

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

RABANCO LTD., d/b/a EASTSIDE  
DISPOSAL,

RABANCO LTD., d/b/a SEA TAC  
DISPOSAL,

Certificate G-12

FIORITO ENTERPRISES, INC. &  
RABANCO COMPANIES, d/b/a KENT-  
MERIDIAN DISPOSAL COMPANY,

Certificate G-60

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

DOCKETS TG-190520, TG-190521,  
and TG-190522

ORDER 01

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

**BACKGROUND**

- 1 On June 14, 2019, Rabanco LTD. d/b/a Eastside Disposal (Eastside) and SeaTac Disposal (SeaTac) and Fiorito Enterprises, Inc., d/b/a Kent-Meridian Disposal Company (Kent- Meridian), all subsidiaries of Republic Services, (collectively Republic or Company) filed with the Washington Utilities and Transportation Commission (Commission): the following documents (1) a petition for exemption from WAC 480-70-351(2), which requires the Company to use the most recent 12-month historical period to estimate revenues from the sale of recyclable materials in a deferred accounting mechanism (Petition); (2) revised 2019-2020 commodity credits resulting in increased rates to residential recycling customers and multifamily customers; (3) the

Company’s 2017- 2019 King County revenue sharing plan (Plan); and (4) a request that the Commission allow Republic to retain up to 50 percent of the revenue received from the sale of recyclable materials during the 2019-2021 recycling plan period. The Company serves single family and multi-family residential recycling customers in King County.

**MIDPOINT OF 2019-2021 RECYCLING PLAN AND REVENUE SHARING**

2 For the 2018-2019 reporting period, the Company reported the following spending:

- \$43,922 for Project Management (Task 1)
- \$11,000 for Data Reporting (Task 2)
- \$150,000 for Single Family Education (Task 3)
- \$22,417 for Multi-Family Outreach (Task 4)
- \$49,903 for Service Level Ordinance Changes (Task 5)

Total spending for the second year of the agreement is \$277,242, and the total spent during the two year plan was \$414,722.

3 The proposed budget for the plan called for \$806,000 in expenditures. However, the total commodity value was only \$860,252. The Company is only allowed to retain up to 50 percent of the commodity value, or \$430,126. The Company underspent by \$15,404, which is credited back to customers in the commodity adjustment calculation.

**PROPOSED 2019-2020 COMMODITY CREDITS**

4 The Company filed replacement tariff pages on July 18, 2019, proposing a commodity credit increase, as outlined in the table below. The proposed credit will decrease the recycling rate of the customers for the period August 1, 2019, to July 31, 2020.

<b>Single Family (per month)</b>			
<b>d/b/a</b>	<b>Current Credit</b>	<b>Proposed Credit</b>	<b>Difference</b>
Eastside	\$0.25 DR	\$0.36	\$0.61
SeaTac	\$0.22 DR	\$0.34	\$0.56
Kent-Meridian	\$0.17 DR	\$0.36	\$0.53

Multifamily (per yard)			
Eastside	\$0.09 DR	\$0.29	\$0.38
SeaTac	\$0.00	\$0.14	\$0.14
Kent-Meridian	\$0.08	\$0.17	\$0.09

The commodity adjustments will revert to the normal annual cycle with the next filing due June 15, 2020.

### **PROPOSED 2019-2021 RECYCLING PLAN AND REVENUE SHARING**

- 5 Under RCW 81.77.185, the Commission must 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 consistent with the local government solid waste plan, and that demonstrates how the revenues will be used to increase recycling. The remaining revenue must be passed to residential customers.
- 6 Pursuant to that statute, on July 15, 2019, the Company filed with the Commission a Commodity Revenue Sharing Enhancement Plan for King County (Plan) for the period from August 1, 2019, to July 31, 2021. The Plan forecasts \$1,737,576 in revenue from the sale of recyclable commodities, and proposes to retain \$868,788 (50 percent) to spend on Plan activities.
- 7 Under the Plan, the Company will be limited to retaining up to 50 percent of the actual revenue received from the sale of recyclable commodities for the period from August 1, 2019, to July 31, 2021. Any excess revenue will be carried over to the second year, but will be returned to customers in the 2019-2020 recycle commodity credit. The maximum amount the Company can retain in the second year is 50 percent of commodity values, or the remaining unspent portion of the budget if commodity revenues allow, whichever is less. The Company will work with the County to make any relevant budget and plan adjustments, and will include those changes in its 2020 commodity credit filing.
- 8 The County and the Company have submitted the Plan budget in this docket for review. The Plan budget is highlighted below.

<b>Project</b>	<b>Description</b>	<b>Two year budget</b>	<b>Proposed 2019-2020</b>
<b>Task 1</b>	Administration	\$89,000	\$43,500
<b>Task 2</b>	Data Collection	\$22,000	\$11,000
<b>Task 3</b>	Multifamily Contamination	\$120,000	\$4,700
<b>Task 4</b>	Multifamily Contamination	\$20,000	\$85,160
<b>Task 5</b>	Cost Analysis	\$20,000	\$15,000
<b>Task 6</b>	Understanding Contamination	\$34,000	N/A
<b>Total</b>		\$305,000	\$159,360

9 The Plan’s 2019-2021 budget includes an incentive payment, which is 5 percent of planned expenditures.<sup>2</sup> The Plan states, in part:

Elements of the review for eligibility for the incentive may include but not be limited to:

- Regular attendance in regional meetings facilitated and organized by King County
- Expenditures completed which support and leverage County outreach planning and implementation for national sword and organic stream communication, outreach and contamination reduction tactics
- The completion of tactics will be supported with proof of execution.

Additionally, as set forth in the Plan, eligibility for the incentive will be determined by King County based on its satisfaction that the Company’s expenditures of revenue sharing funds are consistent with the Plan’s activities and budgets, and is subject to review by the Commission. Eligibility for the incentive will be determined on an annual basis.

10 Pat D. McLaughlin, King County Solid Waste Division Director, signed the Plan and certified that it is consistent with King County’s Comprehensive Solid Waste Management Plan. King County recommends that the Commission allow the Company to retain up to 50 percent of the actual value of recyclable commodity revenues received each of the two years of the plan from August 1, 2019, to July 31, 2021.

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<sup>2</sup> On May 30, 2012, the Commission issued its interpretive and policy statement in Docket TG- 112162 to address issues concerning implementation of recycling revenue sharing plans, including Incentives, Bonuses, or Returns in paragraphs 26 through 32. The policy statement articulates that incentives should be conditioned upon or tied to achieving performance goals or objectives.

**PETITION FOR RULE EXEMPTION**

- 11 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.
- 12 In its Petition, 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's work papers show commodity values have declined since May 2017, but are projected to stabilize over the next 12 months. 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. Accordingly, the Company seeks approval to use a 6-month, rather than 12-month, average to calculate its projected recycling commodity adjustment.
- 13 Commission staff (Staff) reviewed the Petition and determined that the request for an exemption from the 12-month historical period requirement is reasonable.
- 14 Based on these factors, Staff recommends granting the Company's request for exemption, subject to the following conditions:
- (a) The Company will calculate the true-up for the commodity credit paid in 2019-20 using the full 12 months of actual revenue received from the sale of recyclable commodities;
  - (b) The Company will use the most recent 6 months of historical revenue to calculate the commodity credit or debit that will go into effect August 1, 2019;
  - (c) The Company will file another commodity credit adjustment to become effective February 1, 2020.
- 15 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, grant an exemption from WAC 480-70-351(2), and allow the recycling commodity

credits filed by Republic on June 14, 2019, as revised on July 18, 2019, to go into effect August 1, 2019.

### DISCUSSION

- 16 We agree with Staff's recommendation and: (1) grant the Company's request to retain up to 50 percent of the recyclable commodity revenue collected during each year of the Plan; (2) grant the Company's petition for exemption from WAC 480-70-351(2); and (3) allow the recycling credits filed by the Company to go into effect by operation of law on August 1, 2019. We address each of the Company's requests in turn.
- 17 First, the Company has met the requirements of RCW 81.77.185. Republic 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, and which demonstrates how the revenues will be used to increase recycling. King County recommends that the Commission allow the Company to retain up to 50 percent of the actual value of recyclable commodity revenues received each of the two years of the plan from August 1, 2019, to July 31, 2021. Therefore, we grant the Company's request to retain up to 50 percent of the recyclable commodity revenue collected during each year of the Plan.
- 18 Second, we find that using a 6-month average to calculate the Company's projected recycling commodity credit is reasonable. Using the most recent 12-month period to estimate future revenues would include a time period when revenue from the sale of recyclable commodities would not accurately reflect the anticipated market performance. Changing the calculation will also prevent the Company from providing a credit it will not actually receive, while instead incurring significant processing charges. Accordingly, we grant the Company's petition for exemption from WAC 480-70-351(2).
- 19 Finally, we find that the Company's proposed commodity credits, which reflect both the effect of the Commission-approved deferred accounting mechanism and the commodity revenues for the 2018-2019 plan period, are consistent with the public interest.

## FINDINGS AND CONCLUSIONS

- 20 (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.
- 21 (2) Republic 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.
- 22 (3) This matter came before the Commission at its regularly scheduled meeting on July 26, 2019.
- 23 (4) 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.
- 24 (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 Republic's recycling plan is consistent with King County's Comprehensive Solid Waste Management Plan.
- 25 (6) Republic'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, 2019, to July 31, 2021, is consistent with RCW 81.77.185 and should be granted.
- 26 (7) Republic is subject to the filing requirements of WAC 480-70-351(2) for rates, recycling programs, credits, or charges. The Company did not file the 12 month calculation, instead requesting an exemption from WAC 480-70-351(2).

- 27 (8) An exemption from the rates, recycling programs, credits, or charges requirements set forth in WAC 480-70-351(2) for the filing in these dockets is in the public interest and is consistent with the purposes underlying the regulation and applicable statutes and should be granted.
- 28 (9) It is in the public interest to allow the revisions to Tariff No. 11, No. 26, and No. 27 filed on June 14, 2019, as revised on July 18, 2019, to become effective on August 1, 2019.

### ORDER

#### THE COMMISSION ORDERS:

- 29 (1) Provided Rabanco LTD., d/b/a Eastside Disposal, Rabanco LTD., d/b/a SeaTac Disposal, and Fiorito Enterprises, Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal Company 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, 2019, to July 31, 2021.
- 30 (2) Rabanco LTD., d/b/a Eastside Disposal, Rabanco LTD., d/b/a SeaTac Disposal; and Fiorito Enterprises, Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal Company must present its revenue sharing plan and commodity adjustments to the Commission requesting an effective date each August 1 hereafter, and must make all future revenue sharing plans and commodity adjustment filings 45 days prior to the proposed effective date.
- 31 (3) Rabanco LTD., d/b/a Eastside Disposal, Rabanco LTD., d/b/a SeaTac Disposal, and Fiorito Enterprises, Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal Company must make a compliance filing with the Commission no later than June 16, 2020, 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.

- 32 (4) Rabanco LTD., d/b/a Eastside Disposal, Rabanco LTD., d/b/a SeaTac Disposal and Fiorito Enterprises, Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal Company are exempt from WAC 480-70-351(2), for purposes of the tariff revisions filed in Dockets TG-190520, TG-190521, and TG-190522.
- 33 (5) The commodity credits filed by Rabanco LTD., d/b/a Eastside Disposal, Rabanco LTD., d/b/a SeaTac Disposal, and Fiorito Enterprises, Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal Company on June 14, 2019, and revised on July 18, 2019, are allowed to go into effect by operation of law.
- 34 (6) The Commission delegates the Secretary the authority to approve by letter all compliance filings required in this Order.
- 35 (7) The Commission retains jurisdiction over the subject matter and Rabanco LTD., d/b/a Eastside Disposal, Rabanco LTD., d/b/a SeaTac Disposal, Fiorito Enterprises, Inc. & Rabanco Companies, d/b/a Kent-Meridian Disposal Company 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 Lacey, Washington, and effective July 26, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON, Executive Director and Secretary