



## King County

### Solid Waste Division

Department of Natural Resources and Parks

King Street Center

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July 12, 2013

Steven V. King  
Acting Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S Evergreen Park Drive SW  
PO Box 47250  
Olympia WA 98504-7250

RE: Republic Services – King County Revenue Sharing Agreements

Dear Mr. King:

The purpose of this letter is to provide King County's determinations to the Washington Utilities and Transportation Commission (WUTC) regarding the compliance with RCW 81.77.185 by Republic Services in its revenue sharing agreement (RSA) with King County expiring on July 31, 2013. The letter also conveys support for and certification of a RSA effective from August 1, 2013 through July 31, 2014. Both the current RSA and the proposed RSA apply to all of the following areas:

G-60 Certificate, Tariff No. 27 – Fiorito Enterprises, Inc. & Rabanco Companies, d.b.a. Kent-Meridian Disposal Company, Republic Services  
G-12 Certificate, Tariff No. 25 – Rabanco Ltd, d.b.a. SeaTac Disposal, Republic Services  
G-12 Certificate, Tariff No. 11 – Rabanco LTD & Rabanco Recycling, Inc., d.b.a. Eastside Disposal, Container Hauling, Rabanco Companies, Issaquah Division, Rabanco Connections, Republic Services

### **Compliance Determination for Past and Current Agreements**

All of King County's RSA's split the scopes of work and budgets into two parts: Part A for the first nine months and Part B for the final three months. In order to meet the 45-day tariff filing requirements, RSA's specify that we will defer evaluation for Part B of each RSA until the following year. Consequently, this compliance determination refers both to the Part B May-July 2012 period from 2011-2012 RSA's, and also to the Part A August 2012-April 2013 period of the current RSA.

King County is satisfied that Republic has complied with the terms of the RSA's, and to the best of our knowledge, the expenditures reported by Republic are justifiable and appropriate. Consequently, we recommend that WUTC allow Republic to retain revenues sufficient to reimburse the company for these expenditures. Republic has provided us with detailed summaries of all program activities and associated costs. We have provided this information to WUTC staff.

### **Performance Bonuses for Current Agreement**

Consistent with WUTC's May 30, 2012 Interpretive and Policy Statement, King County's current RSA with Republic includes an opportunity for Republic to earn incentive bonuses equal to 5 percent of program expenditures if specific performance benchmarks are attained. The RSA specifies that Republic may retain 4 percent if the percentage of materials diverted from disposal increases, and 1 percent if the percentage of single family garbage customers who subscribe to organics (yard/food waste) collection increases (using average monthly customer counts). In both cases, the increase is measured by comparing the 12-month period of May 2012-April 2013 with the previous 12-month period.

The methodology for calculating these percentages is complicated by the fact that Republic's regulated areas in King County were significantly reduced during this two-year period due to cities assuming collection authority of annexed areas. These annexed areas are usually urban neighborhoods comprised of residents that are comparatively high-performing recyclers. If they are included in calculations, the results will usually be skewed unfairly downwards. Consequently, both Republic and King County agreed to base bonus calculations only on areas that were regulated for the entire two-year period.

Based upon the monthly data reports provided to King County by Republic, we find that the company is eligible for the 1% bonus for increasing organics subscriptions from 45% of garbage customers in the base year to 46.2% in the second year. We also find that Republic did not meet the criteria for retaining a 4% bonus for increasing the diversion percentage. The diversion percentage dropped from 47.5% in the base year to 46.8% in the second year.

We would note, however, that if organics are excluded from the calculation, the diversion rate for recyclables increased in the same time periods. All of the decrease in the diversion rate is thus due to reductions in organics tonnage, even though the percentage of organics subscribers increased. This strongly suggests that the decline is largely explained by weather-related reductions in yard waste. While we have not done a county-wide analysis for the period, we do note that countywide single family organics tonnage was down 5% in the first quarter 2013 as compared with the first quarter 2012.

**New consolidated agreement for August 1, 2013 – July 31, 2014**

Republic Services and King County have come to an agreement on a new RSA and associated budget for its service areas within King County for the period beginning August 1, 2013, and ending July 31, 2014. A copy of the RSA signed by both parties has been transmitted to you by Republic Services. The agreement is divided into two parts to accommodate filing deadlines. Part A will run August 1, 2013 – April 30, 2014. Part B will run May 1 – July 31, 2014.

We recommend that the Washington Utilities and Transportation Commission (WUTC) allow Republic Services to retain up to 50% of the revenues from the sale of commodities generated during the 2013-2014 RSA period to implement the program activities described in the RSA. The County will hold quarterly meetings with Republic to ensure that planned activities are on track and make adjustments to the RSA if projected revenues are lower than projected.

**King County certification of new agreement**

In my position as Solid Waste Division Director, I have been delegated the authority to make the certification of this agreement as required in RCW 81.77.185. I hereby certify that the agreement submitted to you by Republic Services is consistent with the King County Comprehensive Solid Waste Management Plan.

Thank you for the opportunity to provide these comments and letter of certification for Republic Services' revenue sharing agreement with King County. If you have any questions, please contact Bill Reed, Program Analyst, at 206-296-4402, or [bill.reed@kingcounty.gov](mailto:bill.reed@kingcounty.gov).

Sincerely,



Pat D. McLaughlin *For*  
Division Director

Enclosure

cc: Jeff Borgida, General Manager, Republic Services of Bellevue  
Dennis Manes, General Manager, Republic Services of Kent  
Connor Vander Zalm, Senior Market Analyst, Republic Services  
Bill Reed, Program Analyst, Recycling and Environmental Services, Solid Waste  
Division

