

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of Tariff Revisions to
Increase Rates Due to a Disposal Fee
Increase Filed by

WASTE MANAGEMENT OF
WASHINGTON, INC., DBA WASTE
MANAGEMENT – NORTH SOUND
AND WASTE MANAGEMENT –
MARYSVILLE

Certificate G-237

DOCKET TG-161132

ORDER 01

ORDER AUTHORIZING REVENUE
SHARING FOR RECYCLABLE
COMMODITIES REVENUE;
GRANTING EXEMPTION FROM
RULE; AND ALLOWING TARIFF
REVISIONS TO BECOME
EFFECTIVE BY OPERATION OF
LAW

BACKGROUND

1 On October 14, 2016, Waste Management of Washington, Inc. (North Sound or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to Tariff 19 to recover the increased cost of disposal fees, to update recyclable commodity revenue adjustments, and to authorize the Company to retain 47.5 percent of the revenue generated from the sale of recyclable commodities in King County and 45 percent of the revenue generated from the sale of recyclable commodities in Snohomish County during the 2016-2017 plan years. On November 21, 2016, the Company filed revised pages. The Company serves approximately 115,000 customers in King County. The Company's last general rate increase became effective on August 1, 2015.

2 On January 1, 2017, King County will increase disposal fees from \$120.17 per ton to \$134.59 per ton at the King County Landfill. Staff's analysis shows the Company's proposed rate increase to recover these increased fees would generate approximately \$400,000 (5.5 percent) additional annual revenue and become effective January 1, 2017.

Recyclable Commodity Revenue Adjustments

3 A disposal fee increase falls within the definition of a general rate increase pursuant to WAC 480-07-505. WAC 480-07-520 lists the minimum required information the Company must provide in a general rate increase filing. The Company provided information pertinent to the disposal fee increase but did not provide the remainder of the

information required by the rule and did not request an exemption from the work paper filing requirements of WAC 480-07-520(4).

- 4 WAC 480-07-110 allows the Commission to grant an exemption from, or modify the application of, its rules if consistent with the public interest, the purposes underlying regulation, and applicable statutes. See also WAC 480-70-051.
- 5 WAC 480-07-370(1)(b)(i) states, in part, that the Commission may undertake an action that would be the proper subject of a party's petition, such as authorizing exemption from a Commission rule, without receiving a petition from a party.
- 6 Commission Staff reviewed the proposed tariff request together with other factors and recommends the Commission allow the tariff to become effective by operation of law, and, on its own motion, grant the Company an exemption from WAC 480-07-520(4), work paper filing requirements for this filing for the following reasons:
- (a) There have not been any significant changes since the last rate case that became effective on August 1, 2015. Reviewing the rate case documents, customer numbers are relatively unchanged, inflation has been low, and the Company has not changed its collection methods.
 - (b) The increased disposal fees are set by King County and are required as a part of the Company's operations.
 - (c) The Company's financial information supports the proposed revenue requirement and the proposed rates.
 - (d) Staff concluded the proposed rate increase, by reason of the increase in disposal fees, is fair, just, and reasonable.

Recyclable Commodity Revenue Adjustments

- 7 The Company proposes to decrease the monthly credit for single-family customers in King County from \$1.13 to \$0.62, resulting in an increased charge of \$0.51 per customer per month, and to decrease the monthly credit for multi-family customers from \$0.25 to

\$0.14 per yard, resulting in an increased charge of \$0.11 per yard per customer per month.

8 The Company proposes to decrease the monthly credit for single-family customers in Snohomish County from \$1.04 to \$0.54, resulting in an increased charge of \$0.50 per customer per month, and to decrease the monthly credit for multi-family customers from \$0.25 to \$0.13 per yard, resulting in an increased charge of \$0.12 per yard per customer per month.

9 The recyclable commodity revenue adjustments reflect the revenue the Company receives from the sale of recyclable materials collected from residential customers and is adjusted annually pursuant to a deferred accounting mechanism. Staff has reviewed the proposed changes and recommends the Commission take no action on the tariff revisions implementing the recyclable commodity revenue adjustments, and allow them to become effective January 1, 2017, by operation of law.

Midpoint of 2016-2017 Recycling Plan and Revenue Sharing

King County

10 For the 2016 reporting period, the company reported spending of \$228,355 on Task 1 – “Single Family Residential Audience Outreach and Education” and no spending on Task 2 – “Multifamily Residential Audience Outreach and Education.” Total spending for the first year of the agreement (as of September 30, 2016) was \$348,991. The Company provided a letter from Pat D. McLaughlin, Solid Waste Division Director for King County Department of Natural Resources and Parks, certifying that the Company has satisfied its plan obligations thus far.

Snohomish County

11 For the 2016 reporting period, the company reported the following:
Task 1 – “Quarterly Updates and Coordination Meetings” no spending,
Task 2 – “Monthly Data Reporting Requirements” no spending,
Task 3 – “Strategic Communications” spending of \$126,000,
Task 4 – “Latino Behavior Study and Pilot” spending of \$201,000

Task 5 – “Multifamily Recycling” spending of \$70,000,
Task 6 – “Organics” spending of \$17,000,
Task 7 – “Promotion of Recycling at Events” spending of \$116,000,
Task 8 – “Increase Recycling and Decrease Contamination” no spending,
Task 9 – “Schools Outreach” spending of \$210,000.

Total spending for the first year of the agreement (as of September 30, 2016) including \$121,000 of administrative costs, was \$861,000. The company provided a letter from Matthew Zybas, Solid Waste Director for Snohomish County Public Works, certifying that the Company has satisfied its plan obligations thus far.

Request to Retain Up To 47.5 percent in King County and 45 percent in Snohomish County of Revenues from the Sale of Recyclable Materials

- 12 In its November 12, 2015, filing, Waste Management asked the Commission to authorize it to retain 47.5 percent of the revenue generated from the sale of recyclable commodities collected by North Sound’s residential recycling programs in King County, and to retain 45 percent of the revenue generated from the sale of recyclable commodities collected by North Sound’s residential recycling programs in Snohomish County during the 2016-2017 plan year.
- 13 RCW 81.77.185 states that the Commission shall allow solid waste collection companies collecting recyclable materials to retain up to 50 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.
- 14 On November 12, 2015, Pat D. McLaughlin, Solid Waste Division Director for King County Department of Natural Resources and Parks, and Mathew Zybas, Director of the Snohomish County Solid Waste Division, the appropriate local government authorities for King and Snohomish Counties respectively, as specified in RCW 81.77.185 (1), certified that the King County and Snohomish County Plans are consistent with the respective County Solid Waste Management Plans, and that the Plans demonstrate how retained revenues will be used to increase recycling.

- 15 Staff recommends that the Commission authorize the Company to retain 47.5 percent of the revenue generated from the sale of recyclable commodities collected by North Sound's residential recycling programs in King County, and to retain 45 percent of the revenue generated from the sale of recyclable commodities collected by North Sound's residential recycling programs in Snohomish County during the 2016-2017 plan year; require the Company to meet the performance requirements set forth in its recycling and revenue sharing plans; and, in consultation with the respective Counties, consider whether to reduce the revenue share the Company retained if the Company fails to meet those performance requirements.

DISCUSSION

- 16 The Commission concurs with Staff's recommendation. The purpose of the work paper filing requirements in WAC 480-07-520(4) is to provide the Commission with information to determine whether a proposed rate increase is fair, just, reasonable, and sufficient. Here, the Company has provided sufficient information to enable the Commission to make that determination, and providing the additional information the rule requires would be unnecessary and unduly burdensome. Accordingly, an exemption from this requirement for purposes of the filing in this docket is consistent with the public interest and the purposes underlying the rule and should be granted.
- 17 RCW 81.77.185 requires the Commission to allow a solid waste collection company collecting recyclable materials to retain up to 50 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 Company's 2016-2017 King County Plan projects \$1,342,000 of revenue from the sale of recyclable commodities and proposes to retain \$637,000 (47.5 percent) of that revenue for King County Plan expenditures. North Sound has satisfied both statutory standards. The Director of King County's Solid Waste Division certified that Waste Management's recycling plan is consistent with King County's Comprehensive Solid Waste Management Plan. We agree with Staff that the Company's King County Plan sufficiently demonstrates how the revenues North Sound is entitled to retain, including the 5 percent incentive payment, will be used to increase recycling consistent with our prior determinations. Accordingly, North Sound may retain up to 47.5

percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs in King County from January 1, 2016, to December 31, 2017, if it complies with the terms and conditions of the King County Plan.

- 18 The Company's 2016-2017 Snohomish County Plan projects \$5,405,100 of revenue from the sale of recyclable commodities and proposes to retain \$2,432,000 (45 percent) of that revenue for Snohomish County Plan expenditures. North Sound has satisfied both statutory standards. The Director of Snohomish County's Solid Waste Division certified that Waste Management's recycling plan is consistent with Snohomish County's Comprehensive Solid Waste Management Plan. We agree with Staff that the Company's Snohomish County Plan sufficiently demonstrates how the revenues North Sound is entitled to retain, including the 5 percent incentive payment, will be used to increase recycling consistent with our prior determinations. Accordingly, North Sound may retain up to 45 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs in Snohomish County from January 1, 2016, to December 31, 2017, if it complies with the terms and conditions of the Snohomish County Plan.

FINDINGS AND CONCLUSIONS

- 19 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts and affiliated interests of public service companies, including solid waste companies. RCW 80.01.040, RCW 81.01, RCW 81.04, RCW 81.16, RCW 81.28 and RCW 81.77.
- 20 (2) Waste Management is engaged in the business of providing solid waste services within the state of Washington and is a public service company subject to Commission jurisdiction.
- 21 (3) Waste Management is subject to the filing requirements of WAC 480-07-520, for general rate increase proposals.
- 22 (4) Under WAC 480-07-110, the Commission may grant an exemption from the provisions of any rule in WAC 480-70, if consistent with the public interest, the

purposes underlying regulation and applicable statutes. See also WAC 480-70-051.

- 23 (5) WAC 480-07-370(1)(b)(i) states, in part, that the Commission may undertake an action that would be the proper subject of a party's petition, such as authorizing exemption from a Commission rule, without receiving a petition from a party.
- 24 (6) After reviewing the tariff revisions the Company filed in this Docket, and giving due consideration, the Commission finds:
- a. An exemption from the general rate increase filing requirements set forth in WAC 480-07-520 is in the public interest and consistent with the purposes underlying regulation, and applicable statutes and should be granted; and
 - b. The proposed rate increases, by reason of the increase in disposal fees, is fair, just, reasonable and sufficient.
- 25 (7) Under RCW 81.77.185, the Commission shall allow a solid waste collection company collecting recyclable materials to retain up to 50 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. RCW 81.77.185 states that the remaining revenue shall be passed to residential customers.
- 26 (8) King County is responsible for managing waste through its Comprehensive Solid Waste Management Plan. The Director of King County's Solid Waste Division certified that Waste Management's recycling plan is consistent with the County's Comprehensive Solid Waste Management Plan. At the end of the plan period, the County will provide the Commission with a written recommendation as to whether the Company has met the performance objectives required for it to be awarded the financial incentive specified in the plan.

- 27 (9) Snohomish County is responsible for managing waste through its Comprehensive Solid Waste Management Plan. The Director of Snohomish County's Solid Waste Division certified that Waste Management's recycling plan is consistent with Snohomish County's Comprehensive Solid Waste Management Plan. At the end of the plan period, the County will provide the Commission with a written recommendation as to whether the Company has met the performance objectives required for it to be awarded the financial incentive specified in the plan.
- 28 (10) The Company's request to retain up to 47.5 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs in King County, and to retain up to 45 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs in Snohomish County from January 1, 2016, to December 31, 2017, is consistent with RCW 81.77.185, and the Commission finds North Sound's request should be granted.
- 29 (11) This matter came before the Commission at its regularly scheduled meeting on December 8, 2016.

ORDER

THE COMMISSION ORDERS:

- 30 (1) Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville may retain up to 47.5 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs in King County, and up to 45 percent of the revenue it receives from the sale of recyclable materials collected in its single-family and multi-family residential recycling programs in Snohomish County, from January 1, 2016, to December 31, 2017, provided that Waste Management of Washington, Inc., d/b/a Waste Management of Washington - North Sound, Waste Management of Washington - Marysville complies with the plans as set forth in this order.
- 31 (2) The Commission requests that King County inform the Commission if Waste Management of Washington, Inc., dba Waste Management of Washington - North

Sound, Waste Management of Washington - Marysville fail to meet their performance requirements. Upon receipt of such information, either from King County or from another source, the Commission, in consultation with the County, shall provide notice to Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville that the revenue sharing is being reconsidered and Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville should demonstrate why its percentage should not be reduced.

- 32 (3) The Commission requests that Snohomish County inform the Commission if Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville fails to meet its performance requirements. Upon receipt of such information, either from Snohomish County or from another source, the Commission, in consultation with the County, shall provide notice to Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville that the revenue sharing is being reconsidered and Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville should demonstrate why its percentage should not be reduced.
- 33 (4) Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville will report to the Commission no later than November 15, 2017, the amount of revenue retained, the amount of money spent on the activities identified in Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville recycling plans and the effect the activities had on increasing recycling.
- 34 (5) Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville, shall make their next revenue sharing plans and commodity adjustments effective January 1, 2018, and each January 1 thereafter, and shall make all future revenue sharing plans and commodity adjustment filings 45 days prior to the proposed effective date.

- 35 (6) The tariff revisions Waste Management of Washington, Inc., filed on behalf of Waste Management of Washington, Inc., dba Waste Management of Washington - North Sound, Waste Management of Washington - Marysville on October 14, 2016, as revised on November 21, 2016, are allowed to become effective on January 1, 2017.
- 36 (7) After the effective date of this Order, the Commission, on its own motion, grants Waste Management of Washington, Inc., an exemption from WAC 480-07-520, for purposes of the tariff revisions filed in Docket TG-161132.
- 37 (8) The Commission delegates to the Secretary the authority to approve by letter all compliance filings required in this Order.
- 38 (9) The Commission retains jurisdiction over the subject matter and Waste Management of Washington, Inc., to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective December 8, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary