

Agenda Date: October 25, 2012  
Item Number: B2  
**Docket:** **TG-121513**  
Company Name: Mason County Garbage Co., Inc., G-88, dba Mason County Garbage  
Staff: Mike Young, Regulatory Analyst

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Mason County Garbage Co., Inc., dba Mason County Garbage on September 14, 2012; allow a \$2.13 per month credit to become effective on a temporary basis, subject to refund; disallow the proposed five percent incentive in the 2012-2013 plan; allow the company to file a revised proposed incentive structure; and, authorize the company to retain up to 30 percent of the revenue it receives from the sale of recyclable materials collected in its residential recycling programs for the 2012-2013 plan period, on a temporary basis, subject to revision.

### **Discussion**

On September 14, 2012, Mason County Garbage Co., Inc., dba Mason County Garbage (Mason or company) filed with the Washington Utilities and Transportation Commission (commission) revisions to its currently effective Tariff No. 13 designated as pages 42<sup>nd</sup> Revised Page No.1, 11<sup>th</sup> Revised Page No. 21, and 7<sup>th</sup> Revised Page No. 21A. The stated effective date is November 1, 2012. The company serves approximately 112,000 customers in Mason County (county).

Mason proposes to decrease the amount it pays to customers for the revenue the company receives from the sale of recyclable materials that the company collects in its residential recycling collection service. The monthly payment to residential customers would decrease from \$2.39 per month to \$1.36 per month, a \$1.03 per month net increase in cost to customers. The company also requests the commission to authorize it to retain up to 30 percent of the revenue it receives from the sale of recyclable materials collected in its residential recycling programs for the 2012-2013 Plan period.

On September 14, 2012, the company and the county filed a revenue sharing report for the 2011-2012 recycling and revenue sharing plan period showing the amount of revenue retained, the amount of money spent on the activities identified in Mason's 2011-2012 plan, and the effect the activities had on increasing recycling. The company reported it received \$246,390 in recyclable commodity revenues, retained \$73,917 (30 percent), spent \$55,940 of the \$73,017 retained revenue on plan activities, and kept \$17,977 (24.4 percent of retained revenue). Plan expenditures included \$41,304 on the county's "blue box" program, \$6,277 on other recycling hauling, \$3,299 for a radio station recycling program sponsorship, and \$5,060 on education and community events. Mason County certified that the company met the 2011-2012 plan's goals.

The company uses an affiliate, Tacoma Recycling, Inc., to process and sell the recyclable materials that the company collects in its residential recycling service. Mason reported it received only 80 percent of the revenue that its affiliate received for the sale of the recyclable materials. The commission is considering this issue in three dockets<sup>1</sup> involving other operating divisions of Mason's parent, Waste Connections of Washington, Inc.

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<sup>1</sup> TG-111681, Mason County Garbage Co., Inc.; TG-111672, Murrey's Disposal Company, Inc.; TG-11674 American Disposal Company, Inc.

RCW 81.77.185 states that the commission shall allow a solid waste collection company collecting recyclable materials from residential 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 must be passed through to residential single and multi-family customers.

On September 14, 2012, the county and the company filed their 2012-2013 plan. John A Cunningham, PE, Acting Solid Waste Program Manager, Mason County Utilities and Waste Management, certified the plan is consistent with the local government solid waste plan and demonstrates how the retained revenues will be used to increase recycling. The county recommends the commission approve retention of 30 percent of the revenue from the sale of recyclable materials for the 2012-2013 plan period.

Although the 2012-2013 plan includes a five percent incentive award, the incentive is not tied to achieving or exceeding plan goals or objectives as discussed in the commission’s Interpretive and Policy Statement issued in Docket TG-112162. Staff recommends that the commission authorize the company to retain up to 30 percent of the revenue it receives from the sale of recyclable materials collected in its residential recycling programs for the 2012-2013 plan period, on a temporary basis, subject to revision, disallow the financial incentive as filed, and allow the company to file a revised proposed incentive structure.

Decreasing revenue from the sale of recyclable materials affects the deferred accounting calculation of the commodity adjustment to true-up the 2011-2012 plan period and to project revenue for the 2012-2013 plan period. The proposed decrease of the credit from \$2.39 per month to \$1.36 per month is a \$1.03 per month net increase in cost to customers. Using 100 percent of the revenue that the affiliate received from the sale of recyclable materials results in a \$2.13 per month credit, or \$0.26 per month net increase in cost to customers. Staff recommends that the commission suspend the proposed \$2.39 per month commodity credit, but allow \$2.13 per month to become effective on a temporary basis, subject to refund.

Staff is concerned with the company retaining \$17,977 (24.4 percent of retained revenue) in unspent revenues for the 2011-2012 plan period and with Mason reporting revenues from recyclable commodity sales at only 80 percent of revenue received by Tacoma Recycling, Inc., its affiliate.

### **Conclusion**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Mason County Garbage Co., Inc., dba Mason County Garbage on September 14, 2012; allow a \$2.13 per month credit to become effective on a temporary basis, subject to refund; disallow the proposed five percent incentive in the 2012-2013 plan; allow the company to file a revised proposed incentive structure; and, authorize the company to retain up to 30 percent of the revenue it receives from the sale of recyclable materials collected in its residential recycling programs for the 2012-2013 plan period, on a temporary basis, subject to revision.