

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 IV
SEATTLE DISPOSAL COMPANY,)
6 RABANCO LTD., d/b/a EASTSIDE) PAGES 452 - 701
DISPOSAL AND CONTAINER)
7 HAULING,)
Respondent.)
8 -----)

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10 A hearing in the above matter was held on
11 July 18, 1994 at 9:30 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
General, 1400 South Evergreen Park Drive Southwest,
19 Olympia, Washington 98504.

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

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

24 Cheryl Macdonald, CSR

25 Court Reporter

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1 I N D E X

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3	WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
4	SKUMATZ		455-T	537, 568	555-T	508-N
			478-E		561-E	511-H
5	DAVIES	578				520-H
6	GLASGO	584	586-P	644	647-P	643-H
7			639-E			
8	COLBO	652	655-P	693	697-P	687-N
9			685-T			690-H

10	EXHIBITS:	MARKED	ADMITTED
	64A	581	
11	T-76	584	585
	C-77	584	585
12	C-78	584	585
	C-79	584	585
13	C-80	584	585
	C-81	584	585
14	C-82	584	585
	C-83	584	585
15	C-84	584	585
	C-85	584	585
16	C-86	584	585
	C-87	584	585
17	T-88	652	655
	89	652	655
18	90	652	655
	91	652	655
19	92	652	655
	C-93	652	655
20	C-94	652	655

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

2 JUDGE HAENLE: Let's be on the record. The
3 hearing will come to order. This is a fourth day of
4 hearing in docket No. TG-940411, which is the
5 complaint of King County against the rates of
6 Eastside. This is taking place on July 18, 1994
7 Olympia before the commissioners. We are continuing
8 today with the direct and cross-examination. We're
9 almost done with the company's witnesses. Then -- I'm
10 sorry -- the county's witnesses. Then we will be
11 taking witnesses for Eastside and then we will be
12 taking the Commission staff witnesses.

13 I told you that we have something over nine
14 hours left of estimates. We have the day today, we
15 have as much of the day tomorrow in Bellevue as is not
16 taken up with the public hearing which starts at 1:30.
17 We'll set a more specific schedule as soon as I'm able
18 to talk to the commissioners about it, but we may need
19 to go late tonight and we may need to go late tomorrow
20 night, I'm not sure. Let you know as soon as I find
21 out. Because we have so much left in estimates, I
22 asked people voluntarily to limit their round of
23 cross-examination to the two that are specified in the
24 rule. I hope that mentioning it will be enough. If I
25 need to enforce the rule, we'll talk about that later,

1 but please be aware that we have a limited time and
2 apparently a lot of material still to cover.

3 In the way of preliminary matters, you
4 indicated, I believe, Ms. Perry, that one of your
5 witnesses had checked some subject to checks.

6 MS. PERRY: Yes, Your Honor. Mr. Gaisford
7 had two matters subject to check. He agrees with the
8 information as was presented at the hearing.

9 JUDGE HAENLE: Anything else of a
10 procedural nature?

11 MS. PERRY: No, Your Honor.

12 JUDGE HAENLE: Anyone?

13 I believe we were partly way through your
14 cross-examination of Ms. Skumatz. Do you want to
15 go ahead, Ms. Thomas?

16 MS. THOMAS: Thank you.

17

18 CROSS-EXAMINATION

19 BY MS. THOMAS:

20 Q. Good morning, Ms. Skumatz.

21 A. Morning.

22 Q. Toward the end of the day yesterday we were
23 talking about the difference between steeply -- more
24 and less steeply inclining rates as represented on
25 Exhibit 28, and as I recall, you agreed that if a rate

1 were set pursuant to page 2 of Exhibit 28 there -- the
2 more steeply inclining rates -- if a rate were set
3 such that the county precisely realized its revenue
4 requirement on the day that the rate went into effect,
5 if customers then migrated from higher levels of
6 service to lower levels of service and everything else
7 were held equal, the county would no longer realize
8 its revenue requirement; is that correct?

9 MS. PERRY: I just have to object because
10 the county does not have a revenue requirement.

11 MS. THOMAS: I'm sorry. I must have said
12 county instead of company. Let me try to rephrase.
13 What I am attempting to do is put us at the point we
14 were toward the end of the day last week.

15 Q. Assume, if you will, that a rate is adopted
16 along the lines of the more steeply inverted rate
17 called for by King County code. Assume further that
18 rate levels within that rate structure are set so that
19 the company precisely recovers its revenue
20 requirement. If customers then migrate from higher
21 levels of service to lower levels of service, isn't it
22 true that the company will no longer be realizing its
23 revenue requirement?

24 A. That kind of effect would happen no matter
25 which rates you had, whether you had page 1 or page 2.

1 Q. And either way, if customers migrate from
2 higher levels of service to lower levels of service
3 the company no longer realize its revenue requirement;
4 is that right?

5 A. It depends on -- I think the answer to your
6 question is yes, but I want to explore it a second.
7 It partly depends on how you're defining cost of
8 service and revenue, how you're defining how those
9 were set up. If it's set up so that it recovers some
10 very narrow definition of financial revenue
11 requirements, I think that you're correct. If it's
12 set up so that it's -- so it's a broader definition,
13 I'm not so sure.

14 Q. My question was directed toward the
15 company's revenue requirement. If we're talking only
16 about the company's revenue requirement, the answer is
17 yes, isn't it?

18 A. Yes, I think so.

19 Q. Would you also agree that the rate
20 differentials called for under the code are in fact
21 designed to encourage customers to migrate from higher
22 levels of service to lower levels of service?

23 A. The rate differentials proposed in the
24 ordinance by county?

25 Q. Yes.

1 A. Yes.

2 Q. I would like to draw your attention to page
3 20 of your testimony, which is Exhibit T-65. Page 20
4 of your original testimony. At lines 7 and 8 there's
5 a sentence that says, "A desire to provide incentives
6 can make recovery of full costs less certain." Is
7 that statement consistent with the question and answer
8 that we've just been through in terms of making it
9 more difficult for the company to realize its revenue
10 requirement?

11 A. Yes, and that's why -- exactly. That's why
12 the -- I'm sorry -- that's why the rates generally, I
13 believe, should be set to account for some expectation
14 of changes.

15 Q. And that's what you go on to talk about
16 when you say these financial risks can be managed; is
17 that correct?

18 A. That's correct.

19 Q. Are you familiar with the term attrition
20 adjustment in the context of utility rate making?

21 A. I am familiar with the policy of providing
22 for abbreviated rate -- for allowing balancing
23 accounts and so on. The terminology attrition
24 adjustment isn't one that I'm that familiar with.

25 Q. My only question is whether you knew that

1 particular term. Are you familiar with the term test
2 year?

3 A. As much as was explained with Mr. Colbo's
4 or Demas information.

5 Q. Could you explain your understanding of how
6 a test year functions for rate making purposes for
7 Eastside Disposal?

8 A. As was explained in the testimony here, my
9 understanding is that they took the actual costs for
10 the year ending June 30, 1993 and expect that those
11 will be the costs in the future, use that as a test
12 year, and as they explain it -- I can't remember which
13 person it was explained it -- that was then somewhat
14 adjusted based on changes in fuel costs, changes in
15 rents and expected wage and tax changes or something.

16 Q. There wasn't any adjustment, was there, for
17 changes in customer choice of levels of service?

18 A. No, there wasn't.

19 Q. You referenced a balancing account a moment
20 ago. Would the idea there be that a hauler would
21 track its costs in excess of those authorized to be
22 recovered through tariff rates?

23 A. In excess or short of.

24 Q. And that after the fact in the next rate
25 case, the hauler would come back and seek recovery of

1 costs that were in excess of those authorized in the
2 rates or I suppose the reverse could also be true?

3 A. Oh, it is. Yes. And as I've seen it -- as
4 I've heard it implemented in California, some interest
5 and so on are also allowed and it allows for an
6 abbreviated -- for instance, for the electric utility
7 case here in Washington state, my understanding is
8 that a more of a proforma rate case is what's gone
9 through the next time.

10 Q. Do you know whether that kind of balancing
11 account approach has ever been used in the solid waste
12 rate making arena in Washington state?

13 A. Not in Washington, but yes, in California.

14 Q. Are you familiar with the term retroactive
15 rate making?

16 A. No. I just have to use logic to figure out
17 what you're talking about.

18 Q. In your mind, recycling is not a goal in
19 itself, is it, but is rather one means towards the
20 lowest cost waste management system possible?

21 A. That's a quote out of one of the pieces
22 I've written, yes.

23 Q. For that reason extremely intense recycling
24 is not always appropriate?

25 A. A lot of factors affect whether it makes

1 sense to encourage strong recycling. In a community
2 up in Alaska that I worked with we recommend they not
3 put in certain kinds of aggressive things because
4 markets were far away, because the economics weren't
5 there and so on. It very much depends on local
6 conditions and long run -- what the long run system is
7 that you're trying to implement and the cost of that
8 long run system.

9 Q. And it's possible, isn't it, that extremely
10 intense recycling could have higher long run costs
11 than disposal, depending on what material we're
12 talking about and what geographic area?

13 A. Anything is possible.

14 Q. And in the situation where recycling does
15 have a higher long run cost than disposal, you
16 wouldn't advocate recycling; is that correct?

17 A. I wouldn't advocate recycling programs that
18 put in place some marginal materials or so on or maybe
19 wouldn't advocate sort of what's called the Cadillac
20 program something like that. What I would advocate
21 instead is that you look at the costs and benefits of
22 program alternatives versus disposal alternatives over
23 the long run, and look at the environmental and other
24 costs that are appropriately attributed to those
25 programs.

1 JUDGE HAENLE: I indicated we had a lot of
2 material. What you need to do is edit your questions
3 and answers to hit the high points. It doesn't mean
4 you need to talk quickly because if you talk quickly
5 none of it will be written down, so please concentrate
6 on pacing yourself. Go ahead.

7 Q. Evaluation is an important element of
8 designing a recycling program, isn't it?

9 A. It hasn't been historically but I've been
10 advocating that it should be, yes.

11 Q. And education can't be stressed enough, can
12 it?

13 A. That's another quote, and what I said is
14 that you you shouldn't put in programs without
15 providing education as well, that every community I've
16 spoken with has said that education was an important
17 auxiliary program to their main focus of recycling
18 programs and rate programs, yes.

19 Q. And do the high percentage rates or
20 tonnages alone indicate that a program is working
21 well?

22 A. Do high percentage rates or what?

23 Q. Or tonnages indicate that a program is
24 working well?

25 A. I wouldn't argue that high percentage rates

1 of participation are a good indicator at all, but I
2 would argue that higher tonnages and higher percentage
3 of the tonnage over the total tonnage, sort of those
4 kinds of percentages, are indicators that a program is
5 performing better than others.

6 Q. And when you do an evaluation of a program,
7 cost effectiveness is an important element of that
8 evaluation, isn't it?

9 A. Yes.

10 Q. I would like to draw your attention to page
11 22 of Exhibit T-65, your original testimony, where you
12 state at the top that Eastside's rates do not appear
13 to reflect cost of service. Are you aware that
14 Eastside has provided detailed spreadsheets as
15 exhibits from Mr. Glasgo's testimony showing the basis
16 for its rates?

17 A. At the time that we had -- that information
18 was put together we had no information on -- at the
19 time this was put together I used the information on
20 volumes of weight -- of cans because that was the only
21 information that had been provided that I could
22 determine would be useful in determining what the cost
23 of service would be. I was trying to look at the
24 differentials between the different service levels and
25 could not come up with a way that would work out to be

1 cost of service.

2 Q. Since that time, though, Mr. Glasgo's
3 testimony has been prefiled together with some
4 spreadsheets. Have you had an opportunity to look at
5 those spreadsheets?

6 A. Yes.

7 Q. In Mr. Glasgo's testimony?

8 A. Yes. Particularly the weights. That was
9 what I was most concentrating on. I was interested
10 in the differentials mostly, so I concentrated on the
11 weights.

12 Q. Are you aware that those spreadsheets set
13 forth in some detail precisely what costs went into
14 the rates that are now in effect?

15 A. Yes.

16 Q. Are there any costs that were contained on
17 those spreadsheets as forming the basis for current
18 rates that you believe are not properly accounted for
19 so as to reflect cost of service?

20 A. I think that the costs on that table come
21 up with some revenue requirements that are related to
22 the test year and related to changes in rents and the
23 other couple of things I mentioned. But I am not -- I
24 wouldn't argue that those are the costs -- those lead
25 to the cost of service rates. As I mentioned the

1 other day, there is much judgment involved in
2 allocating those costs to different customers and to
3 different service levels and I think that there's no
4 -- that that is where the difference occurs in the
5 step between revenue requirements and rate design.

6 Q. So there are a range of rates and rate
7 structures that could be established to reflect cost
8 of service; is that correct?

9 A. That's what I would argue.

10 Q. Do you feel that the revenue requirement
11 for residential rates in Eastside's service territory
12 that's regulated by the UTC is improper in any respect
13 per Mr. Glasgow's spreadsheets?

14 A. I couldn't possibly make that
15 determination. I have no -- I didn't see information.
16 I didn't study the information in detail to examine
17 whether or not the differentials between the
18 commercial and the residential costs were appropriate
19 or the split between those costs were appropriate.
20 That's not the level of detail in which I studied
21 those rates.

22 Q. So there is nothing in particular that you
23 would say is wrong with the determination of revenue
24 requirements for Eastside's residential customers in
25 their regulated -- UTC regulated territory; is that

1 correct?

2 MS. PERRY: I would object. That
3 mischaracterizes her last answer.

4 JUDGE HAENLE: Well, she's certainly
5 welcome to give the correct characterization if it is
6 not correct. Ma'am?

7 A. I would say that the rate -- that the costs
8 as presented appear to be the test -- could very well
9 be the test year adjusted by the factors that were
10 discussed. I couldn't argue that they were different
11 from that based on the information I've been presented
12 with.

13 Q. Okay. Assuming that the revenue
14 requirements for Eastside's regulated territory and
15 its residential customers have been properly
16 determined and also bearing in mind as you testified
17 that there is a range of rate structures that could be
18 adopted to reflect costs of service, is there any cost
19 allocation of the costs included in those revenue
20 requirements that is incorrect in your mind?

21 A. There's a discussion in general about
22 things being attributed on tons and things being
23 attributed on customers and that sort of allocation.
24 I haven't seen formulas and so on and I didn't -- and
25 so I haven't studied them in more detail than that.

1 Q. Is there any particular cost that's been
2 assigned on a per customer basis which in your mind
3 should have been assigned on a weight basis?

4 A. I haven't looked at a line-by-line
5 apportionment in how costs were allocated. What I
6 would argue is that there's a lot of judgment about
7 what can be attributed by customer, by weight, by
8 time, you know, or by cost at the landfill and so on.
9 I haven't done -- my job I don't think was to decide
10 whether or not these were the right rates. I think
11 that's the Commission, the UTC's job, and my job was
12 merely to comment on what came out.

13 Q. Sorry if I'm asking questions that are
14 outside the realm of your testimony, but you're the
15 last county witness and as far as I can determine no
16 earlier county witness has gone through the exercise
17 of looking at each particular cost and making a
18 judgment about whether it was or was not properly
19 allocated. And also I've heard you testify that there
20 are a range of, if you will, correct results for cost
21 of service analysis. Is that a fair description?

22 A. Yes, that's a fair description. I know in
23 previous rate studies I've come up with a range of --
24 all of which could be justified by cost of service
25 allocation roles.

1 Q. Is there anything in the spreadsheets
2 included with Mr. Glasgow's testimony that you feel
3 falls outside the reasonable range for cost of service
4 allocation?

5 A. I will just repeat, I didn't do a
6 line-by-line study of the allocation.

7 Q. So as far as you're aware there wasn't
8 anything that was improperly assigned on a cost of
9 service basis?

10 A. I can't say whether any one line was in or
11 out of what I consider reasonable.

12 Q. But you did have an opportunity to review
13 the spreadsheets, didn't you?

14 A. I had an opportunity to review an awful lot
15 of material and that's not where I spent my time on a
16 line-by-line comparison.

17 Q. But you did have an opportunity to you
18 review the spreadsheets?

19 A. They were provided in response to some data
20 requests, yes.

21 Q. You mentioned earlier that your analysis
22 focused on can weights, and the paragraph we were
23 talking about a minute ago relating to cost of service
24 references your exhibit that was marked for
25 identification as LAS-8 and it's now been admitted as

1 Exhibit 72. And I think you mentioned in connection
2 with the testimony at page 22 that you had not been
3 able to replicate the rates and therefore you had --
4 sorry, let me go back to your testimony. I don't want
5 to mischaracterize it. Lines 9 through 1 you say,
6 "No matter which can level is assumed as the quote
7 corrected cost of service rates, the rates proposed
8 generally over charge low can levels and undercharge
9 the higher can setouts." Does that statement relate
10 to Exhibit 72?

11 A. Yes, it does.

12 Q. Can you explain how it relates to Exhibit
13 72?

14 A. The information in Exhibit 72, which is
15 kind of a complicated set of numbers, tries to use the
16 marginal -- apparent marginal differences in rates
17 from the Eastside current rates as well as the ones
18 that were proposed to the UTC and tries to figure out
19 whether using the different gallons per can, those
20 could represent cost of service.

21 Q. When you say the different gallons per can,
22 how many gallons per can did you assume?

23 A. That's in the left-hand column, 20, 30,
24 60, 90. As we heard from a data request -- anyway, so
25 that's 20, 30, 60, 90.

1 Q. Do you know how many gallons are actually
2 in a one-can, can, in Eastside Disposal's service
3 territory? Do you know whether it's 30 or 32?

4 A. I've seen both numbers, and I've seen 64
5 and 60.

6 Q. If it were 32 rather than 30, would that
7 affect the results of Exhibit 72?

8 A. Marginally at best. It doesn't change the
9 overall, I don't believe. And in computing the
10 marginal per can costs, for example.

11 Q. The minican, is it fair to say that you
12 took the rate and divided it by the 20 gallons to come
13 out with a marginal per gallon cost?

14 A. In this table I used gallons. Gallons were
15 to me the only information that had been provided --
16 the only information I was aware of that had been
17 provided on how the rates were established, and
18 because to me it also represents sort of a proxy for
19 how much could be stuffed into a can.

20 Q. And so for each service level you divided
21 the number of gallons into the dollar figure for the
22 rate to come out with a per gallon charge; is that
23 correct?

24 A. Only for the marginal. It was not the
25 overall rate level as you're probably aware but just

1 to clarify it was in fact for the marginal
2 differentials that I divided.

3 Q. If you divided the gallons per can into the
4 dollars, you effectively assumed that a can was full;
5 is that correct?

6 A. I assumed how much -- yes. I assumed that
7 it was 20 gallons of waste.

8 Q. The results would be affected, wouldn't
9 they, if for example with a two-can customer you
10 assume that the second can is only two thirds full?

11 A. Or if you assumed that it was overstuffed,
12 yes.

13 Q. So the figures here on Exhibit 72 reflect
14 an assumption that each can is precisely full, not
15 overstuffed and not two thirds full, not a quarter
16 full?

17 A. It assumes that the average can is full.
18 Not every can.

19 Q. Do you know whether Eastside Disposal and
20 whether Commission staff made the same assumption in
21 establishing rates for Eastside or whether they may
22 have made a different assumption about whether the
23 last can was completely full?

24 A. My understanding is that the assumption was
25 made that volume wasn't used at all but rather weights

1 were used.

2 Q. How would the use of weights rather than
3 volume affect this analysis?

4 A. Can you be a little bit more specific?

5 Q. Well, you have in your mind, not on this
6 sheet, but there are certain weights per can that a
7 person can assume; is that correct?

8 A. And from what I've been provided with,
9 quite a range of weights that could be assumed.

10 Q. My question about your assumption regarding
11 the last can and whether it was full really goes to if
12 you're thinking about a two-can customer whether it's
13 appropriate to assume that that customer completely
14 fills up both cans each week and also if you know
15 whether staff and the company assumed that that
16 customer precisely fills two cans each week?

17 A. This analysis assumed that the customer was
18 paying for a service that would entitle them up to two
19 full cans per week.

20 Q. But if you're coming up with a marginal
21 price per gallon or, for that matter, per pound, the
22 marginal price would change significantly, wouldn't
23 it, if you assumed that the second can was only two
24 thirds full?

25 A. If you want to assume that, but -- yes.

1 Q. That's all my question.

2 A. If you want to assume that. It would do
3 the same if you assumed a minican was partly full.

4 Q. Did you make any assumption about whether
5 tip fees at a disposal site are allocated on a strict
6 per gallon basis for each can size?

7 A. Did I make assumptions in this analysis?

8 Q. Yes.

9 A. It wasn't relevant. What I did with this
10 analysis was assume the differentials provided in
11 Eastside's rates. I didn't go into how it was
12 allocated. I said let's say that the allocations were
13 correct, can I get them to be cost of service under
14 this assumptions, and I could not.

15 Q. As you mentioned, you prepared the
16 testimony saying that the rates did not appear to
17 reflect cost of service and you prepared Exhibit 72
18 prior to the time that you received Mr. Glasgow's
19 testimony and the spreadsheets that were attached to
20 his testimony. Did reviewing or having the
21 opportunity to review his testimony in those
22 spreadsheets give you a better understanding of
23 whether these rates do or do not reflect cost of
24 service?

25 A. What reviewing those showed me was that

1 the analysis appeared to be based on weights per can
2 and that the follow-up information showed that there
3 were quite a range of weights and I couldn't determine
4 why particular rates were chosen for that cost
5 allocation.

6 Q. Just a moment. I'm looking -- I believe
7 your rebuttal testimony contains some testimony on can
8 weights; is that correct?

9 A. That's correct.

10 Q. And you did a can weight study for the city
11 of Seattle; is that right?

12 A. For the EPA funded, yeah, and in the city
13 of Seattle.

14 Q. In your study, did you correlate -- strike
15 that. And your testimony was that you thought that
16 the can weights determined in that study would be a
17 good proxy for can weights for Eastside Disposal; is
18 that right?

19 A. I said that I thought that those weights
20 would be fairly similar. There are some weaknesses
21 with using those as the weights, and I think that
22 there are program differences, but especially it was a
23 low time of year, it was a fall time of year for the
24 weights, but it seemed to me that that would be one
25 starting point. I think those or larger weights are

1 abstract hypothetical. My question isn't going to
2 have any parts relating to what if a person changes
3 service levels.

4 A. Then in simple terms I think the answer
5 would be yes, that you would assign -- if you believed
6 that there was fixed costs plus incorrect can weights
7 used to figure out how much to charge for additional
8 cans, then I think you probably would overrecover the
9 number of revenue requirements you need. It's
10 important to have the correct can weights.

11 Q. So there is really a risk to customers if a
12 company overestimates its can weights and that the
13 company will over collect the amount of money it
14 really needs to recover its total tip fees costs?

15 A. If in fact wrong can weights are used, yes.

16 Q. And a company -- if a company keeps track
17 of how much material in terms of tonnage it actually
18 disposes of from its residential customers and how
19 much it's charged for that disposal, it knows quite
20 precisely, doesn't it, what its revenue requirement is
21 for tip fees?

22 A. If a company has clean residential routes
23 that can exactly tell what residential, not dumpster,
24 not multifamily, if it can tell exactly what can
25 tonnages are and if it can tell what the subscriptions

1 probably somewhere in the range of what should be
2 used.

3 Q. If you use a -- if you make an assumption
4 regarding can weights that is higher than the actual
5 can weights, won't the result be that a company over-
6 collects its revenue requirement? Is my question
7 clear?

8 A. It would depend on how fixed and variable
9 costs are attributed, so I guess I'm not sure that
10 there's a yes or no answer to your question.

11 Q. Assume that the revenue requirement is set
12 assigning disposal fees on a per pound basis and say a
13 customer actually disposes of 50 pounds per can but
14 say the rate is set based on an assumption that each
15 customer's can weighs 100 pounds. If you're assigning
16 just for purposes of discussion a dollar a pound in
17 terms of a tip fee, if the actual price to dispose of
18 the material at the Cedar Hill Landfill is a dollar a
19 pound, if you, case one, if you make the correct
20 assumption that each customer's can weighs 50 pounds,
21 then you will precisely assign all the tip fees that
22 the company is actually going to have to pay; is that
23 correct?

24 A. Are you assuming we're using a test year --

25 Q. Not a test year. No. This is just an

1 are for those cans, then it can come up with closer
2 estimates, but I don't know many routes that don't
3 cross boundaries.

4 Q. Are you familiar with a portion of Mr.
5 Glasgo's testimony that explains how the company
6 determined what portion of disposal fees were properly
7 attributable to the residential class as opposed to
8 commercial class?

9 A. How its costs were attributed?

10 Q. Yes.

11 A. I read his testimony, yes. I'm familiar
12 with his.

13 Q. Do you have any problem with the
14 methodology that he described for assigning?

15 A. Can I get that testimony in front of me?

16 Q. Sure.

17 A. Do you have a particular page?

18 Q. Yeah. It will take me a second. Mr.
19 Glasgo talked about allocation of disposal fees first
20 of all between regulated and contract areas beginning
21 on page 6. And that also -- also that portion of the
22 testimony also discusses how the disposal fees were
23 segregated between the residential and commercial
24 classes.

25 A. So could you repeat your question.

1 Q. Yes. Do you think that an incorrect
2 methodology was used in assigning disposal fees to the
3 residential class?

4 A. Nothing here struck me as wrong.

5 MS. THOMAS: I have no further questions.

6 JUDGE HAENLE: Ms. Egeler.

7

8

CROSS-EXAMINATION

9 BY MS. EGELER:

10 Q. Are you ready?

11 A. If you are.

12 Q. Beginning with Exhibit 72, which is your
13 LAS-8.

14 A. Yes.

15 Q. You show your calculation of what the rates
16 should be using a cost of service approach, correct?

17 A. No. What I showed is using the cost of
18 service differentials provided by Eastside's current
19 -- the, quote, cost of service, one interpretation
20 cost of service -- provided in Eastside's current
21 rates could I achieve those rates using the
22 differentials that I see for different can sizes.

23 Q. Let's look at one of your calculations to
24 see how you came up with your number. Looking at the
25 left section, evaluation of staff recommended rates,

1 let's go over the column headed by a marginal .03.
2 Going down to the rate series headed by Rates Assuming
3 Pivot at One Can, which is about halfway down, we see
4 that the one can rate is at the staff recommended
5 level with the assumption that this rate is
6 cost-based; is that correct?

7 A. That's correct.

8 Q. The .03 marginal cost per gallon is the
9 cost differential between the mini and one can
10 converted into a per gallon volume number, correct?

11 A. Yes.

12 Q. You assumed an increment of 1.26 for each
13 ten gallons of waste, correct?

14 A. I didn't calculate it that way but I could
15 check that.

16 Q. Would you accept that subject to check?

17 A. Yes.

18 Q. You used the same cost differential per
19 gallon between the one and two-can that you used
20 between the mini and one-can levels, correct?

21 A. Each provides a set gallon size, yes.

22 Q. In other words, you didn't assign weights
23 to each service level for the purpose of determining
24 costs, did you?

25 A. I assigned gallons.

1 JUDGE HAENLE: So the answer is no you did
2 not assign weights?

3 THE WITNESS: No. I assigned gallons.

4 JUDGE HAENLE: If you could start out your
5 answer with a yes or no.

6 Q. Do you now understand that the UTC uses
7 weight as an allocator of cost to provide service?

8 A. I do understand that.

9 Q. Would you agree that statistically the
10 second can generally weighs less than the first can
11 for a customer with two-can service?

12 A. Statistically? I've seen studies that have
13 showed that, yes. Statistically is a little strong,
14 though. I've seen averages from various studies that
15 show different amounts and statistically implies a
16 level of something maybe beyond what I would be
17 comfortable with.

18 Q. Based on the studies that you have seen,
19 would you agree that generally the second can does not
20 weigh as much as the first can?

21 A. Yes.

22 Q. Without knowing the weight of the second
23 can, how can you determine the correct cost of
24 providing service for that additional can?

25 A. I wouldn't attempt to -- if I were going to

1 base my cost of service on weight, I would want to
2 know what the weight of the different can levels was.
3 If I didn't have that information I would try
4 something like this.

5 Q. You were employed by the city of Seattle in
6 1989; is that correct?

7 A. I was.

8 Q. Did you develop or participate in the
9 development of the model by which Seattle set its
10 residential rates in 1989?

11 A. I did.

12 Q. And didn't the rates in this model result
13 in a revenue shortfall for the city?

14 A. No. The rates -- the variable can -- the
15 residential sector recovered its revenues within a
16 percent or two, yeah. So the answer to your question
17 is no they did not result in a shortfall. From the
18 residential sector.

19 Q. Did the yard waste program begin at the
20 same date?

21 A. Yes, and that was part of the customer
22 service for residential customers.

23 Q. On page 4 of your initial testimony, lines
24 16 through 17, you state that revenue uncertainties
25 can be mitigated by careful estimation of service

1 levels. By that do you mean that a projection of
2 future service levels as opposed to using historical
3 data?

4 A. Yes, I do. Economic theory maintains that
5 with a change in price, people are likely to make a
6 change in the amount that they demand.

7 Q. So this is best done through an educated
8 guess as to what the customer mix will be in the
9 future; is that correct?

10 A. I would tend to rely on empirical work
11 with judgment applied as opposed to characterizing as
12 an educated guess.

13 Q. You also state on page 4, lines 16 through
14 18, that revenue uncertainties can be mitigated
15 through the, quote, widely accepted practice of
16 balancing accounts." Using this method, would the
17 hauler retroactively collect the revenue shortfall
18 from the ratepayer if a revenue shortfall were to
19 arise?

20 A. If revenue shortfall would arise, as my
21 understanding that UTC does with electric utilities
22 here in the state, an adjustment would be made in the
23 next rate period.

24 Q. So your understanding out of the electric
25 field is that the UTC allows a retroactive collection

1 of any shortfalls in revenue?

2 A. I'm saying that there's a proforma
3 adjustment at the next rate case, yes. That's my
4 understanding.

5 Q. What's your definition of the term proforma
6 adjustment?

7 A. That an abbreviated presentation before the
8 UTC is what goes on for determining the new rates.

9 Q. I think we may be losing each other in
10 different understanding of terminology. Let's assume
11 that a hauler has a revenue shortfall in 1994 and they
12 have a shortfall of, say, \$50,000. Is it your
13 understanding that the UTC would allow the hauler in
14 the next rate case to account for that \$50,000
15 shortfall by retroactively collecting it from the
16 customers?

17 A. I do not believe that the Commission has
18 historically done that in the solid waste field.

19 Q. If we change the company to an electric
20 company, is it your understanding that the Commission
21 would allow a retroactive collection of a past
22 shortfall in revenue?

23 A. I think it depends on where that revenue
24 shortfall comes from, but yes, I believe so.

25 Q. What areas would it come from if the

1 Commission were to allow?

2 A. I couldn't go into detail. I don't know.

3 Q. Do you know in what instances the
4 Commission would not allow that to happen?

5 A. No.

6 Q. But it is your opinion that the same type
7 of methodology could be applied in this case?

8 A. And is applied in California, to my
9 understanding, in Alameda County.

10 Q. In Alameda County, can you give me a year
11 or case?

12 A. It's in the testimony -- the JRRC.

13 Q. On page 8 of your testimony, you refer to a
14 report from the Hoffman Estates. Do you see where I
15 am?

16 A. Yes.

17 Q. You state that with the inception of a
18 stickered bag system there was a drastic decline in
19 garbage setouts, correct?

20 A. They instituted a sticker bag system and --

21 JUDGE HAENLE: Start with a yes or no.

22 A. What line? I'm sorry.

23 Q. Page 8 of your testimony you talk about the
24 Hoffman Estates program.

25 A. Yes. And you will notice that above it

1 Hoffman Estates instituted a stickered bag program and
2 a recycling program.

3 Q. Prior to the stickered bag program,
4 customers put out as much waste as they wanted to for
5 a flat fee; isn't that correct?

6 A. That's my recollection. It's either a flat
7 fee or a tax, I can't remember which.

8 Q. After the stickered bag program was put in
9 place, the rate paid by customers varied according to
10 the number of bags they set out, didn't it?

11 A. That's correct.

12 Q. Eastside Disposal does not have a flat
13 rate, does it?

14 A. Yes.

15 Q. And they have a varied rate; is that
16 correct?

17 A. That's correct.

18 Q. On page 12 of your testimony, you cite
19 Oakland, California as a relevant example of customer
20 reaction to rate increases; is that correct?

21 A. That's correct.

22 Q. Prior to 1991, Oakland charged the same
23 rate for each can, correct?

24 A. That's my recollection.

25 Q. So the two-can rate was twice as much as

1 the one-can rate?

2 A. That's my recollection, yeah.

3 Q. In 1991, Oakland offered minican service,
4 increased the rates overall, and added an additional
5 percentage spread between cans; is that correct?

6 A. Yes.

7 Q. The rates that were implemented in 1991
8 were \$10.08 for minican, \$13.74 for one-can service
9 and \$30.23 for two-can service; is that correct?

10 A. That sounds familiar.

11 Q. Besides the can rate structure, residents
12 of Oakland can purchase bags for two dollars each; is
13 that correct?

14 A. You mean like extra bags?

15 Q. Correct.

16 A. Yes. I guess so. Actually, I don't recall
17 that, but yes, I believe you.

18 Q. This allows a one-can customer who
19 sometimes has more than a can of garbage to just pay
20 the extra two dollar bag rate rather than having to
21 subscribe to the higher two-can rate, doesn't it?

22 A. If they have occasional waste, yes, or if
23 they wanted to they could do it for all their waste
24 presumably.

25 Q. In 1991, when Oakland put this new rate

1 structure into effect, it did not have a curbside
2 recycling program, did it?

3 A. That I don't recall. But -- that I don't
4 recall. I actually do programs from, oh, several
5 hundred communities so Oakland in particular I can't
6 remember. Can you tell me the date again?

7 Q. In 1991 they did not have a curbside
8 recycling program, did they? To refresh your
9 recollection, perhaps counsel can provide you with
10 King County's response to staff data request No. 14.

11 A. I've got it. Yeah. I presented the
12 information that I had in my testimony. If you
13 followed up with Mr. Brown and found out what years
14 programs went in place. That's information beyond
15 what I had on the top of my head.

16 Q. I'm getting the information from what you
17 provided in response to a data request, not from an
18 outside source. Oakland's initial recycling program
19 was begun in 1992, wasn't it, just as a pilot program?

20 A. Like I said, I don't recall that. I don't
21 recall what year that program went into place and I
22 don't see it here on data request No. 14 either.

23 Q. Would you accept that subject to check?

24 A. Yes.

25 Q. And mandatory recycling charge of \$1.55 was

1 added when this recycling program was implemented?

2 A. That's common in California, yes.

3 Q. In 1990, a 13 percent waste diversion was
4 obtained, wasn't it? You can look at data request No.
5 14, the information regarding Oakland.

6 A. My data request No. 14 is one paragraph and
7 it doesn't talk about percentages.

8 Q. Perhaps your counsel can provide you with a
9 complete copy. If not, I will give you my copy to
10 look at. I'm looking at the backup material that was
11 supplied as part of that response.

12 JUDGE HAENLE: Why don't you approach the
13 witness, Ms. Egeler.

14 MS. PERRY: Are we talking about the same
15 data request?

16 JUDGE HAENLE: Let's go off the record so
17 you can compare.

18 (Discussion off the record.)

19 JUDGE HAENLE: Let's be back on the record.
20 During the time you were off the record you
21 established that that was a different number, Ms.
22 Egeler, different number data request.

23 MS. EGELER: Yes. We're looking at data
24 request No. 13, staff data request 13.

25 JUDGE HAENLE: You have that in front of

1 you, Ms. Skumatz?

2 THE WITNESS: I do.

3 Q. My question was in 1990, the 13 percent
4 waste diversion was obtained, wasn't it?

5 A. That's a reported diversion. There's some
6 question in California about whether or not that
7 employs organics, but this is the self-reported
8 diversion rate from the city of Oakland provided by
9 Mr. Brown.

10 Q. And that would have been after the
11 initiation of the new rate structures, correct?

12 A. Not the new ones. '91 you're talking
13 about?

14 Q. Yes.

15 A. The new rates I think you said went into
16 place in '92.

17 Q. The initial rate structure change made by
18 Oakland was made in 1990 which is, as we just went
19 through a couple of minutes ago, added can levels, for
20 example, increased differentials, et cetera, correct?

21 A. Correct.

22 Q. And as a result in 1990, a 13 percent waste
23 diversion was obtained, correct?

24 A. Yes.

25 Q. In 1993, Oakland expanded its recycling

1 program, didn't it?

2 A. Yes.

3 Q. In other words, now everyone had the option
4 of using curbside recycling?

5 A. That was one of the changes they made, yes.

6 Q. And did Oakland change or increase the
7 rates in 1993?

8 A. Yes, they did.

9 Q. I direct your attention to the portion of
10 data request No. 13, the top of it states,
11 "neighboring community variable can rates." Do you
12 see that page?

13 A. I do.

14 Q. If you turn to the next page back, five
15 lines from the bottom, do you see where I am?

16 A. On which page?

17 Q. The bottom of the page states, "community
18 survey dash Oakland, page 6, S E R A."

19 A. Yes. What's the question?

20 Q. If you look five lines up from the bottom
21 with the sentence beginning "last major rates
22 revision".

23 A. Yes.

24 Q. Says 1991 was the last major rate revision.
25 Do you see where I am?

1 A. I do.

2 Q. And given that, do you believe Oakland
3 changed or increased the rates in 1993?

4 A. These are the rates in effect in 1993.
5 Whether they changed them in 1993 or not, I'm not
6 certain. These are the rates in effect and the
7 diversions in effect in 1993 as reported by the city
8 of Oakland.

9 Q. In 1993, isn't it true that a 30 percent
10 waste diversion was obtained in Oakland?

11 A. That's their report.

12 Q. Turning now to your rebuttal testimony, on
13 page 4, lines 11 through 22, you state that the cost
14 of service methodology used by the Commission is
15 questionable because the can weights provided by
16 Eastside are suspect; is that correct?

17 A. That's what I said. Yes.

18 Q. Do you understand that in order to set cost
19 of service-based rates the Commission needs
20 information regarding can weights for two reasons,
21 first, so that the Commission can determine the total
22 amount of disposal costs, and second, so that the
23 Commission can allocate the proper percentage of the
24 revenue requirement between the different service
25 levels?

1 A. Those are two of the reasons I would want
2 to know the can weights, okay.

3 Q. And you provided weights from the garbage
4 by the pound study that you believe may be more
5 accurate; is that correct?

6 A. Yes. I believe that they are one set of
7 weights out there that's consistent with some of the
8 conditions similar to what's going on on Eastside.

9 Q. Would you please turn to confidential 74,
10 LAS-9. I'm going to try to cross-examine you on it
11 without stating the confidential material, and if you
12 need to in your response, please let me know before
13 you state any confidential numbers. If you turn your
14 attention to the fifth column which contains the
15 weights in Eastside's weight study. Do you see where
16 I am?

17 A. The confidential column.

18 Q. Would you accept subject to check that the
19 difference between minican and one-can weights is 67
20 percent?

21 A. I would accept that subject to check.

22 Q. Looking at the weights in column 2, the
23 weights in the garbage by the pound experiment, would
24 you accept subject to check that the difference
25 between the minican and one-can weight is 67 percent?

1 A. I would.

2 Q. Now, let's look at the difference between
3 Eastside's one-can weight and the two-can weight.
4 Would you accept subject to check that the difference
5 between the one-can and two-can weights is 59.9
6 percent?

7 A. I would.

8 Q. And would you accept that in column 2, the
9 garbage by the pound study, the difference between the
10 one and two-can weights is 56 percent?

11 A. I would.

12 JUDGE HAENLE: Which is the other column
13 that you are comparing, the first one that you are
14 comparing?

15 MS. EGELER: I'm comparing column 5,
16 Eastside's weights, to column 2, the garbage by the
17 pound.

18 Q. Did I understand your testimony Friday
19 correctly to be that you believe a proper cost of
20 service analysis should also include the cost of
21 environmental externalities?

22 A. I believe that cost of service -- yes is
23 the right answer.

24 Q. Could you please list each such factor that
25 you believe should be considered in setting rates?

1 A. I can't list those off the top of my head.
2 I would agree with Mr. Pealy's testimony and the
3 attachment provided with Mr. Pealy's testimony, but
4 some of the factors mentioned in Mr. Schall's study
5 for the Reason Foundation that some types of
6 externalities are appropriately included in
7 estimations of the real long run costs of disposal and
8 other options.

9 Q. But you're unable to state what those
10 externalities are?

11 A. I believe I can list some of them, but I
12 cannot give you a laundry list of every externality
13 at I think is appropriately included or how to include
14 it.

15 Q. Just hit the highlights of the major
16 externalities you believe should be included.

17 A. I believe that factors such as the cost of
18 replacement of a landfill, I believe that costs
19 associated with environmental closure of facilities
20 should be included, things like that.

21 Q. Any others that come to mind?

22 A. Not that come to mind.

23 Q. Do you know if those factors are considered
24 by King County in setting their disposal fee at the
25 Cedar Hills Landfill?

1 A. I don't know for sure. That's not my area
2 of expertise.

3 Q. In your prefiled testimony on pages 3.42
4 and 3.43 of Exhibit 70, which is marked LAS-6, do you
5 see where I am?

6 A. Three point what?

7 Q. 3.42 and 3.43. You present five different
8 elasticities each corresponding to a drop from one
9 service level to the next. These estimates were made
10 using information from Seattle in mid 1987; is that
11 correct?

12 A. From a rate change in mid '87, correct.

13 Q. Why did you decide to examine the
14 elasticities between different service levels?

15 A. Because as part of the conduct of the rate
16 study for Seattle for 1989, we needed to make some
17 estimates of what might happen should rate changes
18 come into effect. It's also of interest for an
19 economist to look at what kinds of effect price has on
20 customer behavior, and so I looked at the apparent
21 measured reaction of customers to rate changes and the
22 last rate study -- the last rate change period I had
23 was mid '87.

24 Q. Do you think that there could be
25 statistically significant differences between

1 elasticities at different service levels?

2 A. Do I think there could be? I think there
3 could be.

4 Q. And why do you think that?

5 A. Because -- well, for one because the
6 investigation I did showed that there were differences
7 in elasticities -- that different means were
8 estimated, and two, because it seems to me that there
9 are strong -- it may be easier for customers on larger
10 service levels to -- they have more room to move.

11 Q. In the fourth paragraph on page 3.43 of
12 Exhibit LAS-6, you explained that the elasticity
13 estimates did not perform well when used in Seattle
14 for three reasons. The first reason you list is poor
15 data; is that correct?

16 A. That's correct.

17 Q. Did you file any revised or updated
18 calculation of service level elasticities for this
19 case in which you corrected a calculation to use
20 better data?

21 A. That's mischaracterizing the differences
22 between the elasticities. In fact the poor data here
23 refers to the fact that the information provided --
24 the information that Seattle gets is not customer by
25 customer what happened but rather in aggregate how

1 many customers moved from one place to another.
2 That's what was characterized as not perfect household
3 level data. That's what the poor data refers to.

4 Q. And did you file anything different in this
5 case that would -- reflecting what you would consider
6 to be more appropriate data?

7 A. Oh, no. That was not based on -- that was
8 not based on a change in underlying data. That same
9 data is the type of thing that's still available. The
10 change was merely because I could not find the work
11 papers from the initial, initial work, and so I redid
12 calculations. And the change for 1989 was these
13 estimates were not changed because -- and when applied
14 in 1989 they did not result in exactly what happened
15 because these elasticities were properly estimated
16 when only a price change happened, but in 1989 a price
17 change is not the only thing that happened, so the
18 elasticities were correctly calculated based on the
19 information that was available. They would be
20 especially appropriate I think in a period when only a
21 rate change happened but in fact we had a new period
22 in 1989 where different changes also happened and so
23 some judgment needed to be applied.

24 Q. And that would be the second reason you
25 identify for the inaccuracy of the elasticity

1 estimates --

2 A. It's actually the second and third, right.

3 Q. Please let me finish. And that would be
4 that an entirely new service level, the minican, was
5 introduced in Seattle during the time that the
6 elasticities were used but was not present when you
7 calculated the service level elasticities; is that
8 correct?

9 A. That's correct.

10 Q. Did you file any revised or updated
11 calculation of service level elasticities in this
12 case in which you included the minican service in the
13 calculation?

14 A. No.

15 Q. Was the third reason that you stated for
16 the inaccuracy of the service level elasticity
17 estimates that a number of new waste reduction and
18 recycling programs were introduced along with the rate
19 change at the time that these elasticity estimates
20 were used?

21 A. That was the reason that the elasticities
22 calculated for 1987 weren't wholly appropriate for the
23 1989 rate change.

24 Q. And did you file any revised or updated
25 calculation of service level elasticities for this

1 case in which you adjusted for either the introduction
2 of new waste reduction and recycling programs or
3 update to examine service level demand elasticities
4 after such programs had been introduced?

5 A. I'm confused. Are you saying I should have
6 done new work and calculate new elasticities for the
7 UTC rate case?

8 Q. No. I'm asking you if you did.

9 A. No.

10 Q. Can you tell us which page of Exhibit
11 LAS-6, your prefiled testimony or your rebuttal
12 testimony, discusses the statistical test you used to
13 determine that the service level demand elasticities
14 were either statistically significantly different than
15 zero and/or significantly different from each other?

16 A. It's not possible to tell because we only
17 had one observation. Generally you need to have
18 household level data to try to do that kind of a test.
19 That's not available.

20 Q. Turning to page 3 of your rebuttal
21 testimony. Do you have that before you?

22 A. Yes.

23 Q. You state that staff is asking the county
24 to, quote, dismiss the only policy instrument that is
25 shown as a statistically significant impact --

1 pricing. End quote. Do you see that?

2 A. Yes.

3 Q. Is pricing the only variable that King
4 County has examined for statistical significance?

5 A. I don't know what King County has examined.
6 I only know what I've examined. Price has been found
7 to be a significant impact. I presented information
8 on the -- for instance, the elasticities .14, .09 and
9 so on that are statistically significantly different
10 from zero and that do have an effect on demand.

11 Q. But my question was, is this the only study
12 that's been done by King County or yourself -- let me
13 restate that. The question was is this the only
14 variable that King County has examined for statistical
15 significance?

16 A. I don't know what King County has examined.
17 I have examined price and found price to be a
18 statistically significantly important variable.

19 Q. Have you examined any other variable?

20 A. Yes, I have. The information in the demand
21 equations that I did for Seattle in 1988, which, as I
22 might correct, included only data from the recycling
23 program. It did not include the period of 1988 when
24 the recycling program was introduced, so that corrects
25 something that was said the other day improperly. The

1 information -- that equation included variables on
2 household size, on income and on -- I can't remember
3 the other variables but found elasticities for those
4 variables as well.

5 Q. Beginning on page 5 of your revised
6 rebuttal testimony you state that Mr. Popoff neglected
7 to mention several directly relevant studies provided
8 by King County witnesses, especially the garbage by
9 the pound study. Do you recall that?

10 A. Yes.

11 Q. When the city offered garbage by the pound,
12 the market structure was changed from volume-based
13 variable can -- from a volume-based variable can
14 market structure to a weight-based market structure,
15 correct?

16 A. For 1500 customers, that is correct.

17 Q. Has King County filed this case since the
18 Commission has not implemented the rate spreads that
19 are mandated by King County solid waste management
20 plan?

21 MS. PERRY: I object. That's beyond the
22 scope of her testimony.

23 JUDGE HAENLE: Ms. Egeler?

24 MS. EGELER: I will strike the question.

25 Q. Are you familiar with King County's

1 ordinance which sets out a rate spread differential
2 for solid waste collection?

3 A. As reflected on page 2, yeah.

4 Q. Only as reflected there?

5 A. No, sorry.

6 Q. Have you read it?

7 A. Yes.

8 Q. And can you identify what section of the
9 ordinance specifically states that solid waste
10 transporters operating in King County will provide
11 weight-based collection service?

12 A. I don't believe that's included in the
13 ordinance.

14 Q. And are you familiar with King County solid
15 waste management plan?

16 A. I skimmed it when it came out some time
17 ago.

18 Q. In skimming it did you find any portion of
19 it which provided that King County will require its
20 haulers to provide weight-based collection service?

21 A. No, but that wasn't the point of my
22 testimony so I don't understand the question. The
23 point of the garbage by the pound study --

24 Q. I was just asking you whether or not you
25 had seen anything like that in their plan.

1 A. No. It is in Seattle's plan.

2 Q. How many times have you testified before
3 different state public utility commissions or the
4 Federal Energy and Regulatory Commission on utility
5 rate cases, specifically with regard to rate design
6 issues?

7 A. I have not.

8 Q. How familiar are you with the rate making
9 process in the state of Washington?

10 A. In general for solid waste? For energy?
11 For what?

12 Q. In general.

13 A. I'm familiar with the materials that were
14 presented for this case. I'm familiar -- very
15 familiar with the rate process for the city of
16 Seattle.

17 Q. I'm asking about this Commission's
18 regulatory system.

19 A. I'm familiar with it in general principles
20 only.

21 Q. On page 8 of your rebuttal testimony
22 concerning the failure to include a tonnage reaction
23 to the rate change you state, "This differs from the
24 standard policy for electricity or telecommunications
25 cases when they are presented before the WUTC." As

1 you understand it what is this Commission's policies
2 for electric and telecommunications policies?

3 A. As I understand it, demand elasticities are
4 implicitly included in the estimation of power costs
5 and some other ways included in what's presented for
6 electric rates.

7 Q. Would you agree that rate making factors --
8 excuse me -- that rate making adjustments must be
9 known, measurable and not offset by other factors?

10 A. Generally, yes.

11 Q. On page 12 of your rebuttal testimony,
12 lines 11 through 13, you state that the rates proposed
13 by staff are considerably lower than the nonincentive
14 rate threshold defined by Mr. Popoff for these two
15 cities. Could you please show me where in Mr.
16 Popoff's testimony he states the definition for
17 incentive versus nonincentive rate threshold?

18 A. I will need Mr. Popoff's testimony, but my
19 recollection of the testimony that Mr. Popoff says
20 that there are several communities that didn't need
21 incentive rates in order to provide -- they did not
22 have incentive rates and yet they were able to win
23 awards for recycling diversion, and when the testimony
24 is further read to try to determine what kind of rate
25 differentials there are in those communities it says

1 there's 35 percent differentials or it's less than 35
2 percent.

3 Q. It might be more time effective if you can
4 review that during a break and answer the question.
5 Regarding where he states --

6 A. You mean exactly what page as opposed to
7 the sense of the testimony?

8 Q. Yes. On page 13 of your rebuttal
9 testimony, lines 12 through 17, you state, "if we take
10 Mr. Popoff's logic one step further we would need a
11 tremendous amount of education to gaffect demand when
12 there's no demonstrated coefficient presented for
13 education's effect on demand."

14 A. Effect of education programs on demand,
15 correct.

16 Q. Are you aware of any study that King County
17 has filed in this case that included variables for
18 education or any other preference variables?

19 A. I am aware of no study in economics that
20 includes the effect of preference variables. I am --
21 most economic studies, most mainstream economic
22 studies, include preferences as one of the terms that
23 is estimated through the error turn. It is not
24 included as a measurable variable. What you're
25 looking at is a difference between education programs

1 versus education levels of customers in the city. If
2 you were to take the studies that -- maybe I can get
3 you to go on and explain your question. Can you ask
4 your question again?

5 Q. All I'm asking you is whether or not you're
6 aware of any study filed by King County in this case
7 which includes a variable for education or any other
8 preference variable.

9 A. This sentence doesn't refer to education as
10 a variable. What it refers to is education programs
11 as a variable. So I don't know of anybody who
12 included education programs as a variable.

13 Q. The answer is no, then, there were no
14 studies submitted with educational programs as a
15 variable; is that correct?

16 A. That's correct.

17 Q. And there were no studies submitted with
18 preference as a variable; is that correct?

19 A. That's correct. There are no economic
20 study looks at preferences of variable that I am at
21 all aware of because it's not a measurable and
22 demonstrable difference. My understanding is that in
23 the field of economics you look at preferences as
24 constant or you can allow -- and preferences are not
25 included in the equation itself, in deriving a demand

1 equation.

2 Q. In Exhibit LAS-5 which is Exhibit 69, on
3 page 6 --

4 Are you with me?

5 A. Yes.

6 Q. -- you provide an explanation of model mis-
7 specification bias. And that's the first full
8 paragraph there. Do you see where I am?

9 A. Yes.

10 Q. Could you please read the second and third
11 sentences of that paragraph, just the second and third
12 paragraphs following the bullet there.

13 A. That start with "therefore."

14 Q. That start with "the amount of."

15 A. "Amount of bias that your model" --

16 Q. Correct.

17 A. -- "will have" --

18 JUDGE HAENLE: Enunciating clearly, please.

19 A. "The amount of bias that your model will
20 have from misspecification depends on the degree of
21 correlation between the omitted variable and the
22 variables that have been included in the equation.
23 Therefore, if the left-out variable has patterns that
24 closely resemble those of an included variable, the
25 coefficient on the included variable will include both

1 the impacts for the included variable and some of that
2 effect it would be more properly attributed to the
3 excluded variable biasing the effect that you are
4 attributing to the included variable."

5 MS. EGELER: No further questions.

6 JUDGE HAENLE: Commissioners, do you have
7 questions?

8

9

EXAMINATION

10 BY CHAIRMAN NELSON:

11 Q. Dr. Skumatz, I'm sure I will find out what
12 the theory of the county's case is in the briefs but I
13 would like to just ask you your understanding of it.
14 I guess I will start by referring to page 21 and 22 of
15 your rebuttal testimony where you give us a statement
16 that I'm certain no economist in the country would
17 want to disagree with that, at least in your answer,
18 that at a level of generality is what I think every
19 textbook on rate design encourages commissions to do.
20 But I guess my question is why have you as the
21 county's expert witness not provided your preferred
22 alternative rate design which would incorporate all of
23 these principles?

24 A. I have not provided my alternative rate
25 design because it would be a very time consuming

1 process for me to try to go through the information
2 that we received fairly late in the process and
3 confidential and so on and try to derive rates from
4 information I only have some understanding of based on
5 materials provided. What I have instead tried to look
6 at was what kind of differentials -- what kind of
7 differentials are provided in the new rates and
8 whether or not those go along with principles from
9 even Bonbright where they should be just, fair and
10 reasonable but they should also incorporate things
11 like gradualism in rates. Bonbright mentions that
12 rate shock is a difficult thing and in these rates,
13 the new proposed rates for King County -- Eastside,
14 the new current rates for Eastside have an 80 percent
15 increase in the rates for the minican customers and a
16 much smaller increase for customers at lower levels.
17 That doesn't seem to me to go along with the
18 principles of gradualism.

19 Q. May I interrupt. So as I understand it,
20 then, you didn't have an understanding with the county
21 that you would do the actual rate design work; is that
22 correct?

23 A. That's correct.

24 Q. You think it might be the county service
25 then, if I can try to harmonize your testimony with

1 what I perceive now as the theory of the case, that
2 cost of service, however defined, and hopefully sort
3 of flexibly defined, as you indicate on these last two
4 pages of your testimony, would be done by the company,
5 analyzed by the Commission staff but then somehow
6 forced into the ordinance rate spreads? Is that the
7 county's theory?

8 A. I could not give you the county's theory.
9 I think that it was stated by Mr. Hansen that what the
10 county provided was the kind of rates -- the kind of
11 rate differentials that they were looking for in order
12 to provide incentives for their customers to pursue
13 recycling and to help the county get to their goals,
14 but they were not mandating that the WUTC adopt those
15 differentials. Instead I think they were looking at
16 those as goals, that the rates over the previous
17 periods had reflected somewhat the general sense of
18 those goals and that that was okay but that this was
19 in fact a pretty major change and had the effect of
20 undermining the incentives that customers got.

21 Q. Well, it seems to me that intellectual
22 rigor requires some more definite answer, but I don't
23 know if you're the right witness to give me that today
24 so I will wait for the county's briefs. Thank you.
25 That's all I have.

1

2

EXAMINATION

3

BY COMMISSIONER HEMSTAD:

4

Q. I want to go back to your testimony on page
22 that was inquired about, of your original
testimony. Lines 1 through 7. Or more particularly
lines 1 through 3 you state, "In addition, my analysis
shows that the rates either as proposed by Eastside or
as recommended or approved by the WUTC do not appear
to reflect cost of service." I've listened to your
testimony and to the effect that you hadn't seen the
material. Is it still your position now that --
within acknowledging from the discussion that has gone
on here that there can be a range of options within
the context of cost of service methodology, is it
your current position that Eastside rates do not
reflect cost of service?

18

A. Based on the information provided I
couldn't possibly say because one of the key
determinants is weights and there's quite a range of
weights and I've seen no analysis by the UTC that
affirms why particular weights were used or why
they're dramatically different from what's used by
other haulers, the Meeks weights and so on. A quote
comparison was provided or was apparently conducted

25

1 but no definition of how that comparison was done was
2 seen. I don't know if you looked at that -- if you
3 got a chance to look at that table but there are
4 dramatic differences in those weights. It's very
5 difficult for me to say whether or not these reflect
6 cost of service because my concern that there's
7 significant questions about those weights.

8 Q. Is it fair to characterize your current
9 position that you do not know whether the rates as
10 reflected in Exhibit 28, page 1, are cost of
11 service-based?

12 A. I cannot tell, and I would -- and they
13 don't reflect it based on a volume basis.

14 Q. Is it your view that the King County
15 ordinance as reflected in the Exhibit 28, page 2, with
16 the rate differentials there reflect a cost of service
17 analysis?

18 A. Again, I think it requires you to use the
19 ranges of cost of service definitions. I think that
20 --

21 Q. Taking your approach to how cost of service
22 should be done, does Exhibit 28, page 2, reflect a
23 cost of service analysis?

24 A. I believe that we derived rates, with
25 broadly similar structures, incentive rates in the

1 city of Seattle under an analysis that we considered
2 cost of service policy adjustments.

3 Q. Well, Exhibit 28, page 2, as applied would
4 have to generate an adequate revenue requirement so
5 that would -- you agree with that?

6 A. You need to design those rate levels to
7 recover revenues, absolutely.

8 Q. So that would require the rates to be set
9 at some level so that the total revenue generated
10 would meet the revenue requirement?

11 A. That's correct.

12 Q. But how does one know in advance of a cost
13 analysis how those differentials will in fact total
14 the revenue requirement?

15 A. Are you saying how did -- I guess the best
16 answer to that is that the rates previous to the ones
17 that Eastside has for current rates came very close to
18 matching those kind of differentials. It appears to
19 be possible.

20 Q. So is it your understanding that those
21 differentials reflected historical rates?

22 A. They're not far from it as I recall. I
23 think that the differentials in the rates previous
24 were 60 percent, 36 percent and 29 percent and what
25 King County recommended I think was 60, 40, 25.

1 Q. I want to go back to, however, when the
2 ordinance was first adopted. Where do those
3 percentage differentials come from?

4 A. I couldn't say. I didn't write the
5 ordinance. Oh, except I did hear the answer provided
6 by one of the previous witnesses, I think Mr.
7 Gaisford, that talks about how they looked at I think
8 what rates were, what kinds of incentives were
9 provided, went through a public process. When they
10 first put in the information about they wanted the
11 rates to provide incentives they were asked for
12 clarification what you mean by incentives, get
13 specific, and so they worked through this process to
14 come up with differentials to be more specific.

15 Q. Let's assume for the purpose of a
16 hypothetical that the county desiring to strongly
17 incent waste reduction uses much more steeply inverted
18 rates than those in page 2 of Exhibit 28.

19 A. For instance some communities in California
20 do more than a can is a can.

21 Q. All right. Let's say that the mini was 100
22 percent, then the one can would be 300 percent and the
23 two can would be 1,000 percent and the three can
24 would be 5,000 percent. I assume that would provide
25 strong incentives to reduce higher usage?

1 A. I think it would produce some pretty strong
2 reactions from customers, yes.

3 Q. Just taking a hypothetical. Could that
4 kind of a range, then, be applied in such a way as to
5 be cost of service-based?

6 A. It would be very hard to figure out a way
7 that that would be very cost of service-based. I
8 can't think of a way that -- unless you were going to
9 have to shoot the waste off to the moon. It would
10 have to be something that would be very costly.

11 Q. What I am trying to get to is how does one
12 know in advance that this particular series of
13 differentials in percentage terms will be cost of
14 service-based? Or let me phrase it this way. Doesn't
15 it become simply a matter of accident to have a series
16 of differentials, whatever they may be, determined in
17 advance of a cost analysis? Isn't it just a matter of
18 accident whether it in fact will be -- in its ultimate
19 application reflect cost of service?

20 A. I couldn't guess how specifically King
21 County came up with those numbers, but I can say that
22 if I had looked at the rates that were in place for
23 Eastside during the period in which they were putting
24 these together, rates that presumably came somewhere
25 near cost of service or -- they do reflect

1 differentials not very different from exactly what's
2 shown. Instead of 60, 40, 25, it was 60, 36, 29.
3 That's pretty close.

4 Q. What if there are then significant changes
5 in cost over time? Then what my point is, would you
6 then have to go back and change the ordinances to
7 reflect different percentages?

8 A. I think the ordinances has always been
9 stated as a goal, as incentives, and there was some
10 differentiation before and I expect that King County
11 would have to decide -- I don't know what -- I don't
12 believe from what I heard from Mr. Hansen that a hard
13 and fast application is what they're looking for.

14 Q. Well, as I recall the ordinance it says
15 that the Commission is strongly urged to adopt a rate
16 structure that reflects that, those percentage
17 differentials?

18 A. That reflects incentives like those, yes.
19 Right now one of the things that's of concern, I
20 think, is that the rate change between the past rates
21 and the current rates are very different in effect for
22 different customers and in fact have very significant
23 rate shocks on customers with very small --

24 Q. Well, rate shock is a different issue than
25 cost of service. If it's the staff's position that

1 the prior Eastside rates did not reflect cost of
2 service --

3 A. Again, we would have to talk about
4 differences in definitions of cost of service and
5 whether you're willing -- whether some policy doesn't
6 come into that in terms of how you allocate costs and
7 so on. So again it's a range. Maybe under one
8 definition it doesn't meet a cost of service but under
9 another perfectly valid definition of cost of service
10 it does.

11 Q. So it's your position, then, that the
12 Exhibit 28, page 2, can apparently be positioned such
13 that, so that, the different classes of customers
14 there described will actually reflect a cost of
15 service base?

16 A. I believe it can be, yes.

17 Q. You were asked about externalities by Ms.
18 Egeler and I believe you reference at least two, the
19 replacement costs of the landfill and the closure
20 costs of the landfill?

21 A. Externalities aren't my particular point of
22 expertise, but yes.

23 Q. Isn't it appropriate that those kind of
24 costs should be included in the disposal fee as the
25 tipping fee of the county rather than in the pricing

1 of the collection?

2 A. Those particular costs --

3 JUDGE HAENLE: Yes or no?

4 THE WITNESS: Yes.

5 Q. Well, are there other externalities that
6 you believe should be included in the pricing of the
7 collection costs?

8 A. Sorry. I'm drawing a blank here. I guess
9 I would state it more generally that I think that
10 there are externalities. There are policies that are
11 looking to long run cost of system considerations
12 that go into making up how you determine the
13 differentials ought to be between different rates and
14 how you go about allocating them into the rate design.

15 Q. Well, so is it your testimony that there
16 are externalities other than the ones I referenced
17 that should be included in the cost of collection?

18 A. Again, I would refer to Mr. Pealy's
19 testimony if I could. He's studied the externality
20 issues a lot more than I have.

21 COMMISSIONER HEMSTAD: That's all I have.

22 JUDGE HAENLE: Anything else,
23 Commissioners?

24 I do have a number of questions, but I
25 would like to review them before I ask them. I think

1 I can cut some of them out. Take our morning recess
2 at this time. Be back at five minutes to 11.

3 (Recess.)

4 JUDGE HAENLE: Let's be back on the record
5 after our morning recess. During the morning recess I
6 had talked to the commissioners about what time we
7 would stop tonight and what time we would start
8 tomorrow trying to anticipate the amount of time we
9 would need. They said they are willing to go until
10 5:30 tonight, and they said that they want to start at
11 9:30 tomorrow in Bellevue. We'll meet at 9:30, take
12 the next witness, whoever that is, and continue with
13 that, breaking for -- well, we'll break for lunch, I'm
14 sure, but I mean we will insert the public testimony
15 starting at 1:30. Take that as long as it takes and
16 then go back to finish the remaining witnesses. I
17 don't know how long we will be in Bellevue tomorrow,
18 but I want you to know we do need to finish up in
19 Bellevue tomorrow so it may be late. We have the room
20 until midnight.

21 Anyway, I did have some questions and one I
22 wanted to try to do was one I didn't have very much
23 success with Ms. Albert. We did not seem to be
24 communicating and recognizing that it is not your
25 model, it's Ms. Albert's model, but let me see if I

1 can get some information from you just generally.

2

3

EXAMINATION

4 BY JUDGE HAENLE:

5 Q. I think that Ms. Albert testified that her
6 model relies on an individual knowing the prices of
7 the services that that individual is receiving. The
8 solid waste bills in King County don't give the
9 consumer the information of how much -- what part of
10 that is a recycling element, what part is a solid
11 waste collection element. There's just one price for
12 garbage service. Given that one price for garbage
13 service on the bill fact, do you believe that
14 consumers in King County will lower their garbage
15 usage when their rates go up?

16 A. My understanding is Ms. Albert's model uses
17 differentials between rates between a 30 and 60-gallon
18 container. I don't think that the question about
19 whether they can see recycling or can see garbage is
20 so much important. The differential -- she uses the
21 differential as a proxy for rate structure.

22 Q. Well, the question I was trying to
23 determine was in order to make Ms. Albert's model a
24 valid indication of what's actually happening, would
25 King County have to separate out the recycling element

1 from the solid waste collection element? Do you see
2 what I mean?

3 A. Kind of.

4 Q. Well, would they get their price signals
5 through a one-price garbage price?

6 A. I think that the model -- that model
7 corroborates what other models show in that price has
8 an effect on demand and that showing differences in
9 prices will in effect -- will have an effect on the
10 amount of service demanded by customers.

11 Q. So if they lowered their garbage usage --
12 so that if the rates go up they will lower their
13 garbage usage?

14 A. Yes, and also do waste reduction.

15 Q. Do you agree with Ms. Albert that consumers
16 desire to maximize their utility services, that is,
17 get the most for their dollar?

18 A. Sorry. It's harking to an economics term,
19 maximizing utility and so I'm trying to kind of change
20 gears. When you said that my mind --

21 Q. Look at maximize and look at utility
22 services. Are they trying to get the most they can
23 from their dollar?

24 A. I think what they're trying to do --

25 Q. Just yes or no.

1 A. They're trying to minimize their bill and
2 get the mix of services that serves them best.

3 Q. Does that mean they are trying to maximize
4 or get the most they can from their dollar?

5 A. I think they're trying to pay the least,
6 yes.

7 Q. Is that the same thing?

8 A. I don't know exactly.

9 Q. Can you answer my question then? Are they
10 trying to get the most they can from their dollar?

11 A. Yes. I think so.

12 Q. Then do you believe that given the way
13 services is billed in the county, that is, just the
14 one combined fee, just the one amount, that when a
15 consumer decreases the use of garbage service that he
16 or she will in turn increase the use of recycling
17 if they're trying to get the most they can for their
18 dollar?

19 A. If you increase -- I missed part of it.

20 Q. They are looking at one single fee. Do you
21 think if they decrease the use of the garbage service
22 that they would then increase the amount of recycling?

23 A. If they're looking at one fee and the rate
24 for that one fee goes up, I believe customers will use
25 a combination of waste reduction and recycling to

1 reduce the amount that will go into the garbage
2 can.

3 Q. When they decrease the use of garbage
4 service, do you expect they will in turn increase the
5 use of recycling?

6 A. Some customers will; some customers will do
7 waste reduction; some customers will go to private
8 buyback centers. A variety of activities are spurred
9 by rates. That's one of the nice things about rates.
10 They don't just have an effect on recycling.

11 Q. Thank you. How does your answer relate to
12 the various elasticity issues that the county has
13 talked about on the subject of fees and expected
14 behaviors, that some will and some won't?

15 A. The elasticity says what will happen to
16 overall demand or -- to the average customer in
17 response to a price change. So the elasticity that,
18 say, in the city of Seattle where there was a
19 negative .14 residential demand, that means that as
20 prices go up customers will put less in the garbage
21 can and that elasticity indicates an estimate of how
22 much less trash will be put out for garbage
23 collection. That elasticity includes an effect for
24 both -- for waste reduction and sort of private
25 recycling activities that had been going on during the

1 period over which that elasticity was estimated.

2 Q. That really is plenty. At page 4, lines
3 17 and 18, you talk about a widely accepted practice
4 of balancing accounts. Do you find that?

5 A. Is that the rebuttal testimony or the
6 original?

7 Q. I think it's the original. Yes, page 4 of
8 the original. End of that first row paragraph. Can
9 you give me an example of the use of balancing
10 accounts by any haulers operating under a county or
11 city-issued franchise?

12 A. Only in the state of California.

13 Q. What would that example be?

14 A. I believe it's a balancing account and I
15 believe it's Waste Management is the largest hauler in
16 that area.

17 Q. Well, what area is that?

18 A. Alameda County.

19 Q. Is Alameda County a franchise or is it a
20 contract?

21 A. That's a good question. I don't know off
22 the top of my head.

23 Q. What kind of accounts are balanced?

24 A. My understanding is that if over -- that
25 rates are studied and established and then over a

1 period of time while they're in operation if the
2 haulers' costs are higher or lower than what the
3 revenues are that are recovered, that sort of that
4 dollar amount is tracked on time, interest is also
5 added and that at the next rate case those costs are
6 used.

7 Q. Well, what kinds of accounts? Are you
8 saying everything is done in that way?

9 A. Can you give me examples of what -- I don't
10 know which.

11 Q. Equipment, maintenance, depreciation.
12 There's a bazillion kinds of accounts. Do you know
13 which elements of those expenses and revenues are done
14 in this balancing account you were talking about?

15 A. No, I don't.

16 Q. Now, looking at the next page, page 5,
17 lines 12 through 18 and page 6, reviewing your work in
18 the area of recycling and solid waste rate incentives,
19 it looks like you generally have worked in and for
20 communities which have not historically used variable
21 rates; is that correct?

22 A. With the exception of Seattle, I think
23 that's true.

24 Q. Many of the examples that you cited
25 subscription behavior changes are an acknowledgement

1 of the benefit of clear cost signals being sent to
2 customers regarding the cost to handle the waste they
3 generate; is that correct?

4 A. Yes.

5 Q. Are you aware that the Commission has set
6 variable rates for many years?

7 A. Yes.

8 Q. Have you done any studies for an area where
9 variable rates, multiple service levels, recycling and
10 yard waste collection have been in place for a long
11 while to determine the effects of instituting an
12 incentive rate proposal?

13 A. Yes, the city of Seattle. I did a study,
14 for instance, the garbage by the pound study, that
15 looked at a community, Seattle, that had variable
16 rates in place for a long time, had recycling and yard
17 waste programs for some time, and looked at how do you
18 go about -- what further impact can price have on
19 customer behavior.

20 Q. Any other examples?

21 A. Well, I think this is the best example if
22 I can provide that.

23 Q. Previously you have tended to overexplain
24 in my opinion and some of this is already in here.
25 What I was trying to get at is to some very specific

1 questions, trying to let you answer but not trying
2 to go way beyond the question as well.

3 A. What it showed -- succinctly what that
4 program showed was that in a community that had strong
5 clear incentive rates or rates for some time, and
6 program alternatives, but it made no changes in the
7 program alternatives, made no changes in what
8 recycling opportunities were available or what
9 education, if you provided a stronger, a clearer and
10 stronger price incentive, customers went on to react
11 again. That wasn't a change in price level. That was
12 a change in price design.

13 Q. Page 5, lines 20 through 25, you discuss
14 the garbage by the pound. Is this experiment being
15 implemented on a widespread basis anywhere?

16 A. In fact -- no, it's not. The federal sort
17 of weights and measures department has only just
18 approved one truck scale combination for use in -- on
19 a widespread basis just within the last few weeks.
20 The study -- the garbage by the pound, that approach
21 has been field tested in several dozen communities and
22 also has been put in Seattle's Comp plan as Seattle's
23 mid to long term -- one of the ways that it expects to
24 maybe go.

25 Q. Do you know in the places that it's being

1 field tested how the costs of the program are running?

2 A. My recollection of the cost per truck is
3 somewhere in the range of 5,000 to 20,000 depending on
4 a whether a very crude system or more advanced system
5 are used.

6 Q. Well, I think I had something more in mind
7 of generally. Is it cost effective? Is this kind of
8 a thing cost effective in these field studies?

9 A. They've only been pilot tested. I guess I
10 couldn't say. There is a dramatic -- I guess if you
11 look at -- let's look at the example of Seattle.

12 Q. That's all right. If you don't know
13 because they're just pilot studies that's okay. Do
14 you see this as a cost effective strategy in the
15 future for companies like you cite?

16 A. Considering the costs of having expensive
17 cans and so on, I think this provides a real good
18 opportunity to provide stronger incentives to
19 customers while minimizing the need for companies to
20 maintain expensive can inventories, deliver and
21 redeliver service sizes. I think there are quite a
22 few places where that combined with the incentive
23 effect mean that there's a real potential for good
24 cost efficiency here.

25 Q. When you refer to extra cans, are you

1 referring to customer subscribing to more than one can
2 service rather than setting out the occasional amount
3 above the subscription level?

4 A. It depends on which context you're talking.

5 Q. So in your testimony you use both?

6 A. I think I mostly talked about the higher
7 can subscription levels, yes.

8 Q. For instance, at page 19, lines 6 through
9 11 --

10 A. Original testimony?

11 Q. Yes, ma'am. You talk about the issue of an
12 extra can charge. What do you mean here by extra?

13 A. I mean additional service levels, not the
14 occasional extra.

15 Q. Are you taking any position regarding the
16 level at which the extra -- now using extra as
17 something that someone puts out occasionally above and
18 beyond their usual service level. Are you taking any
19 position on what that -- how that should be priced?

20 A. In general principles I think it should be
21 priced at higher than one fourth of the service level
22 for an additional can just so that it's not -- so
23 customers have a reason to subscribe to it -- so it
24 isn't cheaper to put out four extras than it is to
25 just put out an additional can every week.

1 Q. Are you taking a position about what level
2 that should be set at?

3 A. No.

4 Q. Looking at page 9 of the original
5 testimony, you talk about customers making rational
6 economic decisions if given the information to do so.
7 Do you feel that a bill which separately lists charges
8 for solid waste and for recycling would provide better
9 customer information than a bill which combines both
10 charges into a single figure?

11 A. I believe it would. My -- the publication
12 that I put together have actually argued that maybe
13 the strongest incentive is to even charge by the
14 amount of recycling and charge those who participate
15 in recycling as opposed to charging everyone.
16 Separate signals to the effect of even separate
17 amounts may in fact be the best incentive.

18 Q. Do you think that the use of a visible line
19 items on a customer bill would be a tool to encourage
20 sustained or increased participation in recycling
21 programs?

22 A. If it's a mandatory charge, I don't see a
23 strong difference between whether it's varied or not
24 varied. If it's a voluntary charge or a charge that
25 varies with the amount of service provided, that to me

1 is a stronger incentive.

2 Q. Didn't you just testify that the price
3 signals, though, would be better whether it's a
4 mandatory charge or not if the line items were set out
5 separately?

6 A. But I explained what I meant by that. Do
7 you want me to -- I will say it again.

8 Q. So you don't feel those two are
9 inconsistent?

10 A. No. I feel that the stronger incentive is
11 provided by variable -- if you look at sort of a
12 continuum, the strongest incentive is provided by
13 service -- charges related to the service used, and
14 that would presumably apply to both recycling and yard
15 waste and garbage. That's not always feasible and in
16 some cases it's a fixed charge that's varied; in some
17 cases it's not.

18 Q. Isn't it true that in your study on
19 variable rates for municipalities you state at page 22
20 at the top of the page that the benefits -- that there
21 are benefits to such a billing practice, that is, to
22 set them out separately?

23 A. Yes, but I'm talking about not a mandatory
24 charge there. I'm talking about a voluntary charge
25 for those people who participate in the recycling

1 program. Because it's cheaper for a community to have
2 all of its customers be incented under a variable
3 rates program to go and do recycling through private
4 hauler or through private buyback centers and such
5 than it is to go through an expensive program at the
6 curbside. So I think the best incentive is to provide
7 fees for those who use the service.

8 Q. On page 11 at line 24 you mention the "a
9 can is a can" concept. Is this the type of rate in
10 which the first can is priced at a fixed fee and
11 additional cans set out are charged that same fee so
12 that the first can priced hypothetically at \$4, the
13 two can would pay customer would pay \$8, and a
14 three-can customer pay \$12?

15 A. That's right.

16 Q. Have you conducted a variable can rate
17 study as described in your Exhibit LAS-6 for Eastside
18 Disposal?

19 A. Have I conducted a rate study for Eastside
20 Disposal?

21 Q. A variable can rate study. Your Exhibit
22 LAS-6, Exhibit 70, is a study, Variable Can Rates In
23 Solid Waste. It's a handbook.

24 A. It's a policy manual. Yeah. It's a manual
25 for how to do a study, yeah.

1 Q. Have you done such a study?

2 A. For Eastside?

3 Q. Yes, ma'am.

4 A. No, I don't think it's my job. It's
5 someone else's.

6 Q. Do you know which steps in the type of
7 variable can rate study that you described in the
8 handbook are the same as and which steps different
9 from the Meeks methodology used by the Commission?

10 A. The Meeks methodology -- I don't know what
11 to call the Meeks methodology. I know what to call
12 the steps that apparently were gone through for this
13 study and for the study that derived the rates on page
14 28 -- 28, page 1, I believe an historical test year
15 was used and that's not the step that's described in
16 this study.

17 Q. The Meeks methodology would be the one that
18 was used by Commission staff in making their
19 proposals. Which steps are the same as and which are
20 different from what you described?

21 A. The methodology used by the Commission
22 apparently uses an historical test year that's
23 different from the method that's suggested -- that's
24 described in the variable rates manual. It doesn't --
25 the variable rates manual discusses forecasting work

1 that is apparently omitted from the steps that are
2 gone through for deriving Eastside's rates.

3 Q. Any other steps that differ?

4 A. In general the steps of deriving revenue
5 requirements, the steps in deriving -- in conducting
6 cost allocation were conducted. The methodology used
7 are different in different communities and different
8 here.

9 Q. Do you know what the steps are used in the
10 Meeks method?

11 A. Revenue requirements, cost allocation, rate
12 design, is that what you're talking about?

13 Q. Do you have any more detail than that? Do
14 you know what the steps are in a more detailed manner
15 than of the Meeks method?

16 A. Is this a list of the steps in here that
17 you want me to say yes, it is done, no, it's not done?
18 Is that what you want?

19 Q. I don't know if there's a list of steps.

20 A. I don't know the list of steps you're
21 talking about either so I guess that's why we're not
22 communicating.

23 Q. I was trying to figure out how familiar you
24 were.

25 A. The steps in here are step 1, demand

1 forecast; step 2, revenue requirement; step 3. So if
2 you're talking about steps, those are the steps and
3 the demand wasn't done apparently in the Eastside
4 current rates derivation. The cost -- revenue
5 requirements were done based on historical data. Cost
6 allocation was done under some form, some allocation
7 rules and rate design was done.

8 Q. Throughout your testimony and specifically
9 at page 22, line 22, you testify that due to the
10 Eastside rates in place customers who reduce waste and
11 recycle would pay more than those who simply put out
12 waste as garbage. Is that correct?

13 A. Yes.

14 Q. Could you explain in detail how persons who
15 choose to cancel their use of recycling and yard waste
16 programs they currently subscribe to would pay less
17 for their garbage service by discontinuing?

18 A. What page?

19 Q. Page 22, line 2 was the reference I made.

20 A. My recollection of how that calculation
21 was determined was looking at customers subscribing
22 to, say, one or two cans of service plus yard waste
23 versus one or two cans of service minus yard waste,
24 assuming that they would be able to reduce the can
25 based on subscribing, for instance, to yard waste and

1 that the total comes out higher for a smaller can plus
2 yard waste than it did for a larger can.

3 Q. How many cans are you assuming would be
4 necessary for the yard waste?

5 A. I assumed one service level. Is that what
6 you mean?

7 Q. So they would -- with the yard waste they
8 would need to add one service level that wouldn't
9 otherwise be necessary? Is that what you're saying?

10 A. It depends on the customer. I'm saying a
11 hypothetical customer who was able to reduce one can
12 through use of yard waste would pay more. There would
13 be no incentive for separating that out.

14 Q. What would they do with their yard waste if
15 they decided to not take the yard waste service any
16 more?

17 A. Potentially compost that yard waste.
18 Hopefully compost that yard waste. That's the
19 incentive that rates give.

20 Q. Was it your conclusion in your study that
21 charging refuse rates that vary with the level of
22 waste disposed is a way of bringing an efficiency of
23 market-type decision making to solid waste management?

24 A. In general, yes.

25 JUDGE HAENLE: Thank you. That's all I

1 had.

2 Did you have additional questions,
3 Commissioners?

4 CHAIRMAN NELSON: No.

5 COMMISSIONER HEMSTAD: No.

6 JUDGE HAENLE: Redirect?

7 MS. PERRY: Yes, Your Honor.

8 JUDGE HAENLE: Go ahead.

9

10 REDIRECT EXAMINATION

11 BY MS. PERRY:

12 Q. Try to go through these rapidly. Earlier
13 this morning Ms. Thomas was asking you some questions,
14 and I want to clarify or have you clarify some points.
15 She had asked you about price incentives, and I
16 believe that the question had to do with price
17 incentives encouraging less disposal and by the same
18 token encouraging more recycling. Is that all that
19 would happen with price incentive?

20 A. No. And I think that's one of the key
21 benefits of incentive rates is that providing price
22 incentives encourages you to not only participate in
23 recycling programs or participate in yard waste
24 programs or -- but also to compost and to waste-reduce
25 in the first place which is the preferred method on

1 the waste management hierarchy and more consistent
2 with waste management systems.

3 JUDGE HAENLE: Remember to speak slowly
4 enough so she can get it all down, please.

5 Q. You were talking about the garbage by the
6 pound study and you were also talking -- this was
7 when, as I recall, you were looking at the different
8 weights, and you said one of them was done during the
9 low time of the year and it wasn't clear to me what
10 you were talking about. Can you explain?

11 A. The garbage by the pound study that we
12 conducted was conducted in the fall of the year,
13 and that's a lower setout time, lower waste time, than
14 the rest of the year so that column perhaps under-
15 states the number of pounds that might be found on an
16 annual average basis in each of cans.

17 Q. Ms. Thomas asked you a hypothetical and as
18 I recall she was talking about someone who charges a
19 dollar per pound if the weights were overassigned and
20 as I recall she said 100 pounds versus 50 pounds, but
21 the essence of it was if the weights were over-
22 estimated I believe she asked you a hypothetical about
23 whether or not that would lead to overrecovery of
24 revenues. I guess I'm kind of confused. Wouldn't
25 that assume that that would take into -- that this

1 hypothetical takes into account all types of service,
2 residential, commercial, multifamily?

3 A. Yeah. I think it depends on how the
4 revenue requirement were estimated and how much of the
5 -- and how you're putting costs between residential
6 and whatever other rate calculations you're
7 considering, commercial, et cetera, so yeah.

8 Q. So her hypothetical to apply would have to
9 mean that all weights were over overassigned, all
10 categories, commercial, residential, multifamily,
11 whatever, in order for that hypothetical to follow?

12 A. I believe so.

13 Q. She asked you some questions about the cost
14 of service methodology and I recall you gave an answer
15 that nothing struck you as wrong.

16 A. It's difficult to tell from the information
17 provided and the volume of information that's provided
18 in the limited time to go through it. That's my -- I
19 didn't see my job as to do the kind of analysis that I
20 expect the Commission staff does in terms of
21 evaluating that cost of service for exactly how
22 appropriate and correct it is.

23 Q. But the cost of service entails a weight
24 component, and as I recall your testimony you did
25 introduce some testimony regarding concern about the

1 weight allocations. Am I not right?

2 A. That's correct. I was concerned because I
3 saw a great deal of variation between the weights that
4 were provided and were apparently used with weights
5 that are also used at the UTC for other haulers and so
6 on, and I didn't see a good documentation either of
7 how some of those studies were conducted or especially
8 good documentation of how the comparison was conducted
9 between those to decide which of those sets of weights
10 to use.

11 If you look at the table, there's some very
12 dramatic difference in the weights that are provided
13 for the Meeks weights versus the weights that are used
14 for this particular rate study. I saw no information
15 describing why a particular choice was made over
16 another or what was this flaw of one study versus
17 another to demonstrate that one versus the other is a
18 better way to go.

19 It just seemed to me that it left open the
20 door that one of the key determinants being touted as
21 the cost of service basis had some real -- raised for
22 me some very obvious concerns that some of the
23 information was less than fully reliable or documented
24 or something and needed further study and should
25 perhaps have been described more in detail and subject

1 to a little bit more review.

2 Q. When you refer to table you're referring to
3 what was -- what was called LAS-9 when it was
4 submitted and is now confidential Exhibit 74?

5 A. I think so, yes.

6 Q. Going back to the question when you said
7 nothing struck you as wrong, that would have to assume
8 that the weight allocation was correct for you to say
9 --

10 A. Yeah.

11 Q. But you're not assuming that it's correct?

12 A. And I can't guarantee that any of the
13 numbers in any of those tables is correct or not
14 correct. I have no information to go on to say that
15 it's not correct. I have no information to go on to
16 say that it's correct.

17 Q. Ms. Egeler asked you some questions about
18 LAS-8 which is now Exhibit 72, and just to clarify,
19 you did not have the weight information when you
20 developed that exhibit?

21 A. No, I didn't.

22 Q. That was before we received the answers to
23 data requests responsive to that?

24 A. That's correct. And so this was conducted
25 on the information -- a piece of information that I

1 was able to determine and believe that would be a good
2 way to look at it.

3 Q. Ms. Egeler asked you some questions which
4 as I heard them seemed to be geared toward talking
5 about price levels as opposed to price differentials.
6 With regard to overall price levels, do you have any
7 empirical information which would indicate that price
8 differentials would have an impact different from
9 overall price levels?

10 A. I think there's information out there that
11 shows that both price levels and price differentials
12 have very strong impact on customer behavior.
13 Information for -- the information, for instance, on
14 the elasticities of demand estimated by me and others
15 show that especially the ones estimated with a log log
16 form show elasticity that's strong, that's
17 demonstrably different from zero and that that carries
18 across different levels of price. It's independent of
19 the price level. It's a price elasticity estimated in
20 log log form which derives elasticities that are
21 independent of the price level.

22 In addition, information from the garbage
23 by the pound study shows that there are additional
24 reaction to customers from price differentials beyond,
25 again, independent of price levels. The garbage by

1 the pound experiment made pains to try to give
2 customers rates that on average would be the same; if
3 it put the average amount in a minican they pay
4 roughly the same rates that a customer who subscribed
5 to minican service would. The level of prices was
6 taken out. Instead differentials, additional
7 differentials, were provided for those customers and
8 additional incentives were provided and what happened
9 is those customers reacted dramatically decreasing the
10 amount of garbage that they put in their garbage by 15
11 percent. Statistically significant 15 percent.
12 That's with no changes in programs, no changes in
13 education information that was out there, no changes
14 in recycling programs that were out there and no
15 changes -- and independent of weather and other
16 effects.

17 What that demonstrates to me is that price
18 level has an effect, price differentials have a extra
19 strong effect and that incentives -- price incentives
20 have a demonstrable effect on customer behavior.

21 Q. Price differentials have a demonstrable
22 effect that is different from the effect of price
23 levels alone?

24 A. Yes.

25 Q. You threw out some jargon there, log log

1 form. I don't want to get into modeling here. I
2 don't think anybody does. But whose studies that you
3 have seen that have been discussed in the testimony
4 here were conducted using log log form?

5 A. The work for Seattle that I did and that
6 Seattle has since followed up on was in log log form
7 and provided price elasticities that were significant.

8 Q. Do you know if either Ms. Albert's models
9 used log log form?

10 A. I believe they did.

11 Q. You were asked some questions about
12 externalities by Ms. Egeler and also by Commissioner
13 Hemstad, and you mentioned a couple of them, landfill
14 -- excuse me -- landfill closure costs and landfill
15 replacement costs, and you had some difficulty
16 recalling others. Where would one look for
17 information regarding those externalities?

18 A. I would look in the study attached as an
19 exhibit to Mr. Pealy's testimony which I didn't have
20 and haven't been able -- I didn't have during the
21 break but it was provided by -- prepared by a Dr.
22 Schall from the Tellus Institute. That's just one
23 piece of information. I think what we're talking
24 about is the externalities associated with running a
25 garbage system -- running a solid waste management

1 system and that those can incorporate a wide variety
2 of things including benefits and costs from
3 encouraging use of virgin and not virgin materials
4 and all kinds of things that are varied that get a
5 little esoteric, but I think Seattle has attempted to
6 incorporate some of those things in their rate design
7 or intend to in the future.

8 Q. You were asked some questions by Ms. Egeler
9 regarding Exhibit 70 which was attached to your
10 testimony as LAS-6. It's the Variable Rates In Solid
11 Waste handbook that you prepared and on page 3.42 she
12 referred to that and asked you some questions. She
13 stated a question. She referred to what she called
14 the inaccuracy of the elasticities on 3.42. Are these
15 elasticities inaccurate?

16 A. No. I was asked numerous data requests
17 about that and repeatedly discussed that these are not
18 wrong estimates. They are estimated exactly
19 correctly. They are estimated in a period before a
20 rate change and a period after a rate change and
21 during a period in which rate changes were virtually
22 the only thing changing, so price elasticity and
23 elasticity of can level subscription reactions to a
24 change in price was properly estimated. When you try
25 to apply elasticities estimated for a price change to

1 a period in which a price change is not the only thing
2 happening, those won't perfectly predict the impacts
3 of prices as well as program changes and subscription
4 opportunity changes. Those kinds of things cannot be
5 -- you wouldn't want to apply those elasticities to
6 try to incorporate the effects of all of those changes
7 but it would give you an estimate of what kinds of
8 effects you might expect from the price change portion
9 of that change.

10 Q. You were also asked some questions by Ms.
11 Egeler regarding what was referred in your testimony
12 or what was attached to your testimony as LAS-5, now I
13 believe Exhibit 69. You were asked to read a couple
14 of sentences from page 6 of that, and those sentences
15 deal with omitted variables. I'm kind of curious
16 about preferences as a variable. Is that a standard
17 -- is it standard in your experience as an economist
18 to consider preferences as a variable in conducting
19 economic analysis?

20 A. Not at all. I've not seen in any of the
21 textbooks or in any of the economic theory anything
22 that says that preferences should be considered a
23 variable in deriving a demand curve, in estimating a
24 demand curve or anything of the like. Rather, I've
25 seen demand curves try to portray what happens to the

1 quantity demand in reaction to a price. The variables
2 that shift those kinds of demand curves are things
3 like prices, like income. It's not preferences that
4 change those and there is no way to determine -- no
5 way economic theory tells you that there is a way to
6 determine which direction or how a demand curve would
7 change when preferences change. It's something
8 completely out of the realm of economic theory and
9 it's not included.

10 What I saw out of some of the testimony was
11 that we should be looking at the impact of education
12 programs on preferences and how that will affect
13 demand and that's something that's just not at all
14 considered in economics. Rather what we look at is
15 the information that has been estimated for an impact
16 from education is in fact using education as a proxy
17 for the education level of customers, not education
18 programs, and the impact -- I have never seen a study
19 -- I have not seen a study and I have done some
20 looking, that shows a demonstrable impact from an
21 education program on demand. What I've seen is in
22 fact just the opposite.

23 I have seen some information, for instance,
24 from the city of Austin, Texas, where they look at --
25 they did an audit program for an energy -- an audit

1 sort of information program and then some customers
2 could go on to have what I would call a price effect.
3 They could have a rebate for putting in certain kinds
4 of programs. What the impact evaluation found was
5 that the customers who did the audit only -- got the
6 education only were not significantly different in
7 their energy consumption than those who were in the
8 control group who had no program impact at all and
9 that in fact the only impact that was shown was once
10 people went on to take the price effect.

11 Similarly, for the the city of Denver if
12 you look at their water use, the city of Denver had
13 unmetered water for a long time and they had no
14 increase -- they were having no increase in their
15 economics, the economics were kind of going along
16 fairly flat, but in fact demand for water was
17 increasing fairly rapidly. Well, as the economy
18 turned around in Denver and they started looking at --
19 and they provided a great deal of education programs
20 in order to try to minimize that increasing demand for
21 water.

22 Well, now the economy started to pick up
23 and they were very concerned, what are we going to do
24 about trying to meet this demand. They had provided
25 very significant education impact of programs and in

1 fact then decided, well, then we're going to go ahead
2 and put in pricing impact. What they did is they put
3 in some pricing, they metered the water, and suddenly
4 the demand has dropped dramatically.

5 I have not seen a study that shows a
6 quantitative effect from education programs. I have
7 seen some studies that indicate that people with
8 higher education levels tend to recycle more, but if
9 you want to benefit from that impact you're either
10 going to need to send everybody to college and get
11 their education levels up or move those people who
12 have low educations out of your service territory. I
13 don't see another way to make that impact have the
14 impact that you're presuming on demand. What I do
15 see, though, is that price has been shown repeatedly
16 to have a measurable impact and I have not seen a
17 measurable impact from education programs.

18 Q. So theoretically you're not denying that
19 one could shift a demand curve by changing tastes in
20 preferences. Theoretically it could happen, but I
21 guess what I get from your testimony is that you can't
22 quantify that.

23 A. You have no information which direction it
24 would go, how it would change or anything about it.
25 It's something completely independent and assumed out

1 of the economic realm.

2 Q. Chairman Nelson asked you whether or not
3 you had done a rate design and as I recall your answer
4 to that question, you said no, you had not. Does that
5 mean you have not thought about what it is you would
6 propose to the Commission as a possible way to analyze
7 this issue?

8 A. I haven't conducted a rate study for
9 Eastside. What I have done is tried to think -- look
10 at all of these issues and try to figure out what
11 actions maybe are appropriate to be taken as sort of
12 steps to go on from here. I think that the
13 information that we have provided overwhelmingly shows
14 that price levels and price differentials have an
15 impact on customer behavior and that the kinds of
16 price differentials that are provided in the new rates
17 move backwards in the kinds of incentives that are
18 provided to customers, that some customers have gotten
19 rate shocks and there have also been decreases in the
20 differentials. It would mean that there's very little
21 incentive for customers to continue to move down and
22 to move toward the kinds of goals that King County is
23 looking to achieve in its waste management system.

24 What I think might be a more appropriate
25 tack is to maybe use some gradualism. If -- and I

1 can't guarantee that's the case, but if it's the fact
2 that previous rate differentials weren't cost of
3 service, then gradualism it seems to me would be a
4 policy that ought to be put in place here and not have
5 one customer group have an 80 percent rate change and
6 others have a considerably less, lower rate change and
7 especially that those 80 percent -- the people with
8 the 80 percent increase have no way to go. They're on
9 the smallest service level. You're penalizing the
10 people who have the fewest options.

11 I think that maybe one of the things that
12 should be considered is as mentioned in one of the
13 testimony -- I can't remember if it was Glasgo or Col
14 -- I can't remember which person it was mentioned that
15 in some cases a trial period is assumed, rates over a
16 trial period, and if you're looking at changes that
17 may be a way to consider it. Perhaps going with an
18 adjustment account or some kind of balancing thing is
19 an appropriate rationale to take. But I think
20 especially a much better study on the weights and the
21 cost allocation methods is needed. I don't think
22 there was -- it didn't look to be that there was
23 adequate study of the difference between the different
24 weights that were provided in the tables as
25 illustrations. I don't think there was adequate study

1 of those rates to look at why the differentials
2 occurred and what impact those might have on rates. I
3 think that you need to make sure that you're looking
4 at clearly residential versus clearly commercial and
5 so on. I think that there are rates that could be
6 calculated that would move more gradually from the
7 rates that used to be in place, that scale up each of
8 the rates some percentages, that are a little bit more
9 even across the board and would -- in fact if you look
10 at the kind of customer reactions that are shown from
11 some of the documents provided that in fact those
12 would lead toward customers putting out fewer setouts
13 on average and moving King County more toward its
14 goals.

15 Q. Commissioner Hemstad asked you a question
16 which was essentially isn't it a matter of accident
17 whether a particular rate design fits within cost of
18 service, and he uses an example with gross
19 differentials. Wouldn't there have to be some sort of
20 a reasonable test applied to have a particular design
21 fit within cost of service?

22 A. I think so. I think one of the first
23 questions I got was about whether I thought a can is a
24 can is pretty aggressive for rates and that was from
25 Ms. Thomas and it was reading a quote from the Bloom

1 study, and I believe that providing rates with that
2 kind of incentive -- that you need to use judgment and
3 that even rates that aggressive can be sometimes
4 difficult to justify a new cost of service. It
5 depends on the particular structure of cost of service
6 but reasonable is definitely one of the rules and
7 balancing between various definitions of cost of
8 service, policy objectives and so on is the rule in
9 going from revenue requirements is I think the best
10 policy for going from revenue requirements to rate
11 design.

12 Q. Do you believe that King County's
13 differentials are reasonable?

14 A. I do. I think they provide incentives.

15 Q. And Judge Haenle was asking you some
16 questions about whether or not you have done any cost
17 effectiveness analysis of, for example, garbage by the
18 pound. And I believe you wanted to explain your
19 answer. Could you please?

20 A. One of the things that I'm finding when I
21 first came up with the concept of going with garbage
22 by the pound, a number of communities called me saying
23 we're really stuck. We have no way to provide
24 stronger incentives to our customers because we bought
25 a bunch of 60-gallon containers and those 60-gallon

1 containers are more costly than buying new ones.
2 Garbage by the pound would be one way of allowing
3 stronger incentives without having to buy new can
4 inventories.

5 In addition, garbage by the pound provided
6 clear signals to customers which they responded to
7 very favorably in the surveys that we provided, and
8 what we found was that with a change in the amount of
9 differentials the customers were shown we got a very
10 strong 15 percent reduction in the amount of garbage
11 put out at the curb. I think that's a very
12 demonstrable effect. 15 percent is a pretty hard
13 percentage to achieve through education programs and
14 other alternatives and rates can be one of the most
15 cost effective methods of achieving reductions in
16 customer setouts.

17 Q. One last question. I just wanted to
18 clarify something in my mind that you said. You
19 mentioned Seattle -- a Seattle study excluding 1988
20 data and if you could clarify that. I wasn't sure
21 what you were talking about.

22 A. I listened when Mr. Pealy was asked about
23 the period over which his estimates was done for the
24 elasticities for the city of Seattle, and actually, I
25 was at the city of Seattle when that study was done,

1 and I conducted it with another person at the city of
2 Seattle. We conducted that study in 1988 for the
3 rates that were meant to go into effect on January
4 1st, 1989, and the data excluded all 1988 data. It
5 went through end of calendar clear year 1987, so if
6 that's clear, that was referred to in Mr. Pealy's
7 testimony.

8 MS. PERRY: That's all I have.

9 (Discussion off the record.)

10

11 RE-CROSS-EXAMINATION

12 BY MS. THOMAS:

13 Q. Dr. Skumatz, you testified I think in
14 response to a question from commissioner Hemstad that
15 you believed that what's reflected on Exhibit 28, page
16 2, could represent cost of service because Eastside
17 Disposal's rates used to approximate that rate
18 structure. Am I correct that was your testimony?

19 A. Yes.

20 Q. What if anything leads you to believe that
21 the former rate structure was based on cost of service
22 principles?

23 A. Because I think cost of service principles
24 are one of the main principles used here at the UTC
25 here in approving rates.

1 Q. Do you know specifically with respect to
2 Eastside whether its rate that was in effect prior to
3 February 1994 was felt by Commission staff to be very
4 close as cost of service principles?

5 A. The information provided in the memo, the
6 two page memo that says what the rates were now going
7 to be, I think in there it said that the Commission
8 staff didn't feel that they were very cost of service.

9 Q. Said that the previous rates were not very
10 cost of service?

11 A. That they were going to move toward what
12 they considered more cost of service rates in the
13 future.

14 Q. The future being --

15 A. This rate.

16 Q. What we have now, what's reflected on page
17 1 of Exhibit 28; is that correct?

18 A. More in that direction, yes.

19 Q. With respect to your testimony at page 22,
20 line 22, regarding the nature of the incentives here,
21 you responded to a question from Judge Haenle
22 regarding a customer who needed to move up one service
23 level in order to accommodate yard waste as well as
24 garbage. Do you recall that testimony?

25 A. I do.

1 Q. What was your basis for assuming that
2 moving up only one service level would be sufficient
3 to accommodate that customer's yard waste?

4 A. Because those are the kinds of comparisons
5 that we did back when the city of Seattle introduced
6 its yard waste program and because I don't believe --
7 I think on average that that's probably an appropriate
8 thing because you don't generate yard waste year round
9 and all of that sort of stuff. It's a hypothetical
10 only, hypothetical illustrative case.

11 Q. So you don't have any particular
12 information about how many garbage cans a customer
13 in Eastside service territory would need in order to
14 accommodate their yard waste?

15 A. Certainly not.

16 Q. What was your basis for assuming that the
17 Eastside customer would even put yard waste in a
18 garbage can given that King County has banned doing
19 that?

20 A. What was the --

21 Q. What was your basis for assuming that a
22 customer would in fact increase their level of service
23 in order to accommodate yard waste when the county has
24 banned putting yard waste in garbage cans?

25 A. I think the way I portrayed it was a

1 customer who was at two cans would end up actually
2 paying less than if they went ahead and composted the
3 waste or -- and went down a service level than if they
4 chose to move the waste out into a yard waste
5 container.

6 Q. Would pay less than what?

7 A. Than two cans.

8 Q. But doesn't your assumption of somebody
9 using two cans assume that they're putting some yard
10 waste in one of those cans at least?

11 A. Yes. I think there's probably not perfect
12 compliance out there.

13 Q. Have you analyzed the extent of compliance?

14 A. Certainly not.

15 Q. Relating to can weights, I think you
16 discussed some differences between the assumed can
17 weights for Eastside service -- Eastside's rates and
18 between the can weights in the Meeks study. Do you
19 know how closely the Meeks can weights are adhered to
20 in rates for haulers other than Eastside Disposal?

21 A. All I know is what was described in the
22 testimony that said that the Meeks weights are the
23 ones used unless the hauler chooses to provide other
24 weights that they feel more reliable and that the UTC
25 approves.

1 Q. Do you know the extent to which haulers
2 typically provides -- do you know the extent to which
3 other haulers have provided information showing that
4 weights other than Meeks weights would be appropriate?

5 A. As I mentioned on the first day of the
6 case, I'm familiar with this one and I am not familiar
7 with other cases in general.

8 Q. And you also testified a little bit about
9 your garbage by the pound study which is Exhibit 67.
10 Did I understand that you identified that as a study
11 which compared the impact of rate levels to the impact
12 of rate structures?

13 A. What I was saying is that one result out of
14 that study was to try to separate out what might --
15 try to separate out the effects that might be achieved
16 from rate design versus rate levels, yeah.

17 Q. Are you aware of any other studies that
18 look at rate design versus rate levels?

19 A. The only other information -- very limited
20 information, as you know, very limited quantitative
21 information has been conducted -- quantitative
22 analysis has been conducted in this whole field of
23 solid waste. It's pretty preliminary to energy and
24 others. The only other study that I can think of off
25 the top of my head is the elasticity work that was

1 presented in the Bonbright handbook and that sort of
2 stuff.

3 Q. In the garbage by the pound study, the
4 rates that customers saw there were not real rates,
5 were they? Didn't customers get kind of a pretend
6 rate with a sample bill?

7 A. Customers got a sample bill which showed
8 the rates that they would pay under a garbage by the
9 pound study including an indication of what
10 differences in their per pound setouts made for the
11 amount that they would pay.

12 Q. But customers weren't actually charged by
13 the pound, were they?

14 A. They weren't allowed to be by council.

15 Q. So the answer is no?

16 A. That's correct.

17 Q. And isn't that a weakness in the study that
18 the customers weren't actually being charged on the
19 basis of garbage by the pound?

20 A. It's not perfect. That's one -- that's a
21 weakness of the study. I don't think -- given the
22 fact that customers reacted to the degree of 15
23 percent, I think that it says that that weakness was
24 not a problematic weakness.

25 Q. But didn't you just testify earlier in

1 fact what garbage by the pound did was give people
2 information; is that correct? Rather than giving them
3 actual bills it gave them sample bills which contained
4 information?

5 A. It gave them sample bills that showed them
6 what their bills would be under a program -- under a
7 garbage by the pound program.

8 Q. So they were being educated about what
9 their bills would have been?

10 A. They were being shown a pocketbook -- a
11 demonstrable pocketbook incentive for what their
12 payments would be.

13 Q. But they didn't actually receive that
14 incentive, did they, because they weren't being
15 charged those rates?

16 A. They weren't being charged those rates.
17 They were being shown -- no, they weren't.

18 MS. THOMAS: I have no further questions.

19 JUDGE HAENLE: Ms. Egeler.

20

21 RE CROSS-EXAMINATION

22 BY MS. EGELER:

23 Q. You stated during your redirect that
24 because of the way weights are calculated and
25 distributed between commercial, residential, et cetera

1 you could not determine whether or not a low estimate
2 of residential can weights would translate to an
3 underrecovery of disposal fees; is that correct

4 A. I assume from the historical information
5 that.

6 JUDGE HAENLE: Is that correct first of
7 all?

8 A. I think so.

9 Q. Do you have any reason to believe in this
10 case, having reviewed the data, that the other
11 disposal weights were overstated?

12 A. I can't tell from the data.

13 Q. Did you attempt to determine that?

14 A. I think that no information was provided on
15 the commercial side and I don't know what -- I can't
16 determine that.

17 Q. Did you request any information of the
18 staff or of Eastside to determine whether the
19 commercial weight had been overstated?

20 A. No. The weights information that we got
21 was fairly recent, and no, I didn't have another
22 round. I didn't ask another round. This was a lot of
23 information to go through as it was.

24 Q. Did you perhaps ask that as a matter of
25 public record from the Commission before filing your

1 prefiled testimony?

2 A. No.

3 Q. Do you know when the Meeks weights were
4 determined whether or not at that time there was
5 curbside recycling?

6 A. I don't know.

7 Q. If at that time there was not curbside
8 recycling, would you theorize that the can weights
9 were probably somewhat heavier since recyclable
10 materials such as glass were not taken out of the
11 cans?

12 A. It might be. I don't know what time of
13 year it was conducted either.

14 Q. You talked some length about a 15 percent
15 change that was experienced in Seattle. Was that
16 change due to a change in the variable can rate?

17 A. Are you talking about the garbage by the
18 pound study?

19 Q. Right. So, in other words, the change was
20 due to the garbage by the pound market structure,
21 correct?

22 A. The customers -- I don't know what you mean
23 by market structure. What it was before versus after
24 -- from the beginning to the end of the program the
25 customers put out 15 percent less weight than they put

1 out at the beginning of the program.

2 Q. So when the market structure was changed to
3 use garbage by the pound that was the time period that
4 you're talking about that caused a 15 percent
5 reduction in solid waste setout; is that correct?

6 A. Your term market structure is the one I'm
7 taking objection to. Can you use another term?

8 Q. Tell me why you object to it.

9 A. I don't mean object. The program showed
10 -- garbage by the pound program during that period 15
11 percent less weight was put out, right.

12 Q. I'm calling it a market structure because
13 it's a new way of charging people for their solid
14 waste do you understand?

15 A. Okay.

16 Q. And that 15 percent change in setout rates
17 was not due to a variable change in can rates, was it?

18 A. No. It was due to a change better than
19 variable can rates. It was due to a change in
20 variations of how much you pay by the pound, which is
21 a smaller increment than a whole variable can. It was
22 an attempt to get above and beyond the incentives that
23 could be provided by a variable can structure which is
24 a volume-based structure with large increments.

25 Q. So it was a whole new method, whole new

1 policy, correct?

2 A. Yeah.

3 Q. You spoke about the Schall study again.

4 Did you have a chance to review that during the break?

5 A. No, I didn't.

6 MS. EGELER: Your Honor, I realize that
7 this is somewhat out of the ordinary, but I would like
8 to make a record requisition and ask that they provide
9 a list for us of the externalities that they do want
10 the Commission to consider and which that are listed
11 in the Schall study that they don't want the
12 Commission to consider. The witness earlier stated
13 that there are some that should be considered and some
14 that shouldn't and it's going to be difficult for us
15 to file a simultaneous brief without knowing what
16 externalities they want us to address.

17 JUDGE HAENLE: The only problem is I don't
18 know how we would incorporate that into the record.
19 Why don't you talk it over with counsel, figure out
20 some process, if you can, for that to be able to be
21 included in some manner. It won't do us any good to
22 just have the information provided, obviously.

23 MS. EGELER: We can do it as a late-filed
24 exhibit.

25 JUDGE HAENLE: As I suggest, talk it over

1 with counsel first and see if you can come up with
2 something. Let's break at this point. We'll take the
3 rest of your questions after lunch.

4 MS. EGELER: I only have one more question,
5 Your Honor.

6 JUDGE HAENLE: All right. Well, a
7 question can involve a lengthy answer, too. I don't
8 know how much your counsel will have. Perhaps we
9 should ask.

10 MS. PERRY: So far two or three minutes.

11 JUDGE HAENLE: Why don't we take your one
12 question and then break and then we'll come back and
13 take redirect and see if there's any additional
14 recross. I hope not.

15 Q. You spoke at some length about the fact
16 that Eastside customers may be somewhat confused by
17 the rate increase that went through recently and that
18 their efforts to recycle may not be properly rewarded
19 by the new rate structure. Do you know whether when
20 those customers received their new bill at the new
21 rate level approved by the Commission, did they know
22 whether their solid waste rate had gone up or whether
23 their recycling rate had been increased?

24 A. I don't remember using the word confused
25 but -- so I don't know to what degree that

1 mischaracterizes what I said or not, but I think that
2 the first bill went out in February or March or
3 something like that; is that correct.

4 Q. I'm just asking you do you know if when
5 they received the new bill, do you know if they knew
6 whether or not their solid waste rate had increased or
7 their recycling rate had increased or perhaps even
8 both?

9 A. I haven't seen the educational materials
10 provided.

11 Q. Would they have known from their bill?

12 A. I don't think so. Again, I haven't seen a
13 bill either so I don't know how -- but I think you
14 were saying it wasn't line-itemed so they probably
15 won't.

16 MS. EGELER: No further questions.

17 JUDGE HAENLE: Break for lunch and come
18 back at 1:30, please.

19 (Lunch recess at 12:00 p.m.)

20

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1 AFTERNOON SESSION

2 1:30 p.m.

3 JUDGE HAENLE: Let's be back on the record
4 after our lunch recess. Did you have additional
5 questions, Ms. Perry? I'm sorry. Before we do that I
6 had asked you, Ms. Egeler, to discuss with other
7 counsel some process for being able to use a response
8 to record requisition if one were indeed provided.
9 What did you find out or what did you decide?

10 MS. EGELER: We've decided to withdraw
11 that request.

12 JUDGE HAENLE: I will consider it withdrawn
13 then, thank you. Ms. Perry.

14

15 REDIRECT EXAMINATION

16 BY MS. PERRY:

17 Q. Ms. Thomas recently asked you some
18 questions regarding the garbage by the pound study and
19 the fact that the customers received bills that told
20 them how much they would be charged but they didn't
21 actually pay that amount on. I just wanted to follow
22 up on those. Assume as a hypothetical that the
23 individuals who participated in garbage by the pound
24 had actually received bills and that they had actually
25 paid them. What effect would you have expected that

1 to do?

2 A. I expect --

3 MS. THOMAS: Objection. Lack of
4 foundation.

5 JUDGE HAENLE: Ms. Perry.

6 Q. You're an economist, are you not?

7 A. I am.

8 Q. And you have done work in modeling and
9 forecasting demand; is that not correct?

10 A. That's correct.

11 Q. And would you please give us some
12 information regarding your background in those areas.

13 A. I've done work in demand forecasting and
14 econometric modeling from -- had numerous courses in
15 graduate school and my dissertation was an econometric
16 study. I worked at several different corporations and
17 consulting firms and utilities doing demand
18 forecasting work and econometric studies, conditional
19 demand work. Work on rate studies and -- is that the
20 sort of thing you're looking for?

21 Q. Yes.

22 A. As well as conducting rate studies for
23 numerous solid waste agencies.

24 Q. And you worked with the garbage by the
25 pound concept in Seattle and in other cities, is that

1 correct, or other areas?

2 A. I've worked with it mostly in Seattle and
3 in advising other communities.

4 Q. And did you do any analysis -- strike that.
5 You were not able to provide individuals with the
6 actual bills, is that correct, that they would have to
7 pay?

8 A. That's correct. The city council did not
9 -- when asked did not allow 1500 customers to receive
10 a different bill than the remainder of the customers
11 in the city.

12 Q. But you did provide them with the bills
13 that they would have received?

14 A. That's correct. On a biweekly basis I sent
15 them bills that explained the amount that they would
16 pay based on the number of pounds of trash that they
17 set out on a week-to-week basis.

18 Q. And based on your experience as an
19 economist and based on your specific experience with
20 the garbage by the pound concept, would you have
21 expected a different result if the individuals in the
22 garbage by the pound study had actually received their
23 bills and paid them.

24 MS. THOMAS: I've got the same objection as
25 before, lack of foundation. There's no evidence, I

1 don't believe, that garbage by the pound has been
2 instituted anywhere. There's no evidence that
3 customers have ever actually paid on a per pound basis
4 and I have not heard any evidence of any analogous
5 kind of billing system that could create a reasonable
6 basis for any particular expectation one way or
7 another what customers would do when faced with that
8 type of a bill.

9 MS. PERRY: I'm simply asking for her
10 opinion as an economist and an expert in this field as
11 to what she might have expected if the individuals had
12 actually paid the bills.

13 JUDGE HAENLE: And the response would be,
14 if I understand correctly from a purely theoretical
15 viewpoint if this has not actually been implemented
16 anywhere; is that right?

17 MS. PERRY: Yes.

18 THE WITNESS: Yes.

19 JUDGE HAENLE: I will allow the question on
20 that basis. Go ahead.

21 Q. What would you have expected if the
22 individuals in the garbage by the pound study had
23 actually been required to pay their bills?

24 A. I believe we would have seen a stronger
25 effect in terms of how much waste was put out. I

1 believe that customers would have the additional
2 pocketbook bang that would have led them to reduce the
3 waste even more.

4 Q. Why do you say that?

5 A. Because the numerous econometric studies
6 we've shown for price effects have shown very strong
7 effectgsd and demonstratedly strong effects for the
8 impact of pocketbook prices on customer behavior both
9 in the solid waste field from the elasticity work
10 we've discussed before as well as in the electricity
11 field and other fields. I think the elasticity effect
12 from price is something that's widely recognized among
13 all economists and has been shown to be an effect and
14 strong effect and demonstrable effect in numerous
15 utilities including solid waste.

16 Q. You say elasticity effect. Could you
17 relate that to your opinion that it would have -- that
18 receiving the bills and paying them would have had a
19 greater impact upon the price -- excuse me -- the
20 individuals?

21 MS. THOMAS: Object as calling for
22 speculation.

23 MS. PERRY: It's calling for an opinion and
24 that's what she's here for. She's an expert, expert
25 in the field. She's done the study. I think that it

1 is well within her expertise to postulate what she
2 could expect.

3 JUDGE HAENLE: Ms. Thomas.

4 MS. THOMAS: I have nothing further. I
5 still feel it calls for speculation and it is an
6 improper question for that reason.

7 JUDGE HAENLE: I will overrule the
8 objection. Go ahead.

9 Q. Do you want me to state --

10 A. I think I get the gist of your question. I
11 think the way that economists look at -- I think what
12 was argued is that garbage by the pound was mostly an
13 information effect, and I guess what I would say is
14 that the way that economists examine information
15 effects is to look at information as something that
16 lowers the cost or lowers the search cost and
17 information cost on alternatives, and in fact is
18 something that would in fact increase the price effect
19 as opposed to -- would increase the price elasticity
20 and make customers more price responsive than less. I
21 think that's the most standard way I've seen of
22 hypothesizing any effects of that nature in the
23 economic literature.

24 Q. Could we translate that into lay terms when
25 you talk about information effect and price effect?

1 Maybe it's easier for me to just ask you a question.
2 What would you expect the effect of an educational
3 program -- and I'm not talking about garbage by the
4 pound, I'm just talking in general. What would a
5 standard economist expect the impact of an information
6 or an educational program to be upon individuals'
7 responses to save prices?

8 A. I think that economists would expect that
9 it would -- that the effect of an education program
10 would be to increase the effectiveness of a price
11 elasticity, make customers more responsive to price
12 impacts, price effects. That --

13 Q. Why would they be more responsive?

14 A. Because it becomes less -- they have more
15 information, it's less costly for them and less hassle
16 for them to find out about alternatives for -- about
17 program alternatives and other alternatives and that
18 in fact the effect is to allow customers to -- trying
19 to think in lay terms -- to increase the ability of
20 customers to -- trying to figure out the best way to
21 phrase it.

22 Q. Why don't you state it in economic jargon
23 and then maybe we'll see if people understand.

24 A. The effect -- let me start with usually in
25 the solid waste field I've seen education and price

1 programs go in together. I have not usually seen
2 price alone as the variable that's used. Rather
3 price, education programs, other alternatives are used
4 in conjunction and they enhance each other and they
5 reinforce each other. What I see is that if I were to
6 look at the effect -- if I were to look at what I
7 expected the effect of an education program to be, it
8 would be that the education program would allow
9 customers to be more responsive to price, to
10 understand alternatives better and to even increase
11 the effectiveness and augment a price effect --
12 augment price elasticities.

13 Q. There's some questions that were asked you
14 about the Meeks weights. As I understood your
15 testimony you said that a better study of the weights
16 was necessary; is that correct?

17 A. Yes.

18 Q. Not that of the Meeks weights necessarily.
19 What were you talking about?

20 A. In some of the recommendations I had for
21 steps that might follow on, one was that a further
22 study or a study of weights, as they are in place or
23 as are out there now, might be appropriate, that
24 there's some question about any of the weights that
25 are on there and that the -- that's what I --

1 Q. You weren't saying necessarily that Meeks
2 weights are right or wrong, were you?

3 A. No, I wasn't.

4 Q. And you did not design new rates for the
5 UTC or perform a rate design in this case?

6 A. No.

7 Q. Why not?

8 A. Because that's not my understanding of the
9 purpose of this proceeding. My understanding of the
10 purpose of this proceeding is this is the King
11 County's only opportunity to contest rates that are
12 filed. It's not to design new rates in place of rates
13 that have been filed. Rather it's to contest the
14 rates. My role in that was to point out problems that
15 I saw with what was proposed but not necessarily to
16 come up with new rates. That is, as I understand it,
17 the Eastside and the UTC's job.

18 MS. PERRY: Thank you. I have no further
19 questions.

20 JUDGE HAENLE: Anything else?

21 MS. THOMAS: No, Your Honor.

22 JUDGE HAENLE: Ms. Egeler.

23 MS. EGELER: No.

24 JUDGE HAENLE: Anything else anyone?

25 All right. Thank you. You may step down.

1 Let's go off the record to change witnesses.

2 (Recess.)

3 JUDGE ANDERL: Let's go back on the record.
4 I asked for the next witness and, Ms. Perry, would you
5 briefly repeat your response, please.

6 MS. PERRY: Mr. Davies has been recalled by
7 agreement of the parties to correct his testimony from
8 Thursday --

9 Friday?

10 THE WITNESS: Friday.

11 MS. PERRY: -- regarding a chart that was
12 attached as an exhibit to his testimony. It would be
13 -- what was the exhibit number again? Exhibit 64.

14 JUDGE HAENLE: I will remind you, Mr.
15 Davies, that you were sworn at the last session of the
16 hearing and remain under oath. And this has been
17 discussed with you and it's all right with you, Ms.
18 Thomas?

19 MS. THOMAS: Yes.

20 JUDGE HAENLE: Ms. Egeler?

21 MS. EGELER: Yes.

22 Whereupon,

23 RUSSELL DAVIES,
24 having been previously duly sworn, was called as a
25 witness herein and was examined and testified

1 further as follows:

2

3

DIRECT EXAMINATION

4 BY MS. PERRY:

5 Q. Would you like to explain what the error
6 was and what the correction is, please.

7 A. I was originally asked about tonnage
8 numbers that were in both the table I filed and my
9 direct testimony which I have labeled RED-1 which is
10 Exhibit 64, and then also was response to data request
11 No. 2. The question that I was asked was to explain
12 the difference between the columns in 1990 tonnages
13 for total residential tons in data request No. 2 and
14 residential curbside tons and to compare those to the
15 residential curbside tons listed in the direct file
16 table.

17 I suppose instead of giving just a direct
18 answer it would be easier to explain the process.

19 JUDGE HAENLE: Maybe a direct answer first
20 and then process.

21 A. There's a whole bunch of numbers. You want
22 me to run through all the numbers?

23 Q. Just go through the numbers.

24 A. Well, in that case, let's look at the
25 direct file table, Exhibit 64. In that table for the

1 residential curbside disposed waste on the left-hand
2 side there's a number of material types listed. Then
3 there's columns. There's two series of columns both
4 tonnage and percentage for 1990. There's a 1993
5 tonnage and percentage column and there's a difference
6 tonnage and percentage column. I returned to the raw
7 data and looked at both the percentages and the
8 tonnages and what I found that was for the percentages
9 listed in the columns that the percentages for both
10 1990 and 1993 are correct and likewise the difference
11 between those two are correct, and that was returning
12 from the raw data from the composition studies that we
13 performed. The error was in using the tonnages at the
14 bottom of the columns which respectively for 1990 are
15 509,430 and for 1993 were 486,658. My error was
16 including self-haul tonnage in the residential
17 curbside tonnage. Residential tonnage is composed of
18 both curbside and self-haul tons. Those numbers as
19 presented here included the self-haul tonnage. So I
20 went back to the tonnage data and removed the self-
21 haul tonnage from those figures. Those tonnages are
22 listed in the data request No. 2 that Ms. Thomas asked
23 me about. So if we would take those numbers, plug
24 them into the table and run the same percentages to
25 itemize out tonnage for each of the materials listed

1 on the left-hand side side we would get the following
2 numbers:

3 JUDGE HAENLE: Maybe rather than reading
4 those numbers it would be better if you produced a
5 corrected table.

6 MS. PERRY: We can do that.

7 JUDGE HAENLE: Shall we call that Exhibit
8 64A maybe, something like that, leave them both in so
9 we know what they are?

10 MS. PERRY: Fine.

11 JUDGE HAENLE: Will you need those exact
12 figures or can you use the copy of the response to
13 record requisition to ask this witness about them, Ms.
14 Thomas and Ms. Egeler, so that when we receive that we
15 can just enter it?

16 MS. THOMAS: I'm sorry. Is the question do
17 I need to have the figures in front of me in order to
18 ask him questions?

19 JUDGE HAENLE: Yes.

20 MS. THOMAS: I think the answer is no. If
21 he answers a question -- well, depending on how he
22 answers a preliminary question the answer is no.

23 JUDGE HAENLE: Ms. Egeler.

24 MS. EGELER: I don't anticipate any
25 questions.

1 JUDGE HAENLE: After you've asked your
2 questions then let's figure out if we can just enter
3 it when we receive it or how we'll do it. Go ahead.

4 MS. PERRY: I have no further questions
5 regarding this.

6 JUDGE HAENLE: We would consider it
7 corrected then by something received as 64A depending
8 on your questions. Go ahead.

9 (Marked Exhibit 64A.)

10

11 VOIR DIRE EXAMINATION

12 BY MS. THOMAS:

13 Q. Will the corrected version, Mr. Davies,
14 show under 1990 where the total is now 509,430, will
15 the total become 356,200?

16 A. Yes.

17 Q. And where the total now shown is 486,658
18 will that figure become 315,400?

19 A. Yes.

20 Q. Can you explain why on the response to data
21 request 2 where it says total residential ton
22 including curbside and self-haul, the figures don't
23 precisely match up with the uncorrected figures on
24 Exhibit 64?

25 A. Yes, I can. Well, there's both a timing

1 issue and then also a data source issue.

2 Q. That's fine. I'm not going to pursue
3 it.

4 MS. THOMAS: I don't need to see the
5 corrected figures. That will be fine to put it in
6 when it's received.

7 MS. PERRY: Can you have that to us by
8 tomorrow?

9 THE WITNESS: Sure.

10 JUDGE HAENLE: Bring it in tomorrow and
11 we'll put it in then. Anything more of the witness?

12 MS. EGELER: No.

13 JUDGE HAENLE: Commissioners?

14 COMMISSIONER HEMSTAD: No.

15 JUDGE HAENLE: Thank you, sir, you may step
16 down.

17 Are there other county witnesses?

18 MS. PERRY: No, that's all.

19 JUDGE HAENLE: Your witness next, I guess.

20 MS. THOMAS: Yes, Your Honor.

21 JUDGE HAENLE: Let's go off the record so
22 he can assume the stand and we can mark the documents.

23 (Recess.)

24 JUDGE HAENLE: Let's be back on the record.
25 During the time we were off the record the company's

1 witness was called. Would you raise your right hand,
2 sir.

3 Whereupon,

4 PAUL GLASGO,

5 having been first duly sworn, was called as a witness
6 herein and was examined and testified as follows:

7 JUDGE HAENLE: During the time we were off
8 the record I marked a number of documents for
9 identification as follows: Marked as T-76 for
10 identification is a 17-page document. In the upper
11 right-hand corner it has PLG-testimony and then there
12 are 11 documents PLG-1 through PLG-11 and all of them
13 have been designated confidential. When we started
14 this a couple of days ago I asked you, Ms. Thomas, to
15 double-check with your client to be sure that your
16 client really felt that all of this material was
17 confidential. Did you do that?

18 MS. THOMAS: Yes, I did and I apologize for
19 the inconvenience but it really is all confidential.

20 JUDGE HAENLE: Okay. I've marked those
21 documents as follows: Marked as Exhibit 77 for
22 identification, a document in five pages has PLG-1 in
23 the upper left-hand corner. 78 for identification
24 PLG-2 in five pages. 79 for identification, PLG-3 in
25 five pages. 80 for identification -- I'm sorry, this

1 should all have C in front of them. My mistake. So
2 put a C in front of all of those. C-80 for
3 identification, PLG-4 in five pages. C-81 for
4 identification PLG-5 in five pages. C-82 for
5 identification, PLG-6 in five pages. C-83 for
6 identification, PLG-7 in five pages. C-84 for
7 identification, PLG-8 in one page. C-85 for
8 identification, PLG-9 in seven pages. PLG-10 in five
9 pages will be C-86 for identification and PLG-11 in
10 three pages will be C-87 for identification. Your
11 witness has been sworn.

12 (Marked Exhibits T-76 and C-77 through
13 C-87.)

14

15 DIRECT EXAMINATION

16 BY MS. THOMAS:

17 Q. Could you please state your name, your
18 position and your business address for the record.

19 A. My name is Paul Glasgo. I'm controller of
20 Rabanco Companies. Our business address is 200 -
21 112th Avenue Northeast, Bellevue 98004.

22 Q. Are you the same Paul Glasgo who either
23 prepared yourself or had prepared under your direction
24 Exhibits T-76 through Exhibit C-87?

25 A. Yes.

1 Q. Were there any corrections to Exhibit T-76,
2 your prefiled testimony?

3 A. Yes. I would like to correct the answer to
4 the question that appears on page 12, line 22.

5 Q. And is that correction set forth on a page
6 marked revised 7/13/94 in the lower left-hand corner?

7 A. Yes, it is.

8 Q. Are there any other corrections that you
9 would like to make to any of these exhibits?

10 A. No.

11 Q. If I inquired orally would your answers be
12 substantially the same as they are in your prefiled
13 testimony?

14 A. Yes.

15 MS. THOMAS: With that we would move the
16 admission of Exhibits T-76 through C-87.

17 JUDGE HAENLE: Any objection, Ms. Perry?

18 MS. PERRY: No, Your Honor.

19 JUDGE HAENLE: Ms. Egeler?

20 MS. EGELER: No objection.

21 JUDGE HAENLE: Exhibits T-76 and C-77
22 through 87 will be entered into the record.

23 (Admitted Exhibits T-76 and C-77 through
24 C-87.)

25 JUDGE HAENLE: Ms. Perry.

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CROSS-EXAMINATION

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BY MS. PERRY:

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Q. Good afternoon, Mr. Glasgo. My name is Mary Perry. I represent the King County Solid Waste Division, and I have some questions I would like to ask you. On page 1 of your testimony you state that you are responsible for preparing or supervising rate filings on behalf of Rabanco. Was this your role in connection with the Eastside Disposal rates that are at issue here?

A. Yes.

Q. Did you actually prepare them or did you supervise their preparation?

A. Both.

Q. Do you want to explain the division of labor.

A. Some of the schedules were prepared by subordinates. Some of them were prepared by myself.

Q. But you're the person who is ultimately responsible for what is submitted to the UTC?

A. Yes.

Q. On page 6 of your testimony you discuss the allocation of disposal fees between regulated and contract areas. You talk about calculated tonnage.

1 Starting on line 14 you state, "calculated tonnage
2 represents the tonnage of waste contributed by each
3 customer class and each level of service to the total
4 tonnage upon which Eastside paid disposal fees." If
5 I understand your testimony, are you saying that
6 Rabanco calculates tonnage for residential waste based
7 upon allocations that are assumed for each level of
8 service?

9 A. Yes.

10 Q. You want to expand on that a bit. You
11 apply allocations to residential service and also to
12 commercial service?

13 A. Yes.

14 Q. And are these allocations a formula that
15 Rabanco has derived for purposes of calculating how
16 much tonnage should be assigned to each of those
17 categories, for example, residential and commercial,
18 multifamily?

19 A. Yes. There are formulas involved.

20 Q. What are the categories that you use
21 allocations to determine tonnages from?

22 A. The categories are based --

23 Q. First of all, I asked you what the
24 categories were.

25 A. Do you mean between residential customers

1 and commercial customers? That's one type of
2 category.

3 Q. Okay. What other categories do you use?

4 A. Within the residential class of customers
5 and the commercial class of customers there are
6 categories based on the size of container and the
7 frequency that the container is placed for pickup.

8 Q. Do you want to tell me what the categories
9 are for residential?

10 A. The most common categories for residential
11 are the minican; 20-gallon service; 32-gallon service,
12 32-gallon can service; two 32-gallon; three 32-gallon
13 can service; four 32-gallon can service; 60-gallon
14 toter service and 90-gallon toter service.

15 Q. What are the categories for commercial?

16 A. The commercial categories, the most popular
17 are one-and-a-quarter-yard container service, two-
18 yard container service, three-yard container service,
19 four-yard container service, six-yard container
20 service, eight-yard container service and then drop
21 box service varying in size between ten-yard container
22 service and I believe 50-yard container service.

23 Q. And does Rabanco include multifamily within
24 commercial categories?

25 A. Yes.

1 Q. Are there any other categories besides the
2 residential categories you've told me, the commercial
3 categories you've told me? Is there anything else
4 that Rabanco uses as a category?

5 A. Yes. There are a few very small numbers of
6 customers, for example, in the residential class of
7 customers that are signed up for greater numbers of
8 cans service. There is one additional level of
9 service, one 32-gallon can once per month that some
10 customers are signed up for. Within the commercial
11 class of customer there are what's generally referred
12 to as packer containers of various sizes ranging from
13 one to six yards that we have a few customers in.

14 Q. But have you in explaining these categories
15 have we pretty much covered the universe of categories
16 that Rabanco has?

17 A. I believe so, although I don't think I
18 mentioned that residential customers as well as
19 commercial customers do place what we call extras out
20 occasionally.

21 Q. And there's been some confusion about
22 extras. When you're talking about extras you're
23 talking about the occasional additional garbage that
24 somebody might have as opposed to extra service on a
25 regular basis?

1 A. Right. In the industry we refer to an
2 extra as something that's non-scheduled.

3 Q. On page 7 of your testimony, you mention a
4 study that was done in March of 1990 and as I
5 understood your testimony, Rabanco weighed 50 cans --
6 it says the containers from 50 one-can customers,
7 50 two-can customers, 50 -- start over. It says the
8 containers from 50 one-can, 50 two-can customers, 50
9 60-gallon toter customers and 50 90-gallon toter
10 customers in Eastside Disposal's service area were
11 weighed and average container weights were determined.
12 Is that correct?

13 A. Yes.

14 Q. Are these weights the basis for the weight
15 allocations that were used in connection with the
16 current rates in place for Eastside Disposal?

17 A. No.

18 Q. On page 6 and 7 of your testimony you also
19 mention certain assumptions. You state that it was
20 assumed -- this is for purposes of allocation -- it
21 was assumed that the average minican weighed 60
22 percent of the average 32-gallon can. The average
23 60-gallon toter or two 32-gallon cans weighed 1.6
24 times the average weight of a 32-gallon can. The
25 average 90-gallon toter or three 32 gallon cans

1 weighed 2.6 times the average weight of a 32-gallon
2 can. The average extra item weighed 60 percent of the
3 average 32-gallon can.

4 So you talk about these allocations, and
5 you go on to say that similar assumptions were used to
6 estimate the weight of higher levels of service. How
7 do these allocations relate to the study that was done
8 in March of 1990?

9 A. The allocation relates to the study in that
10 the study indicated that the difference in weight
11 between consecutive service levels did not represent a
12 per gallon -- a strict per gallon type of a pattern.
13 In other words, a two-can -- the weight in two cans
14 was not double the weight in one can.

15 Q. Okay. So if I understand your testimony
16 you're saying you did this weight study and you found
17 that there was not a direct correlation between the
18 number of cans and the -- that two cans didn't
19 directly correlate to two times the weight of one can,
20 for example?

21 A. That's what the study indicated, yes.

22 Q. Was there any other purpose to your weight
23 study in March of 1990 besides finding out whether or
24 not there was a direct correlation between the number
25 of cans and the weight?

1 A. We're dealing with pretty old memories here
2 but I believe that I was directed at some point to
3 actually do a weight study. I think -- I'm not sure
4 but I think that was part of the direction that came
5 out of the generic rate case that the haulers perform
6 weight studies.

7 Q. So you went out and you did a weight study?

8 A. Correct.

9 Q. And as I understand your testimony you
10 found out there's no direct correlation between number
11 of cans and number of -- excuse me -- and number of
12 pounds?

13 A. Correct.

14 Q. Now, you submitted -- and this is going to
15 be a little awkward because we're getting into some
16 confidential data, but you submitted in response to a
17 data request, data request No. 10, you submitted the
18 results of the March 1990 weight study. Do you recall
19 that?

20 A. Yes.

21 Q. Do you have a copy of that in front of you?

22 A. No.

23 Q. Do you recognize that?

24 A. Yes.

25 Q. And what is that?

1 A. These are copies of weight tickets that
2 were produced as part of the study.

3 Q. And I just want to ask a question about the
4 methodology here to make sure that I understand what
5 you did. As far as these tickets are concerned -- and
6 this is just a straightforward computation -- if you
7 take the net tons, multiply them by 2,000 and divide
8 by 50 that gives you the average weight of the cans;
9 is that correct?

10 A. Yes.

11 Q. Going back to your testimony on pages 6 and
12 7, you have these assumptions regarding weights. You
13 come up with these allocations and, for example, you
14 say that the average 90-gallon toter or three
15 32-gallon cans weighs 2.6 times the average weight of
16 a 32-gallon can. What about those six gallons? I'm
17 just a little confused. You've got 90 gallons and
18 you've got 96 gallons -- you've got 90-gallon toter
19 and 96 gallons in the case of three 32-gallon cans.
20 Do you factor that into your computations at all?

21 A. No.

22 Q. The same for two cans versus the 60-gallon
23 toter that there's going to be four-gallon difference
24 between the two, do you factor that in at all?

25 A. No.

1 Q. Trying to go through your methodology here.
2 On page 7 you say that a number of different
3 allocation formulas were considered and the results
4 were compared to the Meeks weights and the sample
5 weights. Do you recall your response to DR-12?

6 A. No, I don't.

7 Q. Do you have that in front of you?

8 A. No, I don't.

9 JUDGE HAENLE: The record should reflect
10 that Ms. Perry handed a document to the witness.

11 Q. Do you recognize that?

12 A. Yes.

13 Q. In response to DR-12 the question we were
14 asking first of all was on page 7, line 21 of your
15 testimony you stated that a number of different
16 allocation formulas were considered and the results
17 were compared to the Meeks weights and the sample
18 weights and we asked you to first please identify what
19 allocation formulas were considered and to state why
20 each was discounted or ignored and then to please
21 describe the methodology used in comparing the Meeks
22 weights to the sample weights. I guess I'm a little
23 confused about your answer. I guess I don't really
24 follow it. You stated in your response that these
25 different allocation formulas were variations of this

1 formula. You say the different allocation formulas
2 referred to on page 7, line 21 were variation of this
3 formula with different adjustments factors ranging
4 from 10 percent to 90 percent. By this formula are
5 you referring to the assumptions on page 6 -- page 6
6 lines 23 through 25 and page 7 lines 1 through 3?

7 A. Yes, I believe so.

8 Q. So you're talking about this formula of 1.6
9 times the single can -- or one can for two cans?

10 A. Yes.

11 Q. You also state in response to DR-12 that a
12 formula which allocated tonnage on a per gallon basis
13 was considered, and you go on to say that you rejected
14 the 10 percent to 90 percent adjusted figures and the
15 per gallon assumptions; is that correct?

16 A. Yes.

17 Q. And you state that you rejected these
18 because they did not appear to result in consistent
19 and reasonable allocations when compared to the sample
20 weights and Meeks weights?

21 A. Yes.

22 Q. Can you explain that?

23 A. Try. Basically you're describing or I was
24 attempting to describe a process I went through where
25 I set up a spreadsheet and basically just played with

1 the assumptions and to see what the results would be
2 and using a subjective comparison between those
3 results, the sample weights and the Meeks weights.

4 Q. Are you telling me you made the assumptions
5 before you did the study?

6 A. Which assumptions?

7 Q. Well, you said that you played with the
8 different assumptions and it says that you -- in
9 response to DR-12 you said that you -- that a number
10 of different allocation formulas were considered and
11 the results were compared to the Meeks weights and the
12 sample weights and that different allocation formulas
13 were variations of this formula -- meaning the formula
14 that we talked about before that's indicated on page 6
15 and 7. So are you saying that you made those
16 assumptions before you did your study?

17 A. No. I believe that I set up the
18 spreadsheet and played around with the formulas at a
19 time when I already had the sample weights in hand and
20 the Meeks weights.

21 Q. And maybe I didn't catch your answer but
22 why is it that you rejected -- first of all the 10
23 percent to 90 percent adjusted figures?

24 A. They didn't look right.

25 Q. How didn't they look right? What was the

1 problem with them?

2 A. Well, my recollection, I had a four or
3 five-month period of time from which I had customer
4 service levels statistics and actual tonnage numbers
5 for the amount of garbage that was collected and I
6 experimented with the assumptions in the formula and
7 compared the results of each experiment to what was
8 indicated from the study weights and from the Meeks
9 study and looked for things or for qualities like
10 consistency, reasonableness, that sort of thing, and
11 determined that the 60 percent differential seemed to
12 be the differential that was most reasonable and most
13 consistent.

14 Q. So you're telling me that you compared the
15 Meeks study and weights and also applied these
16 adjustments, this 10 to 90 percent for example, and
17 you were looking for consistency. Are you saying that
18 you wanted them to be consistent with the Meeks
19 weights and the study weights?

20 A. I recall that I assumed that from month to
21 month that the one-can weight shouldn't vary too much.
22 And I believe that -- so that I've been taking that
23 factor into account. That's what I'm using as
24 consistency, that the one-can weight didn't vary too
25 much from month to month.

1 Q. And how about reasonableness? What do you
2 mean by that?

3 A. Well, reasonableness is kind of a
4 subjective judgment as to how closely I perceived the
5 results of the experiment to be to reality.

6 Q. So when you talk about reality, are you
7 talking about your study?

8 A. When I say reality I'm talking about the
9 way I think things would have been had I gone out and
10 weighed every single can that we picked up during that
11 time.

12 Q. You didn't weigh cans, did you? You
13 weighed the garbage from 50 cans at each of these
14 service levels; is that correct?

15 A. Correct.

16 Q. The assumptions that you indicate on bottom
17 of page 6 and top of page 7 of your testimony, how
18 exactly did you reach those particular assumptions?

19 A. The 60 percent assumption?

20 Q. Yeah, 60 percent, 1.6, et cetera.

21 A. I thought I already answered that question.
22 So I guess I don't understand what additional
23 information you --

24 Q. Well, I mean, how did you come up with
25 those specific numbers? I think you've answered

1 generally but I'm curious how you came up with those
2 specific numbers?

3 A. 1.6, 2.6, 3.6?

4 Q. Correct.

5 A. 1.6 is the sum of one and the 60 percent of
6 one. Is that what you're asking?

7 Q. No. I'm just asking that why did you think
8 that 1.6 was an appropriate estimate or an appropriate
9 assumption? Why that particular number?

10 A. Because it seemed to provide the most
11 consistent and reasonable results.

12 Q. And you didn't use the Meeks weights, did
13 you?

14 A. That's correct.

15 Q. Why did you reject those?

16 A. The Meeks weights would have resulted in a
17 significant amount of tonnage far in excess of what
18 was actually picked up during the period of time that
19 I was studying.

20 Q. What did you base that conclusion on?

21 A. I plugged the Meeks weights into my formula
22 and looked at the total tonnage that my formula
23 calculated based on the Meeks weights.

24 Q. And what were the results?

25 A. I recall that the Meeks weights resulted in

1 about 70 percent more tons than we actually picked up.

2 Q. You have DR-10 in front of you, don't you?

3 I believe I gave it to you.

4 A. Yes, I do.

5 Q. And there's a confidential exhibit that was
6 attached to that which was the tickets that we were
7 talking about earlier.

8 A. Yes.

9 Q. And King County requested a complete copy
10 of the March 1990 study plus all work papers or other
11 documents that are related or refer to it, and
12 according to your response confidential Exhibit DR 10
13 represents the complete study?

14 A. Yes.

15 Q. So that's all the paperwork you have on
16 this?

17 A. That's correct.

18 Q. You said you did spreadsheets and you
19 plugged this into your computer. Was there anything
20 else? Was that in any way related to the March 1990
21 study?

22 A. No.

23 Q. So that was related to what?

24 A. The spreadsheet that you're referring to is
25 a spreadsheet that I prepared and later used when I

1 was experimenting with the different percentages
2 between service levels. So it wasn't part of the
3 weight study. I guess maybe it was related to it.

4 Q. But we asked for all documents that were
5 related to it and this is all you gave us.

6 A. That's correct.

7 Q. So in other words, this is everything other
8 than those spreadsheets perhaps that you have on this
9 study?

10 A. Yes.

11 Q. You have the confidential exhibit to DR 10
12 in front of you, and there are notations on the weight
13 tickets. I guess your response is these were made by
14 you and the driver. Who made which notations on
15 there?

16 A. The handwritten notations were made by me.

17 Q. Did the driver make any notation on here?

18 A. Those are his smudged fingerprints but --

19 Q. Notations of a sort.

20 A. And the driver has also indicated I believe
21 the route number.

22 Q. So those are his, the numbers that are on
23 there?

24 A. Right.

25 Q. I have a question about the route number.

1 Do you consider that to be confidential information?

2 A. No.

3 Q. Can you explain exactly what your notations
4 mean on here? Starting up at the upper left-hand
5 side of the paper and go down and tell us what you men
6 by each of those without revealing any confidential
7 data?

8 A. The handwritten notations that I made were
9 meant to provide the results of the calculation --
10 calculations that I made indicating the average weight
11 per that particular customer class.

12 Q. And I see you have one can. I don't think
13 that's revealing any confidential data but beside that
14 is a decimal.

15 A. Yeah.

16 Q. Without revealing confidential information
17 can you explain what that means?

18 A. I don't remember. I think I know what it
19 means. I think it means that that's how much --
20 that's the ratio between a one-can weight and a
21 two-can weight. I would have to confirm that.

22 Q. Why don't you go ahead and do that.

23 A. That's not what it means so I guess I don't
24 remember what that is.

25 Q. So you can't recall what that is?

1 A. No.

2 Q. How about the rest of the notations that
3 are on here?

4 A. Wait a second. I think maybe I do know
5 what that means. That decimal number is actually a
6 tonnage number so that's a fraction of a ton.

7 Q. You're right. I see. That was what you
8 got for one. That was the net tonnage for one can?

9 A. Correct.

10 Q. The route numbers are on here, 111 and
11 114, that is correct?

12 A. Yes.

13 Q. I'm going to ask you some questions about
14 those routes. Where exactly are these routes?

15 A. I believe that I instructed the driver
16 through his supervisor to make sure that these routes
17 were in unincorporated King County.

18 Q. You recall that but you haven't checked to
19 verify whether those are in unincorporated King
20 County?

21 A. No, I haven't checked.

22 Q. How many routes are there within the
23 Eastside Disposal area?

24 A. Residential routes?

25 Q. Okay.

1 A. There's 11 or 12. I would have to check.

2 Q. And you don't know how many of those are
3 solely within unincorporated King County?

4 A. I don't believe there's one route that's
5 solely within unincorporated King County.

6 Q. But I guess I understood your testimony to
7 tell me that you told the driver through his
8 supervisor to go to routes that were in unincorporated
9 King County?

10 A. The customers.

11 Q. Customers, correct.

12 A. One of our routes -- some of our routes
13 have more customers that are in unincorporated King
14 County than others. I believe that the driver was
15 instructed to make sure that the customers he selected
16 were in unincorporated King County.

17 Q. You didn't go out with the driver, did you?

18 A. No.

19 Q. Did you leave it up to the driver to select
20 what customers he was to take these cans from?

21 A. No.

22 Q. About these routes, for example, 111, is
23 that purely a single family route? Is there
24 multifamily or is there commercial? Are there
25 commercial customers on that route?

1 A. There's multifamily and commercial
2 customers on all of our routes, I believe.

3 Q. Do you happen to know what percentage of
4 the customers on route 111 are single families?

5 A. No.

6 Q. On 114?

7 A. No.

8 Q. Do you happen to know what percentage of
9 commercial customers are on either of those routes?

10 A. No.

11 Q. Are these urban routes? Is this an urban
12 area?

13 A. Yeah.

14 Q. What are these areas? Where exactly is 114
15 and 111?

16 A. At the time that this study was done these
17 customers could have been in any of the -- any of the
18 unincorporated King County areas that Eastside
19 Disposal services and those areas at that time
20 included roughly an area north of the city limits for
21 the city of Seattle but didn't necessarily -- doesn't
22 include it all the way over to the Sound. There's a
23 road, I believe it's Highway 99, that is our dividing
24 line in our territory and then we had some
25 unincorporated areas around the city of Kirkland and

1 around Bellevue but unincorporated.

2 Q. Is it safe to say this would be a mixed
3 area, some urban, some suburban and some rural for
4 both 111 and 114?

5 A. I don't believe that anyone has ever
6 characterized any of Eastside Disposal's territory as
7 rural, and I'm not sure what the distinction between
8 urban and suburban is. If you mean by urban within a
9 city, Eastside Disposal's regulated area does include
10 some incorporated cities, but I believe that the
11 driver was instructed to take his sample from
12 unincorporated King County.

13 Q. You don't know within, for example, route
14 111 just what the demographics happen to be, whether
15 they're -- there's one household per five acres or
16 five households per one acre.

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

18 Q. Do you happen to know what the average
19 number of persons per household there are in route
20 111?

21 A. No, I don't.

22 Q. How about route 114?

23 A. No.

24 Q. Do you happen to know what the average
25 income level of the people on, who live along route

1 111 happens to be?

2 A. No. I don't know any of the demographics
3 for any of the people on any of those routes.

4 Q. Was there the curbside recycling picked up
5 on route 111 at that time March of 1990?

6 A. Yes, I believe so.

7 Q. Are you sure about that?

8 A. Not entirely. I think -- I believe that
9 our recycling -- I would have to check my testimony
10 but I believe it started in May of 1989. Yes. May of
11 1989 was the date -- was the month during which we
12 began curbside recycling in our regulated area.

13 Q. So there would have been curbside recycling
14 on route 111?

15 A. There would have been curbside recycling
16 offered to the garbage customers on route 111.

17 Q. And how about route 114?

18 A. Yes.

19 Q. Do you happen to know how many participants
20 there might have been as of March of 1990? Without
21 revealing confidential data, do you know how extensive
22 the participation was in curbside recycling on route
23 111 in March of 1990?

24 A. It's probably around 60 percent.

25 Q. How about route 114 in March of 1990?

1 A. Probably around the same. 60 percent.

2 Q. Maybe you can help me out. Do you have a
3 copy of Exhibit B to King County's data request No. 1
4 through 9?

5 A. I don't believe so.

6 Q. That's a confidential data request
7 response. And my paralegal has just handed that to
8 you. Do you recognize that document?

9 A. Yes.

10 Q. Do you see on page -- it's the third page
11 of this document. From March 1990 do you see the
12 number of recycle participants there?

13 A. Yes.

14 Q. Would that change your testimony in any way
15 that that's about 60 percent?

16 A. I would have to do some calculations. We
17 could probably nail it down closer than 60 percent.

18 Q. Could you do that over the next break,
19 please.

20 A. Sure.

21 Q. Was there yard waste pickup along route
22 111 at that time?

23 A. No.

24 Q. Was there yard waste pickup along route 114
25 at that time?

1 A. No.

2 Q. Do you have a background in statistics or
3 sampling techniques?

4 A. My education -- my college education
5 included some statistics classes.

6 Q. But you don't consider yourself a
7 statistician?

8 A. No.

9 Q. And who designed this study, this March
10 1990 study?

11 A. I did.

12 Q. And I think we talked about why you
13 selected these routes. Would you explain why you
14 selected route 111 specifically and why you selected
15 route 114 specifically?

16 A. I didn't select those routes. The driver
17 did.

18 Q. How did the driver select them?

19 A. I don't know.

20 Q. Did you perform any standard statistical
21 tests to determine whether the customers whose
22 cans were weighed were representative of all
23 Eastside's customers?

24 A. No.

25 Q. Were the number of routes selected based on

1 any statistically based sample design?

2 A. No.

3 Q. Were the number of cans of garbage weighed
4 in each service level selected based on a
5 statistically based sample design?

6 A. No.

7 Q. Were the number of households selected
8 based on a statistically based sample design?

9 A. No.

10 Q. Were any statistical tests done to
11 determine whether the weights derived in the March
12 1990 study was statistically significantly different
13 from the Meeks weights?

14 A. No.

15 JUDGE HAENLE: I think that's a sign that
16 you might want to read more slowly.

17 MS. PERRY: Thank you, I will.

18 Q. Referring you to the weight tickets. Those
19 were attached to data response No. 10. You didn't
20 weigh the individual cans. Can you tell me exactly
21 how this process worked, what the driver did?

22 A. Yes.

23 Q. And what was that?

24 A. The driver started with an empty truck. He
25 went out along the route, picked up the first 50

1 customers along that route in unincorporated King
2 County that met the criteria.

3 Q. What was the criteria?

4 A. That when he was weighing one can customers
5 that they be one-can customers. When he had picked up
6 50 he drove the truck to the transfer station, emptied
7 it, had it weighed and he did that for each of the
8 four categories weighed.

9 Q. Do you necessarily do that in that order?
10 It appears that -- it's kind of hard to see because of
11 the smudges on the second one but it appears if you
12 look at the transaction numbers --

13 A. There's times on there too.

14 Q. Time out 31 -- I find this kind of curious
15 that the -- doesn't say PM or AM but the transaction
16 number for one can was later than the transaction
17 number for example in 90-gallon toter; is that
18 correct?

19 A. Done on a different day, too.

20 Q. You're right. So the 90-gallon toters were
21 weighed on the 1st of March as was the -- looks like
22 the two-can customers and the 60-gallon toters but on
23 the next day, the 2nd of March, the one-can?

24 A. That's correct.

25 Q. Were they all the same truck?

1 A. Yes.

2 Q. How do you know they were from the same
3 truck? From the vehicle ID?

4 A. Yes.

5 Q. Do you know if the truck was washed out in
6 between or any effort was made to clean it out in
7 between each of these?

8 A. No. I might add, though, that the purpose
9 of the study was to get accurate data and the driver
10 of the truck was actually one of the route foremen so
11 I'm sure that every effort was made to make sure that
12 the results be as accurate as possible.

13 Q. Do you happen to know what the level of
14 accuracy of the average weight of the can for each
15 level of service happens to to be.

16 MS. THOMAS: Objection. Question is vague
17 in terms of accurate with respect to what.

18 Q. Well, statistically. When you look at
19 -- for example, when you look at the Gallup Poll they
20 say plus or minus four percentage points. Do you
21 happen to know within plus or minus any parameters how
22 accurate this is?

23 A. Compared to what?

24 Q. Well, do you happen to know whether or not
25 there is any sort of a confidence interval regarding

1 the accuracy of this information?

2 A. No, I don't.

3 Q. I don't see a weight ticket for the
4 minican. Did anybody weigh the minican?

5 A. I don't believe we had a minican service
6 level at that point.

7 Q. Have you gone back and done any studies
8 since March of 1990 to determine weights?

9 A. No.

10 Q. Has the minican ever been actually weighed?

11 A. No, not in Eastside's territory.

12 Q. Has Rabanco weighed it?

13 A. To my knowledge we've never weighed any
14 minicans specifically in this manner.

15 Q. I don't see a weight for the 32-gallon
16 toter either. Did Rabanco weigh that?

17 A. We didn't offer 32-gallon toter service at
18 that time, to my knowledge.

19 Q. When did you start offering it?

20 A. Looks like May of 1990.

21 Q. Have you ever gone back and weighed the
22 32-gallon toter?

23 A. No. Same size as a one-can.

24 Q. Going back to the allocation formula, have
25 you used this allocation -- when did you start using

1 this allocation formula?

2 A. I believe I started using it -- I started
3 using it in 1990 but I believe it's been applied
4 retroactively as a matter of not really curiosity but
5 to 1989.

6 Q. What do you mean retroactively?

7 A. Well, the formula can be used from any
8 month for which you have tonnage data and customer
9 service level statistics.

10 Q. The whole allocation formula is dependent
11 upon -- shouldn't say dependent upon -- the hinge here
12 is the one-can weight; isn't that correct?

13 A. Right.

14 Q. It all is measured from that. So the
15 accuracy of the weight of the one can is important;
16 isn't that correct?

17 A. The accuracy?

18 Q. If youre one-can weight is inaccurate
19 then that's going to throw off the rest of the
20 application of the formula, isn't it? I mean, you
21 have an allocation that assumes that the one can is
22 the fundamental -- that's the 100 percent that you use
23 and then you apply this formula that 60 percent of
24 that is the weight of the minican. The two-can weighs
25 1.6. So if you're going to apply this allocation

1 formula it's important that the weight that you use
2 for one can be accurate; isn't that correct?

3 A. I don't think accurate is the right word.

4 Q. What word would you use?

5 A. Precise. I don't know. The process
6 through which the formula is used is to allocate
7 tonnage between service levels. The total tonnage is
8 accurate. Therefore, it seems to me that the
9 allocations are accurate given that the assumptions
10 are reasonable.

11 Q. I would agree with that but you want to
12 have a precise amount that you're going to allocate
13 the one can in order to insure that your allocation
14 applied to the tonnages is correct?

15 A. I guess I would agree with that.

16 Q. You said that you believe that you started
17 using this allocation formula back in 1990; is that
18 correct?

19 A. Yes.

20 Q. Do you know when in 1990? Was it before or
21 after the March study?

22 A. I recalled that the calculations were
23 performed in the summer of June, July, August, around
24 then.

25 Q. Has this formula formally remained constant

1 since 1990?

2 A. Yes, it has.

3 Q. Do you use allocations for commercial
4 tonnage as well?

5 A. Yes.

6 Q. How did you derive those?

7 A. Commercial tonnage is allocated between
8 service levels based on the size of the containers.

9 Q. And do you use the same sort of formula for
10 the commercial allocation as you do for residential,
11 in other words, that you have one container that's the
12 base weight that everything else is determined from?

13 A. Commercial -- the commercial can weights
14 are derived exactly the same way that the residential
15 can weights are derived and this same exact weight is
16 used because all the commercial can activity is picked
17 up on the residential routes. The commercial
18 containers that are measured in capacity by yards are
19 allocated on a per yard basis.

20 Q. And how did you come up with the
21 allocations for commercial?

22 A. Well, we have statistics for every month of
23 the total quantity of yards picked up and we know how
24 many tons we picked up. A commercial per yard
25 calculation is performed that allocates the tonnage

1 for each customer class based on the total yards in
2 that class.

3 Q. But you don't know when you take -- strike
4 that. You pick up or Rabanco picks up both
5 residential and commercial in the same truckload;
6 isn't that true?

7 A. Rabanco picks up residential customers'
8 garbage and commercial customers' garbage in the same
9 trucks. However, in Eastside Disposal's territory
10 that is limited to the residential style containers.
11 None of the commercial style containers measured in
12 capacity and yards is picked up on a residential
13 routes.

14 Q. When you apply the allocation formula for
15 residential, how do you apply that? Do you apply that
16 to the gross tonnage for both commercial and
17 residential and then net out the residential amount?

18 A. Maybe I should just describe the process in
19 as short a terms as I can.

20 Q. Please do.

21 A. Since we're talking about residential tons
22 here, we know how many tons of garbage is picked up
23 by each route every month. Several days after the end
24 of the month we gather that data. We take the
25 customer count, the residential customer count at the

1 end of the month in conjunction with the number of
2 week days that we know were in that month. We
3 estimate how many residential pickups occurred during
4 that month. We also know how many commercial pickups
5 occurred during that month. All this data is combined
6 into the formula to calculate the can weights, and the
7 can weights are then used to allocate the tonnage
8 between residential and commercial customers based on
9 the amount of pickups.

10 Q. But you start with the overall tonnage of
11 both residential plus commercial and then apply the
12 allocation formulas to that?

13 A. We start with the combined tonnage that
14 includes tonnage from commercial and residential
15 customers, yes.

16 Q. And then you apply, for example, the
17 residential case and you would figure out what
18 proportion of that tonnage should be allocated to
19 residential and plus what proportion within the
20 residential tonnage should be allocated to each level
21 of service?

22 A. Correct.

23 Q. Did you perform a study similar to the
24 March 1990 study with regard to commercial tonnage?

25 A. No.

1 Q. Maybe I missed it but how did you determine
2 what your allocation is for commercial?

3 A. Commercial -- the amount of garbage picked
4 up on the commercial routes was determined just by
5 adding up the weight tickets, I assume, and from our
6 billing records we determined what the total
7 commercial yardage picked up on those routes was for
8 that same month and just divided one by the other to
9 calculate commercial pounds per yard.

10 Q. So it was somewhat similar to what you did
11 with the cans only you did it on a grosser level; is
12 that correct?

13 A. I wouldn't use those terms.

14 Q. Well, a larger level.

15 A. Sure.

16 Q. Didn't mean that pejoratively. Going back
17 to your March 1990 study. If I understand the basis
18 for that study, you don't have any information on the
19 statistical reliability of those weights, do you?

20 A. No, I don't.

21 Q. And you calculated no confidence levels or
22 confidence intervals for that?

23 A. That's correct.

24 Q. So you can't tell me whether the weights
25 are statistically significantly different from each

1 other?

2 A. That's correct.

3 Q. Using the data from your weight study, you
4 couldn't tell me definitely what the ratio between the
5 cans was, for example, between one and two cans was
6 three times rather than 1.6, could you?

7 A. Based on the results of the customers that
8 we weighed?

9 Q. Right.

10 A. I can tell you what the difference was from
11 the one can customers that we weighed to the three-can
12 customers that we weighed.

13 Q. You can tell me what the average weights
14 are; you can't tell me, though, with any reliability
15 in a statistical sense essential whether there was
16 any difference between those two? I mean, all you can
17 tell me is what the average is.

18 MS. THOMAS: Objection, vagueness as to
19 whether we're talking about the average among 50
20 customers who were sampled here or average across the
21 entire service territory.

22 MS. PERRY: Fine. I can clarify that.

23 Q. The average regarding these 50 customers.

24 A. I don't think you can draw any conclusions
25 based on statistics from these weights at all.

1 Q. If I understood your testimony you said
2 that you applied the residential tonnage to the total
3 and decide that the leftover must be commercial?

4 A. No.

5 Q. Well, maybe explain what it is you said.

6 A. We assume that a commercial -- that a
7 commercial can weighs the same as a residential can.

8 Q. But you still apply these allocation
9 formulas to the gross tonnages?

10 A. They're derived at the same time. One is
11 not a leftover of the other.

12 Q. How do you mean they're derived at the same
13 time? Do you want to explain exactly?

14 A. We calculate how many residential pickups
15 there are in each service level category and how many
16 commercial pickups there are in each service
17 level category. The assumption is made that a
18 commercial can weighs the same as a residential can.
19 Therefore, the commercial weight is derived at the
20 same time as the residential weight is derived. It is
21 derived at the same time that the one can weight is
22 derived. Done at the same time.

23 Q. You're saying the commercial can weighs the
24 same as the residential can?

25 A. Yeah.

1 Q. Are those the same weights as those that
2 were submitted in connection with this Eastside rate
3 filing?

4 A. Yes.

5 Q. You also were talking about yardage as
6 opposed to cans for commercial?

7 A. There's two different styles of commercial
8 containers, I guess. Well, three different styles of
9 commercial container and the different styles can be
10 differentiated based on the type of truck that picks
11 them up. Residential cans and commercial cans --
12 residential style containers, let's call them that,
13 32-gallon cans, 60-gallon toters, 90-gallon toters and
14 minicans are picked up in a side loader truck. That
15 truck is not able to pick up containers other than
16 residential style containers. The main type of
17 commercial style container looks like a big metal box
18 and its capacity is measured in terms of yards. Those
19 containers are picked up by front loader trucks.
20 Those trucks are unable to pick up residential style
21 containers. So it's very easy to make a distinction
22 between the tonnage that's picked up from commercial
23 customers in those two different styles of containers.

24 Q. What proportion of your commercial
25 customers use what you call residential style

1 containers?

2 A. I don't know the number in terms of the
3 number of customers. The amount of tonnage is
4 relatively low. The amount of tonnage picked up in
5 residential style containers from commercial customers
6 is a relatively low ratio of the total tonnage picked
7 up from commercial customers. So is the amount of
8 tonnage on residential routes that relates to the
9 commercial customers.

10 Q. So the majority of your commercial
11 customers use the yardage type of containers?

12 A. The front loader style containers, yes.

13 Q. And do you know what percentage that might
14 be by tonnage perhaps?

15 A. No, I don't.

16 Q. Do you know if it's more than 90 percent of
17 your commercial customers?

18 A. I would be surprised if it was less than 90
19 percent.

20 Q. Now, did I miss something? How many types
21 of commercial containers were there?

22 A. There's also commercial -- there's
23 residential style containers, front loader style
24 containers and drop box style containers.

25 Q. And what proportion of your commercial

1 customers use drop boxes?

2 A. In terms of the tonnage collected, I would
3 say approximately one third -- that's a very rough
4 guess -- of the tonnage is collected in drop box
5 containers.

6 Q. How do you allocate weight to the drop
7 boxes?

8 A. There's no allocation of weight as far as
9 drop boxes are concerned. The amount of tonnage in
10 drop boxes is specifically weighed.

11 Q. How is that done?

12 A. The nature of a drop box container is such
13 that it is picked up full from the customer, taken to
14 the transfer station, emptied, weighed before and
15 after it's emptied and then returned to that
16 customer's premise. That's how the tonnage in the
17 container is determined.

18 Q. So those are specifically, but the
19 commercial, the front loader commercial types of
20 containers and the residential style commercial
21 containers, those are not specifically weighed, are
22 they?

23 A. That's correct.

24 JUDGE HAENLE: Can you estimate how much
25 more you have? You're right at your hour now.

1 MS. PERRY: 15 minutes.

2 Q. Going back to application of the
3 allocation, what would the affect be if your
4 residential can rates were too low? What would the
5 effect be with regard to your estimation of commercial
6 weights?

7 A. If my residential weights were too low?

8 Q. Right. When you apply this allocation
9 formula what would happen to your assumption of
10 commercial weights?

11 A. If my residential weights were too low then
12 I would also be underestimating my commercial weights.

13 Q. Why would that be?

14 A. That's because I assume a commercial can
15 weighs the same as a residential can.

16 Q. I'm not talking about the cans. You said
17 that about 90 percent of -- if I understood you
18 correctly about 90 percent of your commercial
19 customers don't use the cans and so what about the
20 rest of those commercial customers?

21 A. The ones that don't use the residential
22 style cans?

23 Q. Right. You've got commercial weights,
24 residential weights. You apply your allocation
25 formula. What would be the results for the commercial

1 weights if you underestimated your residential can
2 weights?

3 A. No effect at all.

4 Q. Why?

5 A. Because they're picked up on different
6 routes with different trucks.

7 Q. That's not what I heard you to say. I
8 thought I understood your testimony that you applied
9 this allocation formula or the allocation formula for
10 commercial and residential to the overall tonnage.

11 A. No, just to the tonnage that's picked up on
12 residential route.

13 Q. Explain to me how you allocate for
14 commercial.

15 A. The commercial tons that are picked up on
16 the front loader style commercial routes are allocated
17 between those commercial customers based upon the
18 yardage of the containers at each commercial
19 customers's premises. Based on yardage and since the
20 residential tonnage is picked up in different trucks,
21 the assumptions I used for residential tonnage cannot
22 affect the tons for commercial customers picked up on
23 front loader routes.

24 Q. You do that -- you measured the commercial
25 -- the front loader commercial containers by yardage

1 and then how does that get converted to tonnage?

2 A. Total tons at the end of the month,
3 multiplied by 2,000, divided by the total yards picked
4 up on the front loader commercial routes yields a
5 number expressed in terms of pounds per yard. Pounds
6 per yard figure is multiplied by the total yards
7 within each class of commercial front loader style
8 customer category. And the tons are allocated based
9 on the number of total yards within each category.

10 Q. And that is -- strike that. But you do not
11 apply the residential case to overall tonnage which
12 includes both commercial and residential?

13 A. The total tonnage that's picked up on
14 residential routes includes about 3 to 5 percent or
15 about 3 to 5 percent of the tonnage picked up on
16 residential routes includes tonnage tonnage that is
17 allocated to residential style containers at
18 commercial accounts.

19 Q. And that is accounted for in a completely
20 separate manner from the rest of commercial?

21 A. Yes, it is.

22 Q. But as between residential style containers
23 and on commercial -- residential style containers used
24 for commercial purposes and residential receptacles or
25 cans, if the residential cans themselves, if the

1 weight for that is low, what will be the effect on
2 that proportion of the tonnage that is allocated to
3 commercial, residential style cans?

4 A. If you assume that a commercial 32-gallon
5 can weighs more than a residential 32-gallon can,
6 which is what I think you're asking, if you make that
7 assumption and the real world -- the way it exists in
8 the real world is that a residential can weighs less
9 than a commercial can then by making the assumption
10 you would be allocating fewer tons to commercial than
11 you should.

12 Q. Why do you say fewer tons?

13 A. Well, say, for example, that 3 percent of
14 your residential tons, 3 percent of the tons picked up
15 in residential style containers in your initial
16 calculations -- if your initial calculations showed
17 that 3 percent of the tons was commercial tonnage
18 picked up in residential style containers, if in
19 actuality the residential cans weighed less than the
20 commercial cans then it's possible or it's -- that
21 would indicate that the numbers should be maybe 3 and
22 a half percent instead of 3 percent. That's what I
23 mean.

24 Q. Okay. Like to refer you to DR-10 and
25 LCD-3. LCD is a confidential exhibit that was

1 attached to Mr. Demas's testimony. Do you have a copy
2 of Mr. Demas's testimony in front of you?

3 A. No, I don't.

4 Q. Do you have LCD-3 in front of you now?

5 A. Yes.

6 Q. There's a column there. It's the third
7 column over. It says weight each pickup pounds. Do
8 you see that?

9 A. Yes.

10 Q. And there's some weights there. And as I
11 understand Mr. Demas's testimony, these are the
12 weights that were used or that were submitted by
13 Rabanco in connection with the Eastside Disposal rates
14 that are now in effect; is that correct?

15 A. Yes.

16 Q. And do you have a copy of the answer to
17 DR-10 in front of you?

18 A. Yes.

19 Q. You see that there are weights there as
20 well. These are the study weights that you derived in
21 March of 1990?

22 A. Sure.

23 Q. I've got some questions about these and I'm
24 going to try and compare these and I will speak about
25 the differences between the two, but I don't believe

1 that that will reveal any confidential information
2 since both of these are confidential and could not
3 figure out the confidential data from the differences.

4 A. I'm not sure that's algebraically correct
5 but I think we're all right.

6 JUDGE HAENLE: We're going to have only the
7 one document in the record assuming that Mr. Demas's
8 document is in. The other one won't even be in the
9 record.

10 THE WITNESS: Okay. That's all right.

11 MS. PERRY: I just want to derive some
12 testimony regarding it.

13 Q. Let's look at the weight that you derived
14 -- that Rabanco derived in its March 1990 study for
15 one can, what the average weight of those 50 one-can
16 customers' garbage that was weighed. And then let's
17 look at the proxy weights, call them proxy weights
18 because those are the weights that you submitted
19 instead of the Meeks weights. There's a six-pound
20 difference between those two. Can you explain why?

21 A. It's because the sample weights aren't
22 statistically valid.

23 Q. Why is the proxy weight statistically
24 valid if that's the implication?

25 A. Well, maybe it's not statistically valid,

1 but -- could you rephrase your question.

2 Q. I'm just curious. Why is there a six-pound
3 difference between the two?

4 A. There's a six-pound difference between the
5 two, in my opinion, because the proxy rates, as you
6 refer to them, are average weights over an entire
7 year. The test weights are weights taken on one day,
8 one particular day in March of 1990.

9 Q. You said they're an average rate, weights
10 over an entire year?

11 A. Yes.

12 Q. Where in your testimony does it say that?
13 Did you address that in your testimony?

14 A. Insofar as these weights are included in an
15 exhibit attached to my testimony, I believe that my
16 testimony does state that.

17 Q. Well, I guess I didn't gather that from
18 your testimony nor did I gather that from Mr. Demas's
19 testimony.

20 A. We probably made some assumptions as to the
21 audience's knowledge base of what goes into
22 determining rates. I guess what I'm trying to say is
23 that everybody knows it.

24 Q. Okay, fine. I guess I didn't. Now, the
25 two cans, if you look at DR-10 and LCD-3 there's over

1 15-pound difference between the two.

2 A. I guess that's correct.

3 Q. Why such a large difference?

4 A. For the same reason I stated for the
5 one-can difference.

6 Q. Same question for the 60-gallon toter only
7 this time I see a 20-pound difference?

8 A. Same reason.

9 Q. And for the 90-gallon toter I see a
10 five-pound difference?

11 A. Same reason.

12 Q. In your testimony on page 7 you said -- you
13 answered a question, how was the formula that you used
14 to allocate residential tons among different levels of
15 service developed?" And you refer to this March 1990
16 study. I don't see how this March 1990 study has
17 anything to do with the proxy weights that you
18 submitted, and as a matter of fact, they differ
19 substantially from it.

20 MS. THOMAS: Is that a question?

21 MS. PERRY: Yes, it is.

22 Q. Can you explain that?

23 A. Well, the proxy weights from one service
24 level to another have differences between them. The
25 weights from 1990 from one service level to another

1 have differences between them. In that respect they
2 are similar.

3 Q. There are differences but they are
4 substantially different differences, aren't they?

5 A. No.

6 Q. They're not?

7 A. No.

8 Q. Why not?

9 A. The percentage differences between service
10 levels -- well, substantially different. I mean,
11 that's a fairly subjective term. Some of them are
12 substantially different I believe and others aren't.
13 I don't believe that they're -- in an accounting sense
14 they're not significant. They're not material.

15 Q. Why isn't a 20-pound difference material?

16 A. The 20-pound difference from -- may seem
17 material, but I think it's more important to look at
18 the difference between the one-can service level and
19 the two-can service level.

20 Q. Going back to something you said. You said
21 that the study weights were not statistically
22 significant or significantly reliable. I can't recall
23 the exact term you used.

24 A. I don't know whether they are or not. I
25 wouldn't think that they would be.

1 Q. So then you said that the proxy weights
2 reflect the average weights over the entire year. How
3 did you derive those proxy weights?

4 A. The proxy weights were derived based on the
5 formula that we have been talking about for about
6 an hour and a half in my testimony.

7 Q. I understand but I don't understand, you've
8 got a basic one-can weight that you use as the hinge
9 for that whole analysis to determine the allocation.
10 Where did you come up with the one can weight?

11 A. We do that allocation every month of the
12 total tons that I've already described. Therefore, if
13 you take the total from every month for the test
14 period used here, the 12 months ended June 30, 1993
15 you know what the total residential tons were. We
16 also gather the statistics on what the commercial --
17 or the residential customer counts were at the end of
18 every month during that 12-month period of time and
19 add them up. And then we do the calculation using the
20 statistics from the 12-month period of time in the
21 same manner that we do the calculations for the
22 individual months within that 12-month period of time.

23 Q. I still haven't heard the answer to my
24 question. I don't understand where that weight comes
25 from. Isn't this kind of circular? If you've got an

1 allocation that you apply and you apply it over the
2 course of a year and you keep ending up with these
3 results where do you come out -- where did you derive
4 that one can weight?

5 MS. THOMAS: Asked and answered.

6 MS. PERRY: I haven't heard the answer.

7 A. I answered the question but you don't
8 understand it. That's not my problem.

9 Q. Explain it to me, please.

10 JUDGE HAENLE: We've got an objection in
11 the works. I have heard the same question a number of
12 times. Would it help for you all to discuss this and
13 see if you can get the questions and answers right,
14 talk about it off the record, see if you can phrase
15 the answers and questions?

16 MS. THOMAS: That might be best, Your
17 Honor.

18 JUDGE HAENLE: Try that. Time for a break
19 anyway. Be back at 3:30 and see if we can get on
20 board with the questions and answers.

21 (Recess.)

22 JUDGE HAENLE: Let's be back on the record.
23 During the time we were off the record we were having
24 an afternoon break. Go ahead, Ms. Perry.

25 Q. Just for purposes of the record, during the

1 break I had a discussion with you and with your
2 attorneys; is that correct, Mr. Glasgo?

3 A. Yes.

4 Q. And we discussed the fact that you were
5 explaining that you applied these allocations and the
6 reason you apply these specific -- well not even
7 specific allocations but the reason that, you applied
8 the allocations is to come up with -- you apply those
9 to the tonnage and you are comfortable with using
10 these because they seem to give you the results that
11 are in line with the tonnage that you have?

12 A. Yes.

13 Q. Has Eastside used these proxy weights in
14 earlier filings?

15 A. Yes. Not -- excuse me, I'm sorry. Not
16 these proxy weights exactly. We've used the same
17 method to derive the proxy weights in earlier filings,
18 the same evidence method in earlier filings as we used
19 in this filing.

20 Q. So do you happen to recall what those
21 filings have been, since when and how many?

22 A. Filing prior to this one uses test period
23 ended I believe June 30, 1992. And my memory is not
24 nearly as good on the other ones but I believe there
25 was at least one other using an earlier test period

1 than that and most likely two others, so there's been
2 three others where we've been using this method.

3 Q. But the weights have been -- have not been
4 identical?

5 A. They've been slightly different.

6 Q. Do you happen to know when you say slightly
7 different just how much without revealing any
8 confidential data?

9 A. I would say that in the three prior --
10 assuming that there are three -- prior rate cases the
11 one can has always been within 10 percent of the
12 weight used in this rate case.

13 Q. And so that means that the other weights
14 would vary depending upon the percentage allocation
15 that's applied to them --

16 A. Correct.

17 Q. -- multiplied by 10 percent?

18 A. Correct.

19 Q. Have the ratios remained constant since
20 1988 -- excuse me -- since 1990.

21 A. I've never used different ratios.

22 Q. So ever since you derived these ratios, I
23 believe was in 1990, you've used the same ratios?

24 A. Correct.

25 Q. Have you ever done a statistical analysis

1 of the allocations that you used?

2 A. No.

3 Q. So you've never conducted any statistical
4 analysis to determine whether the 1.6, for example, is
5 significantly different from any other number?

6 A. I've never done any statistical studies at
7 all.

8 Q. When you said that the weights, the proxy
9 weights, have not varied, as I recall the one can
10 hasn't varied more than 10 percent in your estimation,
11 do you know in which direction?

12 A. Frankly I would be surprised if it varied
13 more than 5 percent. No, I don't recall in which
14 direction.

15 Q. Again, you never actually weighed the
16 minican, have you?

17 A. That's correct.

18 Q. So you don't have any statistical analysis
19 to determine whether or not the 60 percent is accurate
20 or --

21 JUDGE HAENLE: Haven't we gone through this
22 a number of times? This sounds real familiar.

23 MS. PERRY: I will drop it if you wish.

24 JUDGE HAENLE: I just want to try to avoid
25 repetition to the extent we can.

1 Q. You have submitted some revised testimony,
2 page 12 of your testimony is revised?

3 A. Yes.

4 Q. And you say that if yard waste is visible
5 in the container, the container is not dumped and
6 notice is left with the customer which explains the
7 county's yard waste ban and also explains how the
8 customers may obtain yard waste collection service?

9 A. Yes.

10 Q. Have you kept any data regarding the
11 incidence of violations of yard waste ban?

12 A. I believe that we kept some data in the
13 months following the implementation of the yard waste
14 ban.

15 Q. Since then have you?

16 A. I don't know.

17 Q. But by your own admission it would be
18 possible for someone to conceal yard waste in a can so
19 that someone wouldn't be able to see it?

20 A. Yes.

21 MS. PERRY: That's all I have.

22 JUDGE HAENLE: Questions, Ms. Egeler.

23 MS. EGELER: Yes, Your Honor.

24

25 CROSS-EXAMINATION

1 BY MS. EGELER:

2 Q. Mr. Glasgo, could you tell me -- you stated
3 that in other filings you have used a one-can
4 weight which may have varied by up to 5 percent from
5 the one-can weight used in this case. Can you tell
6 me why there were different weights used in different
7 filings?

8 A. Every filing that I do I'm dealing with the
9 results of an algebraic calculation that's based on
10 the formula that I've already described. It's also
11 based on the actual customer count during that period
12 of time and the actual tonnage collected from
13 residential customers during that period of time, and
14 since certain of those statistics change over time, I
15 would expect the results of the calculation to change
16 slightly.

17 Q. How often is tonnage calculated?

18 A. We do that calculation at the end of every
19 month.

20 Q. How did you determine the weight for the
21 minican?

22 A. The minican is assumed to weigh 60 percent
23 as much as a one can.

24 Q. Is that based on the volume of the minican?

25 A. No. It's based on an estimate of what is

1 assumed -- how much weight is assumed to be in that
2 minican.

3 Q. On what do you base your estimate?

4 A. The estimates were derived as part of the
5 experimentation process that I went through in 1990
6 that I talked about earlier.

7 Q. Can you go through that very briefly again.
8 I didn't catch your discussion of the minican
9 estimate.

10 A. Minican service was relatively new at the
11 time I was going through these calculations. Minican
12 does contain 20 gallons, the one can does contain 32
13 gallons. I think on a strict calculation that's about
14 64, 65 percent, in that neighborhood. However, I
15 can't recall whether or not I used that relationship
16 in coming up with my assumption that a minican, the
17 average minican weighed 60 percent of the average one
18 can. I wanted -- for simplicity's sake I wanted the
19 formula to use the same constant throughout, so the 60
20 percent assumption seemed to provide results that were
21 consistent and reasonable.

22 Q. Regarding your revised testimony relating
23 to the yard waste ban, has Eastside ever caught anyone
24 putting yard waste into their solid waste cans?

25 A. I'm sure we have.

1 Q. If the driver or whoever the person on the
2 truck was who actually lifted the can were to feel an
3 abnormally heavy can, would that be an indication that
4 there may be yard waste in the can?

5 A. Not necessarily. Yard waste is generally
6 heavier than other types of garbage.

7 Q. Eastside's workers actually tip the can
8 into the truck, isn't that correct, with the exception
9 of the larger toters?

10 A. Yes, that's correct.

11 Q. So there's a potential for the driver to
12 see the yard waste spilling from the can?

13 A. Well, the driver -- the driver has to take
14 the lid off before he can empty it, and we're supposed
15 to look in the cans to see if they contain any yard
16 waste, so if that's what you're asking, that's how he
17 finds out.

18 Q. Have your drivers all been instructed to
19 look for yard waste?

20 A. Yes.

21 MS. EGELER: No further questions.

22 JUDGE HAENLE: Commissioners, questions?

23 CHAIRMAN NELSON: No.

24 JUDGE HAENLE: I did have one or two, I
25 think.

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EXAMINATION

BY JUDGE HAENLE:

Q. Refer to page 13 of your testimony, please. Line 19 you indicate that it may require two billing cycles to determine if the current rates have had any effect on participation in yard waste. Can you give us an update now on the customer mix of Eastside Disposal?

A. I could provide an update possibly through the end of June on the customer mix and I believe that our program is able to tell me what the customer mix is today.

Q. What is that?

A. I don't have that data available right now.

Q. Do you have through the end of June data available?

A. I don't know. I believe it's available right now. I would have to check with my staff.

Q. At one time the rates for Eastside Disposal were roughly a spread of \$4 between each service, were they not?

A. Yes, I believe that's correct.

Q. What would the King County tip fee have to be today in order to achieve that or a similar rate

1 spread?

2 A. I don't know the answer to that question.
3 I know that I used the spreadsheets and schedules that
4 I used to prepare this rate case to try to answer that
5 question on my own some months ago, and I jacked the
6 tonnage up to as high as \$120 per ton and still wasn't
7 getting very close at all to the \$4 range.

8 Q. So it's something above \$120 a ton?

9 A. Yeah. I would assume it would have to be
10 over \$200 a ton to tell you the truth.

11 JUDGE HAENLE: Did you have any redirect?

12 MS. THOMAS: Yes, Your Honor.

13

14 REDIRECT EXAMINATION

15 BY MS. THOMAS:

16 Q. At one point Ms. Perry was asking you, you
17 had spoken about the criteria of reasonableness and
18 consistency that you were trying to satisfy and Ms.
19 Perry asked you what reasonableness meant and I think
20 you misspoke. You said it meant the closeness of
21 results to reality. You said you weighed the garbage
22 of 50 cans at each service level. Did you mean you
23 weighed the garbage of 50 customers at each service
24 level?

25 A. Yes.

1 Q. Ms. Perry asked you several questions about
2 data request 10 weight tickets and you described some
3 spreadsheets you had used to try to develop a can
4 weight, a set of can weights. Is it the absolute
5 weight of each can that was relevant for your purposes
6 or was it the ratio among the weights of various
7 levels of service?

8 A. The ratio.

9 Q. Can you explain, please.

10 A. Well, the absolute weights are -- of the
11 weights taken in the study are less important than the
12 relationship between the weights or the ratio between
13 the weights at adjacent service levels, because if you
14 want to apply the weights to different periods of
15 time, it's most useful to think of -- for calculation
16 purposes it's most useful to calculate allocation if
17 you have relationships between service levels. The
18 absolute weights are less significant because if you
19 apply them -- and I discovered this when I did my
20 experimentation to different periods of time -- they
21 don't result in the correct tonnage.

22 Q. Do you know how the ratios among the can
23 weights that you used in preparing the request for
24 rates that are now in effect, do you know how those
25 ratios compared to the ratio among the canned weights

1 in Ms. Skumatz's garbage by the pound study?

2 A. Yes, I do.

3 Q. How do they compare?

4 A. They're reasonably similar. I think I made
5 some calculations earlier that will be a little bit
6 more specific. Lisa Skumatz's garbage by the pound
7 experiment indicated a 66 percent difference between
8 the one-can and the minican. The weights that I use
9 indicate a 67 -- well, actually if you round it to two
10 percentage points they're both 67 percent. The ratio
11 between the two-can and the one-can in Lisa Skumatz's
12 table was 56 percent. The ratio that I used was 60
13 percent. Those are the only two comparisons that you
14 can make from the data available.

15 Q. You testified that weights were slightly
16 different in prior filings of Eastside Disposal. Was
17 the difference in the weight the reason for the shift
18 in the rate structure as between Exhibit 28, page 2
19 and Exhibit 28, page 1?

20 A. No.

21 MS. THOMAS: No further questions. Thank
22 you.

23 JUDGE HAENLE: Anything else, Ms. Perry?

24 MS. PERRY: Yes, Your Honor.

25

1 RE CROSS-EXAMINATION

2 BY MS. PERRY:

3 Q. In response to a question regarding the tip
4 fee you speculated on how much per ton it would be.
5 You said \$200 per ton. How did you reach that
6 estimate?

7 A. It's a guess based on what I recall from my
8 attempts to estimate the effect of various tip fee
9 levels on the rates. What I did was I used the cost
10 of service spreadsheets for the current case and I
11 believe I calculated what the rates would be if the
12 tip fee was \$100 per ton and \$120 per ton and it
13 didn't -- although it indicated an increasing level of
14 difference between the rates, the rate at which that
15 level was increasing lead me to speculate as to the
16 \$200 number.

17 Q. The \$200 estimate is based on a calculation
18 assuming the allocations that we've talked about
19 before, the 60 percent, the 1.6, the 2.6, et cetera?

20 A. Among others, yes.

21 Q. If those allocators happened to be
22 incorrect -- and I'm just stating this as a
23 hypothetical -- the tip fee could be much lower and
24 achieve a \$4 differential, couldn't it?

25 A. Can you restate that?

1 Q. That's based on the assumption that those
2 allocations are correct, right?

3 A. Yes.

4 Q. So if those allocations were wrong, then
5 the \$200 estimate would be wrong?

6 A. The allocation to which you're referring to
7 are the 60 percent?

8 Q. Right, 1.6, et cetera.

9 A. Yes. If you used different allocations,
10 the tip fee that you would have to use to derive a \$4
11 difference would be different.

12 Q. And Ms. Thomas had you go through a
13 comparison of weights with the -- and you compared the
14 garbage by the pound to, as I recall, your proxy
15 weights?

16 A. Yeah.

17 Q. You haven't compared those to the study
18 weights, have you?

19 A. Which study?

20 Q. The 1990, the March 1990 study?

21 A. No, I haven't.

22 Q. And the March 1990 study weights, the
23 ratios, if you could look at DR-10 and without
24 calculating the ratios, just eyeballing them, do those
25 appear to be similar to the garbage by the pound

1 ratios?

2 A. I believe that the ratio between the one
3 can and the two-can are similar.

4 Q. Are you sure about that? Isn't the two-can
5 almost twice the one-can? As a matter of fact, isn't
6 the 60-gallon toter over twice the one can?

7 A. 60 gallon toter is over twice the one can.
8 The two-can, let me just calculate it real quick here.
9 It appears as if the difference between the one can
10 and the two-can weights from the March study, the
11 percentage is greater than either percentage -- either
12 the percentage that Lisa Skumatz used and the
13 percentage that I used.

14 Q. Do you know how much greater?

15 A. Looks like 83 percent instead of 60
16 percent.

17 Q. Now, if I understood your testimony
18 correctly you said that the ratios are what are
19 important to you rather than the weights; is that
20 correct?

21 A. Yes.

22 Q. Then why do you think the UTC and the Meeks
23 models rely on weights?

24 A. I'm not sure that they do. It's my
25 understanding that the Commission when it adjusts the

1 Meeks weights to use it in a hauler's case, they try
2 to maintain the relationship between the weights, the
3 ratios between the weights rather than the absolute
4 weights.

5 Q. This rate filing was different from rate
6 filings that you submitted previously. In my review
7 of the past rate filings since the King County service
8 level ordinance went into effect, it appeared that
9 Eastside was moving toward meeting the King County
10 differentials. Why was this particular rate filing
11 different?

12 A. Earlier rate filings Eastside Disposal made
13 the decision to depart from filing cost of
14 service-based rates and file rates that met the King
15 County requirements.

16 Q. And why the change now?

17 A. We changed because we were -- basically we
18 were directed by the UTC to file cost of service-based
19 rates.

20 Q. What was the form of that direction?

21 A. They were all verbal and they were based on
22 the results of prior rate cases filed for Eastside
23 Disposal as well as SeaTac Disposal and Kent Meridien
24 Disposal. Basically the conversations took the flavor
25 that the spread between the county rate structure and

1 the cost of service rate structure was getting to be
2 too large and that they felt the cost of service-based
3 rates should be filed next time.

4 MS. PERRY: I think that's everything.

5 JUDGE HAENLE: Do you have recross.

6 MS. EGELER: Nothing further.

7 JUDGE HAENLE: Anything more of the
8 witness?

9 MS. THOMAS: No, Your Honor.

10 JUDGE HAENLE: Thank you, you may step
11 down. Does that complete your witnesses then, Ms.
12 Thomas?

13 MS. THOMAS: Yes, it does. Let's go off
14 the record to change witnesses.

15 (Recess.)

16 JUDGE HAENLE: Let's be back on the record.
17 During the time we were off the record the first staff
18 witness assumed the stand. Would you raise your right
19 hand, sir. Also during the time we were off the
20 record I marked a number of documents for
21 identification. I marked RGC-1 prefilled testimony as
22 T-88 and RGC-2 through RGC-7 as Exhibits 89 through
23 94, I guess. Please be sure that you have both pieces
24 of RGC-3. There was another piece that was submitted
25 late on June 21st or 22nd I believe. Be sure you

1 have that piece as well. Your witness has been sworn,
2 Ms. Egeler.

3 (Marked Exhibits T-88 and 89 through 92,
4 C-93 and 94.)

5 Whereupon,

6 ROBERT COLBO,
7 having been first duly sworn, was called as a witness
8 herein and was examined and testified as follows:

9

10 DIRECT EXAMINATION

11 BY MS. EGELER:

12 Q. Would you please state your name, spelling
13 your last for the record.

14 A. Bob Colbo, C O L B O.

15 Q. Is what has been marked for identification
16 as Exhibit T-88 your direct testimony in this case?

17 A. Yes, it is.

18 Q. Do you have any changes to make to that at
19 this time?

20 A. Yes, I do.

21 Q. Would you please make those.

22 A. On page 6, line 2, feasibility is
23 misspelled. The correct spelling is F E A S I B I L I
24 T Y. On page 7, on line 12 the proper reference is to
25 RGC-3 and just two lines below that on line 50 where

1 it says, "the goal of being just, reasonable and
2 sufficient," insert the word fair, F A I R, before
3 "just."

4 On page 11, line 18 and line 21, the proper
5 reference is to RGC-4.

6 On page 14, line 6, where it says "the
7 total amount should be disclosed under that
8 assumption," change the word "that" to "the," T H E."

9 MS. PERRY: Where are we?

10 THE WITNESS: Page 14, line 6 where it says
11 "should be disclosed under that assumption." Change
12 the word "that" to "the assumption."

13 A. Page 15, on line 6 where it says
14 LCD-blank, the proper reference is LCD-2.

15 Page 8, line 17 where it says "rates would
16 be keep low to absorb any difference," change the
17 word "keep" to "kept."

18 And on page 22, line 8 capitalize the word
19 ordinance and insert the words "at the curb" after the
20 word yard waste." The last word in that sentence. As
21 far as I know that's the only corrections.

22 JUDGE HAENLE: If your other witnesses have
23 that number of corrections if we could do that by an
24 errata sheet rather than going through page by page
25 that would sure be a time saVer.

1 Q. Was this testimony prepared by you or under
2 your direction?

3 A. Yes, it was.

4 Q. With those changes, is this testimony true
5 and correct to the best of your belief and knowledge?

6 A. Yes, it is.

7 Q. Are you sponsoring what's been marked for
8 identification as Exhibits 85 through 94?

9 A. I have through 97; is that right?

10 MS. PERRY: 94.

11 A. Wait a minute. Excuse me. Yes, through
12 94.

13 Q. Do you have any changes to make to those
14 exhibits?

15 A. No.

16 Q. Are those exhibits true and correct to the
17 best of your belief and knowledge?

18 A. Yes, they are.

19 MS. EGELER: I move the admission of
20 Exhibits T-88 through 94.

21 JUDGE HAENLE: Any objection, Ms. Perry?

22 MS. PERRY: No, Your Honor.

23 JUDGE HAENLE: Ms. Thomas?

24 MS. THOMAS: No, Your Honor.

25 JUDGE HAENLE: Exhibit T-88 through 94 will

1 be entered into the record.

2 (Admitted Exhibits T-88 and 89 through
3 92, C-93 and 94.)

4 MS. EGELER: Mr. Colbo is available for
5 cross-examination.

6 JUDGE HAENLE: Ms. Perry.

7

8 CROSS-EXAMINATION

9 BY MS. PERRY:

10 Q. Good afternoon, Mr. Colbo. My name is
11 Marie Perry. I'm with the King County prosecutor's
12 office and I represent King County Solid Waste
13 Division in this matter and I had some questions to
14 ask you. On page 2 of your testimony you discuss
15 cause TG-2016 and you state that in that cause number
16 the Commission modified the operating ratio
17 methodology so that the revenue requirement will be
18 determined by a variable percentage rather than a
19 fixed one. Then on page 3 of your testimony you go on
20 to state that the Commission issued an order in that
21 case --

22 And I assume you're referring to TG-2016?

23 A. Yes.

24 Q. -- requiring that all future solid waste
25 filings of large solid waste carriers include a cost

1 of service study. Have I properly characterized your
2 testimony?

3 A. Yes, I believe so.

4 Q. Do I interpret your testimony correctly to
5 say that the use of the cost of service as a basis for
6 rate determination is based upon the Commission's
7 order in TG-2016?

8 A. Yes, and subsequent orders.

9 Q. What subsequent orders would those be?

10 A. The order in cause TG-900657/8.

11 Q. And you refer to that specific order in
12 your testimony?

13 A. I believe I do.

14 Q. And what were the -- well, let's go back.
15 TG-2016, as I understand that was a general ratemaking
16 -- I believe it's been referred to as a generic rate
17 making hearing?

18 A. That's correct.

19 Q. And what was the purpose of that hearing?

20 A. To determine a proper method of
21 establishing revenue requirement for solid waste
22 carriers. Nominally they were to explore -- well,
23 that's the reason -- its operating ratio or some other
24 operating ratio or any other approach.

25 Q. And is the basis of that or following that

1 the Commission issued an order requiring cost of
2 service?

3 A. That's correct.

4 Q. And then these matters that you referred to
5 after that TG-900657 and then the TG-900658, what
6 was the subject of 900657?

7 A. It was a revisitation of the issues in 2016
8 specifically as it related to the anticipated
9 significant investment that carriers would have to
10 make to establish recycling service and also 657 and
11 658 was initiated by Waste Management. They were
12 unsatisfied with the order in cause TG-2016 and they
13 wanted to bring to the Commission's attention what
14 they thought their view of things should be.

15 Q. What was their dissatisfaction with the
16 order in 2016?

17 A. In general terms I think it was
18 insufficient revenue requirement. To their way of
19 thinking.

20 Q. And what was the outcome of 900657?

21 A. There were some, I would call them, minor
22 concessions made but I think essentially the integrity
23 of 2016 was carried forward.

24 Q. And how about 900658?

25 A. There was one order. It was a consolidated

1 cause.

2 Q. But essentially then the basis for using
3 cost of service as the basis for rate determination
4 was the initial order in TG-2016 as later reaffirmed
5 in 900657 and 658?

6 A. That's correct.

7 JUDGE HAENLE: I made a mistake -- not a
8 mistake but I should have put a C in front of Exhibit
9 C-93. RGC-6 is one page and is confidential. History
10 of rate increases. That is my -- be sure that you
11 treat that as confidential. I wasn't meaning not to
12 just because I didn't mention it specifically.

13 MS. PERRY: I will. While we are on the
14 subject of the exhibits, there was an addition to
15 RGC-3 that I don't have nor do my colleagues from the
16 county. I don't think it is going to make a
17 difference. However, as a technical matter I would
18 like to reserve the right to review this overnight and
19 to recall Mr. Colbo if necessary to ask him questions
20 related specifically to this additional exhibit that
21 we apparently did not receive prior to today.

22 JUDGE HAENLE: We've got about an hour and
23 a half worth of estimates. I don't know if that's
24 going to be a problem or not considering that our
25 hearings tomorrow are in Bellevue and that would

1 require the witness to travel to Bellevue. Perhaps
2 you could review them to the extent you get the chance
3 while Ms. Thomas is asking her questions and see if
4 you can give us an answer tonight. I don't like to
5 make a witness go all the way to Bellevue if it isn't
6 necessary.

7 MS. EGELER: He would already be intending
8 to go tomorrow.

9 JUDGE HAENLE: Well, never mind then.
10 Fine.

11 MS. PERRY: Thank you.

12 Q. On page 4 of your testimony you cite the
13 Waste Not Washington Act and you cite specifically to
14 RCW 81.77.030 and you cite subparagraph 6?

15 A. Yes.

16 Q. And you state that in your testimony that
17 this requires the Commission to direct haulers to have
18 rate structures and building systems that are
19 consistent with the state's solid waste management
20 priorities. Are you familiar with RCW 81.77.030
21 subparagraph 5?

22 A. I don't have it before me.

23 Q. Are you familiar with the section of that
24 act which directs the Commission to supervise and
25 regulate solid waste collection companies by requiring

1 compliance with solid waste management plans and
2 related implementing ordinances?

3 A. Yes.

4 Q. Exhibit 89 which was attached to your
5 testimony as RGC-2, and what I have is the October
6 1991 cover letter from Paul Curl and attached to that
7 is the notice of inquiry. Is that No. 3? I have it
8 in No. 2. There were two -- let's clarify this.
9 There are two documents that you provided us with
10 regard to the notice of inquiry. One was the October
11 1991 I guess would be preliminary report for want of a
12 better term and then the final staff report that's
13 July 20th, 1992 which is Exhibit 90.

14 A. That's true, and I think there may have
15 been another part that also accompanied the document
16 dated October 18, 1991, specifically a memo to the
17 Commission dated August 19, 1992, and that those two
18 documents in particular are the extra items that came
19 up for discussion earlier about what should be added
20 to the back end of Exhibit RJC-3.

21 JUDGE HAENLE: Would you speak into the
22 microphone, please. Just move the microphone so it's
23 whatever.

24 MS. THOMAS: Your Honor, may I suggest we
25 go off the record for a moment to straighten out the

1 numbering.

2 JUDGE HAENLE: Let's be off the record.

3 (Discussion off the record.)

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

5 I think during the time we were off the record we
6 determined that you did indeed, Ms. Perry, have the
7 additional parts of Exhibit 90. You just had them
8 filed in a different order; is that right?

9 MS. PERRY: That's correct.

10 JUDGE HAENLE: I would hope you would be
11 able to let us know about -- there is nothing that is
12 extra that you need to reserve questioning on?

13 MS. PERRY: No, Your Honor.

14 JUDGE HAENLE: Go ahead, please.

15 Q. Referring to Exhibit 89, which was attached
16 to your testimony as RGC-2, you have attached the
17 October 1991 notice of inquiry. There's a report here
18 which I took this to be a preliminary report; is that
19 correct?

20 A. Well, I'm a little confused again on this
21 numbering system. I have it attached to Exhibit 90
22 RGC-3. But I will talk about it wherever you want me
23 to.

24 MS. PERRY: Ms. Thomas and I have it under
25 RGC-2.

1 MS. THOMAS: It was supposed to be with No.
2 3. It has a cover letter that says it should be with
3 3 but somehow you and I both filed it under 2.

4 Q. It's the October 1991 report regarding the
5 NOI.

6 A. Okay.

7 Q. According to the executive summary of that,
8 which is contained on page 1 of that preliminary
9 report, it says that over 25 parties responded to the
10 NOI; is that correct?

11 A. Can you refer me to a page number?

12 Q. Page 1 of the 19 -- the October 1991 NOI
13 report.

14 A. Okay.

15 Q. According to the executive summary over 25
16 parts responded to the NOI and it goes on to say
17 including haulers, local government, nonprofit
18 organizations.

19 JUDGE HAENLE: Much slower than that.

20 Q. Including haulers, local governments,
21 nonprofit organizations and a legislature?

22 A. That's what it says.

23 Q. And the executive summary also goes on to
24 say that almost every respondent strongly supported
25 some type of incentive rate design?

1 A. Yes.

2 Q. And that most favored using an avoided cost
3 or marginal cost approach to design rates?

4 A. Yes.

5 Q. And it goes on to say that before it can
6 reach a decision whether to adopt an incentive rate
7 design technique Commission needs more information
8 about the technical feasibility of an avoided cost
9 methodology and the feasibility of existing cost of
10 service assumptions?

11 A. Yes, it says that.

12 Q. I believe you reiterate that statement on
13 page 6 of your testimony; isn't that correct?

14 A. Yes, I do.

15 Q. And referring to page 6 of your testimony,
16 you state -- and this is starting on line 22 -- that
17 the report regretted the relative paucity of hard
18 empirical evidence demonstrating that incentive-based
19 variable rates actually changed people's behavior?

20 A. Yes.

21 Q. So if I understand your testimony the UTC
22 was saying that it's not good public policy to
23 implement a program without empirical data to support
24 it?

25 MS. EGELER: Objection. It misstates the

1 testimony.

2 MS. PERRY: Well --

3 Q. Generally speaking, the gist of this is
4 that the report regretted the paucity of hard
5 empirical evidence regarding incentive-based variable
6 rates; isn't that correct? It's what your testimony
7 says?

8 A. The report regretted the relative paucity
9 of hard empirical evidence demonstrating that
10 incentive-based variable rates actually change
11 people's behavior, yes.

12 Q. You would agree with a general proposition
13 that it's bad public policy to implement a program
14 without data to support the benefits of that program?

15 A. Generally, yes.

16 Q. Has the Commission conducted any study
17 since 1991 to determine whether incentive rates affect
18 behavior?

19 A. No. Could you define incentive rates for
20 me, please.

21 Q. Well, we've been talking about here the
22 imposition of what some people have called inclining
23 rates or rates that may be closer to page 2 of Exhibit
24 28 than to page 1 of Exhibit 28.

25 A. And the question is?

1 Q. Has the Commission conducted any study
2 since 1991 to determine whether incentive rates affect
3 behavior?

4 A. Not to my knowledge.

5 Q. Has the Commission conducted any study to
6 -- since 1991 to determine whether variable can rates
7 affect behavior?

8 A. Not in a formal sense. We have noticed the
9 shift of customers in the various jurisdictions
10 through time to lesser amounts of subscribed-to
11 service.

12 Q. Have you gathered that data in any
13 formalized manner?

14 A. Well, that's what I tried to do in RGC-7,
15 Exhibit 94 and RGC-6.

16 Q. And you see that as a study of variable can
17 rates?

18 A. Yes, I do.

19 Q. You wouldn't -- the Exhibit 94, what you
20 labeled RGC-7 you see as illustration of variable can
21 rate?

22 A. Yes.

23 Q. Would you see those as illustrations of
24 incentive can rates?

25 A. I would term them cost-based variable rates

1 rather than incentive-based variable rates. There are
2 instances in there of both.

3 Q. Have you done any analysis to determine
4 which is which?

5 A. Not really.

6 Q. But those are illustrations to you of
7 changes in customer behavior based upon rates?

8 A. Rates and different services being offered.

9 Q. Has the Commission gathered any studies
10 from other sources other than doing their own studies
11 to determine whether incentive rates affect behavior?

12 A. Not that I am aware of.

13 Q. Has the Commission gathered any studies
14 from other sources to determine whether variable rates
15 affect behavior? This would be since the preliminary
16 report to the NOI?

17 A. Well, I would answer like I have before.
18 We have observed that customers are shifting to lower
19 subscription levels through time. There hasn't been
20 to my knowledge a formal study.

21 Q. And you base this observation on the data
22 that's contained in RGC-6, which is confidential
23 Exhibit 93, and RGC-7, Exhibit 94?

24 A. That's a partial display of rates that are
25 in effect in various counties and locales throughout

1 the state now, yes.

2 Q. And those are examples, in your estimation,
3 of situations in which customers responded -- as I
4 recall your testimony -- to either rates and possibly
5 new services and changed their behavior?

6 A. Through time, that's correct.

7 Q. On page 8 of your testimony, line 17, you
8 say that customers pay a rate which reflects the cost
9 of hauling, collecting and disposing of their waste
10 plus a reasonable return for the collection company."
11 That's a direct quote from your testimony, isn't it?

12 A. Yes.

13 Q. This statement isn't precisely true, is it?
14 It doesn't account for avoided cost, does it?

15 A. I think the statement as it's stated is
16 true. However, you are correct. It does not include
17 any provision for avoided cost.

18 Q. On page 9 of your testimony, you discuss
19 what you call distorted prices or distorted price
20 signals. You say incentive rates will give a
21 distorted price signal to the consumer and if I
22 understand your concern correctly it's that the prices
23 will go up because in your -- prices will go up over
24 time because in your estimation people will over-
25 consume the underpriced lower levels of service?

1 A. Could you refer me to some line numbers?

2 Q. Certainly. I believe it starts on page 14.

3 A. Did you say page 14?

4 Q. Excuse me. Line 14, page 9.

5 A. I'm with you now. Would you repeat the
6 question.

7 Q. You say that if customers respond to the
8 distorted price signal it will simply drive rates up.
9 If I understand your testimony your concern is that
10 prices will go up over time because people, in your
11 opinion, will overconsume an underpriced lower level
12 of service?

13 A. Yes, and I think in response to their over
14 use of that underpriced service, the price of that
15 service would have to go up if the company's revenue
16 requirement was to be maintained?

17 Q. Isn't it somewhat contrary to Mr. Popoff's
18 testimony? In his direct testimony if I understood
19 it, didn't he say that the elasticity or the
20 elasticities that King County was estimating were so
21 small as to not make much of a difference at all?

22 A. I will let Mr. Popoff speak for himself.

23 Q. Well, okay, that's fine. We can ask him
24 questions but I don't understand how you can have it
25 both ways. On the one hand our -- excuse me -- our

1 differential rates are going to lead to distorted
2 prices. On the other hand our elasticities are so
3 small that they're not going to make much of a
4 difference seems to be a contrary argument.

5 MS. EGELER: Objection, Your Honor. The
6 witness stated that he would like to let Mr. Popoff
7 testify to his own statement. That would keep the
8 time down certainly if you can address questions to
9 each individual's cross-examination.

10 JUDGE HAENLE: I think the question is, is
11 there an inconsistency between the two, and I think
12 that could be ask of both witnesses so I feel it's a
13 proper question.

14 Q. Well, on the one hand Mr. Popoff's
15 testimony seems to say that the elacticities of demand
16 that have been calculated by the King County witnesses
17 are so small as to be -- as to have no substantial
18 effect. On the other hand you're saying that if the
19 UTC adopts the differentials that King County is
20 suggesting that there's going to be -- there are going
21 to be distorted price signals and people will
22 overconsume, for example, the minican and the one
23 can. I don't understand how those two can both be
24 correct at the same time.

25 A. Well, I think I was stating the worst case

1 scenario where lots of people shifted. I don't know
2 that that is the case. Elasticity measures the degree
3 of that response. I guess this is a worst case
4 scenario if lots of customers availed themselves of
5 the low cost rate, and Mr. Popoff can comment as to
6 what they actually did per his estimate.

7 Q. Taking the worst case scenario, even if
8 people do what you would consider to be overconsuming
9 the lower levels of service, wouldn't the end result
10 still be greater subscription at those lower levels of
11 service?

12 A. I don't know.

13 Q. Maybe I can make it clearer, but if you're
14 saying people are going to overconsume the under
15 priced lower level of service because it's not priced
16 accurately, wouldn't the end result still be that you
17 would have greater numbers of people subscribing to
18 that? Isn't that what overconsumption means?

19 A. There would be more people oversubscribing
20 to that, but then there would also be price changes
21 that would have to take place, and there would also be
22 conceivably changes in other rates through time, and I
23 don't know what all of that taken together would
24 yield.

25 Q. Okay. Referring to Exhibit 91, which is

1 titled RGC-4 as attached to your testimony.

2 A. I have it.

3 Q. Did you prepare this?

4 A. No, I did not.

5 Q. But it was prepared at your direction?

6 A. That's correct.

7 Q. On page 11 of your testimony, this is on
8 line 7, starts on line 7, "if a carrier is offering
9 the noted service," and X has been placed in the
10 corresponding block, could you please refer to page 6
11 of RGC-4? That's Exhibit 91.

12 A. I have it.

13 Q. The fifth company that's listed on that
14 page is Dahl-Smyth, Incorporated, d/b/a Disposal
15 Services?

16 A. Yes.

17 Q. And that service -- that company's
18 services, it says Walla and Columbia counties I think
19 that means Walla Walla?

20 A. Yes.

21 Q. Now, there's no X in the block
22 for residential recycling, is there?

23 A. No.

24 Q. So that means that that company does not
25 offer residential recycling if this exhibit is

1 accurate? And I am not questioning the accuracy of
2 it.

3 A. That's what it would mean.

4 Q. Continuing with discussion of RGC-4,
5 Exhibit 91, and you corrected your testimony on page
6 11. You say that that exhibit reflects the active
7 participation of residential customers and recycling
8 programs that are not based on incentive rates?

9 A. Yes. Actually it includes both. This is
10 an Exhibit 4, encompasses a review as of approximately
11 a month or six weeks ago of all tariffs that were on
12 file, and it reflects the extent to which the carriers
13 we regulate have the various programs indicated, some
14 of which are -- most of which are not based on
15 incentive rates but some of which are.

16 Q. Well, I guess I'm kind of confused by this
17 testimony, and maybe it's because of the change but
18 first on line 18 of page 11 you say "the many
19 successes listed in Exhibit 94 --

20 A. Exhibit 91?

21 Q. No, Exhibit -- unless I didn't make the
22 correction properly. Did you want to change RGC-7 to
23 RGC-4 on both lines 18 and 21?

24 A. I thought that's what I did.

25 Q. So you're saying, then -- now I think I

1 understand it. You're saying that RGC-4 reflects --
2 these are successes?

3 A. This exhibit portrays all of the incidents
4 of residential recycling, minican every other week,
5 once a month, et cetera, for all tariffs of regulated
6 garbage companies, and I would term them to be success
7 stories, yes, with respect to waste reduction and
8 recycling.

9 Q. Why exactly do you term them to be success?

10 A. They're up and running and their service is
11 being offered to customers and their -- how do I put
12 this? They're paying for themselves. They're viable.

13 Q. But among the programs that are listed in
14 RGC-4, Exhibit 91, aren't there programs that include
15 incentive rates?

16 A. Particularly in King County, that's
17 correct.

18 Q. So you view those as successes as well?

19 A. The programs are up and running and
20 offering service to the public. I'm all for them.
21 They are successes in terms of reducing waste and
22 increasing recycling.

23 Q. Now, when you made your change to your
24 testimony you changed the references to RGC-7 on page
25 11 to RGC-4. RGC-7 -- I'm just confused and I am

1 trying to get this straight. What was the purpose of
2 RGC-7? I see it only listed once and that's on page
3 23.

4 A. Well, I don't know how many times
5 specifically I referenced RGC-7, Exhibit 94. The
6 difference between RGC-7, 94, and RGC-4, 91, is that
7 91 is a total recap for all regulated solid waste
8 haulers throughout the state. RGC-7 concentrates on
9 the more populated areas, predominantly on the western
10 side of the mountains or King County in particular,
11 but also Whatcom, Clark, Pierce, Snohomish. These are
12 counties that were mentioned in the county's case,
13 particularly Snohomish County, and so I thought it
14 might be informative for the record to have those
15 results displayed in a little more detail, and as you
16 can see, in RGC-7, Exhibit 94, there is more detail
17 particularly with respect to customer counts and rates
18 that are actually in effect.

19 Q. Do you view that the example provided in
20 RGC-7, Exhibit 94, to be success or what you would
21 term success in terms of what you said on page 11?

22 A. Absolutely.

23 Q. Do you consider these to be incentive --
24 that the Exhibit 94, RGC-7, do you consider the
25 programs that are in effect or that are listed in this

1 exhibit, do you consider those to be incentive rate
2 programs?

3 A. As I stated, I think earlier, both
4 incentive-based volumes rates and cost-based volume
5 rates are displayed in Exhibit 94. I think all of the
6 programs included in Exhibit 94 reflects success
7 stories with respect to recycling waste reduction.

8 Q. Have you performed a calculation regarding
9 the percentage differences -- differentials -- between
10 the various levels of service on the programs that are
11 listed in Exhibit 94, RGC-7?

12 A. No. However, I would expect that if such a
13 calculation were made, the ones in King County would
14 be predominantly incentive-based.

15 Q. Not elsewhere?

16 A. I don't know. I haven't done the
17 calculation.

18 Q. Do you know what the percentage
19 differentials are with regard to the current Eastside
20 disposal rates?

21 A. I guess I could refer to Exhibit 28, page
22 1. I don't have those in front of me, no. Just a
23 minute, please. I might have to add on to my answer.

24 I do have the calculation for current
25 Eastside rates in Exhibit 92, page 15, which is

1 revision 1 to page No. 11 of the tariff, and I have
2 the percentage spreads for the solid waste portion
3 only, but I haven't done the calculation for the solid
4 waste plus recycling rate.

5 Q. And what page was that?

6 A. Page 15 of the exhibit which is revision
7 No. 1 to page No. 11 which are the present rates of
8 Eastside Disposal.

9 Q. Would you be willing to accept subject to
10 check that the differential between the minican and
11 the one can is approximately 13 percent?

12 A. Yes.

13 Q. And from one to two cans it's approximately
14 17 percent?

15 A. I will accept that subject to check.

16 Q. And subject to check that the difference
17 between the two cans and three cans is 24 percent?

18 A. I will accept that subject to check. And
19 you're referring to the combined rate?

20 Q. The combined rate.

21 A. Solid waste and recycling?

22 Q. Yes.

23 A. I will accept those subject to check.

24 Q. And as I understood your testimony, it's
25 your belief that the differentials that are indicated

1 in Exhibit 94, RGC-7, would only be greater than --
2 strike that. I believe you gave some testimony
3 regarding the differentials in RGC-7 and you said that
4 you expected those for King County to be higher than
5 --

6 A. I would expect them to be.

7 Q. Would you accept subject to check that with
8 the exception of the rate for -- this says Pacific
9 Resource Management Bills, Inc., on page 1 in which
10 the differential between two and three cans is 20
11 percent --

12 A. Which exhibit are we on now, Counsel?

13 Q. Page 19 of RGC-7 -- strike that. About
14 page 19, but with the exception of page 1 of RGC-7
15 that the differentials for each of these is higher
16 than -- the 13 percent, 17 percent, and 24 percent
17 is either equal to or higher than those percentages
18 for the current Eastside rates?

19 A. This is for each and every page in Exhibit
20 No. 94?

21 Q. That's right.

22 A. And higher than 13, 17 and 24?

23 Q. Either equal to or higher than.

24 A. I will accept that subject to check.

25 Q. Do you want to change your testimony that

1 you don't think those are incentive rates in RGC-7?

2 A. Well, I think I made a distinction between
3 cost-based incentive rates -- in cost-based variable
4 rates and incentive-based variable rates.

5 Q. And how would you draw that distinction?

6 A. Whether the rates are based on cost or
7 whether they have an arbitrary percentage spread
8 attached to them.

9 Q. And so in your opinion, there could be
10 cost-based variable rates that have differentials
11 between different -- differentials between different
12 levels of service that are greater, for example, than
13 the differentials that are at play in the current
14 Eastside rates?

15 A. It's conceivable.

16 Q. On page 16 of your testimony, line 22, 23
17 you discuss what you call the evolving process of
18 setting rates since 1988 when when Eastside began its
19 initial pilot recycling program. If I understand your
20 testimony you're saying that this is an ongoing
21 process in which the Commission has over time modified
22 its approach to succeeding rate filings based on
23 developing information?

24 A. What line numbers are you referring to?

25 Q. It's page 16, lines 22 and 23. Says, "it

1 has been and continues to be an evolving process."

2 A. That's true. The process of instituting
3 waste reduction and recycling programs and
4 establishing rates for those programs, that's correct.

5 Q. And what's gone into that evolution? Why
6 has it evolved?

7 A. We learn things through time that is taken
8 into account in subsequent filings.

9 Q. On page 2 of your testimony you cite -- and
10 this is on page -- excuse me, line 3, you discuss
11 just, reasonable and sufficient rates.

12 A. Yes. And perhaps I should have inserted
13 the word "fair" there too.

14 Q. And this is the requirement, the statutory
15 requirement, that's imposed on the UTC. Does the fact
16 that earlier rate filings differ from the current
17 Eastside rates, does that mean that those weren't
18 fair, just, reasonable and sufficient?

19 A. The earlier Eastside rates?

20 Q. Well, just in general. It seems to me that
21 what we've heard from, in particular, Mr. Glasgo is
22 that Rabanco upon discussion with UTC was essentially
23 directed to file a cost of service rate as defined by
24 the UTC. Does that mean that prior to the February
25 1994 rate filing that the earlier rate filings weren't

1 fair, just, reasonable and sufficient?

2 A. No.

3 Q. Why not?

4 A. The reason they weren't -- the reason the
5 earlier filings were accepted by the staff, because
6 the carrier found himself in a quandary between how to
7 reconcile King County code requirements for a 60, 40,
8 25 spread and the staff's well known approach to use
9 cost-based rates. The carrier found himself in spite
10 of this difference to have a revenue requirement which
11 he deemed needed fulfilling. In the Commission's
12 desire to make the carrier whole and to be fair and to
13 do the right thing, in spite of tip fee increases and
14 cost increases and various other reasons, elected to
15 do its duty and make the carrier whole. We did the
16 best we could under the circumstances of the filing
17 and I address this topic in a little more detail -- I
18 can't find it now but that's my answer, I guess.

19 Q. Why the change now?

20 A. I think it's a question of equity, and it
21 got to the point where -- I'm going to take a minute
22 and refer to my testimony if you don't mind.

23 Q. Sure.

24 A. Well, it's a question of equity. It got to
25 the point where it was really ridiculous knowing what

1 the costs were, particularly for a minican customer,
2 under the old rate, since it was a below cost rate,
3 since we knew what the total -- perhaps someone can
4 refer me to my testimony where I said this -- I can't
5 seem to find it right now, but it got to the point if
6 you knew what the total rate was, which we did, and we
7 knew what the recycling component was, it left
8 something like \$1.60 a month to service the customer
9 four times a month for I think it was minican service,
10 and it got to the point where it was so obvious that
11 that wasn't the right thing to do that we felt we had
12 to let the carrier know that in the future we would be
13 required to address that inequity in their next
14 application with us.

15 Q. If I understood you correctly that the
16 prior rate filings did meet the requirements of being
17 fair, just reasonable and sufficient, the rate filings
18 before the February 1994 rates?

19 A. Just a moment, please. They were fair in
20 the sense of the overall outcome, the carrier was made
21 whole to their revenue requirement. I also talked in
22 my testimony about certain constraints that the staff
23 works under with respect to the proposed rate can be
24 anything less than the present rate and the proposed
25 rate can be anything more than what was noticed out to

1 customers. I think Mr. Demas also discusses this
2 aspect in his testimony, so there's the ideal and then
3 there's the real world that you're faced with. You do
4 the best you can under the circumstances, and I think
5 in aggregate what the staff has recommended to the
6 Commission has been fair, just, reasonable and
7 sufficient.

8 Q. You're not saying that the King County
9 differentials suggests that revenue requirements
10 shouldn't be recovered, do you?

11 A. No -- pardon me?

12 Q. You're not suggesting that the King County
13 differentials, that those suggest that the revenue
14 requirements of the companies shouldn't be recovered?

15 A. No. My reading of King County testimony is
16 that they think revenue requirement should be
17 recovered.

18 Q. You described this as an evolving process
19 of setting rates?

20 A. Yes, I did.

21 Q. Do you expect this process to continue
22 evolving?

23 A. I think it probably will.

24 Q. Well, hasn't the evolution stopped? I
25 mean, seems like we were evolving towards -- in a

1 certain direction toward implementing incentive rates
2 and now it stopped, going back to cost of service
3 rates.

4 A. No, I wouldn't characterize it --

5 Q. Not going back but changing to cost of
6 service rates?

7 A. I don't think that's what my testimony
8 says.

9 Q. Well, how am I wrong?

10 A. I think anybody can speculate about what's
11 going to happen in the future. In this particular
12 case, with respect to Eastside, we're at the point now
13 where the inequity of the cost rate versus the
14 incentive rate was so great that the staff felt
15 compelled to instruct the company as to what they
16 would appreciate if they would file for next time or
17 in general go for cost-based rates rather than
18 incentive-based rates. But the process overall is an
19 evolving process. There are new programs coming on
20 line all the time in King County and other
21 jurisdictions as well, and as those new services are
22 offered, I'm sure the Commission will approve the
23 rates if they're reasonable, and as we learn from past
24 experience that experience will be translated into a
25 policy for handling subsequent applications. In this

1 case we learned -- well, that's my answer.

2 Q. You refer to the inequity of the rates
3 prior to the current rate filing?

4 A. Yes.

5 Q. To whom were those inequitable?

6 A. Ratepayers.

7 Q. Which ratepayers?

8 A. The ratepayers that were being charged too
9 much for service and that charge was used to offset
10 the losses of the smaller subscriber services.

11 Q. So it was the individuals who were
12 subscribing at a larger, or, excuse me, what I would
13 call higher service level?

14 A. I think I would agree to what you just
15 said.

16 Q. On page 22 of your testimony, you have a
17 statement on line 6 that says, customers do not have
18 -- "customers in King County do not have the option of
19 placing their yard waste in the solid waste stream,"
20 and that's because of the curbside yard waste ban,
21 correct?

22 A. Yes.

23 Q. Does the fact that there's a ban mean that
24 people won't violate it?

25 A. It is conceivable that customers may

1 violate such a ban.

2 Q. So just the mere fact that there's a ban
3 doesn't mean that people won't put yard waste into
4 their garbage service?

5 A. Well, it's conceivable that people would do
6 that, but I think it's also conceivable that King
7 County doesn't pass ordinances that they don't intend
8 to follow up on and so I guess things will take care
9 of themselves.

10 MS. PERRY: No further questions, thank
11 you.

12 JUDGE HAENLE: Ms. Thomas.

13

14 CROSS-EXAMINATION

15 BY MS. THOMAS:

16 Q. Good afternoon, Mr. Colbo.

17 A. Afternoon.

18 Q. In response to some of Ms. Perry's
19 questions you discussed the rate differentials in the
20 current Eastside Disposal rates. The current rates,
21 as reflected on Exhibit 28, page 1, enable a customer
22 to save money by going to a lower level of service, do
23 they not?

24 A. That's true.

25 Q. So they give customers a financial reason

1 to use a lower level of service if they can, don't
2 they?

3 A. Yes. That's the theory behind volume rates
4 in the first place.

5 Q. And in that way do they encourage customers
6 to engage in recycling and waste reduction?

7 A. Yes, particularly in the Eastside case and
8 also the other King County carriers where the cost is
9 spread to all ratepayers that have recycling offered
10 to them. Therefore, that means everybody pays and so
11 it's to their advantage to use the service to get
12 something out of it.

13 Q. And then Ms. Perry also asked some
14 questions about whether the -- how the county
15 differentials related to revenue requirement. As I
16 understand your testimony, prior to February 1994 when
17 Eastside Disposal had a rate structure that
18 approximated Exhibit 28, page 2, minican customers did
19 not fully cover the costs to Eastside Disposal of
20 serving them; is that correct?

21 A. That is correct.

22 Q. If a rate is adopted with a structure like
23 that, where the minican customers don't cover their
24 costs, and if customers who are presently at higher
25 levels of service migrate in large numbers to the

1 minican level of service, the rate no longer makes the
2 company whole for its revenue requirement, does it?

3 A. No, and I think I said as much in my
4 testimony to that fact.

5 MS. THOMAS: No further questions. Thank
6 you very much.

7 JUDGE HAENLE: Commissioners, do you have
8 questions?

9

10 EXAMINATION

11 BY CHAIRMAN NELSON:

12 Q. Mr. Colbo, can you just remind me of what
13 an earlier experience was with the Pierce County
14 arrangements with recycling and so on? Do you recall
15 that off the top of your head?

16 A. I know a little bit about it. Just the
17 program in general?

18 Q. By way of contrast to King County's.

19 A. Well, with respect to recycling per se, as
20 I recall, the program involves pickup every other week
21 rather than weekly, and as I recall the rate for the
22 program -- it's similar in that everybody pays,
23 everybody that has a service available to them, and
24 it's about two dollars a month and it was just added
25 in on top of existing rates. In Pierce County there

1 is no arbitrary percentage spread such as 60, 40, 25.

2 The other unique thing about the Pierce
3 County situation is that they have a penalty built
4 into their rate structure so that people who do not
5 recycle pay more than those that do and specifically
6 the penalty is a dollar per can. So, for example, a
7 one can customer that recycles pays 10, and a one-can
8 customer who does not recycle pays 11, and then, for
9 example, if you were a two-can customer the penalty is
10 two cancels a month. If you're a three-can customer
11 -- two dollars a month. If you're a three-can
12 customer and don't recycle you would pay three dollars
13 more a month.

14 Q. Wasn't there also provision for those
15 who had recycled with the Boy Scouts to continue to
16 opt out of the curbside?

17 A. Yes.

18 Q. Did that last very long?

19 A. It's still in effect, and how it works is
20 if you avail yourself of the services of the local
21 buyback center or Boy Scouts or whatever, you get a
22 coupon or a ticket stub from that recycler, and I
23 think you get your entire recycle cost credited to
24 your account for that much that you recycle.

25 Q. And hasn't it been the Commission's intent

1 to let 1,000 flowers bloom in this area, that is, to
2 encourage a variety of programs, to encourage
3 recycling and waste reduction?

4 A. I think that has been the Commission's
5 intent, and that's what I was trying to capture in
6 Exhibit 91, a flavor for the extent of that.

7 Q. I would like to just ask you, if you know
8 -- I believe Clark County has indicated that it would
9 like to take over rate setting and rate design. Is
10 there any other of the Washington's 39 counties who
11 have indicated that if they had the authority they
12 would take over?

13 A. Well, Clark County already contracts out
14 recycling and we therefore don't have any jurisdiction
15 for that. I'm not sure what the county's intent is
16 with respect to garbage service per se. King County
17 has expressed some concern in the past. So has Kitsap
18 County and offhand I'm not familiar with any others.

19 CHAIRMAN NELSON: Thank you. That's all I
20 have.

21 JUDGE HAENLE: Commissioner, do you have
22 questions?

23 COMMISSIONER HEMSTAD: I don't have any
24 questions.

25 JUDGE HAENLE: I had a follow-up on a

1 question that I asked a couple of other witnesses.

2

3

EXAMINATION

4 BY JUDGE HAENLE:

5 Q. Page 18, line 10, you testify about a 1992
6 rate change by Eastside. According to your testimony
7 a \$4 spread was agreed to between service intervals.
8 Was this a cost-justified spread given the county's
9 tipping fee at the time?

10 A. Well, this was in the time frame where,
11 again, there were substantial differences between the
12 county and the staff. It was at the time that King
13 County was increasing tip fees, as I said, from \$47 to
14 \$66 a ton and all of the King County carriers were
15 going to be coming in for a filing, or in fact they
16 may have been in, and we had this difference of
17 opinion. And there was a meeting, and there was also,
18 as I recall, a concurrent case going on, and it may
19 even have been 900657/8, and the cost studies in that
20 case indicated that at that approximate tip fee it
21 very well may be that a \$4 -- and I think the tip fee
22 in that case was \$47, and I think the agreement was
23 that King County could live with that if we could, and
24 we agreed to agree to that. I'm not sure what each
25 party actually thought they were agreeing to, but it

1 got us through that series of filings.

2 Q. What was the tip fee then?

3 A. It was going -- I think it increased
4 January 1992 from \$47 to \$66 a ton.

5 Q. What is it now, if you know?

6 A. It still is \$66 a ton and I think Mr.
7 Hansen testified that it was going to be increasing
8 January 1st of 1993 but -- excuse me -- '5, but I'm
9 not sure what the number was he quoted.

10 Q. As a cost component, what was the
11 comparative percentage of the tip fee to total company
12 collection costs?

13 A. I think in this case for Eastside Mr.
14 Glasgo mentions about a 35 percent number. I think
15 I've heard that number mentioned. In general
16 throughout the state it's a higher number.

17 Q. What was it then?

18 A. Oh, I don't know.

19 Q. Do you know by how much the county's tip
20 fee would have to increase in order to reach a \$4
21 spread between service levels today?

22 A. Just a minute. I did some preliminary
23 calculations based on the data in confidential Exhibit
24 No. 74, LAS-9. And I will try to be careful here and
25 not divulge any secrets. I used the weights in column

1 5, and I had some results similar to what Mr. Glasgo
2 mentioned in terms of how high tip these have to go to
3 get -- did you ask me about a \$4 spread?

4 Q. Yes.

5 A. It's a very high number using the weights
6 in column 5.

7 Q. How high would it have to be in order to
8 secure a 20 percent spread between levels?

9 A. As a matter of fact, you asked me
10 specifically earlier about a \$4 spread, and using the
11 weights in column 5 that gets just about there if the
12 tip fee is about \$200 a ton, so I think Mr. Glasgo's
13 estimate was fairly close. I don't have any numbers
14 regarding a 20 percent spread, but again, these are
15 premised on the weights in column 5 of Exhibit
16 whatever it is.

17 Q. I asked some questions of Mr. Gaisford
18 and I would like to ask you, too, if I may. The
19 county has included the recycling charge with the
20 garbage collection charge when they calculate the
21 spread between rates at different service levels; is
22 that correct?

23 A. Yes.

24 Q. If the recycling charge were not included,
25 what would the percentage differences be between

1 service levels?

2 A. At present rates?

3 Q. Yes.

4 A. I have it as 24 percent between minican and
5 one can, 28.6 percent between one can and two-can and
6 36.7 percent between two-can and three-can.

7 Q. I'm sorry, 36?

8 A. Point 7.

9 JUDGE HAENLE: Thank you. Do you have any
10 redirect, Ms. Egeler? I'm sorry. I did have one
11 other question. With regard to the discussion you had
12 with Chairman Nelson about the Pierce County
13 structure, isn't it only the penalty fee which is not
14 charged in Pierce County?

15 THE WITNESS: You mean when you get the
16 coupon?

17 JUDGE HAENLE: Yeah.

18 THE WITNESS: On further thought I think
19 you're right. Everybody pays the recycle fee but the
20 penalty component is refunded if you have the sticker
21 from the local recycling center.

22 JUDGE HAENLE: Redirect?

23 MS. EGELER: Very brief, Your Honor.

24

25

REDIRECT EXAMINATION

1 BY MS. EGELER:

2 Q. You spoke -- in answering one of Ms.
3 Perry's questions you stated that there have been
4 shifts in service over time for the haulers in your
5 Exhibit 92, RGC-4, in response to recycling being
6 offered. Do you know if those shifts were used
7 strictly to changes in rates or whether other factors
8 may have been involved?

9 A. I think I mentioned it with respect to
10 RGC-7, Exhibit No. 94, where the actual rates are
11 shown and the percentage mix of customers is indicated
12 but no, I have no way of knowing whether it's rates or
13 service.

14 JUDGE HAENLE: Could you re-aim your
15 microphone?

16 A. I have no way of knowing whether it's rates
17 or service.

18 Q. Also in response to one of Ms. Perry's
19 questions you stated that the earlier Eastside rates
20 were fair, just, reasonable and sufficient. Did you
21 mean that they were fair for the haulers or did you
22 mean that they were fair for the ratepayers?

23 A. They were fair for the haulers in that, as
24 I testified, the carrier was allowed to make their
25 revenue requirement. They were made whole. I think

1 it was unfair for the higher service customers to pay
2 more than they should have for their service.

3 Q. Do you think that it may be fair for the
4 higher service levels in that a larger family that's
5 taking a larger number of cans could always reduce
6 their waste to get down to one of the lower service
7 levels?

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

9 Q. I'm asking you to expand on the fairness
10 issue. It was stated earlier by some of King County's
11 witnesses that it may not necessarily be unfair to the
12 larger family, for example, that rates for higher
13 service levels subsidizing lower service levels
14 because that family can always reduce its waste and
15 get down to the minican as well. Do you agree with
16 that line of reasoning?

17 A. Something is passing me by here and I don't
18 know what it is but could you run it by me one more
19 time.

20 Q. As the rates were at Eastside in the past,
21 is it correct that you testified that the higher
22 service levels were subsidizing the lower service
23 levels?

24 A. Yes.

25 Q. And I believe you just said that you

1 thought this was unfair to those at a higher service
2 level, correct?

3 A. Yes.

4 Q. Couldn't those families, for example, that
5 are at the higher service level reduce their waste
6 output and get down to the lower minican rate and
7 doesn't that make the rates fair for them in effect?

8 A. Well, I don't know whether they can or not.
9 They have already got unlimited recycling and they can
10 put out as much recycling as they have and all of that
11 will be taken away at the flat rate for recycling.
12 Presumably they have done all they can on that score
13 and presumably they've reduced -- I don't know why
14 they wouldn't have done it before now. They've been
15 paying for recycling all along and there is money to
16 be saved by subscribing to lower amounts of service.
17 I would assume that pretty much what could be done has
18 been done.

19 Q. You had a discussion with Ms. Perry about
20 the definition of incentive rates as opposed to
21 variable rates. Do you think that customers have an
22 incentive under variable can rates as approved for
23 Eastside by the Commission to reduce their solid waste
24 output?

25 A. Yes, I do, as I testified in my direct

1 testimony.

2 Q. And what is that incentive?

3 A. Save some money.

4 MS. EGELER: No further questions.

5 JUDGE HAENLE: Any recross?

6 MS. PERRY: Yes. I have a few questions.

7

8

RECROSS-EXAMINATION

9 BY MS. PERRY:

10 Q. Following up on Ms. Egeler's last question,
11 have you done any studies to show that the current
12 Eastside rates will encourage people to reduce waste
13 and recycle?

14 A. No specific studies other than as I
15 testified to in Exhibit RGC-7. That shows trends over
16 time. I haven't done a specific study.

17 Q. How about the fact that the minican rate
18 and the one-can rate have gone up? Aren't people
19 going to perceive that as a change going in the
20 opposite direction? Isn't there a possibility that
21 they may increase their disposal as a result?

22 A. Their quantity of waste generated?

23 Q. Right.

24 A. That's a possibility. However, there are
25 not a lot of minican customers to begin with to do

1 that. The mix of Eastside shows that the percentage
2 that were at minicans were relatively low, and, as I
3 stated, the analysis that we did of cost of service
4 was so obviously distorted in terms of they weren't
5 even beginning to meet their cost, the staff felt that
6 we had to do something about that concern.

7 Q. But it is a possibility?

8 A. It's a possibility.

9 Q. Chairman Nelson was asking you about Pierce
10 County and the one dollar per can Pierce County
11 penalty.

12 A. Yes.

13 Q. Now, you referred to the rate differentials
14 that are in the King County ordinances as arbitrary.
15 Isn't the one-can penalty -- I'm not sure what your
16 criteria are for saying it is arbitrary but isn't a
17 one-can penalty equally arbitrary?

18 JUDGE HAENLE: I assume you mean a one
19 dollar penalty.

20 MS. PERRY: One dollar per can penalty.

21 A. I wouldn't choose that word but I suppose I
22 wouldn't argue with you too much about it.

23 Q. Judge Haenle talked about the testimony you
24 gave on page 18 and the \$4 spread that occurred in
25 January 1992, I believe. Now, wasn't that an example

1 where the Commission worked with King County and
2 differences were resolved?

3 A. Yes.

4 Q. And you gave some testimony regarding the
5 \$4 spread and that you said that it would take a \$200
6 per ton tip fee at Cedar Hills in order to get back to
7 a similar differential?

8 A. Using the weights in the exhibit that I
9 quoted, yes, I believe that's correct and that was the
10 \$4 spread between minican and one can.

11 Q. Right. And the weights that you used are
12 those that are contained in LAS-9 column 5 --

13 A. That's correct.

14 Q. -- that was attached to Lisa Skumatz's
15 testimony. Just to make it absolutely clear, you're
16 assuming that those weights are accurate in order to
17 support your assumption of \$200 per ton?

18 A. Yes, I am.

19 Q. You stated some percentages for the
20 differentials -- between the levels of service on the
21 current Eastside rates without the recycling
22 component?

23 A. Yes.

24 Q. Each one of those is still lower than the
25 incentive rates that are contained in the King County

1 ordinance; isn't that correct?

2 A. Just let me check those numbers.

3 Well, they are for the minican and one and
4 one to two, but for the two to three, the ordinance
5 calls for a 2 percent and I think I said that the 2
6 to 3 on the existing tariff excluding recycling was
7 36.7.

8 Q. But for the mini to one and the one to two,
9 they are lower than the King County --

10 A. Yes.

11 Q. -- ordinance?

12 A. Yes.

13 Q. -- or differentials? In response to a
14 question from Ms. Egeler you stated that the rates for
15 Eastside Disposal prior to the February 1994 rates
16 were unfair to ratepayers?

17 A. In the sense that high volume subscribers
18 were subsidizing minican subscribers, yes.

19 Q. But the Commission had allowed those rates?

20 A. Yes.

21 Q. In the prior filing?

22 A. Yes.

23 Q. On the subject of fair, is it fair that a
24 large family has to buy more food or more clothing or
25 has to obtain a larger dwelling than a single

1 individual?

2 JUDGE HAENLE: I consider that to be an
3 argumentative question. I don't think that adds
4 anything. Do you have additional questions?

5 MS. PERRY: No, that's it.

6 JUDGE HAENLE: Any recross?

7 MS. THOMAS: No, Your Honor.

8 JUDGE HAENLE: Anything more of the
9 witness?

10 MS. EGELER: No, Your Honor.

11 JUDGE HAENLE: Commissioners, anything
12 else?

13 Thank you, sir, you may step down. We've
14 got the two more witnesses with an estimate of about
15 four hours so we may just make it tomorrow. We'll
16 recess then and we'll reconvene at 9:30 in the morning
17 in Bellevue. We've Xeroxed some maps for those of you
18 who haven't been there before. We will begin with the
19 Commission staff witnesses and we will break at 1:30
20 and I imagine for lunch as well but in any case to
21 allow for the public testimony. Thank you.

22 (Hearing adjourned at 5:25 p.m.)

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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: 7-18-94

Cheryl MacDonald

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