

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of a Tariff to Increase) DOCKET TG-121817
Rates Due to a Disposal Fee Increase)
and Petition Filed By)
) ORDER 01
WASTE MANAGEMENT OF)
WASHINGTON, INC., DBA WASTE)
MANAGEMENT – SOUTH SOUND,)
WASTE MANAGEMENT OF)
SEATTLE, G-237,)
) ORDER AUTHORIZING
Petitioner,) REVENUE SHARING FOR
) RECYCLABLE COMMODITIES
Requesting Authority to Retain Thirty-) REVENUE; GRANTING
Eight Percent of the Revenue Received) EXEMPTION FROM RULE; AND
From the Sale of Recyclable Materials) ALLOWING TARIFF REVISIONS
Collected in Residential Recycling) TO BECOME EFFECTIVE BY
Service) OPERATION OF LAW
.....)

In the Matter of a Tariff to Increase) DOCKET TG-121818
Rates Due to a Disposal Fee Increase)
and Petition Filed By)
) ORDER 01
WASTE MANAGEMENT OF)
WASHINGTON, INC, DBA WASTE)
MANAGEMENT – SNO-KING, G-)
237,)
) ORDER AUTHORIZING
Petitioner,) REVENUE SHARING FOR
) RECYCLABLE COMMODITIES
Requesting Authority to Retain Thirty-) REVENUE; GRANTING
Eight Percent of the Revenue Received) EXEMPTION FROM RULE; AND
From the Sale of Recyclable Materials) ALLOWING TARIFF REVISIONS
Collected in Residential Recycling) TO BECOME EFFECTIVE BY
Service) OPERATION OF LAW
.....)

In the Matter of the Petition of)	DOCKET TG-121819
)	
WASTE MANAGEMENT OF)	
WASHINGTON, INC., DBA WASTE)	ORDER 01
MANAGEMENT – NORTHWEST,)	
G-237,)	
)	
Petitioner,)	ORDER AUTHORIZING
)	REVENUE SHARING FOR
Requesting Authority to Retain Thirty-)	RECYCLABLE COMMODITIES
Eight Percent of the Revenue Received)	REVENUE; AND ALLOWING
From the Sale of Recyclable Materials)	TARIFF REVISIONS TO BECOME
Collected in Residential Recycling)	EFFECTIVE BY OPERATION OF
Service)	LAW
.....)	

BACKGROUND

1 On November 15, 2012, Waste Management of Washington, Inc. (Waste Management or Company), filed tariff revisions of behalf of its business units Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle (South Sound), Waste Management of Washington, Inc., dba Waste Management – Sno-King (Sno-King), and Waste Management of Washington, Inc., dba Waste Management – Northwest’s (Northwest). The tariff revisions filed on behalf of South Sound and Sno-King propose increased rates for the collection of residential and commercial garbage, and update the recyclable commodity revenue adjustments. The tariff revisions filed on behalf of Northwest propose to update the recyclable commodity revenue adjustment. The Company also filed its 2013 Recycling and Commodity Revenue Sharing Plan, and request that the Commission authorize South Sound, Sno-King and Northwest to retain 38 percent of the revenue generated from the sale of recyclable commodities during the 2013 plan year.

Increased Collection Rates for Residential and Commercial Garbage

2 The increased rates were filed to recover the costs of increased disposal fees set by King County, and would generate approximately \$427,000 (4.6 percent) additional annual revenue for South Sound, and approximately \$397,000 (4.6 percent) additional annual revenue for Sno-King.

- 3 A disposal fee increase falls within the definition of a general rate increase pursuant to WAC 480-07-505. WAC 480-07-520 lists the minimum required information companies must provide in a general rate increase filing. The Company provided information pertinent to the disposal fee but did not provide the remainder of the information required by the rule and did not request an exemption from the work paper filing requirements of WAC 480-07-520.
- 4 WAC 480-07-110 allows the Commission to grant an exemption from or modify the application of its rules if consistent with the public interest, the purposes underlying regulation, and applicable statutes. See also WAC 480-70-051.
- 5 WAC 480-07-370(1)(b)(i) states, in part, that the Commission may undertake an action that would be the proper subject of a party's petition, such as authorizing exemption from a Commission rule, without receiving a petition from a party.
- 6 Staff reviewed the proposed tariff revisions together with other factors and recommends the Commission allow the proposed tariffs to become effective by operation of law, and, on its own motion, grant the Company exemptions from WAC 480-07-520, work paper filing requirements for these filings for the following reasons:
- (a) There have not been any significant changes since the last rate cases became effective. Reviewing the rate case documents, customer numbers are relatively unchanged, inflation has been low, and the Company has not changed its collection methods.
 - (b) The increased disposal fees are set by King County and are required as a part of the Company's operations.
 - (c) The Company's financial information supports the proposed revenue requirement and the proposed rates.
 - (d) Staff concluded the proposed rate increase, by reason of the increase in disposal fees, is fair, just, and reasonable.

Recyclable Commodity Revenue Adjustments

- 7 South Sound proposes to decrease the monthly credit for single-family customers from \$3.41 to \$2.29, resulting in an increased charge of \$1.12 per customer per month, and to decrease the monthly credit for multi-family customers from \$0.75 to \$0.38 per yard, resulting in an increased charge of \$0.37 per yard per customer per month.
- 8 Sno-King proposes to decrease the monthly credit for single-family customers from \$4.90 to \$1.61, resulting in an increased charge of \$3.29 per customer per month, and to decrease the monthly credit for multi-family customers from \$0.75 to \$0.41 per yard, resulting in an increased charge of \$0.34 per yard per customer per month.
- 9 Northwest proposes to decrease the monthly credit for single-family customers from \$4.26 to \$1.47, resulting in an increased charge of \$2.79 per customer per month, and to decrease the monthly credit for multi-family customers from \$0.91 to \$0.31 per yard, resulting in an increased charge of \$0.60 per yard per customer per month.
- 10 The recyclable commodity revenue adjustments reflect the revenue the Company receives from the sale of recyclable materials collected from residential customers and is adjusted annually pursuant to a deferred accounting mechanism. 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, 2013, by operation of law.

2011-2012 Recycling and Commodity Revenue Sharing Plan

- 11 In Order 05 and Order 06 in Dockets TG-111813, TG-111814, and TG-111815 (consolidated), the Commission authorized the Company to extend the revenue sharing agreements by four months, through December 31, 2012. On November 15, 2012, the Company also filed its report of the activities and results for 2011-2012 plan year revenue sharing plans. Staff was surprised that the Company reported \$500,000 in expenditures for four separate tasks during the four month extension period. The Company's response to Staff's data requests regarding these expenditures discloses the following detail of the scope of work and deliverables for each task.

Extension Task 4-I: Target Increased Recycling in Diverse Communities - \$150,000

In response to focus group findings from Task 4-III, Waste Management is working with a consultant to plan and implement the preliminary stages of a behavior study in an effort to better understand residents' behaviors and motivations around recycling. Waste Management will also develop a Spanish-language recycling campaign aimed at increasing recycling participation in multilingual areas.

Extension Task 4-VI: Targeted Commodities - \$100,000

Waste Management will conduct a mixed media marketing campaign designed to increase paper recycling. This campaign employs a combination of print, online media, and direct mail to include the following: a how-to video on paper recycling and an earned media holiday story for a paper recycling pledge. Waste Management will also create and execute an online paid media campaign about metal recycling.

Extension Task 4-VII: Elementary Recycling Educational Presentations and Outreach - \$150,000 (Snohomish County only)

Waste Management will implement an elementary school curriculum designed in partnership with early education and multicultural outreach consultants to encourage youth to seek opportunities for increased recycling and food scrap collection at their schools and homes. The program consists of assemblies, classroom workshops, technical assistance and action projects, materials and coordination, evaluation and reporting. This task also includes a short promotional video component and earned media outreach in Snohomish County in regards to the new elementary school curriculum.

Extension Task 7: On-going Education and Outreach Assistance - \$100,000

Conduct an outreach campaign in partnership with BigBelly Solar to encourage residents to think about "away from home" recycling in public spaces and places of business. Contamination is typically high when recycling containers are placed in public spaces; therefore, successful research and piloting public space recycling will be used to implement recycling in public spaces across UTC areas.

- 12 The Company stated that all of these additional tasks undertaken during the extension period represent contractual obligations with providers that will be invoiced and paid by the Company early in 2013. The Company also stated that the extension period tasks are different and distinct from those in the 2013 revenue sharing plan.

2013 Recycling and Commodity Revenue Sharing Plan

13 On November 15, 2012, the Company also filed its 2013 Recycling and Commodity Revenue Sharing plans for both Snohomish and King Counties. The detailed budget is provided in Attachment A. The total budgeted expenditures for both county plans, including incentives total \$1,848,000. Last year's actual plan year expenditures were \$1,955,741.¹

14 For the 2013 plan year, the specific tasks and budgets for both counties are:

- Task 1: Quarterly Updates and Coordination Meetings – Waste Management will meet with the County once each quarter to review progress, lessons learned and budgeted versus actual expenditures. Budgeted expense for this task is \$0.
- Task 2: Monthly Data Reporting Requirements – The Company will provide monthly recycling and disposal reports for the County. Budgeted expense for this task is \$0.
- Task 3: Contamination Monitoring and Characterization of Recycling – Sampling by Cascadia Consulting Group of multi-family recycling to gain a better understanding of the composition of materials set out for recycling, quantify contamination levels and identify target materials for future campaigns and outreach. Budgeted expense for this task is \$34,500.
- Task 4: Behavior Study and Strategic Planning – Waste Management will conduct a comprehensive behavior study in King and Snohomish Counties to identify target audiences, attitudes and behaviors around recycling as well as gather information on which tactics are most effective in educating and motivating residents to recycle. Budgeted expense for this task is \$225,000.
- Task 5: Promotion of Multi-Family Recycling – Develop new and “out of the box” outreach strategies to pilot programs targeting multi-family properties. Budgeted expense for this task is \$125,000.
- Task 6: Organics – The Company will convene a meeting of compost service vendors, Company Staff and County personnel to discuss actions to minimize odors

¹ Based on a retention percentage of 30 percent.

and contamination of organics delivered to compost service vendors. Budgeted expense for this task is \$309,500.

- Task 7: Promotion of Recycling at Key Events – Outreach and education at major community events, farmer’s markets, fairs and festivals to promote and encourage recycling. Budgeted expense for this task is \$100,000.
- Task 8: Increased Recycling and Decrease Contamination – Development of a Recycling Guide that highlights current recycling and composting program information and provides guidance for households on how to recycle. Budgeted expense for this task is \$445,000.
- Task 9: Harmonization of Curbside Recycling Programs – Engage in discussions with the counties on how to standardize collected recyclable materials between jurisdictions. Budgeted expense for this task is \$5,000.
- Task 10: Promote, Sustain and Improve Away from Home Recycling – Deployment of 18 sets of “Big-Belly” recycling and garbage containers at key shopping destinations in both King and Snohomish Counties. Budgeted expense for this task is \$21,000.
- Task 11: Schools Program (Snohomish County Only) – Contract with early education and outreach experts to design elementary school and classroom workshops to encourage youth to recycle at school and at home. Budgeted expense for this task is \$200,000.

15 In addition to a labor cost allocation of \$295,000, the plan includes a provision for an incentive award of five percent of expenditures, currently estimated at \$88,000. To be eligible to receive a three percent incentive, the Company will have to demonstrate to the County that it increased diversion of materials from disposal by regulated single and multi-family residential customers as determined by the criteria specified in the plan. The remaining two percent will be awarded for increasing voluntary subscriptions for organics collection services also as determined by the criteria specified in the plan.

Request to Retain Up To 38 Percent of Revenue from the Sale of Recyclable Materials

- 16 Also on November 15, 2012, Waste Management asked the Commission to authorize it to retain 38 percent of the revenue generated from the sale of recyclable commodities collected by South Sound's, Sno-King's and Northwest's residential recycling programs during the 2013 plan year.
- 17 RCW 81.77.185 states that the Commission shall allow solid waste collection companies collecting recyclable materials to retain up to fifty 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.
- 18 On November 15, 2012, Kevin Kiernan, King County's Solid Waste Division Director and the appropriate local government authority as specified in RCW 81.77.185 (1), certified that the plan is consistent with the County Solid Waste Management Plan, and that the plan demonstrates how retained revenues will be used to increase recycling.
- 19 On November 19, 2012, Matthew Zybas, Snohomish County Solid Waste Division Director and the appropriate local government authority as specified in RCW 81.77.185 (1), certified that the plan is consistent with the County Solid Waste Management Plan, and that the plan demonstrates how retained revenues will be used to increase recycling.
- 20 Staff recommends that the Commission authorize the Company to retain up to 38 percent of the revenue it receives from the sale of recyclable materials collected in South Sound, Sno-King and Northwest residential recycling programs, require the Company to meet the performance requirements set forth in its recycling and revenue sharing plan, and in consultation with the County, consider whether to reduce the revenue share the Company retained if the Company fails to meet those performance requirements.

FINDINGS AND CONCLUSIONS

- 21 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates,

rules, regulations, practices, accounts and affiliated interests of public service companies, including solid waste companies. RCW 80.01.040, RCW 81.01, RCW 81.04, RCW 81.16, RCW 81.28 and RCW 81.77.

- 22 (2) Waste Management is engaged in the business of providing solid waste services within the state of Washington and is a public service company subject to Commission jurisdiction.
- 23 (3) Waste Management is subject to the filing requirements of WAC 480-07-520, for general rate increase proposals.
- 24 (4) Under WAC 480-07-110, the Commission may grant an exemption from the provisions of any rule in WAC 480-70, if consistent with the public interest, the purposes underlying regulation and applicable statutes. See also WAC 480-70-051.
- 25 (5) WAC 480-07-370(1)(b)(i) states, in part, that the Commission may undertake an action that would be the proper subject of a party's petition, such as authorizing exemption from a Commission rule, without receiving a petition from a party.
- 26 (6) After reviewing the tariff revisions the Company filed in these Dockets, and giving due consideration, the Commission finds:
- a. An exemption from the general rate increase filing requirements set forth in WAC 480-07-520 is in the public interest and consistent with the purposes underlying regulation, and applicable statutes and should be granted; and
 - b. The proposed rate increases, by reason of the increase in disposal fees, is fair, just, reasonable and sufficient.
- 27 (7) RCW 81.77.185 states that the Commission shall allow solid waste collection companies collecting recyclable materials to retain up to fifty 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.

- 28 (8) 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 the County's Comprehensive Solid Waste Management Plan. At the end of the plan period, the County will provide the Commission with a written recommendation as to whether the Company has met the performance objectives required for it to be awarded the financial incentive specified in the plan.
- 29 (9) The Commission finds that it should authorize the Company to retain 38 percent of the revenue it receives from the sale of recyclable materials collected in South Sound's, Sno-King's and Northwest's residential recycling programs, require the Company to meet the performance requirements set forth in its recycling and revenue sharing plan, and in consultation with the County, consider whether to reduce the revenue share the Company retained if the Company fails to meet those performance requirements.
- 30 (10) This matter came before the Commission at its regularly scheduled meeting on December 27, 2012.

ORDER

THE COMMISSION ORDERS:

- 31 (1) Waste Management of Washington, Inc., is authorized to retain 38 percent of the revenue it receives from the sale of recyclable materials collected in Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle, Waste Management of Washington, Inc., dba Waste Management – Sno-King, and Waste Management of Washington, Inc., dba Waste Management – Northwest's residential recycling programs from January 1, 2013, to December 31, 2013.
- 32 (2) Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle, Waste Management of Washington, Inc., dba

Waste Management – Sno-King, and Waste Management of Washington, Inc., dba Waste Management – Northwest are required to meet the performance requirements specified in the recycling and revenue sharing plan.

- 33 (3) The Commission requests that King County inform the Commission if Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle, or Waste Management of Washington, Inc., dba Waste Management – Sno-King fail to meet their performance requirements. Upon receipt of such information, either from King County or from another source, the Commission, in consultation with the County, shall provide notice to Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle, or Waste Management of Washington, Inc., dba Waste Management – Sno-King that the revenue sharing is being reconsidered and Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle, or Waste Management of Washington, Inc., dba Waste Management – Sno-King should demonstrate why its percentage should not be reduced.
- 34 (4) The Commission requests that Snohomish County inform the Commission if Waste Management of Washington, Inc., dba Waste Management – Northwest fails to meet its performance requirements. Upon receipt of such information, either from Snohomish County or from another source, the Commission, in consultation with the County, shall provide notice to Waste Management of Washington, Inc., dba Waste Management – Northwest that the revenue sharing is being reconsidered and Waste Management of Washington, Inc., dba Waste Management – Northwest should demonstrate why its percentage should not be reduced.
- 35 (5) Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle, Waste Management of Washington, Inc., dba Waste Management – Sno-King, and Waste Management of Washington, Inc., dba Waste Management – Northwest, will report to the Commission no later than November 15, 2013, the amount of revenue retained, the amount of money spent on the activities identified in Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle (South Sound), Waste Management of Washington, Inc., dba Waste Management – Sno-King (Sno-

King), and Waste Management of Washington, Inc., dba Waste Management – Northwest’s (Northwest) recycling plan and the effect the activities had on increasing recycling.

- 36 (6) Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle, Waste Management of Washington, Inc., dba Waste Management – Sno-King, and Waste Management of Washington, Inc., dba Waste Management – Northwest, shall make their next revenue sharing plans and commodity adjustments effective January 1, 2014, and each January 1 thereafter, and shall make all future revenue sharing plans and commodity adjustment filings forty-five days prior to the proposed effective date.
- 37 (7) The tariff revisions Waste Management of Washington, Inc., filed on behalf of Waste Management of Washington, Inc., dba Waste Management South Sound, Waste Management of Seattle, Waste Management of Washington, Inc., dba Waste Management – Sno-King, and Waste Management of Washington, Inc., dba Waste Management – Northwest on November 15, 2012, as revised on November 19, 2012, and December 18, 2012, shall become effective on January 1, 2013.
- 38 (8) After the effective date of this Order, the Commission, on its own motion, grants Waste Management of Washington, Inc., an exemption from WAC 480-07-520, for purposes of the tariff revisions filed in Dockets TG-121817 and TG-121818.
- 39 (9) The exemption granted to Waste Management of Washington, Inc., in this Order applies only to the general rate proceedings in Dockets TG-121817 and TG-121818.
- 40 (10) The Commission delegates to the Secretary the authority to approve by letter all compliance filings required in this Order.
- 41 (11) The Commission retains jurisdiction over the subject matter and Waste Management of Washington, Inc., to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective December 27, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner