

Agenda Date: May 31, 2017
Item Number: B1

Docket: TG-170189
Company Name: Basin Disposal, Inc. G-118

Staff: Scott Sevall, Regulatory Analyst
Rachel Stark, Consumer Protection Staff

Recommendation

1. Allow the tariff revisions filed by Basin Disposal, Inc., on March 17, 2017, as revised on May 26, 2017, to become effective on June 1, 2017, by operation of law.
2. Order Basin Disposal Inc., to file the yearly costs associated with the Pasco Sanitary Landfill Superfund site, for recovery of these costs, to be effective January 1 of each year until final agreement for any liability is determined.

Discussion

On March 17, 2017, Basin Disposal, Inc. (BDI or company), filed tariff revisions with the Utilities and Transportation Commission (commission) that would generate approximately \$469,000 (10.2 percent) additional annual revenue. BDI serves approximately 5,500 residential and commercial customers in Benton and Franklin counties. The filing is prompted by increases in wages, benefits, medical insurance, new assets, and other general operating expenses. The company's last general rate increase became effective on May 1, 2013.

Staff has completed its review of the company's supporting financial documents, books and records. Staff's review found that the company's proposed rates would result in excess revenue. Staff and the company agreed to a revised revenue requirement of approximately \$412,600 (10 percent) additional annual revenue. On May 26, 2017, BDI filed revised tariff pages with the revised proposed rates at staff recommended levels.

The company requested it be allowed to recover in rates the costs it has incurred since 2001 as a result of its being named as a potentially liable party (PLP)¹ in the clean up of the Pasco Sanitary Landfill (PSL) Superfund site. These costs consist of attorney fees for representation, as well as remediation required by the Washington State Department of Ecology (DOE). Mr. Gruenenfelder, Department of Ecology site manager for PSL cleanup, communicated to staff that a final cleanup plan should be done within the next 3-5 years. Staff agreed to allow \$1,278,306 (of which 27.7 percent is allocated to regulated operations) in costs amortized over 10 years. The adjustment makes up \$37,800 dollars (9 percent) of the agreed upon revenue requirement. The costs recognized in this case are only the costs incurred from January 1, 2001 to September 30, 2016.

¹ See Agreed Order No. DE 92TC-E105, Washington Department of Ecology, 1992. See Also TG-170189 Memo 01 Attachment A.

Once a final cleanup plan is in place, the liability of all PLP's involved will be determined along with any further monetary amounts due. BDI has maintained a liability insurance policy, and if BDI is found liable any deferred cost would be offset by receipts from the insurance policy. Staff proposes BDI defer costs for final cleanup as a separate deferred asset on its balance sheet. The asset would be reduced by any amounts received from a third party. Any remaining amount would be recovered in rates as a deferred asset in a future rate case.² If in the future BDI is found to have had zero, or limited liability, to the extent that they have received funds to cover the amount of the deferred asset in this case, staff would create an offsetting deferred liability, which would also be included in future rate setting.

Staff recognizes the cost added in this docket will only allow recovery of past expenses, and recommends a tracker mechanism be put in place for post test year costs associated with the PSL Superfund clean up, until a final clean up plan and liabilities are agreed upon. The tracker will exclude costs associated with the execution of any final cleanup action.

The company will file a 45 day filing effective January 1, 2018, and each January 1st thereafter until liability for final clean up costs has been determined. The filing will contain the legal and remediation cost from October 1 through September 30 of each year, with the supporting documents and appropriate tariff supplement. The mechanism will divide the costs by BDI's total tonnage for the same time period and allocate a portion to each customer class in a manner similar to a disposal fee filing. The company will track and file the revenue collected by this tracker mechanism in a separate account. Each year's calculation will include a true-up calculation for any over- or under- collection in the previous year.

The rate impacts of this filing are shown on the following table.

Rate Comparison

	Current Rate	Proposed Rate	Revised Rate	Percent Increase
Residential Monthly Rates				
One 64-Gallon Tote Weekly Pick-Up	\$17.85	\$19.50	\$20.25	13.4 %
One 96-Gallon Tote Weekly Pick-up	\$22.12	\$24.00	\$25.00	13.0 %
Commercial Monthly Rates				
1.0-Yard Container	\$15.52	\$17.00	\$17.50	12.75 %
2.0-Yard Container	\$22.96	\$24.00	\$26.00	13.2 %
8.0-Yard Container	\$45.89	\$47.00	\$52.00	13.3 %

² See Order Authorizing Accounting Treatment, Docket UE-911476, Washington Utilities and Transportation Commission, 1992. See Also TG-170189 Memo 01 Attachment B.

Customer Comments

On March 31, 2017, the company notified its customers by mail of the proposed tariff revision. Customers were notified that they may access relevant documents about this tariff revision on the commission's website, and that they may contact Rachel Stark at 1-888-333-9882 or rstark@utc.wa.gov with questions or concerns. Staff received two consumer comments; one in favor, and one opposed to the proposed rate increase.

General Comments

One consumer is fine with the rate change; however, they are opposed to city customers receiving the same services at reduced rates and being allowed to leave bagged garbage next to their containers free of charge.

Staff Response

The customer was advised the commission does not regulate city contracts; therefore, city services and rates are negotiated and regulated at the city level. The customer was also advised that state law requires rates to be fair, just, reasonable and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

General Comments

One consumer is opposed to the rate increase because the company received an increase two years ago due to increased fuel costs and did not lower their rates once fuel prices decreased.

Staff Response

The customer was advised that state law requires rates to be fair, just, reasonable and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Conclusion

1. Allow the tariff revisions filed by Basin Disposal, Inc., on March 17, 2017, as revised on May 26, 2017, to become effective on June 1, 2017, by operation of law.
2. Order Basin Disposal Inc., to file the yearly costs associated with the Pasco Sanitary Landfill Superfund site, for recovery of these costs, to be effective January 1 of each year until final agreement for any liability is determined.