

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

DOCKET TG-180531

ORDER 01

WASTE MANAGEMENT OF
WASHINGTON, INC., d/b/a WASTE
MANAGEMENT OF SPOKANE,
VALLEY GARBAGE SERVICE CO.,

ORDER AUTHORIZING REVENUE
SHARING FOR RECYCLABLE
COMMODITIES REVENUE AND
ALLOWING RECYCLABLE
COMMODITY CREDIT
ADJUSTMENT, AND GRANTING
EXEMPTION FROM RULE

Petitioner,

Requesting Authority to Retain 50 Percent
of the Revenue Received From the Sale of
Recyclable Materials Collected in
Residential Recycling Service and Seeking
Exemption from the Provisions of WAC
480-70-351(2) Relating to Recycling
Credits or Charges

BACKGROUND

- 1* On June 12, 2018, Waste Management of Washington, Inc., d/b/a Waste Management Spokane, Valley Garbage Service Co., (Valley Garbage or Company) filed the following documents with the Washington Utilities and Transportation Commission (Commission): (1) revised 2017-2018 commodity credits resulting in increased rates to residential recycling customers and increased rates to multifamily customers; (2) a petition for exemption from WAC 480-07-351(2), which requires the Company to use the most recent 12-month historical period to estimate revenues from the sale of recyclable materials in a deferred accounting mechanism; (3) the Company's 2018-2019 recycling revenue sharing plan; and (4) a request that the Commission allow Valley Garbage to retain up to 50 percent of the revenue received from the sale of recyclable materials during the 2018-2019 recycling plan period. The Company serves approximately 22,000 residential and 300 multifamily recycling customers in Spokane County.

PROPOSED 2016-2017 COMMODITY CREDITS

- 2 The Company filed replacement tariff pages on July 16, 2018, proposing a commodity credit decrease from \$2.65 to \$0.62 per month, resulting in an overall increase in recycling rates for single-family residential customers of \$2.03 per month. For multi-family customers, the filed tariff reflects a commodity credit increase from \$0.43 to \$0.17 per yard, resulting in increased recycling rates of \$0.26 per yard for the period August 1, 2018, to January 31, 2019. The proposed commodity credits reflect both the effect of the Commission-approved deferred accounting, and the requested rule exemption allowing the Company to project their commodity revenues based on the most recent 6-month historical period rather than the standard 12-month historical period as stated in WAC 480-70-351(2).

PROPOSED 2018-2020 RECYCLING PLAN AND REVENUE SHARING

- 3 Under RCW 81.77.185, the Commission shall allow a solid waste collection company collecting recyclable materials to retain up to 50 percent of the revenue paid to the company for the material if the company submits a plan to the Commission that is certified by the appropriate local government authority as being consistent with the local government solid waste plan and that demonstrates how the revenues will be used to increase recycling. The remaining revenue shall be passed to the residential customers.
- 4 Pursuant to that statute, on June 11, 2015, Spokane County (County) and Valley Garbage have begun a revenue sharing plan (Plan) beginning August 1, 2018, and expiring July 31, 2020. According to the Plan, the Company will, subject to approval by the Commission, be allowed to retain 50 percent of the revenue received for the sale of recyclable commodities collected in its curbside recycling operations in Spokane County. The retained revenue will be used to increase recycling in Spokane County through initiatives and tasks outlined in the plan. For the 2018-2020 plan period, the Company projects it will earn \$896,600 annual revenue from the sale of recyclable commodities from 22,000 regulated recycling customers, allowing the Company to retain \$428,000.
- 5 The Plan, drafted jointly by the county and the Company contains the following tasks and budget amounts: Task 1 - "Recycling and Organics Rules Advertising" for \$125,000; Task 2 - "Recycling and Organics Promotion at Events" for \$25,000; Task 3 - "Elementary School Recycling Education" for \$80,000; Task 4 - "Multifamily Recycling Education" for \$53,000; and administrative costs of \$125,000. The Plan also provides for a 5 percent performance incentive for increasing diversion rates (3 percent) and

increasing the total number of participating residential accounts (2 percent). Total incentive payments amount to \$20,000. The Plan is to be implemented over the two year period, and the company will file an expenditure and revenue forecast update with its 2019 commodity credit filing. Any excess revenue will not be carried over at the end of the plan, but will be returned to customers in the 2020 recycle commodity credit. The maximum amount the Company can retain in the second year is 50 percent of commodity values or the remaining unspent portion of the budget which equals if commodity revenues allow. The Company will work with the county to make any relevant budget and plan adjustments, and will include those changes in its 2019 commodity credit filing.

- 6 Kevin Cooke, P.E., Spokane County Solid Director of Environmental Services, signed the Plan and certified that it is consistent with Spokane County's Comprehensive Solid Waste Management Plan. Spokane County recommends that the Commission allow the Company to retain up to 50 percent of the actual value of recyclable commodity revenues received each of the two years of the plan from August 1, 2018, to July 31, 2020.

PETITION FOR RULE EXEMPTION

- 7 WAC 480-70-351(2) states that solid waste companies that estimate the revenue from the sale of recyclable materials collected in residential curbside programs as part of a deferred accounting program to return recycling revenues or charges to customers must use the most recent 12-month historical period to estimate the revenue for the next 12 months.

- 8 In its petition, the Company asserts that the recycling commodity markets have become more volatile, and a shorter projection period for calculating commodity credits would avoid large swings in the credit or debit to customers based on changing commodity values. The Company's work papers show commodity values have declined since May 2017, and are projected to decline significantly over the next 12 months.

- 9 Commission staff (Staff) reviewed the Petition and determined that the request for an exemption from the 12-month historical period requirement is reasonable.

- 10 Based on these factors, Staff recommends granting the Company's request for exemption, subject to the following condition(s):

- (a) The Company will calculate the true-up for the commodity credit paid in 2017-18 using the full 12 months of actual revenue received from the sale of recyclable commodities;

- (b) The Company will use the most recent 6 months of historical revenue to calculate the commodity credit or debit that will go into effect August 1, 2018;
- (c) The Company will file another commodity credit adjustment to become effective February 1, 2019, at which time it will include the previous 6 months' actual revenue in the calculation and estimation of the credit. This filing can be for a 6-month period or 12-month period at the Company's discretion.

11 Staff recommends that the Commission grant the Company's request to retain up to 50 percent of the recyclable commodity revenue collected during each year of the Plan, and grant an exemption from WAC 480-70-351(2), and allow the recycling commodity credits filed by Republic Services on June 15, 2018, and revised on July 12, 2018, to go into effect August 1, 2018.

DISCUSSION

12 We agree with Staff's recommendation and: (1) grant the Company's request to retain up to 50 percent of the recyclable commodity revenue collected during each year of the Plan; (2) grant the Company's petition for exemption from WAC 480-70-351(2); and (3) allow the recycling credits filed by the Company to go into effect by operation of law on August 1, 2018. We address each of the Company's requests in turn.

13 First, the Company has met the requirements of RCW 81.77.185. Valley Garbage submitted a plan to the Commission that was certified by the appropriate local government authority as consistent with the local government's solid waste plan, which demonstrates how the revenues will be used to increase recycling. King County recommends that the Commission allow the Company to retain up to 50 percent of the actual value of recyclable commodity revenues received each of the two years of the plan from August 1, 2017, to July 31, 2019. As such, we grant the Company's request to retain up to 50 percent of the recyclable commodity revenue collected during each year of the Plan.

14 Second, we find that using a 6 month average to calculate the Company's projected recycling commodity credit is reasonable. Using the most recent 12-month period to estimate future revenues would include the time period prior to the change in recycling markets, when revenue from the sale of recyclable commodities provided a net positive amount (a credit) back to customers, and would not accurately reflect the anticipated market down-turn. Changing the calculation should also decrease customer rate shock.

Instead of receiving a larger credit for 12 months followed by a much larger charge, customers will see a smaller debit for the first 6 months, which will decrease less significantly in the next 6 months thereafter. It will also prevent the Company from providing a credit it will not actually receive, while instead incurring significant processing charges. Accordingly, we grant the Company's petition for exemption from WAC 480-70-351(2).

15 Finally, we find that the Company's proposed commodity credits, which reflects the effect of the Commission-approved deferred accounting mechanism are consistent with the public interest.

FINDINGS AND CONCLUSIONS

16 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts and affiliated interests of public service companies, including solid waste companies.

17 (2) Valley Garbage is engaged in the business of providing solid waste services within the state of Washington, and is a public service company subject to Commission jurisdiction.

18 (3) This matter came before the Commission at its regularly scheduled meeting on July 26, 2018.

19 (4) Under RCW 81.77.185, the Commission shall allow a solid waste collection company collecting recyclable materials to retain up to 50 percent of the revenue paid to the company for the material if the company submits a plan to the Commission that is certified by the appropriate local government authority as being consistent with the local government solid waste plan, and that demonstrates how the revenues will be used to increase recycling. RCW 81.77.185 states that the remaining revenue shall be passed to residential customers.

20 (5) Spokane County is responsible for managing waste through its Comprehensive Solid Waste Management Plan. The Director of Spokane County's Solid Waste Division certified that Valley Garbage's recycling plan is consistent with Spokane County's Comprehensive Solid Waste Management Plan.

- 21 (6) Valley Garbage's request to retain up to 50 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs from August 1, 2018, to July 31, 2020, is consistent with RCW 81.77.185, and the Commission finds that Valley Garbage's request should be granted.
- 22 (7) Valley Garbage is subject to the filing requirements of WAC 480-70-351(2), for rates, recycling programs, credits, or charges. The Company did not file the 12 month calculation required by WAC 480-70-351(2) but requested an exemption from WAC 480-70-351(2).
- 23 (8) An exemption from the rates, recycling programs, credits, or charges requirements set forth in WAC 480-70-351(2) for the filing in these dockets is in the public interest and is consistent with the purposes underlying the regulation and applicable statutes and should be granted.
- 24 (9) It is in the public interest to allow the revisions to Tariff No. 11, No. 26, and No. 27 filed on June 15, 2018, and revised on July 12, 2018, to become effective on August 1, 2018.

ORDER

THE COMMISSION ORDERS:

- 25 (1) Provided Waste Management of Washington, Inc., d/b/a Waste Management of Spokane, Valley Garbage Service Co., complies with the Plan as set forth in this Order, the Company may retain up to 50 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs from August 1, 2018, to July 31, 2020.
- 26 (2) Waste Management of Washington, Inc., d/b/a Waste Management of Spokane, Valley Garbage Service Co., shall make a compliance filing with the Commission no later than June 16, 2019, in which the Company shall identify the amount of revenue it retained, the amount of money it spent on the activities identified in the Plan, and the effect the activities had on increasing recycling.
- 27 (3) Waste Management of Washington, Inc., d/b/a Waste Management of Spokane, Valley Garbage Service Co., shall file its next commodity credit adjustment with

the Commission no later than December 16, 2018, in which the Company shall identify the amount of revenue it received for the sale of recyclable commodities, the amount retained, and the amount of adjusted commodity credit for the next 6-month period.

- 28 (4) Waste Management of Washington, Inc., d/b/a Waste Management of Spokane, Valley Garbage Service Co., is exempt from WAC 480-07-520(4), for purposes of the tariff revisions filed in Dockets TG-180531.
- 29 (5) The commodity credits filed by Waste Management of Washington, Inc., d/b/a Waste Management of Spokane, Valley Garbage Service Co., on June 12, 2018, and revised on July 16, 2018, are allowed to go into effect by operation of law.
- 30 (6) The Commission delegates the Secretary the authority to approve by letter all compliance filings required in this Order.
- 31 (7) The Commission retains jurisdiction over the subject matter and Waste Management of Washington, Inc., d/b/a Waste Management of Spokane, Valley Garbage Service Co., to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

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

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON, Executive Director and Secretary