

Agenda Date: July 27, 2012  
Item Number: B2

**Docket: TG-121058**

Company Name: Fiorito Enterprises, Inc., & Rabanco Companies, d/b/a Kent-Meridian Disposal Company G-12

Staff: Dave Gomez, Assistant Power Supply Manager, Energy Regulation

**Recommendation**

Grant Fiorito Enterprises, Inc., & Rabanco Companies, d/b/a Kent-Meridian Disposal Company's request to retain up to thirty percent of the recyclable commodity revenue collected during the period of August 1, 2012, to July 31, 2013, and allow the tariff revisions filed on June 19, 2012, as revised on July 6, 2012, to become effective August 3, 2012, by operation of law.

**Discussion**

On June 19, 2012, Fiorito Enterprises, Inc., & Rabanco Companies, d/b/a Kent-Meridian Disposal Company (Kent-Meridian or company), filed with the Washington Utilities and Transportation Commission (commission) revised pages 1, 21, 25, 28, 29, 30 and 31 of its Tariff No. 27 to make the annual recycling commodity rate adjustment effective August 3, 2012. The company's filing would increase the credit for single family customers from \$1.05 per month to \$1.95 per month, and increase the credit for multi-family customers from \$0.37 (\$1.28 compacted) per yard to \$0.75 (\$2.63 compacted) per yard. The company also requests that the commission allow it to retain thirty percent of the revenue received from the sale of recyclable materials during the 2012-13 recycling plan period. The company serves approximately 25,500 residential and 500 multi-family regulated recycling customers in King County (county).

The company's filing included the following:

- A summary report detailing the amount of revenue Kent-Meridian retained, the amount of money it spent on the activities identified in its 2011-12 recycling plan and the effect the activities had on increasing recycling;
- A Commodity Revenue Sharing Enhancement Plan between the company and the county for the 2012-13 plan period outlining specific deliverables associated with the use of retained revenues; and
- A Revenue Share Agreement Budget for the 2012-13 plan period containing forecasted revenues and planned expenditures.

RCW 81.77.185 states that the commission shall allow a solid waste collection company collecting recyclable materials from single family and multi-family customers to retain up to fifty percent of the revenue paid to the company for the material if the company submits a plan to the commission that is certified by the appropriate local government authority as being consistent with the local government solid waste plan and that demonstrates how the revenues will be used to increase recycling. The remaining revenue shall be passed through to single family and multi-family customers.

Staff examined Kent-Meridian's summary report for the 2011-12 plan period. The company retained \$262,010 from August 1, 2011, to July 31, 2012. During the same period, Kent-Meridian spent \$202,592 on activities designed to increase recycling. In his letter to the commission dated June 19, 2012, Kevin Kiernan, Division Director, King County Solid Waste Division, stated that the company did not complete some of the tasks set forth in the 2011-12 plan. Therefore, the county recommends that the company return to ratepayers \$59,418 of the revenues retained in excess of planned expenditures. Data in the summary report shows that the total diversion rate between July 2008 and July 2011 has remained essentially flat. The data from 2012 shows a 7.9 percent increase in the diversion rate attributed entirely to a 28.9 percent drop in municipal solid waste tonnages.

On June 19, 2012, Kent-Meridian, along with Rabanco Ltd.'s other operating units in the county, filed a proposed *Commodity Revenue Sharing Enhancement Plan for King County* (Plan) for the period spanning August 1, 2012, to July 31, 2013. The company submitted the Plan to meet the requirements for revenue sharing set forth in RCW 81.77.185. Rabanco Ltd. also submitted a budget for the 2012-13 plan period for all of its operating units in the county. For Kent-Meridian, the Plan proposes to retain \$175,536 (27.6 percent) of the forecasted \$636,001 revenue from the sale of recyclable commodities collected from residential customers.

The company's 2012-13 budget included an incentive payment of \$21,081, 12.6 percent of planned expenditures. On May 30, 2012, the commission issued its interpretive and policy statement (IPS) in Docket TG-112162 to address issues concerning implementation of recycling revenue sharing plans under RCW 81.77.185. The IPS specifies that any incentive offered a solid waste collection company for participating in a revenue sharing plan be no higher (without compelling justification) than five percent of expenditures for the plan period.

On July 6, 2012, the company filed replacement pages to reflect a lower budgeted incentive at staff recommended levels of \$8,361, or five percent of planned expenditures as specified in the IPS. The resulting increase to the credits is small; from \$1.95 per month to \$1.99 per month for single family customers and, from \$0.75 (\$2.63 compacted) per yard to \$0.77 (\$2.69 compacted) per yard for multi-family customers.

The Plan calls for the company to use retained funds for the following:

- **Data Collection and Reporting** – Provide the county with monthly tonnages and customer counts. At the end of the year, the company provides the county with an annual report detailing all aspects of the recycling collection service results and interpretation of the data to enable future planning. The budget for this activity is \$5,429.
- **Recycling Protocol** - The company will work with the Cascadia Consulting on a study to characterize the composition of materials placed in recycling carts. The budget for this activity is \$22,258.
- **External Communication and Outreach** – Promotion of recycling programs through community events and sponsorships. The budget for this activity is \$5,429.
- **Recycling Cart Conversion** – Continued conversion of customers within the service areas regulated by the commission to wheeled carts for curbside commingled recyclable collection. The budget for this activity is \$72,746.
- **Cart Contamination** - The company and the county will create a written plan for a pilot program in areas regulated by the commission which will test outreach and

incentive scenarios designed to increase the amount of acceptable material while decreasing the amount of contamination placed in collection carts. The budget for this activity is \$5,429.

- **Yard Waste and Food Waste Promotion** – Promote yard waste and food waste service to all regulated customers using incentives with the goal to increase subscription and further divert solid waste from landfills. The budget for this activity is \$5,429.
- **Project Management and Administration** – Overall management and administration of the agreement with the county. The budget for this activity is \$50,488.

On June 20, 2012, the county filed with the commission a letter, signed by Kevin Kiernan, Solid Waste Division Director, which certifies the company's Plan is consistent with the county's Comprehensive Solid Waste Management Plan. The county recommends that the commission allow Kent-Meridian to retain up to thirty percent of the actual value of recyclable commodity revenues received from August 1, 2012, through July 31, 2013, the period of the agreement.

### **Conclusion**

Grant Fiorito Enterprises, Inc., & Rabanco Companies, d/b/a Kent-Meridian Disposal Company's request to retain up to thirty percent of the recyclable commodity revenue collected during the period of August 1, 2012, to July 31, 2013, and allow the tariff revisions filed on June 19, 2012, as revised on July 6, 2012, to become effective August 3, 2012, by operation of law.