Service Date: January 26, 2018

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of BASIN DISPOSAL, INC., Petitioner, For An Accounting Order Authorizing a Return on a Deferred Asset	DOCKET TG-170977 ORDER 01 GRANTING ACCOUNTING PETITION AUTHORIZING RETURN ON A DEFERRED ASSET AT THE FEDERAL ENERGY REGULATORY COMMISSION RATE

BACKGROUND

1 On September 15, 2017, Basin Disposal, Inc. (BDI or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition (Petition) pursuant to WAC 480-07-370 requesting an order allowing a return on a deferred expense. The total value of the deferred asset is $1,278,305, of which $355,017 is allocated to regulated operations and is amortized over 10 years.[1] The yearly regulated expense is $35,502. BDI serves approximately 5,500 regulated customers in Benton, Franklin, and Walla Walla Counties.

2 BDI seeks to receive a return on the calculated average investment of $337,266, using the Lurito-Gallagher (LG) rate, which is the ratemaking methodology the Commission employs when setting rates for solid waste companies. Using the LG rate would result in additional annual revenue of $54,824. If the Commission does not accept this proposal, BDI proposes the following two alternatives:

- A return at the Federal Energy Regulatory Commission (FERC) rate, which is currently 4.25 percent.[2] This would result in $14,334 additional annual revenue.
- Shortening the current 10-year amortization period to 5 years. This would double the currently recognized cost, resulting in $35,502 of additional annual revenue, for a total of $71,004 yearly amortized cost.

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1 The numbers are generated from the work papers submitted in Docket TG-170189, the Company's 2017 general rate case. These work papers represent the Company and Commission staff's informal settlement of the rate case filed in that docket.

2 "Interest rates," ferc.gov, accessed January 17, 2018. https://www.ferc.gov/enforcement/acct-matts/interest-rates.asp

History

3 On July 1, 1992, Washington Department of Ecology (Ecology) issued Agreed Order No. DE 92TC-E105 (Agreed Order) pursuant to RCW 70.105D.050(1). This order lists Basin Disposal Company (now BDI) as one of 30 Potentially Liable Parties (PLPs).

4 Since Ecology issued the Agreed Order, the Company has been required to participate in the PLP process to remediate the Pasco Sanitary Landfill located in Pasco, Washington. As a result, the Company has incurred costs in two categories: the yearly legal costs for representation and environmental remediation costs.

5 In the Company's 2013 general rate case in Docket TG–130225, Commission Staff (Staff) recognized legal costs associated with the PLP process, but the Commission ultimately denied their recovery. Instead, the PLP legal costs were deferred, and the Company was allowed a return at the LG rate on the accumulated balance.

6 During the Company's 2017 general rate case in Docket TG-170189, the Company requested recovery of the PLP legal and remediation costs incurred since 2001. As part of an informal settlement, Staff and the Company agreed that BDI should be allowed to recover $1,278,306 (of which 27.7 percent is allocated to regulated operations) in PLP legal costs amortized over 10 years. The parties further agreed that the Company would not receive a return on the deferred balances, but would instead petition the Commission in a separate filing to request a return on the deferred costs.

Accounting Petition

7 The Company is proposing to earn an LG rate on the deferred PLP legal costs. In the alternative, the Company requests the Commission allow a return at the FERC rate, or to recover the deferred cost over a five-year period rather than the 10 years allowed in DocketTG-170189.

8 The Company acknowledges that deferred assets are not typically subject to a return on investment using the LG methodology. Nevertheless, the Company argues the unamortized amounts represent 15 years of unrecognized expenses that adversely impact the Company's equity capital. The Company further contends that recognizing those expenses now for the purposes of calculating a return appropriately compensates the Company for the equity capital depletion that resulted from the prior disallowance of a return of ongoing remediation expenses. Thus, the Company argues that allowing a return on deferred expenses is fully consistent with both the public interest and the principles of LG ratemaking methodology.

9 Staff is opposed to allowing the LG rate of return on the deferred PLP costs because the prior year's PLP legal costs are not "used and useful." In addition, Staff argues that allowing the LG rate would result in excessive returns. Staff also opposes the Company's proposal to shorten the amortization period because it would be inconsistent with the accrual period. Staff does, however, support the Company's proposal to receive a return equal to the current FERC rate. Staff bases its support on a Commission order issued in Docket UE-911476, which allowed deferred environmental remediation costs to be included in a company's working capital calculation. While the order is not directly applicable because the operating ratio model of ratemaking for solid waste companies does not recognize working capital in the same fashion as utilities, Staff is persuaded that a fair return is reasonable due to the delayed recovery of the expenses.

10 At the Open Meeting on January 25, 2018, Staff provided additional details on the agreed mechanics of the compliance filing. The company will submit annually a filing to update the average investment and the FERC rate, using a model similar to the tracker approved in docket TG-170189. The Company will file tariff pages reflecting the rate impact by April 1, 2018, and will submit a 45-day filing (that is, a filing with 45 calendar days' notice to the Commission before taking effect, as required by WAC 480-70-266) with supporting documents and an effective date of January 1 each year, beginning January 1, 2019, for as long as the deferred asset is amortized.

DISCUSSION

11 We agree with Staff that the Company should be allowed a return on the deferred asset at the FERC rate. While the Commission's ratemaking methodology for solid waste companies, the Lurito Gallagher Methodology, does not provide for a return on investment of the deferred expenses at issue here, the specific facts and circumstances in this case support a finding that some return is reasonable and appropriate. The Company and Staff agree that allowing a return on the deferred asset at the FERC rate is a reasonable compromise that fairly compensates the Company for the delayed recognition of costs that could have been expensed. We agree that the compromise is reasonable, approve the Petition, and authorize a return on the deferred asset at the FERC rate, and require the Company to file tariff pages reflecting the rate impact by April 1, 2018, and submit a 45-day filing to update the average investment and the FERC rate, with supporting documents and an effective date of January 1 each year, beginning in January 1, 2019.

FINDINGS AND CONCLUSIONS

12 (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, securities, transfers of property and affiliated interests of public service companies, including solid waste collection companies.

13 (2) BDI is a solid waste collection company and a public service company subject to Commission jurisdiction.

14 (3) WAC 480-07-370 allows companies to file petitions, including the Petition for which BDI seeks approval.

15 (4) Staff has reviewed the Petition filed in Docket TG-170977, including related work papers.

16 (5) Staff believes BDI's proposal to earn a return on the deferred asset identified in the Petition at the FERC rate is reasonable and should be granted, and the Commission should require BDI to file tariff pages reflecting the rate impact by April 1, 2018, and to submit a 45-day filing with supporting documents and an effective date of January 1 each year, beginning in January 1, 2019.

17 (6) This matter came before the Commission at its regularly scheduled meeting on January 25, 2018.

18 (7) After reviewing BDI's petition filed in Docket TG-170977 on September 15, 2017, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be granted, allowing BDI to earn a return on its deferred asset at the FERC rate.

ORDER

THE COMMISSION ORDERS:

19 (1) Basin Disposal Inc.'s request to allow a return on the deferred asset identified in the Petition at the FERC rate is GRANTED.

20 (2) Basin Disposal Inc. must file tariff pages reflecting the rate impact by April 1, 2018.

21 (3) Basin Disposal, Inc. must submit a 45-day filing to update the average investment and the FERC rate with supporting documents and an effective date of January 1 each year, beginning January 1, 2019.

22 (4) 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. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

23 (5) The Commission retains jurisdiction over the subject matter and Basin Disposal Inc. to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective January 26, 2018.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner