

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

WASTE MANAGEMENT OF
WASHINGTON, INC., d/b/a WASTE
MANAGEMENT-SOUTH SOUND,
WASTE MANAGEMENT-
SEATTLE,

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 Requesting Extension of
Provision of Order 01 in Docket TG-
201013

DOCKET TG-210884

ORDER 01

AUTHORIZING REVENUE
SHARING FOR RECYCLABLE
COMMODITIES REVENUE AND
ALLOWING RECYCLABLE
COMMODITY CREDIT
ADJUSTMENT; GRANTING
MOTION FOR CONTINUANCE

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 South Sound, Waste Management of Seattle, (Waste Management South 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). 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 South Sound filed to decrease the recycling commodity adjustment from a debit (charge) of \$0.27 per month to a credit of \$2.15 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. This rate revision was proposed to recover internal labor costs previously included in the 2020-2021 King County Plan. This was done pursuant to Order 01 in Docket TG-201013, which ordered the Waste Management South Sound to file tariff revisions no later than December 31, 2021, to remove the internal labor costs contained in its King County Plan, and to embed these costs in recycling collection rates.
- 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 recovery through 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. On December 16, 2021, the Company filed with the Commission a request to extend the requirement in Order 01 in Docket TG-201013 to embed these costs in rates by December 31, 2021. The Commission construes the request as a motion for continuance (Motion).¹ The Company stated in its Motion 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.

¹ Although not styled as such, the Commission construes the Company's request as a motion for continuance made pursuant to WAC 480-07-385 based on the relief it seeks. The Commission liberally construes filings to effect just results. *See* WAC 480-07-395(4).

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 filed replacement pages on December 14, 2021, to correct clerical errors found in the Company's submission.

8 *2020-2021 Recycling and Commodity Revenue Sharing Plan.* On November 15, 2021, the Company filed its report of the activities and results for the 2020-2021 revenue sharing plan and reported that it met the performance standards to retain 5 percent of expenditures as an incentive. King County certified that the Company achieved its performance goals for the respective plans and should be awarded the 5 percent incentive, 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 South Sound's portion of the budgeted expenditures for the Plan total \$394,462 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 South 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; educational content on MRF processing to aid in contamination reduction; food waste reduction and capture; and behavior study. Budgeted expense for this task is \$299,445.
- 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 \$92,564.

- 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 \$2,453.

- 10 In addition, the Plan includes a provision for an incentive award of 5 percent of expenditures, currently estimated at \$19,716. 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 *Request to Retain Up To 50 Percent of Revenues in King from the Sale of Recyclable Materials.* In its November 15, 2021, filing, Waste Management South Sound asked the Commission to authorize it to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by South Sound’s residential recycling programs in King County during the 2022-2023 plan year.
- 12 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.
- 13 On November 29, 2021, Pat D. McLaughlin, Solid Waste Division Director for King County Department of Natural Resources and Parks, the appropriate local government authorities for King County as specified in RCW 81.77.185(1), certified that the King County Plan is consistent with the respective County Solid Waste Management Plan and that the Plan demonstrates how retained revenues will be used to increase recycling.
- 14 Staff recommends that the Commission authorize the Company to retain 50 percent of the revenue generated from the sale of recyclable commodities collected by South Sound’s residential recycling programs in King County during the 2022- 2023 plan year; require the Company to meet the performance requirements set forth in its recycling and revenue sharing plan; and, in consultation with the County, consider whether to reduce the revenue share the Company retained if the Company fails to meet those performance requirements.

15 *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 \$375,000 (3.7 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

16 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.

17 Waste Management South Sound's 2022-2023 King County Plan projects \$770,134 of revenue from the sale of recyclable commodities and proposes to retain \$385,067 (50 percent) of that revenue for King County Plan expenditures. South Sound has thus 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 South Sound is entitled to retain, including the 5 percent incentive payment, will be used to increase recycling consistent with our prior determinations. Accordingly, South 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.

18 Finally, we grant the Company's Motion to continue the December 31, 2021, deadline established by Order 01 in Docket TG-201013 for South Sound to embed in recycling rates the Revenue Share Program labor costs previously included in the Revenue Share Program. WAC 480-07-385 provides that the Commission will grant a continuance if the requesting party demonstrates good cause for the continuance and the continuance will

not prejudice any party or the Commission, but that the Commission will grant continuances only to a specified date. In its motion, the Company explains that it was not clear it needed to provide customer notice for the increased recycling rates because the overall impact of the rate adjustment will result in a rate decrease. Rather than incur additional costs to issue a notice solely for this rate increase, the Company plans incorporate costs into its recycling rates at a future date commensurate with a future rate increase. Until then, customers will pay lower rates and the Company will absorb those costs. This outcome is consistent with the public interest and the spirit of Order 01, which was primarily concerned with removing labor costs from the Revenue Share Program.

19 Accordingly, we find that good cause exists to grant the continuance, and that the continuance will not prejudice any party or the Commission. Because Commission rules require that continuances will only be granted to a specified date, we extend the deadline until December 31, 2022. A one-year extension provides ample time for the Company to file a tariff revision that incorporates the Revenue Share Program labor costs into recycling rates.

FINDINGS AND CONCLUSIONS

- 20 (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.
- 21 (2) Waste Management South Sound is a solid waste company and a public service company subject to Commission jurisdiction.
- 22 (3) This matter came before the Commission at its regularly scheduled meeting on December 23, 2021.
- 23 (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.

- 24 (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.
- 25 (6) The Plan includes a provision for an incentive payment of 5 percent of the Company's planned expenditures. The Plan conditions the award of the incentive on achieving specific performance goals.
- 26 (7) As required by RCW 81.04.130, Waste Management South Sound bears the burden of proof to show that the proposed increases are just, reasonable, and sufficient.
- 27 (8) On December 16, 2021, Waste Management South Sound filed a Motion to continue the deadline for embedding Revenue Share Program labor costs in recycling rates established by Order 01 in Docket TG-201013.
- 28 (9) The Commission should continue the deadline established by Order 01 in Docket TG-201013 until December 31, 2022, because doing so is consistent with the public interest and will not prejudice the Commission or any party. *See* WAC 480-07-385.
- 29 (10) Waste Management South 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 from January 1, 2022, to December 31, 2023, is consistent with RCW 81.77.185, and the Commission finds Waste Management South Sound's request should be granted.

ORDER

THE COMMISSION ORDERS:

- 30 (1) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, 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, provided that Waste

Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, complies with the Plan as set forth in this order.

- 31 (2) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, 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-South Sound, Waste Management of Washington-Seattle, 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-South Sound, Waste Management of Washington- Seattle 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.
- 33 (4) The commodity credits filed by Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle, on November 15, 2021, as revised on December 13, 2021, and on December 14, 2021, are allowed to go into effect by operation of law.
- 34 (5) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle's Motion to continue the deadline established by Order 01 in Docket TG-201013 for Waste Management of Washington, Inc., d/b/a Waste Management of Washington-South Sound, Waste Management of Washington-Seattle to embed in its recycling rates the Revenue Share Program labor costs by December 31, 2021, is granted, and the deadline is extended until December 31, 2022.
- 35 (6) The Commission delegates to the Secretary the authority to approve by letter all compliance filings required in this Order.
- 36 (7) The Commission retains jurisdiction over the subject matter and Waste Management of Washington, Inc., d/b/a Waste Management of Washington-

South Sound, Waste Management of Washington-Seattle, to effectuate the provisions of this Order.

- 37 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