

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Request of

ROBERT J. PELLEGRINI d/b/a
UPPER/OKANOGAN VALLEY
DISPOSAL

To Approve Tariff Revisions Regarding a
Temporary Surcharge for Recovery of
Purchased Water Expenses

DOCKET TG-231026

ORDER 01

ALLOWING RATES TO GO INTO
EFFECT, SUBJECT TO CONDITION;
GRANTING EXEMPTION FROM
RULE

BACKGROUND

- 1 On December 15, 2023, Robert J. Pellegrini, d/b/a Upper/Okanagan Valley Disposal (Upper/Okanagan or Company), filed tariff revisions with the Utilities and Transportation Commission (Commission). The tariff revisions would generate approximately \$167,000 (7.7 percent) in additional annual revenue for the collection of residential, commercial, and drop box garbage service. The proposed rate revisions are prompted by increases in labor costs, health and welfare benefits, increased investment, and other operating expense increases. Upper/Okanagan provides regulated solid waste collection service to approximately 2,800 residential, 740 commercial, and 40 drop box customers in Okanogan County. The Company's last general rate increase became effective January 1, 2011.
- 2 Commission Staff (Staff) has reviewed the Company's filing and noted certain concerns with the initial filing. Staff submits that the Company has been experiencing cash flow issues and doesn't have the funds to purchase trucks. The last truck was purchased in 2017, the other six trucks are fully depreciated.
- 3 Staff submits further that the Company is not utilizing the Lurito-Gallagher Model (LG) in this General Rate Case. Given the current financial situation of the Company, including but not limited to, cash flow and Net Book Value of assets, the Company is seeking an 90/10 Operating Margin approach to this filing to ensure adequate future capital (asset) investments in the Company.
- 4 The Company provided a quote for a new truck in the amount of \$183,000, not including the Company required retro fits. It would take a minimum of five years to purchase a truck. The average useful life expectancy of Solid Waste vehicles is five to

seven years. As costs continue to increase it would be next to impossible for the Company to purchase a single truck under this methodology let alone replace a fleet of six.

5 The LG methodology is not required in rule or statute, the Commission regulates other transportation companies utilizing an operating ratio of 93/7. Staff submits that the LG methodology should not produce operating ratio in excess of 93/7. When Staff applied the operating ratio, it generated approximately \$129,000 in additional annual revenue. This would barely provide for a new truck after approximately 15 months.

6 Staff notes that the Company attempted to file a rate case in June of 2022 using a test year ending October 2021. That filing was rejected for not complying with the filing requirements. The Company has now filed with a test year ending July 2023. Staff reviewed the accumulative inflation from July 2023 based on data from the U.S. Bureau of Statistics and found that costs had increased by approximately 10 percent for the time period.

7 Staff and the Company agreed to settle the case by using 91.5/8.5 operating ratio which will provide approximately \$167,000 in additional annual revenue, this should enable the Company to begin investing in new equipment. Staff recommends the Company be required to submit a filing within 18 months demonstrating the Company acquisition of new equipment.

8 Staff and the Company agreed to revised rates, and on January 16, 2024, the Company filed replacement pages at the agreed upon rates, reflecting its discussions with Staff.

DISCUSSION

9 We agree with Staff's recommendation and allow the Company's rates, as revised on January 16, 2024, to take effect. Staff has completed its review of the Company's supporting financial documents, books, and records. Staff review shows that the expenses are reasonable and required as part of the Company's operation. The Company's financial information supports the revised revenue requirement, and the revised proposed rates and charges are fair, just, reasonable, and sufficient.

10 The Commission therefore allows the Company's proposed rates filed on December 15, 2023, as revised on January 16, 2024, to become effective February 1, 2024. We further

require the Company to submit a filing to the Commission no later than August 1, 2025, demonstrating the Company's acquisitions of new assets or proposing reduced rates.

FINDINGS AND CONCLUSIONS

- 11 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, and affiliated interests of public service companies, including solid waste companies.
- 12 (2) Upper/Okanagan is engaged in the business of providing solid waste services within the state of Washington and is a public service company subject to Commission jurisdiction.
- 13 (3) On December 15, 2023, Upper/Okanagan submitted tariff revisions that would generate approximately \$167,000 (7.7 percent) in additional annual revenue.
- 14 (4) Staff reviewed the Company's filing and noted various concerns with the Company's revenue requirement model and calculations.
- 15 (5) On January 16, 2024, Upper/Okanagan submitted revised tariff sheets reflecting its discussions and agreement with Staff.
- 16 (6) This matter came before the Commission at its regularly scheduled meeting on January 25, 2024.
- 17 (7) After review of the Company's filings in this docket and consideration of all relevant matters, and for good cause shown, the Commission finds that the proposed rates are fair, just, reasonable, and sufficient. The Commission allows the tariff revisions filed on December 15, 2023, as revised on January 16, 2024, to become effective February 1, 2024. The Commission further requires the Company to submit a filing to the Commission no later than August 1, 2025, demonstrating the Company's acquisitions of new assets or proposing reduced rates.

ORDER

THE COMMISSION ORDERS:

- 18 (1) The tariff revisions filed by Pellegrini, Robert J d/b/a Upper/Okanogan Valley Disposal, in this Docket on December 15, 2023, and revised on January 16, 2024, shall become effective by operation of law on February 1, 2024.
- 19 (2) Pellegrini, Robert J d/b/a Upper/Okanogan Valley Disposal is required to submit a filing to the Commission no later than August 1, 2025, demonstrating Pellegrini, Robert J d/b/a Upper/Okanogan Valley Disposal's acquisitions of new assets or proposing reduced rates
- 20 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it.

DATED at Lacey Washington, and effective January 25, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner