

Docket No. TG-940411 Exhibit No. T ____ (RGC-1)
Witness: Robert G. Colbo

BEFORE THE
UTILITIES AND TRANSPORTATION COMMISSION
OF THE
STATE OF WASHINGTON

In the Matter of
KING COUNTY DEPARTMENT OF PUBLIC
WORKS, SOLID WASTE DIVISION

TESTIMONY
OF
ROBERT G. COLBO
Transportation Program Consultant

June 1994

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION	
No. TG-940411	Ex. T-88v

1 Q. Would you please state your name and business address?

2 A. My name is Robert Colbo. My business address is 1300 South
3 Evergreen Park Drive S.W., P.O. Box 47205, Olympia,
4 Washington 98504-7250.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by the Washington Utilities and Transportation
7 Commission (WUTC or Commission) as a Transportation Program
8 Consultant.

9 Q. Have you reduced a summary of your qualifications and
10 experience into exhibit format?

11 A. Yes I have. Please see Exhibit____(RGC-2).

12 Q. Were all of the exhibits and testimony sponsored by you here
13 today either prepared by you or under your supervision?

14 A. Yes they were.

15 Q. Are they all true and correct to the best of your knowledge
16 and belief?

17 A. Yes they are.

18 Q. What will you be testifying to in this proceeding?

19 A. I will testify to the evolution and process by which the
20 Commission regulates privately owned solid waste carriers in
21 this state, and the substantial effort undertaken by the
22 Commission in recent years to encourage waste reduction and
23 recycling.

24 Q. Historically, how has the Commission regulated solid waste
25 collection rates?

26 A. The Commission began regulating solid waste carriers in

1 1961, under RCW Titles 81.04 and 81.77. Under RCW
2 81.04.250, the Commission is required to establish rates
3 which are just, reasonable, and sufficient. In the past, a
4 flat 93 to 94 percent operating ratio was used to establish
5 an overall revenue requirement. That is to say, for every
6 93 or 94 cents of expense prudently incurred by the carrier
7 in providing service, the Commission approved rates
8 generating one dollar in revenues to cover those expenses,
9 plus interest, Federal Income Taxes, and the opportunity for
10 a profit.

11 Q. Is a flat operating ratio still used?

12 A. No. In 1988, the Commission modified the operating ratio
13 methodology in Cause TG-2016 et. al. so that the revenue
14 requirement would be determined by a variable percentage
15 rather than a fixed one. This new model is called the
16 Lurito/Gallagher curve, named after the consultants retained
17 by the Staff in its case. The Lurito/Gallagher curve
18 considered the carriers' rate base, Federal Income Tax rate,
19 revenues, and expenses in arriving at a target operating
20 ratio. Generally, the greater the investment, the lower the
21 operating ratio and the higher the revenue requirement.
22 Conversely, a company with older, fully depreciated
23 equipment (or one that leases its assets) would receive a
24 higher operating ratio and lower overall revenue
25 requirement.

26 Q. How were rates to be spread among the various customer

1 classes?

2 A. The order made clear the Commission's intent that in the
3 future the Staff should no longer just be concerned with the
4 revenue requirement issue alone, but also with the specific
5 rate design of the proposed tariff. The order required that
6 all future solid waste filings of the large solid waste
7 carriers include a cost of service study.

8 Q. What is a cost of service study and how does it work?

9 A. A cost of service study is a mathematical model that
10 determines the costs of providing each specific service
11 offered. First, all expenses incurred by the company are
12 segregated into certain major categories (labor, dump fees,
13 fuel, repairs, depreciation, overheads, taxes, etc.). Then
14 those expenses are assigned or statistically allocated to
15 the various types of services offered in proportion to the
16 resources consumed in the provision of that service.
17 Experience suggests that time (labor and equipment hours)
18 and disposal fees (weight or yardage) are the two major cost
19 components of providing service.

20 Q. Have any further refinements been made in setting regulated
21 solid waste rates since Cause TG-2016 et.al. in 1988?

22 A. Yes, the issue was revisited in 1990, in Causes TG-900657
23 and TG-900658. Another series of hearings was held to
24 consider whether any new revenue requirement methodologies
25 should be tried. The issue at hand was the tremendous
26 investment expected to be necessary to implement impending

1 recycling programs. In the Fourth and Fifth Supplemental
2 Orders dated December 10, 1991, the Commission modified the
3 Lurito/Gallagher formula to the extent that in addition to
4 the inputs previously mentioned, each carrier's specific
5 capital structure, weighted cost of debt, and Federal Income
6 Tax rate is used. The output from the formula is still a
7 variable operating ratio largely driven by overall return on
8 investment.

9 Q. So with respect to revenue requirement, it appears to have
10 been a further refinement of the basic process. What about
11 the rate design?

12 A. The concept of cost of service did not change. However,
13 during this process another series of events was taking
14 place with far reaching implications.

15 Q. What was that?

16 A. On July 1, 1989, House Bill 1671 (Chapter 431, Laws of 1989)
17 became effective introducing several new elements into the
18 solid waste regulatory picture. This new legislation,
19 called the Waste Not Washington Act (the Act), imposed
20 additional requirements on the Commission directing that
21 regulated haulers have rate structures and billing systems
22 that are consistent with the state's solid waste management
23 priorities. See RCW 81.77.030(6). Those priorities are (as
24 called for in the Act and in descending order of importance)
25 waste reduction; recycling, with source separated recycling
26 preferred; disposal of separated waste; and, disposal of

1 mixed waste. See RCW 70.95.010(8).

2 Q. Did this impact the Commission's decision in Cause TG-
3 900657/8?

4 A. Yes. It established the context of the environment at the
5 time the two Causes were being heard. It set in motion a
6 dialogue between the solid waste industry, the Commission
7 and its Staff, and various local officials. Essentially the
8 question at issue was: "Where do we go from here?" In
9 order to encourage waste reduction and recycling, does the
10 Commission keep using a cost based variable rate approach,
11 or does it begin using some sort of "linear" or "inverted"
12 variable rates, known more generally as "incentive" rates?

13 Q. What happened next?

14 A. A "Notice of Inquiry on Solid Waste Collection Rate Design"
15 (NOI) was initiated by the Commission and assigned Docket
16 TG-901250 on November 7, 1990. See Exhibit____(RGC-3). The
17 Commission was particularly desirous of viewing any
18 empirical data that might exist linking price to observable
19 changes in customer behavior. Comments and opinions about
20 the entire question of cost or incentive based volume rates
21 were solicited from a broad range of interested parties,
22 including King County and the city of Seattle.

23 Q. What was the outcome of that process?

24 A. A preliminary report was issued in October, 1991 -- by that
25 time well into the NOI process. That report stated on page
26 1 of the Executive Summary that before any final decisions

1 could be made, more information was needed "... about the
2 technical ~~feasibility~~^{feasibility} of an avoided cost methodology and the ^{all}
3 feasibility of altering existing cost of service
4 assumptions." The Staff was directed to conduct a workshop
5 seeking additional information from local government
6 representatives, consultants, and other technical experts.

7 Q. Did those workshops take place?

8 A. Yes, they were held on March 5th and 6th, 1992, in Tacoma,
9 Washington. Day one dealt with cost of service issues and
10 day two concerned avoided costs and incentive rates. King
11 County and the city of Seattle were full participants in the
12 process and made presentations to the group. Lisa Skumatz
13 gave a presentation on Garbage-by-the-Pound.

14 Q. And what was the outcome of the workshops?

15 A. The "Final Staff Report: Notice of Inquiry Solid Waste Rate
16 Design - TG-901250" was issued July 20, 1992, and presented
17 to the Commission at its Open Meeting of August 19, 1992.

18 Q. What were the major conclusions of this report?

19 A. The report included a discussion of many different pricing
20 scenarios and listed the pros and cons of each. The final
21 conclusion was that all rate design approaches had some
22 merit in different circumstances. The report regretted the
23 relative paucity of hard empirical evidence demonstrating
24 that incentive based variable rates actually changed
25 people's behavior. The report noted that some proposed rate
26 design approaches would raise rates above the actual revenue

1 requirement of the carrier. The report further states:

2 staff recommendations focus on improvements to
3 the existing cost-of-service methodology and billing
4 systems. The current rate design approach is a
5 utility-style cost allocation model that seems to
6 provide an equitable distribution of costs among
7 customers. Because certain common costs are allocated
8 by weight, the current approach already provides an
9 incentive for customers to reduce their rate by
10 reducing costs.

11 Exhibit ³____ (RGC-~~X~~).

all

12
13
14 Q. Do the rates currently being set by the Commission meet the
15 goal of being ^{fair,} just, reasonable, and sufficient?

all

16 A. Yes, for two reasons. First, the rates are fair to the
17 customers. Customers pay a rate which reflects the cost of
18 hauling, collecting, and disposing of their waste, plus a
19 reasonable return for the collection company. Second, the
20 haulers are enabled to charge a rate which allows a
21 prudently operated company the opportunity to earn a
22 reasonable return on its investment. There is no guaranteed
23 profit.

24 Q. In addition to setting fair, cost based rates, is the
25 Commission simultaneously adhering to the requirements of
26 the Waste Not Washington Act?

27 A. Yes. The Commission now has two goals, and I believe it is
28 currently achieving both. It is ensuring that the waste
29 reduction and recycling priorities set forth in RCW
30 70.95.010(8) are being met, while at the same time
31 fulfilling its role as an economic regulator by protecting
32 ratepayers from excessive rates for the service they

1 receive.

2 Q. Do you think the only way King County can achieve its 65
3 percent waste reduction goal is by incentive based volume
4 rates?

5 A. No. Cost based variable rates are already in place.
6 Reference should be made to the testimony of Staff witness
7 Phillip Popoff, which fully discusses the limited impact of
8 incentive rates on people's solid waste behavior. The Staff
9 believes in telling people the truth about pricing, offering
10 them honest alternatives, and then letting them choose.
11 Incentive and cost based volume rates and the many alternate
12 approaches that the Commission has implemented are not at
13 opposite purposes. They are different approaches to get to
14 the same goal.

15 The Staff feels that incentive based variable rates are
16 one of the most unfair and unreasonable approaches to
17 fostering a rational solid waste environment for the 1990's.
18 The Commission and the Staff share the County's and our
19 state's citizens' concern about preserving environmental
20 quality and reducing waste generation. However, this must
21 be balanced with the Commission's statutory duty to ensure
22 that rates are fair, just, reasonable, and sufficient.

23 Q. Why does the Staff believe that accurate cost based price
24 signals are so important?

25 A. There are two fundamental reasons why cost based price
26 signals are so important. First, a price signal conveys

1 important information to consumers. If price signals do not
2 portray costs, consumers will make decisions based on
3 inaccurate information. Consider the following example: if
4 price distorting incentive based rate differentials tell
5 consumers that mini-can service rates are below the actual
6 cost of providing that service, and also tell consumers that
7 one can service rates are higher than actual costs, a few
8 people may alter their behavior and use more mini-can
9 service than they otherwise would. However, because
10 customers now are using more of a service that is priced
11 below the cost of providing that service, rates will have to
12 increase in the next year to account for that loss. The
13 rates must permit the company to recover its fixed costs.
14 Therefore, if customers respond to the distorted price
15 signal it will simply drive rates up. It may be very
16 confusing to consumers to understand why rates keep going up
17 when they are responding properly and using more mini-can
18 service. The Commission should protect ratepayers from such
19 misleading price signals.

20 Q. You mentioned two reasons why cost based rates are
21 important. What is the second one?

22 A. The Commission has a responsibility to provide a regulated
23 company with the chance to make a fair rate of return on its
24 investment. Consider the preceding example of how consumers
25 may react to a distortion in the price signal: If consumers
26 substitute the over-priced one can service with a mini-can

1 service priced below cost, the company will experience a
2 loss in revenue, and be unable to cover its fixed costs.

3 Q. You mentioned the continuum of things that can and has been
4 done by the Commission to encourage waste reduction and
5 recycling. Can you tell us generally about some of them?

6 A. First and foremost the Commission has established a uniform,
7 statewide, equitable policy framework with which it is
8 approving cost based variable rates that provide honest,
9 real price signals, which result in customers having the
10 ability to make rational decisions about their disposal
11 habits. The Commission has reviewed 34 county and city
12 Comprehensive Solid Waste Management Plans. The Commission
13 has a track record of lending its technical expertise to
14 local governments seeking its advice and counsel on this
15 entire issue. Commission representatives have attended
16 numerous county council and solid waste technical meetings
17 and conventions (including some in King County), and various
18 state and local Solid Waste Advisory Committee (SWAC)
19 meetings. There are also regularly scheduled quarterly
20 meetings with Department of Ecology (DOE) staff to
21 coordinate efforts between the two agencies.

22 Q. Specifically, what recycling and other waste reduction
23 programs has the Commission approved?

24 A. Exhibit___(RGC-4) is a detailed ten page listing of all such
25 programs presently in effect entitled "Recycling, Yardwaste,
26 Medical Waste Implementation Study". As you can see, the

1 list is quite extensive; even more so when you consider that
2 the indicated programs are in the more heavily populated
3 areas of the state along the I-5 corridor and in the Spokane
4 area. The various programs offered are stated across the
5 top of each page, and the name of solid waste hauler, the G
6 permit and tariff number(s), and service territory(ies) are
7 shown down the side. If a carrier is offering the noted
8 service, an "X" has been placed in the corresponding block.
9 Explanatory comments are shown in the final column to the
10 right.

11 Q. Does the Commission actively encourage curbside recycling
12 and other waste reduction programs?

13 A. Yes. The Commission's policy is to encourage and approve
14 all submitted curbside recycling and other enhancements to
15 the overall waste reduction programs as long as costs are
16 reasonable and local officials have authorized the programs
17 through due process involving active public participation.
18 The many successes listed in Exhibit___(RGC-⁴~~X~~) are a direct *all*
19 result of the Commission's commitment to assist counties and
20 the state in achieving the goals outlined in the Waste Not
21 Washington Act. Exhibit___(RGC-⁴~~X~~) reflects the active *all*
22 participation of residential customers in recycling programs
23 that are not based on incentive rates. Given honest price
24 signals, customers have made the choice to reduce the amount
25 of solid waste they dispose.

26 Q. When a carrier seeks to establish rates for a new curbside

1 recycling program, is the cost of service approach used to
2 compare costs of the new program with the rate being sought?

3 A. Yes, the service level ordinance adopted by the County in a
4 public process defines the geographic boundaries of the area
5 to be served, the frequency of service, the commodities to
6 be picked up, who pays (everyone eligible for service or
7 only those subscribing to the service), and the type of
8 equipment (three-stacked bins or one large toter), etc.
9 Using those assumptions and others, the carrier estimates
10 the operating and fixed resources that will have to be
11 committed to the program and files for the appropriate rate.
12 The Lurito/Gallagher analysis, specific to the curbside
13 program, is used to generate the allowable operating ratio
14 and revenue requirement. Overall expenses, plus the
15 allowable profit divided by the number of customers eligible
16 to participate, equals the authorized rate. That rate is a
17 fixed amount for all customers, regardless of the quantity
18 of recycled material set out.

19 Q. In the early stages of residential recycling, when pilot
20 programs were being experimented with throughout the state,
21 what were some of the various funding mechanisms approved by
22 the Commission on a trial basis?

23 A. The Commission experimented with "pay-as-you-go" approaches,
24 in which only actual recycle subscribers paid for the
25 program. In 1988, Eastside began one of the first pilot
26 programs which charged extra only for those customers who

1 did not want the service. Through time, the Commission and
2 most counties have settled on an "everyone pays" approach,
3 whether they actually participate or not, as long as the
4 opportunity to recycle is provided. By spreading the costs
5 over a broad base, the affordability of the program is more
6 easily assured.

7 Q. Is it unfair to make everyone pay for recycling service?

8 A. No. Virtually everyone generates recyclable material, and
9 almost no one is capable of reprocessing recyclable
10 materials, such as glass and metal, in their own home.
11 Dividing the total program expenses by total eligible
12 customers, not just the ones choosing to utilize the
13 service, helps keep rates lower than would otherwise be the
14 case.

15 Q. Once the recycling rate is finalized, how is that amount
16 incorporated into the amount actually billed to the
17 customer?

18 A. It is added on to the existing garbage charge, and the total
19 amount of all service components combined is then billed to
20 the customer, plus any additional amounts for accessorial
21 services, extras, and taxes. The currently approved tariff
22 of Eastside is included as Exhibit____(RGC-5). Note the
23 entire matrix of service variations that exist, and the
24 number of recycle and yardwaste options available.

25 Q. You said the total amount of the combined services is billed
26 to the customer. Why isn't each component, such as garbage,

1 recycling, or yardwaste, indicated separately on the bill?

2 A. Recent consumer rules adopted by the Commission in WAC 480-
3 70-770 require that taxes and accessorial charges be stated
4 separately, but not the individual component charge of the
5 basic service package. King County believes that only the
6 total amount should be disclosed under ^{the}~~that~~ assumption that *all*
7 more information will only confuse the consumer.

8 Q. Do you favor more detailed disclosure?

9 A. Yes, as can be seen from Eastside's tariff, Exhibit____(RGC-
10 5), garbage is a cost based volume rate where the amount
11 charged varies in proportion to the amount of trash put out.
12 The more garbage you generate, the more you pay. Recycling
13 on the other hand is a flat amount regardless of the amount
14 recycled. With total disclosure, the impact of an
15 unlimited-use service (recycling) versus an increasingly
16 expensive service based on usage (garbage) would be more
17 visible and effective. Having them embedded together hides
18 these facts from the consumer.

19 Q. In terms of overall revenue requirement and rate design, how
20 does the Commission deal with so many different programs and
21 the separate costs and requirements of each?

22 A. The carrier is required to notify its customers and inform
23 them of what the total new rate is proposed to be, based on
24 the type of service the customer subscribes to. The total
25 amount that the customers are given notice of is the ceiling
26 beyond which rates cannot go, even if there is a justifiable

1 need. It may be that the carrier is proposing rates in the
2 solid waste, recycle, or yardwaste portion, or all three.
3 During the course of the audit, the Staff seeks to separate
4 out the specific operating results of each program. The
5 goal is that each program should stand alone and support
6 itself. See Exhibit____(LCD-2), for example, which shows *all*
7 that the yardwaste and recycle operations have been
8 separately disclosed.

9 Q. How does the Commission allocate costs to the various
10 programs and tie it all to the overall rate that the company
11 is proposing?

12 A. It's not easy, and it gets complicated very quickly. The
13 Commission examines the allowable revenue requirements of
14 the specific programs based on their separate costs and
15 investments. Then the cost of the specific service within
16 each program is compared to the existing rate and the
17 proposed rate. The Commission's policy is to ensure that
18 the cost causer pays his or her own way with a minimum of
19 cross subsidization.

20 Q. What difficulties have been encountered in the past as the
21 Commission has worked to set cost based volume rates?

22 A. Well, of course, in King County in particular there have
23 been serious disagreements between county officials and the
24 Commission staff about the necessity for incentive versus
25 cost-based variable rates. In the past, King County has
26 threatened to contract out recycling and take it away

1 entirely from the certificated haulers. There has been some
2 talk of amending current statutes in a way that would allow
3 counties the option of taking over regulation of solid waste
4 operations within their boundaries. This has created a
5 tense environment, with the carriers caught squarely in the
6 middle, not knowing what to do.

7 Q. Any other limitations?

8 A. Yes, the public's clamoring for recycling has generally lead
9 to initiation of service before the overall Comprehensive
10 Solid Waste Management Plan has been finished. In King
11 County, Eastside began its initial pilot recycling programs
12 in 1988, long before the Staff's review of the County's plan
13 was presented to the Commission at its Open Meeting of
14 December 5, 1990. In the beginning, these were new programs
15 with many unknowns such as participation rates, capital
16 equipment requirements, value and amount of commodities
17 collected, staffing needs, etc. The Commission set rates
18 based on the best available data at the time. Now, after
19 the programs have been in effect for awhile and actual
20 results are available, the Commission can begin to go back
21 and see what modifications need to be made. That is what
22 the Commission did before changing Eastside's rates. It has
23 been, and continues to be, an evolving process.

24 Q. What has been the history of rate increases for Eastside in
25 the recent past?

26 A. See Confidential Exhibit____(RGC-6). The first filing of

Testimony of Robert G. Colbo

Exhibit T____(RGC-Testimony)

1 interest occurred in May, 1988. At that time, as mentioned
2 earlier, Eastside proposed one of the first pilot recycling
3 programs in the state. The proposed method of funding the
4 program was unusual. As an incentive to encourage people to
5 participate, customers who signed up for the program would
6 get the additional service for free, but those who did not
7 would pay an additional \$1.48 per month.

8 Q. Was this program, and its unique method of funding, approved
9 by the Commission?

10 A. Yes. In its desire to encourage recycling and experiment
11 with various funding scenarios, the Commission approved the
12 program and the rates on a temporary basis.

13 Q. What happened next?

14 A. The first permanent, company-wide, curbside recycle program
15 began in May, 1990. At that time, the rate was an
16 additional \$1.80 per month, to be paid by all customers
17 eligible to participate in the territory defined by King
18 County in its local service level ordinance.

19 Q. Then what?

20 A. The next rate filings were in June, 1991. Eastside sought
21 to establish yardwaste service and to restructure existing
22 solid waste rates into an incentive based variable rate
23 basis. The company subsequently withdrew that filing and
24 only resubmitted the yardwaste filings. The requested
25 yardwaste collection rates were subsequently approved by the
26 Commission at its Open Meeting of June 10, 1991. At the

1 time, the Commission expressed reservations about the
2 proposed large increases in totter rates that the company had
3 earlier been heavily promoting. There was also a filing
4 later that year that passed along the 22 cent King County
5 solid waste administrative fee.

6 Q. What happened in 1992?

7 A. The next filings were in January, 1992, concurrent with King
8 County's requirement that the carriers establish incentive
9 based rates and the County's increase in the landfill
10 disposal "tipping fee" from \$47 to \$66 per ton. After
11 consultations with the County, the Staff agreed that with
12 the County's new higher tip fees, a \$4.00 spread between
13 service levels would seem to serve both the incentive and
14 cost of service goals of both agencies. It was further
15 agreed that if rate reductions were necessary over what had
16 originally been filed for, the once a month and minican
17 rates would be ^{kept} ~~keep~~ low to absorb any difference. The *all*
18 recycle rate also increased to \$3.15 at that time.

19 Q. Were there any filings in 1993?

20 A. Yes. There was a small general filing in March, 1993, and
21 then an even smaller one in July to recover increases in
22 state business and occupation taxes and Commission
23 regulatory fees. At that time the company was put on notice
24 by the Staff that the minican rate was seriously deficient,
25 and that the Staff would not support any further cross
26 subsidizations in future rate applications. Hence the major

1 increase this time for minican customers, and the company's
2 return to a more cost based set of proposals in Docket TG-
3 931585.

4 Q. Much of the testimony of King County witnesses in this case
5 asserts that the new rates are a disincentive to recycle
6 since on a **per can** basis (total rate divided by number of
7 cans set out), it costs less to put out more than one can.
8 What is your response to these representations?

9 A. In terms of the fully allocated cost and related revenue
10 requirement per can, King County's numbers are correct and
11 are a reflection of the fact that most of the costs of
12 servicing customers accrue as a result of getting the truck
13 to the customer and disposing of the garbage at the
14 landfill. The only significant cost difference between
15 servicing a one or a two can customer is the additional cost
16 of disposing of the additional garbage collected. Given
17 those facts, the cost per can does decrease as the number of
18 cans per pickup increases. See Exhibit___(RGC-5).

19 Q. What is the incentive to Eastside's customers to generate
20 less waste and recycle more?

21 A. Eastside's present cost based volume rates result in the
22 total cost to the customer increasing as the customer
23 generates more trash; that is what the term "variable rates"
24 means. The rates approved by the Commission include Recycle
25 Only rates and Yardwaste Only rates for people that desire
26 those specific services, but who are not regular solid waste

1 customers. They also offer a minican rate and rates for
2 customers that only need monthly service rather than weekly.
3 Finally, the rates offer various combinations of yardwaste
4 service and even an option for the customer to reduce the
5 cost further by using his or her own container rather than
6 one supplied by the company. I believe that Eastside's
7 present tariff rates continue to encourage customers to
8 separate recyclables from solid waste, and to generate less
9 waste. Customers are required to pay for recycling service.
10 Customers who choose not to recycle and reduce waste are
11 forced to use a higher, more expensive level of solid waste
12 collection service.

13 Q. Can you give an example using Eastside's current residential
14 rates?

15 A. Yes. Referring again to Exhibit____(RGC-5), a one-can-per-
16 week customer using curbside recycling is currently paying
17 \$10.90 per month. As described in Note 5 at the bottom of
18 the page, the customer is paying \$4.44 for unlimited
19 recycling usage. Along with the unlimited amount of
20 recyclables they may place at the curb, they may only fill
21 one can's worth of solid waste for the remaining \$6.46.
22 Now, assume this customer decides recycling is not worth it
23 (time, money, bother, etc.). The customer discontinues
24 putting out recyclables and throws everything into the
25 garbage. If that customer is not illegally dumping the
26 waste, they would now be putting out two cans per week

1 instead of the one can previously used. The rate charged to
2 use this level of service would still include the mandatory
3 \$4.40 per month for recycling. However, now this customer
4 will also pay the higher disposal cost of the second can of
5 waste, and their bill would increase to \$12.75 instead of
6 the current \$10.90.

7 This customer has every reason to continue recycling.
8 By discontinuing recycling, the customer will see a 17
9 percent increase in cost. Moreover, if this customer could
10 decrease the purchase of nonrecyclable packaging, or
11 increase recycling enough to use a minican, that same
12 customer could see a 12 percent reduction in their monthly
13 bill and only pay \$9.65 per month.

14 Q. King County has also placed a heavy emphasis in its direct
15 case on the fact that the minican rate, with recycling, has
16 increased by over 70 percent. Why was the minican rate
17 increased?

18 A. In Eastside's earlier tariff, the minican rate with
19 recycling was \$5.64 per month. This amount included a
20 recycle component of \$4.03 (again as mentioned in Note 5)
21 leaving a balance of only \$1.61 to cover the garbage portion
22 of the rate for picking up the minican four times during a
23 typical month. Clearly this is not economically feasible,
24 and the company was told to address this issue on its next
25 filing. The company compensated for this deficiency in its
26 next filing, and the Commission approved the proposed rate

1 with only a slight scaling back of the original amounts
2 requested.

3 Q. Under Eastside's current rate structure, do customers have
4 an incentive to continue to take yardwaste service, or are
5 they given a disincentive to recycle yardwaste?

6 A. Customers in King County do not have the option of placing
7 their yardwaste in the solid waste stream. King County

8 Ordinance 10942 prohibits the disposal of yardwaste/at
the curb. *all*

9 Q. Is the Commission's approach to yardwaste rates any
10 different than the method used to set recycling rates?

11 A. Yardwaste rates are based on the cost of providing the
12 service in that the program is not subsidized by other
13 rates. However, unlike recycling rates, the expenses are
14 passed on only to those customers who subscribe to yardwaste
15 service, rather than to everyone that has the service
16 available to them.

17 Q. Why is that?

18 A. Everyone generates recyclable materials. However, not
19 everyone generates yardwaste. Many people compost their
20 yardwaste and reuse it. Others do not have yards that
21 create waste. There are also customers that pay for a lawn
22 care service in which disposal of clippings is included in
23 the price.

24 Under RCW 70.95.010(8), waste reduction is given a
25 higher priority than source separation of the waste stream.

26 Therefore, residential composting has a higher priority than

1 collection of yardwaste. Indeed, of all the options having
2 to do with yardwaste, such as curbside pickup, drop off
3 stations, or composting, curbside pickup is probably the
4 most expensive. To require the entire customer base to pay
5 for the yardwaste program may make many people pay twice for
6 a service they do not need or want. The Commission's
7 policy, therefore, is to make only those customers that
8 actually subscribe to yardwaste service pay for it.

9 Q. If the rate is higher when the service is optional, because
10 the costs are not spread among all solid waste customers, do
11 voluntary rates for yardwaste service cause decreased
12 participation in yardwaste programs?

13 A. Experience to date suggests only a minor, if any, drop off
14 in yardwaste subscription levels. See Exhibit___(RGC-7).
15 This has been the case in Snohomish County, where yardwaste
16 programs were originally subsidized by the entire customer
17 base, and then had to be restructured when the Commission
18 developed its present policy.

19 Q. Mr. Hansen states at pages 3-4 of Exhibit T-___(RGH-T) that
20 the County is being irreparably harmed by the rates the
21 Commission has approved for Eastside, and that the life
22 expectancy of the Cedar Hills Landfill will therefore be
23 detrimentally affected. Is this true?

24 A. No. I believe that the County needs to take responsibility
25 for its own solid waste programs and problems instead of
26 attempting to place the blame on the Commission. The single

1 most appropriate and effective way for King County to combat
2 the landfill prematurely reaching its capacity, if that is
3 feared, is to ensure that the tipping fee at the landfill
4 adequately reflects the avoided cost of keeping the landfill
5 open longer. King County is in direct control of the
6 landfill rate. The County owns the Cedar Hills Landfill and
7 all the transfer stations and establishes rates for their
8 use. As the tip fees increase, the carrier's cost of doing
9 business increases, and these costs flow through to the
10 ratepayers.

11 Q. Mr. Colbo, does this conclude your testimony?

12 A. Yes it does.