



King County

Solid Waste Division

Department of Natural Resources and Parks

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June 14, 2019

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Dear Mr. King:

The purpose of this letter is to provide King County's determinations regarding revenue sharing plan compliance with RCW 81.77.185 by Republic Services for its service areas within King County. The Plans referenced in this letter, apply to King County territories described in Republic Services' G-12 certificate, and in the G-60 certificate jointly owned by Republic Services and Fiorito Enterprises, Inc.

This letter reports King County's findings regarding Republic Services' performance under year one of the current 2017-2019 Plan (May 1, 2018 –April 30, 2019).

The current 2017-2019 Plan ends July 31, 2019. The final three months activities during the current agreement will be reported on during year one reporting of the new Plan starting August 1, 2019.

Current Plan (August 1, 2017 – July 31, 2019)

Republic Services and King County have projected an associated budget for service areas in King County for the period of August 1, 2017 through July 31, 2019. A copy of the current Plan, signed by both parties and certified by the King County Solid Waste Division Director as being in compliance with its current Solid Waste Management Plan, is attached with this letter. The Plan is divided into two parts to accommodate filing deadlines. Part one will include activities occurring May 1, 2017 – April 30, 2018, which includes activities within the last three months of the current 2015-2017 Plan. Part two includes the period from May 1, 2018 – April 30, 2019.

In the certification letter sent June 8, 2017 King County recommended the Washington Utilities and Transportation Commission (WUTC) allow Republic Services to spend up to 50 percent of the anticipated revenues from the sale of commodities generated during the 2017-2019 Plan period to implement program strategies and activities described in the Plan. King County has worked closely with Republic Services through monthly meetings to ensure milestones in the Plan are met, and to

adjust the Plan as necessary with the fallen commodity values and reduced revenue to reflect actual collected revenues.

King County believes the Plan demonstrates how the anticipated retained revenue will increase recycling, as required by RCW 81.77.185. "Recycling," as defined in RCW 70.95.030, means "transforming or remanufacturing waste materials into usable or marketable materials for use other than landfill disposal or incineration."

Compliance Determination for Past and Current Plans:

2017-2019 Plan (May 1, 2018 – April 30, 2019)

In order to allow time for King County to evaluate the effectiveness of Plans and still meet WUTC filing deadlines, Plans have specified that the reporting period be for the one-year period ending three months prior to Plan closing dates. For this Plan, the reporting periods include the final three months of the August 2017 – July 2018 Plan, and the first nine months of the August 2018 – July 2019 Plan. Activities occurring from May 1, 2018 – April 30, 2019 will be evaluated as part of the 2017-2019 Plan evaluation. The last three months of the previous 2015-2017 Plan is included in year one of the 2017-2018 reporting.

Republic Services has completed the implementation of Plan tasks, to the satisfaction of King County, during this time frame. Detailed summaries of program activities and associated costs have been provided to King County, and to the best of our knowledge, the expenditures reported by Republic Services are justifiable and appropriate. We recommend that WUTC allow Republic Services to retain revenues sufficient to reimburse the company for these expenditures.

Budget Revision:

The 2017-2019 proposed budget was initially forecast to be \$806,000 for the two-year plan. With falling recycling commodity values, the budget forecast is \$299,245 for the two-year plan. A revision of Attachment C-revenue sharing budget, for the period August 1, 2018 through July 31, 2019, is attached with this letter. Budget has been allocated to support National Sword education outreach needs and that change is reflected in the Attachment C budget.

In response to the reduced commodity values resulting in reduced revenue and budget forecast, the budget for Task one, project management in 2018-19 has been reduced to 50% of the original planned budget. Republic Services staff will conduct this work without consultant support. Task two collection and reporting, will remain the same Task three single family outreach will be significantly reduced and Task four multifamily outreach will be completed.

Work completed during this reporting period:

During the Plan period, August 1, 2018 through April 30, 2019, Republic Services completed the following:

1. Project management, administration and coordination

This task covered the costs of the Revenue Share Administrator and management of Republic staff who supported the work as needed.

2. Data collection and reporting

Republic Services provided monthly reports of tonnages and customer counts to King County for all areas of King County served by Republic Services.

3. Multifamily outreach and infrastructure improvements

Republic continued their work to assist property managers, begun in their 2014-2015 agreement period, by adjusting collection container capacity and frequency of collection to maximize complex collection of recycling. They provided tenant education about how to recycle and distributed education materials door to door to tenants.

4. Single Family Continuing Education

This Plan task goal is to educate single-family residences to increase participation in recycling and composting while reducing contamination.

In the current Plan year, Republic Services conducted an organics cart tagging program, and new yard waste subscription pilot for a food scrap diversion program.

5. Recycling Media Campaign in Response to National Sword

During the current Plan, King County and Republic Services planned, but decided not to conduct, online education strategies and a mandatory yard waste pilot because of commodity market value fluctuations and the need for further research. This task budget was re-focused in recycling media campaign strategy which supported the media campaign King County had launched in collaboration with King County cities and haulers. The media campaign is part of a regional effort to address National Sword and increase residential education in order to reduce contamination.

Performance Bonus Eligibility for Current Plan

Consistent with WUTC's May 30, 2012 Interpretive and Policy Statement, King County's current 2017-2019 Plan includes an opportunity for Republic Services to earn incentive bonuses equal to 5% of program expenditures if specific performance benchmarks are attained. The current 2017-2019 Plan specifies that Republic Services may also retain 5% of program expenditures if the percentage of recyclable materials diverted from disposal increases. The increase is measured by comparing the period of May 2017-April 2018 with the period of May 2018-April 2019.

Based on the twelve month data comparison provided to King County by Republic Services, we find that the company does not meet eligibility criteria for the 5% incentive. The combined residential and multifamily diversion rates in regulated areas achieved in May 1, 2017 – April 30, 2018 decreased from 49.3% to 47.8% in the May 1, 2018 through April 30, 2019 plan year.

Thank you for the opportunity to provide these comments and support for the revenue sharing plans

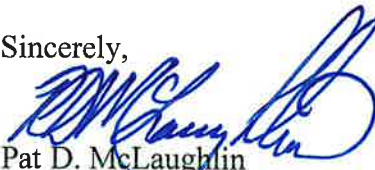
Steven King, Washington Utilities and Transportation Commission

June 14, 2019

Page 4 of 4

developed by Republic Services and King County. If you have any questions, please contact Gerty Coville, Project Program Manager III, at 206-477-5271, or gerty.coville@kingcounty.gov.

Sincerely,



Pat D. McLaughlin
Division Director

Enclosure

cc: Kent Kronenberg, General Manager, Republic Services of Bellevue
Greg Hale, General Manager, Republic Services of Kent
Carla Johnson, Revenue Sharing Program Administrator
Gerty Coville, Project/Program Manager III, Solid Waste Division