

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition filed by:

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

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

DOCKET TG-200541

ORDER 01

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

**BACKGROUND**

1 On June 12, 2020, Waste Management of Washington, Inc., d/b/a Waste Management of Spokane, Valley Garbage Service Co., (Waste Management or Company) filed with the Washington Utilities and Transportation Commission (Commission) the following documents: (1) tariff revisions reflecting 2019-2020 commodity credit decreases, resulting in increased rates to residential and multifamily recycling customers; (2) a petition for exemption from WAC 480-70-351(2) to allow the Company to calculate projected revenues of the commodity credit calculation using the most recent 6-months data instead of 12-months data as required; (3) tariff revisions that incorporate an increase in state B&O tax rates;<sup>1</sup> (4) the Company's 2020-2022 recycling revenue sharing plan with Spokane County; (5) a letter from Spokane County stating the Company reached its goals for the previous revenue sharing plan; and (6) a request that the Commission allow Waste Management to retain up to 50 percent of the revenue received from the sale of recyclable materials during the 2020-2022 recycling plan period. The Company serves approximately 22,000 residential and 300 multifamily recycling

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<sup>1</sup> Pursuant to WAC 480-07-505(3)(c), the Commission generally will not initiate a general rate case in response to a filing made by a solid waste company to "recover only the costs a company incurs to comply with government actions that directly impact the company's costs to provide regulated service (e.g., changes to state or local fees, charges, or taxes directly related to the collection or disposal of solid waste)."

customers in Spokane County.

***Tariff Revisions***

2 The Company filed replacement tariff pages on July 21, 2020, proposing a commodity credit decrease from a credit of \$0.77 to a credit of \$0.53 per month, resulting in an overall increase in recycling rates for single-family residential customers of \$0.24 per month. For multi-family customers, the filed tariff reflects a commodity credit decrease from a credit of \$0.21 to a credit of \$0.04 per yard, resulting in increased recycling rates of \$0.17 per yard for the period August 1, 2020, to July 31, 2021. Commission staff (Staff) reviewed the Company's filing and recommends the Commission allow the tariff revisions reflecting the commodity credit decrease and state B&O tax to become effective by operation of law.

***Petition for Exemption***

3 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.

4 In its petition for exemption, 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 proposes to base the projected commodity adjustment on the most recent 6-months of revenue data as being more representative of future performance. Therefore, the Company seeks approval to use a 6-month, rather than 12-month, average to calculate its projected recycling commodity adjustment.

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

6 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 2020-2021 using the full 12 months of actual revenue received from the sale of recyclable commodities;

- (b) The Company will use the most recent six months of historical revenue to calculate the commodity credit or debit that will go into effect August 1, 2020; and
- (c) The Company will file a commodity adjustment to become effective no later than August 1, 2021.

***Proposed 2020-2022 Recycling Plan and Revenue Sharing***

7 Pursuant to RCW 81.77.185, Spokane County (County) and Waste Management initiated a revenue sharing plan starting August 1, 2018, and ending July 30, 2020, which the commission approved on July 26, 2019.<sup>2</sup> According to the Plan, the Company is 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 was to be used to increase recycling in Spokane County through initiatives and tasks outlined in the Plan. In its June 22, 2020, letter to the Commission, Spokane County asserted that Waste Management fulfilled the work agreed upon in the Plan’s first year and met the requirements for the performance incentives (5 percent). The two performance goals are: (1) the Company will increase diversion of materials from disposal, and (2) the Company will increase the number of regulated participating residential accounts. Waste Management collected \$714,171 in revenue, retained \$357,086 revenue, and spent \$324,000 dollars on Plan activities, leaving \$16,886 in unused revenue to return to customers.

8 For the 2020-2022 plan period, the Company projects it will earn \$645,000 annual revenue from the sale of recyclable commodities from 22,000 regulated recycling customers, allowing the Company to retain \$322,500.

9 For the 2020-2022 period, Waste Management reported the following budget: Task 1 - “Knowledge Sharing” \$129,300; Task 2 - “Community Events” \$20,000; Task 3 - “Focused Education for Younger Minds” \$35,000; Task 4 - “Multifamily Recycling and Reduction of Contamination” \$14,000; and administrative costs of \$108,800. Total proposed expenses for the two years amount to \$307,100. The Plan provides for a 5 percent performance incentive for increasing diversion rates (3 percent) and increasing the total number of participating residential accounts (2 percent). Incentive payments amount to \$15,400 for the two years.

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<sup>2</sup> Docket TG- 190496 effective July 26, 2019

10 Kevin Cooke, P.E., Spokane County 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 in each of the two years of the Plan, from August 1, 2020, to July 31, 2022.

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 allow the recycling commodity credits and proposed rates to recover the State B&O tax increase, which were filed by Waste Management on June 12, 2020, as revised on July 21, 2020, to go into effect August 1, 2020.

### **DISCUSSION**

12 We agree with Staff's recommendation and (1) grant Waste Management's request to retain up to 50 percent of the recyclable commodity revenue collected during each year of the Plan; and (2) allow the tariff revisions reflecting increases to recycling credits and state B&O taxes to become effective by operation of law on August 1, 2020. We address each of the Company's requests in turn.

13 First, the Company has met the requirements of RCW 81.77.185. Under the statute, 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.

14 Waste Management 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. Spokane County recommends that the Commission allow the Company to retain up to 50 percent of the actual value of recyclable commodity revenues received in each of the two years of the Plan from August 1, 2020, to July 31, 2022. 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.

15 Second, we find that the Company's proposed commodity credits, which reflect the effect of the Commission-approved deferred accounting mechanism, are consistent with the

public interest. Waste Management is also authorized to recover the increased state taxes as a pass-through charge to customers. Accordingly, we allow the recycling credits and tax increase to become effective by operation of law on August 1, 2020.

16 Finally, we grant Waste Management's request for an exemption from WAC 480-70-351(2). The Commission may grant an exemption from, or modify the application of, any of its rules in individual circumstances if the exemption or modification is consistent with the public interest, the purposes underlying regulation, and applicable statutes.<sup>3</sup>

17 We agree with Staff's recommendation and grant the Company's petition for exemption subject to the conditions that Staff recommends. Using the most recent 6-month historical period to estimate revenues is reasonable because it reflects a more realistic estimate of recyclable commodity revenue. Requiring the Company to transition back to the 12-month standard in WAC 480-70-351(2) when the Company files its next commodity adjustment is also reasonable because the industry is transitioning back to the 12-month cycle and the commodity markets are stabilizing. Accordingly, we find that granting the Company's request for an exemption subject to Staff's proposed conditions is consistent with the public interest, the purposes underlying regulation, and applicable statutes.

### FINDINGS AND CONCLUSIONS

18 (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.

19 (2) Waste Management 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.

20 (3) On June 12, 2020, Waste Management filed with the Commission (1) tariff revisions reflecting 2019-2020 commodity credit decreases, resulting in increased rates to residential and multifamily recycling customers; (2) a petition for exemption from WAC 480-70-351(2) to allow the Company to calculate projected revenues of the commodity credit calculation using the most recent 6-months data instead of 12-months data as required; (3) tariff revisions that incorporate an increase in state B&O tax rates; (4) the Company's 2020-2022 recycling revenue sharing plan with Spokane County; (5) a letter from Spokane County stating the

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<sup>3</sup> WAC 480-07-110

Company reached its goals for the previous revenue sharing plan; and (6) a request that the Commission allow Waste Management to retain up to 50 percent of the revenue received from the sale of recyclable materials during the 2020-2022 recycling plan period.

- 21 (4) This matter came before the Commission at its regularly scheduled meeting on July 30, 2020.
- 22 (5) 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.
- 23 (6) 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 Waste Management's recycling plan is consistent with Spokane County's Comprehensive Solid Waste Management Plan.
- 24 (7) Waste Management'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, 2020, to July 31, 2022, is consistent with RCW 81.77.185, and the Commission finds that Waste Management's request should be granted.
- 25 (8) Under WAC 480-07-110, the Commission may grant an exemption from the provisions of any rule in Chapter 480-70 WAC if consistent with the public interest, the purposes underlying regulation, and applicable statutes.
- 26 (9) After reviewing the Petition filed in Docket TG-200541 by Waste Management on June 12, 2020, and giving due consideration, the Commission finds that the requested exemption is in the public interest and is consistent with the purposes underlying the regulation and applicable statutes and should be granted, and that the proposed tariff revisions should become effective August 1, 2020, by operation of law.

**ORDER**

**THE COMMISSION ORDERS:**

- 27 (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, 2020, to July 31, 2022.
- 28 (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 12, 2021, 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.
- 29 (3) The tariff revisions filed by Waste Management of Washington, Inc., d/b/a Waste  
Management of Spokane, Valley Garbage Service Co., on June 12, 2020, will  
become effective on August 1, 2020, by operation of law.
- 30 (4) The Commission delegates the Secretary the authority to approve by letter all  
compliance filings required in this Order.
- 31 (5) 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.
- 32 The Commissioners, having determined this Order to be consistent with the public  
interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective July 30, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON  
Executive Director and Secretary