

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

DOCKET TG-160810

ORDER 01

RABANCO LTD. DBA REPUBLIC
SERVICES AND LYNNWOOD
DISPOSAL,

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

Petitioner,

Requesting Authority to Retain 50 Percent
of the Revenue Received From the Sale of
Recyclable Materials Collected in
Residential Recycling Service

BACKGROUND

- 1 On June 15, 2016, Rabanco Ltd. dba Republic Services and Lynnwood Disposal, (Republic Services or Company) filed the following documents with the Washington Utilities and Transportation Commission (Commission):(1) revised 2016-2017 commodity credits resulting in increased rates to all recycling customers; (2) the Company’s 2015-2017 recycling plan; and (3) a request that the Commission allow Republic Services to retain up to 50 percent of the revenue received from the sale of recyclable materials during the 2015-2017 recycling plan period. The Company serves approximately 17,000 regulated residential recycling customers in Snohomish County.

MIDPOINT OF 2015-2017 RECYCLING PLAN AND REVENUE SHARING

- 2 For the 2015-2016 reporting period the Company reported the following: task 1 - “Staffing” spending of \$35,883; task 2 - “Monthly Reporting” spending of \$0.00; task 3 - “Annual Mailer” spending of \$0.00; task 4 - “Online Customer Communication” spending \$0.00; task 5 - “Multifamily Outreach” spending of \$60,919; task 6 - “School Recycling Education” spending of \$61,388; task 7 - “Cart Contamination” spending of \$21,104. Total spending for the first year of the agreement is \$179,294. The proposed budget for the first year of the plan called for expenditures of \$208,897. However, the total commodity value was \$367,542. The company is only allowed to retain up to 50

percent of the commodity value which is \$183,771. The company underspent by \$4,477 and will not carry forward this difference into the second year of the plan.

PROPOSED 2016-2017 COMMODITY CREDITS

- 3 The Company filed replacement tariff pages on July 8, 2016, proposing a commodity credit decrease from \$0.80 to \$0.64 per month, resulting in an overall increase in recycling rates for single-family residential customers of \$0.16 per month. For multi-family customers, the filed tariff reflects a commodity credit decrease from \$0.32 to \$0.27 per yard, resulting in increased recycling rates of \$0.05 for the period August 1, 2016, to July 31, 2017. The proposed commodity credits reflect both the effect of the Commission-approved deferred accounting, and \$179,294 of commodity revenues apportioned to customers out of the \$367,542 in total commodity revenues for 2015-2016 plan period.

PROPOSED 2015-2017 RECYCLING PLAN AND REVENUE SHARING

- 4 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. The remaining revenue shall be passed to the residential customers.
- 5 Pursuant to that statute, on June 11, 2015, the Company filed with the Commission a Commodity Revenue Sharing Enhancement Plan for Snohomish County (Plan) for the period from August 1, 2015, to July 1, 2017. The Plan forecasts \$835,177 in revenue from the sale of recyclable commodities, and proposes to retain \$417,375 (50 percent) to spend on Plan activities.
- 6 The Plan also identifies up to \$397,500 to be expended on Plan activities, which include online consumer communication, multifamily recycling outreach, and school recycling education and outreach. The budget amounts are to be expended over two years.
- 7 Under the Plan, the Company will be limited to retaining up to 50 percent of the actual revenue received from the sale of recyclable commodities for the period from August 1, 2015, to July 31, 2016. Any excess revenue will not be carried over to the second year,

but will be returned to customers in the 2016-2017 recycle commodity credit. The maximum amount company can retain in the second year is 50 percent of commodity values or the remaining unspent portion of the budget which equals \$213,724 if commodity revenues allow. The Company will work with the county to make any relevant budget and plan adjustments, and will include those changes in its 2016 commodity credit filing.

8 The Plan's 2015-2017 budget includes an incentive payment, which is 5 percent of planned expenditures.¹ The Plan states, in part:

“[Republic Services] is eligible for a financial incentive for achieving tangible results ...[f]or increasing diversion of materials from disposal by regulated residential customers, an amount equal to 5% of the company expenditures.”

Additionally, as set forth in the Plan, eligibility for the incentive will be determined by Snohomish County based on its satisfaction that the Company's expenditures of revenue sharing funds are consistent with the Plan's activities and budgets, and are subject to review by the Commission. Eligibility for the incentive will be determined on an annual basis. For the August 1, 2015 thru July 31, 2016 reporting period no incentive was awarded. The company is eligible for an incentive of \$10,686 in the August 1, 2016, to July 31, 2017 reporting period.

9 Mathew Zybas, Snohomish County Solid Waste Division Director, signed the Plan and certified that it is consistent with Snohomish County's Comprehensive Solid Waste Management Plan. Snohomish County recommends that the Commission allow the Company to retain up to 50 percent of the actual value of recyclable commodity revenues received in year two of the plan from August 1, 2015, to July 31, 2017.

10 Staff recommends that the Commission grant the Company's request to retain up to 50 percent of the recyclable commodity revenue collected during the second year of the Plan, and allow the recycling commodity credits filed by Republic Services on June 15, 2016, and revised on July 8, 2016, to go into effect August 1, 2016, by operation of law.

¹ On May 30, 2012, the Commission issued its interpretive and policy statement in Docket TG-112162 to address issues concerning implementation of recycling revenue sharing plans, including Incentives, Bonuses or Returns in paragraphs 26 through 32. The policy statement articulates that incentives should be conditioned upon or tied to achieving performance goals or objectives.

FINDINGS AND CONCLUSIONS

- 11 (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, regulations, practices, accounts and affiliated interests of public service companies, including solid waste companies.
- 12 (2) Republic Services 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.
- 13 (3) This matter came before the Commission at its regularly scheduled meeting on July 21, 2016.
- 14 (4) 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.
- 15 (5) 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 Republic Services' recycling plan is consistent with Snohomish County's Comprehensive Solid Waste Management Plan.
- 16 (6) The Plan includes a provision for an incentive payment of 5 percent of Republic Services' planned expenditure. The Plan conditions the award of the incentive on achieving specific performance goals.
- 17 (7) Republic Services' 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 from August 1, 2016, to July 31, 2017, is

consistent with RCW 81.77.185, and the Commission finds that Republic Services' request should be granted.

ORDER

THE COMMISSION ORDERS:

- 18 (1) Provided Rabanco Ltd. dba Republic Services and Lynnwood Disposal complies with the Plan as set forth in this Order, the Company 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 from August 1, 2016, to July 31, 2017.
- 19 (2) Rabanco Ltd. dba Republic Services and Lynnwood Disposal shall present its revenue sharing plan and commodity adjustments to the Commission requesting an effective date each August 1 hereafter, and shall make all future revenue sharing plans and commodity adjustment filings 45 days prior to the proposed effective date.
- 20 (3) Rabanco Ltd. dba Republic Services and Lynnwood Disposal, shall make a compliance filing with the Commission no later than June 16, 2017, in which the Company shall identify the amount of revenue it retained, the amount of money it spent on the activities identified in the Plan, and the effect the activities had on increasing recycling.
- 21 (4) The commodity credits filed by Rabanco Ltd. dba Republic Services and Lynnwood Disposal, on June 15, 2016, and revised on July 8, 2016, are allowed to go into effect by operation of law.
- 22 (5) The Commission delegates the Secretary the authority to approve by letter all compliance filings required in this Order.
- 23 (6) The Commission retains jurisdiction over the subject matter and Rabanco Ltd. dba Republic Services and Lynnwood Disposal, to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective July 21, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary