

Ex. T-PLG \_\_\_\_ (PLG Testimony)  
Docket No. TG-940411  
Witness: Paul L. Glasgo

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of: )  
KING COUNTY DEPARTMENT OF PUBLIC )  
WORKS, SOLID WASTE DIVISION, )  
 )  
Complainant. )  
 )  
v. )  
 )  
SEATTLE DISPOSAL COMPANY, RABANCO )  
LTD., d/b/a EASTSIDE DISPOSAL AND )  
CONTAINER HAULING, )  
 )  
Respondent. )  
\_\_\_\_\_ )

Docket No. TG-940411

TESTIMONY  
PAUL L. GLASGO  
RABANCO COMPANIES  
D/B/A EASTSIDE DISPOSAL  
JUNE 20, 1994

ORIGINAL

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION  
No. TG-940411 T-76 ✓

1 Q. Please state your name and business address.

2 A. Paul L. Glasgo, Rabanco Companies, 200 - 112th Avenue NE, Suite 300, Bellevue, WA  
3 98004.

4 Q. What is the purpose of your testimony?

5 A. My testimony will address the cost of service for Eastside Disposal's residential customers;  
6 costs and trends for Eastside's recyclable and yard waste collection service; the impact of the  
7 rate increase granted by the Commission in TG-931585; the risks of a highly incentivized rate  
8 structure for the Company; and our compliance with applicable law.

9

10 QUALIFICATIONS

11 Q. What is your present position at Rabanco?

12 A. My present title is Controller. Among other things, I am responsible for preparing or  
13 supervising the preparation of rate filings on behalf of Rabanco.

14 Q. Please describe your educational background.

15 A. I graduated from the University of Washington in 1982. I received a Bachelor of Business  
16 Administration degree, majoring in accounting.

17 Q. Please describe your relevant experience prior to joining Rabanco.

18 A. After graduating from the University of Washington, I worked in private industry for one  
19 year and in public accounting for over three years. I became a Certified Public Accountant in  
20 1986 in the State of Washington.

21 Q. When did you join Rabanco, and what positions other than Controller have you held at  
22 Rabanco?

23 A. I joined Rabanco in the summer of 1986, at which time I was a staff accountant. I have been  
24 Controller since 1988.

25 Q. What is the relationship between Eastside Disposal and Rabanco Companies?

1 A. Rabanco Companies is a partnership of several other companies. Rabanco Companies  
2 provides garbage, recyclable and yard waste collection service to different areas of King  
3 County under different d/b/a's. Rabanco d/b/a Eastside Disposal serves areas of East King  
4 County defined by a certificate issued by the Commission under title 81.77 and defined by  
5 contracts with three cities. Rabanco Companies d/b/a SeaTac Disposal similarly serves areas  
6 of South King County.

7

8 RESIDENTIAL/COMMERCIAL COST ALLOCATION AND  
9 COST ALLOCATION AMONG CUSTOMER CLASSES

10 Q. Please explain the purpose of this portion of your testimony.

11 A. The purpose of this part of my testimony is to explain the method used to allocate Eastside  
12 Disposal's costs between residential and commercial customers as groups and between classes  
13 of customers within the residential and commercial groups.

14 Q. Please describe the method used to determine the rates filed in Docket Number TG-931585.

15 A. In order to file a request with the Commission for a rate increase in Rabanco's Eastside  
16 Disposal service area, the cost of providing service to Commission-regulated customers in  
17 that area must be determined. Since Eastside Disposal provides service to customers under  
18 contract as well as under regulation by the Commission, allocations of costs must take place  
19 between these classes of customers. Within each of the three contract areas and within its  
20 regulated area, Eastside Disposal provides a variety of different types of services to its  
21 customers.

22 Q. How many customers does Eastside Disposal have?

23 A. In the regulated area, Eastside serves 22,225 residential customers, 711 commercial  
24 customers and 113 drop box (or "roll-off") customers.

25 Q. What types of services does Eastside Disposal provide?

1 A. The three main types of services are garbage collection, recyclables collection and yard waste  
2 collection. Within the garbage collection services provided, a distinction is made between  
3 customers based upon their levels of service, that is, the number and size of containers  
4 selected by the customer for collection and the frequency those containers are emptied.

5 Q. Do all residential customers use all three types of service - garbage, recyclables and yard  
6 waste collection?

7 A. No. A customer may subscribe to one or more of the three services. Presently, among the  
8 22,225 residential garbage collection customers in the regulated area, 7,409 also use yard  
9 waste service. About 20 customers use yard waste only service, and seven use both  
10 recyclable and yard waste service only.

11 Q. How are costs allocated among garbage collection, recyclables collection and yard debris  
12 services?

13 A. Costs are allocated between the different types of services depending, in part, on what types  
14 of trucks and containers are used to provide the services, how much time it takes to provide  
15 the services and how much the material collected weighs.

16 Q. Please explain the allocation process in more detail.

17 A. First, a twelve month period of time is selected as the "test period". The test period used in  
18 TG-931585 was the twelve months ended June 30, 1993. At the time it was chosen, this  
19 period was the most recent for which enough data existed to prepare the analysis needed for  
20 the rate increase request.

21 Second, a trial balance of the revenue and expense accounts in Eastside Disposal's  
22 general ledger was prepared. A "trial balance" is a schedule of the balances in all open  
23 general ledger accounts. See Exhibit \_\_\_\_ (PLG 1) for a copy of this trial balance.

24 Third, an analysis of the revenues and expenses associated with providing curbside  
25 yard waste and recyclables collection was performed, as was an analysis of the revenues and

1 expenses associated with clean up programs, which Eastside performs from time to time  
2 under contracts with cities. These revenues and expenses were deducted from the totals on  
3 the trial balance to arrive at the net revenues and expenses associated with providing garbage  
4 collection and commercial recyclables collection service. An analysis was then performed  
5 separating revenues and expenses into those associated with providing residential garbage  
6 collection, commercial garbage and recyclable collection and drop box collection. See  
7 Exhibit \_\_\_\_ (PLG-2) for a summary of the results of these analyses.

8 Q. After you have separated revenues and expenses associated with the different types of  
9 collection, what do you do?

10 A. For purposes of the next step in the process, the revenues and expenses of commercial and  
11 drop box garbage and recyclables collection were combined. An analysis was then prepared  
12 which allocated these revenues and expenses amongst customers in Eastside Disposal's  
13 regulated area and the customers in its three contract areas. See Exhibit \_\_\_\_ (PLG-3) for a  
14 summary of the results of this analysis. A separate analysis was prepared which allocated the  
15 revenues and expenses associated with providing residential garbage collection between the  
16 residential customers in Eastside Disposal's regulated area and the customers in its three  
17 contract areas. See Exhibit \_\_\_\_ (PLG-4) for a summary of the results of this analysis. The  
18 resulting revenues and expenses associated with providing garbage collection and commercial  
19 recyclables collection service to regulated customers were combined with the revenues and  
20 expenses associated with providing curbside yard waste and recyclables collection to  
21 regulated residential customers. The result represents total regulated test period revenues  
22 and expenses, before pro forma adjustments and adjustments relating to rate changes  
23 implemented during the test period. See Exhibit \_\_\_\_ (PLG-5) for the schedule which shows  
24 this analysis.

1 Q. Once you have determined what the total test period revenues and expenses actually were, do  
2 you make any pro forma or other adjustments?

3 A. Yes. An analysis was performed to estimate the effect of future known wage and payroll tax  
4 changes on the expenses of Eastside Disposal as well as a known increase in Eastside  
5 Disposal's rent expense and the effect of then-current fuel prices on Eastside Disposal's  
6 related fuel expenses. The effect of these "pro forma adjustments" was allocated between  
7 residential and commercial customers and between regulated and contract customers in the  
8 same manner as discussed above. See Exhibit \_\_\_\_ (PLG-6) for the schedule which shows this  
9 analysis.

10 Q. Was this analysis presented to Commission staff in the course of TG-931585?

11 A. Yes. Staff proposed some additional changes. This schedule (PLG-6) includes the effect of  
12 the staff's changes to the pro forma adjustments which I had proposed.

13 Q. What was done with the pro forma and rate adjustments?

14 A. The net portion of the general pro forma adjustments discussed above that were allocable to  
15 customers in Eastside Disposal's regulated area were combined with pro forma adjustments  
16 calculated specifically for the regulated area. These specific adjustments included increases in  
17 the net cost of providing residential curbside recycling service, an increase in customer  
18 service costs related to upgrading the quality of residential bills, an increase in the  
19 Washington State occupation tax rate applicable to Eastside Disposal, and the effect of an  
20 increase in rates which occurred during the test period. See Exhibit \_\_\_\_ (PLG-7) for the  
21 schedule which includes these adjustments. This schedule also shows the effect of proposed  
22 rates on Eastside Disposal's regulated operations.

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ALLOCATION OF DISPOSAL FEES BETWEEN  
REGULATED AND CONTRACT AREAS

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- Q. Describe how disposal fees were allocated between Eastside Disposal's regulated area and areas which it serves pursuant to contracts with cities.
- A. First, disposal fees were allocated among the residential class of customers, the commercial class of customers and the drop box class of customers. The results of this allocation are shown in Exhibit \_\_\_\_ (PLG-8). On this schedule, dump fees to drop box customers were deducted on a pass-through basis, as required by Commission regulations, from total disposal fees. The remaining disposal fees were allocated between commercial customers and residential customers by the ratio of each class' respective "calculated" tons to the total of calculated residential tons and calculated commercial tons. The "calculated" tons were derived on an ongoing basis throughout the test period.
- Q. What is "calculated" tonnage?
- A. "Calculated" tonnage represents the tonnage of waste contributed by each customer class and each level of service to the total tonnage upon which Eastside Disposal paid disposal fees.
- Q. How do you determine calculated tons for the residential class?
- A. Calculated residential tons were determined netting out commercial tonnage from total tonnage on residential routes as follows. At the end of each month, the total tonnage collected on each residential route was determined. The total number of residential pickups in all service categories was estimated and the quantity of commercial 32, 60 and 90 gallon can pickups collected on residential routes was determined. The total tons were then allocated among service level categories.
- For the purposes of this allocation, it was assumed that the average mini-can weighed 60% of the average 32 gallon can; the average 60 gallon toter or two 32 gallon cans weighed 1.6 times the average weight of a 32 gallon can; the average 90 gallon toter or three 32

1 gallon cans weighed 2.6 times the average weight of a 32 gallon can; the average extra item  
2 weighed 60% of the average 32 gallon can. Similar assumptions were used to estimate the  
3 weight of higher levels of service. In this way, commercial can tonnage on residential routes  
4 and net residential tons were determined. The process also allocated tons between Eastside  
5 Disposal's regulated area and its contract areas based on pickup statistics in each area.

6 Q. How do you determine calculated tons for the commercial class?

7 A. Calculated commercial tons were calculated as follows. At the end of each month the total  
8 tonnage collected on commercial routes was determined as was the total capacity of  
9 commercial containers emptied. The total tons were divided by total capacity to yield pounds  
10 per yard. The result was used to allocate tons between the different service levels and  
11 between Eastside Disposal's regulated area and its contract areas based on pickup statistics in  
12 each area.

13 Q. How was the formula that you use to allocate residential tons among different levels of  
14 service developed?

15 A. The formula was developed in March of 1990. On March 1 and March 2 of 1990 the  
16 containers from fifty one-can customers, fifty two-can customers, fifty 60-gallon totter  
17 customers and fifty 90-gallon totter customers in Eastside Disposal's service area were  
18 weighed and average container weights were determined. These results, together with the  
19 results of the Meeks weight studies, were considered in conjunction with total customer  
20 service level statistics and residential tons from a few months in 1989. A number of different  
21 allocation formulas were considered and the results were compared to the Meeks weights and  
22 the sample weights. The formula discussed above was chosen because it seemed to provide  
23 the most consistent, reasonable results when used with the statistics from a variety of  
24 different months.

25 Q. What are the Meeks weight studies?



1 A. The Meeks weight studies were developed by a consultant hired by the Commission to  
2 prepare the cost of service model currently used as a standard by Commission staff.

3

4 ALLOCATION OF REVENUES AND EXPENSES  
5 AMONG CUSTOMER CLASSES

6 Q. Describe in more detail the analysis which was prepared to allocate revenues and expenses  
7 into those associated with providing residential collection, commercial collection and drop  
8 box collection shown in Exhibit \_\_\_\_ (PLG-2).

9 A. First, an analysis was prepared from billing records categorizing all revenue by customer  
10 type, service level and service area. The results of this analysis were used to classify revenue  
11 as residential, commercial or roll off.

12 Q. How do you categorize expenses?

13 A. All expenses are assigned to one of the following categories:

14

15 Driver Wages, Payroll Taxes & Benefits

16 Truck Operating Expenses

17 Container Expenses

18 Net Recyclables Processing

19 Pass Through Dump Fees

20 Dump Fees

21 General & Administrative

22 Bad Debts & Excise Tax

23 Franchise Fees & Regulatory Fees

24 Pass-through fees

25 Acquisition of Customers

26 Donations, Amortization, Interest

27 Q. How are expenses allocated among residential and other customer classes?

28 A. We analyzed the total number of driver and helper days devoted to residential, commercial  
29 and roll-off activity. Driver wages, payroll taxes and benefits were allocated based on the  
30 resultant ratios. A separate analysis classified truck operating expenses and depreciation by  
31 truck type and thus into residential, commercial and roll-off categories. All vehicle-related

1 expenses on Exhibit \_\_\_\_ (PLG-2) were allocated with the resultant ratios. Container expenses  
2 were allocated based on several different methods designed to classify the expenses properly  
3 into the residential, commercial and roll-off categories.

4 Q. What methods were used to allocate container expenses?

5 A. The expenses associated with providing 20, 32, 60 and 90 gallon containers to residential and  
6 commercial customers were allocated based on an analysis of the relative quantity of those  
7 containers used by residential and commercial customers. The expenses associated with  
8 providing commercial front-load and drop box containers were allocated based on the rental  
9 revenue charged to each class of customer.

10 Q. How were costs associated with processing recyclable materials allocated?

11 A. Net recyclables processing represents the recyclable processing fee on the commercial and  
12 multi-family recycle programs and thus was allocated to the commercial category. No net  
13 recyclables processing fees are assigned at this point to the residential class because such fees  
14 are assigned at an earlier point in the analysis.

15 Q. How did you assign tipping fees at disposal sites among the three customer classes?

16 A. This is an important question because these tipping fees represent 35 per cent of our total  
17 expenses, or about 27 per cent of residential rates. Pass through dump fees, by definition,  
18 were allocated to the roll-off [drop box] category. Dump fees were allocated according the  
19 schedule designated as Exhibit \_\_\_\_ (PLG-8). This schedule reflects the determination of  
20 calculated tons which I discussed earlier.

21 Q. Were any expenses assigned among classes on the basis of proportion of revenue?

22 A. Yes. General and administrative expenses, bad debts and excise taxes, donations,  
23 amortization and interest were allocated between the residential, commercial and roll-off  
24 categories based on the ratio of each category's revenue to the total.

25 Q. Are any "franchise fees" associated with service to regulated customers?

1 A. Yes. Certain cities charge Eastside a franchise fee regardless of whether we serve the  
2 residents under a contract with the city or under Commission regulation. Franchise and  
3 regulatory fees as well as pass-through fees and acquisition of customers expenses were  
4 allocated based on specific analyses prepared for that purpose.  
5

6 ALLOCATION OF REVENUES AND EXPENSES  
7 BETWEEN REGULATED AND CONTRACT AREAS

8 Q. Describe in more detail the analysis which was performed to allocate the revenues and  
9 expenses of commercial and drop box garbage and recycle collection among customers in  
10 Eastside Disposal's regulated area and the customers in its three contract areas shown in  
11 Exhibit \_\_\_\_ (PLG-9). Include in the answer to this question a description of the methods  
12 used to allocate the costs of commercial garbage and recyclables collection between the  
13 different levels of service.

14 A. The analysis prepared for this function is shown in Exhibit \_\_\_\_ (PLG-10). Commercial and  
15 drop box expenses were allocated first among service levels on a total company basis, then  
16 between service areas. Costs were allocated among service levels based on the amount of  
17 time needed to empty each type of container and the weight of material in each container.  
18 Costs were allocated between service areas based on the ratio of each area's service level  
19 statistics to the total.

20 Q. Describe in more detail the analysis which was performed to allocate the revenues and  
21 expenses of residential garbage collection to customers in Eastside Disposal's regulated area  
22 and the customers in its three contract areas shown in Exhibit \_\_\_\_ (PLG-4). Include in the  
23 answer to this question a description of the methods used to allocate the costs of residential  
24 garbage collection among the different levels of service.

1 A. The analysis prepared for this function is shown in Exhibit \_\_\_(PLG-11). Residential  
2 expenses were allocated first among service levels on a total company basis, then between  
3 regulated and contract service areas. Costs were allocated among service levels based  
4 partially on the amount of time needed to empty each type of container, partially on the  
5 weight of material in each container and partially on the number of customers in each service  
6 level category. Costs were allocated between service areas based on the ratio of each area's  
7 service level statistics (number of customers per service level) to the total.

8

9 COSTS AND TRENDS FOR  
10 RECYCLABLE AND YARD WASTE COLLECTION

11 Q. What recyclable materials does Eastside collect from residential customers in the  
12 Commission-regulated area?

13 A. Eastside collects mixed waste paper, newspapers, magazines, cardboard, glass, aluminum, tin  
14 cans and PET and HDPE plastic containers.

15 Q. Are these the same materials that Eastside has collected since it first offered recyclable  
16 collection service?

17 A. Yes, with the exception of plastics, which were added when King County included this  
18 material in its service level ordinance.

19 Q. How does Eastside determine which materials to collect?

20 A. King County has specified which materials should be collected in its service level ordinance.  
21 Eastside disposal is in full compliance with this section of the ordinance.

22 Q. Has the value of various recyclable materials changed significantly during the time Eastside  
23 has offered recyclables collection?

24 A. Yes. Eastside began collecting recyclables from its residential regulated garbage customers in  
25 May, 1989. During the three months ended July 31, 1989, Eastside collected 699.83 tons of

1 recyclables from these customers and sold the material for an average of \$48.88 per ton. The  
2 material collected from customers in March, 1994 was sold for an average of \$34.91 per ton.

3 Q. When did Eastside first offer yard waste collection service?

4 A. Eastside first offered yard waste collection service to its regulated residential customers in  
5 Hunts Point, Medina, Clyde Hill, Yarrow Point and Beaux Arts on May 25, 1990. At that  
6 time, participants did not pay a separate fee for yard waste service. An amount (\$2.45) was  
7 included in each residential garbage customer's rate in those cities to pay for the yard waste  
8 program. This method of funding the yard waste program remained in place at the same rate  
9 until May 1, 1992. At that time the program became participant-paid at the rate of \$5.35,  
10 paid twelve months per year. Eastside's regulated residential customers in unincorporated  
11 King County were first offered yard waste service in July, 1991. The initial rate for the  
12 service was \$7.95, charged only nine months per year from March through November.  
13 Current rates for yard waste service are \$6.00 in unincorporated King County and \$5.40 in the  
14 five cities named above. These rates are charged twelve months per year.

15 Q. To what extent have customers used yard waste collection service?

16 A. 62 percent of the garbage customers in the five cities mentioned in the last answer above were  
17 participating in the yard waste program after one year. The participation in the program by  
18 these garbage customers has increased steadily since then. The participation rate was 65  
19 percent at April 30, 1994. 13 percent of the garbage customers in unincorporated King  
20 County were participating in the yard waste program after one year. The participation rate in  
21 unincorporated King County was nearly 30 percent at April 30, 1994.

22 Q. What is the documented incidence of Eastside's residential customers who are not registered  
23 for yard waste service putting yard waste into the garbage collection stream?

24 A. Eastside has not documented the extent to which this may occur, ~~because King County has~~  
25 ~~not instructed us to enforce the ban.~~ Eastside's drivers check each residential garbage  
26 container before it is emptied. If yard waste is visible in the container, the container is not  
27 dumped and a notice is left with the customer which explains the county's yard waste ban and  
28 also explains how the customers may obtain yard waste collection service. However, it would  
29 be possible for yard waste to be concealed from view within the container.

1 Q. Since fewer than all customers use Eastside's yard waste service, would you agree that many  
2 must be placing yard waste in the garbage disposal stream?

3 A. No. Many who do not use our yard waste service may otherwise be properly handling yard  
4 waste. For example, King County has stated that it has distributed over 45,000 bins for  
5 home-composting in the County during the past five years.

6

7

IMPACT OF TG-931585

8 Q. The Commission's order in TG-931585 changed Eastside's rate structure, reducing the price  
9 differential among different levels of residential garbage service. Has Eastside seen any  
10 customer response to that change in rate structure, for example, decreased recycling or  
11 increased set-out of garbage for disposal?

12 A. No, our data show no discernible pattern of response. As far as we are aware, there has been  
13 no significant decrease in the use of recycling or yard waste service, nor have there been a  
14 significant number of requests to increase the level of garbage service. In fact, participation  
15 in both curbside recycling and yard waste programs continues to increase. Similarly,  
16 customers still tend to request downward changes in level of garbage collection service more  
17 often than upward changes. Perhaps a pattern of response will later emerge. We bill  
18 customers only once every three months. The rate change was first implemented on bills that  
19 were sent out in March and due in 90 days. And it may require two billing cycles for some  
20 customers to act in response to a rate change.

21 Q. Are you aware that King County witness Dr. Hanson suggested at pages 31-32 of his  
22 testimony that in some circumstances, it might be cheaper for a customer to use two-can  
23 service and place yard waste into the disposal stream instead of using mini-can service plus  
24 yard waste service?

25 A. Yes.

1 Q. Do you agree with Dr. Hanson's analysis?

2 A. No. During the twelve months ended June 30, 1993, Eastside Disposal collected an average  
3 of 130 pounds of yard waste per month from participants in Eastside's regulated service area.  
4 We collected 245 pounds per participant in the heaviest month (May) and 42 pounds per  
5 participant in the lightest month (January). During that same period of time we collected 50  
6 pounds of garbage per month from the average mini-can customer, 83 pounds from the  
7 average one can customer, 133 pounds from the average two can and 60 gallon toter  
8 customer, 216 pounds from the average three can and 90 gallon toter customer and 300  
9 pounds from the average four can customer.

10 These statistics imply that, in order to dispose of yard waste in the same containers as  
11 garbage, the average mini-can customer subscribing to yard waste service would need to  
12 subscribe to four can garbage service during the heaviest yard waste month and two can  
13 garbage service during the lightest yard waste month, or, on the average, would need to  
14 subscribe to three can garbage service. The current rate in unincorporated King County for  
15 mini-can garbage service is \$9.65; three can service is \$15.80 and yard waste service is \$6.00.  
16 It is \$.15 cheaper for this hypothetical mini-can customer to subscribe to yard waste service.

17 Realistically, most garbage customers do not alternate between levels of service on a  
18 monthly basis. Customers who dispose of their yard waste in their garbage most likely either  
19 stay at the same garbage level all year long and thus, in the example above, would subscribe  
20 to four can garbage service, or they subscribe to a lower service level and dispose of their  
21 yard waste by placing extra items out with their regular garbage cans when necessary. In  
22 either event, the savings realized by subscribing to yard waste service are even greater  
23 because the current four can garbage rate is \$18.90 per month and the current extra item rate  
24 is \$2.40 per unit. It would be unrealistic to assume that the hypothetical mini-can customer

1 discussed above would be able to accurately predict in advance the quantity of yard waste  
2 produced each month in order to change to the proper garbage service level.

3  
4 FINANCIAL CONSEQUENCES OF  
5 HIGHLY INCENTIVIZED RATE STRUCTURE

6 Q. What would be the financial consequences for the Company of implementing a rate structure  
7 with the per-can percentage differentials proposed by the County?

8 A. The structures proposed by the County would cause our rates to depart significantly from  
9 cost of service principles. In other words, the charges paid by each customer would not be  
10 very closely linked to the costs that we incur to serve that customer. As a result, some  
11 customers would be subsidizing other customers. In particular, customers with lower levels  
12 of service would be paying less than it costs us to serve them, and customers with higher  
13 levels of service would be paying rates in excess of the cost of their service.

14 Q. Does that matter to Eastside?

15 A. Yes. Although we fully recognize the rights of governmental entities to establish policies, a  
16 steeply inverted rate structure that departs dramatically from cost of service would probably  
17 create problems for Eastside for several reasons. First, if it had the incentivizing effect  
18 claimed by King County, that rate structure would lead to rate instability. Customers would  
19 probably migrate to lower levels of service. But under King County's approach, our costs to  
20 provide the lower levels of service would not be fully covered by revenues generated by those  
21 levels of service. Therefore, the migration would result in Eastside's under-recovery of costs.  
22 In short, if customers respond to the rate structure as the County asserts they will, that would  
23 cause our rates to be insufficient to cover our Commission-approved costs of providing  
24 service. The company would soon have to return to the Commission to apply for another  
25 rate increase.



1 Q. Couldn't the Commission make up for the lost revenue?

2 A. I do not think so. As I understand it, rates are set on a forward-looking basis; the  
3 Commission does not engage in retroactive rate-making. Therefore, the Commission would  
4 not make Eastside whole for losses incurred between the beginning of downward customer  
5 migration and the time new rates went into effect.

6 Q. Would overall costs to customers be the same under the current system and under King  
7 County's proposal?

8 A. I think not. First, the rate instability created by the steeply inverted rate structure would  
9 probably require Eastside to file rate cases much more frequently than it does now. The cost  
10 to the company of bringing a rate case is generally passed on to customers. Thus, customers  
11 would bear greater rate-case expenses. In addition, more frequent requests to change levels  
12 of service impose greater administrative costs. Finally, the more that rates depart from cost  
13 of service, the less of an incentive there is for customers to engage in economically efficient  
14 decisions about which level of service to use. Again, the overall effect is to increase  
15 Eastside's total revenue requirement.

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CONSISTENCY WITH LAWS ON  
SERVICE LEVELS AND WASTE HANDLING PRIORITIES

19 Q. Please explain your understanding of Eastside Disposal's obligations under RCW 81.77.030  
20 as they relate to the minimum levels of solid waste collection and recycling set forth in the  
21 County's Solid Waste Management Plan and to the solid waste management priorities set  
22 forth in RCW 70.95.010.

23 A. As I understand it, RCW 81.77.030(6) directs the Commission to require certificate holders,  
24 such as Rabanco, to use rates and billing systems that are consistent with (1) the solid waste  
25 management priorities set forth under RCW 70.95.010 and (2) the minimum levels of solid  
26 waste collection and recycling set forth in the County's Solid Waste Management Plan. A

1 variety of rate structures and billing systems could satisfy these consistency requirements. I  
2 believe that *Eastside's* obligation remains to charge rates in accordance with its Commission-  
3 approved tariff.

4 Q. Are you aware of any County ordinances relating to rate structure?

5 A. Yes. I believe King County Code section 10.18.020 states that there should be certain  
6 percentage differentials in rates among certain levels of service.

7 Q. Do Eastside's current rates reflect these percentages?

8 A. No. Eastside understands that it must comply with Commission-approved tariffs even if  
9 those tariffs are contrary to County policy.

10 Q. Are Eastside's current rates and billing systems consistent with the solid waste management  
11 priorities set forth under RCW 70.95.010 and the minimum levels of solid waste collection  
12 and recycling set forth in the County's solid waste management plan?

13 A. I believe they are. RCW 70.95.010 establishes waste reduction and recycling, with source  
14 separation of recyclable materials as the preferred recycling method, as the top two priorities  
15 for the collection, handling, and management of solid waste. Eastside's rates are consistent  
16 with these priorities because by charging higher rates for greater volumes of garbage, the  
17 rates create an incentive for waste reduction and source-separated recycling. I believe that  
18 the types and levels of service we offer comply fully with the County's solid waste  
19 management plan.

20 Q. Does this conclude your testimony?

21 A. Yes it does. Thank you.