



STATE OF WASHINGTON
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

April 16, 2009

Dear Solid Waste Company:

This letter is to inform you of that, beginning immediately, the Utilities and Transportation Commission (UTC) intends to strictly enforce three rules found in the Washington Administrative Code (WAC). The rules – WAC 480-07-520, WAC 480-70-256, and WAC 480-70-079 – have been in effect for many years. However, enforcement of these rules has been inconsistent. Such inconsistency is not in the best interests of either the Commission or the regulated utilities.

WAC 480-07-520 sets forth what information and documents companies must provide to the UTC when requesting rate increases. WAC 480-70-256 allows the UTC to reject an incomplete filing for a general rate increase.¹ WAC 480-70-079 requires every company to file an affiliated interest and subsidiary report by June 1 for activities that occurred during the prior calendar year. A copy of these rules is enclosed for your reference.

Beginning June 1, 2009, you must submit the information and documents listed in WAC 480-07-520 with every rate increase request. **The UTC will reject a company's filing if it does not include the required information and documents.** Please note that WAC 480-07-520 lists the *minimum* requirements for filing a rate increase. Therefore, staff may ask you to submit additional information once the UTC accepts your filing.

Please note, as well, that for the period beginning January 1, 2009, and ending December 31, 2009, companies are expected to file the required affiliated interest and subsidiary report by June 1, 2010. The UTC will send you a letter next spring reminding you of your obligation.

¹ The definition of a general rate increase is found in WAC 480-07-505(1), which defines, with certain exceptions, every rate increase filed by a solid waste company as a "general rate proceeding." WAC 480-07-505(3) states that the following are not general rate increases that require the filing of information set forth in WAC 480-07-520:

- disposal fee pass-through charges for drop-box service, provided there are no affiliated interest relationships;
- filings for collection of per-customer pass-through surcharges and taxes imposed by the jurisdictional local government based on the current year customer count either as a specified dollar amount or percentage fee amount; and
- filings by existing solid waste companies for the implementation of new solid waste collection programs.

For instructions as to documents that must be filed with the UTC for any of the above rate increases, or for the annual adjustment to the commodity credit, please contact the UTC.



Solid Waste Company
April 16, 2009
Page 2

Thank you for your attention to this matter. If you have any questions, please call Penny Ingram at 360-664-1242 or Gene Eckhardt at 360-664-1249.

Sincerely,

A handwritten signature in black ink, appearing to read "David W. Danner". The signature is fluid and cursive, with a long horizontal stroke at the end.

David W. Danner
Executive Director and Secretary

Attachments:

1. WAC 480-07-520
2. WAC 480-70-256
3. WAC 480-70-079

WAC 480-07-520

General rate proceedings — Solid waste collection companies.

General rate increase filings by class A and B haulers as defined in WAC 480-70-041 must include the information described in this rule. The commission may reject a filing that fails to meet these minimum requirements, without prejudice to the company's right to refile its request in conformance with this section.

- (1) **Proposed tariff.** The proposed tariff sheets may be filed in electronic form supplemented by one paper copy. The proposed tariff sheets should be in legislative format, with strike-through to indicate any material to be deleted or replaced and underlining to indicate any material to be inserted. The electronic copy must be submitted in the format identified in WAC 480-07-140(6).
- (2) **Local government ordinances and notices.** A copy of every local government ordinance related to the request in compliance with WAC 480-70-326, and a copy of the customer notices issued in compliance with the provisions of WAC 480-70-271.
- (3) **Transmittal letter.** A transmittal letter prepared in compliance with the provisions of WAC 480-70-326.
- (4) **Work papers.** One paper and one electronic copy of all supporting work papers for the test period, which is the most recent or most appropriate consecutive twelve-month period for which financial data are available. The electronic copy must be submitted in the format identified in WAC 480-07-140(6). Work papers must include:
 - (a) A detailed pro forma income statement separated among solid waste, single family residential recycling, multifamily recycling, and yard waste, with restating actual and pro forma adjustments, including all supporting calculations and documentation for all adjustments.
 - (i) "Restating actual adjustments" adjust the booked operating results for any defects or infirmities in actual recorded results that can distort test period earnings. Restating actual adjustments are also used to adjust from an as-recorded basis to a basis that is acceptable for rate making. Examples of restating actual adjustments are adjustments to remove prior period amounts, to eliminate below-the-line items that were recorded as operating expenses in error, to adjust from book estimates to actual amounts, and to eliminate or to normalize extraordinary items recorded during the test period.
 - (ii) "Pro forma adjustments" give effect for the test period to all known and measurable changes that are not offset by other factors. The filing must identify dollar values and underlying reasons for each proposed pro forma adjustment.

- (b) A calculation of the revenue impact of proposed tariff revisions.
 - (c) An income statement listing all revenue and expense accounts by month.
 - (d) If nonregulated revenue represents more than ten percent of total company test period revenue, a detailed separation of all revenue and expense between regulated and nonregulated operations.
 - (e) A detailed list of all nonregulated operations, including the rates charged for the services rendered. Copies of all contracts must be provided on request.
 - (f) Detailed price-out information that reconciles within five percent, without adjustment, to the test period booked revenue, including the test period customer count by tariff item.
 - (g) A consolidated balance sheet, including the percentage of equity and the percentage of debt, and the cost of that debt by component.
 - (h) A detailed depreciation schedule listing all used and useful assets held by the company during the test period, including the date of purchase, the cost at purchase, the depreciable life, the salvage value, depreciation expense, and accumulated depreciation expense at the end of the test period.
 - (i) Computed average investment. Average investment is the net book value of allowable assets at the beginning of the test period plus the net book value of allowable assets at the end of the test period, divided by two. Investor supplied working capital may be included, provided a work sheet is submitted detailing the calculations.
 - (j) Information about every transaction with an affiliated interest or subsidiary that directly or indirectly affects the proposed rates. This must include: A full description of the relationship, terms and amount of the transaction, the length of time the relationship has been ongoing, and an income statement and balance sheet for every affiliated entity.
- (5) **Annual report.** The most recent consolidated annual report to shareholders, if any.

WAC 480-70-256

Tariffs, rejection.

The commission will reject tariffs that:

- (1) Do not contain all required information, including, but not limited to, that required by WAC 480-07-520;
- (2) Do not comply with format rules;
- (3) Are not accompanied by required maps;
- (4) Reflect retroactive rate treatment;
- (5) Are not filed in accordance with the notice requirements shown in WAC 480-70-261 through 480-70-276; or
- (6) Contain provisions that conflict with state statutes or commission rules.

[Statutory Authority: RCW 80.01.040 and 80.04.160. 03-24-028 (General Order R-510, Docket No. A-010648), § 480-70-256, filed 11/24/03, effective 1/1/04. Statutory Authority: RCW 81.04.160, 81.77.030 and 80.01.040. 01-08-012 (Docket No. TG-990161, General Order No. R-479), § 480-70-256, filed 3/23/01, effective 4/23/01.]

WAC 480-70-079

Affiliated interest and subsidiary transactions report.

(1) By June 1 of each year each Class A company must file a report summarizing all transactions that occurred between the company and its affiliated interests, except for transactions provided at tariff rates, and the company and its subsidiaries, during the period January 1 through December 31 of the preceding year.

(2) The information required in this subsection must be for total company and for total state of Washington. The report must include a corporate organization chart of the company and its affiliated interests and subsidiaries.

(3) When total transactions with an affiliated interest or a subsidiary are less than one hundred thousand dollars for the reporting period, the company must provide the name of the affiliated interest or subsidiary participating in the transactions and the total dollar amounts of the transactions. When total transactions with an affiliated interest or subsidiary equal or exceed one hundred thousand dollars for the reporting period, the company must provide:

(a) A balance sheet and income statement for such affiliated interest;

(b) A description of the products or services provided to or from the company and each such affiliated interest or subsidiary;

(c) A description of the pricing basis or costing method, and procedures for allocating costs for such products or services, and the amount and accounts charged during the year;

(d) A description of the terms of any loans between the company and each such affiliated interest or subsidiary and a listing of the year-end loan amounts and maximum loan amounts outstanding during the year;

(e) A description of the terms and total amount of any obligation or liability assumed by the company for each such affiliated interest or subsidiary;

(f) A description of the activities of each such affiliated interest or subsidiary with which the company has transactions; and

(g) A list of all common officers and directors between the solid waste company and each such affiliated interest or subsidiary, along with their titles in each organization.

(4) The company is obligated to file verified copies of affiliated interest contracts and arrangements as stated in WAC 480-70-078 (Affiliated interests -- Contracts or arrangements).