

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

WASTE MANAGEMENT OF
WASHINGTON, INC., DBA WASTE
MANAGEMENT-NORTH SOUND,
WASTE MANAGEMENT-
MARYSVILLE,

Petitioner,

Requesting Authority to Retain 50.0
Percent of the Revenue Received from the
Sale of Recyclable Materials Collected in
Residential Recycling Service in King
County and to Retain 50 Percent of the
Revenue Received from the Sale of
Recyclable Materials Collected in
Residential Recycling Service in
Snohomish County

DOCKET TG-200890

ORDER 01

AUTHORIZING REVENUE
SHARING FOR RECYCLABLE
COMMODITIES REVENUE AND
ALLOWING RECYCLABLE
COMMODITY CREDIT
ADJUSTMENT

BACKGROUND

1 On October 28, 2020, Waste Management of Washington, Inc., filed tariff revisions on behalf of its business unit Waste Management of Washington, Inc., d/b/a Waste Management North Sound, Waste Management of Marysville, (Waste Management North Sound or Company), to update the recyclable commodity revenue adjustments and requesting to retain 50 percent of the commodity revenue as outlined in its 2020-2021 Recycling and Commodity Revenue Sharing Plan for King County (King County Plan) and its 2020-2021 Recycling and Commodity Revenue Sharing Plan for Snohomish County (Snohomish County Plan). The Company also filed tariff revisions reflecting a King County hazardous waste fee increase of 5.4 percent, and a disposal fee increase for yard waste at Cedar Grove to \$65 per ton.

2020-2021 Recycling and Commodity Revenue Sharing Plans

2 On October 28, 2019, the Company filed its mid-plan certification for its King County and Snohomish County Plans, along with a report of its expenditures in year one of each plan. For Waste Management's King County operations, which includes Waste Management South Sound and Waste Management North Sound, the total budgeted

expenditures for the King County Plan total \$316,200 (\$158,100 per year) including the 5 percent performance incentive. King County states: “Several outreach and education tasks under this agreement were placed on hold in response to the COVID-19 pandemic, with plans to reevaluate and update strategies at the beginning of 2021.” Due to these circumstances, the Company’s spending in year one of the Plan is lower than the amounts budgeted. In the first year of the King County Plan the actual Commodity revenue received in King County, which includes both Waste Management’s North and South Sound business units, was \$131,337. This fell short of the \$332,000 estimated commodity revenue listed in the revenue share plan budget. The Company proposes to retain 50 percent, or \$65,668, to spend on the tasks listed in the King County Plan. The Company has spent a total \$39,688 towards the King County Plan so far. The lower commodity revenue and impacts of COVID are the main causes of this reduced spending. The specific tasks and the portions of budgeted expenses, along with Company expenditures in 2020 are:

- Task 1: Single Family Residential Audience Outreach and Education – Outreach and education to increase capture of recyclable materials; reduce contamination in recycling and organic streams; programming focused on sustainable materials management; increased multicultural engagement. Budgeted expense for this task is \$102,500. This equals \$51,250 per plan year. The Company spent \$5,240 in 2020.
- Task 2: Multi-Family Residential Audience Outreach and Education – Build upon best management basics for tenants, and best management basics for property managers; evaluation of multi-family property to reduce contamination; ensure decals are updated to improve visibility and function. Budgeted expense for this task is \$9,000. This equals \$4,500 per plan year. The Company spent \$0 in 2020.
- Task 3: Cost analysis and strategy development for incorporating costs into tariffs – Discuss the range of costs which have been part of revenue sharing and make recommendations for incorporating those costs into tariff rates for recycling and yard waste. Budgeted expense for this task is \$4,500. This equals \$2,250 per plan year. The Company spent \$0 in 2020.

3 The King County Plan also includes a labor cost allocation of \$200,200, equating to \$100,100 per plan year, of which \$34,448 has been spent. The King County Plan includes a provision for an incentive award of 5 percent of expenditures, estimated at \$15,800. To be eligible to receive the incentive, the Company will have to demonstrate

to the County that it has achieved the performance goals outlined in the King County Plan. King County states: “We find that the Company meets eligibility criteria for the 5 percent bonus.” During the 2020 plan year, net commodity revenues retained in King County was \$65,668 of which \$3,283.40 would be the incentive amount for the first plan year.” The Company has spent \$39,688, which would grant the Company an incentive of \$3,283, and leave \$22,697 to roll over for spending in 2021. Any unspent funds at the end of 2021 will be passed to customers.

4 On October 28, 2020, the Company also filed its mid-plan certification for its Snohomish County Plan, along with a report of its expenditures in year one of the Snohomish County Plan. The budgeted expenditures for the plan total \$466,100 (\$158,100 per year), including the 5 percent performance incentive. Per the County’s mid-plan certification letter, “Tasks were implemented according to the Plan with some mutually agreed upon adjustments due to COVID-19. We expect adjustments to continue into 2021 but are confident that important tasks will be completed.” While the County recognizes that some changes to the Company’s plan are likely to occur, no specific changes have yet been identified. These will be examined in the Company’s 2021 filing to ensure that any unspent funds are properly refunded to customers. The specific tasks outlined in the 2020-2021 Snohomish County Plan and the budgeted expenses, along with Company expenditures in 2020 are:

- Task 1: Knowledge Sharing – The Company will participate in a minimum of two opportunities for guest speaking at industry topic conferences. Budgeted expense for this task is \$45,000. This equals \$22,500 per plan year. The Company spent \$5,240 in 2020.
- Task 2: Enhanced Multicultural Engagement– Launch the outreach program developed under the prior revenue sharing plan for Korean, Vietnamese, and Chinese communities. Budgeted expense for this task is \$51,500. This equals \$25,750 per plan year. The Company spent \$0 in 2020.
- Task 3: Multifamily Recycling– Build upon best management basics for tenants, and best management basics for property managers; evaluation of multi-family property to reduce contamination; ensure decals are updated to improve visibility and function. Budgeted expense for this task is \$10,200. This equals \$5,100 per plan year. The Company spent \$0 in 2020.
- Task 4: Community Events– Community education efforts at events focusing on non-English speakers to engage diverse resident populations. Budgeted expense for this task is \$60,000. This equals \$30,000 per plan year. The Company spent \$0 in 2020.

- Task 5: Sustainable Materials Management– Develop materials and programming focused on sustainable materials management, proper recycling of core materials, waste reduction, reuse, and reduction of materials such as textiles. Budgeted expense for this task is \$54,000. This equals \$27,000 per plan year. The Company spent \$0 in 2020.
- Task 6: Focused Education for Younger Minds– Continue to engage, educate, and nourish young minds through educational assemblies, classroom workshops, storytelling and technical assistance to eligible K-12 schools in Snohomish County. Budgeted expense for this task is \$45,200. This equals \$22,600 per plan year. The Company spent \$23,000 in 2020.

5 The Snohomish County Plan also includes a labor cost allocation of \$200,200, equating to \$100,100 per plan year, of which \$33,548 has been spent. The Snohomish County Plan includes a provision for an incentive award of 5 percent of expenditures, estimated at \$23,300. To be eligible to receive the incentive, the Company will have to demonstrate to the County that it has achieved the performance goals outlined in the Snohomish County Plan. During the 2020 plan year, the 50 percent of commodity values retained by the Company was \$140,803. The Company has spent \$61,788, which would grant the company an incentive of \$3,089, and leave \$75,926 to spend in 2021. Any unspent funds at the end of the second year will be passed back to customers.

Request to Retain Up To 50 Percent of Revenues in King County and 50 Percent of Revenues in Snohomish County from the Sale of Recyclable Materials

6 In its November 15, 2019, filing, Waste Management North Sound asked the Commission to authorize it to retain 50 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 50 percent of the revenue generated from the sale of recyclable commodities collected by North Sound’s residential recycling programs in Snohomish County during the 2020-2021 plan year.

7 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.

8 On November 15, 2019, Pat D. McLaughlin, Solid Waste Division Director for King County Department of Natural Resources and Parks, and on November 13, 2019, 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.

9 Commission staff (Staff) recommends that the Commission authorize the Company to retain 50 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 50 percent of the revenue generated from the sale of recyclable commodities collected by North Sound's residential recycling programs in Snohomish County during the 2020-2021 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.

Recyclable Commodity Revenue Adjustments

10 Waste Management North Sound filed to decrease the recycling commodity adjustment from a debit (charge) of \$0.53 per month to a debit of \$0.28 per month for single-family customers in Snohomish County, and decrease the monthly commodity adjustment from a debit of \$0.35 to a debit of \$0.25 per month for single family customers in King County. After review, a formula error was discovered in the Company's Snohomish County commodity adjustment calculation, which further reduces the residential commodity adjustment, from the \$0.28 debit proposed, to a \$0.17 debit for residential customers. The Company filed revised pages reflecting this change on December 14, 2020 and filed a replacement page on December 18, 2020 to correct a minor clerical error.

11 The recyclable commodity revenue adjustments reflect the revenue the Company receives from the sale of recyclable materials collected from single-family and multi-family 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 the revised tariff pages to become effective January 1, 2020.

King County Hazardous Waste Fee and Cedar Grove Disposal Fee

- 12 On January 1, 2021, King County's hazardous waste fees will increase by 5.4 percent and the per-ton fee for comingled yard/food waste at Cedar Grove will increase by 14.14 percent, from \$50.86 to \$65.00. The Company included these increases in the proposed tariff revisions filed in this docket. The impact of the yard/food waste processing fee for a 64-gallon cart is \$0.53 per month. Staff recommends these passthrough costs be allowed to go into effect by operation of law.

DISCUSSION

- 13 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.
- 14 Waste Management North Sound's 2020-2021 King County Plan projects \$664,000 of revenue from the sale of recyclable commodities and proposes to retain \$332,000 (50 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 50 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, 2020, to December 31, 2021, if it complies with the terms and conditions of the King County Plan.
- 15 The Company's 2020-2021 Snohomish County Plan projects \$1,184,000 of revenue from the sale of recyclable commodities and proposes to retain \$592,000 (50 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 50 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, 2020, to December 31, 2021, if it complies with the terms and conditions of the Snohomish County Plan.

FINDINGS AND CONCLUSIONS

- 16 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts and affiliated interests of public service companies, including solid waste companies.
- 17 (2) Waste Management North Sound is a solid waste company and a public service company subject to Commission jurisdiction.
- 18 (3) This matter came before the Commission at its regularly scheduled meeting on December 23, 2020.
- 19 (4) RCW 81.77.185 states that 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.
- 20 (5) 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 King County's Comprehensive Solid Waste Management Plan.
- 21 (6) 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.
- 22 (7) The Plans include a provision for an incentive payment of 5 percent of the Company's planned expenditures in each Plan. The Plans condition the award of

the incentive on achieving specific performance goals.

- 23 (8) As required by RCW 81.04.130, Waste Management North Sound bears the burden of proof to show that the proposed increases are just, reasonable, and sufficient.
- 24 (9) Waste Management North Sound's request to retain up to 50 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 50 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, 2020, to December 31, 2021, is consistent with RCW 81.77.185, and the Commission finds Waste Management North Sound's request should be granted.

ORDER

THE COMMISSION ORDERS:

- 25 (1) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville, may retain up to 50 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 50 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, 2020, to December 31, 2021, 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.
- 26 (2) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville, shall present its revenue sharing plan and commodity adjustments to the Commission requesting an effective date each January 1 hereafter, and shall make all future revenue sharing plans and commodity adjustment filings 45 days prior to the proposed effective date.
- 27 (3) Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville, shall

make a compliance filing with the Commission no later than November 16, 2021, in which Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville shall identify the amount of revenue it retained, the amount of money it spent on the activities identified in the Plans, and the effect the activities had on increasing recycling.

- 28 (4) The commodity credits filed by Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville, on October 28, 2020, as revised on December 14, 2020, and on December 18, 2020 are allowed to go into effect by operation of law.
- 29 (5) The Commission delegates to the Secretary the authority to approve by letter all compliance filings required in this Order.
- 30 (6) The Commission retains jurisdiction over the subject matter and Waste Management of Washington, Inc., d/b/a Waste Management of Washington-North Sound, Waste Management of Washington-Marysville, to effectuate the provisions of this Order.
- 31 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective December 23, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON
Executive Director and Secretary