

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

IN THE MATTER OF THE PETITION
OF

WASTE MANAGEMENT OF
WASHINGTON, INC., DBA WASTE
MANAGEMENT-SOUTH SOUND,
WASTE MANAGEMENT-SEATTLE,

Petitioner,

Requesting Authority to Retain 50 Percent
of the Revenue Received From the Sale of
Recyclable Materials Collected in
Residential Recycling Service

DOCKET TG-171131

ORDER 01

ORDER AUTHORIZING REVENUE
SHARING FOR RECYCLABLE
COMMODITIES REVENUE AND
ALLOWING RECYCLABLE
COMMODITY CREDIT
ADJUSTMENT

BACKGROUND

1 On November 14, 2017, Waste Management of Washington, Inc. (Waste Management South Sound or Company), filed tariff revisions on behalf of its business unit Waste Management of Washington, Inc., d/b/a Waste Management South Sound, Waste Management of Seattle (South Sound), to update the recyclable commodity revenue adjustments and filed revised pages on December 18, 2017. The Company also filed its 2018-2019 Recycling and Commodity Revenue Sharing Plan, and requests that the Commission authorize South Sound to retain 50 percent of the revenue generated from the sale of recyclable commodities during the 2018-2019 plan year.

Recyclable Commodity Revenue Adjustments

2 Waste Management South Sound filed to increase recycling credits from \$0.49 per month to \$1.42 per month for single-family customers, and increase the monthly credit for multi-family customers from \$0.10 to \$0.29 per yard per month.

3 The recyclable commodity revenue adjustments reflect the revenue the Company receives from the sale of recyclable materials collected from single-family and multi-family customers and is adjusted annually pursuant to a deferred accounting mechanism. Commission Staff (Staff) has reviewed the proposed changes and recommends the Commission take no action on the tariff revisions implementing the recyclable commodity revenue adjustments, allowing them to become effective January 1, 2018.

2016-2017 Recycling and Commodity Revenue Sharing Plan

- 4 On November 14, 2017, the Company filed its report of the activities and results for 2016-2017 plan year revenue sharing plan and reported that it met the performance standards to retain 5 percent of expenditures as an incentive. King County certified that the Company achieved its performance goal and should be awarded the 5 percent incentive, and Staff concurs.

2018-2019 Recycling and Commodity Revenue Sharing Plan

- 5 On November 14, 2017, the Company also filed its 2018-2019 Recycling and Commodity Revenue Sharing Plan for King County (Plan). Waste Management South Sound's portion of the budgeted expenditures for the Plan total \$467,650 including the performance incentive. For Waste Management's King County operations as a whole, which includes Waste Management South Sound and Waste Management North Sound, the total budgeted expenditures for the Plan total \$1,038,900 including the performance incentive. The specific tasks and the portions of budgeted expenses attributable to Waste Management South Sound are:

- Task 1: Single Family Residential Audience Outreach and Education – Outreach and education to increase diversion and organics; cart tagging and incentives for organics; reduction of contamination; research for every other week garbage implementation and mandatory pay for yard waste/organics. Budgeted expense for this task is \$181,000.
- Task 2: Multi-Family Residential Audience Outreach and Education – Develop best management basics for tenants, and best management basics for property managers; evaluation of multi-family complexes for organic collection service; multi-cultural outreach, with an emphasis on the Spanish-speaking customer group. Budgeted expense for this task is \$96,000.
- Task 3: Cascade Recycling Center Upgrade – Waste Management will replace a primary ONP Screen and associated conveyers in an effort to achieve better separation and recovery of commodities, minimize cross contamination, and improve efficiencies. Budgeted expense for this task is \$31,000.

6 In addition to a labor cost allocation of \$136,000 the Plan includes a provision for an incentive award of 5 percent of expenditures, currently estimated at \$22,000. To be eligible to receive the incentive, the Company will have to demonstrate to the County that it has achieved the performance goals outlined in the Plan.

Request to Retain Up To 50 percent of Revenue from the Sale of Recyclable Materials

7 In its November 14, 2017 filing, Waste Management asked the Commission to authorize it to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by the Company's residential recycling programs during the 2018-2019 plan year.

8 RCW 81.77.185 states that the Commission shall allow solid waste collection companies collecting recyclable materials to retain up to 50 percent of the revenue paid to the companies for the material if the companies submit 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 residential customers.

9 On November 9, 2017, Pat D. McLaughlin, Solid Waste Division Director for King County Department of Natural Resources and Parks, the appropriate local government authority as specified in RCW 81.77.185 (1), certified that the Plan is consistent with the County Solid Waste Management Plan, and that the Plan demonstrates how retained revenues will be used to increase recycling.

10 Staff recommends that the Commission authorize the Company to retain up to 50 percent of the revenue it receives from the sale of recyclable materials collected in the Company's residential recycling programs; require the Company to meet the performance requirements set forth in its recycling and revenue sharing plan; and, in consultation with the County, consider whether to reduce the revenue share the Company retained if the Company fails to meet those performance requirements.

DISCUSSION

11 RCW 81.77.185 requires the Commission to 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.

- 12 Waste Management South Sound's 2018-2019 Plan projects \$954,975 of revenue from the sale of recyclable commodities in King County and proposes to retain \$477,490 (50 percent) of that revenue for Plan expenditures, in addition to \$11,160 of unspent revenue retained from the sale of recyclable commodities during the 2016-2017 Plan period. The Company has satisfied both statutory standards. The Director of King County's Solid Waste Division certified that Waste Management's recycling plan is consistent with King County's Comprehensive Solid Waste Management Plan. We agree with Staff that the Company's plan sufficiently demonstrates how the revenues the Company is entitled to retain, including the 5 percent incentive payment, will be used to increase recycling consistent with our prior determinations. Accordingly, 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 January 1, 2018, to December 31, 2019, if it complies with the terms and conditions of the plan.

FINDINGS AND CONCLUSIONS

- 13 (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.
- 14 (2) Waste Management South Sound is a solid waste company and a public service company subject to Commission jurisdiction.
- 15 (3) This matter came before the Commission at its regularly scheduled meeting on December 28, 2017.
- 16 (4) RCW 81.77.185 states that 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.

- 17 (5) King County is responsible for managing waste through its Comprehensive Solid Waste Management Plan. The Director of King County's Solid Waste Division certified that Waste Management's recycling plan is consistent with King County's Comprehensive Solid Waste Management Plan.
- 18 (6) The Plan includes a provision for an incentive payment of 5 percent, of the Company's planned expenditure. The Plan conditions the award of the incentive on achieving specific performance goals.
- 19 (7) As required by RCW 81.04.130, Waste Management South Sound bears the burden of proof to show that the proposed increases are fair, just, reasonable and sufficient.
- 20 (8) South Sound'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 January 1, 2018, to December 31, 2019, is consistent with RCW 81.77.185, and Waste Management South Sound's request should be granted.

ORDER

THE COMMISSION ORDERS:

- 21 (1) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle 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 January 1, 2018, to December 31, 2019, provided that Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle complies with the Plan as set forth in this order.
- 22 (2) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle shall present its revenue sharing plan and commodity adjustments to the Commission requesting an effective date each January 1 hereafter, and shall make all future revenue sharing plans and commodity adjustment filings 45 days prior to the proposed effective date.

- 23 (3) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle shall make a compliance filing with the Commission no later than November 16, 2018, 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.
- 24 (4) The commodity credits filed by Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle on November 14, 2017, are allowed to go into effect by operation of law.
- 25 (5) The Commission delegates to the Secretary the authority to approve by letter all compliance filings required in this Order
- 26 (6) The Commission retains jurisdiction over the subject matter and Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle 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 December 28, 2017.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary