

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

RABANCO LTD AND RABANCO
RECYCLING, INC., d/b/a EASTSIDE
DISPOSAL,

Petitioner,

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

DOCKET TG-170707

ORDER 01

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

BACKGROUND

- 1 On June 14, 2017, Rabanco LTD and Rabanco Recycling, Inc., d/b/a Eastside Disposal (Eastside Disposal or Company) filed the following documents with the Washington Utilities and Transportation Commission (Commission): (1) a report of its 2016-2017 revenue sharing plan; (2) revised 2017-2018 commodity credits resulting in decreased rates to all recycling customers; (3) the Company's 2017-2019 revenue sharing plan; and (4) a request that the Commission allow Eastside Disposal to retain up to 50 percent of the revenue received from the sale of recyclable materials during the 2017-2019 plan period. The Company serves approximately 10,500 regulated residential recycling customers in King County.

REPORT ON 2016-2017 RECYCLING PLAN AND REVENUE SHARING

- 2 In Docket TG-160806, Order 01, the Commission required Eastside Disposal to make a compliance filing consisting of the amount of recycling revenue it retained, the amount of money it spent on the activities identified in its 2016-2017 revenue sharing plan, and the effect the activities had on recycling. In its June 14, 2017, compliance filing, the Company reported the diversion rate decreased by 1.3 percent for the plan period, and

King County concurs. Therefore, Eastside Disposal has not met the performance standards to retain 5 percent of expenditures as an incentive.

PROPOSED 2017-2018 COMMODITY CREDITS

3 The Company filed replacement tariff pages on June 14, 2017, proposing a commodity credit increase from \$0.74 to \$1.72 per month, resulting in an overall decrease in recycling rates for single-family residential customers of \$0.98 per month. For multi-family customers, the filed tariff reflects a commodity credit increase from \$0.57 to \$0.86 per yard, resulting in decreased recycling rates of \$0.29 for the period August 1, 2017, to July 1, 2018. The proposed commodity credits reflect both the effect of the Commission-approved deferred accounting, and \$207,291 (66 percent) of commodity revenues apportioned to customers of the \$313,383 in total commodity revenues. The Company's retained commodity revenue is lower than 50 percent because tasks outlined in the plan were not completed.

PROPOSED 2017-2019 RECYCLING PLAN AND REVENUE SHARING

4 Under RCW 81.77.185, 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. The remaining revenue shall be passed to the residential customers.

5 Pursuant to that statute, on June 14, 2017, the Company filed with the Commission a Commodity Revenue Sharing Enhancement Plan for King County (Plan) for the period from August 1, 2017, to July 31, 2019. The Plan forecasts \$1,737,576 in revenue from the sale of recyclable commodities, and proposes to retain \$868,788 (50 percent) to spend on Plan activities in King County over the two year plan period. The forecasts are for the three Rabanco Ltd and Rabanco Recycling, Inc. owned or managed operations in King County.

6 The Plan identifies up to \$318,363 to be expended over the next two years by Eastside Disposal, one of three Rabanco operations in King County. Plan activities include consumer education, multifamily organics outreach, and data reporting to King County. Organics are a recyclable material per RCW 70.95.030 because the material will not end up in a landfill or incinerated. While organics do not have a commodity value and are

collected separately from traditional recyclable materials (i.e. paper, aluminum, tin) they are diverted from the waste stream to be processed and re-used. RCW 81.77.185 allows retention of revenue from recyclable commodities if the company can demonstrate how the revenue will be used to increase recycling. Staff concludes that a program to divert organics from landfills will “increase recycling” and therefore qualifies as a use for retained recycling revenue.

7 Under the Plan, the Company will be limited to retaining up to 50 percent of the actual revenue received from the sale of recyclable commodities for the period from August 1, 2017, to July 31, 2019. Any excess revenue will not be carried over to the second year, but will be returned to customers in the 2018-2019 recycle commodity credit. The Company will work with the county to make any relevant budget and plan adjustments, and will include those changes in its 2018 commodity credit filing.

8 The Plan’s 2017-2019 budget includes an incentive payment of \$14,770 to Eastside Disposal, which is five percent of planned expenditures.¹ The Plan states, in part:

“[Eastside Disposal] is eligible for a financial incentive for achieving tangible results ...[f]or increasing diversion of materials from disposal by regulated residential customers, an amount equal to 5% of the company expenditures.”

Additionally, as set forth in the Plan, eligibility for the incentive will be determined by King County based on its satisfaction that the Company’s expenditures of revenue sharing funds are consistent with the Plan’s activities and budgets, and are subject to review by the Commission. Eligibility for the incentive will be determined on an annual basis.

9 Pat D. McLaughlin, King County Solid Waste Division Director, signed the Plan and certified that it is consistent with King County’s Comprehensive Solid Waste Management Plan. King County recommends that the Commission allow the Company to retain up to 50 percent of the actual value of recyclable commodity revenues received each of the two years of the plan from August 1, 2017, to July 31, 2019.

¹ On May 30, 2012, the Commission issued its interpretive and policy statement in Docket TG-112162 to address issues concerning implementation of recycling revenue sharing plans, including Incentives, Bonuses, or Returns in paragraphs 26 through 32. The policy statement articulates that incentives should be conditioned upon or tied to achieving performance goals or objectives.

10 Staff recommends that the Commission grant the Company's request to retain up to 50 percent of the recyclable commodity revenue collected during each year of the Plan, and allow the recycling commodity credits filed by Eastside Disposal on June 14, 2017, to go into effect August 1, 2017, by operation of law.

FINDINGS AND CONCLUSIONS

11 (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.

12 (2) Eastside Disposal 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.

13 (3) This matter came before the Commission at its regularly scheduled meeting on July 27, 2017.

14 (4) Under RCW 81.77.185, 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.

15 (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 Eastside Disposal's recycling plan is consistent with King County's Comprehensive Solid Waste Management Plan.

16 (6) The Plan includes a provision for an incentive payment of 5 percent of Eastside Disposal's planned expenditure. The Plan conditions the award of the incentive on achieving specific performance goals.

17 (7) Eastside Disposal'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 August 1, 2017, to July 31, 2019, is consistent with RCW 81.77.185, and the Commission finds that Eastside Disposal's request should be granted.

ORDER

THE COMMISSION ORDERS:

- 18 (1) Provided Rabanco LTD and Rabanco Recycling, Inc., d/b/a Eastside Disposal complies with the Plan as set forth in this Order, 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 August 1, 2017, to July 31, 2019.
- 19 (2) Rabanco LTD and Rabanco Recycling, Inc., d/b/a Eastside Disposal shall present its revenue sharing plan and commodity adjustments to the Commission requesting an effective date each August 1 hereafter, and shall make all future revenue sharing plans and commodity adjustment filings 45 days prior to the proposed effective date.
- 20 (3) Rabanco LTD and Rabanco Recycling, Inc., d/b/a Eastside Disposal shall make a compliance filing with the Commission no later than June 16, 2018, 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.
- 21 (4) The commodity credits filed by Rabanco LTD and Rabanco Recycling, Inc., d/b/a Eastside Disposal on June 14, 2017, are allowed to go into effect by operation of law.
- 22 (5) The Commission delegates the Secretary the authority to approve by letter all compliance filings required in this Order.
- 23 (6) The Commission retains jurisdiction over the subject matter and Rabanco LTD and Rabanco Recycling, Inc., d/b/a Eastside Disposal 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 Olympia, Washington, and effective July 27, 2017.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary