



King County

Solid Waste Division

Department of Natural Resources and Parks

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November 18, 2011

David W. Danner, Secretary and Executive Director
Attention: Gene Eckhardt, Assistant Director
Washington State Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

RE: King County Certification and Report: Docket No. 111814 and 111815

Dear Mr. Danner:

The purpose of this letter is to provide King County's (County) determinations regarding the revenue sharing compliance with RCW 81.77.185 by Waste Management of Washington, Inc. (Waste Management). This letter conveys support for and certification of the new revenue sharing plan (Plan) that will extend revenue sharing programs in King County through August 31, 2012. It also reports the County's findings regarding Waste Management's performance under the previous revenue sharing plan from August 31, 2010 to November 31, 2011. The plans referenced herein apply to the areas defined in Tariff 15 (Waste Management – Sno-King) and Tariff 22 (Waste Management – South Sound & Seattle) in Waste Management's G-237 certificated territory within King County.

2011 - 2012 Plan

Waste Management and King County have come to an agreement on a new recycling plan for the Sno-King and South Sound & Seattle service areas within King County for the period beginning December 1, 2011, and ending August 31, 2012. A copy of the Plan signed by both parties and certified by King County as being in compliance with its current Solid Waste Management Plan is being transmitted to you by Waste Management concurrently with this letter.

We recommend that the Washington Utilities and Transportation Commission (WUTC) allow Waste Management to retain 30 percent of the revenues from the sale of commodities generated during the 2011 - 2012 Plan period to implement the program activities described in the Plan. The County believes the Plan activities demonstrate how the retained revenue will be used to increase recycling, as required by RCW 81.77.185. "Recycling," as defined in RCW 70.95.030, means "transforming or remanufacturing waste materials into usable or marketable materials for use other than landfill disposal or incineration." The benefits to the County and our collective customers are significant.

The Plan establishes performance standards under which Waste Management is eligible to earn financial rewards for its role in increasing recycling in King County. We believe those performance standards are consistent with Chapter 70.95 RCW, and with WUTC's orders. The

activities identified in this agreement are not requirements or costs that are built into Waste Management's WUTC tariff rates. The Plan instead specifically allows for Waste Management to earn a financial incentive, to be determined at the end of the period covered by this Plan in accordance with the company's ability to achieve the performance standards. The proposed budget projects revenues and estimates expenses for the activities identified in this Plan. It also earmarks funds to be potentially earned by Waste Management, but does not guarantee the company those financial rewards, unless Waste Management has been able to meet the performance standards.

2010 - 2011 Plan

In June of 2010, the County provided initial certification of the September 2010 - August 2011 Plan, and recommended that Waste Management retain 50 percent of the commodity revenues generated during the Plan's time period. As a result of uncertainties created during administrative proceedings, the 2010 - 2011 Plan was extended upon recommendation of the County and approval of WUTC through November 30, 2011.

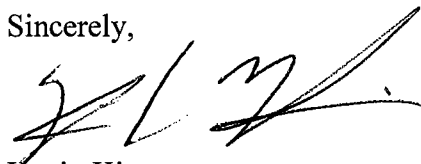
The 2010 - 2011 Plan included a budget in which Waste Management was allowed to retain eight percent of retained revenues as a reward for successful implementation of the Plan. This concept was recently rejected by WUTC. Nevertheless, King County is satisfied with Waste Management's performance during the 2010 - 2011 Plan period, and we believe Waste Management deserves to be compensated for its costs and rewarded for its successes.

Consequently, King County requests that the performance standards and compensation methodologies developed for the 2011 - 2012 plan be applied to the 2010 - 2011 Plan to determine the amount of funds that Waste Management is allowed to retain for successfully implementing the Plan. Using these criteria, Waste Management has met the performance standards that objectively measure its success. It made program expenditures to implement the Plan and incurred the costs of doing so. It increased food and yard waste subscriptions by 0.7 percent. It increased the amount of solid waste diverted from landfill disposal by 1.2 percent. And it secured markets for paper commodities that exceed the industry standard by \$254,000, or 14 percent.

We have reviewed and approved Waste Management's calculation of funding that the Company requests to retain for implementing the 2010 - 2011 Plan, and we understand that this request has been presented to WUTC in the context of the tariff filing for the next period's rebate. King County urges WUTC to approve the rates submitted by Waste Management.

Thank you for the opportunity to offer our comments and support for the recycling plans developed by Waste Management and King County. If you have any questions, please contact Bill Reed at 206-296-4402, or bill.reed@kingcounty.gov.

Sincerely,



Kevin Kiernan
Division Director