

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

YAKIMA VALLEY WASTE SYSTEMS,
INC.,

Petitioner,

Seeking Exemption from the Provisions of
WAC 480-70-346 Relating to Using the
Most Recent 12 Months of Fuel Expense
History

DOCKET TG-230661

ORDER 01

GRANTING EXEMPTION FROM
RULE; ALLOWING TARIFF TO
GO INTO EFFECT, SUBJECT TO
CONDITIONS

BACKGROUND

- 1 On August 11, 2023, Yakima Valley Waste Systems, Inc. (Yakima Valley or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting an exemption from WAC 480-70-346 (Petition).
- 2 WAC 480-70-346 requires solid waste companies filing a rate change based on changes in general operating expenses must update the test period fuel costs using actual fuel costs for the most recent twelve-month period.
- 3 Yakima Valley submits that “the test period covers the months of July 2022 through June 2023. The Company contracted its fuel at a fixed cost for both calendar years 2022 and 2023. The only change to the contract is an adjustment to monthly fuel prices associated with the Washington State Climate Commitment Act (CCA), which the Company quantifies at \$0.70 per gallon. The Company believes that using this number to restate fuel cost in the test period is a more reliable method to capture the costs incurred by the Company.
- 4 Furthermore, the Company submits that “[d]ue to the carbon pricing program that went into effect on January 1, 2023, the company has seen an average increase of \$0.5817 per gallon in 2023 with the Company paying an average \$0.7015 per gallon in August 2023.” The Company further notes, “The \$0.683 amount used in the rate case was based on the Company’s most recent invoice at the time of filing on August 11, 2023.” The Company

therefore requests that that the most current carbon cost of \$0.7015 as calculated by the Company should be allowed into rates.

5 Commission staff (Staff) reviewed the request and recommends granting Yakima Valley's request for exemption in its Petition, subject to the conditions that 12 months from the date of this Order Yakima Valley must file with the Commission: (1) invoices of actual fuel costs incurred over the last 12 months and (2) documentation that the Company has shopped for competitive bids from multiple fuel vendors.

6 Staff observes that because Yakima Waste has fixed fuel pricing through a fuel provider with a 2-year contract period, the Company's fuel expenses are relatively consistent when compared to the general fuel market. By using this contract, the Company can predict the increase in fuel cost, while maintaining the lowest cost to customers. With the Company seeking to adjust the 2022 costs to the more current 2023 fixed cost, the Commission agrees that the method included will allow the Company to ensure the actual costs of operating.

DISCUSSION

7 The Commission agrees with Staff that the Company's Petition should be approved subject to conditions, as noted in paragraph 5 of this Order. Pursuant to WAC 480-07-110, the Commission may, in response to a request or on its own motion, grant an exemption from its own rules when "consistent with the public interest, the purposes underlying regulation, and applicable statutes." As discussed further below, the circumstances of this case justify granting the Company an exemption from WAC 480-70-346, which would normally require the Company to base fuel costs on actual costs from the most recent 12 month period.

8 While the Commission agrees that the tariff rates proposed by the Company should be allowed to go into effect, we are concerned about including in base rates the estimated increased costs of fuel based on a third-party fuel provider's most recent CCA compliance costs. The precise costs of compliance are unknown and likely to remain volatile, and the fuel provider's estimates must be viewed as an estimate, at best. The usual Commission process for fuel cost adjustments beyond the cost knowable and allowed in rates by WAC 480-70-346 is through a fuel surcharge supplement in reaction to observed cost increases. Here, for its anticipated fuel costs, the Company relies on the current price provided by its existing fuel vendor without seeking other competitive bids and without the benefit of substantial carbon allowance auction purchase price history

data. This could result in the rates approved being higher or lower than necessary to cover the actual fuel costs during the rate year without an avenue to adjust those rates before the Company's next general rate case.

9 Similar cases have come before the Commission that includes an estimate of CCA compliance costs. However, because the proposed rates include only the most recent cost, and because there is some evidence that the cost may be greater or lesser than that requested in these tariff revisions, we will allow the tariff to go into effect, subject to the condition that 12 months from the effective date of this Order the Company must file with the Commission: (1) invoices of actual fuel costs incurred over the last 12 months, and (2) documentation that the Company has shopped for competitive bids from multiple fuel vendors.

10 With the conditions described above, we find that the tariff revisions filed on August 11, 2023, as revised on September 22, 2023, are fair, just, reasonable, and sufficient, and may go into effect as filed on October 1, 2023.

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) Yakima Valley 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) Yakima Valley is subject to WAC 480-70-346, which requires solid waste companies filing a rate change based on changes in general operating expenses to update the test period fuel costs using actual fuel costs for the most recent twelve-month period.

14 (4) Under WAC 480-70-051, the Commission may grant an exemption from the provisions of any rule in WAC 480-70, if consistent with the public interest, the purposes underlying regulation and applicable statutes. See also WAC 480-07-110.

- 15 (5) This matter came before the Commission at its regularly scheduled meeting on September 28, 2023.
- 16 (6) After review of the Petition filed in Docket TG-230661 by Yakima Valley on August 11, 2023, and giving due consideration, the Commission finds that the exemption is in the public interest and is consistent with the purposes underlying the regulation and applicable statutes and that the Petition should be granted subject to the conditions that 12 months from the date of this Order Yakima Valley must file with the Commission: (1) invoices of actual fuel costs incurred over the last 12 months and (2) documentation that the Company has shopped for competitive bids from multiple fuel vendors.

ORDER

THE COMMISSION ORDERS:

- 17 (1) After the effective date of this Order, Yakima Valley Waste Systems, Inc. is granted an exemption from WAC 480-70-346, which requires the most recent 12-month actual fuel expense be used during general rate increase filings for the purposes of adjusting the fuel price to the most current effective rate, subject to the conditions noted in paragraph 16 of this Order.
- 18 (2) The tariff revisions filed by Yakima Valley Waste Systems, Inc. on August 11, 2023, and revised on September 22, 2023, are fair, just, reasonable, and sufficient, and may go into effect on October 1, 2023.
- 19 (3) The Commission authorizes the Commission Secretary to accept by letter a filing that complies with the requirements of this Order.
- 20 (4) The Commission retains jurisdiction over the subject matter and Yakima Valley Waste Systems, Inc. to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective September 28, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVE W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner