

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

IN THE MATTER OF THE PETITION  
OF

WASTE MANAGEMENT OF  
WASHINGTON, INC., DBA WASTE  
MANAGEMENT-NORTH SOUND,  
WASTE MANAGEMENT-  
MARYSVILLE,

Petitioner,

Requesting Authority to Retain 50.0  
Percent of the Revenue Received From the  
Sale of Recyclable Materials Collected in  
Residential Recycling Service in King  
County and to Retain 42.5 Percent of the  
Revenue Received From the Sale of  
Recyclable Materials Collected in  
Residential Recycling Service in  
Snohomish County

DOCKET TG-171132

ORDER 01

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

**BACKGROUND**

- 1 On November 17, 2017, Waste Management of Washington, Inc. (Waste Management North Sound or Company) filed tariff revisions on behalf of its business unit Waste Management of Washington, Inc., d/b/a Waste Management North Sound, Waste Management of Marysville (North Sound), to update the recyclable commodity revenue adjustments. The Company filed revised tariff pages on December 18, 2017. The Company also filed its 2018-2019 Recycling and Commodity Revenue Sharing Plans, and requests that the Commission authorize Waste Management North Sound to retain 50 percent of the revenue generated from the sale of recyclable commodities in King County and 42.5 percent of the revenue generated from the sale of recyclable commodities in Snohomish County during the 2018-2019 plan year.

**Recyclable Commodity Revenue Adjustments**

- 2 Waste Management North Sound filed to increase recycling credits from \$0.54 per month to \$1.90 per month for single-family customers, and increase the monthly credit from \$0.13 to \$0.46 per yard for multi-family customers in Snohomish County; increase

recycling credits from \$0.62 to \$1.62 per month for single-family customers, and increase the monthly credit from \$0.14 to \$0.37 per yard for multi-family customers in King County; increase recycling credits from \$1.35 to \$2.72 per month for single-family customers, and increase the monthly credit from \$0.33 to \$0.67 per yard for multi-family customers in the City of Everett.

- 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, and allow them to become effective January 1, 2018.

#### **2016-2017 Recycling and Commodity Revenue Sharing Plans**

- 4 On November 17, 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 and Snohomish County both certified that the Company achieved its performance goals for the respective plans and should be awarded the 5 percent incentive in both cases, and Staff concurs.

#### **2018-2019 Recycling and Commodity Revenue Sharing Plans**

- 5 On November 17, 2017, the Company also filed its 2018-2019 Recycling and Commodity Revenue Sharing Plan for King County (Plan). Waste Management North Sound's portion of the budgeted expenditures for the Plan total \$571,250 including the performance incentive. For Waste Management's King County operations as a whole, which includes Waste Management North Sound and Waste Management South 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 North 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 \$222,000.

- 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 \$118,000.
- 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 \$39,000.

6 In addition to a labor cost allocation of \$167,000 the Plan includes a provision for an incentive award of 5 percent of expenditures, currently estimated at \$27,000. 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.

7 On November 17, 2017, the Company also filed its 2018-2019 Recycling and Commodity Revenue Sharing Plan for Snohomish County (Snohomish County Plan). The budgeted expenditures for the plan total \$2,073,000, including the performance incentive. The specific tasks are:

- Task 1: Strategic Communications – Continued development of the mobile application started in the prior Plan period. Budgeted expense for this task is \$150,000.
- Task 2: Latino Behavior Study and Pilot– Study to understand the recycling perceptions and behaviors of Spanish-speaking customers. Budgeted expense for this task is \$220,000.
- Task 3: Multifamily Recycling– Evaluation and next steps in this task started in the prior Plan period. Budgeted expense for this task is \$220,000.
- Task 4: Organics Recycling– Continued support for WSU Snohomish County Agricultural Compost Research and Outreach Project. Budgeted expense for this task is \$75,000.
- Task 5: Promotion of Recycling at Key Events– Community education efforts at events utilizing speakers of Spanish, Chinese, Vietnamese or Korean to engage diverse resident populations. Budgeted expense for this task is \$200,000.

- Task 6: Increase Recycling and Decrease Contamination Education Campaign– Develop a targeted outreach campaign aimed at increasing recycling of one of the top two recyclable materials. Budgeted expense for this task is \$200,000.
- Task 7: Elementary Recycling Educational Presentations– Presentations at school assemblies, classroom workshops, and other technical assistance. Budgeted expense for this task is \$438,200.
- Task 8: 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 \$168,000.

8 In addition to a labor cost allocation of \$302,800, the Snohomish County Plan includes a provision for an incentive award of 5 percent of expenditures, currently estimated at \$99,000. 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 Snohomish County plan.

**Request to Retain Up To 50 Percent of Revenues in King County and 42.5 Percent of Revenues in Snohomish County from the Sale of Recyclable Materials**

9 In its November 17, 2017, filing, Waste Management North Sound asked the Commission to authorize it to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by North Sound’s residential recycling programs in King County, and to retain 42.5 percent of the revenue generated from the sale of recyclable commodities collected by North Sound’s residential recycling programs in Snohomish County during the 2018-2019 plan year.

10 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.

11 On November 17, 2017, Pat D. McLaughlin, Solid Waste Division Director for King County Department of Natural Resources and Parks, and Mathew Zybas, Director of the Snohomish County Solid Waste Division, the appropriate local government authorities

for King and Snohomish Counties respectively, as specified in RCW 81.77.185 (1), certified that the King County and Snohomish County Plans are consistent with the respective County Solid Waste Management Plans, and that the Plans demonstrate how retained revenues will be used to increase recycling.

- 12 Staff recommends that the Commission authorize the Company to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by North Sound's residential recycling programs in King County, and to retain 42.5 percent of the revenue generated from the sale of recyclable commodities collected by North Sound's residential recycling programs in Snohomish County during the 2018-2019 plan year; require the Company to meet the performance requirements set forth in its recycling and revenue sharing plans; and, in consultation with the respective Counties, consider whether to reduce the revenue share the Company retained if the Company fails to meet those performance requirements.

### DISCUSSION

- 13 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.
- 14 Waste Management North Sound's 2018-2019 King County Plan projects \$1,167,205 of revenue from the sale of recyclable commodities and proposes to retain \$583,610 (50 percent) of that revenue for King County Plan expenditures. North Sound 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 King County Plan sufficiently demonstrates how the revenues North Sound is entitled to retain, including the 5 percent incentive payment, will be used to increase recycling consistent with our prior determinations. Accordingly, North Sound 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 in King County from January 1, 2018, to December 31, 2019, if it complies with the terms and conditions of the King County Plan.
- 15 The Company's 2018-2019 Snohomish County Plan projects \$5,106,064 of revenue from the sale of recyclable commodities and proposes to retain \$2,170,000 (42.5 percent) of

that revenue for Snohomish County Plan expenditures. North Sound has satisfied both statutory standards. The Director of Snohomish County's Solid Waste Division certified that Waste Management's recycling plan is consistent with Snohomish County's Comprehensive Solid Waste Management Plan. We agree with Staff that the Company's Snohomish County Plan sufficiently demonstrates how the revenues North Sound is entitled to retain, including the 5 percent incentive payment, will be used to increase recycling consistent with our prior determinations. Accordingly, North Sound may retain up to 42.5 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs in Snohomish County from January 1, 2018, to December 31, 2019, if it complies with the terms and conditions of the Snohomish County Plan.

### FINDINGS AND CONCLUSIONS

- 16 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts and affiliated interests of public service companies, including solid waste companies.
- 17 (2) Waste Management North Sound is a solid waste company and a public service company subject to Commission jurisdiction.
- 18 (3) This matter came before the Commission at its regularly scheduled meeting on December 28, 2017.
- 19 (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.
- 20 (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.
- 21 (6) Snohomish County is responsible for managing waste through its Comprehensive Solid Waste Management Plan. The Director of Snohomish County's Solid Waste

Division certified that Waste Management's recycling plan is consistent with Snohomish County's Comprehensive Solid Waste Management Plan.

- 22 (7) The Plans include a provision for an incentive payment of 5 percent of the Company's planned expenditures in each Plan. The Plans condition the award of the incentive on achieving specific performance goals.
- 23 (8) As required by RCW 81.04.130, Waste Management North Sound bears the burden of proof to show that the proposed increases are just, reasonable, and sufficient.
- 24 (9) Waste Management North 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 in King County, and to retain up to 42.5 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs in Snohomish County from January 1, 2018, to December 31, 2019, is consistent with RCW 81.77.185, and the Commission finds Waste Management North Sound's request should be granted.

### ORDER

#### THE COMMISSION ORDERS:

- 25 (1) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville 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 in King County, and up to 42.5 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs in Snohomish County, from January 1, 2018, to December 31, 2019, provided that Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville complies with the Plan as set forth in this order.
- 26 (2) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville 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.

- 27 (3) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville shall make a compliance filing with the Commission no later than November 16, 2018, in which Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville 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.
- 28 (4) The commodity credits filed by Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville on November 17, 2017, are allowed to go into effect by operation of law.
- 29 (5) The Commission delegates to the Secretary the authority to approve by letter all compliance filings required in this Order
- 30 (6) The Commission retains jurisdiction over the subject matter and Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville, 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