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February 23, 2024

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**VIA ELECTRONIC FILING**

Jeff Killip  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, Washington 98503

**Re: TG-230969 – Stericycle of Washington, Inc., G-244 – Correction to Staff Open Meeting Memo**

Dear Executive Director and Secretary Killip:

On November 13, 2023, Stericycle of Washington, Inc. (“Stericycle”) (G-244), filed a proposed Tariff No. 2, which updates Stericycle’s rates and service offerings, with a requested effective date of December 31, 2023. Stericycle and Commission Staff have engaged in informal discovery and discussions regarding Stericycle’s request and Staff has determined that Stericycle’s revenue requirement request in its initial filing is justified. The parties continue to discuss Stericycle’s proposed rate design and have not yet reached agreement. The current effective date of the proposed Tariff No. 2 is March 14, 2024.

Even though the parties remain in discussions on rate design, on February 21, 2024, Stericycle discovered Commission Staff had filed an Open Meeting memorandum titled “TG-230969 Memo” dated February 22, 2024, that erroneously stated the parties had reached an agreement on rate design, including new container rate pricing and that Stericycle had agreed to a proposal by Commission Staff regarding Stericycle’s proposed no waste pickup fee. This is incorrect. The amounts listed in the memo are proposals by Commission Staff only to which Stericycle never agreed to.

On behalf of Stericycle, on February 21, I contacted Commission Staff who acknowledged posting the erroneous memo and shortly thereafter, Commission Staff posted a “revised” version of the memo removing the incorrect rate design information. The revised version is currently available on the docket. For the record, enclosed is the original memo and a screenshot showing it on the docket page.

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Stericycle has expressed its concern to Commission Staff for posting the erroneous memo and is filing this letter to correct the record. To the extent you have any questions about the above, do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Steele". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David S. Steele

Cc: Donna L. Barnett, Perkins Coie LLP  
Danielle Fittanto, Stericycle of Washington, Inc.

## Filing TG - 230969

[Case Details](#) [Documents](#) [Orders](#)

**Company:** Stericycle of Washington Inc.

**DBA:** 14703, Stericycle#, #

**Filing Type:** Tariff Revision

**Case Status:** Pending

**Dates (Opened & Effective):** 11/17/2023 & 03/01/2024

**Summary:** General rate increase request that generates approximately \$2.9 million (25 percent) additional annual revenue for the collection of medical waste services. The Company provides regulated solid waste collection service to approximately 15,000 medical waste customers in Washington State. This is the first general rate increase since the Company's rates became effective on December 1, 2001.

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Document Type	Date	Description
Open Meeting Memo	02/22/2024	Open Meeting Memo for the February 22, 2024 Open Meeting. <ul style="list-style-type: none"><li><a href="#">TG-230969 Memo.pdf</a> 129 KB</li></ul>

Agenda Date: February 22, 2024  
Item Number: B1

**Docket:** TG-230969  
Company: Stericycle of Washington, Inc. d/b/a Stericycle

Staff: Ben Sharbono, Regulatory Services  
Kris Iris, Consumer Protection

### **Recommendation**

Issue an Order allowing tariff revisions filed by Stericycle of Washington, Inc. d/b/a Stericycle on November 17, 2023, as revised February 16, 2024, to become effective on March 1, 2024, subject to conditions.

### **Background**

On November 17, 2023, Stericycle of Washington, Inc. d/b/a Stericycle (Stericycle or Company) filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that would generate approximately \$2.9 million (25 percent) additional annual revenue. Stericycle provides regulated medical waste collection service to approximately 11,000 commercial customers in Washington State. This is the Company's first general rate increase since its initial tariff took effect December 1, 2001.

Stericycle filed the request due to rising operational costs, including labor, materials, equipment, transportation, and disposal expenses. The Company is also seeking to streamline its service offerings to 3 container sizes.

### **Discussion**

Commission staff (Staff) has completed its review of Stericycle's books and supporting documents. Staff removed unallowable expenses, made adjustments to depreciation, adjusted investment to end of period as required by WAC. Staff updated fuel expense, and removed out-of-state revenues and expenses that were included in Stericycle's Washington operations.

In reviewing the Company's documents, Staff noted Stericycle used revenue to allocate its expenses between regulated and non-regulated operations. Through discussions with the Company, Staff learned Stericycle's accounting system does not have regulated and non-regulated operations separated, making it difficult to identify directly attributable expenses. Staff discussed with the Company other possible allocation methods using activities such as driver hours and regulated vs non regulated driver time spent or vehicles miles, in addition to clearly tracking regulated vs. non regulated activities. Stericycle has not tracked activity information that would allow more accurate allocation of expenses.

Staff is concerned that using revenue as an allocation methodology can result in subsidization of regulated or non-regulated operations through misalignment of expenses. Using revenue as an

allocator relies on a Company's operations having similar expenses to generate similar revenues. Businesses service offerings, such as Stericycle offering regulated medical waste collection, non-regulated medical waste disposal, and compliance services, will generally have different expense to revenue ratios. Those services that generate greater revenues are then allocated more expenses, applying more expenses to the service even though the actual cost of providing the services remains the same.

Furthermore, revenue allocation also has a cyclic component for companies setting rates using an operating ratio, such as the transportation companies regulated by the Commission. Using the operating ratio, a company's revenue is based on the operating expenses of the company. However, when using revenue allocation, as revenues increase, the allocation of expenses further increases, resulting in more revenue being allocated to the operation, causing a repeating cycle.

Because Stericycle has not filed a general rate increase in over 20 years of operation and it does not have information that would better allocate expenses, Staff believes that allowing a one-time use of revenue allocation will allow the Company to establish reasonably accurate rates. Customers are further protected from Stericycle requesting unreasonable, unjust, and unfair rates due to competition. Stericycle is one of the two state-wide certificated medical waste companies providing services across Washington State, in addition to regulated local medical waste companies in some certificated areas.

The Company is also reducing the sizes of containers offered from 10 to 3. Over the last two decades, the Company added several container sizes to its tariff. Stericycle purchases containers in bulk, which are dispersed to customers. By reducing the selection of sizes, the Company aims to reduce costs while maintaining similar service levels.

Current Offerings:	Replaced By:
<u>10 gallons</u>	
<u>15 gallons</u>	
<u>17 gallons</u>	17 gallons
<u>20 gallons</u>	
<u>21 gallons</u>	
<u>28 gallons</u>	
<u>31 gallons</u>	31 gallons
<u>33 gallons</u>	
<u>40 gallons</u>	
<u>43 gallons</u>	43 gallons
<u>48 gallons</u>	

The Company stated during conversations they are working with current customers to move toward the revised sizes. The Company will stop delivering and collecting containers from customers that are not the specified sizes after one year.

### **Rate Comparison**

The table below shows the current and updated rates for the first container picked up of each container size. Other rates are included in the Company’s tariff.

Container Sizes	Current Rate*	New Rate Container 1-18	New Rate Container 19-40	New Rate Container 41+
17 gallons	\$24.65 to \$7.14	\$17.75	\$9.60	\$7.55
31 gallons	\$50.22 to \$7.75	\$23.75	\$11.85	\$9.10
43 gallons	\$67.94 to \$10.75	\$28.15	\$14.10	\$11.30

\* Under the Company’s current rate design, the rate is reduced for additional containers, with rates continuing to decline until the 60<sup>th</sup> or 75<sup>th</sup> container depending on size. As an example, the first 17-gallon container is priced at \$24.65, and the 60<sup>th</sup> 17-gallon container priced at \$7.14.

Staff’s proposed No Waste pickup fee is \$63.47 instead of the \$79.99 the Company requested and the Company agreed to this revision. Staff removed overhead cost from the fee to make it more reflective of the actual transportation cost to go to a service pickup.

### **Customer Comments**

On November 20, 2023, the Company notified its customers by U.S. mail of the proposed rate increase. Staff received five consumer comments, all opposing the proposed increase. Customers expressed concern with the \$79.99 increase, indicating the increase would negatively impact small businesses; especially when the quantity of the waste being removed is small. Customers also questioned the proposed \$10.36 “on call” fee when businesses would already be paying the \$79.99.

Customers also commented on poor customer service, missed pick-ups and difficulty communicating with the Company. Staff referred commenters to the Consumer Protection Complaint Team to receive assistance with their concerns.

### **Conclusion**

Staff has completed its review of the Company’s financial documents and found the Company’s initial request is justified. Staff’s review shows that the revised tariff pages filed are reasonable and required as part of the Company’s operations.

Staff further recommends the Commission issue an order requiring the Company:

- 1) To submit a general rate case with an effective date of October 1, 2025, allowing the Company to collect updated information, and Staff to ensure the revenues, expenses, and allocations remain fair, just, reasonable and sufficient.

- 2) To work with Staff to identify and implement appropriate allocators based on cost, as required by WAC 480-07-520(4)(d) and (e), that allow clear separation of regulated and non-regulated revenues and expenses.
- 3) To clearly identify transactions in its general ledger to align with the Uniform System of Accounts for Class A and B Solid Waste Collection Companies.

**Recommendation**

Issue an Order allowing tariff revisions filed by Stericycle of Washington, Inc. d/b/a Stericycle on November 17, 2023, as revised February 16, 2024, to become effective on March 1, 2024, subject to conditions.