

Agenda Date: December 28, 2018
Item Number: B1

Docket: TG-180923

Company Name: Waste Management of Washington d/b/a Waste Management - North Sound and Waste Management - Marysville

Staff: Mike Young, Section Manager, Water and Transportation
John Cupp, Consumer Protection Staff

Recommendation:

Issue an order suspending the tariff pages filed on November 13, 2018, by Waste Management of Washington, d/b/a Waste Management - North Sound and Waste Management - Marysville, but allowing the filed rates for the commodity adjustment and pass-through disposal fee to go into effect on January 1, 2019, on a temporary basis, subject to refund.

Discussion

On November 13, 2018, Waste Management of Washington, d/b/a Waste Management - North Sound and Waste Management Marysville, (Waste Management or company) filed a petition for waiver of WAC 480-70-351(2), which requires companies to use the most recent 12 months to project revenue from the sale of recyclable materials, and tariff revisions generating approximately \$317,000 (2.3 percent) in additional annual revenue, to become effective January 1, 2019. The company provides service to 21,000 garbage and recycling customers in King County and 99,700 customers in Snohomish County. The company's last general rate filing was for \$2,273,000 additional annual revenue and became effective September 1, 2015.

The current filing includes a pass-through disposal fee increase set by the King County Council for county-owned transfer stations and landfills. Disposal fees will increase from \$134.59 per ton to \$140.82 per ton on January 1, 2019, along with a \$0.04 per customer per month increase on solid waste set by the King County Board of Health. The company also requests to retain 42.5 percent and 50 percent of the revenue received from the sale of recyclable commodities for Snohomish and King Counties, respectively, as allowed by RCW 81.77.185, and in accordance with Revenue Sharing plans approved by those counties. The company proposes retaining \$180,371 for Snohomish County, with a proposed commodity adjustment of a charge of \$0.93 per month to customers, including costs for a one-time customer notice; and retaining \$45,761 for King County, with a proposed commodity adjustment of a charge of \$1.16 per month to customers, including costs for a one-time customer notice.

Commission staff (staff) has reviewed the filing and agrees with the company's proposed rates due to the disposal fee increase. RCW 81.77.160, Pass-through rates-Rules, states that the commission shall include in the base for collection rates, all charges for the disposal of solid waste at the facility designated by the local jurisdiction, and if the commission suspends a tariff

filing, the portion of the tariff covering those costs shall be placed in effect by the commission on an interim basis as of the originally filed effective date, subject to refund.¹

Staff also reviewed the company's proposed commodity adjustment calculation and the Revenue Share plans approved by King and Snohomish counties. Staff finds that the revenue sharing plans meet the requirements of RCW 81.77.185 which states:

- (1) The commission shall allow solid waste collection companies collecting recyclable materials to retain up to fifty percent of the revenue paid to the companies for the material if the companies submit a plan to the commission that is certified by the appropriate local government authority as being consistent with the local government solid waste plan and that demonstrates how the revenues will be used to increase recycling. The remaining revenue shall be passed to residential customers.

Staff believes that the retained funds will be used, in accordance with the county revenue sharing plans, to "increase recycling" as required by that statute. However, staff does not believe that the legislature intended that companies would be allowed to retain any revenue from the sale of recyclable material *if by doing so would result in additional charges to recycling customers*. Unlike all other waste collection companies under the UTC's jurisdiction, Waste Management has historically utilized the "cumulative method" for determining the amount of the commodity adjustment each year. Under this methodology the calculation includes all revenues received, amounts retained, and amounts paid to, or received from, customers for the current year as well as all prior years, and a projection going forward. In effect, this recalculates the amounts from prior years utilizing the current year customer counts, resulting in a smoothing effect that lessens the impact to customers as customer counts tend to increase over time. The company in this filing, however, is proposing to utilize the more common deferred accounting method which utilizes actual customer data from the most recent year (test year) for determining amounts owed to the company or customers. By changing methods the company must true-up any residual amounts from past years into a single calculation to be recovered over one year.

In this filing, the company's calculation demonstrates that over the past 21 years the company has given out more total credits to customers than it actually received in total revenue from sales of materials, less retained amounts, and that customers should pay back the excess credits. Staff agrees, but also believes any revenue received in the most recent period from the sale of recyclable material should be netted against any amounts owed by customers *before* any amounts are retained by the company. The company and staff have not had enough time to thoroughly discuss this issue, nor has the commission addressed this issue at this point in time. Staff also understands that the counties may want to provide input on any decision made by the commission since without retained revenue to spend on plan activities, the plans would most likely not be carried out. Since the commodity adjustment currently in effect expires on December 31, 2018, staff supports allowing the company filed commodity adjustment to go into effect on a temporary basis, subject to refund, until agreement can be reached and the calculation revisited to determine the correct tariff rate.

¹ RCW 81.77.160(1)(a) and (2)

Customer Comments

The company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received seven consumer comments, all opposed to the proposed rate increase.

General Comments

- Customers believe they should not have to pay more to compensate for the company's reduced recycling profits. They also expressed concern about the frequency of the company's requests for rate increases.

Staff Response

State law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Commission staff performs a thorough review of rate filings to ensure that all rates and fees are appropriate.

Conclusion

Commission staff has completed its review of the company's financial books and records and agrees with the company's calculation of the disposal fee increase but is not in agreement with the commodity adjustment as filed.

Recommendations:

Issue an order suspending the tariff pages filed on November 13, 2018, by Waste Management of Washington, d/b/a Waste Management - North Sound and Waste Management - Marysville, but allowing the filed rates for the commodity adjustment and pass-through disposal fee to go into effect on January 1, 2019, on a temporary basis, subject to refund.

