

**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-210883

ORDER 01

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

**BACKGROUND**

- 1 On November 15, 2021, 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, (Waste Management North Sound or Company) to update the recyclable commodity revenue adjustments and requesting to retain 50 percent of the commodity revenue as outlined in its 2022-2023 Recycling and Commodity Revenue Sharing Plan for King County (King County Plan) and its 2022-2023 Recycling and Commodity Revenue Sharing Plan for Snohomish County (Snohomish County Plan). The Company also filed tariff revisions reflecting a King County hazardous waste fee increase of 5.4 percent, and a proposed increase to garbage rates to recover increased disposal fees at all King County Solid Waste facilities, which will increase from \$140.82 per ton to \$154.02 per ton on January 1, 2022.
- 2 *Recyclable Commodity Revenue Adjustments.* Waste Management North Sound filed to decrease the recycling commodity adjustment from a debit (charge) of \$0.17 per month to a credit of \$1.91 per month for residential recycling customers in Snohomish County and decrease the monthly commodity adjustment from a debit of \$0.25 to a credit of \$1.81 per month for residential recycling 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. 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 the revised tariff pages to become effective January 1, 2022.

4 *Proposed Increase to Residential Recycling Collection Rates.* In its initial proposal, the Company also proposed a \$0.32 increase to its monthly residential recycling collection rate for customers in King County, and a \$0.17 increase to its monthly residential recycling collection rate for customers in Snohomish County. This rate revision is necessary to recover internal labor costs previously included in both the 2020-2021 King County and Snohomish County Revenue Share Plans. In Order 01 in Docket TG-201013, the Commission ordered the Waste Management of Seattle/South Sound business unit to remove the internal labor costs contained in its King County Plan and to embed those costs in recycling collection rates no later than December 31, 2021. Because both the Waste Management South Sound and Waste Management North Sound business units share a Revenue Share Plan with King County, the Company used the same approach for both business units. Snohomish County has also removed internal labor costs from its upcoming 2022-2023 Plan.

5 Although the internal labor costs were previously a portion of the budgeted expenditures for the Company's Revenue Share Plans, moving these costs from the Revenue Share Plans and recovering them through a commodity adjustment mechanism to the collection rates is not a revenue neutral shift and causes a rate increase to customers. Both the King County and Snohomish County Plans have removed these internal labor costs from the 2022-2023 Plan budgets; however, the planned expenditures are set based on 50 percent of the projected commodity revenues, meaning there is no offsetting reduction to the budgets attributable to the removal of these internal labor costs. As such, the addition of these costs to the recycling collection rates constitutes a general rate case under WAC 480-07-505 and is subject to the advance customer notice rules listed in WAC 480-70-271.

6 Commission staff (Staff) reviewed the Company's filing and discovered that the Company did not issue advance customer notice for the proposed increases to recycling collection rates, as required under WAC 480-70-271. Staff notified the Company, and the Company elected to revise its tariff to reduce the proposed recycling rates back to current rates rather than incur the costs associated with mailing separate customer notices and

potentially delaying the effective date of its filing. The Company stated that it plans to address these costs in a future filing where 30 days' advance customer notice will be issued. Staff recommends the Commission grant the continuance because it results in lower bills for customers until such time as the Company incorporates the costs into rates.

7 The Company filed replacement pages on December 13, 2021, reflecting the reversion of the recycling collection rates back to its currently effective rates, and to correct clerical errors found in the Company's initial submission.

8 *2020-2021 Recycling and Commodity Revenue Sharing Plans.* On November 15, 2021, the Company filed its report of the activities and results for the 2020-2021 revenue sharing plans 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.

9 *2022-2023 Recycling and Commodity Revenue Sharing Plans.* On November 15, 2021, the Company also filed its 2022-2023 Recycling and Commodity Revenue Sharing Plan for King County. Waste Management North Sound's portion of the budgeted expenditures for the Plan total is \$457,838, 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 \$852,300 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; increase multicultural engagement; educational content on MRF processing to aid in contamination reduction; food waste reduction and capture; and behavior study. Budgeted expense for this task is \$347,555.
- Task 2: Multi-Family Residential Audience Outreach and Education – Build upon the Best Management Basics for tenants, and Best Management Basics for property managers; evaluate multi-family property to reduce contamination; ensure decals are updated to

improve visibility and function; and create and provide educational materials for property owners and multi-family residents. Budgeted expense for this task is \$107,436.

- Task 3: Cost analysis and strategy development for incorporating costs into tariffs – Discuss the range of costs that have been part of revenue sharing and make recommendations for incorporating those costs into tariff rates. Budgeted expense for this task is \$2,847.

10 In addition, the Plan includes a provision for an incentive award of 5 percent of expenditures, currently estimated at \$22,884. 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.

11 On November 15, 2021, the Company also filed its 2022-2023 Recycling and Commodity Revenue Sharing Plan for Snohomish County. The budgeted expenditures for the plan total \$1,844,000, including the performance incentive. The specific tasks are:

- Task 1: Knowledge Sharing – Company will participate in at least one opportunity for guest speaking at an industry topic conference and will submit at least one article to targeted community publications; Company will continue to update and support its WM CartWise app and provide written reports detailing task outcomes. Budgeted expense for this task is \$197,000.
- Task 2: Equitable Outreach – Expand upon the multicultural outreach content created in the 2020-2021 Plan period and broaden the scope of its research and outreach to potentially include additional multicultural communities, low-income residents, and multigenerational households, among others. Budgeted expense for this task is \$420,000.
- Task 3: Multifamily Recycling and Reduction of Contamination – Build upon Best Management Basics (BMB) for tenants, and BMB for property managers; evaluate implementation of BMB and follow up with property managers; and employ a variety of tactics to ensure individual properties are set up to effectively increase recycling and reduce contamination. Budgeted expense for this task is \$315,000.

- Task 4: Community Events– Engage in community education events to provide education about recycling and composting, to include 14 community event days and 6 event days focused on multicultural communities. Budgeted expense for this task is \$105,000.
- Task 5: Contamination Reduction and What Goes Where– Develop materials and programming focused on sustainable materials management, proper recycling of core materials, waste reduction, and reuse. Budgeted expense for this task is \$360,000.
- Task 6: Schools Education– Continue to engage, educate, and nourish young minds through virtual workshops, and when possible, through educational assemblies, classroom workshops, storytelling, and technical assistance to eligible K-12 schools in Snohomish County. Budgeted expense for this task is \$447,000.

12 The Snohomish County Plan includes a provision for an incentive award of 5 percent of expenditures, currently estimated at \$92,200. 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.

13 *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.* In its November 15, 2021, 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 2022-2023 plan year.

14 RCW 81.77.185 provides 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.

- 15 On November 29, 2021, Pat D. McLaughlin, Solid Waste Division Director for King County Department of Natural Resources and Parks, and on November 23, 2021, Kevin Kelly, 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.
- 16 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 2022- 2023 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.
- 17 *King County Hazardous Waste Fee and King County Disposal Fee Increase.* On January 1, 2022, King County’s hazardous waste fees will increase by 5.4 percent and the per-ton disposal fee for municipal solid waste at all King County Solid Waste System facilities will increase by \$13.20 per ton, from \$140.82 to \$154.02. The Company included these increases in the proposed tariff revisions filed in this Docket. The disposal fee increase will generate approximately \$672,000 (4.7 percent) in additional annual revenue for residential, commercial, and drop-box garbage services. Staff recommends these passthrough costs be allowed to go into effect by operation of law.

## DISCUSSION

- 18 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.
- 19 Waste Management North Sound’s 2022-2023 King County Plan projects \$893,866 of revenue from the sale of recyclable commodities and proposes to retain \$446,933 (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, 2022, to December 31, 2023, if it complies with the terms and conditions of the King County Plan.

20 The Company's 2022-2023 Snohomish County Plan projects \$4,004,000 of revenue from the sale of recyclable commodities and proposes to retain \$2,002,000 (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, 2022, to December 31, 2023, if it complies with the terms and conditions of the Snohomish County Plan.

### FINDINGS AND CONCLUSIONS

- 21 (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.
- 22 (2) Waste Management North Sound is a solid waste company and a public service company subject to Commission jurisdiction.
- 23 (3) This matter came before the Commission at its regularly scheduled meeting on December 23, 2021.

- 24 (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. RCW81.77.185 states that the remaining revenue shall be passed to residential customers.
- 25 (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.
- 26 (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.
- 27 (7) The Plans each include a provision for an incentive payment of 5 percent of the Company’s planned expenditures. The Plans condition the award of the incentive on achieving specific performance goals.
- 28 (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.
- 29 (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, 2022, to December 31, 2023, is consistent with RCW 81.77.185, and the Commission finds Waste Management North Sound’s request should be granted.



**ORDER**

**THE COMMISSION ORDERS:**

- 30 (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, 2022, to December 31, 2023, provided that Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville, complies with the Plans as set forth in this order.
- 31 (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.
- 32 (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, 2022, 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 Plans, and the effect the activities had on increasing recycling.
- 33 (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, 2021, as revised on December 13, 2021, are allowed to go into effect by operation of law.
- 34 (5) The Commission delegates to the Secretary the authority to approve by letter all compliance filings required in this Order.

35 (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.

36 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, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL  
Executive Director and Secretary