

1
2
3
4
5 BEFORE THE WASHINGTON UTILITIES
6 AND TRANSPORTATION COMMISSION

7 In the Matter of the Petitions of:

DOCKET NOS.

8 WASTE MANAGEMENT OF
9 WASHINGTON, INC., d/b/a WASTE
10 MANAGEMENT – NORTHWEST

TG-101220
(Consolidated)

11 WASTE MANAGEMENT OF
12 WASHINGTON, INC., d/b/a WASTE
13 MANAGEMENT – SNO-KING

TG-101221
(Consolidated)

14 WASTE MANAGEMENT OF
15 WASHINGTON, INC., d/b/a WASTE
16 MANAGEMENT – SOUTH SOUND AND
17 WASTE MANAGEMENT OF SEATTLE

TG-101222
(Consolidated)

18 Requesting Authority to Retain Fifty Percent of
19 the Revenue Received From the Sale of
20 Recyclable Materials Collected in Residential
21 Recycling Service

DECLARATION OF MICHAEL A.
WEINSTEIN IN SUPPORT OF WASTE
MANAGEMENT'S ANSWER

22 I, Michael A. Weinstein, declare under penalty of perjury as follows:

- 23 1. I am a citizen of the United States and a resident of the State of Washington. I am over
24 eighteen years of age and fully competent to make this declaration. I make this declaration
25 based on my personal knowledge.
- 26 2. I am employed by Waste Management of Washington, Inc. My present position is Senior
Pricing Manager of Waste Management of Washington, Inc.

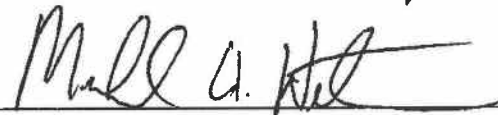
- 1 3. I am responsible for preparing and filing tariffs and all aspects of rate-setting with the
2 Washington Utilities and Transportation Commission (“WUTC”) for over twenty-five years.
- 3 4. In preparation for this Declaration, I recalculated the percentage of return to the Pierce
4 County companies using the numbers shown in the *Staff Open Meeting Memo* (October 28,
5 2010). My analysis shows that the earnings were actually 16.3%. The 17% number used in
6 Waste Management’s Motion was apparently due to a rounding error.
- 7 5. In 1987 and 1988, I participated in hearings before the WUTC to establish a uniform
8 methodology for evaluating the operating ratio for solid waste collection companies, known
9 as the “Generic Garbage Case.” TG-2016, et al. (1988) From this hearing came the first
10 Lurito-Gallagher operating ratio formula. The Commission revisited the Lurito-Gallagher
11 operating ratio in 1990 in the contexts of adding recycling programs. Dockets No. TG-
12 900657 and TG-900658 (consolidated) (1990). I participated in those hearings, too.
- 13 6. The purpose of the Lurito-Gallagher formula to establish a curve whereby companies with
14 higher investments would receive a greater return by achieving lower operating ratios. The
15 Curve relates a company’s investments and revenues to a needed profit margin. It calculates
16 an operating ratio based on an overall return on investment. I have over twenty years of
17 preparing and filing rate cases with the WUTC using the Lurito-Gallagher curve.
- 18 7. I have reviewed the Staff Motion, including the Declaration of David Gomez. It is my
19 opinion that general rate-setting formulas would not function to determine a reasonable
20 amount of rewarding a company for maximizing revenues under a recycling program with
21 local governments. The Lurito-Gallagher curve formulas do not work in this context.
- 22 8. Mr. Gomez claims the Lurito-Gallagher methodology would not support a request for 8%
23 earning. I agree, but for entirely different reasons. According to my understanding, the
24 Lurito-Gallagher formula for calculating a return on investment cannot be applied where the
25 revenues and expenditures are equal amounts. Lurito-Gallagher was adopted as a “modified
26 operating ratio” that determines earnings on a sliding scale, depending on the investment.

1 The greater the investment, the higher the return (and the lower the operating ratio). With no
2 investment, Lurito-Gallagher produces no return whatsoever.

3 9. When I ran the Lurito-Gallagher curve on the numbers presented in Mr. Gomez's Declaration
4 in which revenues equal expenditures, the return I got was zero. Mr. Gomez asserts that it
5 would produce a return of 2.6%. I was unable to recreate the calculation made by Mr.
6 Gomez to achieve a return of 2.6%.

7 10. The budget I prepared for the 2010-2011 RSAs presents estimates of expenditures. I
8 assigned 8% to Waste Management, but it would be incorrect to assume that all of that will
9 be "profit" to the Company. The overhead of administering the revenue program is
10 subsumed in that amount. The cost of accounting resources necessary to track those
11 expenditures, to process invoices associated with program activities, to prepare and submit
12 filings with the Commission, legal fees associated with preparing program documents and
13 implementing the program – those costs are not earmarked.

14 DATED this 20th day of JULY 2011, at KIRKLAND, WA

15 
16 _____

17 Michael A. Weinstein

18
19
20
21
22
23
24
25
26