Agenda Date: May 25, 2023
Item Number: B2 and B4

Docket: **TG-230187 – Basin Disposal Inc.**
TG-230189 – Ed's Disposal, Inc

Staff: Ben Sharbono, Regulatory Services
John Cupp, Consumer Protection

Recommendation

Issue an Order allowing tariff revisions filed by Basin Disposal Inc. and Ed's Disposal, Inc on March 17, 2023, as revised May 18, 2023, to become effective on June 1, 2023, and requiring Basin Disposal Inc. and Ed's Disposal, Inc to submit a general rate case with an effective date of June 1, 2028, to remove amortized legal expenses, and submit a cost-of-service analysis with its next rate case.

Background

On March 17, 2023, Basin Disposal Inc. and Ed's Disposal, Inc filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that would generate approximately $1.46 Million (38.8 percent) for Basin Disposal and $82,000 (3.5 percent) for Ed's Disposal in additional annual revenue. The two Companies provide regulated solid waste collection service to approximately 8,050 residential, 975 commercial, and 108 roll-off customers in Benton, Franklin, and Walla Walla Counties. Both Companies last general rate increases became effective on June 1, 2017.

The primary drivers of the request are increases in operating expenses and significant capital investment since the last general rate cases.

As Basin Disposal Inc. and Ed's Disposal, Inc (Basin/Ed's Disposal or Company) share facilities and operate in adjacent territories, the Company has chosen to combine the operations for general rates. Between the two operations, the Company purchased twenty-two new service vehicles, five support vehicles, and many service containers. Commission staff (Staff) adjusted assets to invoice supported costs and removed assets that reached the end of their service lives. During discussions with the Company regarding several proforma assets, the Company stated there are several items they have ordered, but due to market conditions delivery has been pushed back. Staff removed assets that were not used and useful.

Staff removed legal and professional expenses related to a feasibility study of a renewable natural gas project. The Company stated the potential project is being reviewed as a method of reducing the carbon footprint of the Company's fleet. As the project is speculative in nature, Staff believes the costs should not be included in general rates.

Staff also adjusted the legal expense account to amortize expenses incurred by docket TG-220215. In the docket filed with the Commission on March 29, 2022, the Company filed a formal complaint against the application of another company that sought to contract with customers of the Company's in its certificated territory. Staff agreed the expense was reasonably incurred as a normal cost of business in a regulatory environment and the costs could be recovered through rates. Staff and the company agreed to amortize the expense in line with prior cases.[1]

Staff removed food, activities, gifts and gift cards, advertising and community, travel, and non-safety related bonuses which are unallowable expenses to be recovered through rates.

Staff also updated the Company's fuel expense to the most recent 12-month fuel cost as required by WAC 480-70-346.

Staff has completed its review of the Company's financial documents and found the Company's initial request for $1.46 Million and $82,000 was overstated. Staff and the Company have agreed to a revised additional annual revenue amount of approximately $1.23 Million (23.4 percent) for Basin Disposal, Inc., and a reduced annual revenue amount of approximately $86,000 (-3.2 percent) for Ed's Disposal, Inc.

As Basin Disposal is including the amortization of legal expenses, Staff requests the Commission issue an Order requiring the Company to submit a general rate case with an effective date aligned with the end of the 5-year period, June 1, 2028, to prevent over recovery of the amortized legal expense.

As part of that order, when the Company submits the general rate case Staff recommends the Commission require the Company to submit a cost-of-service model. During Staff's site visit on May 5th, the Company stated it is planning on merging the operations of Basin Disposal Inc. and Ed's Disposal, Inc. Requiring a cost-of-service review will allow the costs and revenues to be fairly distributed between lines of service.

Rate Comparison

The tables below show the current, Company-proposed, and Staff-revised rates, for the most common services. The full list of rates is included in the Company's tariff.

Most Common Residential Lines of Service	Current Rate	Proposed Rate	Revised Rate	Difference	
64-Gallon Weekly – Franklin	$19.10	$26.50	$25.14	$6.04	31.6%
96-Gallon Weekly – Franklin	$24.22	$33.61	$31.88	$7.95	31.6%
64-Gallon Weekly – Benton	$19.01	$19.01	$19.01	$0.00	0.0%
96-Gallon Weekly – Benton	$24.08	$24.08	$24.08	$0.00	0.0%

[1] In Docket TS-200065, Staff and the Company used a 5-year recovery period for legal fees incurred defending a territorial certificated.

Most Common Commercial Lines of Service	Current Rate	Proposed Rate	Revised Rate	Difference	
6-Yard Container – Franklin	$45.40	$51.89	$49.22	$3.82	8.4%
6-Yard Container – Benton	$45.40	$34.43	$34.43	($10.97)	(24.2 %)

Comment Summary

On April 20, 2023, the Company notified its customers by mail of the proposed rate increase. Staff received nine comments, all opposed to the proposed rate increase.

Customer Comments

Every commenter in this case believes the proposed increase amount is excessive. Two of them feel the rates increase faster than the inflation rate.

Staff Response

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. Commission Staff perform a thorough review of rate filings to ensure that all rates and fees are appropriate.

Recommendation

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