

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant

v.

WASTE MANAGEMENT OF
WASHINGTON, INC., d/b/a WASTE
MANAGEMENT – NORTHWEST,

Respondent.

.....
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant

v.

WASTE MANAGEMENT OF
WASHINGTON, INC, d/b/a WASTE
MANAGEMENT – SNO-KING,

Respondent.

.....
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

WASTE MANAGEMENT OF
WASHINGTON, INC., d/b/a WASTE
MANAGEMENT – SOUTH SOUND,
WASTE MANAGEMENT OF SEATTLE,

Respondent.

DOCKETS TG-101220, TG-101221
and TG-101222 (consolidated)

DECLARATION OF DAVID
GOMEZ IN SUPPORT OF
COMMISSION STAFF MOTION
FOR SUMMARY
DETERMINATION

I, DAVID GOMEZ, declare as follows:

1 I am the Deputy Assistant Director of the Solid Waste, Water, and Transportation Section of the Regulatory Services Division of the Washington Utilities and Transportation Commission (“Commission”). I have held that position since May 2007. I am primarily responsible for leading special projects to review emerging issues in regulated transportation and water industries, and develop and implement program changes to address the emerging issues. I participate in the most complex rate cases and policy issues; review work performed by staff members to ensure consistency in applying regulatory principles and accuracy in results; lead the development and implementation of new approaches to rate audits, application of regulatory accounting principles and development of transportation policy; represent the commission on committees and forums involving regulated transportation industries; and, assist the Assistant Director as required. Before I assumed my current position, I held a number of public and private sector professional positions in policy, procurement and operations. My resumé is attached as Exhibit A.

2 I hold a Master of Business Administration from the University of St. Thomas, St. Paul, Minnesota. I have completed both graduate and post-graduate studies in operations, statistics and finance. I hold a number of professional certifications in procurement and operations.

3 The primary method that the Commission uses for determining rates for the solid waste industry is the modified operating ratio method known as the Lurito-Gallagher methodology. In accordance with orders entered in Dockets TG-900657/TG-900658, the Commission applies the Lurito-Gallagher methodology to recycling services. I have four years of experience in using the Lurito-Gallagher methodology, and I am very familiar with

it.

4 I applied the Lurito-Gallagher methodology to the figures that Waste Management submitted in the “King and Snohomish County Revenue Sharing Plan Budget, 2010-2011 plan year.” I used a revised version of the budget that I received on June 16, 2011, from Mike Weinstein (attached as Exhibit B). I understand that Mr. Weinstein is the Senior Area Pricing Manager for Waste Management’s Pacific Northwest Market Area. The budget combines figures from all three respondents in these consolidated dockets.

5 The budget Waste Management submitted contains a line item entitled “Total investment allocated to WUTC customers,” which apparently represents WUTC customers’ share of the cost of the optical sorting equipment Waste Management has installed at its Cascade Recycling Center (CRC). In my analysis, I removed it from the calculation, treating it as a contribution, similar to a Contribution in Aid of Construction (CIAC) that is common in utility regulation. The results I obtained from my analysis are shown in the table below:

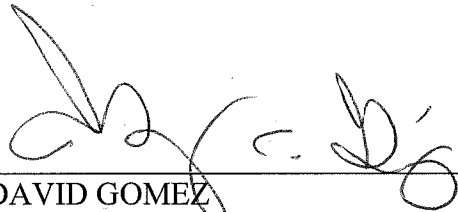
	King County	Snohomish County
1. Estimated Revenue Sharing Retained by Company	\$621,750	\$1,210,850
a. Total Budgeted Expenses and CRC Contribution	\$571,900	\$1,114,100
b. Less; CRC Contribution	\$162,000	\$321,000
c. Net; Budgeted Expenses (Line “1a” minus Line “1b”)	\$409,900	\$793,100
2. Company Proposed Return (8 percent of “Revenue Sharing Retained by Company”; Line “1”)	\$49,850	\$96,750
3. Company Proposed Percent Return on Net Budgeted Expenses (Line “2” divided by Line “1c”)	12%	12%
4. Lurito-Gallagher Allowable Return on Net Budgeted Expenses (Line “1c”)	\$9,330	\$20,337
5. Lurito-Gallagher Allowable Percent Return on Net Budgeted Expenses (Line “1c”)	2.3%	2.6%

6 I conclude that the budget Waste Management has submitted in the 2010-2011

Recycling and Commodity Revenue Sharing Plans for King and Snohomish Counties, including the proposed rate of return, would provide Waste Management with earnings in excess of what the Lurito-Gallagher methodology would permit.

7 I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct:

Executed on this 21 day of June, 2011, at Olympia, Washington.



DAVID GOMEZ

Wash. Utils. & Transp. Comm'n v. Waste Management - Northwest
Docket TG-101220

Wash. Utils. & Transp. Comm'n v. Waste Management – Sno-King
Docket TG-101221

Wash. Utils. & Transp. Comm'n v. Waste Management – South Sound, Seattle
Docket TG-101222

EXHIBIT A
to DECLARATION OF DAVID GOMEZ

Resumé of David C. Gomez

David C. Gomez; CPPO, C.P.M., CPIM, CIRM
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PROFILE

Results oriented professional with 26 years of diverse experience in both the public and private sector. Strong track record of superior performance. Demonstrated skills in developing and implementing policy, as well as advanced proficiency in management, data analysis and interpretation. Expert level knowledge of operations and supply chain (both public and private sector). Comfortable assuming leadership and responsibility of high visibility programs and projects. Sets a high standard for the achievement and meeting of goals and objective on-time and within costs.

PROFESSIONAL EXPERIENCE

Washington State Government, Olympia, Washington – 2003 to present

Utilities and Transportation Commission, Deputy Assistant Director (May 2007 to present)

Provide policy guidance, coordinate and direct work of project team members and manage workload and work product generated by the water and solid waste section's regulatory staff.

- Oversee rates, service areas, safety, and business practices of regulated public utilities (water and solid waste) with \$323 million in annual revenue and 1.4 million customers.
- Led group of University of Washington student's review of the Lurito-Gallagher model currently used in determining rates for solid waste companies.
- Proposed policies and plans in support of a strategic initiative to improve the regulation of investor-owned water utilities.
- Successfully oversaw to completion one of the most complex and contested water utility rate cases in the commission's history.

General Administration, Facilities Project Analyst (Sept 2006 – May 2007)

Assigned numerous responsibilities in support of the director for a facilities division responsible for managing \$1.6 billion of the state's inventory of leased and owned facilities. Charged with examining the division's current level of performance relative to industry benchmarks for cost, quality, and productivity.

- Provided analysis and recommendations to improve the delivery of over \$13 million in annual custodial services;
- In 8 months, developed, from scratch, performance measures and reporting for the division's 8 programs;
- Responsible for the negotiation strategy and approach for a \$1.1 million contract for law enforcement and security of the state's capitol campus;
- Developed data mining techniques across 3 different information systems. As a result, baselined \$36 million in agency spending and categorized over 3000 suppliers to enable the development of a comprehensive strategy to significantly improve participation of Women and Minority Business Enterprises.

State Auditor, Performance Audit Manager (Jan – Sept 2006)

Accountable for researching and developing scope and objectives, as well as, executing all aspects of a performance audit in compliance with the Government Accountability Office's "Yellow-Book" Standards".

- Identified opportunity to improve the efficiency and effectiveness of the Washington State Department of Transportation's (WSDOT) \$28 million in consumable inventories;
- Utilized extensive background in contracting and procurement to develop performance based model/best practice for outsourcing \$9 million in annual auditing work;

- Developed stakeholder engagement strategy to gather information and background in order to develop a performance audit plan for the 3rd largest agency in Washington State, the Department of Labor and Industries.

General Administration, Unit Manager for Strategic Sourcing and Competitive Contracting (Jul 2003 – Jan 2006)

Responsible for consulting on legal and procedural requirements with agencies considering competitive contracting (outsourcing) as well as managing the successful planning and execution of the state's strategic sourcing program.

- Assigned 4 senior level purchasing professionals tasked to achieve between \$22 to \$50 million in savings within 12 months (delivered \$35 million);
- Managed all aspects of a \$2 million performance based agreement with a leading national strategic sourcing consultant;
- Conceived and developed performance measures for reporting the program's progress to the Governor;
- Used expert level understanding of outsourcing to deliver on the first element of the state's vision for overhauling its personnel system (Personnel Systems Reform Act of 2002). Required collaboration with over 900 stakeholders with diverse and conflicting expectations (Business, Agencies, and Labor Unions);
- Since implementation in July of 2005, the competitive contracting process has saved the state \$12 million.

Intel Corporation, DuPont, Washington - 2000 to 2003

Project Manager; eBusiness Group (Jul 2001 - Jul 2003)

Managed 2 separate projects: 1) Integration of Supply Chain Applications for a \$200 million acquired division and 2) Planning and execution of and integrated test of Intel's implementation of a new Indirect Capital Equipment eProcurement System for the Fab/Sort Manufacturing Group.

- Led product data management, quality, indirect procurement, materials, and planning teams to complete the 1st phase of deployment to Intel systems, methods, and processes. Identified over \$100K in savings as a result;
- Developed test metrics, methodologies, and process "cookbook" being used throughout the eBusiness Group;
- Completed 2 of 3 planned projects achieving all major objectives assigned and zero post release discrepancies. Third release planning completed and handed off to new Test Lead;
- First project manager in my team to achieve the designation of Certified Software Test Engineer (CSTE).

Commodity Specialist; Component & Systems Material Organization (Jun 2000 - Jul 2001)

Assigned 10 sustaining and 9 new product introduction programs simultaneously for Intel's chassis/sheet metal commodities. Negotiated with strategic suppliers on worldwide agreements covering numerous plants.

- Succeeded in achieving \$399K in direct and indirect savings in less than 10 months;
- Completed 24 month prescribed training plan in 6 months;
- Performed supplier quality and business systems audits via Intel's Standardized Supplier Quality Assessment (SSQA) methodology based on the following standard requirements:
 - ANSI/ISO/ASQC Q9001,
 - Malcolm Baldrige National Quality Assessment,
 - Semiconductor Manufacturing Technology consortium (SEMATECH), and
 - Motorola Corporation's Quality System Review (QSR) process.

Beckman Coulter, Inc., Chaska, Minnesota – 1995 to 2000

Commodity Specialist

Responsible forecasting, inventory management and control, and acquisition of electro-mechanical commodities totaling \$6.5 million for a \$250 million division of a multi-billion dollar medical device manufacturer. Developed and implemented strategies to maximize material availability while minimizing investment in inventories.

- Eliminated stock-outs, reduced lead-time, and minimized safety stocks by instituting JIT deliveries. This led to \$817K in less inventory than what was forecasted for the commodity;
- Recognized as one of Beckman Coulter's top operations employees through "Circle of Excellence" in 1999;
- Saved over \$1 million (15% of my assigned spend) over 5 years;
- Developed and implemented division wide automated delivery metric used in evaluating vendor and inbound freight carrier performance;
- Selected as the materials team lead to develop the next generation diagnostics platform;
- Provided work direction for procurement staff in support of instrument manufacturing operations and projects;
- Cross trained in auditing existing and potential suppliers to division, corporate, FDA, and ISO requirements;
- Certified by ANSI/RAB as an ISO 9000 Lead Auditor (Quality System/FDA Focus).

Norwest Banks (Wells Fargo), Minneapolis, Minnesota – 1994 to 1995

Operations Manager

Responsible for a remittance processing (cash management) operations group of 60 bankers and 4 supervisors.

- Successfully implemented a new automated "lockbox" processing system and workflow while maintaining quality and productivity standards;
- Reduced employee turnover from 10% to just fewer than 2%;
- Promoted to Bank Officer.

Rosemount Measurement Division, Chanhassen, Minnesota – 1989 to 1994

Senior Buyer (1991 -1994)

Forecasted, planned, and acquired over \$7.5 million in materials for a high-tech manufacturing operation. Responsible for developing and executing strategy for commodities assigned and in support of division and corporate strategic objectives.

- Reduced lead-time from 4 to 2 weeks without increasing inventory for critical make to order assemblies in support of division strategy to be the best MRO provider. Recognized by the division for this effort;
- Reduced average lead-time from 6 to 4 weeks while significantly improving inventory turn within 1 year of assuming position;
- Conducted technical evaluations and audits of domestic and international suppliers;
- Significantly improved inventory performance and service level through a combination of supply chain improvements, performance metrics, and contractual expectations.

Group Supervisor (1989 -1991)

Managed 25 highly skilled production staff in a fast paced high technology environment. Led and facilitated continuous improvement efforts. Managed results through performance metrics for productivity and quality.

United States Marine Corps, Camp Pendleton, California – 1985 to 1989

Artillery Officer

Assigned the duties of Executive Officer, Platoon Commander, and Liaison Officer and additional duties as unit maintenance and supply officer coordinating inspections of equipment and personnel to ensure maximum operational readiness.

- Responsible for 149 Marines and \$15 million in government assets.
- Successfully led complex and hazardous operations under difficult conditions.

Education:

1990 – 1994	University of St. Thomas St. Paul, Minnesota	MBA, Manufacturing Systems
1981 – 1985	Hamline University St. Paul, Minnesota	BA, Business Administration

Languages: Fluent in Spanish (Validated by DoD Examination as S3/R3)

Professional Certifications; David Gomez

CPPO

The Certified Public Procurement Officer (CPPO) designation reflects established standards and competencies for those engaged in governmental purchasing, and attest to the purchaser's ability to obtain maximum value for the taxpayer's dollar. The trend in governmental purchasing is for mandatory certification of procurement professionals. This designation communicates to the taxpayer that the public employee who manages tax dollars has reached a specific level of education and experience and is knowledgeable about government purchasing. This designation establishes a standard by which qualifications of any public procurement official could be evaluated for a managerial or supervisory level position in public procurement.

CPM

The Certified Purchasing Manager (C.P.M.) designation is globally the most recognized designation for supply management professionals. The program is designed for experienced supply managers, and focuses on managerial and leadership skills, plus a variety of specialized functions designed to enhance the value of the profession. To compete in today's environment, supply managers must learn to think strategically, broaden their perspective, and view themselves as service providers.

C.I.R.M.

The Certified in Integrated Resource Management (CIRM) designation demonstrates competence in achieving collaboration among organizational resources such as product development, marketing/sales, human resources, finance, and operations. Competencies validated through certification:

- Understanding strategy and role of the value-driven enterprise
- Collaborating with internal and external suppliers for enhanced profitability
- Initiating and managing change within the organization
- Understanding the integrated planning of supply chain resources and business processes required to deliver products and services to customers
- Translating customer demand into requirements for value-added products and services
- Converting a need into a product or service that meets the expectations of customers
- Applying strategic decision-making skills to solve enterprise wide issues

C.P.I.M.

The Certified in Production and Inventory Management (CPIM) is designed for manufacturing professionals on essential terminology, concepts, and strategies related to demand management, procurement and supplier planning, material requirements planning, capacity requirements planning, sales and operations planning, master scheduling, performance measurements, supplier relationships, quality control, and continuous improvement. Competencies validated through certification:

- Functional knowledge of production and inventory management
- Improving efficiency across the processes of the organization's supply chain
- Streamlining operations through accurate forecasting
- Predicting outcomes more accurately
- Maximizing customer satisfaction by delivering products and services Just-in-Time
- Increasing profitability by optimizing the organization's inventory investment

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Docket TG-101222

EXHIBIT B
to DECLARATION OF DAVID GOMEZ

King and Snohomish County Revenue Sharing Plan Budget
2010-2011 plan year (revised June 16, 2011)

King and Snohomish County Revenue Sharing Plan Budget

2010 - 2011 plan year

Attachment B

	King County <u>Cost</u>	Snohomish County <u>Cost</u>	<u>Total</u>	<u>Comments/Notes</u>
<u>Customer Counts:</u>				
Residential	<u>40,000</u>	<u>80,000</u>	<u>120,000</u>	
	<u>33.3%</u>	<u>66.7%</u>	<u>100.0%</u>	
<u>Tonnage:</u>				
Residential and Multi-Family WUTC tonnage	<u>16,200</u>	<u>32,100</u>	<u>48,300</u>	
	<u>33.5%</u>	<u>66.5%</u>	<u>100.0%</u>	
Total Recycling Tonnage processed by CRC	<u>56,000</u>	<u>44,000</u>	<u>140,000</u>	Total tonnage processed at CRC including 40,000 tons outside King and Snohomish County.
	<u>40.0%</u>	<u>31.4%</u>	<u>71.4%</u>	
% of Tonnage processed at CRC that is from WUTC customers	<u>28.9%</u>	<u>73.0%</u>	<u>34.5%</u>	
<u>Revenues:</u>				
Total Projected Commodity Revenue	<u>\$ 1,243,500</u>	<u>\$ 2,421,700</u>	<u>\$ 3,665,200</u>	
Estimated Revenue Sharing (50%) retained by Company	<u>\$ 621,750</u>	<u>\$ 1,210,850</u>	<u>\$ 1,832,600</u>	
<u>Expenditures:</u>				
<u>Allocated Labor Costs(see detail below)</u>				
Labor Cost Total	<u>\$ 104,700</u>	<u>\$ 209,500</u>	<u>\$ 314,200</u>	
<u>Printed Materials</u>				
Bill Inserts (4 residential)	\$ 40,000	\$ 80,000	\$ 120,000	Cost of bill inserts per customer - \$0.25
Residential Brochure & Calendar	\$ 64,000	\$ 128,000	\$ 192,000	Cost of residential brochure per customer - \$1.60
Garbage Service Promotional Mailing	\$ 6,300	\$ 18,800	\$ 25,100	Cost of promotional mailing per customer - \$1.25
Weekly YW pilot notification/education	\$ 13,200	\$ 13,500	\$ 26,700	Cost of YW pilot notices - \$1.25/customer
Printed Materials Total	<u>\$ 123,500</u>	<u>\$ 240,300</u>	<u>\$ 363,800</u>	
Winter Weekly YW Pilot Routing operational Costs	<u>\$ 36,800</u>	<u>\$ 37,000</u>	<u>\$ 73,800</u>	KC - Federal Way / SC - Bothell Annexation Area
<u>Professional & Marketing Fees</u>				
Post-weekly YW Phone Survey	\$ 19,800	\$ 20,200	\$ 40,000	
Media Campaign (incl. radio) promoting food and yard waste subscription/participation	\$ 23,300	\$ 64,700	\$ 88,000	Includes two ad campaigns in SC and one in KC
Multifamily Survey	\$ 10,000	\$ 20,000	\$ 30,000	
Recycling and waste reduction ad campaign	\$ 23,400	\$ 64,800	\$ 88,200	Includes two ad campaigns in SC and one in KC
Clean Cart Challenge	\$ 21,700	\$ 43,300	\$ 65,000	
Cascadia Consulting - Recycling Sorts	\$ 26,700	\$ 53,300	\$ 80,000	
General Customer Focus Groups	\$ 20,000	\$ 40,000	\$ 60,000	
Professional & Marketing Fees Total	<u>\$ 144,900</u>	<u>\$ 306,300</u>	<u>\$ 451,200</u>	
Total Budgeted Expenses	<u>\$ 409,900</u>	<u>\$ 793,100</u>	<u>\$ 1,203,000</u>	

King and Snohomish County Revenue Sharing Plan Budget

2010 - 2011 plan year

Attachment B

	<u>King County Cost</u>	<u>Snohomish County Cost</u>	<u>Total</u>	<u>Comments/Notes</u>	
<u>Total Capital</u>					
Optical sorting for plastics	\$ 700,000				
Optical sorting for paper	\$ 700,000				
	<u>\$ 1,400,000</u>				
% of Total CRC Tonnage from WUTC customers	<u>34.5%</u>				
Total investment allocated to WUTC customers	<u>\$ 483,000</u>	<u>\$ 162,000</u>	<u>\$ 321,000</u>	<u>\$ 483,000</u>	CRC Capital Improvements are allocated proportionately based on the amount of tonnage processed from WUTC customers in King and Snohomish Counties.
Total 2010-2011 Budgeted Expenses and Capital	<u>\$ 571,900</u>	<u>\$ 1,114,100</u>	<u>\$ 1,686,000</u>		
Net Revenue retained by Company	<u>\$ 49,850</u>	<u>\$ 96,750</u>	<u>\$ 146,600</u>		
	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>		

<u>Labor Cost Allocation</u>	<u>Annual Hours</u>	<u>Cost/Hr.</u>	<u>Cost</u>	<u>Comments/Notes</u>	
Labor Associated with monthly reporting requirements (Ryan & Amanda)	2,600	\$ 38.00	\$ 98,800	Ryan: 20% - because Ryan is required to manage recycle sorts, generate data using SMART and MAS, and populate reports for both cities and UTC customers. & Amanda: 25%; Data Entry: 80%	
Labor costs associated with contract management/implementation (Katie/Emily)	1,040	\$ 68.10	\$ 70,800		Katie/Emily - 25% time each
Labor costs associated with management of website and public education development (Emily Newcomer/Rita)	1,040	\$ 68.10	\$ 70,800		Emily/Rita - 25% time each
Labor associated with Yard Waste cart "welcome bags"	500	\$ 68.10	\$ 34,100	100 hours each	
Operational cost associated with weekly yard waste pilot (truck, fuel, labor, etc.)	400	\$ 68.10	\$ 27,200	Emily/Laura/Will/Katie - 100 hours each 70%	
Labor Associated with staffing public events Intern staffing	500	\$ 25.00	\$ 12,500		
Labor Cost Totals	<u>6,080</u>		<u>\$ 314,200</u>		