

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
2 KING COUNTY DEPARTMENT OF)
PUBLIC WORKS, SOLID WASTE)
3 DIVISION,)
Complainant,) DOCKET NO. TG-940411
4)
vs.)
5) VOLUME III
SEATTLE DISPOSAL COMPANY,)
6 RABANCO LTD., d/b/a EASTSIDE) PAGES 208 - 451
DISPOSAL AND CONTAINER)
7 HAULING,)
Respondent.)
8 -----)

9
10 A hearing in the above matter was held on
11 July 15, 1994 at 9:00 a.m., at 1300 South Evergreen
12 Park Drive Southwest, Olympia, Washington before
13 Chairman SHARON NELSON, Commissioner RICHARD HEMSTAD
14 and Administrative Law Judge ALICE HAENLE.

15
16 The parties were present as follows:

17 THE WASHINGTON UTILITIES AND TRANSPORTATION
18 COMMISSION STAFF, by ANNE EGELER, Assistant Attorney
19 General, 1400 South Evergreen Park Drive Southwest,
20 Olympia, Washington 98504.

21 KING COUNTY SOLID WASTE DIVISION, by MARY
22 F. PERRY and KATHRYN A. KILLINGER, Senior Deputy
23 Prosecuting Attorneys, E550 King County Courthouse,
24 Seattle, Washington 98104-2312.

25 RABANCO COMPANY d/b/a EASTSIDE DISPOSAL, by
ELIZABETH THOMAS, Attorney at Law, 701 Fifth Avenue,
Suite 5000, Seattle, Washington 98104.

Marilyn Johnson, RPR
Court Reporter

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1 I N D E X

2

3 WITNESS: DIRECT CROSS REDIRECT RECROSS EXAM

4 D. DOUGHERTY 211 213

5 J. GAISFORD 220 283 291 257

6 N. PEALY 301 304 344 358 335

7 372 376

8 377

9 K. ALBERT 382 384 407 413 399

10 426

11 R. DAVIES 429 431 432

12 L. SKUMATZ 435 437

13

14 EXHIBITS: MARKED ADMITTED

15 T-45, 46-48 211 212

16 T-49 301 304

17 50-56 301 304

18 57 380

19 T-58, 59-60, 381 384

20 T-61, C-62

21 T-63, 64 429 430

22 T-65, 66-72 434 437

23 T-73, C-74, C-75 435 437

24

25 BENCH REQUEST NO. 1, PAGE 338

1 P R O C E E D I N G S

2 JUDGE HAENLE: The hearing will come to
3 order. This is a third day of hearing in Docket No.
4 TG-940411. The hearing is taking place before the
5 commissioners on July 15, 1994. Appearances are the
6 same today as they were yesterday. If I understand
7 correctly, you want to take -- you want to change the
8 witness order we had agreed on, Ms. Perry?

9 MS. PERRY: Yes, that's correct, Your Honor.

10 JUDGE HAENLE: And which would be your next
11 witness, then?

12 MS. PERRY: Mr. David Dougherty.

13 JUDGE HAENLE: And I believe we discussed
14 this with counsel and no one has an objection to that?
15 Hearing no objection, then, would you raise your right
16 hand, sir?

17 DAVID DOUGHERTY,
18 having been first duly sworn, was called as a witness
19 herein and was examined and testified as follows:

20 JUDGE HAENLE: Also during the time we were
21 off the record I marked a number of documents for
22 identification as follows, marked as Exhibit T-45 for
23 identification is a multi-page document. In the upper
24 right-hand corner it has DAD-T, ten pages. 46 for
25 identification, DAD-1 and one page. 47 for

1 identification, DAD-2, 187 pages plus an addendum.

2 (Marked Exhibits T-45, 46 and 47.)

3 JUDGE HAENLE: I noted before we went on the
4 record that DAD-3 is the same as an exhibit NSP-8 of a
5 witness we have not come to yet. I asked you which
6 witness you'd like to have that with to avoid
7 duplication. Ms. Perry?

8 MS. PERRY: I would like to take that with
9 Mr. Dougherty.

10 JUDGE HAENLE: All right. So that then will
11 be 48 for identification. Your witness has been sworn.

12 (Marked Exhibit 48.)

13 DIRECT EXAMINATION

14 BY MS. PERRY:

15 Q. Thank you. Good morning, Mr. Dougherty.
16 Would you state for the records your full name, your
17 position and your business address?

18 A. My name is David Dougherty. I'm director of
19 the Clean Washington Center. The address is 2001 Sixth
20 Avenue, Seattle, Washington.

21 Q. Are you the same David Dougherty who
22 prepared testimony consisting of ten pages of direct
23 testimony with accompanying Exhibits DAD-1 through
24 DAD-3, which has previously been marked for
25 identification as Exhibit T-45 and Exhibits 46 through

1 48?

2 A. I am.

3 Q. Do you have a copy of that testimony and
4 those exhibits before you?

5 A. I have that with me.

6 Q. Was this prepared by you personally or under
7 your direct supervision?

8 A. Yes.

9 Q. Do you have any changes or corrections you
10 wish to make to it?

11 A. No, I do not.

12 Q. If I were to inquire orally concerning the
13 material contained in it, would your responses be
14 substantially the same as the answers in that prefiled
15 testimony?

16 A. They would.

17 Q. I request that what has been marked for
18 identification as Exhibit T-45 and Exhibits 46 through
19 48 be admitted into evidence.

20 JUDGE HAENLE: Any objection, Ms. Thomas?

21 MS. THOMAS: No objection.

22 MS. EGELER: No objection.

23 JUDGE HAENLE: All right. T-45, 46, 47 and
24 48 will be entered into the record.

25 (Admitted Exhibits T-45, 46, 47 and 48.)

1 MS. PERRY: At this time, I offer Mr.
2 Dougherty for cross-examination.

3 JUDGE HAENLE: Ms. Thomas?

4 CROSS-EXAMINATION

5 BY MS. THOMAS:

6 Q. Thank you, your Honor. Good morning, Mr.
7 Dougherty. My name is Liz Thomas. I'm an attorney
8 representing Rabanco Companies doing business as
9 Eastside Disposal in this action. One of the topics of
10 your testimony is a study called the economics of
11 recycling and recycled materials. The areas that were
12 the topic of inquiry in that study were Seattle,
13 Spokane, Bellingham and Vancouver, were they not?

14 A. Those were the four cities selected for the
15 studies, yes.

16 Q. And those are all urban cities, are they
17 not?

18 A. You mean standard metro statistical area?

19 Q. Urban rather than suburban or rural areas.

20 A. I'm not sure how you would define that when
21 you look at Clark County and Bellingham, I'm not sure I
22 would have the same understanding of those as major
23 urban areas.

24 Q. Was the study confined to areas within the
25 city limits of those four cities or did it also take in

1 the metropolitan areas of those cities?

2 A. In the case of Spokane, Spokane has a city
3 county utility, which covers the entire jurisdiction.
4 In the case of Clark County, I believe -- I'm not
5 certain. I'm not certain.

6 Q. Two of the four cities have systems that
7 include waste energy facilities, is that right?

8 A. That's correct.

9 Q. Bellingham and Spokane?

10 A. Yes.

11 Q. And at page 4 of your testimony, up toward
12 the top, you discuss how revenues from the waste to
13 energy facilities were treated. Your statement at page
14 4 is net costs were determined by adding to the city's
15 costs any quote, credits given by contractors for
16 market revenues for materials or energy sales. Does
17 that mean that revenues from energy sales were credited
18 against the costs of recycling?

19 A. No. That would mean you reduced the cost of
20 disposal by the net revenue from the sale of any power
21 generated off that facility.

22 Q. As I understand it, one of the purposes of
23 the study was to try to distinguish the costs of
24 recycling from the costs of disposal, is that right?

25 A. That's correct.

1 Q. And this sentence says, net costs were
2 determined by adding credits for market revenues for
3 materials or energy sales. Do you know whether credits
4 for market revenues were applied to costs for recycling
5 or costs for disposal?

6 A. In the study, if you look at the charts,
7 say, take, for example Seattle, pages 32, 33, 34, we
8 define the costs of collection and sorting, the cost of
9 collecting and sorting recyclables and then we subtract
10 the revenues they received for the sale of those same
11 materials in the year 1992, to get to the net costs of
12 recycling the different materials. The costs of
13 disposal, the study looks at the costs of collection,
14 transfer, transportation and tipping fees for the
15 difficulties disposal. Yet in most cases other than
16 the sale of power there was no revenue to credit the
17 sale of the disposal.

18 Q. So the revenue from power sales was credited
19 to disposal rather than recycling?

20 A. That's correct.

21 Q. At page five of your testimony, you state
22 that you feel the results of the study regarding the
23 city of Seattle should be generally applicable to King
24 County, and the reason for that you state is because
25 Seattle and King County are situated in the same

1 geographic area. Do you know whether the household
2 demographics in Eastside Disposal service territory are
3 similar to those in the city of Seattle?

4 A. When you say the demographics, are you
5 talking about their density? Are you talking about
6 their waste stream or what are you questioning?

7 Q. I was talking about their density, the
8 household income, the number of household members.

9 A. This has -- this did not take into account
10 the King County's system. It took into account the
11 Seattle system. I believe that the waste streams and
12 the amount of materials being recycled, types of
13 materials, the proximity to existing markets, are
14 fairly similar, so in those regards I'd say there's
15 great similarity. With regard to the contract King
16 County has with their disposal and recycling companies,
17 we have no information.

18 Q. Have you compared the waste stream or has
19 anyone acting under your direction compared the waste
20 stream generated in the Eastside Disposal territory
21 that's served pursuant to UTC regulation to the waste
22 stream of the city of Seattle?

23 A. The Washington Center does not get into the
24 waste side of the issue. We're focused on developing
25 industrial capacity for the remanufacturing of material

1 pulled from the curbside recycling programs, so as
2 such, we do have a good feel for those materials being
3 pulled both from the Eastside as well as Seattle for
4 recycling to Fibers International and other companies
5 that we're working with to help develop that capacity
6 for reprocessing. But with regard to waste stream, we
7 wouldn't be the organization to discuss that with.

8 Q. Has the Clean Washington Center evaluated
9 the similarity between the recycling stream generated
10 from Eastside Disposal's regulated service territory to
11 the recycling stream from the city of Seattle?

12 A. We have not looked at that specifically, no.

13 Q. I have no further questions. Thank you very
14 much.

15 A. Thank you.

16 JUDGE HAENLE: Questions, Ms. Egeler?

17 MS. EGELER: No questions.

18 JUDGE HAENLE: Commissioners, have you any
19 questions?

20 CHAIRMAN NELSON: No questions.

21 COMMISSIONER HEMSTAD: No questions.

22 E X A M I N A T I O N

23 BY JUDGE HAENLE:

24 Q. I have only one. At several places in your
25 testimony you compare recycling cost to disposal cost.

1 I'm somewhat unclear on what comparison you're making.
2 Does your comparison factor in the cost of a separate
3 collection system for picking up recyclables as opposed
4 to the copies of having a single truck pick up both
5 waste and recyclables?

6 A. The study was designed to look at the
7 existing costs and revenue from the systems that were
8 in place and are in place in those four locations,
9 out-of-pocket costs. The system was not designed to
10 analyze variables such as if you divert an additional
11 ton, does that mean one less truck. It only looks at
12 actual costs of the two systems and can conclude that
13 it is about \$46 a ton less for the amount of volume of
14 material that's going to recycling than the current
15 disposal practices. It does not go into variable costs
16 of additional trucks, additional gas, if you were to
17 alter the system in any way. It was only a factual
18 analysis of what was.

19 Q. Do you know whether these systems are set up
20 to have one truck handle those pickups or more than
21 one?

22 A. The systems are set up to have different
23 trucks picking up the different materials, most of the
24 garbage that waste systems have are compaction trucks
25 which compact the material. Each municipality has a

1 different system for collecting recycling and that
2 attributes to the different costs, so, for example, a
3 typical system collects it in a somewhat commingled
4 manner, goes to a sortation facility where it's sorted
5 into homogeneous piles and then sealed. But in the
6 case of Spokane, they have a system where it's sorted
7 at the curb and the driver puts it into individual
8 different bins and then sells it right off the truck to
9 the different markets without a sortation system. It
10 turns out that's a very expensive way to do it, so this
11 looked at the different systems. But in all cases it's
12 a different truck that picks up the recycling material,
13 that picks up the garbage or waste materials.

14 JUDGE HAENLE: Thank you. Commissioners,
15 anything else? Have you any redirect?

16 MS. PERRY: No.

17 JUDGE HAENLE: Anyone have redirect? I'm
18 sorry. And do you have any additional questions, Ms.
19 Thomas?

20 MS. THOMAS: No, I don't.

21 JUDGE HAENLE: Anything else of the witness?

22 MS. EGELER: No.

23 JUDGE HAENLE: Thank you for your testimony,
24 sir. You may step down. Which is the next witness you
25 wanted?

1 MS. PERRY: Mr. Gaisford, I believe we'll
2 continue with him.

3 JUDGE HAENLE: Let's go off the record for a
4 minute to allow him to resume the stand.

5 (Discussion off the record.)

6 JUDGE HAENLE: Let's be back on the record.
7 Mr. Gaisford has resumed the stand. I'll remind you,
8 sir, that you remain under oath from yesterday. And I
9 might add also that the Commission likes when possible
10 to have a yes or no answer and then you can explain the
11 answer. It helps us know what direction you're going
12 when you begin your answer. Go ahead, Ms. Thomas.
13 Whereupon,

14 JEFFREY A. GAISFORD,
15 having been previously duly sworn, was recalled as a
16 witness herein and was examined and testified as
17 follows:

18 CROSS-EXAMINATION

19 BY MS. THOMAS:

20 Q. Thank you. Mr. Gaisford, yesterday I had
21 asked you a question requiring you to do some
22 calculations. After we broke yesterday we discussed it
23 a little bit. Have you had a chance to perform those
24 calculations now?

25 A. I've had a chance to look at the study that

1 I think you were referring to, which was data request
2 number ten from Rabanco.

3 Q. That's right.

4 A. That is the 1990 backyard composting
5 program, program evaluation.

6 Q. Right. One of my questions yesterday was
7 whether -- I think you had mentioned that about 45,000,
8 a little over 45,000 home composting boxes had been
9 distributed through King County's home composting
10 program, is that correct?

11 A. That's correct.

12 Q. And would you agree that the average amount
13 composted annually per box is roughly about 600 pounds?

14 A. I don't know that I would agree with that,
15 no. If you can show me where in the report that it
16 said the average was -- I saw a range when I looked at
17 the report.

18 Q. There is a range. Would you agree that the
19 mid-point is roughly 600?

20 A. No, I don't know that I would.

21 Q. What do you think would be a fair number to
22 use as the average annual amount of material composted
23 in a compost box?

24 A. I think it would be fair to indicate a range
25 that could be composted as was discussed in the report.

1 Q. What do you think is the appropriate range
2 to use?

3 A. Let me try to find the range that is
4 mentioned.

5 Q. Page 17 and page 20 of the report attached
6 to data request ten.

7 A. I believe at the top of page 17, in the
8 report, it indicates that the results of the phone
9 survey and the home visits that we did, it says that
10 indicates that people are composting on an average 337
11 to 437 pounds per year in a county bin.

12 Q. And then the report goes on to state that
13 the amount of yard waste composted in all home systems
14 is significantly higher than the amounts composted in
15 the county bin.

16 A. That is correct. I believe your question
17 was on the county bin.

18 Q. Okay. Do you know approximately how many
19 bins in addition to county bins are being used in King
20 County?

21 A. We don't know other than what was presented
22 in this survey, and then this -- I would note that this
23 survey was done in 1991 which was two years in
24 the newer program and it's continued since then and
25 there's been some program changes, so there's been a

1 study -- a report is being done now on the entire
2 composting program, so this was done during the first
3 years of the program, so I don't know if we have the
4 information.

5 Q. Are the preliminary results of the new study
6 in yet?

7 A. They're only in a draft form.

8 Q. Have you reviewed that draft?

9 A. I've only reviewed -- I reviewed a draft two
10 months ago.

11 Q. Did that review give you any basis to know
12 whether use of home composting bins and mulch piles in
13 general is going up or down?

14 A. I would characterize the report as saying
15 that it's generally gone up since 1991. That's where
16 the 45,000 total comes from.

17 Q. Do you know the approximate portion of the
18 -- do you know the approximate tonnage that is being
19 composted on an annual basis in King County?

20 A. Through the backyard composting bins?

21 Q. Either through King County's backyard
22 composting been program or otherwise through mulch
23 piles or other types of composting bins.

24 A. I do not have those figures.

25 Q. Do you know on a percentage basis about what

1 portion of the residential recyclable yard waste stream
2 is being -- is being composted either through bins
3 distributed by the county, other backyard bins or
4 mulch piles?

5 A. I don't think we know how much of the
6 residential waste stream is being composted through
7 backyard composting methods. I mean, we have
8 information on the percent of the residential waste
9 stream that's currently being disposed of at our
10 facilities that is comprised of yard waste, and we
11 obviously have information on the A yard waste
12 collected through curbside programs, but we do not have
13 that amount for composting.

14 Q. So the county has not attempted to determine
15 how much is being composted rather than delivered
16 somewhere else?

17 MS. PERRY: I'd object. That
18 mischaracterizes his testimony.

19 Q. Has the county attempted to determine how
20 much is being composted other than -- rather than being
21 delivered to county facilities or collected in the
22 curbside program?

23 A. I think the study that you reference does
24 indicate a fair range of what can be composted, and so
25 in that respect I would say we've made an attempt to

1 estimate how much could be composted through -- either
2 through our bins or through home composting methods. I
3 think the only reservations I would have about this is
4 the way the survey was conducted is that people were
5 asked to estimate how much of their yard waste they
6 were composting, so that could vary depending on
7 people's perceptions.

8 Q. But this study contains the best information
9 that's available to date, is that correct?

10 A. I would say yes.

11 Q. I'd like to direct your attention to page 20
12 of the study, where it says the amount of yard waste
13 composted in all home systems falls within the 512 to
14 665 pounds per year range. Is that an accurate
15 statement, as far as you know?

16 A. Yes, as far as I know that would be a fair
17 estimate.

18 Q. And do you know approximately how many of
19 the bins that the county has distributed remain in use?

20 A. As of today?

21 Q. Yes.

22 A. I don't have that number. I have asked my
23 staff to look into that, to find out what the ratio is.

24 Q. Do you anticipate that they will have that
25 information for you on Monday or sometime out in the

1 future?

2 A. I would say anticipate that we could have it
3 by Monday.

4 Q. And asking to you turn back again to page 20
5 of the study, there's a statement there that estimates
6 are based on the assumption the average county
7 residence generates 800 pounds per year of yard waste.
8 Do you believe that that's an accurate statement? I'm
9 sorry, do you believe that that's an accurate
10 assumption?

11 A. I would say yes if I could qualify it, my
12 response.

13 Q. Sure. Please explain.

14 A. That it's hard to characterize the average
15 pounds per year of yard waste generated by a residence
16 because it varies so much depending on the size of
17 someone's yard, the type of plants, the type of waste
18 they create, so it's a -- an average I think is
19 difficult. I don't think that 800 pounds a year is a
20 bad estimate, but there could be better estimates.

21 Q. Do you have any knowledge as to whether yard
22 waste composting programs in the service territory of
23 Eastside Disposal varies significantly from
24 programs throughout the county?

25 A. No, I don't know that they do. We have --

1 we've done a telephone survey of our customers, the
2 people in unincorporated King County, and asked them
3 how many of them compost their yard waste, and we
4 obviously got a response to that, so we have that
5 information for the county. Potentially we could
6 estimate how many of those responses came from people
7 in the Eastside area.

8 Q. Do you know the results of that phone survey
9 in terms of what percentage of people are composting
10 yard waste?

11 A. Yes, I do. I could give you an estimate off
12 the top of my head and I could also check the survey.

13 Q. Could you give me an estimate now and let me
14 know later if it turns out that's not the right figure?

15 A. Yes, for the residents of unincorporated
16 King County, I believe it was 40 to 45 percent said
17 they were composting some or all of their yard waste in
18 their back yards, so that doesn't mean that they were
19 exclusively composting all of their yard waste.

20 Q. Ask you to turn your attention to page three
21 of your testimony. I'm sorry. That's not the right
22 page number, but I have in mind, correct me if I'm
23 wrong, that -- page three of your rebuttal testimony,
24 which has been marked as Exhibit -- offered as Exhibit
25 T-44. The participation rate is -- I draw your

1 attention to lines eight through nine at page three of
2 your Exhibit T-44, where you state that Mr. Glasgo
3 states that within the first year of the yard waste
4 program -- I'm sorry. Strike that question entirely.

5 So 40 to 45 percent of the people in
6 unincorporated King County were composting some or all
7 of their yard waste?

8 A. Yes.

9 MS. PERRY: Could we just clarify that?
10 That is his assumption at this point. It has not been
11 checked.

12 Q. I'd like to -- on a different line of
13 questioning, I'd ask you to turn to page 8 of Exhibit T
14 dash 29, your first testimony.

15 A. Sorry, which page again?

16 Q. T dash -- I'm sorry, page 8. And at line 21
17 you state, a number of factors may be involved, and
18 it's in response to a question about to what you
19 ascribe the changes in waste production recycling. You
20 state, a number of factors may be involved including
21 education and concern for the environment. Have you
22 ever attempted to isolate the effects of either of
23 those two factors, education and concern for the
24 environment on either waste reduction or on recycling?

25 A. No. I myself haven't done studies to

1 isolate those effects. I don't know if that's -- I
2 mean, when we do these programs, I mean, we're changing
3 people's behavior, and what motivates people to change
4 their behavior I don't believe is one thing or another,
5 and our education programs may be wide reaching and may
6 reach, you know -- influence some people. But I guess
7 one of the factors that we feel is important, that
8 people do receive a garbage bill every two or three
9 months, and that is something they see, and so what
10 message they get from that garbage bill is important I
11 believe in changing their behavior.

12 Q. But you've not done any studies to attempt
13 to isolate the effects of different factors, is that
14 correct?

15 A. I am not the person that would do that.

16 Q. On page ten of your testimony, you talk
17 about the multi-family recycling programs?

18 A. Yes.

19 Q. Do you know whether residents of
20 multi-family dwellings -- residents of multi-family
21 dwellings receive the same level of educational
22 materials as people who live in single-family
23 residences?

24 A. Yes. They receive the same level of
25 education that we provide, that the county provides.

1 Whether the haulers provide different levels of
2 education, I am not aware of.

3 Q. Do you know whether people who live in
4 multi-family dwellings receive individual garbage
5 bills?

6 A. The way that we define multi-family in our
7 program, and I am sure it says this in Eastside
8 Disposal's tariff, they are included in the
9 single-family program if they receive an individual
10 garbage bill, and they are part of that program.
11 People in the multi-family program do not receive a
12 individual garbage bill.

13 Q. Do you know whether educational material is
14 sometimes included in the garbage bill?

15 A. I'm sorry, in the multi-family garbage bill?

16 Q. No, I thought I just heard you say that
17 people who are in the multi-family garbage program
18 don't get garbage bills.

19 A. Individual tenants of apartment buildings do
20 not get garbage bills as we define our multi-family
21 program, that's correct.

22 JUDGE HAENLE: So the answer to the question
23 then is what? Do they --

24 A. I'm not sure I understand your question.

25 Q. People in multi-family buildings don't get

1 garbage bills, do they?

2 A. No.

3 Q. Do you know whether educational material is
4 sometimes included in a garbage bill?

5 A. Educational material from a hauler?

6 Q. From any source.

7 A. I don't know.

8 Q. Do you know whether multi-family households
9 tend to generate less waste than single-family
10 households?

11 A. I would say generally yes, but it's really
12 dependent on the size of the household I would say and
13 not so much whether they live in a multi-family
14 building versus a single-family building.

15 Q. On pages 10 and 11 of your testimony, you
16 talk a bit about Snohomish County, and discontinuance
17 of the -- well, institution of a separate charge for
18 yard waste service. Is it King County's position
19 that there should not be a separate charge for yard
20 waste service?

21 A. No. King County's current position as
22 specified in King County code is that there should be a
23 separate charge for yard waste collection.

24 Q. Is it King County's position that curbside
25 yard waste service should be mandatory for all

1 customers?

2 A. No. That's not our current position,
3 mandatory if you mean everyone pays for the service.

4 Q. You mentioned that when a separate charge
5 for yard waste service was instituted in Lynnwood and
6 -- I think there was one other, city of Edmonds, there
7 were drops in the participation rates in curbside yard
8 waste, is that correct?

9 A. That's correct.

10 Q. Do you know whether anyone has analyzed
11 whether these drops occurred because people had decided
12 instead to do home composting rather than continue
13 their curbside yard waste program?

14 A. I don't know whether Snohomish County or the
15 haulers did any studies of what caused the drop,
16 although it did occur after the -- they were required
17 to sign up for yard waste.

18 Q. Do you know of anyone else having done such
19 a study?

20 A. Regarding Snohomish County?

21 Q. Yes, regarding the drops in participation
22 that you reference in your testimony there?

23 A. No.

24 Q. I'd like to ask you to turn to page six of
25 Exhibit T-44, your rebuttal testimony, and in fact my

1 question goes to the question stated at the top of the
2 page there. The question says, on page 13 of his
3 testimony, Mr. Glasgo asserts that Eastside Disposal's
4 customers are not placing yard waste in their garbage
5 cans. Did you prepare that question?

6 A. Yes, I did.

7 Q. I would like to ask you to take a look at
8 that page of Mr. Glasgo's testimony and ask you whether
9 Mr. Glasgo is asserting that customers are not placing
10 yard waste in their garbage cans or rather stating that
11 many who do not use the yard waste service may
12 otherwise be properly handling yard waste?

13 A. His testimony does say may.

14 Q. So he wasn't asserting that customers are
15 doing something, he stated that customers may be doing
16 something, is that correct?

17 A. Yes, I would agree that he's hypothesizing
18 which I am responding to his hypothesis.

19 Q. Okay. I'd like to ask you to turn --
20 another question on page 8 of your rebuttal testimony,
21 same exhibit, and I believe that the answer on this
22 page 8 is discussing whether a mini-can customer would
23 be better off under Eastside's current rate system if
24 rather than subscribing to mini-can service plus
25 curbside yard waste, they subscribe to some higher

1 level of garbage only service, is that the general
2 topic of this answer?

3 A. Would you restate your question? I'm not
4 sure I understand.

5 Q. Does this answer address the question of
6 whether an Eastside customer with yard waste and
7 mini-can service would be better off financially if
8 they switched to a garbage only service at a higher
9 level and no yard waste service?

10 A. No. I believe this is addressing the
11 question of comparing the mini-can customer and what
12 they were paying under the rates before February of
13 1994, comparing it with what that same mini-can
14 customer might be paying under the new rates.

15 Q. But does that discussion address whether a
16 mini-can customer with yard waste service pays more
17 than a customer with a higher level of garbage service
18 only and no yard waste service?

19 A. This is addressing whether the mini-can
20 customer with yard waste service, what they would pay
21 as opposed to someone that just has garbage service.
22 If that's what you're asking. I'm not really clear
23 what you're asking.

24 Q. Yes, that was what I was asking. And your
25 answer addresses a statement made in Mr. Glasgo's

1 testimony on that topic, is that correct?

2 A. Yes.

3 Q. And you state beginning at line 12, the
4 customer mix information provided for 1987 through 1994
5 indicates that very few customers ever subscribed at
6 the four-can level. Do you recall whether Mr. Glasgo
7 assumed a four-can level or a three-can level in his
8 statement?

9 A. I recall that he was suggesting that a
10 customer would have to subscribe to four-can level of
11 garbage service to handle the amount of yard waste they
12 would generate during the heaviest yard waste month.

13 Q. I'd like to -- are you familiar with the
14 term extras?

15 A. Yes, I am.

16 Q. Do you know what -- can you describe what an
17 extra is in your mind?

18 A. In my mind an extra as it relates to a
19 tariff, the hauler has -- is I may be a one-can
20 customer on a regular basis, and every so often I may
21 have an extra unit of garbage to put out, and that rate
22 is established to pay for that service.

23 Q. Did you consider extras at all in
24 formulating the answer here on page 8?

25 A. No, I didn't because I believe I was

1 addressing the discussion of a four-can service.

2 Q. I'd like to ask you to turn to page nine of
3 Exhibit T-24.

4 JUDGE HAENLE: T dash which?

5 Q. I'm sorry, T-44, rebuttal testimony. And
6 you state at lines 11 on that given that Eastside
7 Disposal may request rate increases as often as is
8 necessary to cover the costs of its operation, it
9 appears that the rate structure specified in KCC 10.18
10 has not had financial consequences for Eastside
11 Disposal.

12 As I read it, your conclusion is that the
13 steeply inclining rate structure proposed by King
14 County has not had financial consequences for the
15 company because the company may seek rate increases as
16 often as is necessary. Is that correct?

17 MS. PERRY: I object. Mr. Gaisford hasn't
18 called this a steeply inclining rate structure.

19 Q. All right. Mr. Gaisford, are you familiar
20 with the rate structure called for under the King
21 County code?

22 A. Yes, I am.

23 Q. And is that the rate structure that the
24 county would like the Commission to adopt for Eastside
25 Disposal's rates?

1 A. The county would encourage the Commission to
2 approve rates that are close to or meet the levels,
3 yes.

4 Q. And is it fair to characterize the rate
5 structure proposed by the county as an inclining rate
6 structure?

7 A. Please define inclining.

8 Q. I direct your attention to Exhibit 28 that's
9 on the easel there, and the page titled differentials
10 in King County ordinance reflects the rate structure
11 called for under the King County code, does it not?

12 A. Yes, the exhibit does.

13 Q. And the page entitled Eastside's current
14 rates reflects the rate structure existing under
15 Eastside's current tariff, does it not?

16 A. Yes, it does.

17 Q. And the cost for each level of service is
18 higher on both pages than the cost for the immediately
19 lower level of service, is that correct?

20 A. That's correct.

21 Q. But the costs increase -- the costs increase
22 more under the King County proposed rate differentials,
23 do they not?

24 A. The percentages are more, yes.

25 Q. And does that not result in a rate structure

1 that inclines more steeply under the King County code
2 than under Eastside's current rates?

3 A. If that's your definition of inclining, I
4 would agree with that.

5 Q. Do you think that's an inaccurate use of the
6 word inclining?

7 A. No, I just haven't necessarily heard that
8 term in regards to the rate structure.

9 Q. How would you describe the rate structure?
10 Would you call it inverted?

11 A. I believe that it's a rate structure that
12 can provide people with incentives to reduce their
13 waste and recycle.

14 Q. So you wouldn't use the term inverted
15 either?

16 A. Inverted could be defined many ways.

17 JUDGE HAENLE: So you wouldn't use it, then,
18 sir?

19 A. I wouldn't say it's strictly inverted. I
20 mean, I believe Mr. Hansen talked about what inverted
21 could mean under a strictly inverted rate structure.

22 BY MS. THOMAS:

23 Q. Do you feel that inclining is a fair term to
24 use to describe the rate structure shown for the
25 differentials in King County ordinance?

1 A. I think it's a fair term to describe it.
2 I'm not an expert in terms of different financial names
3 for rates.

4 Q. I'm just asking for a term that's fair in
5 your mind. And would you agree that the King County
6 differential rate inclines more steeply than the
7 current Eastside tariff rate?

8 A. Yes, I would say the differentials incline
9 more steeply.

10 Q. And getting back to your testimony, your
11 testimony was that the more steeply inclining rate
12 structure has not had financial consequences for the
13 company because the company may seek rate increases as
14 often as it is necessary, is that a fair statement?

15 A. Yes, if I can explain that statement.

16 Q. Please do.

17 A. My understanding is that the -- when the
18 hauler files a rate with the -- files a tariff with the
19 Commission, the Commission and the staff reviews those
20 rates, and my assumption is is that the rates as
21 approved will cover their costs of operating their
22 business. The rates that were in place prior to
23 February of 1994 had rate differentials or the rate
24 differences that more closely matched what we are
25 seeking in the King County code, so my assumption is

1 that if the company was operating with those kind of
2 differentials for a year or two years, that those --
3 they were recovering their costs of operation, and
4 that's why I make that statement.

5 Q. You mentioned a rate that will be in place
6 for one year or two years. Do you know whether the
7 costs that are reflected in that rate reflect the costs
8 over that one or two-year period, or whether they would
9 reflect the costs at the beginning of the time period?

10 A. I don't know. I'm not provided with that
11 information. I'm not aware of that.

12 Q. Do you know whether the Commission ever
13 establishes rates that are -- for solid waste haulers
14 that are designed to cover anticipated changes in
15 customer behavior?

16 A. No, I don't know if the Commission does
17 that. I would assume the companies are responsible for
18 anticipating changes.

19 Q. Are you familiar with the term retroactive
20 ratemaking?

21 A. I have heard the term. I am not sure what
22 is meant by it.

23 Q. Suppose that a steeply inverted rate
24 structure leads a number of customers to migrate to a
25 lower level of service. Would you agree that the

1 company's revenues would then decrease?

2 MS. PERRY: Just for clarification, you're
3 asking a hypothetical?

4 MS. THOMAS: Yes.

5 MS. PERRY: You're assuming that that would
6 happen and not that it's necessarily his question that
7 it would happen?

8 MS. THOMAS: Yes.

9 A. Would you rephrase the question, please?

10 BY MS. THOMAS:

11 Q. Yes. I'm asking you to assume that a
12 steeply inclining rate structure went into effect, and
13 to further assume that as a result a number of
14 customers migrated from their current levels of service
15 to lower levels of service. Would you agree that under
16 those circumstances, the company's revenues would
17 decrease?

18 A. No, I would not necessarily agree with that
19 statement.

20 Q. If you assume there are no other changes
21 taking place such as addition of new customers.

22 A. No, I would assume that if a company, as you
23 described in this hypothetical case, a steeply
24 inclining rate structure, that they would make some
25 assumptions that people are going to change services

1 and change the level of service, and I would attempt to
2 approximate what those changes might be.

3 Q. But you don't know whether the Commission is
4 willing to establish rates on assumptions about changes
5 in customer behavior, do you?

6 A. No, I don't know whether the Commission or
7 its staff considers that. I'm not part of that.

8 Q. Are you familiar with a concept of a test
9 year in rate setting?

10 A. Yes, I am.

11 Q. Can you explain your understanding of what a
12 test year is?

13 A. My understanding within the context of King
14 County, when we started our programs, that many of the
15 haulers filed rates and the Commission approved or
16 suspended the rates, I believe is the term they used,
17 for a time period to see how the programs shake out and
18 what the actual costs might be, and maybe what the
19 customer mix might be, and so for that test period,
20 certain rates were in effect and then after that time
21 period, those rates could change, either positively or
22 negatively.

23 Q. Do you know if that's a common practice on
24 the part of the Commission?

25 A. No, I don't know for sure. It seemed to be

1 the practice that was followed with our rates.

2 Q. Do you know what the costs to Eastside
3 Disposal are of bringing a rate case?

4 A. No, I don't know. I'm not sure what you
5 mean by rate case.

6 Q. Do you know what the costs are to Eastside
7 Disposal of asking the Commission for a rate increase?

8 A. To file a tariff? Is that --

9 Q. Well, you've got a statement here saying
10 Eastside Disposal may request rate increases and I'm
11 asking you if you know what the costs are associated
12 with that type of request.

13 A. No, I don't.

14 Q. Do you know whether the company is required
15 to notify its customers when it makes that kind of
16 request?

17 A. Yes.

18 Q. Do you know what the costs associated with
19 providing that notice are?

20 A. No, I do not.

21 Q. Are you familiar with a term attrition
22 adjustment for purposes of rate setting?

23 A. No, I'm not familiar with that term.

24 Q. I have no further questions. Thank you very
25 much.

1 A. Thank you.

2 JUDGE HAENLE: Ms. Egeler?

3 CROSS-EXAMINATION

4 BY MS. EGELER:

5 Q. I'd like to start by having you look at
6 pages --

7 JUDGE HAENLE: Would you turn the microphone
8 right toward you, please.

9 Q. The ending of page five and beginning of
10 page six of your prefiled direct testimony. Do you see
11 where I am?

12 A. Yes, I do.

13 Q. You give some statistics there for signup
14 rates, pre rate incentives and recycling and then post
15 rate incentives and recycling. By pre recycling do you
16 mean that those rates were before people had the option
17 of curbside recycling?

18 A. Yes, that for all of the customers, the
19 haulers may or may not have had pilot programs, but for
20 all of their customers, yes.

21 Q. So anyone who was recycling before those
22 recycling incentives would have been self hauling to
23 the Boy Scouts or to an aluminum company, et cetera, is
24 that correct?

25 A. Yes, that's correct.

1 Q. Okay. Now, you go on to discuss programs in
2 a number of cities beginning on page seven, I believe,
3 with Bellevue's program. Each discussion of a city,
4 would I be correct in assuming that you're talking
5 about changes that occurred statistically after
6 customers were provided for the first time the option
7 of recycling through a curbside program?

8 A. That's part of what is presented, yes,
9 although it also -- changes in the rate structure for
10 these cities also occurred at the same time.

11 Q. So there would have been a change in the
12 rate structure to reflect the fact that new options
13 were provided to them, is that correct?

14 A. New options, but I believe they also made
15 changes to their rate structure that weren't directly
16 related to the costs of recycling.

17 Q. Okay. So let's start then with the City of
18 Bellevue. What changes were made to the City of
19 Bellevue that were not directly related to the cost of
20 the recycling program?

21 A. Well, if I could clarify that, what I meant
22 by that is when these cities, say the City of Bellevue,
23 started their curbside recycling program, when they
24 entered into a contract with Fibers International, the
25 City of Bellevue has its own utility, and they send out

1 the bills to their customers. They may have made some
2 changes to the rate structure in terms of a three-can
3 customer, may pay proportionately more than the one-can
4 customer, so those kinds of changes could have also
5 have taken place.

6 Also in these cities, Bellevue, Lake Forest
7 Park and Mercer Island, at some point during their
8 programs, they also included the cost of yard waste,
9 where all of the customers in their cities paid for
10 that program, and so that was another change in their
11 program and they increased their participation in these
12 programs and also their diversion through those
13 programs.

14 Q. Can you tell me specifically with the City
15 of Bellevue, let's start with them, how did they change
16 their can rates? In other words, did the
17 differentials change between the cans and can you tell
18 me by how much?

19 A. I don't have that information.

20 Q. Do you have that information for any of the
21 cities that you've referred to?

22 A. No, I do not have the dollar rates that were
23 charged for their collection programs over time.

24 Q. Do you know percentage wise what the
25 differential change was and what it changed to?

1 A. No, I do not.

2 Q. Do you know whether or not those cities
3 imbedded the cost of recycling service into the garbage
4 rate or whether they had a separate charge for
5 recycling service?

6 A. The cities of Bellevue, Lake Forest Park and
7 Mercer Island currently include the cost of recycling
8 in their garbage rate, so everyone pays. Whether they
9 started that way with their programs, I am not sure,
10 but -- I'm not sure about that.

11 Q. So when a customer say in Bellevue receives
12 a bill, a solid waste bill, would they have as a
13 separate line item a statement of what the cost for
14 recycling is?

15 A. I don't know what their bills look like in
16 the City of Bellevue.

17 Q. So for these cities what you're basically
18 saying is that like Eastside recycling is a mandatory
19 charge regardless of whether or not you want the
20 service, is that correct?

21 A. That's correct.

22 Q. Do you know, though -- scratch that
23 question. With the city of Sea-Tac, I believe that was
24 your example of a rate structure which provided a
25 disincentive for recycling, is that correct?

1 A. Yes.

2 Q. I'm looking at page nine of your testimony
3 if you want to refer to something. Now, you point out
4 that there is an additional charge for recycling. Are
5 you aware that although garbage service in Sea-Tac is
6 provided under this Commission's jurisdiction, that the
7 city of Sea-Tac has chosen to contract for recycling
8 service?

9 A. Yes, I'm aware of that.

10 Q. And therefore this Commission does not
11 regulate that service, does it?

12 A. That's correct.

13 Q. Now, as you've stated earlier, Eastside has
14 a mandatory charge for recycling, doesn't it?

15 A. All residents pay for recycling, yes.

16 Q. And in contrast, the residents of Sea-Tac
17 are not charged a mandatory rate for recycling, are
18 they?

19 A. No. The city of Sea-Tac residents do not
20 all pay for recycling.

21 Q. Am I correct that Eastside's mandatory rate
22 for recycling is \$2.50 a month?

23 A. Yes, I would agree to that subject to check.
24 I don't know that off the top of my head.

25 Q. That's fine. And do you know what the

1 monthly rate is for the city of Sea-Tac?

2 A. I believe the monthly charge is a little
3 over \$4 a month for that service.

4 Q. I'd like to move on to some of your
5 discussion of yard waste service, and that begins on
6 page ten. The second -- or the first full question on
7 page ten is where you begin that discussion, if you
8 want to follow along with me there. Do all residents
9 of King County generate yard waste?

10 A. I don't know the answer to that.

11 Q. Would you assume that some people have
12 chosen not to have lawns because they don't want the
13 work of lawn care?

14 A. Hypothetically speaking, I would assume
15 there are some people, yes.

16 Q. From your personal experience, have you ever
17 driven by a home and seen someone who's put cinder rock
18 or something of that sort down in their yard, an older
19 person, for example, because they don't want to mow the
20 lawn any more? Never seen that?

21 A. Perhaps I've seen that, yes. I've seen it
22 in the city of Phoenix. I don't know if I've seen it
23 in Seattle.

24 Q. Are you aware that some people choose to
25 hire a lawn care service which hauls away their waste

1 for them as part of the lawn care service?

2 A. Yes, I'm aware of that.

3 Q. And would you expect that people who
4 participate in lawn care services tend to be in more
5 affluent areas?

6 A. I don't know that for a fact.

7 Q. You state in your testimony that Sound
8 Disposal lost a significant number of customers when
9 the yard waste program became voluntary, is that
10 correct?

11 A. I'm sorry, who is Sound Disposal?

12 Q. I'm sorry.

13 MS. PERRY: Do you have a page he can refer
14 to?

15 BY MS. EGELER:

16 Q. That is one page number I did not write down
17 so this is going to take a minute. I'm fumbling for
18 the exact page here. Perhaps you know, Mr. Gaisford,
19 where exactly you referred to the decline that was
20 experienced when yard waste became a voluntary program,
21 or did you not testify to that?

22 JUDGE HAENLE: In Snohomish County?

23 A. I believe you may be talking about Snohomish
24 County.

25 JUDGE HAENLE: Top of page 11.

1 Q. Thank you. You talked about the decline
2 there that has been experienced as a result of
3 voluntary programs, is that correct?

4 A. Yes, that's correct.

5 Q. And do you know at this point whether or not
6 they've recovered from that, haven't virtually all of
7 their customers now signed back up for yard waste
8 service?

9 A. I don't know what their current status is in
10 say May or June of 1994. I think what I say in my
11 testimony is that the city's minimized the potential
12 impacts of that by having the haulers assume the people
13 wanted to continue the service unless they did not hear
14 from the customer.

15 Q. Could you please refer to Exhibit 39?

16 A. Maybe if you could give me my old exhibit
17 number.

18 Q. JAG-10. I think you've got it in front of
19 you already.

20 A. Yes, I do.

21 Q. The first hauler there is --

22 A. Sound Disposal.

23 Q. Correct. And at the time the program became
24 involuntary they had 1,038 customers, is that correct?

25 A. Yes, that's correct.

1 Q. And can you tell me what they currently
2 have, or as currently as this chart goes which would be
3 the first quarter of 1994?

4 A. As currently as this chart goes, it's 1,002.

5 Q. So the loss of customers that you refer to
6 in your testimony is only 36 customers, is that
7 correct?

8 A. I don't know if I refer to that specific
9 loss, but the loss that you were talking about now,
10 yes.

11 Q. And would you accept subject to check that
12 that decline in the yard waste program participation is
13 just 3.4 percent?

14 A. Yes, I would agree to that subject to check,
15 but as I said, I believe the city's minimized the
16 reduction and participation in that program by doing
17 the sort of negative signup or asking that people ask
18 to discontinue the service.

19 Q. Do you know if -- let me restate that
20 question. Do you know what percentage of customers use
21 a lawn care service that hauls away waste?

22 MS. PERRY: Do you want to be specific about
23 a geographic area?

24 Q. We're referring to the same hauler,
25 referring to JAG-10. Do you know in Edmonds how many

1 of those customers use a lawn care service?

2 A. No, I do not.

3 Q. So you don't know whether or not that 3.4
4 percent of customers who have chosen not to participate
5 in the yard waste program are also customers of lawn
6 care services that are hauling their waste away?

7 A. Hypothetically speaking, no, I don't know
8 that.

9 Q. And do you know if those 3.4 percent are
10 composting their own waste?

11 A. No, but I would assume if they were
12 composting before, I don't know why that would change
13 their decision to not be signed up for yard waste.

14 Q. Well, we talked about a mandatory program
15 before, Mr. Gaisford, so they'd have to be signed up
16 even if they were composting, right?

17 A. They could pay for it but they could still
18 be composting?

19 JUDGE HAENLE: The figure on this page is
20 number of customers that have paid for it, is it not?

21 A. It's the number of signups is the way it's
22 characterized, even though everyone may be paying for
23 it, I don't know specifically how Snohomish County
24 tracks that. Looking from the information provided by
25 Snohomish County, they have a number of customers

1 eligible and then a number of signups, so they seem to
2 track the number of people that were actually
3 participating in the yard waste program, even though
4 everyone was paying for it.

5 Q. I assume you don't know whether someone who
6 was signed up for the program and having the hauler
7 haul it away now, once they had the option of not
8 paying for the program if they took care of their yard
9 waste at home, whether or not they opted to do that?
10 Do you have that information?

11 A. No, I don't have that information.

12 Q. So you don't know whether those 3.4 percent
13 are handling their yard waste through having another
14 service, a lawn care service haul it away, or by
15 composting it themselves, or that they don't have a
16 lawn at all, is that correct?

17 A. No, or that they were discouraged from
18 participating because they now pay extra. I mean,
19 that's also a possibility.

20 Q. Yesterday in response to some questions by
21 Ms. Thomas, she asked you whether or not you knew
22 whether participation -- or rather whether reduction in
23 service levels was related to people smashing more
24 garbage into a smaller container. Do you recall that
25 line of questioning?

1 A. I don't remember her characterizing it that
2 way, but I remember her asking me -- yeah, I'm not sure
3 if that's what she was saying.

4 Q. We can go through it again.

5 A. Okay.

6 Q. When you show the decrease in service levels
7 back on pages five and six of your prefiled testimony,
8 do you know what portion of that decrease in service
9 level is attributable to people compacting more waste
10 into a smaller container?

11 A. No, we aren't provided that information by
12 the haulers, although, as I had said to Ms. Thomas,
13 that it's inconceivable that someone with a 19 gallon
14 toter could put their waste into -- cram their waste
15 into a 32 gallon can.

16 Q. That makes sense to me. Let's assume that
17 someone has two cans of service, though, and that they
18 are taking two-can service because it doesn't cost much
19 more to have two cans than one, there isn't much price
20 incentive to decrease to one can, in other words, and
21 that they aren't really filling the second can but they
22 take it because they do have a little more than one
23 can. Is it possible that some of those customers now,
24 in response to varied rates, are compacting the second
25 can of waste into the first can?

1 A. No, I don't know that, and I think that
2 there would be limits placed on that because the hauler
3 only allows a maximum weight to be in a can when they
4 have their drivers pick up the can.

5 Q. Do you know what that limit is?

6 A. I don't know those limits off the top of my
7 head.

8 Q. Do you know what the average one can is
9 assumed to weigh?

10 A. Under whose assumptions?

11 Q. Under Lisa Skumatz' assumptions?

12 A. No, I don't know that.

13 Q. Would you accept subject to check that a 30
14 pound weight is assumed?

15 A. Subject to check, but I would rather you
16 discuss that with Ms. Skumatz.

17 Q. In checking that you might want to consider
18 whether or not she's accepting staff's number on the 30
19 pounds and the Meeks weight study as well. I'm not
20 sure off the top of my head whether that's truly her
21 number.

22 Are you aware of what the weight limit is in
23 Eastside's tariff for picking up a can, what is
24 considered to be an overly heavy can that they will not
25 accept?

1 A. No, I don't know that off the top of my
2 head. I know it's in their tariff.

3 Q. Would you accept subject to check that
4 that's 65 pounds?

5 A. For one can?

6 Q. Correct.

7 A. I would like to see their tariff.

8 Q. That's fine. We'd be happy to provide you
9 with that.

10 JUDGE HAENLE: And so you will then accept
11 that subject to your ability to check it?

12 A. That that is the weight that they allow.

13 Q. What is King County's goal for participation
14 in yard waste programs, or rather goal for diversion of
15 yard waste from the waste stream? Is there a
16 percentage level that you're seeking to obtain?

17 A. No, I don't believe that we have a specific
18 percentage attributed to yard waste only.

19 Q. I have no further questions.

20 JUDGE HAENLE: All right. Commissioners?

21 CHAIRMAN NELSON: Yes, a few.

22 E X A M I N A T I O N

23 BY CHAIRMAN NELSON:

24 Q. Mr. Gaisford, on page 2 of your testimony,
25 you tell us that you're responsible for -- page 2 of

1 your testimony you tell us that you are supervisor and
2 responsible for staff that administer the county's
3 various programs. Can you tell me how many staff
4 report to you?

5 A. I have seven staff.

6 Q. Do you happen to know the number of staff in
7 the solid waste division in toto?

8 A. Boy, I would be guessing if I -- to try to
9 guess what the entire solid waste division --

10 Q. A guess is okay with me, ballpark.

11 A. Ballpark, 400.

12 Q. 400.

13 A. Most of them being people out in the field
14 and in our operations.

15 Q. Okay. Thank you. As I've sat through this
16 last day and some hours now, it appears to me that the
17 fault might be in putting percentages in ordinances.
18 When Ms. Thomas asked you yesterday citing to you
19 that the object of any solid waste system should be to
20 do efficient, low cost collection systems, I think you
21 answered with a citation to the ordinance and the law,
22 essentially saying that the priorities were and so on.
23 And I've been thinking sort of about the history of
24 ratemaking and this morning it's clear that you're no
25 student of ratemaking, but in our law, which has been

1 on the books in various states for many years now, the
2 legislature never presumed to tell the Commission what
3 rate design to use, so I guess my question to you is
4 should the ordinance be amended to get these absolute
5 percentage numbers out of the ordinance?

6 MS. PERRY: Well, I am reluctant to object
7 to the commissioner's question. I do have to point
8 out that you're asking him to arrive at a legal
9 conclusion that really is not within his authority to
10 do.

11 CHAIRMAN NELSON: Well, I wish I'd thought
12 to ask Mr. Hansen yesterday, the policy witness,
13 because I think it's a policy question.

14 MS. EGELER: Chairman, I think it's an
15 appropriate question to ask since both Mr. Hansen and
16 Mr. Gaisford in their testimony question the
17 Commission's legal authority to set rates, since that
18 was brought up in his rebuttal testimony.

19 MS. PERRY: And if I could just point out
20 that he has nothing to do with what the council does.
21 The council is the legislative body for King County and
22 they would be the ones who would change any ordinance.

23 JUDGE HAENLE: Why don't we have a nonlegal
24 opinion about how that would affect his recommendation.
25 Do you think that would be a good idea?

1 A. My recommendation --

2 JUDGE HAENLE: Do you think it would be a
3 good idea not to have those percentages?

4 A. I guess the way -- if I can try to respond
5 to it the way -- not getting into a legal
6 interpretation, but when we developed that service
7 level ordinance, there's a lot of things in there about
8 what kinds of services and what should be provided.
9 The specific section that talks about the kind of
10 programs or rate incentives, if you will, that talk
11 about it, there's a number of things that are listed in
12 there, mini-can service, recycle only service, and in
13 working that out, we were working with a variety of
14 different interest groups. We were working with the
15 haulers. We gave drafts of it to Commission staff and
16 received their comments, and we have sent drafts out,
17 my recollection is that we were asked to further define
18 what we meant by rate incentives, because if we look
19 in King County code, in the earlier parts of the rate
20 section, it makes statements about that recycling
21 should be -- people that recycle should receive
22 incentives and makes more broad statements, so we were
23 asked to clarify that and further define that and that
24 was my understanding of the reason why those
25 percentages were adopted in part, was to try to define

1 what it is we were shooting for, what step we were
2 trying to take with asking for incentives, and ask that
3 that be a part of our ordinance.

4 CHAIRMAN NELSON: I have no more questions.
5 Thank you.

6 E X A M I N A T I O N

7 BY COMMISSIONER HEMSTAD:

8 Q. Well, I'd like to pursue that. I was
9 puzzling about this last night also. When the county
10 has in its ordinance these percentage ratios, now, the
11 impact would be quite different, would it not, on
12 customer response if the mini-can were priced at \$5 as
13 against if the mini-can is say priced at \$10?

14 A. I would assume that lower cost would be
15 attractive to people.

16 Q. Well, but the differentials would be
17 significantly compressed at a \$5 mini-can price as
18 against a \$10 mini-can price?

19 A. I think it probably depends on what the
20 one-can rate is.

21 Q. At \$10 for the mini-can, the one can then
22 would be \$16, and the two-can would be 22.40 and the
23 three-can would be \$28, but if the mini-can was priced
24 at \$5 the one-can is going to be \$8 and whatever the
25 other multiplications would be.

1 A. Yeah.

2 Q. But so the lower the price for the mini-can,
3 I suppose the lower the incentives then to go to the
4 smaller rate. If the mini-can was priced at \$1, the
5 two-can would be at \$1.60, so the savings would be
6 diminimus, so doesn't it follow that when you structure
7 the arrangements by this kind of a priori ratios, that
8 doesn't in itself give you a lot of insight into what
9 the incentives will be?

10 A. Yeah. My response is is that the reason for
11 the percentages is to show the relative differences,
12 that even --

13 Q. But I thought the purpose was to create
14 strong incentives to reduce and to recycle?

15 A. That's also true, and that's why the rest of
16 our code at that section makes statements, that we want
17 them to be rates that encourage recycling, so it's not
18 just the one item by itself, it's the combination of
19 incentives.

20 Q. But the county in determining that the
21 appropriate ratios were 100 to 160 to 224 to
22 280 apparently didn't do any cost of service analysis
23 in concluding that those are the appropriate ratios?

24 A. Well, yeah, I think Mr. Hansen explained
25 that process yesterday. I don't know how he responded,

1 whether cost of service --

2 Q. I was left with the impression that he
3 didn't do any cost analysis, he simply did some kind of
4 an assessment as to what would be the appropriate
5 pricing differentials.

6 A. Yeah, I believe what he had talked about is
7 when we were looking at those, what incentives might
8 be, that one option was looking at what may be called a
9 strict cost of service on one end of the spectrum and
10 then looking at say a linear option which was at
11 another end of the spectrum, and I believe how he
12 characterized it was that this is somewhere in between.
13 It's making that step between the two, of something
14 that might be achievable.

15 Q. But in that process there was no attempt to
16 determine even under Dr. Hansen's assumptions about
17 what should be an appropriate cost of service analysis,
18 there was no attempt to determine what is the cost of
19 servicing the mini-can?

20 A. Yeah, I don't know that we estimated what
21 the cost of the mini-can or one-can service should be
22 as part of that.

23 Q. So the whole exercise was establishing
24 relationships but not attempting to determine at what
25 level pricing should occur?

1 A. No, I believe -- and part of that was I
2 think because we, you know, respect the Commission in
3 their -- in determining what those rates --

4 Q. I understand, but that's where I come back
5 to. The incentives will be based upon where you price
6 the mini-can, because the other ones then are priced in
7 relationship to that.

8 A. I think that's true in some respects.

9 Q. And if it's a low price the incentives will
10 be relatively modest. If it's a high price, then the
11 progressive pricing of the larger services then
12 escalates rapidly, in terms of actual out of pocket
13 dollars?

14 A. In terms of actual dollars, the mini-can
15 rate that was in place prior to this rate was much
16 lower, so therefore -- and therefore the rate structure
17 that Eastside Disposal had was very close to these
18 percentages that we're aiming for, and so they
19 represented those relative costs, and so the overall
20 costs were lower I imagine than the current rates.

21 Q. What percentage of Eastside's customers use
22 mini-can service?

23 A. Can't remember that.

24 Q. Approximately. Is it five percent?

25 A. I don't know. I believe it's less than

1 five, five percent or less.

2 Q. Two percent?

3 A. I don't think it's that low.

4 Q. Well, okay. So it's between two and five
5 percent use mini-can service. So the impact of
6 mini-can use on the total waste flow is relatively
7 modest?

8 A. What do you mean by the waste flow?

9 Q. Of the total waste flow going into the --

10 A. The amount attributed to mini-can customers?

11 Q. Yes.

12 A. For Eastside Disposal?

13 Q. Yes. So for a relatively small percentage
14 of the total flow of waste, the entire rate structure
15 is then related to that?

16 A. In some respects the rate structure is
17 related to that. I mean, the fact that Eastside
18 Disposal may have a relatively low mini-can -- number
19 of mini-can customers. We can look at many programs
20 and see a much higher participation, either the mini-
21 or the one-can. I wouldn't want to presume that
22 everyone's going to be a mini-can customer.

23 Q. Would that relate to the demographics of the
24 customer base in the Eastside service area?

25 A. It may or may not relate. We've seen in

1 other areas, in some waste management areas, that has a
2 mix of say incomes, that they have a higher
3 participation in mini-can, one-can service.

4 Q. Do you assume that mini-can customers are
5 strongly incented to reduce their waste?

6 A. Yes, I believe they are.

7 Q. But you have no data as to the number of
8 mini-can customers who are single resident --
9 residential units?

10 A. We don't know the size of the household for
11 the different customer levels.

12 Q. But isn't it intuitive that the -- it is
13 more likely that a single resident unit will be using a
14 mini-can than a family of four or six?

15 A. I'm not sure. I'd hate to speculate.
16 There's people -- there are a lot of people that are
17 motivated.

18 Q. Go ahead. Go ahead.

19 A. I don't know that's true. I mean, I think
20 there are people that have -- that are a family of four
21 and can be mini-can customers.

22 Q. Is it more likely that a family of four will
23 be a mini-can customer than it is for a person, one
24 resident only, will be a mini-can customer?

25 A. I think it's probably easier for a one

1 resident family to be able to fit their garbage into a
2 mini-can if they recycle.

3 Q. What puzzles me is that you have no data on
4 this.

5 A. Part of that is the haulers do not provide
6 us with their customer mix information. It's only been
7 through this process that we've learned the customer
8 mix of Eastside Disposal, so we don't know necessarily
9 who signed up at which level.

10 Q. Well, I was pursuing this with Dr. Hansen.
11 Take the hypothetical of an intensely committed family
12 of two adults and say three kids and a grandmother.
13 They're going to do everything they can to reduce their
14 waste generation, and then take the single resident
15 member, can be a retired person or it can be a young or
16 middle aged wage earner, whatever, who are very casual
17 about it. They have no interest in saving or
18 conserving, but that larger family will inherently
19 generate more waste, and try as much as they will, they
20 can't get it down below two cans because that's the
21 kind of volume that comes out of that unit. Which of
22 those two examples is sort of doing their best, if
23 that's the way to put it, to reduce waste?

24 A. Well, the hypothetical that you gave me was
25 is that the larger family was doing what they could,

1 doing the most they could to reduce waste, so under
2 that scenario, I would say they were doing more if the
3 single person household were not, although I don't know
4 that that larger family couldn't be at a one-can level.

5 Q. They could get down to one can, too,
6 apparently, is your -- and what percentage of those
7 families -- those larger families do you think are
8 doing that? You have no data on that?

9 A. I don't, no.

10 Q. Isn't it intuitively self-evident that
11 larger family unit is subsidizing the single resident
12 who is using the mini-can?

13 A. I don't know that that's true.

14 Q. Under that scenario.

15 A. I don't know that the larger families are
16 subscribing to either the larger service or small
17 service. As you've said, we don't have that
18 information on who was subscribing, so I don't know who
19 the families are.

20 Q. Well, I realize this is in the ordinance,
21 but I find it hard to grasp how those percentage
22 differentials could be arrived at without having some
23 sense of what is a reasonable objective for residential
24 units to be able to accomplish. I guess that's a
25 statement, not a question. I don't have any other

1 questions.

2 E X A M I N A T I O N

3 BY CHAIRMAN NELSON:

4 Q. I found some more notes. Sorry. In your
5 rebuttal testimony, Mr. Gaisford, at page 16, lines
6 7 through 11, you make the assertion about how a
7 jurisdiction should be divided between local
8 governments and this state agency. My question is did
9 the county planners consider taking a legislative
10 approach to this jurisdictional problem? Has King
11 County consulted with the Association of Washington
12 Counties and tried to change the state law which
13 establishes the jurisdictions for our various
14 governmental agencies?

15 A. Have we talked to the association of
16 counties to get the law changed that would give us the
17 ability to contract for solid waste collection?

18 Q. Or set your own rates, however you want.

19 A. I am not aware one way or the other whether
20 we discussed that with the association of counties.

21 Q. And you answered Ms. Egeler yesterday that
22 -- or Mr. Hansen, I guess, this case, the strategy the
23 county has taken.

24 At page nine of your rebuttal testimony,
25 starting line 18, the question there and the answer 23,

1 you're asked if the disincentivizing effect claimed by
2 King County would cause customers to migrate to lower
3 service levels and your answer is no, which I find
4 amazing in light of what we've been through this
5 morning. Do you stand by that answer?

6 A. I don't know that I stand by it, no. I do
7 stand by the explanation that we do anticipate that
8 people will migrate to lower service levels and that
9 when we've looked at the customer mix information from
10 1987 to 1994 for Eastside Disposal that's occurred, so
11 I am not -- I don't know if the no by itself is a
12 correct statement, but the explanation I believe is.

13 Q. Well, for the purposes of the record,
14 clarifying the record, do you want to change the no?
15 It just leaped out at me as being perplexing --

16 A. By itself I would rather it say yes, I
17 think, that I think people do migrate to lower service
18 levels.

19 Q. Then one last question. With respect to the
20 recent foundation document that's been entered with
21 your testimony by Ms. Skumatz, the variable rate, I'd
22 like to refer you to page 17, the table on state
23 legislative initiatives in variable rates. Do you see
24 that?

25 A. Yes, I do.

1 Q. This morning counsel has been asking a lot
2 of questions seeking to isolate cause and effect of
3 people's behavior and I'd like to just ask you a
4 question looking at this table where we see the most
5 numbers of identified variable rate programs seem to be
6 Washington, Oregon, Vermont, Massachusetts, all of
7 which I think of being the greenest, if you will,
8 states in the nation, the most progressive and
9 environmentally conscious states in the nation. Do
10 you think that just the ethos of being green could
11 drive the successes of recycling programs in this part
12 of the world?

13 A. Well, I guess I'd say in our corner of the
14 world, in King County, we -- as I said earlier, we've
15 done a telephone survey of people in King County. One
16 of those surveys was a telephone survey of anyone
17 living outside of the city of Seattle, and we asked
18 them about waste reduction habits and practices that
19 they had and did they consider how much waste they were
20 producing when they bought things and their
21 recyclability. Only about a third of those people were
22 primarily motivated by environmental concerns, and so I
23 think that there is this -- in our area there is this
24 core group of green people, if you will, but I think we
25 have a relatively large share of the people that are

1 middle of the road and need a lot more than that to get
2 them to act.

3 Q. And so hence your insistence on this rigid
4 percentage what Ms. Thomas calls steeply inclining rate
5 design?

6 A. I wouldn't say our insistence on just the
7 percentage rates. I would also refer to the other part
8 of the code that talks about rates.

9 Q. Thank you. No more questions.

10 JUDGE HAENLE: Commissioner, anything else?

11 COMMISSIONER HEMSTAD: No.

12 JUDGE HAENLE: I did have some, but why
13 don't we take our morning recess first. Be back,
14 please, at five minutes to 11.

15 (Brief recess.)

16 JUDGE HAENLE: Let's be back on the record
17 after our morning recess. Before we take redirect, I
18 had some questions as well.

19 E X A M I N A T I O N

20 BY JUDGE HAENLE:

21 Q. Referring first to your rebuttal testimony,
22 at page 2, lines 16 through 21, you indicate that the
23 period of time may not accurately reflect the true
24 nature of the markets for recyclable materials. What
25 period for which you have data do you feel would better

1 reflect that?

2 A. I think data that would better reflect it
3 would be looking at the market prices over that
4 five-year period rather than comparing it for say one
5 three month period with a one month period later on as
6 he did in 1994.

7 Q. And why do you feel that would be better?

8 A. Because the price for materials may vary
9 considerably say from month to month, or if you're
10 comparing any given month, whereas if it were over the
11 entire five-year period, that me accurately reflect
12 where the markets were heading over that five-year
13 period.

14 Q. So it would be more accurate because it
15 would show some kind of a trend, or -- I still don't
16 understand your answer, I guess.

17 A. Yes, it would show more of the trend in the
18 recycling markets over that period.

19 Q. And later on in that rebuttal testimony,
20 page 12, you refer at the bottom about -- at lines 21
21 and 22, the minimum levels of solid waste collection
22 and recycling services pursuant to the local
23 comprehensive solid waste management plans. What are
24 King County's minimum levels that they specify and
25 where do I find them in the ordinance?

1 A. The minimum levels of service unfortunately
2 are described throughout the King County ordinance, and
3 if I had the ordinance in front of me I could refer you
4 to specific sections that would describe what --

5 JUDGE HAENLE: Can somebody provide the
6 witness with 15 and 16?

7 MS. PERRY: So it's actually 14 and 15 as
8 tabbed.

9 A. Primarily the minimum level of service, the
10 collection services to be provided, are described in
11 King County code 10.18.010, and in 10.18.020. The rest
12 of the sections primarily refer to process, for when
13 tariffs should be filed and public notification and
14 things of that nature.

15 Q. On page 15 of your rebuttal testimony, lines
16 10 through 12, you talk about other strategies that are
17 being implemented to meet your goals. You refer to
18 collection programs. What do you mean by collection
19 programs, lines 11 and 12?

20 A. Other collection programs, I'm referring to
21 -- well, I'm referring to all of our collection
22 programs. In line 11 and 12? That would include our
23 residential programs, it would include any drop box
24 services that we are sponsoring, it would include the
25 -- any businesses that end up getting collection

1 services as a result of assistance that we provide
2 them.

3 Q. What residential assistance do you provide?

4 A. I'm sorry, not residential. That was
5 business.

6 Q. No. What business assistance do you provide
7 and then what do you mean by residential collection
8 service, the first one first?

9 A. Okay. The first assistance that I'm
10 referring to is that we provide assistance to business
11 in either helping them to reduce waste and/or finding a
12 collection service that would be appropriate for them,
13 so a sort of hands on assistance either directly to
14 business or business associations or for a given
15 geographic area.

16 Q. And then what did you mean by residential
17 collection programs?

18 A. By residential collection, I mean our
19 single-family and multi-family programs as described in
20 King County code 10-18 and as carried out by the
21 certificated haulers.

22 Q. Give me just a --

23 A. What those programs are?

24 Q. I don't understand what you mean by
25 residential collection programs that are other methods

1 of doing this.

2 A. I mean the curbside collection programs that
3 are operated in the county.

4 Q. Is that all?

5 A. There's also drop box service in limited
6 rural areas.

7 Q. Thank you. Referring back now to your --
8 there was a question that was passed off to you
9 yesterday from Mr. Hansen regarding your Exhibit JAG-7
10 which is Exhibit 36. Can you get that in front of you?

11 A. Yes, I have that.

12 Q. I didn't find that Mr. Hansen had an exhibit
13 that compared services which require signup rather
14 than mass delivery of curbside recycling bins, but your
15 exhibit shows county recycling rates. In all of the
16 areas except six through nine the county has better
17 than a 25 percent recycling rate, is that right,
18 according to that?

19 A. That is correct.

20 Q. Are areas six through nine in Eastside's
21 service territory?

22 A. No, Eastside services territory is area two.

23 Q. Then the other question was would you
24 describe for me where if anywhere in the county's
25 exhibits the county is shown a comparison between

1 recycling rates of companies which have mass delivery
2 of bins as compared to companies which require
3 customers to sign up for recycling programs?

4 A. We don't have a specific exhibit that
5 provides that. You can look at the Exhibit 37, and
6 many of those areas are only -- are areas that received
7 bins, bins were delivered to them. Unfortunately, some
8 of the areas have both services in place, so I could
9 tell you which one of those.

10 Q. Why don't you do that.

11 A. Okay. The ones that I know. Service area
12 one, bins were delivered. Service area two --

13 Q. Just a second. I seem to have lost it now.
14 Okay. I'm sorry. One, bins were delivered?

15 A. One, bins were delivered. Two is Eastside
16 so that's a signup system. Area three, bins were
17 delivered. Area four, bins were delivered. Area five,
18 bins were delivered. Areas six and seven are a
19 mixture, so I can't provide that. Area eight is a
20 signup. That is Kent Meridian Valley disposal area.
21 And area nine I am not certain of. That's a new
22 service area.

23 Q. Okay. Thank you. Now, looking at your
24 testimony at the bottom of page five and the top of
25 page six, you talk about the impact that rate

1 incentives have had on customer service option
2 selections. Does this example demonstrate that the
3 cost of service based rates charged by Sno-King and
4 Rainier resulted in an acceptable incentive structure?

5 A. I'm not sure what you mean by acceptable.

6 Q. Acceptable under the county's guidelines, I
7 guess.

8 A. Those -- I'm not -- I don't know that those
9 companies specifically meet our percentage
10 differentials. They have been moving towards that rate
11 structure over this period of time, as all the haulers
12 have been.

13 Q. Do you consider their level acceptable?

14 A. Their level of customer mix or --

15 Q. The level of recycling.

16 A. I'm not sure I understand the question.

17 Q. Well, it shows the post rate incentives in
18 recycling in percentages, one-can 51 percent, two or
19 more cans, 42 percent. Is that an acceptable -- I
20 guess I do mean an acceptable mix to you.

21 A. I don't have an opinion one way or another
22 whether it's acceptable. My purpose was to illustrate
23 the changes over time.

24 Q. Do you know what the tip fee in King County
25 would have to be today in order to reinstate on a cost

1 of service basis the same type or similar rate spread
2 realized a couple of years ago?

3 A. No, I don't know what that would be. Under
4 our current rates, though, again, Eastside Disposal had
5 rates that approximated those percentages, so I assume
6 it was possible under our current disposal fees.

7 Q. Okay. The county has included the recycling
8 charge with the garbage collection charge when they
9 calculate the percent spread between rates at different
10 service levels, is that correct?

11 A. That's correct.

12 Q. If the recycling charge were not included,
13 what are the percentage differences between solid waste
14 service levels?

15 A. I don't know what those percentages would
16 be.

17 Q. Has the county calculated that?

18 A. We haven't calculated that because the
19 county code says otherwise.

20 Q. In your discussion on page 8 of your
21 testimony regarding Mercer Island, you depicted the
22 data in terms of the percentage change in customer mix
23 rather than in terms of the actual percentage mix of
24 customers. Can you provide the current percentage of
25 customers by service level?

1 A. No, I can't provide that because the city of
2 Mercer Island did not want to provide that because they
3 felt that that might be considered proprietary by the
4 company.

5 Q. The data you present for the Mercer Island
6 example does not follow the same pattern you used for
7 the other cities you address. For example, you state
8 on line 11 of page 8 that the mini-can subscription
9 increased 32 percent. Do you know the base percentage
10 from which that change was measured?

11 A. Again, I don't know that because Mercer
12 Island provided this specific information.

13 Q. On page 11 there was some earlier discussion
14 about the six percent city of Edmonds and the 9 percent
15 city of Lynnwood reduction in participation. Does this
16 reduction in number of participants necessarily reflect
17 a reduction in tons diverted from the landfill?

18 A. I don't have any tonnage information from
19 the -- from Snohomish County or those cities, so I
20 don't know.

21 Q. And finally with regard to the tagging
22 system that was described for persons that put yard
23 waste in their cans and get the tag and don't get the
24 can picked up, does the county have some kind of
25 organized reporting requirement to report to the

1 haulers regarding the tags?

2 A. The haulers themselves provide the tags, and
3 their truck drivers are the one that tag them. They
4 develop the tags themselves. In terms of reporting
5 those number of people that receive tags, the way our
6 code is written is that the haulers are supposed to
7 keep track of that information and that if we request
8 it, they will provide it to us. They are supposed to
9 provide it to us.

10 Q. And have you requested it?

11 A. We have not requested it. I believe I said
12 yesterday that some of the haulers provided that
13 information just on a routine basis last fall when the
14 ban first went into effect.

15 Q. Why have you not requested it?

16 A. I think part of the reason that we haven't
17 specifically requested it is that the project manager
18 who manages the collection programs, residential
19 collection programs, talks to the haulers on a pretty
20 regular basis, and has some sense of how it's going or
21 how the tags were going, so I don't know that we asked
22 for any specific ones because of that regular contact.

23 Q. Based on his contact, how do you think the
24 ban is going?

25 A. Based on the contact that we had last fall,

1 I think they -- all the haulers felt there was an
2 impact of the ban, but I think they also felt that
3 given that the ban went into effect in October, that
4 that was not the full impact of the ban.

5 Q. Has the county considered doing anything
6 else about the ban to put some teeth in it or to be
7 sure that people comply?

8 A. We still expect the haulers to tag anyone
9 who does put visible yard waste in their cans.

10 Q. And that's all you've considered?

11 A. At this point, yes.

12 Q. Okay. And one last question left over from
13 yesterday. Someone asked you I think if in setting the
14 target percentages, the differentials, whether you made
15 some kind of cost efficiency analysis. Did you
16 consider at all what the cost would be of getting
17 people to these target levels? Did you consider cost
18 in any way?

19 A. In terms of the costs of our programs,
20 that's -- my understanding is that's the purpose of
21 preparing the cost assessment in our solid waste
22 management plan, that that's supposed to look at those
23 direct costs that may go back to the solid waste
24 customers. That was obviously done in our 1992 plan as
25 well as our '89 plan.

1 Q. And that was all that was done then in terms
2 of setting those percentages, deciding at what levels
3 to set them?

4 A. I'm not aware of any study that did that
5 specifically.

6 Q. That's all I had. Did you have any
7 redirect?

8 MS. PERRY: Yes, I do.

9 JUDGE HAENLE: Go ahead, please.

10 REDIRECT EXAMINATION

11 BY MS. PERRY:

12 Q. Let's start with a couple of technical
13 matters. You were asked subject to check a couple of
14 things and you've had an opportunity to check those
15 during the break?

16 A. Yes.

17 Q. Okay. One of the things that you were asked
18 about was the percentage of customers who compost, and
19 I believe you said subject to check it was about 45
20 percent. Have you checked that?

21 A. Yes, I have checked that.

22 Q. And what is the percentage?

23 A. The percentage was 46 percent.

24 Q. And where did you check that?

25 A. It was in a telephone survey. It was a

1 report on our telephone survey that we did last August.

2 Q. And what was the source of that 46 percent?

3 How did you derive that?

4 A. It was derived by asking people the question
5 of -- first asking them do they have yard waste of
6 which they have cause to dispose of, and if they
7 responded affirmatively to that, they were asked how
8 did they handle that. So people said compost, some
9 people said signing up for yard waste service, but it
10 wasn't limited to answering yes, I compost. They could
11 answer more than one on what type of method they use.

12 Q. So it was based on self response?

13 A. Self response.

14 Q. And the 46 percent that you mentioned, what
15 does that entail? Who are those people?

16 A. Those people are residents of unincorporated
17 King County.

18 Q. And when they -- when those 46 percent
19 respond had, were they responding to a question
20 regarding composting all of their yard waste or who is
21 included in that percentage? That's what I'm trying
22 to get at.

23 A. No. The way the question was phrased, it
24 was trying to get at the various ways that people
25 manage their yard wastes, and so they could have said I

1 compost, but I also have yard waste service or I also
2 go to the transfer station, so it was not one -- they
3 did not necessarily give one answer.

4 Q. So the 46 percent would not mean that
5 somebody who is within that 46 percent composts 100
6 percent of their yard waste?

7 A. No.

8 Q. You were also asked subject to check
9 regarding the number of pounds of garbage that are
10 allowed in a one pound can before the driver would
11 reject it, is that correct?

12 JUDGE HAENLE: In a one pound can?

13 Q. Excuse me. One can. A one-can customer,
14 in other words, you were asked whether or not 65 pounds
15 was the amount of garbage that could be in a one-can
16 customer's can before the driver would reject it.

17 A. Yes.

18 Q. And did you check that?

19 A. Yes, I did.

20 Q. And I believe I have what you checked. What
21 was it you checked?

22 A. I looked in Eastside Disposal's tariff
23 filing and the way that it's expressed is that it's 65
24 pounds including 12 pounds for the weight of the can.

25 Q. If I can hand you the specific page, this

1 was provided to us in response to a data request that
2 was directed to the WUTC. Can you read the sentence
3 that you checked?

4 A. It says a can cannot weigh more than 65
5 pounds. This is referring to one can. Cannot weigh
6 more than 65 pounds when filled, no more than 12 pounds
7 when empty.

8 Q. So when it says 65 pounds, obviously up to
9 12 pounds of that could be the weight of the can, the
10 way that that reads?

11 A. That's my understanding of the way it's
12 written.

13 Q. So it wouldn't be 65 pounds of garbage,
14 right?

15 A. No.

16 Q. It would be however much the can weighs plus
17 however much garbage is in there up to a limit of 65
18 pounds?

19 A. Yes, that's correct.

20 Q. And there's a -- the can can weigh up to 12
21 pounds?

22 A. Yes.

23 Q. Thank you.

24 You have been asked a number of questions
25 about the incentives and the percentage differentials,

1 and also some questions about revenue requirements
2 regarding revenue requirements of haulers. There's
3 nothing in the King County code or in King County's
4 policy, to your knowledge, that says that the hauler
5 shouldn't be able to cover their revenue requirements,
6 is there?

7 A. No, there isn't.

8 Q. And it's your understanding that it's King
9 County's policy that those revenue requirements should
10 be covered, is that not correct?

11 A. Yes. I believe we fully expect the company
12 to recover, to meet their revenue requirements.

13 Q. So King County's policy regarding the rate
14 differentials assumes that the hauler's revenue
15 requirements will be covered?

16 A. Yes.

17 Q. You were asked some questions I believe by
18 Commissioner Hemstad which compared a single person
19 living alone who has a mini-can and a family of four
20 who is doing what they can and they seem only to be
21 able to get down to two-can service level.

22 A. Yes.

23 Q. And he also asked you some hypotheticals
24 referring to Exhibit 28, second page of that, and he
25 expressed his concern regarding the amount that the

1 mini-can person would be paying versus the amount that
2 the four person family would be paying.

3 A. Yes, that's correct.

4 Q. Now, he gave you a hypothetical in which the
5 mini-can would cost \$10, and, as I recall his
6 computation, then the two-can family would be paying
7 \$22.40, is that correct?

8 A. That's correct.

9 Q. So -- but four people would be using those
10 two cans, isn't that correct?

11 A. That's correct.

12 Q. So on a per person basis, wouldn't that four
13 person family be paying less than the mini-can person,
14 the mini-can customer?

15 A. Yes, on a per person basis they would pay
16 less.

17 Q. And according to my computations then, and
18 feel free to check these, the mini-can customer would
19 pay \$10 per person, while dividing \$22.40 by four, I
20 come up with \$5.58 per person for that four person
21 family. Would you agree with that?

22 A. That sounds correct, yes.

23 Q. You were also asked some questions this
24 morning about the data that we had regarding the
25 customer mix and the composition of the households in

1 Eastside's service territory, and we don't have a lot
2 of data on that, do we?

3 A. No, we don't.

4 Q. And again why is it we don't have that data?

5 A. The main reason being is that the Eastside
6 Disposal has not provided it to us because they have
7 considered that that is proprietary information and did
8 not want to provide us with their customer mix
9 information. It's only been through this process that
10 we've been able to see this information.

11 Q. But we haven't seen, for example, the
12 composition of the families or the customers, we
13 haven't seen what their household composition is?

14 A. No, we have not.

15 Q. Now, a person who sets out a mini-can, that
16 person's garbage is going to take up less landfill
17 space than a person who sets out two cans, isn't it?

18 A. Yes.

19 Q. And it's going to take less time to collect
20 that person's garbage, won't it?

21 A. Yes.

22 Q. And it's going to take less space in the
23 truck that has to haul that garbage, isn't it, than the
24 two-can family's garbage would?

25 A. Yes.

1 Q. Thank you. That's all I have.

2 JUDGE HAENLE: Okay. I missed a question
3 and I asked the wrong question about cost
4 effectiveness. May I jump back in for just a minute?

5 MS. PERRY: Certainly.

6 E X A M I N A T I O N

7 BY JUDGE HAENLE:

8 Q. I forgot what I was asking in terms of
9 asking how much it would cost for the goals I was
10 referring to in terms of the recycling goals. Did you
11 consider in any way whether cost would come into the
12 picture before you set those recycling goals? Did you
13 care how much they might cost?

14 A. I believe you're referring to our 65 percent
15 recycling goal?

16 Q. That's right. Yes.

17 A. Yeah, there was a considerable lengthy
18 public process and a process that we went through where
19 studies were done on the cost of various alternatives,
20 whether they be incinerating all of our garbage or
21 whether they be recycling a majority of our garbage,
22 and those studies did look at the costs of those
23 alternatives.

24 Q. Who did the studies?

25 A. Some of the -- I believe -- it was before my

1 time, but I believe they were mostly done by
2 consultants, and they were then -- they were further
3 refined into our comprehensive plan, our 1989 plan.

4 Q. Were these consultants hired by the county
5 or hired by someone else?

6 A. I believe they were hired by the county.

7 Q. And the question that I forgot refers to
8 pages -- the bottom of page 7 and the top of page 8
9 of your testimony where you talk about the changes in
10 Lake Forest Park. You talk about the customer mix with
11 one can, two can and three cans. Are those 90 gallon
12 toters still available in Lake Forest Park?

13 A. I don't know whether they are or are not.

14 JUDGE HAENLE: Thank you. That's all I had.
15 Did that generate any other redirect? Did you have
16 recross, Ms. Thomas?

17 MS. THOMAS: Yes, probably about ten or 15
18 minutes.

19 JUDGE HAENLE: Go ahead, please.

20 RE CROSS-EXAMINATION

21 BY MS. THOMAS:

22 Q. Thank you. Mr. Gaisford, do you know
23 whether it's possible to achieve the differentials set
24 forth in the county code consistent with principles of
25 cost of service?

1 A. Again, I would say those differentials are
2 close or those existed prior to this rate increase, and
3 I assume that the Commission follows the cost of
4 service model, so I would say yes to that.

5 Q. Well, you know the conditions that currently
6 prevail -- back up a step. Would you agree that the
7 current rate increase has the rate structure that it
8 has because the Commission on the advice of Commission
9 staff believed that the current rate structure fairly
10 reflects cost of service?

11 A. I don't know whether that's what their
12 belief is or not.

13 Q. You don't know whether Eastside's current
14 rates are intended by the Commission and by Commission
15 staff to reflect cost of service?

16 A. Well, I assume those are cost of service but
17 I also assume the previous rates were cost of service.

18 Q. What's the basis for the assumption that the
19 previous rates reflected cost of service?

20 A. That I guess my knowledge of the way the
21 Commission and staff has reviewed rates is through what
22 they consider cost of service methodology, so I would
23 assume all of the rates that are approved would meet
24 that.

25 Q. Do you know whether various economic

1 conditions may have changed between the time that the
2 previous rates were approved and the time that the 1994
3 rates were approved?

4 A. I don't know what's changed for the company
5 in that time period.

6 Q. Aside from the fact that Eastside's prior
7 tariff approximated the rate structure called for under
8 the county code, do you have any reason to believe that
9 it's possible to achieve the King County code rate
10 spread consistent with cost of service principles?

11 A. Can you separate that maybe into two
12 questions?

13 Q. Yes. I asked you if you knew whether it
14 were possible to achieve the rate differentials called
15 for under the code consistent with cost of service, and
16 you said you thought it was because Eastside Disposal's
17 prior tariff approximated the rate -- the rate spread
18 called for by the code. My next question is do you
19 have any other basis for believing that it is possible
20 to achieve these rate spreads called for by the code
21 consistent with cost of service principles?

22 A. No.

23 Q. If it's not possible or if it's no longer
24 possible to achieve cost of service principles
25 consistent with the rate differentials called for by

1 the code, should those rate differentials nevertheless
2 be observed?

3 A. I'm not -- again, I'm not sure what you're
4 asking.

5 Q. Assume that it is not possible to achieve
6 the rate differentials called for by the code in a
7 manner that's consistent with cost of service
8 principles. If that's the case, should the rate
9 structure called for by the King County code still be
10 observed?

11 A. I think that there's also other requirements
12 here. It's not just the King County code requirements,
13 so I don't think it's a simple yes.

14 Q. Could I ask you to answer yes or no and then
15 if you need to explain, I'll be happy to hear that,
16 too?

17 A. I think what needs to be observed is --
18 JUDGE HAENLE: Start with a yes or no and
19 then explain.

20 A. Please rephrase the question.

21 Q. If it's not possible to achieve the rate
22 differentials called for by the King County code in a
23 manner that's consistent with cost of service
24 principles, should the rate differentials called for by
25 the code nevertheless be observed?

1 A. Yes, I believe they should be observed.

2 Q. Doing so in that situation would require a
3 subsidy, would it not, of the lower levels of service?

4 A. I don't know whether that's true or not.

5 Q. Is it true that average household waste
6 volumes on average correlate fairly closely to
7 household size?

8 A. In King County?

9 Q. Yes.

10 A. I don't know if we made that comparison. I
11 haven't seen figures that made that comparison.

12 Q. Are you familiar with any state or national
13 data that make that comparison?

14 A. No. I've seen figures of average waste
15 generated per household.

16 Q. Does the average waste generated per
17 household in these figures increase together with the
18 size of the household?

19 A. Again, I haven't seen those, those
20 comparisons.

21 Q. Have you or has anyone, to your knowledge,
22 at King County analyzed whether the volume of materials
23 per customer that's set out for recycling correlate to
24 the customer's level of service?

25 A. Can you describe for me what you mean by

1 level of service?

2 Q. Yes. For example, are you aware of any
3 studies that consider whether a customer at a higher
4 level of service, for example, a two or three-can
5 level of service, tends to set out more materials for
6 recycling than a customer at a mini-can level of
7 service?

8 A. I haven't seen any studies that make that
9 sort of statement, that one type of customer sets out
10 more recyclables than another.

11 Q. So you're not familiar with any information
12 about whether more recyclable materials tend to be set
13 out by customers at the two or three-can level of
14 service?

15 A. No. I mean, we have observed information
16 from the data that we have on the amount of recyclables
17 and garbage set out in different geographic areas of
18 King County, that there are some differences there.

19 Q. From one geographic area to another?

20 A. Yes.

21 Q. Have you compared differences between those
22 same areas as to levels of service subscribed to?

23 A. No. Again, that's information that we have
24 not had until recently.

25 Q. I think you mentioned that you did not have

1 a lot of data on customer mix because Eastside felt it
2 was proprietary, is that correct?

3 A. Yes.

4 Q. And you mentioned that you also don't have
5 much data on household makeup, is that correct?

6 A. We don't have information on household
7 makeup by customer mix.

8 Q. The haulers don't have any information about
9 that either, do they?

10 A. I'm not sure whether they keep that
11 information or not.

12 Q. Are you aware that they have any information
13 like that?

14 A. No, I'm not aware of that.

15 Q. In response to a question from Ms. Perry,
16 you stated that the percentage of customers who compost
17 is 46 percent. What was the date of that -- that the
18 phone survey was conducted to produce that 46 percent
19 figure?

20 A. It was conducted in August of 1993.

21 Q. So that was before the yard waste ban went
22 into effect?

23 A. It was before the ban went into effect. We
24 had mailed out notices of the ban.

25 Q. When were the notices mailed out?

1 A. They were mailed out in late August.

2 Q. Do you know the date in August upon which
3 this phone survey was conducted?

4 A. I have that information. I don't know that
5 off the top of my head. It probably occurred before
6 the mailers went out.

7 Q. And in response to another question from Ms.
8 Perry, you talked about the maximum weight per can. Do
9 you know the average weight of an empty can?

10 A. Just generally or in any given area?

11 Q. In Eastside's service territory.

12 A. No, I don't have that information.

13 Q. Do you know the average weight of an empty
14 can for any other service territory or any other area?

15 A. No. We've never done that ourselves, asked
16 the hauler to provide that with the information.

17 Q. Have haulers asked you to provide
18 information about the average weight of an empty can?

19 A. Not to my knowledge.

20 Q. Do you know what Eastside Disposal's
21 practice is regarding making an effort to determine
22 whether a can weight exceeds 65 pounds?

23 A. No, I don't know how they determine that.

24 Q. If they do find a can that exceeds 65
25 pounds, do you know what their practice is in terms of

1 some kind of a response to the customer?

2 A. No. I would assume they leave it and put a
3 tag on the can explaining that it was left because it
4 was too heavy.

5 Q. But you don't know that, you're just
6 assuming that?

7 A. I don't know that, no.

8 Q. And in response to a question from Judge
9 Haenle, you discussed consideration of cost
10 effectiveness in setting the recycling goal, you talked
11 about studies done by consultants which were refined
12 into the 1989 comprehensive plan. Since that time, has
13 there been any further analysis of the cost
14 effectiveness of the county's recycling goals?

15 A. Well, again, in the 1992 plan, the process
16 that we went through was to update the information that
17 was in our 1989 plan.

18 Q. Was a new analysis of cost effectiveness
19 done at that time?

20 A. A new analysis of the costs of what's being
21 recommended in our plan is contained within the plan.

22 Q. Was there any new analysis of the cost
23 effectiveness of recycling as compared to the cost
24 effectiveness of waste reduction or the cost
25 effectiveness of disposal?

1 A. The plan itself looks at a recommended
2 strategy for achieving those goals, or not increasing
3 our efforts and maintaining status quos and cost
4 estimates are provided.

5 Q. So the plan was premised upon maintaining
6 the same goals and then looked at the costs of
7 achieving them, is that right?

8 A. That is correct, because those are county
9 goals and there's also a state 50 percent goal, so
10 those have not changed, so we have based our strategy
11 on those goals.

12 Q. Thank you. No further questions.

13 JUDGE HAENLE: Ms. Egeler, did you have any
14 recross?

15 MS. EGELER: No.

16 JUDGE HAENLE: Commissioner, anything else?

17 COMMISSIONER HEMSTAD: No.

18 JUDGE HAENLE: Anything more of the witness?

19 MS. PERRY: No.

20 JUDGE HAENLE: Thank you, sir. You may step
21 down. Let's go off the record to change witnesses,
22 please.

23 (Discussion off the record.)

24 JUDGE HAENLE: Let's be back on the record.

25 During the time we were off the record a new witness

1 has assumed the stand. Would you raise your right
2 hand, sir?

3 Whereupon,

4 NICHOLAS S. PEALY,
5 having been first duly sworn, was called as a witness
6 herein and was examined and testified as follows:

7 JUDGE HAENLE: Also during the time we were
8 off the record, I marked a number of documents for
9 identification as follows. Marked as Exhibit T-49 for
10 identification is a ten-page document. It is entitled
11 testimony of Nicholas S. Pealy, P E A L Y. In the
12 upper right-hand corner it has NSP-10.

13 (Marked Exhibit T-49.)

14 JUDGE HAENLE: And then there are exhibits
15 which have been prenumbered NSP-1 through NSP-7. I
16 will mark those as Exhibits 50 through 56 in order.

17 (Marked Exhibits 50 through 56.)

18 JUDGE HAENLE: I note that there was a
19 prefiled NSP-8 but we talked regarding the last of --
20 two witnesses ago, that that would have repeated what
21 has already been included in the record as Exhibit 48,
22 and I don't see any reason to repeat those. Your
23 witness has been sworn.

24 DIRECT EXAMINATION

25 BY MS. PERRY:

1 Q. Good morning, Mr. Pealy. Would you please
2 state for the record your full name, your position and
3 your business address?

4 A. My name is Nicholas S. Pealy. I'm director
5 of --

6 JUDGE HAENLE: You're going to have to speak
7 much more slowly than that or none of your testimony is
8 going to be recorded and you might as well not have
9 wasted all this time.

10 A. Nicholas S. Pealy. I'm currently director
11 of strategic planning, financing, finance and
12 information systems for the Seattle solid waste
13 utility, and my business address is 710 Second Avenue,
14 Seattle, Washington, 98104.

15 Q. Mr. Pealy, are you the same Nicholas S.
16 Pealy who prepared testimony consisting of ten pages of
17 direct testimony with eight exhibits, which were titled
18 NSP-1 through 8, which have previously been marked
19 for identification as Exhibit T-49 and what was
20 identified earlier as NSP-1 through 7 have been marked
21 for identification as Exhibits 50 through 56?

22 A. I am.

23 Q. Do you have a copy of that testimony and
24 those exhibits before you?

25 A. Yes, I do.

1 Q. Were these prepared by you personally or
2 under your direction?

3 A. Mostly by me personally.

4 Q. Do you have any changes or corrections that
5 you wish to make to these?

6 A. I don't.

7 Q. And if I were to inquire orally concerning
8 the material contained in them, would your responses be
9 substantially the same as the answers in that prefiled
10 testimony?

11 A. Yes, they would.

12 Q. I request that what has been marked for
13 identification as Exhibit T-49 and Exhibits 50 through
14 56 be admitted into evidence.

15 JUDGE HAENLE: Any objection, Ms. Thomas?

16 MS. THOMAS: No objection.

17 JUDGE HAENLE: Any objection, Ms. Egeler?

18 MS. EGELER: No objection.

19 JUDGE HAENLE: All right. I will enter
20 those documents, T-49 and 50 through 56, and I'll ask
21 everyone to do their own updating in terms of changing
22 the numbers that are listed in the exhibit, the
23 prenumbered NSP-8, you may change that reference to
24 DAD-3 and insert the proper exhibit number yourselves.
25 I'll do that on the official copy. All right. Those

1 are entered, then.

2 (Admitted Exhibits T-49 and 50 through 56.)

3 MS. PERRY: Then I offer Mr. Pealy for
4 cross-examination.

5 JUDGE HAENLE: Ms. Thomas?

6 CROSS-EXAMINATION

7 BY MS. THOMAS:

8 Q. Thank you, Your Honor. Good morning, Mr.
9 Pealy. My name is Liz Thomas. I'm an attorney
10 representing Rabanco Companies doing business as
11 Eastside Disposal in this action.

12 I'd like to start off with a question about
13 terminology. I'm not sure whether you were in the room
14 this morning when we had a discussion of what an
15 inclining rate structure is and what an inverted rate
16 structure is, but I notice on page seven of Exhibit
17 T-49, your testimony, that you use the term steeply
18 inverted rates. Could you explain what the term
19 inverted rates means in this context?

20 A. Certainly. I think it's a rather general
21 term used to describe rates that increase with the
22 amount of service consumed. In the case of garbage
23 it's increased solid waste volume or weight. In the
24 case of electricity, it's increased consumption of
25 electricity and so on.

1 Q. Are you familiar with the rate spreads
2 called for under the King County code of the rate
3 differentials?

4 A. Generally. They're up there on the board.

5 Q. And in your mind is that an inverted rate
6 structure?

7 A. It's one form of one, yes.

8 Q. And are you aware that the rate structure on
9 Exhibit 28, which is up on the board under the title
10 Eastside's current rates is a rate structure that
11 reflects the current tariff of Eastside Disposal?

12 A. That's what I understand, yes.

13 Q. Would you agree that the rate differentials
14 called for under the King County code result in a more
15 steeply inverted rate?

16 A. Yes, I would.

17 Q. On page six of your testimony at line six,
18 you state the extra can rate exceeds the financial cost
19 of collecting an extra can. Are you familiar with the
20 term cost of service?

21 A. Yes, I am.

22 Q. Would you agree then that the extra can rate
23 you mentioned here is not established pursuant to cost
24 of service principles?

25 A. Depends on your definition of cost of

1 service, but in the case of the UTC's definition, no.

2 JUDGE HAENLE: Can we before we go too much
3 further be sure that we have a clear distinction?
4 When you say extra can, you mean the occasional extra
5 can that someone puts out that doesn't happen every
6 week rather than an extra can being the difference
7 between one and two-can service or two or three-can
8 service.

9 A. No, in Seattle we refer to the extra can
10 rate as any additional can after one, so -- and that's
11 a can that you use on a regular basis, so the second
12 can, the third can and so on are all considered extra
13 cans.

14 JUDGE HAENLE: Thank you.

15 A. That's not an occasional can, in other
16 words.

17 BY MS. THOMAS:

18 Q. So that's different -- I'm not sure if
19 you're familiar with the term extras that was also
20 discussed this morning in terms of an extra item that
21 someone puts out on an occasional basis. That's
22 something different from an extra can?

23 A. Right.

24 Q. Do you have a definition of cost of service
25 that differs from the one that you understand is used

1 by the Commission?

2 A. For ratemaking purposes in Seattle, our
3 policy makers generally used a financial cost of
4 service approach as the UTC does. They have gone in a
5 different direction when it comes to pricing of cans
6 after one on the feeling that general attitude and
7 policy reasons that it is environmentally preferred to
8 encourage people to move to lower service levels.

9 Q. So Seattle has made a policy decision to get
10 away from cost of service principles and consider other
11 policy considerations in determining the extra can
12 rate, is that correct?

13 MS. PERRY: I'd object. That
14 mischaracterizes his testimony.

15 JUDGE HAENLE: I'm afraid I didn't hear the
16 question.

17 MS. THOMAS: My question was, and I was
18 asking him if I was correct in understanding this, so I
19 was not -- I don't believe I was mischaracterizing his
20 testimony, the question was whether Seattle has made a
21 policy decision to get away from cost of service
22 principles in establishing a price for the extra can
23 and has made a policy decision to take other factors
24 into consideration when establishing that rate.

25 JUDGE HAENLE: If he doesn't agree with that

1 then he can say so. Go ahead.

2 A. Yes, I agree with you, if you use financial
3 cost of service as the basis for cost of service. But
4 if you take into account other matters such as
5 environmental externalities, environmental costs, then
6 I don't think we've moved in that direction.

7 BY MS. THOMAS:

8 Q. Could you specify what external costs you
9 think should be considered?

10 A. Certainly. I think that in my testimony I
11 included a copy of a paper from the Telus Institute
12 which describes kind of a wide range of environmental
13 impacts of both recycling programs and garbage disposal
14 programs and incineration and waste reduction, and what
15 that study documents is that there are costs outside
16 the ordinary garbage and recycling collection system
17 which ought to be taken into account when you price
18 solid waste. Those include excess pollutants, they
19 include additional energy used in creating virgin -- or
20 new products from virgin materials versus making them
21 out of recycled materials and so forth, and so those
22 are the sorts of things that I'm talking about.

23 Q. Have you or has the city of Seattle
24 attempted to assign specific dollar values to those
25 kinds of things?

1 A. In our latest update to our recycling
2 potential assessment which is our long range planning
3 document --

4 JUDGE HAENLE: You're going to need to just
5 speak generally more slowly, please, concentrate on
6 spacing your words. I know it's difficult.

7 A. In our latest update to the recycling
8 potential assessment, a staff member and I wrote a
9 policy paper on how to calculate environmental
10 externalities based on the Telus work, and although
11 that work has problems with it, we came to the
12 conclusion that generally they were numbers that one
13 could use in rate design, in cost allocation and
14 program selection, and what those numbers result in of
15 course is that recycling and waste reduction are more
16 preferred to than disposal in terms of waste management
17 solutions.

18 Q. Is recycling always preferable to a disposal
19 from a cost standpoint?

20 A. Not in the case of some materials.

21 Q. The extra can rate specified -- referenced
22 at line six on page six, was a cost analysis assigning
23 dollar figures to the kinds of externalities that you
24 just mentioned, the foundation for that extra can rate?

25 A. No. When the council last set rates --

1 well, two rate periods ago, in 1992, when the council
2 decided to go to the linear rate structure after
3 one-can service, that work had not been done.

4 Q. There's a statement at the bottom of this
5 page which says from the perspective of Seattle's
6 policy makers, it is important to encourage recycling,
7 even if it means shifting costs from lower service
8 level customers to customers with larger cans. Is that
9 a policy statement that you agree with?

10 A. Is it one that I agree with?

11 Q. Yes.

12 A. Yes, I think it depends on how big -- how
13 much you do it.

14 Q. And that kind of cost shifting amounts to a
15 subsidy, doesn't it?

16 A. From a financial perspective it does.

17 Q. And if costs are shifted from lower service
18 level customers to customers with larger cans, then the
19 customers with larger cans are subsidizing those with
20 lower service levels, is that correct?

21 A. From a UTC cost of service basis, that's
22 true.

23 Q. And also from the city of Seattle's cost
24 analysis, isn't that also true?

25 A. I think that the policy makers have taken a

1 kind of a general different position than that. They
2 haven't taken that perspective.

3 Q. They haven't taken which perspective?

4 A. That they are subsidizing lower service
5 levels at the expense of people at higher service
6 levels. I'll refer you to some of the history.

7 Q. Before you do that, could I ask you, I'm
8 just not clear on what you're saying, do the policy
9 makers at the city of Seattle think that they have
10 shifted costs from lower service level customers to
11 customers with larger cans?

12 A. Uh-huh.

13 JUDGE HAENLE: I'm sorry, your answer was?

14 A. Yes.

15 Q. Is it true that larger households tend to
16 generate more waste?

17 A. Yes.

18 Q. So if you shift costs from lower service
19 level customers to a customer with larger cans on
20 average larger households are subsidizing smaller
21 households, is that correct?

22 A. Yeah, it depends on the demographics of your
23 service territory.

24 Q. You compare certain years, you compare 1986
25 to 1988 to determine the effect of price increases on

1 customer behavior, and I'm referring now to your
2 testimony on pages seven and eight. On the top of page
3 8 you say, a rough estimate of the impact of changes is
4 the extra can rate or disposal would be minus .1 to
5 minus .2. This figure is based on the reduction in
6 residential disposed tons that Seattle experienced
7 between 1986 and 1988. At what point in time in 1988
8 was that measurement made?

9 A. In 1988?

10 Q. Yes. Was that a year end figure?

11 A. Year end figures, right.

12 Q. And 1988 was a year that involved some
13 curbside recycling, wasn't it, in the city of Seattle?

14 A. Yeah.

15 Q. And in fact, if you look at Exhibit 56,
16 which was marked as NSP-7 attached to your testimony,
17 the second page of that exhibit has a bar chart with a
18 title Seattle curbside recycling?

19 A. Uh-huh. What tab is that, now?

20 MS. PERRY: Seven.

21 JUDGE HAENLE: Sir, you'll need to answer
22 yes or no so it's very clear on the record.

23 A. Yes.

24 Q. You see the page I'm looking at where it
25 says Seattle curbside recycling actual versus goal and

1 there's a bar chart beneath it?

2 A. Right.

3 Q. And on itself right-hand side of the chart
4 there is a notation, 1988 equals 23,945?

5 A. Uh-huh.

6 Q. Does that mean that the curbside recycling
7 tonnage in 1988 for the city of Seattle was 23,945
8 tons?

9 A. Yes, it does.

10 Q. And then down below that is another chart on
11 the same page that shows tons per month during 1988, is
12 that correct?

13 A. Uh-huh.

14 Q. By the end of 1988 the curbside recycling
15 program was gathering in excess of 3,000 tons a month?

16 A. That's correct.

17 Q. So going back to your testimony on page 8,
18 you have a figure there that you say was based on the
19 reduction in residential disposed tons between 1986 and
20 the end of 1988. That's not really before curbside
21 recycling was introduced, was it?

22 A. You're correct, that part of that is half a
23 year with the program.

24 Q. So we've got a half a year or perhaps more
25 in 1988 of curbside recycling that may also have had an

1 effect and contributed to the changes in customer
2 behavior, is that correct?

3 A. That's true. Could I make a comment on
4 that, though?

5 Q. Certainly.

6 A. I mean, there are various other studies that
7 have confirmed that elasticity range, including our
8 recycling potential assessment which estimated the
9 elasticity at minus .14, and that was estimated over a
10 period from 1969 to 1988, so -- and I think I submitted
11 that as well, so it's a pretty good number.

12 JUDGE HAENLE: You need to look for a good
13 stopping point if you would, one that won't interrupt
14 your flow.

15 MS. THOMAS: That's fine. I can do that. I
16 think I'll finish up in just a couple of minutes.

17 Q. On page 8 of your testimony, you state that
18 the city's current estimation of elasticity is minus
19 .07. Do you see that statement?

20 A. That's correct.

21 Q. And are you aware of a -- that a data
22 request was made asking for the basis for that minus
23 .07?

24 A. Right.

25 Q. And are you aware that the answer indicated

1 that the backup data couldn't be located?

2 A. That's right.

3 Q. At this point in time, do you know where the
4 backup data is for that minus .07 figure?

5 A. Our senior economist couldn't find it. It
6 was done during a time when she was on maternity leave.

7 Q. So the most recent estimate for which you
8 have data is minus .14?

9 A. Uh-huh.

10 JUDGE HAENLE: Sorry, you'll need to answer
11 yes or no, please.

12 A. Yes.

13 JUDGE HAENLE: Thank you.

14 MS. THOMAS: Actually, I have probably about
15 five minutes more. I could either stop now or resume
16 after lunch.

17 JUDGE HAENLE: Why don't we stop now, then,
18 and be back at 1:30, please.

19 (Luncheon recess at 12:00 noon.)

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AFTERNOON SESSION

1:30 p.m.

JUDGE HAENLE: Let's be back on the record after our lunch recess. Go ahead, Ms. Thomas.

BY MS. THOMAS:

Q. Thank you. Have you conducted any studies, Mr. Pealy, designed to isolate the effects of rate incentives from other attributes of recycling programs?

A. During the period in 1991 and early 1992 when we were working on a rate study, I attempted to do that with some time series data, monthly data, where essentially what I looked at was how our tonnages and subscription levels related to both prices and introducing new programs, and found some interesting results but they didn't turn out to be very good for forecasting and so I didn't write up those results.

More recently, again, I've been trying to do some of the same thing, looking at how a marginal increase in the extra can rate, plus the introduction of a recycling program will affect tonnages and subscription levels.

Q. Have you looked at what the impact of a marginal can rate without the introduction of a recycling program would do?

A. No, not separately. It would be biased

1 anyway.

2 Q. It would be biased?

3 A. Yeah.

4 Q. Why is that?

5 A. Because you've got compounding factors
6 there, in the sense that your price variable or
7 whatever other variables you include in your equations
8 would be somehow picking up a combination of factors
9 including introduction of recycling program, household
10 size, income, things like that, so you need to have a
11 full set of explanatory variables to understand how
12 prices as opposed to these other factors influence the
13 tonnages and subscriptions.

14 Q. Have you reached a conclusion that about 25
15 percent of the reduction in extra can customers that
16 occurred between '86 and 1989 was attributable to
17 increases in the extra can rate while 75 percent was
18 attributable to the introduction of convenience
19 curbside recycling programs?

20 A. That's what I said in my testimony.

21 JUDGE HAENLE: Where is that, please?

22 MS. THOMAS: Pardon me?

23 JUDGE HAENLE: Where in the testimony does
24 that appear?

25 A. It's in some of the materials in the back.

1 I don't know which tab it's under.

2 MS. THOMAS: I'm afraid I was just looking
3 for the reference and couldn't find it either.

4 BY MS. THOMAS:

5 Q. Have you done any studies to support that
6 conclusion?

7 A. Well, like I said, in the last couple of
8 months I've been doing some regressions of tonnages
9 between 1987 and 1993 on the marginal price variable
10 which is the difference between the one can and the
11 second can rate, and then included another variable
12 which accounted for the jump of curbside recycling, and
13 the equations -- if I'm being too technical, sorry
14 about it --

15 JUDGE HAENLE: You need to speak more
16 slowly.

17 A. -- were done in logarithmic form so the
18 coefficients could be interpreted as coefficients, and
19 that means they indicate the percentage change in
20 tonnages with respect to a percentage change in the
21 indicated variable, and what I found was that the
22 introduction of curbside in 1988 basically resulted in
23 about 75 percent of the drop in tonnages that we
24 experienced at that time, and then the price variable
25 itself that I came out with, the estimated coefficient,

1 was minus, I think, .133.

2 Q. And that conclusion was premised on the
3 actual rates that were used in the city of Seattle, was
4 it not?

5 A. Right.

6 Q. Might the conclusion be different if you
7 used a different rate structure?

8 A. Yeah, certainly. In fact, it all depends
9 sort of on the evolution of where you are with your
10 programs and it also depends on the average level of
11 rates, as well as the structure of the rates.

12 Q. Have you done any studies to try to isolate
13 the difference between the impact of the average level
14 of rates as opposed to the rate structure?

15 A. I didn't include separate variables in that
16 equation, no.

17 JUDGE HAENLE: Did or did not?

18 THE WITNESS: Did not.

19 JUDGE HAENLE: Thank you.

20 Q. And you've not done any other studies that
21 attempt to isolate the impacts of rate levels as
22 opposed to the impacts of rate structures?

23 A. No. I can give you an indication of what I
24 think has been worked in Seattle, and that is what I
25 think we have, whether it's a virtue or not, we have

1 high average rates as well as a very inverted rate
2 structure, and the combination of those two things have
3 a significant price impact and impact on subscriptions.

4 Q. But you don't know whether it's more the
5 average rate level or the rate structure that leads
6 towards the impact?

7 A. I haven't isolated those two effects.

8 Q. I have nothing further. Thank you very
9 much.

10 JUDGE HAENLE: Ms. Egeler?

11 CROSS-EXAMINATION

12 BY MS. EGELER:

13 Q. Good afternoon, Mr. Pealy. I represent the
14 Commission staff in this proceeding. Turning to page
15 five of your prefiled testimony, you state that between
16 '81 and '92 there was a dramatic shift in service
17 levels for residential customers, correct?

18 A. Right.

19 Q. And you ascribe the shift in service levels
20 to the extra can rate increase and the implementation
21 of curbside recycling yard waste service, correct?

22 A. That's correct.

23 Q. In 1981, 82 percent of the customers had 120
24 gallon containers, is that correct?

25 A. Uh-huh.

1 Q. You need to state yes or no for the record.

2 A. Yes.

3 Q. Thank you. And these containers were
4 supplied by the city to the residents at no extra
5 charge, is that right?

6 A. Yeah, I think by the contractors, correct.

7 Q. But if a resident chose to have one-can
8 service, the city did not supply that container, did
9 it?

10 A. I think that that's true, yeah.

11 Q. And only 16 percent of the residents chose
12 to have one-can service, is that right?

13 A. Right.

14 Q. In 1981, the only choice a resident would
15 have had as far as service levels would have been
16 either the 120 gallon container supplied by the city
17 or to purchase their own one-can service, is that
18 correct?

19 A. I haven't looked back at the data. Which
20 tab are you looking at here?

21 Q. I am not looking at any specific tab. I am
22 just asking you basic background.

23 A. I can't say that for sure.

24 Q. Could you accept that subject to check and
25 check on it over the break if my information is

1 incorrect?

2 A. I don't know how easily I can check it right
3 now, so I can get back to you, you know, early in the
4 week or something like that.

5 Q. That would be fine. We'll be back here
6 early next week if there's a problem with that.

7 Is it the case, if you know, that the
8 difference in price between the 120 gallon container
9 and the one-can service was \$1.50?

10 A. I think that's what the data says. I don't
11 know.

12 Q. And again could you accept that subject to
13 check and let us know?

14 A. Yes.

15 Q. Now, from 1981 to 1992, Seattle expanded the
16 service level options, didn't it, so that as of that --
17 as things developed with your recycling program,
18 customers then had a new ability to choose sort of
19 intermediate levels of service to two cans, three cans,
20 et cetera?

21 A. That's correct.

22 Q. And just as a small backup matter, 120
23 gallon container is roughly the equivalent of four cans
24 of service, isn't that right?

25 A. That's correct.

1 Q. With the implementation of recycling and
2 yard waste, people needed to be able to adjust their
3 service level to match their new solid waste output
4 level, is that correct?

5 A. I would say that's true.

6 Q. Seattle residents pay a mandatory rate for
7 solid waste, recycling and yard waste, right?

8 A. They don't pay a mandatory rate for yard
9 waste. Yard waste is optional.

10 Q. In fact, residents have the option of being
11 zero can customers, isn't that correct?

12 A. They used to. That rate is being
13 grandfathered out, meaning we don't add any new zero
14 can customers now.

15 Q. What if you don't put out any solid waste,
16 do you pay a rate at all?

17 A. Yes, you do.

18 Q. There's a mandatory solid waste rate
19 regardless?

20 A. Correct.

21 Q. Than if you don't put out any solid waste do
22 you pay the one can or mini-can rate then?

23 A. No, there's a minimum charge which used to
24 be 5.95, I think it's 6.30 per month now.

25 Q. So that's sort of the equivalent of the zero

1 can rate, correct?

2 A. Yes.

3 Q. Why was that rate increased? You said that
4 is used to be 5.95.

5 A. Because the costs that are allocated to that
6 rate increased over the last rate period.

7 Q. So costs are being allocated to it but there
8 is no cost?

9 A. Yes, there is. These costs cover things
10 like landfill closure, low income rate assistance and
11 litter control costs, and those are essentially
12 programs outside of the regular solid waste system.

13 Q. Okay. If a customer doesn't put out any
14 solid waste at all, how are they contributing to the
15 costs of the landfill?

16 A. That is entirely the council's policy
17 decision, feeling that all customers in the city should
18 bear responsibility for those costs.

19 Q. So is what you're -- are you telling me that
20 the zero can customers are subsidizing the recycling
21 program in effect, since they don't cause a cost, they
22 are putting money into the system that can be used for
23 other programs, is that correct?

24 A. Well, for those activities that I cited,
25 yes.

1 Q. Okay. And is one of the areas that they
2 might help subsidize low income rates?

3 A. Correct.

4 Q. On page 4 of your testimony at lines one
5 through three, you state that between 1986 and 1988,
6 rate incentives were in effect, but curbside recycling
7 collection was not. During that period there was a
8 reduction in residential disposal tons. Does this time
9 period include 1988, or just 1986 and 1987?

10 A. I think that Ms. Thomas clarified that this
11 morning in her question, that includes 1988, so -- and
12 in fact part of the curbside recycling program did in
13 fact begin in 1988.

14 Q. Okay. In 1976, the total tonnage disposed
15 was 190,584 tons, is that correct?

16 A. I think that that is correct from the chart
17 that you have. Are you -- what tab are you referring
18 to?

19 Q. I took the numbers out of your exhibit, and
20 I don't have that specifically marked, but we can move
21 to it if you feel more comfortable with that. If you
22 find it quicker than I do, let me know.

23 A. Looks like tab 18, I think.

24 Q. I don't have the same tabs you have. Can
25 you refer me to an NSP number?

1 A. Request 18 A.

2 Q. It's a data request? Okay.

3 A. You said 1986?

4 Q. Yes.

5 A. 190,584.

6 Q. And for 1988 was it 179,966 tons?

7 A. That's correct.

8 Q. And would you accept that that's a
9 difference of 10,618 tons?

10 A. Looks like it, yeah.

11 Q. Would you also accept that that decrease is
12 approximately 5.6 percent?

13 A. It looks like it, yeah. I don't have a
14 calculator in front of me.

15 MS. PERRY: You'd accept that subject to
16 check, is that what you're saying?

17 A. Yeah.

18 Q. Isn't it true that in August of 1987 a Clean
19 Green yard waste program was started by the city?

20 A. That would be subject to check too. I
21 wasn't around the utility, so I'm not sure when that
22 program started.

23 Q. And isn't it also true that curbside
24 recycling was started in February of 1988?

25 A. In part of the city, that's correct.

1 Q. Looking at Exhibit NSP-7 which would be
2 Exhibit 56, the third page of that -- are you with me?

3 A. I'm not sure what table you're looking at.

4 Q. Okay. It's a table which at the top is
5 marked curbside recycling program, total city tonnage
6 data. Let me hold it up and show it to you too, so
7 you'll know what you're looking for.

8 JUDGE HAENLE: Page three of Exhibit 56.

9 A. Okay. So you're looking at page what, now?

10 Q. Page three.

11 A. Okay.

12 Q. It's the one that your hand is on the top
13 sheet, it looks like.

14 A. Yes.

15 Q. Going down to the row starting -- which
16 states 1988 total, which is about two-thirds of the way
17 down the page, at the bottom of that big block, if you
18 move over to the right, to the columns marked total
19 with C O N T, what is C O N T?

20 A. Contamination.

21 Q. There's a total with contamination which is
22 23,985.6, if my eyesight is okay.

23 A. Right.

24 Q. And the total without contamination is
25 23,946.2, correct?

1 A. Yeah.

2 Q. That means that the city collected more than
3 23,000 tons of recyclables?

4 A. That's correct.

5 Q. And, in addition, that there were additional
6 tons collected presumably under the Clean Green yard
7 waste program?

8 A. I want to point out that that was not a
9 curbside program. You said Clean Green. That would be
10 transfer station, self haul collection, so again I
11 would have to check if that was in place at that time,
12 but there was no curbside yard waste in place at that
13 time.

14 Q. But presumably there was some tonnage
15 deferred by that program, correct?

16 A. Yeah.

17 Q. And yet the solid waste tonnage was
18 decreased by only 10,618 tons, isn't that right?

19 A. Yes.

20 Q. In addition to the waste diverted by the
21 curbside collection of recyclables and the yard waste
22 program, didn't Seattle also begin to have a problem in
23 1987 with illegal dumping?

24 A. Not that I know of. Not anything different
25 than, you know, what we've always had. I mean, I don't

1 know where that information comes from.

2 Q. Did you write an article entitled Road To
3 Recovery?

4 A. No, I didn't.

5 Q. Okay. In response to one of Ms. Thomas's
6 questions regarding elasticity, did you state that your
7 current elasticity level is a negative .07?

8 A. Right. That's what we use in our
9 recycling --

10 Q. Has that always been the case, that level?

11 A. No.

12 Q. Was it higher in the past?

13 A. That's what we estimated it to be. It was
14 formerly estimated at minus .14.

15 Q. And minus .14 is --

16 A. Larger.

17 Q. Double?

18 A. More price sensitive.

19 Q. So why has the elasticity changed over time?

20 A. Because we have an evolving program and it's
21 a mature program where customers have become pretty
22 efficient at getting materials out of the waste stream,
23 and so as you move on in the history of a program like
24 that, what you find is it gets harder and harder to get
25 materials out of your own garbage bin. There's less

1 and less recyclable left in the waste stream, from the
2 customers' perspective.

3 Q. So in effect what you're saying is there's
4 only so far the reasonable customer is going to recycle
5 things down so the elasticity is limited over time?

6 A. Yes, unless you introduce new programs that
7 divert different kinds of materials.

8 Q. But given the same type of programs, the
9 demand for the program then shifts over time, is that
10 correct?

11 A. The demand curve is not shifting, so I'm not
12 sure what you're getting at.

13 Q. What I'm saying is as people are recycling,
14 you hit a level where they're not going to dramatically
15 increase the amount that they're recycling?

16 A. That's true.

17 JUDGE HAENLE: Could you be sure that you
18 have waited for the end of Ms. Egeler's question so
19 that the reporter can get down the entire question and
20 then get your answer as well? You're starting to
21 overlap.

22 THE WITNESS: Okay.

23 JUDGE HAENLE: I don't want to lose
24 anything.

25 MS. EGELER: I have a lot of sympathy.

1 It's usually me getting scolded for going too fast.

2 JUDGE HAENLE: Well, now that you -- no.

3 MS. EGELER: I'm trying hard.

4 JUDGE HAENLE: You're doing very well.

5 BY MS. EGELER:

6 Q. Do you think that as rates go up that -- has
7 Seattle experienced any compaction of waste into
8 smaller containers, in other words, do you think people
9 are trying to compact the same weight of waste into a
10 smaller container in order to save some money?

11 A. We haven't really studied that on an ongoing
12 basis. I think there was certainly perception when the
13 rates -- when our extra can rate was first first
14 increased a lot back in 1989 that that is what happened
15 and that is the same time when we saw a lot of people
16 move down in service levels. We saw the extra can
17 customer decrease from I think roughly 37,000 customers
18 down to 11,000 customers, and that I think was very
19 much a result of that extra can rate increasing, but,
20 you know, over time, Lisa Skumatz did the garbage by
21 the pound study back in 1991, I think, and found that
22 the average can weights seemed to be pretty reasonable
23 and didn't seem to reflect like a lot of compaction in
24 the container. For example, the mini-can I think was
25 estimated to be 15 pounds per week. The one-can was at

1 25 and then the two-can was at 37 pounds, and I think
2 we know from what, you know, people tell us, that you
3 can generally get a lot more waste in the can than
4 those amounts, so, you know, I don't think there's any
5 obvious trend. In fact, it probably would be downward
6 since customers are becoming better at getting
7 materials out of the waste stream over time.

8 JUDGE HAENLE: When you gave those figures
9 that you attributed to extra can customers, again, what
10 do you mean by extra can customers with those figures?

11 THE WITNESS: I mean the two-can customer,
12 the three-can customer, the higher service levels.

13 JUDGE HAENLE: Everything more than one,
14 then?

15 THE WITNESS: Correct.

16 JUDGE HAENLE: Thank you.

17 BY MS. EGELER:

18 Q. When you talk about garbage by the pounds
19 program, at that time when garbage by the pound was
20 being used, people were paying by the pound, correct?

21 A. In the experiment they were, but those
22 weights were done before the experiment, so those were
23 pre-experimental weights.

24 Q. So when were those weights taken?

25 A. Lisa can speak better to it than me but

1 they were done before the pilot project started with
2 the customers, so, in other words, they should have
3 reflected what was actually going on in our system.

4 Q. Now, you talked about a perception that was
5 circulating, didn't say by whom, that the dramatic
6 decrease in service levels may have been caused by
7 compaction. Is that because, although the service
8 levels decreased dramatically, the tonnage levels
9 decreased substantially but not quite as dramatically,
10 is that true?

11 A. I don't know the answer to that question.
12 One thing that you should note about our tonnage data
13 is it includes multi-family tonnage, that is apartments
14 and it includes single-family. It doesn't reflect only
15 what's going on in the single-family sector. I mean,
16 where we introduce programs and where we introduced
17 rate incentives was in that single-family sector, so --
18 and we haven't done a study that separates out or tries
19 to examine the facts only on the single-family sector.
20 And I suspect, and I don't know this, but I think you
21 would find a larger price elasticity if you segregated
22 that data out and looked at the single-family data
23 alone, plus we had huge growth in the multi-family
24 sector, I mean, enormous. It was financially good for
25 the utility and it was very surprising to all of us. I

1 mean, there were a number of additional apartments
2 added in the late '80s.

3 Q. Are you familiar with the term the Seattle
4 stomp?

5 A. Yes, I am.

6 Q. Can you tell me what that term means?

7 A. That's a term that the popular press
8 has mass used to describe compaction of containers in
9 Seattle and they attributed that to our increased
10 inversion of rates.

11 Q. I would like to go back and perhaps refresh
12 your memory about an article called the Road To
13 Recovery. Do you perhaps remember writing that now?

14 A. Which --

15 Q. I can give you a copy of this.

16 JUDGE HAENLE: Why don't you do this, Ms.
17 Egeler. Let me show it to your counsel first because I
18 only have one copy of it.

19 A. Yes, I did write this.

20 Q. And could you please turn to I think it's
21 the third -- no, it's further back than the third --
22 the final page, the second sentence, could you please
23 read that sentence into the record?

24 A. Right, that's correct. It says Seattle
25 experienced increased illegal dumping for several

1 months after the rate increases in 1987 and 1989.
2 Which I think is different than I think the way you
3 phrased your earlier question, which seemed to imply a
4 permanent increase in illegal dumping.

5 Q. But you did experience some increase in
6 illegal dumping after a rate increase, is that correct?

7 A. That's correct. That's correct.

8 Q. I have no further questions, Your Honor.

9 JUDGE HAENLE: Commissioners?

10 E X A M I N A T I O N

11 BY CHAIRMAN NELSON:

12 Q. Mr. Pealy, I would like to ask you questions
13 that are not in your testimony but just to give me some
14 information about where Seattle is generally with its
15 recycling programmings. I'm a resident of the city,
16 live south of the canal, live in portion of the
17 recycling experiment, and, as I understood it, when it
18 was originally set up, the north side of the city and
19 the south side of the city were to be conducted as
20 experiments and eventually a decision would be taken
21 about how -- which approach worked better. Has that
22 analysis been done yet?

23 A. I think where the council ended up was
24 feeling that keeping two separate systems in two
25 different sectors was good in the long-term for

1 competition and that bidding the city out in at least
2 two sectors was something they always wanted to do, and
3 so we essentially ended up with two different systems.
4 One thing that -- in terms of performance what we found
5 is that the source separated once a week system diverts
6 more tonnages than the once a month commingled system
7 in the south end, and some of that is due to frequency
8 of collection, I think.

9 Some of it also may be demographics in terms
10 of just -- you just have a different population in the
11 south end of the city than in the north end.

12 Q. Does more tonnage, in your mind, if I may do
13 the qualitative, mean a more successful program?

14 A. Yes, in our terms. In Seattle recycling is
15 cost effective.

16 Q. Residents, though, had different views about
17 the sightliness of the source separated in the north
18 versus the larger green box in the south?

19 A. Right.

20 Q. Are there any evaluations of customer
21 acceptance or anything like that?

22 A. We found that both sets of customers love
23 their programs and when we go up, you know, and talk to
24 people on north end, they say, don't change my system.
25 We hear it from the same people in the south end of the

1 system. So I think people get used to their own system
2 and tend to want to stay that way.

3 Q. And so then, if I may paraphrase what I just
4 heard from you, you tend to keep the sector separate
5 and periodically you go out for bid?

6 A. That's correct.

7 Q. Have you changed your haulers over the
8 course of the --

9 A. No, we haven't.

10 Q. And how often do you go out for bid?

11 A. Typically every six to eight years.

12 Q. And then the contract is that long?

13 A. Right. Correct.

14 Q. Thank you. That's all I have.

15 E X A M I N A T I O N

16 BY COMMISSIONER HEMSTAD:

17 Q. You referenced a possible different
18 demographics due to. Do you do studies on that?

19 A. Yeah, we have done one that was not
20 published and sort of controversial within the utility,
21 but it looked at how income, education, race, price
22 and some other variables affected curbside
23 participation by census tract. And that was the lowest
24 level of data that we had, and it essentially found
25 that in the south end where there is a lower level of

1 education, where there are more people with English as
2 a second language, that participation is lower, so a
3 lot of sort of nonprice related variables did impact
4 participation.

5 Q. Did that study include any data with respect
6 to family size and recycling?

7 A. I don't recall that for sure.

8 Q. That's all I have.

9 JUDGE HAENLE: I did --

10 BY CHAIRMAN NELSON:

11 Q. Follow up on that, would that be available
12 to us?

13 A. I can see if it's available. I have to talk
14 to my director about that because again I said it was
15 sort of controversial in terms of raising some other
16 issues.

17 Q. Why don't we see. I would like to make a
18 bench request of it if it's not confidential and
19 proprietary in any sense. I'd just be interested.

20 A. I'll check on that.

21 (Bench Request 1.)

22 Q. One more followup. Are the billing systems
23 for the north or the south side different?

24 A. No, they're not.

25 Q. So the prices people pay are the same?

1 A. Right. It's all combined utility billing
2 system.

3 Q. Thank you.

4 JUDGE HAENLE: We need to talk logistics for
5 just a minute. Would it be possible for you to find
6 out over the weekend if that is available?

7 THE WITNESS: No, it won't be. I'm going to
8 be out of town for my kids.

9 JUDGE HAENLE: Well, let's see. We only
10 have through Tuesday. Can you let us know by then and
11 provide it by then if it is available?

12 THE WITNESS: Like I say, I'm leaving in the
13 morning through the middle of next week.

14 JUDGE HAENLE: Well, you didn't say how
15 long. What do you suggest, Ms. Perry?

16 MS. PERRY: Is it possible to make a phone
17 call from here and check, see if it's available?

18 THE WITNESS: I will try when I get home
19 tonight.

20 JUDGE HAENLE: The problem we have is that
21 we're only going to be meeting -- or we only have
22 hearings scheduled through Tuesday, and if anything
23 comes in after Tuesday, people will not have the chance
24 to ask any questions they might have about it or to
25 address its admissibility. I'd like obviously the

1 commissioners to have the information they want. Can
2 you check today?

3 CHAIRMAN NELSON: Why don't you just assume
4 he can give it to us and make it a late filed exhibit,
5 and if he can't, have Ms. Perry write us a letter and
6 tell us why he can't. Would that be all right?

7 JUDGE HAENLE: We can set it up in that
8 manner and if you have an objection then as to its
9 admissibility, why don't we make that objection due in
10 writing within five days of the receipt of the
11 document. Is that all right?

12 MS. THOMAS: Fine.

13 JUDGE HAENLE: We'd like that as soon as
14 possible, Ms. Perry, if you could give us an idea as
15 soon as possible when it can be expected, that will
16 help, too, and I had some questions as well.

17 EXAMINATION

18 BY JUDGE HAENLE:

19 Q. On page 8, you talk about a past elasticity
20 estimate of negative .14 percent, and the current
21 estimate of negative .07 percent. Is it your opinion
22 that a elasticity of either amount is reflective of a
23 significant amount of change?

24 A. There are statistical tests for comparing
25 two different estimates of the same number over time,

1 and I did not perform those. It was large enough that
2 we thought that it was reasonable to change the number.

3 Q. But you said that you don't have any of the
4 backup data whatsoever to explain how you calculated
5 the minus .07 percent?

6 A. Right. As I explained to Ms. Thomas this
7 morning, Jennifer Bagby, who was our senior economist,
8 was on maternity leave at the time and we had a person
9 doing the staff work on that and that person did not
10 save their background work.

11 Q. Referring to page nine, top of the page, do
12 I understand your testimony correctly to mean that
13 price was found to have a limited but measurable
14 elasticity, and that over time the ability to affect
15 behavior will require greater and greater price
16 changes?

17 A. Let me read what I have here.

18 Q. I'm referring to the first question and
19 answer on page nine.

20 A. Yes, I mean, that goes back to the
21 elasticity, that you'd expect the customer to be less
22 price responsive over time, in terms of being able to
23 recover more material.

24 Q. Does Seattle provide financial assistance to
25 limit the cost of collection for eligible customers?

1 A. We do have a low income rate assistance
2 program, and it covers all qualifying low income
3 households in the city. It's not limited to elderly
4 customers and it's not limited to handicapped customers
5 as it used to be.

6 Q. What do you have to do to qualify?

7 A. I think I also -- also in one of my exhibits
8 I included the criteria. Basically looking at the
9 federal requirements for receiving low income
10 assistance, and people qualify through the city's
11 department of housing and human services.

12 Q. Do you know what the percentage or the
13 dollar discount given is?

14 A. Yes. It's 60 percent off the micro, mini-
15 or one can, 20 percent on the second can of service,
16 and no discounts after that, so we don't provide any
17 discount for people who choose to get a third can or a
18 fourth can.

19 Q. How many customers receive assistance, do
20 you know?

21 A. I think in total now we've got about 12,000.

22 Q. And do you know what the annual expense to
23 the city is?

24 A. About one and a half million dollars, in
25 terms of costs that get shifted to other customers.

1 Q. Thank you. And so the subsidy is made up
2 through the rates of other customers?

3 A. Correct. That's true with our other
4 utilities also.

5 Q. Does the city determine the appropriate
6 level of service that each eligible recipient should
7 receive or may customers use whatever level they feel
8 is appropriate and receive that assistance?

9 A. They choose their service level.

10 Q. How do they do that?

11 A. Just call into the utility and present some
12 piece of information that says that they are eligible
13 for assistance, tell the customer service
14 representative what service level they want, and they
15 get their can delivered just like anyone else.

16 Q. Okay. Do you know if the cities of
17 Bellevue, Mercer Island and Lake Forest Park allow
18 these types of subsidies?

19 A. I don't think so, but I'm not positive.

20 Q. And has the city made any study to determine
21 whether the lower rates resulted from the low income
22 subsidy have resulted in a higher than normal tonnage
23 of solid waste disposed of?

24 A. We found that generally there are more extra
25 can customers as a share of the total group. I don't

1 remember what that percentage is. So more people --
2 out of the -- you know, the 12,000 customers on rate
3 assistance, a larger share are on second cans than you
4 would find in the general population.

5 Q. Have you made a study of that?

6 A. No. I mean, not in terms of an analysis.

7 Q. So how do you get the figures?

8 A. Just from our customer data. When we go
9 about setting rates, we need to look at how many
10 customers we expect to be at different service levels
11 by rate class, and so we will look at low income
12 customers, we'll look at regular single-family
13 customers, and calculate the share of people who are on
14 each service level. And as I recall from the last rate
15 study, we had more low income folks on second cans as a
16 share of that group than for the other group.

17 Q. Okay. Good. Thank you. Commissioners,
18 anything else?

19 CHAIRMAN NELSON: No.

20 COMMISSIONER HEMSTAD: No.

21 JUDGE HAENLE: Any redirect?

22 REDIRECT EXAMINATION

23 BY MS. PERRY:

24 Q. Yes, I have. This morning Ms. Thomas was
25 asking you a question regarding larger households and

1 asked whether you would assume that they generate more
2 waste. Do you recall that line of questioning?

3 A. Yes.

4 Q. Does the fact that a household -- a larger
5 household might generate more waste, does that
6 necessarily mean that they're going to have a higher
7 level of service?

8 A. I don't think so. In Seattle we haven't
9 done an analysis or looked at, you know, the
10 distribution of subscriptions by household size, so I
11 don't know, I don't have that information, but in
12 Seattle somewhere between 93 and 95 percent of all of
13 our customers are on one can of service or less,
14 compared with Eastside which I understand has five
15 percent on mini-cans, roughly, what, 20 percent on
16 single can of service, and most of the other customers
17 are on much higher levels of service, so, you know, in
18 terms of both the combination of recycling programs and
19 our rate structures, people have been very successful
20 at getting down to low service levels, and I know from
21 just examples of my own neighborhood, my next door
22 neighbor has two kids and two working adults, and
23 grandmother living there, and they have a mini-can of
24 service, so, you know, it's definitely achievable.
25 It's tougher, you know, for the larger household.

1 Q. Referring to page 8 of your testimony, I
2 think we've gone over this a couple of times, but I'm
3 going to tread this ground again. You talk about the
4 period between 1986 and 1988, and I'm still confused.
5 Do you know when in 1988 these elasticity that you
6 refer to, the minus .1, the minus .2, were derived?

7 A. Where are you --

8 Q. At the top of the page, line three.

9 A. Right. I don't know if that was referring
10 to a particular period.

11 Q. What you say is this period is based on a
12 reduction in residential disposal tons that Seattle
13 experienced between 1986 and 1988, and maybe my
14 question was imprecise. What I am trying to find out
15 is what data from 1988, up to what point in 1988 --

16 A. Total tons in 1986 versus total tons in
17 1988, so included the whole year's worth.

18 Q. Referring to page six of your testimony,
19 this morning Ms. Thomas was asking you some questions
20 about the extra can rate, and, as I recall your
21 testimony, you had started to say that you wanted to
22 talk about the history of the city's policy regarding
23 the determination of that rate, and you didn't have an
24 opportunity to do that. Would you like to tell us what
25 you were going to tell us now?

1 A. I wanted to clarify that when the mayor went
2 up to the council in 1992 with his rate proposal which
3 included an extra can proposal, he came in at \$12.50 a
4 month, and the council then raised that rate to \$14.98
5 a month, and were very clear in oral discussions that,
6 you know, they saw this as very important for policy
7 reasons to further encourage recycling. So there's a
8 pretty strong commitment to the sense that's correct
9 you know, for environmental reasons and maybe even
10 broader policy reasons, that we want to encourage, you
11 know, waste reduction and recycling with high, you
12 know, extra can rates.

13 Q. Referring your attention to Exhibit 28 which
14 is on the easel over by the wall, the two pages there,
15 one is labeled page one and page two, I don't know if
16 you can see that far, those have been introduced for
17 illustrative purposes only, and not to say that they
18 have specific probative value. You've had a chance to
19 look at those charts and you can see that one is
20 supposed to illustrate Eastside's current rates, the
21 other is the differentials in King County's ordinance.

22 Looking at those two, based on your
23 experience as an economist and your experience at the
24 Seattle solid waste utility, could you state an opinion
25 regarding what sort of behavior you might expect on the

1 part of customers who were subject to rates that met
2 the requirements of page two as compared to those as
3 illustrated on page one?

4 A. Okay. I guess to explain that -- I'll sort
5 of assume that the chart on left which is Eastside's
6 current rates, is Eastside's current rates, the chart
7 on the right are Seattle's rates, let's assume that.

8 Q. Right.

9 A. And the chart on the right, the graph on the
10 right, has a much steeper inverted rate structure than
11 the one on the left. If you compare Eastside and
12 Seattle, I think we both have curbside collection
13 programs in place, so convenience, available curbside
14 collection both of yard waste and recyclables. In our
15 case, which is again the case on the right, what you
16 find is that we have a very, I think, different level
17 of program performance than I think that they've got on
18 the Eastside, and you know it depends on policy makers
19 to decide whether that's good or bad, but what you find
20 in our case is that our residential customers currently
21 recycle 48 percent of their waste. In the case of
22 Eastside, my understanding is it's roughly 30 percent.
23 I don't know if that's the exact figure or not, but
24 it's close, I think. And then again in our case, as I
25 said, 93 to 95 percent of our customers subscribe to

1 one can of service or less. The reason I brought up
2 the point in the beginning -- well, to go back to
3 Eastside I want to again clarify, in their case that
4 only five percent of customers are on mini-cans, 15 to
5 20 percent on single can, and the rest are on 60 and
6 above.

7 The reason I brought up the point in the
8 beginning about convenient curbside programs is that
9 you need to to some extent compare apples to apples and
10 I think when you compare the two, they are in many
11 respects the same. They have convenient curbside
12 programs, but the big difference between us and
13 Eastside, or King County and Eastside, is the level of
14 the inversion -- or the inversion of rates, and so I
15 think that that -- my read of that is that there is a
16 dramatic impact of rate incentives on both subscription
17 levels and curbside program performance.

18 Q. So what would you -- I guess maybe I didn't
19 hear quite the answer to my question. Exactly how
20 would you compare the two in terms of what behavior you
21 would expect?

22 A. People are going to put more stuff in their
23 recycling bin and less stuff in their garbage.

24 Q. This morning you mentioned the Telus study,
25 which was attached as an exhibit to your testimony, and

1 you mentioned that you and another staff member had
2 done a paper based upon that Telus study and expanded
3 upon that a bit. Would you please explain what work
4 you've done on that?

5 A. Well, to try to put in a reasonably small
6 nutshell, the Telus study tried to quantify all of
7 these sort of indirect costs of both recycling programs
8 and garbage disposal programs, incineration and waste
9 reduction, and what they tried to do was, number one,
10 look at, well, what kinds of costs do -- does curbside
11 garbage collection and curbside recycling collection
12 impose on the environment, so, for example, they looked
13 at, well, it takes two trucks to collect recycling
14 versus one truck to collect garbage. So in that
15 respect, garbage collection is more environmentally
16 preferred to recycling and yard waste collection. But
17 if you look a little further downstream and you ask
18 yourself, okay, well, what impacts does making new
19 products out of virgin materials have on the
20 environment versus what impacts do -- does the use of
21 recyclable material have on the environment, and there
22 what you find is something completely different, is
23 that making a product out of recycled materials has
24 much fewer negative environmental impacts than making
25 new products out of virgin materials.

1 The study also looked at energy usage and
2 various other impacts on the environment, and on
3 average what the author of the study found was that if
4 you apply the study to Seattle as an example, is that
5 there is an extra \$60 a ton of costs by disposing of
6 waste as garbage rather than as recyclables and it's
7 all due to this environmental impact of these other
8 bads associated with garbage disposal.

9 Now, the study itself is, you know,
10 controversial. It hasn't had a tremendous amount of
11 review from too many different parties, but it's very
12 conservative in some respects. It probably overstates
13 the benefits of recycling from other perspectives, but
14 what we concluded in Seattle was, well, the magnitude
15 of these numbers are significant enough that our city
16 council should attempt to take into account these other
17 costs in selecting programs, and we will be making a
18 recommendation to them to include these in rate design,
19 so again what we concluded was that applied to Seattle,
20 there is an extra credit to recycling of \$60 a ton or
21 an extra penalty to the cost of disposal of \$60 a ton.

22 Q. Ms. Egeler asked you questions regarding
23 people who pay the minimum charge or she referred to it
24 also as a zero can rate. Somebody who pays this
25 minimum charge and doesn't have a set-out --

1 A. They can get recycling. I should clarify
2 that.

3 Q. But that doesn't necessarily mean that that
4 person generates absolutely no solid waste, does it?

5 A. That's correct, yeah.

6 Q. You were also asked a number of questions by
7 Ms. Egeler regarding the elasticity of minus .07. Now,
8 you're familiar with the Eastside program, what is
9 available to Eastside --

10 A. I think you might want to clarify that to
11 me.

12 Q. Well, you've had a chance to review the
13 information regarding Eastside and what services are
14 provided to them and what rates the individuals there
15 pay?

16 A. Yes.

17 Q. And what their participation levels are?

18 A. Yes.

19 Q. What sort of elasticity would you expect
20 with regard to the demand for disposal of the Eastside
21 customers as compared to Seattle customers?

22 A. I'm not sure I can assign a number, but I
23 would expect it to be substantially larger than it is
24 for the city of Seattle, just because in terms of where
25 we are in the evolution of our programs. Again, to go

1 back to what I was saying a minute ago where I compared
2 the two rate structures, I mean, Seattle has squeezed
3 most of what it can out of the turnip, and whereas in
4 the case of Eastside, the rate structure is flatter,
5 the average level of rates is lower, and the diversion
6 rate of recyclables is lower, so I think to me it's
7 pretty clear that certainly moving towards the King
8 County structure would probably have a dramatic impact
9 on recycling tonnages.

10 Q. Just a question I have about elasticity.
11 The fact that something has a low elasticity does not
12 mean that it has zero effect, does it?

13 A. That's correct.

14 Q. And when somebody uses the term
15 insignificant in connection with an elasticity, that
16 may mean it's low, it doesn't mean it's zero, isn't it
17 that correct?

18 A. Correct. Or it may mean in the statistical
19 sense that it is not insignificant, that it's
20 essentially zero.

21 Q. When you were answering a question that was
22 posed by Ms. Egeler I believe I heard you say that you
23 really hadn't separated this out but you would expect
24 there to be a large elasticity among the single-family
25 sector of your customers. Why is that?

1 A. Primarily because that's where the bill
2 goes. I mean, if you look at city of Seattle, every
3 single family customer or multi-family customer in a
4 duplex up to a four-plex gets a bill. They see their
5 prices. Whereas if you are an apartment dweller, if
6 you live in an apartment unit, in a 600 unit complex,
7 you don't see a bill, and, if you remember, recycling
8 is not convenient in an apartment.

9 In the case of a single-family customer, all
10 of those factors, you know, are not there, all those
11 negative factors, so I think the combination of the
12 bill, the facts that every time our customers --
13 somebody new signs up for service or they see a notice
14 of rate increase, they look at those relative prices
15 and they -- it's pretty clear what they're going to do.

16 Q. Do you happen to know what the percentage of
17 multi-family customers are in Seattle?

18 A. It's roughly 94,000 units out of a total of
19 254,000 units.

20 Q. You were also asked by Ms. Egeler about
21 illegal dumping and I believe you said that there was
22 an increase in illegal dumping initially. Do you know
23 the magnitude of that increase?

24 A. I don't know the tonnage numbers.

25 Q. And has illegal dumping continued to be a

1 problem since the initial transition period?

2 A. There's been no change. After rate
3 increases we typically see some. The most common form
4 of illegal dumping in the city is construction waste,
5 small reefers, remodelers, those kind of folks, small
6 sort of off the books operators of haulers. These guys
7 will dump in the middle of the night in ravines and
8 that sort of thing, but dumping trash cans, that type
9 of stuff, we don't tend to see.

10 Q. So you don't see the mixed municipal solid
11 waste ending up as illegal dumping?

12 A. No.

13 Q. Commissioner Nelson asked you some questions
14 about the current contracts for recycling. When did
15 those current contracts go into effect?

16 A. The latest ones went into effect March of
17 1993.

18 Q. When do those expire?

19 A. 1998.

20 Q. In response to a question by Commissioner
21 Hemstad, you talked about nonprice related variables
22 and how they had had an impact. As I recall, you were
23 talking about -- this was the study that commissioner
24 Nelson was interested in, in obtaining a copy of, and
25 that perhaps people for whom English is a second

1 language and some other variables may have had an
2 impact. You didn't mean, though, that price had no
3 impact, did you?

4 A. Correct, I didn't.

5 Q. That price was a variable?

6 A. Price is significant, yeah.

7 JUDGE HAENLE: Going to have to take it one
8 at a time or it won't be written down.

9 Q. Sorry. Oh, and finally, Judge Haenle asked
10 you whether you had done a study regarding the number
11 of extra cans among the low income cohort, and I
12 believe you said that you hadn't done a study.
13 However, Seattle collects data on that, do they not?

14 A. Correct.

15 Q. And you've reviewed that data?

16 A. Right. We didn't do any statistical
17 comparison between low income households and regular
18 single-family customers, anything like that. We
19 collect the data, you know, and we can calculate the
20 shares of people on low income rates who are on extra
21 cans versus regular single-family customers.

22 Q. I forgot one question. If you could please
23 look at your exhibit, it's NSP-7, page three. Ms.
24 Egeler had asked you some questions regarding 1988 and
25 the reduction in the overall tonnage caused by

1 recycling, and I believe that the testimony was that
2 garbage tons had decreased by about 10,000 tons while
3 recycling had gone up by 23,000 tons. I'd just like to
4 clarify a couple points in my mind. This was after the
5 introduction of curbside programs, is that correct?

6 A. Yeah. One program was introduced in '88, so
7 the whole -- it wasn't city wide.

8 Q. But there was some curbside recycling?

9 A. Yes.

10 Q. Now, the fact that garbage tonnage went down
11 less than recycling went up, I'm just curious about
12 that. Aren't there other alternatives for recycling?
13 Weren't people taking their recycling to private
14 recycling companies prior to the introduction of the
15 curbside program?

16 A. That's correct.

17 Q. So the fact that the overall garbage tons
18 decreased by a lower number than the recycling -- the
19 recycling tonnage went up doesn't necessarily mean that
20 there's some disparity in the diversion, is there?

21 A. No. I mean, actually, the other issue here
22 is that again you've got multi-family tons included
23 with single-family tons and because of all the growth
24 in the multi-family sector in the '80s, that easily
25 could be driving what's going on, you know, with those

1 numbers, but I haven't done a analysis of that. I
2 would guess that that's primarily it, you know, all
3 that growth.

4 Q. So you're saying it's possibly due to
5 population growth?

6 A. Yes. Yes.

7 Q. But also people before curbside recycling
8 was available, many people did take their recycling to
9 private recycling centers?

10 A. City had 24 percent overall recycling rate
11 before the city got into its programs, so, in other
12 words, private recyclers were bringing in 24 percent of
13 materials that people were generating before the city
14 got into the business.

15 Q. So there are at least two factors in play
16 here, the recycling that people were doing on their own
17 prior to the curbside program and also the increase in
18 population?

19 A. Correct.

20 MS. PERRY: Thank you. That's all I have.

21 JUDGE HAENLE: Any redirect, Ms. Thomas?

22 MS. THOMAS: Briefly, recross.

23 JUDGE HAENLE: I'm sorry, the recross.

24 RECROSS-EXAMINATION

25 BY MS. THOMAS:

1 Q. With respect to the low income program, has
2 the city determined whether household size tends to be
3 larger among the low income population?

4 A. I don't know the answer to that.

5 Q. So the fact that the customers on the low
6 income rate tend to use higher levels of service or
7 tend to use an extra can might result from household
8 size, might result from lower level of education, might
9 result from greater proportion of English as a second
10 language, and is not necessarily linked to the rate
11 structure or rate level?

12 A. That's possible.

13 Q. And in talking about the history of the
14 policy on the extra can rate, you stated that in your
15 sense comparing Eastside to Seattle was comparing
16 apples to apples because both had convenient roadside
17 recycling and yard programs, but then in Seattle more
18 of the waste is recycled. Do you know whether the
19 curbside recycling and yard waste programs have been
20 available in the Eastside service territory for as long
21 as they've been available in Seattle?

22 A. I don't think so.

23 Q. Do you know what the difference in time is?

24 A. No, I don't.

25 Q. Do you know whether the overall rate levels

1 are comparable as between Eastside and Seattle?

2 A. I suspect that they're lower. In fact, I
3 think that that's another reason why inversion of rate
4 design is important, because when the city of Seattle
5 has both the level of rates and the inversion of rates
6 working in its favor to achieve its goals, it's got two
7 pieces of a puzzle, whereas, on the Eastside, with a
8 low level of rates, what other pricing tool do you have
9 other than rate design? So it's not the overall
10 element of rates which can cause an increase in
11 recycling rates. It's going to have to be rate design.

12 Q. Much earlier today I think you testified
13 that recycling wasn't necessarily cost effective, that
14 some materials couldn't cost effectively be recycled,
15 and isn't it true that if your overall rate levels are
16 not so high, this may be due in part to -- let me start
17 over. If the overall rate levels in Eastside service
18 territory are lower than in Seattle's, could that be
19 due in part to a lower disposal cost for the Eastside
20 service territory than for the city of Seattle?

21 A. That's part, but, as I understand it also,
22 tip fees for Eastside services don't include land
23 foreclosure costs. The city has spent \$100 million to
24 close two landfills. We have a high city utility tax.
25 We have low income rate assistance. I don't know if

1 that's widely available on the Eastside, so those
2 are more the things that are determining the relative
3 costs. And in addition we also finance all the city's
4 litter control programs through rates, so those are
5 big, big items.

6 Q. So increasing the overall rate levels in the
7 Eastside service territory might have the same effect
8 as having a more steeply inverted rate structure?

9 A. Correct. Problem is when you're in a
10 situation where you have to meet -- just meet your
11 revenue requirement, when you can't collect too much.

12 Q. Right. Do you know how long the level of
13 inversion that's reflected on page one of Exhibit 28
14 has been in place for Eastside Disposal? I think you
15 described it as a flatter rate structure than Seattle.

16 A. I think just several months.

17 Q. Do you know what rate structure was in place
18 prior to that?

19 A. As I understand, it was more steeply
20 inverted, that the mini-can rate went up substantially
21 and the other rates did not.

22 Q. Do you know whether the rate structure that
23 was in place for Eastside Disposal prior to the change
24 a couple of months ago roughly approximated the level
25 of inversion that's reflected on page 2 of Exhibit 28?

1 A. I don't know.

2 Q. I have no more questions. Thank you.

3 JUDGE HAENLE: Anything else, Ms. Egeler?

4 RECROSS-EXAMINATION

5 BY MS. EGELER:

6 Q. Yes. Mr. Pealy, just to put things into
7 basic non-economist terms, an elasticity estimate of
8 negative .07 means, if I understand this correctly,
9 that you would have to increase rates by 100 percent to
10 get just a seven percent increase in recycling, isn't
11 that the case?

12 A. That's correct. Depends on what elasticity
13 that thing is measuring. If it's relative can rates or
14 if it's tip fees, the interpretation will differ.

15 Q. You stated in response to one of Ms. Perry's
16 questions that you thought the elasticity for Eastside
17 would be somewhat higher than the elasticity currently
18 is for the city of Seattle, correct?

19 A. Yes, I did.

20 Q. Would you assume it would be something in
21 your very rough estimate -- estimation like a
22 negative .14, such as you stated was the case in
23 Seattle a number of years ago?

24 A. Well, I think Dr. Albert from the county
25 came up with the number of minus .2 and I would expect

1 it to be at least that large. The problem with
2 calculating those numbers is that nobody has ever done
3 a study at the household level of how rate inversion
4 impacts recycling and waste disposal, so we're not
5 quite sure, plus we've got the data problems of
6 multi-family tons and got single-family tons being
7 aggregated together, so I'd say minus .2 is the least
8 -- the bare minimum.

9 Q. So what you're saying is we really don't
10 know what that elasticity is, is that correct?

11 A. I think Ms. Albert's number is a good place
12 to start.

13 Q. Would you characterize Ms. Albert's number
14 as her best estimation or projection?

15 A. It uses good data and good statistical
16 techniques.

17 Q. Is it based on known information or based on
18 her professional judgment of future events?

19 A. It's based on known information. It uses
20 data to run a regression analysis, so it's based on
21 actual data.

22 Q. Can you tell me what that actual data would
23 be? In other words, this is actual data from Eastside
24 customers showing what in the past their elasticity
25 response has been?

1 A. I think Eastside is in the pool of data.
2 It's part of the pool.

3 Q. Would it be easier just to drop this and
4 I'll pursue this with Ms. Albert herself since it's her
5 study?

6 A. Yes.

7 Q. But getting back to basic terminology, even
8 if we assumed a elasticity of negative .2, doesn't
9 that mean then that you would have rate increase of one
10 point hundredth and in effect would be only a 20
11 percent decline in service level?

12 A. Yes. For tonnages, again, depending on your
13 interpretation.

14 Q. I found your discussion of multi-family --
15 excuse me, multi-lingual customers very interesting.
16 Are you saying that -- if I understood you correctly,
17 that those who speak English as a second language had a
18 lower participation rate?

19 A. Yeah. We found that's correct, you know,
20 the kinds of materials we have to use with customers
21 who have English as a second language or are
22 non-English speaking people are obviously far different
23 than what we use with most of the rest of our customers.

24 Q. Do you think that possibly part of the
25 problem may be that most of your educational

1 information would be directed towards those who do
2 speak English as a primary language?

3 A. I wouldn't go anywhere near that far, I
4 think, because we do have a very high participation
5 rate as it is, so the marginal payoff to that
6 additional education I don't think would be that great.
7 I think what gets our customers, again, is that
8 brochure they get when they sign up for service that
9 says that they're going to pay \$28 or whatever it is
10 for two cans but only \$14 for one can. That's where,
11 you know the message comes.

12 Q. Given that information why do you think that
13 there's a difference between the participation rates
14 for those who speak English as their primary language
15 and those who speak English as a second language?

16 A. I can only speculate. Some are cultural
17 differences, some are due to the fact that the message
18 doesn't get across to those people like you said.
19 Combination of those things.

20 Q. So they have the -- they have the rate
21 incentive, correct, as you've said, they get the same
22 bill that everyone gets?

23 A. Right.

24 Q. But the primary difference would be that
25 where radio advertisements in English or billing

1 inserts in English would not necessarily get through to
2 them, is that correct?

3 A. Correct.

4 Q. So in your opinion does that sort of
5 advertising, public education combination have a impact
6 on people's behavior?

7 A. I think it does. I think my own personal
8 view is that a lot of the work we do with kids has had
9 a big impact but that is kind of a long-term impact. I
10 think that a lot of the other materials that we do send
11 out are really related to specialized materials like
12 hazardous waste and things like that, composting. We
13 don't do that much education related to the regular
14 curbside program, because it's an involved program.

15 Q. You've spoke with Ms. Perry a bit about the
16 minimum rate or zero can customers and said that those
17 customers, some of them, may still be generating solid
18 waste. What are they doing with that solid waste?

19 A. They occasionally take it to the transfer
20 stations by themselves.

21 Q. And are they charged for taking it to the
22 transfer station?

23 A. Yeah, they are.

24 Q. And then you don't incur a cost for hauling
25 that waste, for the city hauling that waste to the

1 transfer station?

2 A. Correct.

3 Q. So in fact they actually pay twice for the
4 service if they haul it to the transfer station?

5 A. No. As I said, again, the 5.95 does not
6 cover the cost of service other than recycling. They
7 can get curbside recycling. It covers the cost of low
8 income rate assistance, landfill closure and other
9 systems costs.

10 Q. Let's assume a zero can customer and this
11 customer is generating solid waste, but they're hauling
12 it to the landfill. They would pay for that disposal
13 at the landfill, correct?

14 A. Correct.

15 Q. And they would also pay a minimum rate
16 charge in their bill for solid waste collection,
17 correct?

18 A. Correct.

19 Q. You were talking with Ms. Perry about some
20 of the externalities and the -- what you see as the
21 lesser cost of recycling materials versus using virgin
22 or raw materials, is that correct?

23 A. Yes.

24 Q. And I believe that you cited a \$60 figure
25 for that?

1 A. Right.

2 Q. Does that make an assumption that there is a
3 market for these recycled materials?

4 A. It includes assumptions about market prices
5 for materials, yes.

6 Q. I have one last question regarding service
7 level. Seattle -- am I correct in understanding that
8 they have a micro-can service?

9 A. We do now, yes.

10 Q. And that's a 10 gallon service, is that
11 correct?

12 A. It's 12 gallons once a week, yeah.

13 Q. 12 gallons once a week. And do you know if
14 King County haulers offer a micro-can service?

15 A. I don't think so.

16 Q. I have no further questions.

17 JUDGE HAENLE: Commissioners, anything else?

18 CHAIRMAN NELSON: No.

19 E X A M I N A T I O N

20 BY COMMISSIONER HEMSTAD:

21 Q. I'm sorry, I want to pursue one point. In
22 response to questions both from Ms. Perry and Ms.
23 Thomas with regard to Exhibit 28, I believe you
24 indicated that the Seattle rate structure approximates
25 page 2?

1 A. It's steeper than that but it's closer to
2 that than it is to the other one.

3 Q. Be more steep than that, and I think you
4 said that there is a difference in recycling between
5 the two, recycling of 40 percent as against 30 percent?

6 A. 48 versus 30.

7 Q. 48 versus 30?

8 A. Right.

9 Q. And then you attributed that difference to
10 the difference in the steepness of the rates?

11 A. My belief is that that's most of the
12 difference.

13 Q. Now, these rates went into effect relatively
14 recently?

15 A. The ones --

16 Q. Yes.

17 A. Yes.

18 Q. Wouldn't that data have been developed under
19 the old rate system before Eastside?

20 A. Yeah. I think that that's true, although 30
21 percent recycling recovery rate as I understand has
22 been the level for some time, so it's not -- you
23 wouldn't expect an instantaneous effect.

24 Q. But the old rates are approximately
25 approximate page 2?

1 A. Do they?

2 Q. So if the old rates for Eastside approximate
3 page 2 and it still generates that -- generated that
4 difference in recovery of 48 versus 30, to what would
5 you attribute that difference?

6 A. I guess I have a point of clarification
7 or something. My understanding was the mini-can rate
8 went up 70 percent but nothing else changed, and I
9 don't know how --

10 Q. No, I'm assuming that the data would have
11 been collected under the old rate system which is
12 essentially like page 2.

13 A. Could be the average level of rates, like I
14 said.

15 Q. So then you would attribute the difference
16 to price, not to rate inversion?

17 A. Possibly. Possibly.

18 Q. So we're really talking about two factors,
19 overall price level and inversion?

20 A. Yes.

21 Q. Could there be a third factor difference
22 here and that would be of demographics?

23 A. Yeah. I don't know specifically what all
24 that would be. You asked a question earlier about the
25 study that I referred to, which looked at income and

1 education and so forth, and one of the things we found
2 was that education is highly positively related to
3 participation in recycling. The more educated the
4 public is --

5 Q. So that would tend to -- again, one's
6 general sense of the structure of Eastside, probably
7 relatively higher income level there?

8 A. That's what I would expect, income and
9 education level both, so given a rate structure I'd --
10 a given rate structure I think would produce more
11 participation in the Eastside than it would in Seattle.

12 Q. But still before the change with a
13 relatively high rate of inversion?

14 A. Yes.

15 Q. I suppose what that would suggest would be
16 that if all the prices were doubled, then, the system
17 would be better off, in terms of --

18 A. Or more inversion.

19 Q. Even more inversion, but -- but so your
20 solution would make inversion even greater?

21 A. Possibly. I mean, I think that the one on
22 the right, as I said, is less steep than Seattle's, so,
23 you know, moving towards something more like Seattle's,
24 I would expect to have, you know, a pretty substantial
25 impact.

1 Q. I assume Seattle has some interest in
2 elevating in the rates?

3 A. Yes.

4 Q. And that's why you subsidize low income
5 families?

6 A. Correct.

7 Q. Beyond that you don't have a particular
8 interest in equity between the cost generators and who
9 pays?

10 A. No, we do. Very much.

11 Q. But your pricing doesn't relate to that?

12 A. It depends on what perspective you take. If
13 you take the financial cost of service perspective,
14 then you're correct. If you take the perspective that
15 you ought to include the other benefits of recycling in
16 your rate structures, then you get a different
17 conclusion.

18 COMMISSIONER HEMSTAD: That's all I have.

19 JUDGE HAENLE: Anything more of the witness?

20 MS. THOMAS: No, Your Honor.

21 JUDGE HAENLE: Please make it brief and not
22 repetitive.

23 REDIRECT EXAMINATION

24 BY MS. PERRY:

25 Q. Very quickly, if I heard what you said

1 correctly, overall price levels have a effect but also
2 in your opinion inverted rates have a effect also on
3 prices -- behavior, rather?

4 A. Yes.

5 Q. Ms. Egeler asked you some questions about
6 customers for whom English is a second language.
7 Seattle does have an education program, does it not,
8 for solid waste customers?

9 A. Yeah, through pamphlets, mailings, various
10 things that happen in the community, meetings with
11 community groups and so on.

12 Q. Does Seattle provide brochures in different
13 languages to its customers?

14 A. We usually provide small synopsis of the
15 important parts of a brochure in different languages.
16 For example, the rates brochure will have a general
17 summary in Vietnamese or in Chinese or in other
18 languages that go out with the whole rates mailer so
19 that people who get it can at least get assistance to
20 help them with their rates.

21 Q. So effort is made to let them know what
22 information you want to get to them?

23 A. Yes.

24 Q. Now, Seattle has made a choice to both
25 educate its customers and to use price incentives as

1 well as a number of other different policies to
2 influence people's behavior?

3 A. Right.

4 Q. Has anybody at Seattle ever considered
5 concentrating its efforts on education and not having
6 price incentives for its garbage program?

7 A. No, not at all. I think that, you know, our
8 policy makers are pretty committed to educational
9 programs, although in tight financial times like right
10 now, I mean, there is, you know, concern about spending
11 a lot on educational efforts and promotional efforts
12 where the pay-off isn't clear, but I think there's
13 still a pretty strong commitment to the price
14 incentives because it's a fairly efficient way to get
15 the message to the customer about what our policy
16 makers consider doing the right thing, so, you know,
17 the message is is that I think they're committed to
18 education and so on, but there's more concern about its
19 potential benefits.

20 Q. What did you mean by the pay-off not being
21 clear for education?

22 A. To my knowledge, there aren't any
23 particularly good studies that indicate what level of
24 promotion or education results in a -- in X percent
25 increase in recycling rates or diversion rates. There

1 isn't such a study out there.

2 Q. As opposed to being able to calculate an
3 elasticity based on price?

4 A. Correct.

5 Q. Turning your attention again to Exhibit 28,
6 if you were to assume that rates had reached for
7 Eastside -- rates had reached differentials that either
8 approached or were at those contained in the King
9 County ordinance, what sort of effect would you expect
10 if those rates after reaching that level were changed
11 so that they were at the levels indicated on page one
12 of that exhibit, Eastside's current rates? What sort
13 of effect would you expect with regard to garbage
14 disposal?

15 A. I certainly wouldn't expect any further
16 progress towards the county's recycling goals. I think
17 if nothing else it would dampen the incentive, you
18 know, for customers to continue to recycle. I think
19 once people get into a certain pattern with their
20 recycling, they tend to stay in it, but large changes
21 in incentives can produce big changes in behavior, so
22 going from, you know, A to B, I would expect to see
23 some significant change.

24 Q. Thank you. That's all I have.

25 JUDGE HAENLE: Anything more of the witness?

1 MS. THOMAS: No, Your Honor.

2 MS. EGELER: I do have more questions, Your
3 Honor.

4 JUDGE HAENLE: Can we make this the last
5 round, please?

6 RE-CROSS-EXAMINATION

7 BY MS. EGELER:

8 Q. Could you please look at NSP-5 which is
9 Seattle's rate structure?

10 A. The one through '94? Yes.

11 Q. And you had said earlier that Seattle's rate
12 structure is very similar to page 2 of Exhibit 28.

13 A. No, I said that for comparison purposes
14 let's think of the steeper one as Seattle and the
15 flatter one as Eastside.

16 Q. In reality the percentages for Seattle are
17 quite a bit different than King County's, aren't they?

18 A. Yes.

19 Q. And these numbers are going to be very
20 rough, and when I say subject to check, I would
21 recommend that you check them, because this is quick
22 math sitting here and Mr. Davies gets some credit here,
23 too, but if you look at the 12 gallon, your micro-can
24 rate and the percentage spread between that and the 20
25 gallon mini-can rate, I believe that's around 22 to 23

1 percent, would you accept that subject to check?

2 A. Uh-huh.

3 JUDGE HAENLE: You'll need to answer yes or
4 no for the record.

5 A. Yes.

6 Q. And then the increase between the 20 gallon
7 mini-can rate and the 30 gallon one-can rate is
8 approximately 30 percent, isn't it?

9 A. Yes, it is.

10 Q. And then the rate doesn't jump dramatically
11 until you get to the spread between the mini-can rate
12 and the two-can rate or the 60 gallon rate, isn't that
13 correct?

14 A. Well, between the 30 and the 60 gallon rate
15 there's a dramatic spread, 100 percent.

16 Q. Right. That's what I meant. So there isn't
17 a -- so the rate spread between the mini-can and the
18 one-can rate is approximately half the rate spread that
19 would occur under the King County proposal, isn't that
20 correct?

21 A. Yeah.

22 Q. Okay. No further questions, Your Honor.

23 JUDGE HAENLE: Anything more?

24 REDIRECT EXAMINATION

25 BY MS. PERRY:

1 Q. One question. Referring to Ms. Egeler's
2 question regarding the rate spread, has Seattle made a
3 particular policy choice regarding -- well, obviously
4 they have as reflected in this rate schedule. Do you
5 know what the basis for setting the price for the one
6 can at 30 percent over the -- and I'm accepting your
7 figures -- over the 20 gallon and having the 60 gallon
8 level 100 percent over the 30 gallon level is?

9 A. Well, the spread between the lower service
10 levels, the 12, the 20 and the 30, are based on strict
11 cost of service allocations, with the exception of
12 subsidies and tranfers that I noted in some of my early
13 materials, and then for the 30 to 60 gallon and the 60
14 to 90, our policy makers took the position that based
15 on our data, most people should be able to achieve the
16 30 gallon service level, and that should be at least
17 the basis for a standard service level, which was kind
18 of generally where they -- why they decided to increase
19 that rate as steeply as they did, to get people down to
20 service levels that were achievable and to further
21 increase our recycling percentages.

22 Q. One last question. So the difference
23 between the one can and two can levels in Seattle's
24 system and the difference between the one can and two
25 levels in the Eastside -- excuse me, in the King County

1 ordinance is substantially different, it's 100 percent
2 versus 40 percent?

3 A. Yes. The big difference is in the higher
4 service levels.

5 RECROSS-EXAMINATION

6 BY MS. EGELER:

7 Q. In the policy considerations that the city
8 of Seattle makes regarding those differentials, is the
9 reason that the rate does not begin to soar until the
10 two-can level, is that reason because the city of
11 Seattle recognizes that if you can reduce your rate to
12 one can, you're already doing a pretty good darn job
13 and the city has chosen not to penalize you if you're
14 recycling that well, is that the case?

15 A. I think generally, yes. I think that's how
16 I would characterize council members' position on this.

17 Q. No further questions.

18 JUDGE HAENLE: Anyone else? All right.
19 Thank you, sir. You may step down.

20 Let us put the exhibit number 57 on the
21 bench request 1. It will be entered when received
22 subject to five days' objection in writing asking that
23 that be reconsidered by anyone if they object to it.
24 If that is not available, I want a letter instead
25 saying it is not available, please, and at that point

1 the letter will be made the exhibit.

2 (Marked Exhibit 57.)

3 JUDGE HAENLE: Let's take a 15-minute recess
4 at this time. Be back at ten minutes after three and
5 can we make a real effort next time around to make it
6 only the two rounds that are called for in the rules?
7 We have 11 and a half hours left of estimates. We have
8 Monday and it sounds like we're going to have to go
9 Tuesday morning in Bellevue, break for the -- break and
10 have the public hearing, and then we're going to have
11 to continue with witnesses, and we've got the place
12 until midnight, but I sure hate to think about going to
13 midnight, so you have control over that. Let's choose
14 your questions carefully. Okay.

15 (Brief recess.)

16 JUDGE HAENLE: Let's be back on the record
17 after an afternoon recess. During the time we were off
18 the record, a new witness assumed the stand and would
19 you raise your right hand, please?
20 Whereupon,

21 KIMBERLY ALBERT,
22 having been first duly sworn, was called as a witness
23 herein and was examined and testified as follows:

24 JUDGE HAENLE: Also during the time we were
25 off the record I marked for identification a number of

1 documents as follows. Marked as Exhibit T-58 for
2 identification is a nine-page document. The caption on
3 it is testimony of Kimberley R. Albert. It has KRA-T
4 in the upper right-hand corner.

5 (Marked Deposition Exhibit T-58.)

6 JUDGE HAENLE: Marked as Exhibit 59 for
7 identification is a 14-page document, KRA-1. 60 for
8 identification is an eight-page document, KRA-2. Then
9 T-61 for identification is a ten-page document which
10 is entitled rebuttal testimony of Kimberley R. Albert,
11 KRA-rebuttal-T is at the top, and finally KRA-3 which
12 is in one page I will mark as C-62 for identification.
13 The C indicates that this is a document that's being
14 deemed confidential and that all need to treat under
15 the protective order.

16 (Marked Exhibits 59, 60, T-61 and C-62.)

17 JUDGE HAENLE: Also during the time we were
18 off the record we discussed the procedure for
19 cross-examining witnesses about documents that have
20 been deemed confidential. I told counsel that my
21 strong preference would be, rather than going into some
22 kind of closed session for questions about these
23 documents, that counsel work very hard at questioning
24 around the confidential parts of the documents, that
25 is, in general we have found that column headings, that

1 the names of various accounts, things like that are not
2 confidential, that the confidential part lies in the
3 percentages or the dollar figures or the customer
4 numbers, so do your best to do it that way. If you
5 find that you run into a point that you can't figure
6 out how to question on, please let me know, we will
7 stop the hearing and figure it out informally.

8 I would prefer not to have to go into a
9 closed session, so do the best you can and be sure that
10 if you have a question about how to deal with something
11 that's confidential, don't start asking it, just ask
12 us, let's go off the record, we'll figure it out.

13 We want to have a real strong interest in
14 protecting everybody's confidentiality while still
15 allowing full cross-examination. You need to remember
16 that the people on the bench and other counsel do have
17 the same document in front of them that you do. You
18 can refer to the document entitled rates before a
19 certain date, go down to line 35, do you see the number
20 there and go from there, that kind of thing. Your
21 witness has been sworn.

22 DIRECT EXAMINATION

23 BY MS. PERRY:

24 Q. Good afternoon, Dr. Albert. Would you state
25 for the record your full name, your position and your

1 business address?

2 A. Kimberley R. Albert. I'm an economist with
3 King County solid waste. My business address is King
4 County solid waste division, room 600, 400 Yesler Way,
5 Seattle, Washington.

6 Q. Are you the same Kimberley A. --

7 A. Kimberley R. Albert.

8 Q. Excuse me. No, you're not the same. -- who
9 prepared testimony consisting of nine pages of direct
10 testimony with accompanying exhibits KRA-1 and KRA-2
11 and ten pages of rebuttal testimony with Exhibit KRA-3
12 which have previously been marked for identification as
13 Exhibit T-58, Exhibit 59 and 60, Exhibit T-61 and
14 Exhibit C-62?

15 A. Yes.

16 Q. Do you have a copy of those -- of that
17 testimony and those exhibits before you?

18 A. Yes.

19 Q. Were they prepared by you personally or
20 under your direct supervision?

21 A. Yes.

22 Q. Do you have any changes or changes to make
23 to them?

24 A. No.

25 Q. If I were to inquire orally concerning the

1 material contained in them, would your responses be
2 substantially the same as the answers contained in your
3 prefiled testimony?

4 A. Yes.

5 Q. I request that what has been marked for
6 identification as Exhibit T-58, Exhibit 59 and 60,
7 Exhibit T-61 and Exhibit C-62 be admitted into
8 evidence.

9 JUDGE HAENLE: Any objection, Ms. Thomas?

10 MS. THOMAS: No objection.

11 JUDGE HAENLE: Ms. Egeler?

12 MS. EGELER: No.

13 JUDGE HAENLE: All right. Exhibits -- well,
14 the exhibits she listed will be entered into the
15 record.

16 (Admitted Exhibits T-58, 59, 60, T-61 and
17 C-62.)

18 MS. PERRY: At this time I offer Dr. Albert
19 for cross-examination.

20 JUDGE HAENLE: Thank you. Ms. Thomas.

21 CROSS-EXAMINATION

22 BY MS. THOMAS:

23 Q. Yes, thank you. Dr. Albert, my name is Liz
24 Thomas and I'm here on behalf of Rabanco Company doing
25 business as Eastside Disposal.

1 My first question has to do with the waste
2 generation model that's discussed in your testimony.
3 I'm sorry. It's going to take me a moment to put my
4 hands on my question. In that waste generation model,
5 you did not look at all at the interaction between the
6 price of recycling and the price of disposal, did you?

7 A. I did not look at the interaction between
8 them in terms of multiplying variables together and
9 looking at that, is that what you're referring to?

10 Q. Yes, it is.

11 A. No, I did not.

12 Q. And then I have some questions on the
13 portion of your testimony discussing the Cedar Hills
14 landfill and the tonnage forecast model. On page six
15 of your testimony at about line 14, you state that the
16 tonnage forecast model forecasts solid waste disposal
17 in King County at the Cedar Hills landfill in the
18 present through the required time frame and future.
19 For landfill life calculations the time frame is
20 through landfill closure, and elsewhere I believe that
21 you testified that the model is updated on a monthly
22 basis, is that right?

23 A. The model is not updated per se on a monthly
24 basis.

25 Q. Well, your statement at line eight on page

1 six is the model continues to be updated as we receive
2 additional data on a monthly basis. Can you tell me
3 when the model was last updated?

4 A. Yes, I can. April 28th, 1994 was the last
5 update for the long run forecast. We -- I monitored --
6 that was probably incorrectly stated. I monitor -- I
7 have a monthly model as well that I monitor the waste
8 with and if something changes then we would change the
9 forecasts.

10 Q. So nothing has changed significantly since
11 April 28th, 1994, is that correct?

12 A. Well, I've been on vacation for a while, but
13 to my knowledge, there has not been something that is a
14 large enough change for me to change the forecasts.

15 Q. Does the tonnage forecast model test for
16 sensitivity of disposal to tip fees at the landfill?

17 A. Yes, it does.

18 Q. Does it test in any way for sensitivity to
19 flow control regulations and I should ask if you know
20 what's meant by flow control regulation?

21 A. Yes, I believe I do.

22 Q. And does your model account for flow control
23 regulations in any way?

24 A. No.

25 Q. Does your model assume that the areas which

1 are currently producing waste that's delivered to the
2 Cedar Hills landfill will continue to have their waste
3 delivered to that landfill?

4 A. The model assumes that, yes.

5 Q. In testing for the variable of recycling
6 tonnage, when recycling tonnage drops, what assumption
7 does your model make regarding the portion of recycling
8 tonnage that's entirely eliminated from the waste
9 stream due to waste reduction efforts as opposed to the
10 portion of recycling tonnage that is shifted into the
11 category of disposal tonnage?

12 A. I'm not sure I understand your question.

13 Q. Let me try to clarify. Page 8 of your
14 testimony says the model forecasts both recycling and
15 disposal, then adds these together to yield generation,
16 and then there's a question, so if recycling tonnage
17 varies, what happens to disposal? And your answer is
18 the model predicts the changes in recycling definitely
19 impact disposal, and I guess my question is if you
20 assume that recycling drops off, I gather from this
21 answer you conclude that disposal increases, is that
22 correct?

23 A. That's correct.

24 Q. What assumptions if any did you make about
25 whether a recycling dropoff might be the product of

1 customer efforts to reduce waste rather than customers
2 shifting items from their recyclable stream into the
3 disposal stream?

4 A. I am still not sure that I understand the
5 question. I'm sorry.

6 Q. Well, if recycling drops off -- say I
7 subscribe to the New York Times and the Seattle P-I,
8 and that's a lot of paper, and at some point -- and I
9 recycle it. At some point I decide I'm not reading
10 the New York Times, I don't have time and it's too
11 expensive and I terminate my subscription. When I
12 terminate my New York Times subscription, the volume of
13 material I recycle will drop off but I have not shifted
14 it into my garbage, I've simply reduced my weight.

15 My question is whether the model takes into
16 account the extent to which reductions in the volume of
17 material recycled may reflect reductions in waste
18 generation rather than a shift from recycling to
19 disposal?

20 A. I understand what you're saying. I believe
21 it does because what I estimate in my disposal equation
22 is the amount of disposal that's diverted from the
23 waste stream associated with specific recycling
24 programs, specifically curbside recycling, so that's
25 how we estimate how much disposal is diverted from the

1 waste stream through recycling programs.

2 Q. Okay. How do you determine to what extent a
3 drop in recycling reflects a shift to disposal rather
4 than waste reduction?

5 A.

6 A. To the extent that we're looking at a
7 specific program -- can I answer in that respect?

8 Q. Certainly.

9 A. We estimate how a change in curbside
10 recycling impacts both disposal and recycling
11 separately, so we can measure how as we increase our
12 curbside programs, our disposal is reduced, and at the
13 same time we can estimate how as curbside programs
14 increase our recycling is increased. Does that answer
15 your question?

16 Q. Not exactly. That addresses one direction
17 of the shift. I heard your answer addressing the shift
18 away from disposal into the recycling stream. I took
19 the question and answer on page 8 at the top to mean
20 that if recycling drops off, disposal increases.
21 Perhaps I misunderstood your answer there.

22 A. Perhaps the answer should really state that
23 the model predicts that changes in recycling programs
24 definitely impact disposal. Would that make it more
25 clear?

1 Q. Let me try to back up a step, then. As I
2 understand it, your model is talking about problems
3 anticipated by the county in the event that recycling
4 amounts don't reach the targeted goals, is that
5 correct?

6 A. I don't think I would state it that way, no.

7 Q. Well, I'm looking on page 8. There's a
8 question toward the bottom. If King County recycling
9 goals are not met and so on, and there is consequently
10 higher tonnage disposed, what happens to the life of
11 Cedar Hills?

12 A. Yes.

13 Q. And my question there is isn't your study
14 concerned with the impact that failure to meet
15 recycling goals might have on Cedar Hills?

16 A. Yes. But we measure that in terms of the
17 tonnage disposed.

18 Q. The tonnage of waste disposed or the tonnage
19 of recycling --

20 A. The tonnage of waste disposed. So I'm
21 taking the perspective of how low does disposal have to
22 go in order to meet our goals, so that's how I get at
23 the diversion estimates.

24 Q. It is possible, is it not, that a reduction
25 in the stream of recycled materials could represent

1 waste reduction rather than shift those materials into
2 waste disposal?

3 A. Yes, that is possible.

4 Q. And then on page 8 right at the bottom, you
5 state that the model predicts that the life of Cedar
6 Hills will be reduced by up to roughly 2.5 years. The
7 extent to which the landfill life is affected is
8 entirely dependent on the extent to which the goals are
9 not met, is that correct?

10 A. It's impacted by the amount of tonnage
11 coming into our system. If the tonnage goes up, the
12 landfill life goes down.

13 Q. So the tonnage going in, while it's affected
14 by recycling, if there were -- if the population
15 doubled over what you expected, then even if the
16 recycling goals were met, the disposal would also
17 double and the landfill life would be shortened
18 accordingly, right?

19 A. Exactly.

20 Q. Your rebuttal testimony talks a little bit
21 about can weights, I believe. You state that the can
22 weights assigned for Eastside Disposal are inconsistent
23 with economic theory which provides evidence that these
24 can weights may be inaccurate, and, as you probably
25 know, the specific can weights are confidential

1 information. Without talking about specific numbers,
2 can you describe what economic theory the can weights
3 are inconsistent with?

4 A. I believe they're inconsistent with utility
5 maximization theory.

6 Q. Would you explain, please?

7 A. It's assumed that consumers maximize their
8 utility subject to a budget constraint.

9 Q. And how are they -- what is that budget
10 constraint?

11 A. A budget constraint is an income constraint
12 effectively. It essentially says that people are going
13 to try to get the most out of their money.

14 Q. Sounds like many economic theories.

15 A. Yes. So the idea is that people are going
16 to try and minimize their costs if they can.

17 Q. And how are the assigned can weights
18 inconsistent with that theory?

19 A. The inconsistency in my opinion arising in
20 looking at the can weights assigned for the Meeks model
21 compared with the can weights in determining the
22 existing rate structure, and one of the inconsistencies
23 was that it appeared that the new can weights that were
24 assigned would actually fit in smaller can units.

25 Q. Do you have any knowledge of the accuracy of

1 the Meeks can weights?

2 A. No, I don't.

3 Q. And you mentioned in talking about the -- I
4 guess it's the utility maximization theory, you
5 mentioned people would maximize use within a budget
6 constraint. Does your reference to a budget constraint
7 in that context mean that wealthier people may feel
8 less constrained to make the most of their money for
9 something like solid waste disposal?

10 A. I would not make that assumption, no.

11 Q. Does your use of the term budget constraint
12 have anything to do with a person's income?

13 A. Yes, it does.

14 Q. Can you explain, please?

15 A. It just says that the budget constraint is
16 based on what a given income level will allow a
17 consumer to purchase, and they're constrained by what
18 they can purchase based upon what their income level
19 is.

20 Q. So somebody with a greater disposable income
21 can afford more expensive solid waste service?

22 A. No, they can afford more of all goods and
23 services.

24 Q. Including solid waste services?

25 A. Yes.

1 Q. I have nothing further. Thank you.

2 JUDGE HAENLE: All right. Thank you. Ms.
3 Egeler?

4 CROSS-EXAMINATION

5 BY MS. EGELER:

6 Q. Good afternoon, Ms. Albert.

7 A. Hello.

8 JUDGE HAENLE: Would you turn your
9 microphone --

10 Q. Was your waste generation model which is
11 KRA-1 or Exhibit 59 developed for -- specifically for
12 this rate case?

13 A. No, it was not. If you notice the date on
14 it, it was developed August 31st, 1993.

15 Q. On page three of your prefiled testimony,
16 lines 13 through 15, you state, the model was intended
17 to identify differences in recycling and disposal
18 between suburban cities and King County for 1992. I
19 assume that's still an accurate statement?

20 A. I should add to that as well as
21 unincorporated King County. Unincorporated King County
22 was a data point as well.

23 JUDGE HAENLE: What page were you on,
24 please?

25 MS. EGELER: Page three, lines 13 through

1 15.

2 JUDGE HAENLE: Thank you.

3 Q. Did you include a zero one dummy variable in
4 your model for if customers had to request recycling
5 service versus if bins were universally distributed?

6 A. No, I didn't. It's something I had later
7 learned was an impact after I had developed the model
8 and would like to go back and check but I haven't had a
9 chance to do that.

10 Q. Did you include a variable in your model to
11 examine illegal dumping?

12 A. No.

13 Q. Did you update the data inputs in your waste
14 generation model or in any way alter the model to fit
15 the particular circumstances for this case?

16 A. No, not at all.

17 Q. Please identify what your model used as the
18 dependent variable for the solid waste collection
19 equation which is identified on page three of Exhibit
20 KRA-1. Again, that's Exhibit 59.

21 A. The solid waste collection dependent
22 variable was the pounds of solid waste collected per
23 household per day. The way I derived that was by
24 dividing the number of households within a given region
25 by the hauler reports. I took the hauler reports for

1 total disposal and divided that by households in the
2 region.

3 Q. So your waste collection model used the
4 pounds of waste collected per household per day for all
5 residential customers as the dependent variable without
6 differentiating between mini-one, two, three or
7 four-can customers, correct?

8 A. Exactly. It's the average pounds per
9 household per day per community, yes.

10 Q. Could you please identify the price variable
11 that was used for waste collection in your waste
12 collection model which is identified on page five,
13 lines seven through nine of your prefiled testimony?

14 A. It was the difference between one and two
15 can rates.

16 Q. Your waste generation model does not include
17 variables for the price differences between mini-can
18 and one-can service, two-can and three-can service and
19 three-can and four-can service, does it?

20 A. That is correct.

21 Q. On page 2 of your prefiled rebuttal
22 testimony -- let me restate that. Could you state what
23 variables are included in the waste generation model to
24 represent the recycling programs available in different
25 communities?

1 A. Yes. I have the fraction of households for
2 which curbside recycling is available and the fraction
3 of households for which yard waste collection is
4 available, curbside yard waste collection. As you can
5 see from page 4 where I present the results, we do see
6 a significant impact associated with the yard waste
7 variables.

8 Q. Does your waste generation model include any
9 variables to account for potential changes in
10 preferences such as money spent on adult and child
11 level waste reduction and recycling education or the
12 number of reduce, reuse, recycle advertisements
13 appearing in different kinds of media during various
14 time periods?

15 A. I don't have a variable for that because we
16 didn't have data on that, although I don't think it
17 impacts the results at all.

18 Q. Do you know that it doesn't -- that it
19 doesn't impact the results?

20 A. I do not know for a fact that it does not,
21 but there's no -- absolutely no reason to believe that
22 it would because we're looking at a cross-section model
23 here, and specifically with respect to the price
24 parameter, there's no reason to believe that that would
25 impact the results.

1 Q. There's no reason to believe if I understand
2 you correctly -- there's no reason to believe that
3 education affects output of solid waste?

4 A. No, that's not correct. There's no reason
5 to believe that exclusion of an education variable
6 would affect the results determined by the model, so
7 what I'm saying is that even if we did include a
8 variable for education it would probably not impact the
9 estimated price elasticity.

10 Q. Did your waste generation model include any
11 variables that would measure the effectiveness of
12 things such as how efforts to promote products with
13 minimal packaging influences the amount of residential
14 waste collection?

15 A. Again, these can be viewed as left out
16 variables in the model but they're not going to affect
17 the results. There's no reason they're going to affect
18 the results in a cross-section study such as this.

19 Q. But again you didn't run the study with the
20 variables inserted?

21 A. We don't have those kind of variables.

22 Q. In answer to my question, you did not run
23 the study with the variables inserted and excluded to
24 determine whether or not there is a different effect?

25 A. Since we don't have variables of that sort,

1 it would be impossible to do that.

2 Q. On page six of your rebuttal testimony,
3 lines 22 to 23, concerning what Mr. Popoff was
4 referring to as a demand shifter, you wrote, quote, I
5 believe that the inward shift in demand he is referring
6 to is due to the availability of lower cost substitutes
7 for disposal. Do you see that?

8 A. Yes, I do.

9 Q. Do you agree with basic microeconomic theory
10 as explained by Mr. Popoff in his testimony that a
11 change of individual preferences could cause an inward
12 shift in the demand for waste collection service?

13 A. Of course I believe that it could cause a
14 shift in demand, yes.

15 Q. I have no further questions.

16 JUDGE HAENLE: Commissioners, have you
17 questions?

18 CHAIRMAN NELSON: No.

19 COMMISSIONER HEMSTAD: I have none.

20 JUDGE HAENLE: All right. I did have a
21 couple of questions.

22 E X A M I N A T I O N

23 BY JUDGE HAENLE:

24 Q. On page five, line 20 through to page six,
25 line two, you describe the measurable elasticity --

1 A. I'm sorry, what --

2 Q. -- of your regular testimony.

3 A. Okay. Thank you. Have you got that in
4 front of you?

5 A. Yes, I do.

6 Q. Bottom of page five, top of page six, you
7 describe the measurable elasticity of price changes due
8 to recycling fee changes and disposal fee changes.
9 Specifically you address the recycling behavior change
10 to be expected if the recycling fee increases. Under
11 the current billing practice the consumer not only sees
12 a gross increase in garbage service -- only sees a
13 gross increase in garbage service, not specifically a
14 recycling increase. How does your model account for
15 that when deriving elasticity and likely service
16 purchase changes?

17 A. I'm sorry. You lost me. Could you --

18 Q. Because they're combined, the garbage and
19 the recycling is combined, does your model account --

20 A. No, they're separate in my model. I have
21 separate prices. Is that what you're referring to?

22 Q. Well, the trouble is that they don't see
23 them separately. Does your --

24 A. Oh. I understand what you're saying now.
25 I'm sorry. The price that I included in my model is

1 for a specific subscription fee that is treated as
2 separately. If people have to pay additional money in
3 order to subscribe to recycling that is the price that
4 was included in the model.

5 Q. In your opinion under the current billing
6 practice, is it more likely that a consumer would react
7 to one and not to both signals, that is, as the
8 combined fee of garbage and recycling increases the
9 customer would use less garbage rather than less
10 recycling? Aren't they likely to do both?

11 A. I don't understand what you're getting at.

12 Q. Because it's the fee that changes is a
13 combined fee for both recycling and solid waste, other
14 than recycling --

15 A. Now, are you referring to Eastside's change?

16 Q. Yes. Well, Eastside -- yes. The
17 question --

18 A. My understanding of Eastside's change was
19 that they held their recycling portion constant. Their
20 yard waste fee is held constant. Then they're changing
21 their price structure for garbage alone.

22 Q. That may be what happens. What the customer
23 sees is still a lump sum.

24 A. Okay. In my model I am looking at that lump
25 sum payment, then.

1 Q. Okay. And my question was isn't it likely
2 that their --

3 A. The price that the consumer -- excuse me.
4 Do I have to wait for --

5 Q. Isn't it most likely that as the whole thing
6 changes, the lump price, that the customer's behavior
7 about both solid waste and recycling would change?

8 A. It would only affect solid waste. The
9 reason is because the price is tied only to solid waste
10 when you're looking at the solid waste fee. Is that
11 what -- I'm sorry. Well, it's going to affect both
12 recycling and --

13 Q. People don't have the option of looking just
14 at the recycling fee or just at the solid waste fee.
15 They see a price.

16 A. Right.

17 Q. The price goes up. Isn't it most likely
18 that people will react to that by doing something with
19 both their solid waste and their recycling, that is,
20 increasing their recycling and decreasing their amount
21 of solid waste?

22 A. I understand -- I'm still a little bit
23 confused as to whether or not you're talking about the
24 recycling portion of the garbage disposal fee or
25 whether you're talking about a separate recycling fee

1 compared with a separate garbage disposal fee.

2 Q. I'm talking about the whole thing together.

3 A. Okay.

4 Q. Eastside puts out a bill with a number on
5 it.

6 A. Yes.

7 Q. Don't you think that customers are most
8 likely to react to that higher price on that bill by
9 modifying how much garbage they put out, lower that,
10 and at the same time increasing the amount of recycling
11 that they do?

12 A. If the fee -- if the garbage fee --

13 Q. The whole shebang goes up, there isn't a
14 separate garbage fee and recycling fee.

15 A. I am confused because the way we estimate
16 the elasticity for garbage disposal is to look at the
17 garbage disposal fee which includes a recycling
18 portion, and so yes, they're going to look at that
19 combined garbage and recycling portion in assigning
20 both -- in determining both their garbage and their
21 recycling quantity. They will also look at the
22 recycling fees in determining whether or not they're
23 going to subscribe to recycling. Is that what you're
24 getting at?

25 Q. That's close enough. I am not going to

1 pursue it any further. We don't seem to be connecting.

2 A. Sorry.

3 Q. At page 8 of your testimony, you conclude
4 that if King County recycling goals are not met under
5 the planned program scenario -- scenario, Cedar Hills
6 landfill life will be shortened by two and a half
7 years. That was discussed a bit earlier. But do you
8 know how many tons short of the goal you are assuming
9 to calculate that two and a half years?

10 A. I don't have the numbers exactly, no.
11 That's something I could get for you.

12 Q. How did you make the assumption that many
13 more tons were likely to be received, that is, if the
14 recycling goals are not met?

15 A. We have what's called a plan program
16 forecast which looks at where we believe we are going
17 now given our existing and planned programs, and I
18 calculate the tonnage forecasts based upon that, and
19 then I compared that with a goals based forecast which
20 assumes that we achieve our goals, and the goals based
21 forecast provides us with lower tonnage. Does that
22 answer your question?

23 Q. Yes. Thank you. At page ten, line seven of
24 your rebuttal testimony, you give your opinions that
25 the weights used per can to determine Eastside's rates

1 may be inaccurate, is that right?

2 A. Yes.

3 Q. Why was this not included -- this opinion
4 not included in the company's direct case rather than
5 the rebuttal case?

6 A. I hadn't seen what weights they were using.

7 Q. Where in your testimony or in the testimony
8 of any other county witness do you provide the can
9 weights which you believe should be used in the Meeks
10 study for Eastside?

11 A. I don't provide the can -- I don't provide
12 can weights.

13 Q. Does anybody from the county?

14 A. I don't believe that the county has
15 estimated can weights.

16 Q. Well, if you believe that the can weights
17 provided are not accurate, why have you not provided
18 accurate can weights?

19 A. Unfortunately King County was not able to go
20 out and do our own estimation of the can weights in
21 time for the trial. We didn't get the estimates as to
22 what their can weight -- as to what their assumptions
23 on can weights were until we asked for that, not too
24 long ago.

25 Q. In view of that response what would you ask

1 the Commission to use if it did not use the Meeks
2 weights?

3 A. Oh, I have no problem with the Meeks
4 weights.

5 Q. You have said that they're inaccurate?

6 A. No, the Meeks weights, I did not say are
7 inaccurate. I said that the current weights compared
8 to the Meeks weights appear to point out an inaccuracy.
9 They're significantly lower and that's the reason the
10 rates have fallen, is because they've lowered the
11 weights so significantly without giving any explanation
12 as to why those weights have fallen.

13 Q. What would you ask the Commission to use in
14 its order if the county is successful, if you feel that
15 the current rates are inaccurate what would you ask the
16 county to use since you have not provided an
17 alternative?

18 A. I was comfortable with the Meeks weights.

19 Q. And finally, you responded to questions
20 about the dependent variable of your model, and you
21 said something like the dependent variable is the
22 number of -- the amount of tonnage collected per
23 household per day.

24 A. Yes.

25 Q. And this is based on the total number of

1 residents in a community. Is this including the ones
2 who are not customers?

3 A. Yes, it does.

4 Q. Do you think that makes it inaccurate in the
5 least?

6 A. No.

7 Q. Why?

8 A. It still represents the average pounds per
9 household per community and so when we're comparing
10 across communities, which is what the statistical model
11 does, as long as we're consistent in our definitions,
12 there should be no problem.

13 JUDGE HAENLE: Thank you. That's all I had.
14 Did you have any redirect?

15 REDIRECT EXAMINATION

16 BY MS. PERRY:

17 Q. Yes, I do. I think it's abundantly clear
18 that some of us here are not economists, so I will try
19 not to confuse things more by mistaking jargon, and you
20 can help me.

21 A. I'm doing my best. I'm sorry if I'm not
22 succeeding.

23 Q. Ms. Thomas was asking you some questions,
24 and perhaps I misheard you, but I understood you to say
25 that your model does not -- this would be the waste

1 generation model -- that your model does not include
2 the effects of waste reduction, is that correct?

3 A. The residential waste generation model?
4 That's actually perhaps misstated. It doesn't
5 distinguish between waste reduction and recycling when
6 we look at what comes out of the disposal. What we
7 estimate is in the disposal equation for every given
8 program how much disposal is reduced per household per
9 day. Unfortunately I'm not totally able to distinguish
10 how much of that is in fact waste reduction from how
11 much is recycling. The model doesn't distinguish that.
12 We do have a recycling equation and we can compare
13 pound for pound how much that comes out of disposal is
14 actually showing up in our recycling programs, but one
15 of the problems with the model and it's a minor one, is
16 that we don't have an equation for private recycling
17 that occurs outside of the recycling that the haulers
18 give us, so there is this segment of recycling that we
19 cannot account for, so we can't determine if recycling
20 changes are coming from that private segment or whether
21 they would be waste reduction.

22 Q. But if I heard you correctly, you can't
23 account for private recycling, so you don't know how
24 much is private recycling versus weight reduction, but
25 with regard to the curbside recycling program, can you

1 distinguish how much of that is the -- or can your
2 model distinguish how much of that is the result of
3 waste reduction as opposed to recycling, curbside
4 recycling?

5 A. What we can do is compare the pounds per
6 household per day that we're diverting from the waste
7 stream with the pounds per household per day that we're
8 collecting in recycling and it turns out that they are
9 pretty much the same, that we do see that pretty much
10 for every pound of recycling that's collected, it is
11 also being diverted out of the waste stream.

12 Q. Is there another way to get at waste
13 reduction, for example, would the price impact for the
14 disposal equation include lower disposal from all
15 sources except separate recycling? I mean, would the
16 -- you know, I need some help on this perhaps. Would
17 the fact that you can determine what the price impact
18 is going to be, can that help you determine the degree
19 of waste reduction?

20 A. We can look at for a given price change how
21 much we're reducing waste, and then we can also look at
22 in the recycling equation how much that given price
23 change increases recycling, but, again, there's that
24 left out component of private recycling, so I can't
25 truly say that it's waste reduction versus diversion

1 from private recycling.

2 Q. Do you have any information regarding the
3 amount of private recycling that is going on in the
4 county with regard to single-family households?

5 A. I'm sure that we do have that. I don't have
6 it off the top of my head.

7 Q. But with regard to -- strike that. Except
8 for that private recycling component that you're
9 talking about, you can estimate waste reduction based
10 on the price impact, and you can also using your model
11 determine the recycling, so you can -- except for that
12 one component, you can figure out how much of that is
13 attributable to waste reduction, isn't that correct?

14 A. Yeah, I suppose that's correct.

15 Q. Is price elasticity part of your model?

16 A. Yes, it is.

17 Q. So you can't separately identify waste
18 reduction but that doesn't mean that the price
19 elasticity isn't taken into account in your model?

20 A. It takes into account both waste reduction
21 and recycling.

22 Q. You were asked a question regarding -- I
23 believe this was from Ms. Egeler -- your waste
24 generation model, and she asked you about the fact that
25 you only looked at the difference between the one and

1 two can levels of service. Why was it you selected to
2 do that?

3 A. The majority of the households within the
4 data set were between the one and two can subscription
5 levels. They were either one or two can customers for
6 the vast majority of the household within our data set.
7 Also, I feel that it represents an approximation of the
8 entire price schedule. When we're comparing
9 communities, we're looking at price differentials
10 between communities, and if a given community had a
11 large price difference between the one and two-can
12 rate, they also tended to have a large price difference
13 at the three to four can or four to five can rate, so
14 it approximates the differences in the entire price
15 schedule between communities.

16 Q. What if you had taken out price incentive
17 from your model, if price incentive weren't a variable
18 in your model, would that have had any effect upon the
19 predictability that model would have?

20 A. Yeah, it would have reduced the predictive
21 value of the model. It would have reduced the overall
22 goodness of fit of the model as well.

23 Q. Why is that?

24 A. Because it's a statistically significant
25 variable.

1 Q. And that's based on your computations in
2 performing the work here?

3 A. Yes, that's correct.

4 Q. You were asked some questions about
5 education. Are you aware of any economic studies that
6 measure the impact of education upon people's behavior?

7 A. No, I'm not. Certainly not with respect to
8 solid waste.

9 Q. When you say you're not aware of studies,
10 what exactly are you saying? Are you saying that you
11 just don't know about them or you're unaware that any
12 exist?

13 A. I am unaware that any exist.

14 Q. And why is that?

15 A. I don't believe any have been done.

16 Q. And why would that be?

17 A. For one thing, it would be very hard to
18 quantify and set up in a statistical framework. It
19 also might be that there aren't large impacts
20 associated with that. I don't know.

21 Q. You were asked a question about -- it was
22 about whether or not education could cause a shift in
23 demand and I believe the actual question was whether or
24 not it could shift -- it could cause an inward shift in
25 demand and as I recall your answer you said it could

1 cause a shift in demand. Is there a difference? I
2 guess I want to clarify that. You didn't say inward
3 shift in demand.

4 A. Well, I think the presumption is that we're
5 educating people on recycling programs, and I would
6 expect that to cause an inward shift in demand.

7 Q. That's all I have.

8 JUDGE HAENLE: Do you have recross, Ms.
9 Thomas?

10 MS. THOMAS: Yes, just a few questions about
11 can rates, Your Honor.

12 RECROSS-EXAMINATION

13 BY MS. THOMAS:

14 Q. Does the county want the Commission to apply
15 the Meeks can weights to Eastside Disposal's rates?

16 A. I can't speak for the county.

17 Q. And, as I recall your testimony earlier, you
18 don't know whether those can weights are accurate from
19 the Meeks study, is that correct?

20 A. I don't know for a fact that they are
21 accurate. They seem reasonable to me.

22 Q. Based on what do they seem reasonable?

23 A. Based upon the -- based upon what other
24 haulers have reported as can weights before.

25 Q. Other haulers in King County?

1 A. Yes.

2 Q. And what would be the effect of using the
3 Meeks can weights?

4 A. It would -- in my opinion, and since I don't
5 do the rates perhaps I'm not the best person to ask
6 this of, but in my opinion based upon my understanding
7 of the testimony that's been provided, they would
8 significantly increase the variable can rates.

9 Q. And would they not also significantly
10 increase the total rate?

11 A. Not necessarily, no.

12 Q. Isn't it a fact that the company pays a
13 certain amount per pound or per ton for disposal?

14 A. You're asking me about Rabanco?

15 Q. Yes.

16 A. I'm not really familiar with their
17 bookkeeping, but I would assume that's the case.

18 Q. And assuming that they do pay a certain
19 amount per ton of disposal, if they use can weights
20 that overstate the amount of weight in each can, isn't
21 the result an overstatement of the amount of money that
22 is needed to pay for the disposal of waste?

23 A. You're asking me a hypothetical question
24 about overstatement of can weights?

25 Q. Yes.

1 A. Hypothetically speaking, I don't believe
2 that's necessary, no.

3 Q. Why not?

4 A. The rate differentials in my opinion are --
5 that -- you're really asking the wrong person about how
6 these rates are determined so I'm just going by what I
7 read in the testimony.

8 Q. Should I ask you who the right person would
9 be?

10 A. I would think it would be the opposition,
11 the people who actually did the calculations.

12 Q. You mean the staff of the Commission and the
13 company employees.

14 A. Yes. Yes, I believe so.

15 Q. Okay. But King County -- you made a
16 statement that you think the can rates are wrong.

17 A. Yes, I do.

18 Q. And I'm asking -- and I thought I heard you
19 say that at least you individually would prefer that
20 the Meeks can weights be used?

21 A. Yes, that's correct.

22 Q. And my question is if the Meeks can weights
23 in fact overstate the weight of waste that's contained
24 in each can, would that lead to the company over
25 recovering -- in essence over recovering its costs?

1 A. No, in my opinion that's not necessarily
2 true at all.

3 Q. Well, suppose the company pays a dollar a
4 pound to dispose of its waste and suppose the can
5 weight is actually 50 pounds, suppose Meeks says the
6 can weight is a hundred pounds. If you use the Meeks
7 can weights and you apply the dollar a pound you have
8 the company collecting \$100 when it really should be
9 collecting only 50. Isn't that true?

10 A. No, I don't believe so.

11 Q. You made a statement I believe -- you said
12 something I wasn't quite clear on. You said they
13 drastically reduced their can weights. When you say
14 they, you mean the company?

15 A. I believe that Rabanco estimated new can
16 weights that were significantly lower than what Meeks
17 used. That's my understanding.

18 Q. Do you know whether those can weights were
19 at all different from the can weights that Rabanco had
20 been using in tariffs in effect prior to February 1994?

21 A. I don't know that for a fact. I would
22 assume that they are just because the rate
23 differentials have changed so much.

24 Q. So it's your belief that the change in the
25 rate differential resulted in use of a different can

1 rate?

2 A. That's my belief. I don't know that for a
3 fact because I didn't do the calculations, but that was
4 my understanding of the testimony that I read, yes.

5 Q. I have no further questions. Thank you.

6 JUDGE HAENLE: Anything else, Ms. Egeler?

7 MS. EGELER: Yes, Your Honor.

8 RECROSS-EXAMINATION

9 BY MS. EGELER:

10 Q. I would like to pursue this can weights
11 question just a little bit further, Ms. Albert. I'd
12 like you to assume that Eastside's proposal does a
13 calculation whereby it takes the rate -- excuse me, the
14 can weight estimates that it made, in other words, the
15 lower can estimates, and it multiplies those can
16 estimates by the number of customers it has at each
17 rate level to determine a total amount of tonnage that
18 it will be disposing. Is that how you determine the
19 total amount of tonnage?

20 A. No. I don't believe so.

21 Q. How would you determine total tonnage using
22 the can weights?

23 A. My understanding is that Rabanco has an
24 allocation formula which I haven't seen and we had
25 trouble getting that determines the can weights as some

1 allocation of their total tonnage.

2 Q. I would just like you to step back. You
3 have the Ph.D in economics and I'm not that great in
4 math so this will be really elementary, I promise.
5 Going through sort of about third grade math story
6 problem level, if we wanted to determine total tonnage
7 for Eastside based upon their can weight estimates,
8 wouldn't we take the can weights, for example, for
9 mini-can, one can, two can, three can, and at each rate
10 level multiply, for example, mini-can weight of X times
11 X number of mini-can customers to determine --

12 A. No.

13 Q. Then how would we do that?

14 A. My understanding is that the way to do it is
15 they know what their total tonnage is, so that's not
16 something we have to determine from the cans.

17 Q. I'm asking you how you would determine from
18 the can weights the total tonnage disposed.

19 A. I would not do that.

20 Q. Could you do it? Assuming that the can
21 weights were correct?

22 A. If we knew for a fact what the can weights
23 were, then we could determine the total tonnage, yes.

24 Q. And would you use the method that I
25 described that you would take the can weight times the

1 number of customers signed up at each service level?

2 A. It would be possible to do that. I don't
3 know that I would do it that way, but I believe it
4 would be possible to do it that way.

5 Q. Now, if you attempted to calculate the total
6 tons disposed, using Eastside's can weights and
7 assuming this they were correct, wouldn't you arrive at
8 a much lower number than if you used the Meeks can
9 rates?

10 A. There's more to it than that.

11 Q. Would you or wouldn't you?

12 A. I don't know, because it depends on other
13 factors such as how the commercial residential split is
14 made.

15 Q. We're looking at residential can weights.

16 A. Correct.

17 Q. And you've multiplied each can weight by the
18 number of customers subscribing at that level.

19 A. Okay.

20 Q. I just don't understand how you couldn't
21 reach total tonnage using that calculation.

22 A. You can. If you know for a fact what the
23 can weights are and you know for a fact the customers,
24 you could reach total tonnage, yes.

25 Q. Okay. Thank you. If you went through that

1 equation using the can weights that Eastside assumes,
2 wouldn't you arrive at a lower number than you would
3 using the can weights that the Meeks study assumes?

4 A. Yes.

5 Q. If in fact the Meeks calculation were
6 correct, wouldn't Eastside be asking for rates which
7 are too low to cover its disposal fees when it asked
8 the Commission to use a lower can rate?

9 A. No, not in my opinion.

10 Q. Why?

11 A. Because there's more going on. Again, I'm
12 in the dark as to exactly how the calculations were
13 performed, but it's my understanding that they make
14 assumptions about the percentage of disposal that not
15 only accounts for the can weights but also accounts for
16 the residential and commercial split, and for weights
17 at various other -- well, that account for the
18 residential and commercial split as well.

19 Q. Did you read Mr. Glasgo's testimony?

20 A. Yes, I did.

21 Q. Do you know how Eastside ran its can weight
22 study?

23 A. No, I don't.

24 Q. Would you accept subject to check that --
25 and this was responded to in a very recent data

1 request, I don't have the number off the top of my
2 head, I can get it for you at the end of the day if
3 your counsel doesn't have it, would you accept that
4 someone from Eastside went out and collected 50, for
5 example, one-can cans, took them to the dump, saw how
6 much that weighed and divided it by 50?

7 A. Would I accept that they did that?

8 Q. Yes.

9 A. Sure.

10 Q. And that that's how they arrived at their
11 average weights at each level?

12 A. When was it done?

13 Q. I believe it was done in 1991 or '92. It's
14 off the top of my head, though.

15 A. And that is --

16 MS. PERRY: Excuse me. This is all subject
17 to check and this is contained in the testimony? I
18 think it's inappropriate to have you testifying
19 regarding this, but subject to check --

20 JUDGE HAENLE: I believe she indicated that
21 it was a response to a data request and she offered to
22 get you the number if you weren't able to identify
23 which data request, so let's take this as a
24 hypothetical question.

25 MS. PERRY: Fine.

1 Q. I'm sorry for having to do this, but it's
2 very difficult to pursue the other line of questioning
3 when you haven't read the other witnesses' testimony
4 and we've got to go through some of this then to make
5 up for that. You have said that there was --

6 MS. PERRY: That mischaracterizes the
7 testimony. She said that she had read Mr. Glasgow's
8 testimony.

9 BY MS. EGELER:

10 Q. Did you read the data request that came in
11 stating how the Kennewick study was performed?

12 A. No.

13 Q. Thank you.

14 MS. THOMAS: For the record, that response
15 to that data request was provided in a timely fashion.

16 MS. PERRY: We're not disputing that.

17 JUDGE HAENLE: Let's address your remarks to
18 the bench and let's keep going in questions and answers
19 and see if we can get done.

20 Q. Can you please explain to me why you think
21 there was some allocation between different service
22 levels that was performed?

23 A. That was my understanding after reading Mr.
24 Glasgow's testimony.

25 Q. I'll just drop that at this point and

1 perhaps we'll pursue this further with Ms. Skumatz.

2 I'd like to turn now very briefly to the
3 issue of advertising. You're an economist for the
4 county, correct?

5 A. Correct.

6 Q. I passed out at the beginning of the hearing
7 copies of data requests which we will later offer for
8 admission into the record, but I am referring to data
9 request number 1C from the Commission staff to King
10 County, if your counsel could provide you a copy of
11 that if you don't have that.

12 MS. PERRY: She does not have a copy. I
13 have one copy. Do you have a spare copy to give to her
14 or --

15 MS. EGELER: I don't have a spare, but she's
16 certainly welcome to look at mine.

17 JUDGE HAENLE: She can look at mine. That's
18 all right.

19 MS. PERRY: There's a large number of
20 addenda.

21 JUDGE HAENLE: Let me hand you mine. I need
22 it back, incidentally. Down at the bottom and then the
23 response is on the second page.

24 BY MS. EGELER:

25 Q. Did I understand you correctly to have said

1 earlier that in your opinion advertising may have just
2 minimal effects on people's behavior?

3 A. I believe I said that I was not aware of any
4 studies that specifically indicated what the impact of
5 advertising -- what the impact of educational programs
6 were, and that it might have a minimal impact, yes.

7 Q. But nothing more than a minimal impact?

8 A. I believe I said that I was unaware of any
9 study, so I really don't know what the impact is, but
10 it is possible that it would only have a minimal
11 impact, yes.

12 Q. So it's equally possible that it had more
13 than a minimum impact?

14 A. Yes.

15 Q. Looking at the response to data request 1C,
16 under the heading 1991, the second column, and moving
17 down to the entry total, am I correct in reading that
18 the county spent \$386,048.19 on advertising in 1991?

19 A. Since I didn't prepare this data, and I
20 haven't seen it before, I will take it at its word I
21 guess that that's correct, yes.

22 Q. Well, this was provided to us by King
23 County, so I'm assuming that this is a correct
24 response --

25 A. Well, I don't see everything that goes to

1 King County.

2 JUDGE HAENLE: Okay. Let's assume that
3 that's the response from King County. Let's just
4 answer on the basis of what you've got.

5 THE WITNESS: Okay.

6 JUDGE HAENLE: Assuming that that was
7 provided by King County and assuming that's the
8 figure --

9 A. I didn't mean it wasn't provided by King
10 County. I just mean that I personally had never seen
11 it before.

12 BY MS. EGELER:

13 Q. Looking at that exhibit, moving to the last
14 column for 1994, the total budgeted for the year 1994
15 is \$804,419, isn't it?

16 A. Yes, it is.

17 Q. Since the county is willing to spend almost
18 a million dollars in 1994 on public education, which is
19 almost a tripling of the amount spent just three years
20 ago, wouldn't you assume that the county thinks that
21 there is some significant impact to be had by
22 advertising and public education?

23 A. Yes, I would hope that they think that.

24 Q. No further questions, Your Honor.

25 JUDGE HAENLE: Did you have any redirect?

1 MS. PERRY: Yes, I do.

2 JUDGE HAENLE: I'm sorry, commissioners,
3 anything else?

4 CHAIRMAN NELSON: No.

5 COMMISSIONER HEMSTAD: No.

6 JUDGE HAENLE: Go ahead.

7 REDIRECT EXAMINATION

8 BY MS. PERRY:

9 Q. Few short questions. When we're talking
10 about total tonnage for a carrier, for a hauler, that's
11 based on how much tonnage they take to a King County
12 facility, isn't it, how much they take to the landfill
13 or to the transfer stations, isn't it?

14 A. Yes, it is.

15 Q. To your knowledge, do they separate out in
16 gathering that tonnage or collecting that solid waste,
17 do they separate that between residential and
18 commercial, I mean, in gathering it? In other words,
19 when they go to the landfill and they get these tonnage
20 amounts, does that indicate whether that's residential
21 or commercial?

22 A. It's my understanding that when a garbage
23 truck comes into our transfer station, it is weighed
24 and they know what the weight of the garbage is.
25 Whether that was -- whether that garbage was picked up

1 from residential -- the residential sector or the
2 commercial sector is not 100 percent clear because
3 sometimes the routes overlap, and so it was my
4 understanding that an allocation formula was used to
5 determine what the tonnage was that would be allocated
6 to either the commercial sector or the residential
7 sector.

8 Q. So when you're talking about allocation
9 formula, the hauler comes up with a way to allocate
10 between commercial tonnage and residential tonnage the
11 proportion of each?

12 A. That's my understanding, yes.

13 Q. And then within the residential tonnage
14 allocation, there would be another smaller allocation
15 which would allocate to various levels of service how
16 much of that is attributable to each level of service?

17 A. That's my understanding, yes.

18 Q. Thank you. Going back to education just to
19 clarify your testimony, as I understood your testimony,
20 correct me if I am wrong, you testified that you're
21 unaware of studies that show a quantifiable effect of
22 education, is that correct?

23 A. That's correct.

24 Q. The fact that it's not quantifiable doesn't
25 mean it doesn't necessarily have no effect?

1 A. That's correct.

2 Q. But there's no way to know exactly how much
3 effect that any level of education is going to have, is
4 there?

5 A. That's correct.

6 MS. PERRY: Thank you. That's all I have.

7 JUDGE HAENLE: Any recross?

8 MS. THOMAS: No, Your Honor.

9 MS. EGELER: Nothing further, Your Honor.

10 JUDGE HAENLE: Thank you for your testimony.
11 You may step down. Let's go off the record to put the
12 next witness on the stand.

13 (Discussion off the record.)

14 JUDGE HAENLE: Let's be back on the record.
15 While we were off the record, a new witness assumed the
16 stand. Would you raise your right hand, sir?

17 Whereupon,

18 RUSSELL E. DAVIES,
19 having been first duly sworn, was called as a witness
20 herein and was examined and testified as follows:

21 JUDGE HAENLE: Also during the time we were
22 off the record I marked for identification two
23 documents as follows. Marked as Exhibit T-63 for
24 identification an eight page document entitled
25 testimony of Russell E. Davies, RED-T, and marked as

1 Exhibit 64 for identification a one-page document,
2 total disposed weight, residential curbside disposed
3 weight, RED-1.

4 (Marked Exhibits T-63 and 64.)

5 JUDGE HAENLE: Your witness has been sworn.

6 DIRECT EXAMINATION

7 BY MS. PERRY:

8 Q. Good afternoon, Mr. Davies. Would you state
9 for the record your full name, your position and your
10 business address?

11 A. My name is Russell E. Davies, I work for
12 the King County solid waste division as a program
13 analyst, and my address is 400 Yesler Way, room 600,
14 Seattle, Washington.

15 Q. Are you the same Russell E. Davies who
16 prepared testimony consisting of eight pages of direct
17 testimony with one accompanying exhibit which was
18 labeled RED-1 which have previously been marked for
19 identification as Exhibit T-63 and Exhibit 64?

20 A. Yes.

21 Q. Do you have a copy of that testimony and
22 that exhibit before you?

23 A. Yes, I do.

24 Q. And were these prepared by you personally or
25 under your direct supervision?

1 A. Yes.

2 Q. Do you have any changes or corrections you
3 wish to make to them?

4 A. No.

5 Q. If I were to inquire orally concerning the
6 material contained in them, would your responses be
7 substantially the same as the answers in your prefiled
8 testify?

9 A. Yes.

10 MS. PERRY: I request that what has been
11 marked for identification as Exhibit T-63 and Exhibit
12 64 be admitted into evidence.

13 JUDGE HAENLE: Any objection, Ms. Thomas?

14 MS. THOMAS: No objection.

15 JUDGE HAENLE: Ms. Egeler?

16 MS. EGELER: No objection.

17 JUDGE HAENLE: Exhibits T-63 and 64 then
18 will be entered into the record.

19 (Admitted Exhibits T-63 and 64.)

20 MS. PERRY: At this time I offer Mr. Davies
21 for cross-examination.

22 JUDGE HAENLE: Ms. Thomas?

23 MS. THOMAS: Thank you, Your Honor. If you
24 give me one moment, I'm trying to locate a document
25 here.

1 CROSS-EXAMINATION

2 BY MS. THOMAS:

3 Q. Good afternoon, Mr. Davies. Sorry to keep
4 you waiting. I'm Liz Thomas representing Rabanco
5 Companies in this action.

6 JUDGE HAENLE: You're going to have to move
7 the microphone.

8 Q. In the exhibit to your testimony which has
9 been marked as Exhibit 64, you address the total amount
10 of residential waste disposed of at the curb in 1990?

11 A. Yes.

12 Q. And as I read Exhibit 64 that figure,
13 residential curbside disposed waste for 1990, is
14 509,430 tons, is that correct?

15 A. Yes. Yes.

16 Q. I'd like to ask you to take a look at data
17 request number two from the staff and the response to
18 it which appears to have been prepared by you. Do you
19 have that handy?

20 A. Yes, I do.

21 Q. There is a chart there where residential
22 curbside tons for 1990 is stated as 356,200 tons.

23 A. All right. Yes, it does.

24 Q. Does that figure represent something
25 different from the 59,000 figure on Exhibit 64?

1 A. I can't tell you. Actually at present I
2 don't know the difference between those two numbers.

3 Q. From the titles would you expect them to be
4 the same figure?

5 A. It would appear so, yes.

6 Q. I have nothing further. Thank you.

7 JUDGE HAENLE: Questions, Ms. Egeler?

8 MS. EGELER: No questions.

9 JUDGE HAENLE: Commissioners, questions?

10 CHAIRMAN NELSON: No.

11 COMMISSIONER HEMSTAD: No.

12 E X A M I N A T I O N

13 BY JUDGE HAENLE:

14 Q. On page seven at line 12, you discuss the
15 increase on non-residential waste disposed between
16 1990 and 1993. Does that increase have any
17 relationship to the closure of the county's only local
18 demolition and land clearing debris landfill?

19 A. Can you restate that, please?

20 Q. Find page seven, line 12?

21 A. Yes.

22 Q. You discuss the increase in non-residential
23 waste disposed of between 1990 and 1993?

24 A. Yes.

25 Q. In your opinion, does that increase have any

1 relationship to the closure of the county's only local
2 demolition and land clearing debris landfill?

3 A. Well, in 1990 when the landfill closed, King
4 County did see a tonnage rise. The exact amount of
5 that rise, I am not sure at this time, so I would
6 expect that a rise in non-residential waste stream
7 would be somewhat attributable to that closure.

8 Q. You don't know what percentage that might be
9 or anything like that?

10 A. I was under the impression, and again this
11 is off the top of my head, that it was in the
12 neighborhood of perhaps 10,000 tons.

13 Q. Increase per year?

14 A. At the closure. Over time I think we've
15 seen that reduced, and again I don't know those figures
16 off the top of my head.

17 Q. Thank you. Any redirect?

18 MS. PERRY: No.

19 JUDGE HAENLE: Any recross?

20 MS. THOMAS: No, Your Honor.

21 JUDGE HAENLE: All right. Thank you, sir.
22 You may step down. Let's go off the record to change
23 witnesses.

24 (Discussion off the record.)

25 JUDGE HAENLE: All right. Let's be back on

1 the record. During the time we were off the record
2 another witness assumed the stand. Would you raise
3 your right hand, please?

4 Whereupon,

5 LISA A. SKUMATZ,
6 having been first duly sworn, was called as a witness
7 herein and was examined and testified as follows:

8 JUDGE HAENLE: Thank you. Also during the
9 time we were off the record, I marked a number of
10 documents for identification as follows. Marked as
11 Exhibit T-65 for identification is a 23 -page document
12 entitled testimony of Lisa -- say it for me?

13 THE WITNESS: Skumatz.

14 JUDGE HAENLE: -- Skumatz, thank you. 66
15 for identification in 21 pages, LAS-1. We are not
16 going to put into the record what was premarked as
17 LAS-2 because remember that's already been in as
18 Exhibit 30. So 67 for identification, LAS-3 in 48
19 pages; 68 for identification, LAS-4 in one page; 69 for
20 identification, LAS-5 in 13 pages; 70 for
21 identification, LAS six in 46 pages; 71 for
22 identification, LAS-7 in six pages; 72 for
23 identification, LAS-8 in one page.

24 (Marked Exhibits T-65 and 66 through 72.)

25 JUDGE HAENLE: Then T-73 for identification,

1 a 23-page document, rebuttal testimony. I believe that
2 you have the copy that was distributed as the revised
3 rebuttal. It's my understanding from the county that
4 the only change to that testimony is that a portion
5 that was in the original as distributed has been
6 excised and deemed confidential, is that right?

7 MS. PERRY: That's correct.

8 JUDGE HAENLE: Okay. Then LAS-9 is
9 confidential in one page and, an untitled chart. I
10 have marked that as C-74 for identification. And
11 LAS-10 has been also deemed confidential, an untitled
12 single paragraph, C-75 for identification.

13 (Marked Exhibits T-73, C-74 and C-75.)

14 JUDGE HAENLE: Your witness has been sworn.

15 DIRECT EXAMINATION

16 BY MS. PERRY:

17 Q. Thank you. Good afternoon, Dr. Skumatz.
18 Would you please state for the record your full name,
19 your position and your business address?

20 A. My name is Lisa A. Skumatz. I'm principal
21 of the consulting firm named SERA. My business address
22 is 1511 Third Avenue, suite 1018, Seattle, Washington,
23 98101.

24 Q. Are you the same Lisa A. Skumatz who
25 prepared testimony consisting of 23 pages of direct

1 testimony with accompanying exhibits LAS-1 through
2 8, and 22 pages of rebuttal testimony with exhibits
3 labeled LAS-9 and 10 which have previously been marked
4 for identification as Exhibit T-65, and with the
5 exception of LAS-2 which has been deleted, Exhibits 66
6 through 72, Exhibit T-73, and Exhibit C-74 and C-75?

7 A. Yes.

8 Q. Do you have a copy of these before you?

9 A. I do.

10 Q. Were these prepared by you personally or
11 under your direct supervision?

12 A. By me personally.

13 Q. Do you have any changes or corrections you
14 wish to make to them?

15 A. Nothing substantial. No.

16 Q. Is that a yes or no?

17 A. No. Sorry.

18 Q. Thank you. If I were to inquire orally
19 concerning the material contained in your exhibits,
20 your exhibits and testimony, would your responses be
21 substantially the same as the answers contained in your
22 prefiled testimony?

23 A. Yes. I knew there was a substantial in
24 there somewhere.

25 Q. I request that what has been marked for

1 identification as Exhibit T-65, Exhibits 66 through --
2 66 through 72, T-73 and Exhibit C-74 and C-75 be
3 admitted into evidence.

4 JUDGE HAENLE: Any objection, Ms. Thomas?

5 MS. THOMAS: No objection.

6 MS. EGELER: No objection.

7 JUDGE HAENLE: Those documents will be
8 entered into the record.

9 (Admitted Exhibits T-65, 66 through 72,
10 T-73, C-74 and C-75.)

11 MS. PERRY: At this time I offer Dr. Skumatz
12 for cross-examination.

13 JUDGE HAENLE: All right. Ms. Thomas?

14 CROSS-EXAMINATION

15 BY MS. THOMAS:

16 Q. Good afternoon, Dr. Skumatz, I'm Liz Thomas
17 representing Rabanco Companies which is doing business
18 as Eastside Disposal.

19 Would you agree that variable rates give
20 customers an incentive to reduce household garbage?

21 A. Yes. Variable rates I think give a very
22 good incentive for customers to reduce garbage and it
23 -- in concept, and some structures of variable rates
24 give more incentives than others.

25 Q. And the reduction that a customer may make

1 in response to a variable rate could be due to the
2 customer recycling material that was formerly
3 considered waste or through a net decrease in the
4 customer's generation of waste materials, isn't that
5 true?

6 A. Yes, and that's one of the beauties of
7 variable rates that they do encourage both waste
8 reduction and recycling.

9 Q. Eastside Disposal has a variable can rate
10 structure, doesn't it?

11 A. Yes, it does.

12 Q. So Eastside's current rate structure does
13 provide some incentive to recycling reduced waste,
14 doesn't it?

15 A. It provides some incentive, better than a
16 flat fee does, and better than a fixed bill for
17 unlimited pickup or through the taxes, as I mentioned,
18 though the greater incentive is provided through
19 different structures of variable rates.

20 Q. Susquehanna County is one of the communities
21 that you have examined in your work, isn't it?

22 A. Very briefly. One of my staff actually had
23 a brief phone call with them.

24 Q. S U S Q U E H A N N A, I think. I should
25 say that's how I spell it. And Susquehanna -- in

1 Susquehanna County did you find that a 50 cent rate
2 variation was sufficient to operate as an incentive?

3 A. That isn't my recollection of the point of
4 that testimony. Do you mind if I review that briefly?

5 Q. Please do.

6 A. My recollection is somewhat different. My
7 recollection was it had to do more with charging for
8 recycling than differentials in can rates.

9 MS. PERRY: Do you have a specific page you
10 can direct her to?

11 Q. I will look and perhaps, Dr. Skumatz, if you
12 find it first, let me know.

13 MS. PERRY: Page 12 and 13, of your direct.

14 Q. The testimony I had in mind discusses
15 Susquehannah county. I'm sorry to say it has an H on
16 the end of it that I didn't mention earlier. In this
17 county customers pay 50 cents less for recycling bags
18 than for garbage. Even with only a 50 cent
19 differential, their recycling diversion is over 16
20 percent. Customers do participate when differentials
21 are provided.

22 A. The point there was that the charge for a
23 recycling bag was non-zero but still customers were
24 willing to recycle.

25 Q. In Susquehannah County was it your

1 conclusion that customers were responding to a 50 cent
2 price differential?

3 A. Yes, which is a pretty big percentage of
4 those rates.

5 Q. Do you feel that too much variation in rates
6 can be inefficient or inequity able?

7 A. What do you mean, too much variation in
8 rates?

9 Q. Are you familiar with a study by a Mr. Bloom
10 that was included in the response to Commission staff's
11 data request number nine, study by Daniel R. Bloom
12 which is entitled Under What Conditions Should Cities
13 Adopt Volume Based Pricing For Residential Solid Waste
14 Collection?

15 A. I cited one portion of that study, yes.

16 Q. Have you read the whole study?

17 A. When it was first prepared, so I can't admit
18 to as great a familiarity as I'd wish.

19 Q. Could I ask you to turn to page six of that
20 study?

21 A. Do you remember what data request that was
22 in response to?

23 Q. Yes, it was in response to data request nine
24 and there were several studies attached to it, and it's
25 kind of in the middle of the pack. I would guess it's

1 about --

2 A. I found it.

3 Q. And have you got page six of the Daniel
4 Bloom study?

5 A. Page six?

6 Q. Yes, please.

7 A. Okay.

8 Q. In the second paragraph on that page says, a
9 few cities charged the same amount for the second can
10 as they do for the first to create an extra incentive
11 for people to reduce the number of cans used and the
12 quantity of waste disposed. Such a system may be both
13 inefficient and inequitable.

14 A. So you weren't talking about variation in
15 the rates, you were talking about differentials, large
16 differentials between rates? That was what I wasn't
17 clear on. Okay. There are a number of communities
18 that use what might be termed linear rates or a can is
19 a can. A large number of them are in --

20 JUDGE HAENLE: You're going to need to speak
21 much more slowly and clearly particularly when we're at
22 the end of the day.

23 A. I'm often accused of speaking too quickly.
24 There are a large number of communities in different
25 states that offer a can is a can sort of rates, as

1 we've talked about. I think that that's a very
2 aggressive rate schedule. It provides a very strong
3 incentive but I think you need to balance that against
4 the fact that it's unlikely that costs vary on a can is
5 a can as well. I think you need to use some balance.

6 Q. Would you advocate that rates instead be set
7 on a cost of service basis?

8 A. No, not strictly financial cost of service.

9 Q. What kind of cost of service is there other
10 than financial cost of service?

11 A. Your question assumes or seems to assume to
12 me that there is a cost of service, and I would take
13 issue with that point. To me in doing -- there may be
14 a revenue requirement, but I don't believe that in
15 using allocation methods you come up with a set of
16 rates that is the cost of service set of rates.
17 Rather, there are a bunch of estimations and
18 allocations that go on in getting from the revenue
19 requirements to the rate design portion of a rate
20 study. And there are a number of estimations that go
21 on, there's a number of judgments and there are a
22 number of criteria on which you can allocate rates. So
23 it might be by customer, some might be by tonnage, some
24 might be by stops, length, time, a whole variety of
25 things, and volume as well, weight perhaps also, weight

1 definitely also.

2 There are -- there is no way to estimate
3 exactly how much of any one of those things is
4 attributable to a first can, second can, a third can.
5 There is a lot of things that has to go in place in
6 getting numbers and to do that is very difficult and
7 subject to judgment and estimation. And I think that
8 there's a variety of -- I know from experience there
9 appears to be quite a bit of variety of cost of service
10 rates that can be generated from one system.

11 I also believe that some of the points that
12 Mr. Pealy brought up were very valid as well, that you
13 don't necessarily want to look at today's costs, which
14 you want financial costs but you want to make sure that
15 you consider some of the economic and externality
16 effects as well.

17 Q. Can you define what the difference is
18 between a financial cost and an economic or external
19 cost?

20 A. Well, I'd refer back to Mr. Pealy's
21 testimony because I think he did a very nice job of
22 explaining the difference and some of the additional
23 effects that should be taken into account when you're
24 looking at long run system costs or system costs. But
25 even when you're looking at financial cost of service,

1 as I mentioned, just strictly on financial, there's no
2 one set of cost of service rates that come out of that
3 kind of a study unless you have the kind of studies on
4 the allocation factors that I haven't seen. I haven't
5 seen a good quality, you know, one number for any one
6 of those kinds of steps.

7 Q. When I was asking you about this statement
8 in Daniel Bloom's study, I had phrased a question about
9 variation in rates, and I guess I hadn't understood
10 that that was different from a rate differential. Can
11 you explain what the difference is between the two?

12 A. I just thought you meant if you change them
13 every month or two. That's what I thought you meant.

14 Q. When a customer decreases the level of
15 service subscribed to and disposes of less waste, would
16 you agree that the haulers' costs also decrease?

17 A. Yes, I believe so.

18 Q. Should the difference in the rates charged
19 for the different service levels be related to this
20 cost savings?

21 A. I think that that's one of the things that
22 should be taken into account, but I think that one of
23 the things that's important to recognize is that the
24 precise differentials, one, aren't easily estimated or
25 aren't precisely or singularly estimated, and, two, I

1 think that the differences between revenue requirements
2 and rate design is a very important difference. And
3 you can define a number of rate designs that recover
4 the same revenue requirements and that rate design can
5 involve things like policy decisions as well as strict
6 cost of service.

7 Q. Do you feel that it is appropriate to depart
8 from strict cost of service principles in establishing
9 a solid waste design?

10 A. I guess the short answer is yes. I do
11 believe that policy plays a role in rate design in a
12 manner for recovering revenue requirements, yes.

13 Q. And if you do depart from cost of service,
14 then the chances are that when a customer decreases a
15 service level, the difference in the rate charged for
16 the different service level will not be so closely
17 correlated to the cost of savings that the company
18 recognizes, is that correct?

19 A. Can you repeat the question? I'm sorry.

20 Q. Yes. Earlier we had spoken of a customer
21 decreasing service level, of the company recognizing
22 certain costs as a result, and I had asked whether the
23 difference in the rate charged for the different
24 service level should relate to the cost of savings, and
25 I believe your subsequent testimony was that policy --

1 certain policy considerations could justify departures
2 from strict cost of service. Is that correct?

3 A. I guess where I'm having a difficulty is I
4 don't believe there is one number for cost of service
5 differentials that could be estimated without, you
6 know, question.

7 Q. Okay. I accept that.

8 A. Okay.

9 Q. But I thought I heard you testify a minute
10 ago that it was appropriate to bring policy
11 considerations into play and depart from cost of
12 service principles. Did I misunderstand you?

13 A. No, I agree.

14 Q. If you depart from cost of service
15 principles, then when that customer drops their level
16 of service from say two cans to one can, if you're not
17 observing cost of service principles, the difference in
18 the rate will not necessarily correlate to the savings
19 recognized by the hauler, will they?

20 A. Between any one set of differentials,
21 perhaps not, but between the differentials as a whole,
22 I think it would even out.

23 Q. Well, let's take an example. Let's suppose
24 that a rate structure along the lines of Exhibit 28,
25 page 2, in other words, the rate structure called for

1 by the King County code is adopted for Eastside
2 Disposal, and assume further that that rate structure
3 is not justified on cost of service principles, and
4 that in fact the customers with the mini-can service
5 are not covering their costs and the customers with the
6 three-can service are being charged a rate in excess of
7 the costs they cause to the hauler. If you see a
8 number of customers migrate downward -- let me back up
9 one step. At the moment that that rate goes into
10 effect, it's certainly possible to structure it such
11 that the company's revenue requirement is covered, and
12 I think that was your point earlier, wasn't it?

13 A. Yes.

14 Q. But if we've departed from cost of service
15 principles, there are subsidies at work here, aren't
16 there?

17 A. I'm not sure I'd characterize them as
18 subsidies, but there are differences from a version of
19 strict cost of service.

20 Q. And I'm asking you to assume that under
21 strict cost of service principles, we've adopted this
22 rate, at the moment it goes into effect the company's
23 revenue requirements are covered, but the mini-can
24 customers are not covering their costs and the
25 three-can customers are more than covering their costs.

1 A. What you're assuming I think is that you've
2 set up the rates assuming that no one will make any
3 changes but that's not in fact -- that might not be a
4 very prudent way to do it. You might want to assume
5 that -- you might want to estimate the rates to cover
6 revenue requirements assuming the expected reaction of
7 customers. Then you would be --

8 Q. Let me interrupt because you've answered my
9 question and I want to get to your point in a minute,
10 but first I want to --

11 A. I did want to say something about the
12 exhibit. I believe you could get cost of service rates
13 that look like that. So although your hypothetical is
14 that they don't, I don't think that that's necessarily
15 the case.

16 Q. But let's stick with the hypothetical for a
17 minute. They're not cost based. The mini-can
18 customers don't cover their costs, the three-can
19 customers more than cover their costs. At the moment
20 the rate goes into effect the company's revenue
21 requirement is precisely satisfied. That's the
22 hypothetical.

23 A. Okay.

24 Q. Under those circumstances as customers
25 migrate downward through levels of service, isn't it a

1 fact that the company will no longer be covering its
2 revenue requirement?

3 A. But my understanding is that these rates are
4 set as if no one will make any changes.

5 Q. That's right. That's part of my
6 hypothetical. Under that set of circumstances?

7 A. Under that set of circumstances you could
8 expect to under recover if there weren't other changes
9 balancing it or if you weren't recovering revenues
10 let's say through your recycling program that were
11 voluntary or something, or people didn't then subscribe
12 to a yard waste program that had an optional fee where
13 you would then recover revenues through that that you
14 wouldn't have expected, so there are a number of
15 caveats associated with that answer.

16 Q. Assuming everything else is fixed and people
17 just migrate downward either through waste reduction or
18 more efficient packing or whatever they're doing, the
19 company will not continue to cover its revenue
20 requirement?

21 A. If your rate study is set up under those
22 assumptions and if you have -- I think so.

23 Q. And then I'm sorry, I interrupted you
24 earlier. You were beginning to talk about trying to
25 estimate customer response at the time you set up a

1 rate, is that correct?

2 A. Yes.

3 Q. And was there more you wanted to say on that
4 topic?

5 A. Yes. I think that -- how do I say this?
6 In looking at -- when you assume -- when you put
7 together rates that are meant to influence people's
8 behavior, when you assume -- when you put together a
9 rate study, when you put together a change in rates,
10 there's a great deal of empirical evidence that would
11 indicate that customers will make changes in their
12 behavior related to a change in price, either price
13 level or differential. I think that that's pretty well
14 demonstrated in a number of utilities including
15 electricity, water, telecommunications, and solid
16 waste. There's strong empirical evidence that
17 customers do react to changes in price, and that not
18 taking that into account might -- assuming no changes
19 would be -- might lead you into this -- down this path
20 that you're talking about.

21 JUDGE HAENLE: We need to look for a good
22 breaking point here.

23 MS. THOMAS: Okay. May I take two minutes?

24 JUDGE HAENLE: Sure.

25 BY MS. THOMAS:

1 Q. Are you familiar with the term attrition
2 adjustment?

3 A. No, I'm not.

4 Q. Do you know whether the Washington Utilities
5 and Transportation Commission has ever established
6 solid waste rates predicated on assumptions about
7 changes in customer behavior?

8 A. The only rate study I've looked at has been
9 the one presented here and it doesn't appear to assume
10 that.

11 Q. Thank you. This is a good place to stop.

12 JUDGE HAENLE: All right. Let's recess at
13 this time, then. We will reconvene at 9:00 in the
14 morning on Monday.

15 (Hearing recessed at 5:00 p.m.)

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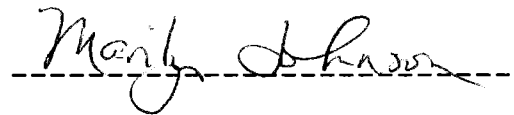
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As Court Reporter, I hereby certify that
the foregoing transcript is true and
accurate and contains all the facts,
matters, and proceedings of the hearing
held on: 7-15-94

A handwritten signature in cursive script, reading "Marilyn Johnson", is written over a horizontal dashed line.

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