

September 14, 2009

Dave Danner, Director
Washington Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

RE: Docket Number TG-081576 Freedom 2000 L.L.C

Dear Commission,

As the previous G-Certificated operator in Point Roberts, I strongly recommend that the Commission deny the Freedom 2000 application.

I am not opposed to garbage collection being resumed in Point Roberts however Freedom is not qualified to provide the service.

There are many reasons for rejecting this application and significant unanswered issues which I will outline. I have also reviewed the Freedom application and listed their statements in boxes with my comments following each.

Reasons for Rejecting Freedom 2000 Application

1. It is questionable if the Commission has the authority to approve any application at this time. The Department of Ecology has notified Whatcom County and the Commission that Whatcom County has not met State requirements for urban/rural designation in their Solid Waste Management Plan. The Commission has also not conducted the required Cost Impact Assessment on the Whatcom County Plan or policies in regards to the rate payers in Point Roberts. Since both the County and the Commission have failed to fulfill their statutory obligations for planning and supporting the Point Roberts community, can the Commission legally and responsibly grant a Certificate?
2. Whatcom County played a significant role in causing the collapse of the Point Roberts system. The Department of Ecology has notified Whatcom County and the Commission of the County's failures and the need to determine why the system failed prior to implementing a new collection program. Whatcom County continues to ignore their obligations to the Point Roberts community while hoping that the Commission, by granting a Certificate to anyone, will solve the problem and remove the County from its burden of planning the system. The Commission can have no confidence that the County will not continue destructive solid waste policies in Point Roberts. If a Certificate is granted, and the new company encounters problems, will the County provide solutions or will the County again fail to fulfill their statutory obligations to the community and the company. It would be negligent of the Commission to grant a Certificate when all the previous problems could repeat because the County does not have a reasonable and accurate Plan for Point Roberts. What will the Commission and the County do if Freedom fails?
3. Commission Staff requested that Freedom 2000 provide an application without the contingency of operating the transfer station. Freedom has not done so; the tariff filed does not reflect the proposed operating methods.

4. Freedom has not provided detailed operational financials in WUTC accounting format with allocations between garbage collection, recycling collection, pass-through services, and the transfer station. There is no basis to approve the rates filed as being accurate, fair, just and reasonable.
5. Freedom has low-balled the proposed rates by omitting operational costs, management fees and staff costs in order to deceive the Commission, the County and the ratepayers as to the actual costs they will be charging.
6. Freedom's proposed trailer-based recycling collection program is not similar to industry standards, proposes inadequate operational equipment and lacks any details of feasibility.
7. Freedom does not propose adequate backup equipment or operational cash to ensure sustained uninterrupted operations.
8. Freedom has made it clear that their reason for application is to acquire the "county owned transfer station" and there is significant evidence of public record that the Complainants Tomsen, Damewood and Coe were operating in coordination with Freedom to achieve their goals.
9. Freedom's other trucking company, J-Man Trucking has been investigated by the Commission and found in violation of State and Federal requirements. J-Man claims to be a Canadian company however both owners reside full-time in Point Roberts, all equipment and operations are in Point Roberts and hired employees reside in Point Roberts. J-Man operates as a common-carrier transporting equipment and fill materials point-to-point within Washington State and has done so without the required CC Permit. J-man has no customers in Canada and only purchases soil for import. J-Man has employed local residents Tom Bailey and Rick Parsons as drivers without required State labor accounts. J-man's current truck is operating without any Washington State vehicle license, pro-rate, IFTA, DoT number or any required equipment signage. The Commission should require Freedom to provide documentation of all required State and Federal licenses, permits, labor accounts and tax accounts since beginning operations; as evidence that Freedom is capable of complying with WUTC rules and regulations.
10. Freedom has operated Light Weight Recycling for several years portraying the company as owned by them and a legal Washington State Company. Upon investigation by the Commission, Freedom has disavowed ownership of Light Weight and refused to provide information as to true ownership, legal status or the relationship between R&D Tidy Bin and Mr. Gellatly and Mr. Calder. Mr. Gellately now claims to own the equipment of R&D Tidy Bin and is currently operating without proper licenses, registrations, and permits. The Commission should request detailed documentation of Gellatly's management of Light Weight Recycling and the transactions leading to his ownership of the equipment and continued operations.
11. Mr. Gellatly has repeatedly used multiple business names and licenses in the U.S. and Canada in order to confuse and avoid investigation of his past and associated business activities.
12. Light Weight Recycling as operated by Mr. Gellatly has been hauling material defined by Whatcom County, Washington State Department of Ecology and Washington State Department of Revenue as solid waste. The Commission should verify with the Department of Revenue that Light Weight Recycling has paid all required solid waste taxes for their activities. Freedom

intends to continue this activity. How will the Commission now classify this activity; as garbage or recycling; in regards to tariffs, rates and taxation? How will customers know what activity is regulated and which is not? Is this activity regulated or not?

13. Freedom has only submitted 11 letters of support. Of those eleven, Banner Bank, the Point Roberts Liquor Store, National Mountain Sound Reality, the Point Roberts Water District and Renee Coe were not customers of Point Recycling and did not use garbage or recycling services but are people with relationships with Gellatly's other businesses. Freedom has not established any significant demand for their services, especially the curbside recycling. Freedom has drastically overestimated projected revenue and demand.
14. Freedom has significantly underestimated expenses.
15. Freedom has no experience operating a collection company or transfer station and has not demonstrated the ability to competently do so.
16. Freedom has presented a "golden scenario" with maximum revenue and minimal expenses. No problems and everything will go smoothly. That will not be the case and the Commission should not grant a Certificate out of desperation to find a service provider. The granting of a Certificate is a serious issue and the Commission needs to have absolute confidence that the applicant can be effectively regulated.
17. Whatcom County actions and solid waste policies have decimated the customer base for collection in Point Roberts. Since households have been self-hauling recycling for almost two years; very few household will restart garbage collection as long as it is tied to mandatory recycling. There was never much demand for garbage collection in Point Roberts and since service was interrupted it is foolish to predict a return to previous levels. Any new Certificate will face the inevitable death spiral of rate increases and customer decline.
18. Does Point Roberts need garbage collection? Sadly, not really; the community can survive just fine. Many communities do, and even where there is service there are similarly sized commercial accounts that choose to self-haul. Point Roberts does deserve to have service but it needs a feasible plan and support from the County. At this time I do not believe a stand alone collection company is viable in any form. The capital requirements compared to material volume is too great to be sustainable.

Once again, I ask that the Commission reject the Freedom 2000 application.

Sincerely,

Arthur Wilkowski
Point Recycling and Refuse Company

Comments on the Freedom 2000 Application follow.

Cc: Whatcom County
Ecology

1. "It is important to note, that no company operating a solid waste collection service in Point Roberts since the inception of solid waste collection service in the Point Roberts area some 40 years ago has ever been deprived of a transfer station or land fill at Point Roberts."

Disposal options have always existed in Point Roberts, however the landfill and later transfer station was operated for many years by Whatcom County and was then leased to Point Distributors in the early 1990's. It is not an obligatory right that the G-certificated company operates the transfer station. The County needs to have a qualified and experienced operator.

2. "The difference however, is transporting the regulated solid waste to Ferndale and paying \$0.0375 per pound versus dropping the regulated solid waste at the Point Roberts transfer station and paying \$0.13 per pound a difference in cost of \$185.00 per ton or just a little over \$9,000.00 per month based on an average 50 tons per month. The savings to Freedom/Freedom is substantial."

Freedom has made a fundamental flaw in the calculation of cost savings. The disposal fee delivered in Ferndale is lower because the Point Roberts Transfer Station fee included the cost of transporting waste to Ferndale. Freedom's own estimate of "contract hauling" is \$9,200.00 per month, equivalent to projected "substantial savings". Freedom has failed to account for transportation costs, labor, or actual feasibility of transport. If it takes a contract hauler \$9,000 per month hauling two 40-yard boxes (16 tons per trip), how much will it cost Freedom to haul the same garbage in 4 ton trips? By not recognizing internal operating costs, Freedom demonstrates that they have very little understanding of what their actual operating costs will be. Freedom does have a choice to use the PR transfer station or to direct haul however rates will be set on the lowest cost option for the rate payers. Freedom cannot file for rates to include the higher cost option, and must accurately account for the different disposal options in their application and their tariff.

3. "Removing the transfer station from our budget reduces our annual profitability from 14.62% or \$56,820.00 to 3.14% or \$6,900.00."

This statement reveals how little Freedom understands regulated solid waste industries. Rates for regulated collection must be set based on the actual cost of providing service, with an opportunity to earn a profit based on investment. Freedom cannot use the transfer station to force regulated customers to pay higher rates than the cost of service, or a higher profit to Freedom. The expected profit level projected by Freedom is excessive and if accurate would require a rate decrease in their tariff. Freedom must submit accurate rate information for the regulated collection separate from the rate information for the transfer station. Freedom cannot submit lower rates on the regulated side and then make up the difference on the transfer station side as this violates the principle of "fair and accurate rates".

4. "The County would, exercise their option to cancel the existing transfer station lease with Points, and enter into a lease for the transfer station with Freedom/Cando, if the WUTC granted Freedom/Cando a "G" certificate."

Point Recycling and Whatcom County have unresolved issues regarding the Station Lease; County actions against Point Recycling; and transfer station assets. It is not likely that Whatcom County will be able to deliver the transfer station to Freedom in any timely manner or in operational condition until these issues are resolved.

5. "WUTC staff indicates that the transfer station cannot be considered because it does not fall into their jurisdiction; they do not regulate the transfer station. Without the transfer station, Freedom/Cando's operations are marginal unless the tariff is revised and increased; an unnecessary and unfair step because under the projected budget with the transfer station included Freedom/Cando's operations are healthy."

WUTC staff are correct. The WUTC cannot approve an application based on the premise of Freedom acquiring the transfer station. Staff also cannot approve rates based on that premise. Freedom must; and has not; submit rates and financial information for the collection company based on using the transfer station but not operating it. If the financial information submitted does not support the rates filed in their proposed tariff, then the tariff must be modified to reflect accurate rates even if that means increasing rates. Those rates must also reflect the correct revenue over expenses based on investment in the regulated activities. The WUTC does control how the transfer station impacts regulated rates. Freedom has not submitted any proposed allocations to separate regulated and non-regulated activities. The WUTC cannot approve a tariff where the rates are either too high, or too low. Freedom rates must only be approved separate from the transfer station, then if Freedom gets the station, rates must be lowered to reflect the allocations between the two operations. Any other method would allow Freedom to double dip profits from the regulated customers.

Revenue:

"Commercial Customers: \$10,500 per month; based on 31 commercial customers requiring twice weekly collection of 1 ½ yard containers - \$346.55 per month each. *(NB. not all customers will require twice weekly collection however, there are several commercial customers who have more than 1 container and require multiple pickups)*. This revenue amount is consistent with the previous collector's revenue stream for this category. *(Note: the previous collector's revenue for this category for 2007 averaged \$12,840.00 per month based on their annual report to the WUTC)*"

This revenue projection is grossly inaccurate: First, the vast majority of commercial customers are one container every-other-week; not twice weekly. The average commercial bill is in only about \$80 per month for EOW service and about \$160 for weekly. Since 2007, several large commercial customers have closed (the Bingo Hall, Brewsters' Restaurant) or pulled out of the system like The Marina. 2008 commercial revenue was 33% lower than 2007 (down \$51,000) and the downward trend was continuing in 2009. Secondly, since many commercial customers are very small volume, a large percentage will continue to self-haul their garbage even if service is restored because self-hauling saves them about 50% of the cost and is very convenient. A more accurate and realistic projection of commercial revenue would be more like \$7,000.00 per month, especially since Freedom has not been able to get letters of support from more than a handful of commercial customers. Another part of the PRR commercial revenue was from special cleanup services and small special dumpsters. Freedom has not put the staffing level or containers to provide this service.

Residential Customers: \$6,000.00 per month; based on 335 residential customers requiring weekly collection of 32 gallon cans - \$20.90 per month each. *(NB. This calculation would provide for revenue of \$7,000.00 per month, and it is recognized that not all residential customers receive weekly collection services therefore the amount has been tempered in order to allow for those customers who receive service every other week)* This revenue amount is also consistent with the previous collector's revenue stream for this category. *(Note: the previous collector's revenue for this category for 2007 averaged \$5,810.00 per month based on their annual report to the WUTC)*

This revenue projection is inaccurate: PRR had approximately 1/3 of residential customers on monthly service, 1/3 EOW and 1/3 weekly. Since people have now been self-hauling for 3 months, and would be doing so for at least another 3 months before Freedom started service; a significant percentage would continue to self-haul, especially the monthly or infrequent tag customers. If PRR restarted service now, with the existing customer list and loyalty, I would anticipate somewhere around a 30% decrease in regular residential customers and practically no return of the infrequent tag customers. This is made more predictable since Whatcom County has actually received very few complaints from residents forced to self-haul their recycling, and later their garbage. Freedom should expect their residential customer base to drop to only about 150 with a much lower number during the months of startup. PRR had a 7% decrease in residential revenue from 2007 to 2008.

Residential Recycling: \$1760.00 per month; based on 335 residential customers receiving every other week recycling - \$5.33 per month. *(Note: the previous collector's revenue for this category for 2007 averaged \$1,820.00 per month based on their annual report to the WUTC).*

This revenue forecast is also flawed. The 335 recycling customers have been self-hauling for almost two years now. They have saved money by doing so, even with paying 5 cents per pound at the station. The majority will not want to restart recycling service; after all, there were never more than a couple of people who complained when recycling stopped. Forcing people to pay now for recycling service will serve as a deterrent to signing up for any garbage collection. I could not predict how many customers Freedom would have but it will not be very many.

All through the PRR recycling issue, Freedom 2000 claimed that there was a huge demand for recycling but they have not demonstrated that there is any at all. Freedom also claimed that they could provide the service at a much lower cost, however they have not submitted any financial information to justify their rates. They have not shown how expenses will be allocated to recycling customers. The proposed rate is just a number with no documentation or justification and cannot be approved by the WUTC without further information on operational costs and overhead allocations.

Ads: Advertising in the local paper or other applicable venue.

Advertising would run about \$200 per month and is not included in the budget

Contract Financial Services and Data Entry

Freedom has not including in their budget any office staff to operate phones, and perform customer service. They are required to have a staffed office 20 hours per week.

Direct Labor

Full Time: \$3900 per month; 1 fulltime employee (driver) CDL qualified. \$22.50 per hour based on a 40 hour work week. 2080 hours per year divided by 12.

Part Time: \$1,600.00 per month; 1 part time employee (swamper). \$18.50 per hour based on a 20 hour work week.

Freedom has drastically underestimated the labor required to provide service, maintain equipment and meet customer needs. Considering the time required for routes, (if they achieve the same customer level as PRR); this is requiring one person to drive all garbage routes, recycling routes, run garbage trucks down to Ferndale and run the recycling to the processing center. People get hurt, sick, need vacations and sometimes quit their job. There is no proposed depth of staff to ensure that routes are never missed.

Indirect Labor

Payroll Taxes: \$275.00 per month; based on 5% of gross payroll.

Payroll taxes are more than this.

Depreciation Expense: \$750.00 per month;

Garbage compactor truck priced at \$29,500.00 and depreciated over 5 years or 60 months, 492.00 per month;

Freedom is proposing to have just one used single-axle packer truck. The thing about used trucks is that the previous owner decided that it was no longer able to reliably do the job without breakdown so they stopped performing repairs and then sold the truck. My experience is that any used truck requires approximately \$10,000 in repairs and tires before being reliable, and then there are still frequent breakdowns. Repairs can sometimes take several days so how can Freedom ensure service with only one old truck. Also, there is no revenue in the rates to cover replacement of equipment or adding equipment as needed. This truck will cost an additional \$2,360.00 in sales tax. The real cost for an operational truck is \$41,860.00. A number not reflected in their budget and further limiting their operational cash flow.

Fuel: \$1,730.00 per month; fuel for all vehicles. This has increased due to the requirement of driving the packer truck to Ferndale 2 top 3 times per week.

Fuel is more like \$3,000 per month and up to \$4,000 if they run their trucks directly to Ferndale.

Registration and Licensing: \$300.00 per month; annual tabs and prorate (if required)

Yes, prorates are required to operate their trucks in both Countries, even to just take trucks into Canada for repairs. Freedom should know this from their operation of J-Man Trucking and R&D Tidy Bins however, they have never properly registered or licensed trucks from those companies.

Repairs and Maintenance: \$250.00 per month; routine maintenance and quarterly CVSA inspection. Any repairs required per pre - trip inspections

This figure is way too low, you cannot get a big truck serviced and checked out for usually less than \$2000. Old trucks have all sorts of weird parts failures and problems.

Tires and Repairs: \$100.00 per month; Trucks requiring flat repairs from being around the transfer station plus replacement of tires as needed due to normal wear.

\$1,200 per year is not enough for tires when a single tire is between \$400 to \$600.

Disposal and Processing

Other Disposal and Processing: \$3,750.00 per month; cost of disposing of solid waste at RDS in Ferndale. This is based on tonnage amounts included in Points quarterly excise tax returns to Whatcom County. The tipping rate is now \$75.00 per ton or \$0.0375 per pound. The average tonnage brought in by packer truck under the previous collector was 50 per month or roughly 600 ton per year.

Freedom plans to bypass the transfer station if they cannot operate it. They plan on driving their single-axle truck to Ferndale to empty it.

Single-axle garbage trucks have the problem of being overweight on the rear-axle with only about 4 tons of garbage. This would require Freedom to make a minimum of 3 trips per week with an average trip time of 4.5 hours. Trips would have to be made after every route day. PRR did direct haul for several years using two dual-axle trucks. When one truck was full in the middle of the route, PRR would switch to the empty truck thereby maximizing trip efficiency. Freedom proposes using only one truck, what will they do with the truck fills partway through the route. They will be forced to make runs with partially full trucks or overweight trucks.

Garbage trucks are not designed to travel long high-speed distances with full loads. PRR burned up two transmissions and one engine trying the direct haul system.

Facility

Depreciation Expense – Equipment; N/A

Insurance: N/A

Power and Light: N/A

Rent: N/A

Repairs and Maintenance: nN/A

Water: N/A

Freedom will have to have a base of operations if they do not get the Transfer Station. They currently are operating J-Man Trucking and R&D Tidy Bins out of the Point Roberts Gravel Pit and Ron Calder's front yard. This is a blatant violation of County Zoning laws however they could continue to do so. Freedom also informed the Whatcom County Council that they had an alternative property available therefore they do not actually need the Transfer Station to operate. Regardless, they will have some facility expenses which are not included in the budget.

Freedom 2000 LLC dba Freedom Recycling and Disposal – financial assumptions including Transfer Station

Financial Information

Financial information previously provided has been substantially enhanced. First and foremost, the amount of Cash in the bank has been increased to \$64, 326.90. This has been done by removing some equity from another company which I own and placing the additional equity into this venture.

Further to this I have completed the purchase of assets belonging to Canadian company which was formerly involved in waste disposal services in the Vancouver area. This purchase was made by my family's money in Canada and those assets will be moved into this operation in my name and be considered part of my capital. These assets include a roll off container truck, and 6 containers, all in very good condition and with significant life expectancy.

As previously indicated, private back up financing has been made available in the amount of USD\$50,000.00 and a letter of commitment is attached to this submission. Total capital outlay for items that require purchasing for startup will be approximately \$85,100.00 which means that we will have to use some of our financing. A review of the budget indicates a 13% margin which allows for servicing of the debt which will be incurred to accommodate the initial capital expenditures. I will not be taking a salary from this company until such time as it is firmly on its feet and functioning properly. I believe that the assumptions which follow are conservative and that after the first year of operations we will be well on our way to being a strong member of the Point Roberts business community.

Freedom is claiming start up capital of \$114,326.90 minus equipment purchases of \$85,100.00 for a working cash of \$29,226.90. Freedom has underestimated startup costs of repairs to the used garbage truck and startup labor for signing up customers. Freedom has also drastically overestimated customer revenue for the startup period especially considering the seasonal nature of garbage volumes in Point Roberts where 60% of the garbage is generated in the 4 summer months. WUTC billing requirements mean an average of 30 days delay for payment. Freedom will also average about 40% delinquency on commercial customers and 20% on residential; this will strain cash flow even more. Freedom has insufficient working capital to make it through the winter, to sustain unforeseen expenses and to meet fixed obligations.

Transfer Station

Pass through Disposal: \$5,800 per month; this number is based on previous collectors averages for these services.

Freedom omitted any pass-through services from their “without transfer station” information indicating that they will not be providing any pass-through services to customers if they do not control the transfer station. This is an incomplete application and does not correspond to the tariff filed. Freedom must submit a complete plan and financial information for all services without operating the transfer station in order to comply with WUTC Staff directives.

Other Income: \$8,300.00 per month. This is considered unregulated income and comes from transfer station self haul by customers who have exemptions from the County and those seasonal vacation homes who are not required to have curbside pickup.

Freedom does not understand the relationship between regulated activities and affiliated interests. When the system existed completely under PRR, it was from an accounting perspective four companies; garbage collection, pass-through services, recycling and transfer station. Each company must be independently viable where rates reflect the cost of providing service. Each company shares some general expenses that are allocated based on a fair formula. Freedom cannot use the transfer station to subsidize curbside recycling or garbage services, and also cannot imbed unreasonable profits in the disposal fees paid by the garbage company to the transfer station. Freedom has submitted no detailed plan for any of the parts of the proposed company or allocation methods demonstrating the ability to maintain accurate WUTC accounting requirements.

Expenses Direct Labor

Full Time: \$3900 per month; 1 fulltime employee (driver) CDL qualified. \$22.50 per hour based on a 40 hour work week. 2080 hours per year divided by 12.

Part Time: 3200 per month; 2 part time employees (swamper and station attendant). \$18.50 per hour based on a 20 hour work week.

The Transfer Station is open for customers 20 hours per week and requires a second to handle customer needs and packing of bins. Freedom has drastically under budgeted labor for the transfer station and provided no budget for overtime on routes. Does this mean they will reduce transfer station hours in order to force people onto curbside collection?

Indirect Labor - Disposal and Processing

Contract Services: \$9200.00 per month; contracted delivery of containers of solid waste from Point Roberts to RDS in Ferndale.

Contracting out the hauling creates several problems. Garbage volumes are unpredictable and require on-demand switches of containers. The Border can be problematic and frequently has long delays. Contract haulers switch two boxes at a time meaning that two of three slots will be full prior to each switch. Managing the weight in boxes is difficult and requires bins be pulled and weighed to ensure that they are not overweight or underweight. Freedom has not proposed having the equipment to ensure that boxes can be weighed or switched on demand.

Depreciation Expense 4 – 40 yard roll off containers for transfer station and rental use @ USD\$4,550.00 per container. \$37,000.00 depreciated over 60 months = \$700.00 per month.

Freedom's single-axle roll-off cannot deliver, haul or switch 40-yd boxes. Under WUTC rules they cannot contract for another company to deliver boxes to customers. They must then lease a truck and have their own driver deliver the box under a lease agreement on file with the Commission.

Transfer Station

Depreciation Expense – Equipment; \$750.00 per month; In the event that Whatcom County is unable or unwilling to purchase improvements previously made to the transfer station, a new scale may need to be purchased. Pricing and installation has come in at approximately \$10,000.00 for this. Additionally there is a requirement for a backhoe or mini excavator for moving containers and compressing garbage in the bins. One is available for lease on an hourly basis (\$30.00 per hour) with the possibility of purchasing it, if it is needed more frequently, for \$12,000.00. Depreciation terms for this type of equipment would be 60 months.

Whatcom County initially provided PRR with a transfer station consisting of a parking lot, 3 operational z-wall slots and an outdoor water faucet. PRR has installed power, phone, septic, scale, scale house, road improvements, other buildings, and z-wall improvements in order for the facility to comply with State Minimal Functional Standards. The replacement value of these improvements is well over several hundred thousand dollars and would take months to replace if PRR chose to remove them.

A backhoe is necessary for any operation of the transfer station and is used 10 to 20 times each day.

Rent: Current rent for the county transfer station is \$1000.00. This is apparently at the request of the current lessee. Previously the rent was \$50.00 per month. It is anticipated that if Whatcom County purchases the improvements to the transfer station that the rent will be \$50.00 plus whatever the costs of those improvements amortized over the term of the lease up to \$1000.00 per month.

Whatcom County will charge a rent over 5 years to cover what assets they purchase or the lessee will have to replace the assets themselves. This rent will likely be over \$3,000 per month.

Repairs and Maintenance: \$250.00 per month; maintenance of the grounds and equipment that is on site as well as the fence that surrounds the transfer station. Repairs for any damage caused by equipment working within the facility.

This is an inadequate level of maintenance and indicates Freedom's intent to let the facility deteriorate during their lease term and certainly not to make any necessary improvements.

Water: \$50.00 per month; metered water usage for cleaning bins and general sanitary applications.

Actual water expense for a commercial meter is \$150 per month with large increases projected.

FREEDOM STARTUP PLAN FILED 7/24/09

The startup of business is of course, wholly dependent upon receiving the approval of the Commission. It is our belief that the time lines will be based upon the Commission's scheduled meetings. Therefore, we believe that if approval of the application is granted at the July 30th, 2009 meeting, and 30 days is required before the final approval for the certificate is granted, the next scheduled meeting of the Commission would be on September 10, 2009.

Having previously indicated a need for approximately 30 days to commence service, we would anticipate that regular solid waste and recycling collection operations would start prior to the 15th of October.

Immediately, telephone service would be ordered and a temporary office would be established. A computer and associated programs would be ordered with expedited delivery. Contracted bookkeeping services would commence setting up all programs so that the approved tariff is reflected and working with data entry clerk to insure that all information received is input correctly. Both individuals who will be involved in this process are keen to get started.

Advertisements would be take out on Delta Cable TV and also posted on Point Interface which is an email based community bulletin board which reaches some 300 residents at present and is growing on a daily basis. Word of mouth and posters at the local businesses will also be used to get the phone number out so that potential subscribers to the services can communicate their needs and establish accounts.

In speaking with previously sourced suppliers for equipment, they are comfortable that here would be no problem supplying the necessary equipment within the 30 day time frame.

The acquisition of an appropriate garbage collection packer would be made within the first week, allowing the necessary time for delivery, licensing and inspection of said vehicle prior to commencing operations. Appropriate containers for commercial customers would be ordered so that fabrication could commence

Priority will be given to negotiating the terms of the lease agreement with Whatcom County and insuring that they have provided the 30 days notice to the current lessee of the Johnson Road Transfer Station, a matter that will be turned over to our attorneys for final resolution.

1 Full time employee would be hired and 1 part time employee would be hired. All necessary documentation including testing, medical, and drivers abstracts would be conducted. Bookkeeper

will go over route sheets and documentation requirements for each customer so that proper and accurate billing can be prepared.

Accounts will be established with Labor and Industries, Department of Revenue and the IRS for proper remittance of monthly, quarterly and annual filings.

Meetings will be held with the Whatcom County Solid Waste department, Whatcom County Health Department and the Department of Ecology to insure that all legal requirements are met and that Freedom 2000, LLC is in compliance and has a full understanding of their obligations.

Accounts will be established with RDS in Ferndale for accepting Solid waste deliveries from Point Roberts via independent hauler.

Insurance policies have already been established with Mutual of Enumclaw for commercial vehicle, commercial general liability and employer's liability.

Freedom has outlined some understanding of the legal requirements to conduct a trucking business in Washington State. A key issue here is how they have operated their other trucking companies; J-man Trucking and R&D Tidybins. WUTC staff investigated both companies and found not only serious omissions in licenses and permits but a consistent attitude of evasiveness by Gellatly and Calder. "Freedom 2000 does not exist" "J-man Trucking is a Canadian company and does not have to follow your rules". The Commission should not approve this application until it is verified that J-man Trucking and R&D Tidybins has been operating legally and in compliance.

Financial Information

Further to this I have completed the purchase of assets belonging to Canadian company which was formerly involved in waste disposal services in the Vancouver area. This purchase was made by my family's money in Canada and those assets will be moved into this operation in my name and be considered part of my capital. These assets include a roll off container truck, and 6 containers, all in very good condition and with significant life expectancy.

This must be R&D Tidybins which Gellatly told the Commission last October that the purchase was in process and would soon be operating in full compliance. Gellatly refused to disclose who actually owned R&D or any details of their relationship. The Commission should request full documentation of the Gellatly/R&D relationship.

A review of the budget indicates a 13% margin which allows for servicing of the debt which will be incurred to accommodate the initial capital expenditures.

I will not be taking a salary from this company until such time as it is firmly on its feet and functioning properly. I believe that the assumptions which follow are conservative and that after the first year of operations we will be well on our way to being a strong member of the Point Roberts business community.

Freedom is doing a bait and switch on the rate payers. For years, Gellatly and Calder have claimed that PRR rates were excessive and that they could provide more service at less cost. Now they are submitting an application where they cut labor, reduce equipment, decrease reliability and service and eliminate reasonable employee benefits. The lowest investment approach with a bare budget and no depth. Gellatly has not included necessary management costs for himself, and no budgeted office staff. This guaranteed significant future rate increase is deceptive to the rate payers, the County and the Commission. The task set before Freedom is to submit a viable, accurate and sustainable business plan where Freedom can provide reliable service now and into the future with only occasional reasonable rate increases. Freedom should not be allowed to use the Bid Low/Raise Rates later approach.

Moving Forward

Point Robert's demographics have changed significantly in the past 10 years, and as such so have the requirements of those who live here.

Property values have more than doubled since 1999. Areas that used to be considered summer cottages now have \$800,000.00 cabins. More and more people have come to Point Roberts from large cities and heavily developed areas and are enjoying the peace and tranquility of this area. They are however used to certain basic amenities, and expect those to be available. This includes curbside collection of solid waste and recyclables.

The recent setback of losing these services which most take for granted has been an inconvenience for many, and is causing a significant stir in the community. Most are resigned to the fact that the reinstatement of these services may take a bit longer, but they are prepared to wait, so that they can resume those services, hopefully uninterrupted for many years to come.

There are a significant number of new high end homes being built this year, and many more are in the planning stages. This means that the growth of Point Roberts will be steady and demand for services will increase.

I am confident that with the right approach, that being direct and pleasant, many new customers will become available once curbside collection service has been resumed. I have spoken with many of the residents and I have learned that many people who did not have service before, would be willing to sign up in the future. I am a salesperson by nature and I sincerely believe that I can expand on a solid base of residential customers here in Point Roberts.

Although there has not been any significant growth in the business community, and it is unlikely that there will be any significant expansion of the commercial customer base, I do believe that I will be able to regain the Point Roberts Marina as a commercial customer. I have had conversations with the owners and believe that there is some room for movement and have every reason to believe that they will be supportive of this venture.

Freedom's portrayal of Point Roberts growth is not correct. Point Roberts suffered a delayed property value boom and a significant and sustained value collapse with the real estate bubble. Historically property values have been boom and bust in Point Roberts. There are only about a dozen or so sales per year and when someone comes in, someone else leaves. The high end developments are being canceled or delayed. It is questionable if there are any buyers when developments started decades ago are only half built out. Growth in demand will be non-existent. The portrayal of many non-customers wanting to sign up for a new company is not substantiated by any customer petitions and is only hearsay. When 83% of the households traditionally self-hauled, there are no indications that there will be a sudden rush on new customers. The County has received no complaints for the interruption of garbage collection and self-haul seems to be working without any great disasters. It is questionable if Freedom will be able to attain anything close to the previous customer level.

The Point Roberts Marina has been out of the system for several years. They said they would only return when they got a special discount rate. Mr. Gellatly misunderstands the regulated system if he believes he can offer the Marina a special incentive to resume service. The only likely option would be for the Marina to switch to drop-box service which while bringing pass-through revenue to the transfer station will not drastically impact the regulated garbage company revenue.

Mr. Gellatly has said, “I am a salesperson by nature”.

The number one rule of sales is to tell the buyer what he wants to hear. Gellatly is trying to sell the Commission and the County that this vague and incomplete proposal; by a person with no solid waste experience, a questionable business background and exaggerated demand; is worthy of a G-certificate so that he can get the transfer station.

JUST IN CASE

As indicated in our application, it is our intent to focus on Point Roberts programs and contract the hauling of solid waste to Whatcom County. We are also closely watching the arrangements currently being negotiated in Metro Vancouver with respect the transportation of their solid waste to Washington State. This may well open up avenues which can be explored for the future movement of Solid Waste from Point Roberts.

The Province of British Columbia is setting a “deal with it locally” standard for solid waste. Metro Vancouver will not be hauling into Washington and since B.C. capacity is limited, Point Roberts will not be allowed into their system. It is very questionable if the “daily cover” material and garbage hauled by Gellatly to Urban Wood Waste Recovery is legal under Metro rules. Since Freedom will probably continue to haul material into Metro territory, it would be prudent for the Commission to contact Metro and verify that it is acceptable for any material to be hauled from Point Roberts to UWR. If Metro verifies that is possible, since Whatcom County defines the material as garbage, then Freedom will have to list it as a disposal site in their tariff and treat it as regulated activities.

While it is our belief that the negotiation of the lease of the transfer station with Whatcom County will be a straight forward matter, we are prepared to transport the solid waste directly to Ferndale in the truck that collects the garbage.

Freedom needs to decide which option they will implement. They must submit separate operational budgets for each method and determine what the rates will be. The current tariff states “county owned transfer station”. The direct haul method would require an accurate tariff. Freedom has further stated that they will not provide pass-through cleanup and drop-box service if they direct haul. They would also not be able to comply with the weighing procedures for overweight dumpsters currently in the tariff.

Recyclables would not be removed from the recycling trailer. They would be transported to the recycling center once the trailer was full.

Freedom has not established where they are going to take the recyclables; into Canada or to Bellingham. The tariff states “county owned transfer station” at \$100.00 per ton. The trailer has comparatively small holding volume compared to traditional collection trucks and would require numerous trips to the recycling facility. They are proposing a gravity-tilt trailer which would be almost impossible to empty at any facility and not possible at the “county owned transfer station”.

As an option to these, a clause in the Recitals portion of the Lease agreement for the transfer station states that “...Whereas, it is possible that the county as owner of the property may require that a portion of that site be readily available to meet other needs”. It is our understanding that the county could make a space available for us to properly transfer the solid waste from the garbage trucks to the containers which would be used to transport the solid waste to Ferndale. The county has also discussed the issue of our parking our equipment on County property adjacent to transfer station site.

The County is only considering providing parking for Freedom. While members of the Gellatly/Calder family have been demanding the County provide them land for a separate transfer station for many years; the County cannot do so. There is not adequate space or topography on the site for a second station. A new facility would have to be outlined in the Whatcom County Solid Waste Plan, have permitting and zoning review and meet the Washington State Minimal Functional Standards. No garbage or recycling can be transferred outside of the existing facility until those requirements are met. Freedom can use the “county owned transfer station” as a customer or they can direct haul.

These contingencies will only be necessary if there is a delay in the transfer of the lease of the transfer station, otherwise it would be our intention to continue to operate with the transfer station and only arrange for the transportation of recyclables and Solid waste when the containers were filled and tarped.

Freedom continues to reinforce that their true intentions of this application is to acquire the “county owned transfer station” for their own purposes. This has been the constant theme for their application and all communication with the County.

LETTER FROM FREEDOM DATED 7/15/09

The listing on the application does not really provide for enough information and there for we submit the following for your consideration.

This is a start up business and therefore a balance sheet or profit and loss statement is unavailable. We have however prepared a budget to outline rough income and expenses. Some of these numbers are based on information provided by the previous certificate holder's filings with the WUTC which are a matter of public record. We feel that the information contained in this budget is conservative and that the revenues will be slightly higher and quite possibly we will, have lower expenses than those stated. Additionally, as the recycling component of the business grows, and global economics start to recover, there will be a return on recyclable materials which will certainly add to the bottom line.

It is not accurate for Freedom to use PRR financial numbers. Their method of operation is completely different and the 2007 PRR numbers reflect a system at its peak. The system has declined significantly becoming much more complicated. Freedom cannot just submit general budgets but must provide a clear business plan outlining what costs are allocated to each part of the operation and how they will conduct business. If Freedom cannot determine the operational route costs, allocated overhead costs and estimates of route times, transportation logistics and other key activities; then they are not qualified to provide the service and will quickly fail. Freedom will have a very steep learning curve, they have no experience at all in operating garbage collection, recycling collection or the transfer station. They have not demonstrated the ability to anticipate problems and have contingencies to ensure uninterrupted service. They are not proposing enough staff, equipment, or operational cash to deal with the problematic startup process, the long time building customers, and the likelihood of underestimating expenses while overestimating revenue. The premise that growth in recycling revenue will create a financial windfall is flawed. There are very few businesses generating any recyclables. Most are happy to self-haul and wouldn't want to pay for recycling collection. We are talking about a couple of dozen tons per year of recycling; at market peak only a few thousand dollars.

It is our intention to manage all operational matters in Point Roberts, and contract out any hauling of solid waste From Point Roberts, to contract carriers (*from disposal site to disposal site*).

If Freedom is just going to contract out all the transfer station operations, then why to they need to operate the transfer station. They have no experience in operating anything like it.

It is not our intention, at least initially, to buy unnecessary equipment when basic fundamental service will meet the needs of this community.

Freedom is trying to low-ball their investment in this operation. Backup equipment is necessary to ensure uninterrupted service. Their proposal provides inadequate equipment and no method of insuring future equipment investment. If their one truck needs extended repairs then the garbage does not get picked up.

Our efforts will be directed towards customer service and garnering community support. This will be done primarily through direct contact with community groups and individuals. We hope that this approach will allow us to expand on our customer base.

Basing the success of the Freedom proposal on customer growth is flawed considering the system has been declining for years. The established community method for garbage disposal has always been self-haul and is even more so now.

We are also intending on contracting out our accounting services to a local contractor who will come to our offices and perform our billing, payroll, tax remittals and regulatory reporting functions. This individual is familiar with county government as they perform bookkeeping services for both the Fire and Water Districts here in Point Roberts. It is our intention to use industry designed software in order to streamline accounting and reporting activities.

Freedom has provided no office staff for customer service as required by the WUTC rules.

Expanding into commercial recycling will be necessary in order to expand the recycling base of materials in Point Roberts. Currently a significant amount of recyclable material is land filled because no one has taken the time to educate the general public, including the businesses.

The great volume of commercial recyclables is a myth perpetuated by Freedom and their associates. The retail core is a grocery store (bails and ships their own cardboard), 5 gas stations (small volume generators) 4 seasonal restaurants (small volume), hardware store (self-hauls recycling) and 3 parcel shippers (self-haul recyclables). There are no large generators of recyclables and so significant revenue to be achieved. Almost all the businesses easily self-haul their recycling and would not pay more to have it picked up.

Moving Forward

12. A recycling trailer has been sourced and upon receipt of a G Certificate fabrication can be completed within 30 days. The manufacturer is situated in Minnesota (Pro - Tainer). If recycling service commences prior to the receipt of the trailer, an improvised trailer will be used.

This recycling trailer strategy is ridiculous and demonstrates Freedom's complete ignorance of collection systems. These trailers are not designed for roadside collection. No companies use them for roadside collection. They are intended as fixed collection sites for special events, parks, campgrounds and such. About 20 years ago, the City of Anacortes tried their pilot curbside recycling program with a similar trailer. Almost immediately they abandoned the trailer and switched to a real recycling truck. They had that trailer for sale for years because it was of no use to anyone.

Imagine operating this trailer for collection; the driver has to drive the truck, stop in the road, exit onto the road side, walk in the road around the trailer, load recycling and then back into the road to drive again. This is very unsafe and time consuming.

Point Roberts has many dead-end roads and cul-de-sacs that require backing in around parked cars. Think of doing this with a trailer.

Collecting recyclables with a trailer will take more time and is more dangerous than using recycling collection trucks. Any person in the industry would think you are crazy or stupid to try it.

This trailer has a small capacity. It will not be able to complete the route without being emptied several times. Freedom states that they will take it directly to the recycling processor. They have not provided information as to where that is or how far away. Minimal round trip time to any recycler is 2 hours from Point Roberts.

This trailer is a gravity tilt dump. Most of the recyclables will have to be shoveled out.

Freedom has not provided any operational details of how this will work, estimated route times, labor costs, number to trips to the recycle center, or any information to demonstrate that they have actually thought about how to do this.

17. Once a customer lists have been established and service is being provided, it is our intention determine which residences are currently under exemption as provided by Whatcom County Code 8.11.030. As seasonal vacation or weekend homes are already exempt from universal collection per Whatcom County Code 8.10.040, a comparison of these three categories against the improved property rolls would provide us with a list of potential target customers which could be used to improve the base of operations. It is then our intention, using the list, to solicit new customers, or in the alternative, insure that they have filed properly for an exemption under the County Code.

The County does not have any accurate lists on their exemption program. Freedom is saying that they will force the County to enforce their Universal Service Ordinance and exemption program.

We will also work with the Point Roberts Marina in an effort to get them back as a customer. They are a large source of recyclables and it would benefit the recycling program in Point Roberts to have them back on board.

The Marina is not a significantly large volume of recyclables and it is mostly negative value glass bottles. The Marina hauls cardboard to the Point Roberts Station and glass to RDS when they take their garbage. The only incentive Freedom can give the Marina is to provide them with reduced rates or free recycling. It is not appropriate or fair for a utility to provide special deals to a single customer. I believe that this reflects the attitude that Freedom will provide “special deals” to their friends, supporters and business associates.

While it is our belief that the negotiation of the lease of the transfer station with Whatcom County will be a strait forward matter, we are prepared to transport the solid waste directly to Ferndale in the trucks that collect the garbage.

WUTC staff requested an application from Freedom without the contingency and requirement that the County provide Freedom with the transfer station. The Commission cannot approve an application and tariff based on anything other than Freedom being a customer of the “county owned transfer station” or direct hauling. A proposal including Freedom operating the transfer station is irrelevant. Freedom should submit proposed allocations to determine which expense items will be allocated away from the regulated activities and by what percentages.

Freedom states that they will directly haul to Ferndale. Therefore, their application, tariff, services and rates must reflect that action. This means that they will not be providing pass-through services. Their proposed tariff is not accurate. They have not submitted adequate financial projections based on direct hauling.

Complete separation from the transfer station is the application, tariff and rates that the Commission must process. Afterwards, if the County desires to lease the station to Freedom, then the tariff and rates must be adjusted to reflect that change in the system including possible rate decreases based on allocations.

Recyclables would not be removed from the recycling trailer. They would be transported to the recycling center once the trailer was full.

Freedom has not provided information as to where recyclables will be taken and what the processing fees will be. Will they be taking the recyclables to Urban Wood Waste Recovery to be processed into Alternative Daily Landfill Cover? Their budget does not include any recycling processing or determination of accurate recycling rates.