in Alaska are unable to compete with subsidized landfills and are threatened by low market prices. HB 140 would allow recycling and waste recovery to be treated as part of the normal functions of public utilities.

ALASKA PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

1016 WEST 6TH AVENUE  
SUITE 400  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 276-6222

February 22, 1991

Representative David Finkelstein  
P. O. Box V  
Juneau, Alaska 99811  
VIA FAX: 465-2444

Dear Representative Finklestein:

As an individual Commissioner on the Alaska Public Utilities Commission, I would like to offer the following comments on HB 140, "An Act relating to rate review by the Alaska Public Utilities Commission for *solid waste recovery* and *recycling services* of public utilities."

I offer the following rewrite to incorporate some of my individual concerns:

**AS 42.05.431 is amended by adding new subsections to read:**

**(f) The commission shall permit reasonable capital and operating costs and the associated revenues of providing solid waste recovery and recycling services in the establishment of rates of a utility furnishing collection and disposal of waste material service.**

**(g) The commission shall promote solid waste recovery and recycling services in the establishment of rates under this chapter.**

The change to add "and the associated revenues" gives the commission explicit authority to include revenues from these services in the development of rates. It also adds the phrase "the establishment of rates" which more closely parallels other statutory references to ratemaking.

If your goal is to insure the promotion of recycling, I would discourage a change from "shall permit" to "may permit" in the operative language. This change would provide future commissions the discretion to ignore recycling costs in the establishment of rates. Though I expect the current commission would permit reasonable costs to be included in rates under the "may permit" language, I do not know how enthusiastic future commissions may be about including recycling costs in the rates.

Under the "shall permit" language, the commission would still have the "reasonable" standard under which they would review any capital and operating costs. A firm cannot simply go purchase plant, incur expenses and expect to be able to raise rates to cover themselves. Though the commission has not yet heard a rate case directly involving recycling, the commission has a track record of reviewing the facts of individual cases and disallowing portions of plant investment that are not reasonable. Examples typically

include telephone and electric utilities which purchase more capacity than needed. Utilities cannot recover unreasonable costs from the ratepayers. The utilities have the burden of proof to demonstrate to the commission that the costs they incurred were just and reasonable.

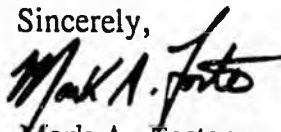
I do not believe the fears of rate escalation due to the start-up of curbside recycling programs are well founded. One, the commission will not allow unreasonable expenditures to be included in rates. Two, the commission is quite concerned about rate shock to ratepayers and will spread any significant justified increases over an appropriate transition period. Three, the economics of recycling programs are largely driven by the tipping fee of the landfill. A level comparison between recycling and landfilling suggests that to the extent that the total net cost to recycle is less than the tipping fee, there is a savings. With tipping fees of \$100/ton and above and escalating, particularly in communities in Southeastern Alaska, there is a significant potential for consumers to see long term savings in their bills for waste disposal through the implementation of recycling programs. To the extent the costs of recycling are reasonable when compared to a tipping fee, the commission would be able to include those costs and their associated revenues in the rate.

The hypotheticals which were cited at the teleconference Thursday appeared to ignore the tipping fee and focused on what would happen to rates if the revenue from the sale of a recycled good did not cover the costs of collection. A level comparison would require the commission to go a step further and review whether or not the net cost of the recycling program was reasonable when compared to the costs of landfill disposal.

Finally, I would encourage you to add an additional subsection (g) which gives the commission a tool to promote recycling in the design of rates. A similar provision for the promotion of energy conservation exists as AS 42.05.141(c). I expect that the provision promoting recycling in rate design will be an effective way to help encourage recycling efforts, especially during the critical start-up phase of new adventures (see attachment A: excerpt from "On the Road to Recovery: Seattle's Integrated Solid Waste Management Plan").

If I can be of any assistance, please call me at 276-6222.

Sincerely,



Mark A. Foster,  
Commissioner

Attachments

require contractors to provide standardized containers in 19-, 32-, 60- and 90-gallon sizes. Households are issued the container appropriate to their subscription level and any waste not in the container is easily identified as extra. Collection contractors will only pick up cans that were provided by the City or that have pre-paid trash tags attached.

With these improvements in place, the Utility plans a primarily preventive approach to enforcement, for example educating people about waste reduction and recycling and informing them of the ban on mixing yard waste with garbage.

## FINANCIAL PLAN SUMMARY

### *RATE STRUCTURE AND RATES*

Seattle has had mandatory residential garbage charges since the Utility was established in 1961. The Utility is self-supporting with no subsidies from the general fund. Rates are set by the City Council and residential customers are billed through the City's Combined Utility Billing System. Rates for commercial garbage collection services provided by franchised haulers are approved by the Washington Utilities and Transportation Commission and customers are billed by the haulers.

In 1981 the Utility established a variable can structure which offers an incentive for waste reduction and recycling. Residents must now pay for the amount of garbage they throw away. Recent analysis showed that without this rate structure, more waste would have required disposal. Transfer station services are based on a rate per ton except that a minimum charge is levied for small commercial loads and a flat rate for automobile loads is now charged.

In 1986 and 1987, rates increased substantially to cover the cost of landfill closure and increased tipping fees at King County's Cedar Hills Landfill. These rate increases, as well as the new curbside recycling program, have led to reduced amounts of garbage.

As a result of two Utility rate analyses in 1988, the following rate structure was adopted by the City Council:

- *Backyard vs. Curbside Pickup.* Customers are offered a choice between curb/alley and backyard service. The backyard pickup charge is 40 percent more than bringing the can to the curb. This 40 percent premium represents about double the cost of service, but provides a strong incentive to bring waste to the curb and eventually lower collection costs.
- *Basic Rate Structure.* The variable can rate structure is continued, but the charge for service for more than one can is significantly higher than previous rates. The one-can rate is \$13.75 per month. There is no charge for curbside recycling service; this cost is included in the garbage rates. The second and third can now each cost an additional \$9 rather than the 1988 \$5 differential. This was done to provide an increased incentive for waste reduction and recycling. In the long run, customers should be charged based on the actual weight of the garbage they produce each week.
- *Extra Waste.* A pre-paid trash tag for extra waste is available for \$5. The trash tags can be ordered from the Utility by phone or purchased at any Seattle 7 Eleven, Associated Grocers or Safeway store.

- **Yard Waste.** Curb/alley collection of yard waste is available weekly or biweekly for \$2 per month, with a required annual subscription. As many as 20 cans or bags of yard waste will be collected for the \$2 monthly fee. The fee is low to encourage subscription, but not so low as to discourage backyard composting.
- **Low Subscription Alternatives - Mini-can/Zero Can.** A new 19-gallon mini-can service is available to those who produce little waste and/or recycle and compost most of their waste. This rate provides a significant incentive for waste reduction and recycling for customers who would not fill one garbage can.
- **Multi-family Variable Rates.** Multi-family building owners can choose any level of service, whereas previously they were limited to subscription levels equal to multiples of the number of units. Allowing these customers more service-level flexibility will provide an incentive to reduce the volume of waste disposed.
- **Compacted Waste.** A new rate is charged for compacted waste in detachable containers to reflect the increased cost of disposal due to the increased weight. Weight limits control the amount of compacted waste that can be put in a can.
- **LIEH Subsidy.** Qualified low-income, elderly and handicapped customers are eligible for a subsidized rate for one and two cans.
- **Bulky Item Pickup.** For a \$15 fee, bulky items such as refrigerators, stoves, mattresses and sofas will be collected. The service is on-call.
- **Transfer Stations.** The transfer station tip fee is \$62 per ton for commercial customers, which is below the full cost of service but above the variable cost. The rate is not set at the cost of service because if it were set higher, these customers would likely travel the extra distance to King County transfer stations which charge \$47 per ton.

## PROJECTED OPERATING AND CAPITAL COSTS

The Solid Waste Utility operates as an enterprise fund, generating most of its revenues from rates charged to customers. Projected 1989 revenues include \$35.6 million from charges for residential collection and \$4.86 million from transfer station charges. Additional income includes \$2.76 million from interest earnings and \$3.0 million from a Business and Occupations surtax levied on haulers of commercial waste to help pay for landfill closure.

These revenues cover all costs incurred by the Utility. For 1989, operating costs total \$39.3 million, including:

- Recycling and yard waste services and residential garbage collection services for all Seattle residents
- Transfer station services to anyone wanting to haul garbage and/or recyclables to the City's two transfer stations
- Disposal at King County's Cedar Hills Landfill
- Closure of the City's two landfills

The 1989 capital improvement program budget totals \$16.6 million. Recommendations from the 1988 *Solid Waste Facilities Plan* will be implemented over the next six years, upgrading and restructuring the Utility's transfer station and hauling operations to increase recycling, improve employee safety and customer service and streamline operations. The biggest capital expenditures in the next two years will be for landfill closure. Beginning in 1991, the Utility will incur capital costs for the new system of transport to a distant landfill.

# CERTIFIED REFUSE AND GARBAGE UTILITIES IN ALASKA

Anchorage Refuse, Inc.-Anchorage

Andersen, Incorporated-Nome

Channel Sanitation Corporation-Juneau

Drake's Sanitation, Inc.-Fairbanks

Eagle River Refuse, Inc.-Eagle River

Far North Sanitation Service, Inc.-Fairbanks

Interior Services-Fairbanks

Peninsula Sanitation Company, Inc.-Girdwood, Kenai, Soldotna

Tongass Sanitation-Ketchikan

Wasilla Refuse, Inc.-Wasilla

Williwaw Services, Inc.-Unalaska

Survey by Anchorage Recycling Center-Sent to Anchorage  
Refuse customers in April 1990:

1. Do you consider a solid waste recycling program a community priority?

YES: 3162/3514 90% NO: 367/3514 10%

2. Do you currently recycle?

YES: 2701/3514 77% NO: 812/3514 23%

3. Would you be willing to separate your recyclables if pick-up occurred at your home?

YES: 3307/3514 94% NO: 207/3514 6%

4. The value of recyclables will not support curbside pick-ups. Will you be willing to pay more than your current refuse bill for curbside pick-up of recyclables?

YES: 1994/3514 57% NO: 1520/3514 43%

5. If yes, how much more?

\$5.00: 1617/3514 46% \$10.00: 291/3514 8%

\$15.00: 75/3514 2% N/A: 1532/3514 44%

6. Should recycling be subsidized by:

Grants: 969/3514 28% Taxes: 673/3514 19%

User: 967/3514 27% None:1018/3514 29%

N/A: 545/3514 16%

7. What prevents you from recycling more?

Does not pay:	437/3514	13%
Not sure where to take it:	1095/3514	31%
Inconvenient	1894/3514	54%
Not interested	44/3514	1%
N/A	702/3514	20%

8. Do you believe garbage pick-up should be mandatory in Anchorage?

Yes: 1901/3514 54%                      NO: 1611/3514 46%

9. Business using cardboard: Will you put cardboard in a separate dumpster if you receive a 10% rebate on disposal pick-up?

YES: 1139/3514 32%                      NO: 2313/3514 66%