

Agenda Date: June 27, 2007
Item Number: B2

Docket: TL-070848
Company Name: US Ecology, Inc.

Staff: Layne Demas, Regulatory Services Division

Recommendation

1. Accept the Settlement Agreement as proposed by US Ecology.
2. Approve the proposed rates filed in Docket TL-070848 to become effective January 1, 2008.

Discussion

On April 30, 2007, US Ecology, Inc., (US Ecology) filed with the Washington Utilities and Transportation Commission (commission) for a general rate increase in Docket TL-070848 with a requested effective date of January 1, 2008. On June 20, 2007, US Ecology filed a petition asking the commission to approve a Settlement Agreement between the company and its shippers that defines the rate setting process for a six-year period, 2008 through 2013.

Settlement Agreement

The commission first accepted a settlement agreement in 1995 that lasted for six years, establishing rates for 1996 through 2001. The commission accepted a second settlement agreement, with the same terms as the first in 2001, for setting rates in 2002 through 2007. The company now asks the commission to approve a third settlement agreement to set rates for 2008 through 2013.

The Settlement Agreement:

- Requires the shippers to sign the Settlement Agreement and the commission to approve the Settlement Agreement.
- Requires US Ecology to file a general rate case to establish rates for the first year of the Settlement Agreement.
- Prohibits, except under specified circumstances, US Ecology from filing a general rate case during the Settlement Agreement period.
- Defines the rate setting methodology, revenue requirement, rate design, rate adjustment mechanism (including deferrals, annual adjustment using an index, and annual true ups), and how to treat NORM/NARM¹ revenue

US Ecology presented this proposed Settlement Agreement to the generators for their approval.

¹ "NORM" means naturally occurring radioactive material, while "NARM" means naturally occurring and accelerator produced radioactive material. See Appendix B, Revised Settlement Agreement, page 7, footnote 1.

The following shows the different types of generators and the positions each generator took concerning the Settlement Agreement:

Major generators that ship direct

- Energy Northwest and Pacific EcoSolutions signed the Settlement Agreement.
- Puget Sound Naval Shipyard and Pearl Harbor Naval Shipyard both state that as part of the federal government, they take the position that they will not sign, but will abide by and not oppose, a Settlement Agreement.
- Areva NP, Inc. – US Ecology supplied additional information as requested. This company remained silent on its position on the Settlement Agreement

Brokers that ship the waste of smaller generators

Environmental Management & Controls, Inc., signed the Settlement Agreement.

State Universities

The University of Washington and Washington State University both state that as a state university, they take the position that they will not sign, but will abide by and not oppose, a Settlement Agreement.

Staff reviewed the proposed Settlement Agreement. It contains the same provisions as the first and second settlement agreements. Staff concludes that the proposed Settlement Agreement and the rates filed in compliance with it are reasonable.

General Rate Filing

US Ecology's last general rate filing was accepted in 2001 in Docket UR-010623. The current filing is the second general rate filing by US Ecology since the original settlement agreement was accepted in 1995 in Docket UR-950619. The rate adjustment allowed in Docket TL-070626, which became effective May 1, 2007, was the last of the rate adjustments under the 2001 agreement.

Staff completed its review of US Ecology's books and records for the test period ended December 31, 2006, to determine the base revenue requirement for 2008, the first year of the proposed six-year Settlement Agreement. The proposed revenue requirement for 2008 is \$5.2 million. This is a reduction of approximately \$482,000 (9.27 percent) from US Ecology's 2007 revenue requirement (Attachment A). Staff reviewed the proposed rates and concludes that they comply with the terms of Settlement Agreement and are reasonable.

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Conclusion

Staff recommends the commission accept the Settlement Agreement as proposed by US Ecology and approve the proposed rates to become effective January 1, 2008, in Docket TL-070848.

Attachments