

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

WASTE MANAGEMENT OF
WASHINGTON, INC., DBA WASTE
MANAGEMENT-SOUTH SOUND,
WASTE MANAGEMENT-
SEATTLE,

Petitioner,

Requesting Authority to Retain 50 Percent
of the Revenue Received from the Sale of
Recyclable Materials Collected in
Residential Recycling Service

DOCKET TG-200889

ORDER 01

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

BACKGROUND

1 On October 28, 2020, Waste Management of Washington, Inc., filed tariff revisions on behalf of its business unit Waste Management South Sound, Waste Management of Seattle, (Waste Management South Sound or Company) to update the recyclable commodity revenue adjustments and retain 50 percent of the commodity revenue as outlined in its 2020-2021 Recycling and Commodity Revenue Sharing Plan for King County (Plan). The Company also filed tariff revisions reflecting a King County hazardous waste fee increase of 5.4 percent, and a disposal fee increase for yard waste at Cedar Grove to \$65 per ton.

2020-2021 Recycling and Commodity Revenue Sharing Plan

2 On November 15, 2019, the Company filed its Plan. For Waste Management's King County operations, which includes Waste Management South Sound and Waste Management North Sound, the total budgeted expenditures for the Plan total \$316,200 (\$158,100 yearly) including the performance incentive. The specific tasks and the portions of budgeted expenses and actual expenses 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 \$102,500. This equals \$51,250 per Plan year. The Company spent \$5,240 in 2020.

- 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 \$9,000. This equals \$4,500 per Plan year. The Company spent \$0 in 2020.
- Task 3: Cost analysis and strategy development for incorporating costs into tariffs – Discuss the range of costs which have been part of revenue sharing and make recommendations for incorporating those costs into tariff rates for recycling and yard waste. Budgeted expense for this task, which includes company labor cost allocation, is \$4,500 (2,250 yearly). This equals \$2,250 per plan year. The Company spent \$0 in 2020.

3 The Plan also includes a labor cost allocation of \$200,200, equating to \$100,100 per plan year, of which \$34,448 has been spent. The Plan includes a provision for an incentive award of 5 percent of expenditures, currently estimated at \$15,800. 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. King County states: “We find that the company meets eligibility criteria for the 5% bonus.” During the 2020 plan year commodity value was \$65,668, of which \$3,283.40 would be the incentive amount for the first plan year. The Company has spent \$39,688, has an incentive of \$3,283, and has \$22,697 to roll over to spend in the second year of the plan. Any unspent funds at the end of the second year will be passed to customers.

Request to Retain Up To 50 percent of Revenue from the Sale of Recyclable Materials

4 In its November 15, 2019, filing, Waste Management South Sound asked the Commission to authorize it to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by the Company’s residential recycling programs during the 2020-2021 Plan year.

5 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.

6 On November 15, 2019, Pat D. McLaughlin, Solid Waste Division Director for King County Department of Natural Resources and Parks, 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.

7 Commission staff (Staff) recommends that the Commission authorize the Company to retain up to 50 percent of the revenue it receives from the sale of recyclable materials collected in the Company'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.

Recyclable Commodity Revenue Adjustments

8 Waste Management South Sound filed to increase recycling debits (charges) from \$0.13 per month to \$0.27 per month for single-family customers and increase the monthly debit for multi-family customers from \$0.03 to \$0.06 per yard, per month. The increase is due to the true up calculation resulting from the over-projection of commodity value during the previous year's commodity adjustment. The Company reports commodities having a net positive value of \$131,337, but it projected a value of \$290,720 in the previous year.

9 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. Staff has reviewed the proposed changes and recommends the Commission take no action on the tariff revisions implementing the recyclable commodity revenue adjustments, allowing them to become effective on January 1, 2021.

10 During the first year of the Plan, the actual Commodity revenue received was \$131,337, falling short of the \$332,000 estimated commodity revenue projected in the revenue share plan budget. The Company is proposing to retain 50 percent, or \$65,668, to spend

on the tasks listed in the plan. The Company has spent a total \$39,688 towards this plan so far. The lower commodity revenue and impacts of COVID are the main causes of this reduced spending. King County states: "Several outreach and education tasks under this agreement were placed on hold in response to the COVID-19 pandemic, with plans to reevaluate and update strategies at the beginning of 2021."

King County hazardous waste fee and Cedar Grove

- 11 The tariff revisions filed by the Company reflect a 5.4 percent increase in the King County hazardous waste fee, and a \$14.14 per ton increase from \$50.86 to \$65.00 per ton for yard/food waste at Cedar Grove. On January 1, 2021, the King County hazardous waste fee will increase 5.4 percent, and the per ton fee for comingled yard/food waste at Cedar Grove will be \$65.00. The Company included these increases in the proposed tariff revisions filed in this docket. The impact of the yard/food waste processing fee for a 64-gallon cart is \$0.58 per month. Staff recommends that these passthrough costs should be allowed to go into effect by operation of law.

DISCUSSION

- 12 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.
- 13 Waste Management South Sound's 2020-2021 Plan projects \$664,000 of revenue from the sale of recyclable commodities in King County and proposes to retain \$332,000 (50 percent) of that revenue for Plan expenditures. The Company 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 plan sufficiently demonstrates how the revenues the Company is entitled to retain, including the 5 percent incentive payment, will be used to increase recycling consistent with our prior determinations. Accordingly, 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 January 1, 2020, to December 31, 2021, if it complies with the terms and conditions of the Plan.

FINDINGS AND CONCLUSIONS

- 14 (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.
- 15 (2) Waste Management South Sound is a solid waste company and a public service company subject to Commission jurisdiction.
- 16 (3) This matter came before the Commission at its regularly scheduled meeting on December 23, 2020.
- 17 (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.
- 18 (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.
- 19 (6) The Plan includes a provision for an incentive payment of 5 percent, of the Company's planned expenditure. The Plan conditions the award of the incentive on achieving specific performance goals.
- 20 (7) As required by RCW 81.04.130, Waste Management South Sound bears the burden of proof to show that the proposed increases are fair, just, reasonable, and sufficient.
- 21 (8) South 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 from January 1, 2020, to December 31, 2021, is consistent with RCW 81.77.185, and Waste Management South Sound's request should be granted.

ORDER

THE COMMISSION ORDERS:

- 22 (1) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, 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 January 1, 2020, to December 31, 2021, provided that Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, complies with the Plan as set forth in this Order.
- 23 (2) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, 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.
- 24 (3) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, shall make a compliance filing with the Commission no later than November 16, 2021, in which the Company shall identify the amount of revenue it retained, the amount of money it spent on the activities identified in the Plan, and the effect the activities had on increasing recycling.
- 25 (4) The commodity credits filed by Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, on October 28, 2020, are allowed to go into effect by operation of law.
- 26 (5) The Commission delegates to the Secretary the authority to approve by letter all compliance filings required in this Order
- 27 (6) The Commission retains jurisdiction over the subject matter and Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, to effectuate the provisions of this Order.

28 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 December 23, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON
Executive Director and Secretary