

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

IN THE MATTER OF THE
PETITION OF

WASTE MANAGEMENT OF
WASHINGTON, INC., d/b/a WASTE
MANAGEMENT-NORTH SOUND,
WASTE MANAGEMENT-
MARYSVILLE,

Petitioner,

Requesting Authority to Retain 50.0
Percent of the Revenue Received from
the Sale of Recyclable Materials
Collected in Residential Recycling
Service in King County and to Retain 50
Percent of the Revenue Received from
the Sale of Recyclable Materials
Collected in Residential Recycling
Service in Snohomish County

DOCKET TG-190959

ORDER 01

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

BACKGROUND

- 1 On November 15, 2019, Waste Management of Washington, Inc. filed tariff revisions on behalf of its business unit Waste Management of Washington, Inc., d/b/a Waste Management North Sound, Waste Management of Marysville (North Sound or Company), to update the recyclable commodity revenue adjustments. The Company filed revised tariff pages on December 13, 2019. The Company also filed its 2020-2021 Recycling and Commodity Revenue Sharing Plans, and requests that the Commission authorize Waste Management North Sound to retain 50 percent of the revenue generated from the sale of recyclable commodities in King County and 50 percent of the revenue generated from the sale of recyclable commodities in Snohomish County during the 2020-2021 plan year.

Recyclable Commodity Revenue Adjustments

- 2 Waste Management North Sound filed to decrease the recycling commodity adjustment from a debit of \$0.59 per month to a debit of \$0.53 per month for single-family customers in Snohomish County, and decrease the monthly commodity adjustment from a debit of \$1.16 to a debit of \$0.35 per month for single family customers in King County.
- 3 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. Commission Staff (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, 2020.

2018-2019 Recycling and Commodity Revenue Sharing Plans

- 4 On November 15, 2019, the Company filed its report of the activities and results for 2018-2019 plan year revenue sharing plan and reported that it met the performance standards to retain 5 percent of expenditures as an incentive. King County and Snohomish County both certified that the Company achieved its performance goals for the respective plans and should be awarded the 5 percent incentive in both cases, and Staff concurs.

2020-2021 Recycling and Commodity Revenue Sharing Plans

- 5 On November 15, 2019, the Company also filed its 2020-2021 Recycling and Commodity Revenue Sharing Plan for King County (Plan). Waste Management North Sound's portion of the budgeted expenditures for the Plan total \$162,300 including the performance incentive. For Waste Management's King County operations as a whole, which includes Waste Management North Sound and Waste Management South Sound, the total budgeted expenditures for the Plan total \$316,200 including the performance incentive. The specific tasks and the portions of budgeted expenses attributable to Waste Management North Sound are:
- Task 1: Single Family Residential Audience Outreach and Education – Outreach and education to increase capture of recyclable materials; reduce contamination in recycling and organic streams; programming focused on

sustainable materials management; increased multicultural engagement. Budgeted expense for this task is \$54,400.

- Task 2: Multi-Family Residential Audience Outreach and Education – Build upon best management basics for tenants, and best management basics for property managers; evaluation of multi-family property to reduce contamination; ensure decals are updated to improve visibility and function. Budgeted expense for this task is \$5,100.
- 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 \$102,700.

6 In addition, the Plan includes a provision for an incentive award of 5 percent of expenditures, currently estimated at \$8,100. 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.

7 On November 15, 2019, the Company also filed its 2020-2021 Recycling and Commodity Revenue Sharing Plan for Snohomish County (Snohomish County Plan). The budgeted expenditures for the plan total \$2,073,000, including the performance incentive. The specific tasks are:

- Task 1: Knowledge Sharing – Company will participate in a minimum of two opportunities for guest speaking at industry topic conferences. Budgeted expense for this task is \$50,000.
- Task 2: Enhanced Multicultural Engagement– Launch the outreach program developed under the prior revenue sharing plan for Korean, Vietnamese, and Chinese communities. Budgeted expense for this task is \$76,500.
- Task 3: Multifamily Recycling– Build upon best management basics for tenants, and best management basics for property managers; evaluation of multi-family property to reduce contamination; ensure decals are updated to improve visibility and function. Budgeted expense for this task is \$17,500.

- Task 4: Community Events– Community education efforts at events focusing on non-English speakers to engage diverse resident populations. Budgeted expense for this task is \$79,600.
- Task 5: Sustainable Materials Management– Develop materials and programming focused on sustainable materials management, proper recycling of core materials, waste reduction, reuse, and reduction of materials such as textiles. Budgeted expense for this task is \$70,000.
- Task 6: Focused Education for Younger Minds– Continue to engage, educate, and nourish young minds through educational assemblies, classroom workshops, storytelling and technical assistance to eligible K-12 schools in Snohomish County. Budgeted expense for this task is \$70,000.

8 In addition to a labor cost allocation of \$200,200, the Snohomish County Plan includes a provision for an incentive award of 5 percent of expenditures, currently estimated at \$28,200. 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 Snohomish County plan.

Request to Retain Up To 50 Percent of Revenues in King County and 50 Percent of Revenues in Snohomish County from the Sale of Recyclable Materials

9 In its November 15, 2019, filing, Waste Management North Sound asked the Commission to authorize it to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by North Sound’s residential recycling programs in King County, and to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by North Sound’s residential recycling programs in Snohomish County during the 2020-2021 plan year.

10 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.

- 11 On November 15, 2019, Pat D. McLaughlin, Solid Waste Division Director for King County Department of Natural Resources and Parks, and on November 13, 2019, Mathew Zybas, Director of the Snohomish County Solid Waste Division, the appropriate local government authorities for King and Snohomish Counties respectively, as specified in RCW 81.77.185 (1), certified that the King County and Snohomish County Plans are consistent with the respective County Solid Waste Management Plans, and that the Plans demonstrate how retained revenues will be used to increase recycling.
- 12 Staff recommends that the Commission authorize the Company to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by North Sound's residential recycling programs in King County, and to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by North Sound's residential recycling programs in Snohomish County during the 2020-2021 plan year; require the Company to meet the performance requirements set forth in its recycling and revenue sharing plans; and, in consultation with the respective Counties, consider whether to reduce the revenue share the Company retained if the Company fails to meet those performance requirements.

DISCUSSION

- 13 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.
- 14 Waste Management North Sound's 2020-2021 King County Plan projects \$664,000 of revenue from the sale of recyclable commodities and proposes to retain \$332,000 (50 percent) of that revenue for King County Plan expenditures. North Sound 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 King County Plan sufficiently demonstrates how the revenues North Sound is entitled to retain, including the 5 percent incentive payment, will be used to increase recycling consistent with our prior determinations. Accordingly, North Sound 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 in King County from January 1, 2018, to December 31, 2019, if it complies with the terms and conditions of the King County Plan.

15 The Company's 2020-2021 Snohomish County Plan projects \$1,184,000 of revenue from the sale of recyclable commodities and proposes to retain \$592,000 (50 percent) of that revenue for Snohomish County Plan expenditures. North Sound has satisfied both statutory standards. The Director of Snohomish County's Solid Waste Division certified that Waste Management's recycling plan is consistent with Snohomish County's Comprehensive Solid Waste Management Plan. We agree with Staff that the Company's Snohomish County Plan sufficiently demonstrates how the revenues North Sound is entitled to retain, including the 5 percent incentive payment, will be used to increase recycling consistent with our prior determinations. Accordingly, North Sound 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 in Snohomish County from January 1, 2020, to December 31, 2021, if it complies with the terms and conditions of the Snohomish County Plan.

FINDINGS AND CONCLUSIONS

- 16 (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.
- 17 (2) Waste Management North Sound is a solid waste company and a public service company subject to Commission jurisdiction.
- 18 (3) This matter came before the Commission at its regularly scheduled meeting on December 19, 2019.
- 19 (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.

- 20 (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.
- 21 (6) Snohomish County is responsible for managing waste through its Comprehensive Solid Waste Management Plan. The Director of Snohomish County’s Solid Waste Division certified that Waste Management’s recycling plan is consistent with Snohomish County’s Comprehensive Solid Waste Management Plan.
- 22 (7) The Plans include a provision for an incentive payment of 5 percent of the Company’s planned expenditures in each Plan. The Plans condition the award of the incentive on achieving specific performance goals.
- 23 (8) As required by RCW 81.04.130, Waste Management North Sound bears the burden of proof to show that the proposed increases are just, reasonable, and sufficient.
- 24 (9) Waste Management North 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 in King County, and 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 in Snohomish County from January 1, 2018, to December 31, 2019, is consistent with RCW 81.77.185, and the Commission finds Waste Management North Sound’s request should be granted.

ORDER

THE COMMISSION ORDERS:

- 25 (1) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville 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 in King County, and 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 in Snohomish County, from January 1, 2020, to December 31, 2021, provided that Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville complies with the Plan as set forth in this order.

- 26 (2) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville 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.
- 27 (3) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville shall make a compliance filing with the Commission no later than November 16, 2018, in which Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville 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.
- 28 (4) The commodity credits filed by Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville on November 15, 2019, are allowed to go into effect by operation of law.
- 29 (5) The Commission delegates to the Secretary the authority to approve by letter all compliance filings required in this Order
- 30 (6) The Commission retains jurisdiction over the subject matter and Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville, 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 December 19, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON
Executive Director and Secretary