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Exhibit No. _____ (MW-1T)

Before the
Washington Utilities and Transportation Commission

In the Matter of the Application of Waste Management of Washington, Inc.
D/B/A WM Healthcare Solutions of Washington
Docket No. TG-120033

DIRECT TESTIMONY OF MICHAEL WEINSTEIN
On behalf of Waste Management of Washington, Inc.

October 1, 2012

Direct Testimony of Michael Weinstein
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Q. Please state your name and business address.

A. My name is Michael Weinstein. My business address is 720 4th Avenue, Ste. 400, Kirkland, WA 98033.

Q. By whom are you employed and in what capacity?

A. I am employed by Waste Management of Washington, Inc. (“Waste Management”) as Senior Pricing Manager.

Q. Would you please describe your educational background and professional employment experience?

A. I graduated from the University of Texas in 1977 with a Bachelor of Business Administration with a major in accounting. I am a Certified Public Accountant. I obtained a license to practice public accounting in Texas in 1981 and in Washington in 1982. Neither license presently is active as I am no longer in public accounting but in private practice. From 1977 through 1982, I worked as a public accountant with the following accounting firms: Peat Marwick Mitchell (now KPMG), Laventhol and Horwath, and Alexander Grant (now Grant Thornton). From 1982 through 1985, I was employed as a Controller for a real estate investment firm in Seattle. In 1985, I became Controller for Bayside Waste Hauling & Transfer, Inc. (“Bayside”) in Seattle. In this position, I managed an accounting staff of ten with operations in three states and I handled rate filings for Bayside in Washington State. In 1987, Waste Management, Inc. (“WMI”) acquired Bayside and I joined WMI as a Special Projects Controller from 1987 through 1993. In that capacity, I was in charge of WMI’s regulatory affairs for Washington State. In 1993, I was promoted to Northwest Region Accounting Center &

1 Special Projects Controller. In that capacity, in addition to continuing with my
2 responsibilities for all of WMI's rate filings in Washington State, I also provided
3 general ledger, payroll, accounts payable and state and local tax support service for
4 WMI's operations in Washington, Oregon and Idaho.

5 **Q. What are your primary responsibilities for Waste Management?**

6 A. I have served as Senior Pricing Manager for Waste Management since 2004. I provide
7 financial and rate analysis for operations in Washington, Oregon, and Idaho. I prepare
8 rate filings for the UTC and I also perform financial analysis on municipal bids,
9 proposals and acquisitions.

10 **Q. What are the subjects of the testimony you are offering today?**

11 A. I will testify about what little Waste Management has been able to discern regarding the
12 present expenses and revenues of Stericycle of Washington, Inc.'s ("Stericycle")
13 regulated biomedical waste ("RMW") business and the impact on those costs that would
14 result from statewide competition with Waste Management.

15 **Q. What information did you receive from Stericycle regarding its costs?**

16 A. Waste Management received no direct or precise information from Stericycle regarding
17 its costs. At my direction, Waste Management propounded the following Data Request
18 No. 58 to Stericycle on August 10, 2012: "Do you contend that statewide competition
19 from Waste Management will have a material impact on you? If so, specifically explain
20 how such competition will impact you, including, but not limited to, specifically setting
21 forth in precise dollar amounts the anticipated changes in the cost of, and prices for,
22 your biomedical waste services." On September 4, 2012, Stericycle responded as
23 follows: "Stericycle may contend that competition from Waste Management in the

24 Direct Testimony of Michael Weinstein

1 territory covered by the application that is the subject of this proceeding will have an
2 adverse impact on Stericycle's costs and revenues and the service offerings available to
3 biomedical waste generators in that territory and the cost thereof to generators. It is
4 premature to report Stericycle's ongoing analysis and evidence of this contention in
5 advance of the deadlines for prefiled direct and rebuttal testimony." Waste
6 Management has not received any further information from Stericycle in response to
7 this Data Request. Attached hereto as Exhibit 1 is a true and correct copy of
8 Stericycle's referenced response.

9 **Q. What have you been able to discern from Stericycle's Annual Reports filed with**
10 **the UTC?**

11 A. Waste Management obtained from the UTC the annual reports which Stericycle filed
12 with the UTC from 2001 through 2011. I have reviewed each of these reports and have
13 prepared a spreadsheet comparing the growth in Stericycle's reported expenses and
14 revenues throughout this period. A true and correct copy of this spreadsheet is attached
15 hereto as Exhibit 2. As reflected in my spreadsheet, Stericycle's revenue grew from
16 \$12,348,092 in 2010, when it faced no competition from Waste Management, to
17 \$13,709,428 in 2011, during which it competed with Waste Management for three
18 quarters for customers throughout Waste Management's Certificate No. G-237 territory,
19 representing the majority of Washington's RMW. That means that Stericycle's revenue
20 grew by 11% from 2010 to 2011. Moreover, Stericycle added 330 customers in 2011
21 and its revenue per customer increased from \$1,673 in 2010 to \$1,777 in 2011.

22 **Q. Does this conclude your direct testimony?**

23 A. Yes.

24 Direct Testimony of Michael Weinstein

Before the
Washington Utilities and Transportation Commission

In the Matter of the Application of Waste Management of Washington, Inc.
D/B/A WM Healthcare Solutions of Washington
Docket No. TG-120033

EXHIBIT 1 TO
DIRECT TESTIMONY OF MICHAEL WEINSTEIN
On behalf of Waste Management of Washington, Inc.

October 1, 2012

Direct Testimony of Michael Weinstein

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of:

WASTE MANAGEMENT OF WASHINGTON,
INC. D/B/A WM HEALTHCARE SOLUTIONS
OF WASHINGTON

For an Extension of Certificate G-237 for a
Certificate of Public Convenience and Necessity
to Operate Motor Vehicles in Furnishing Solid
Waste Collection Service

Docket No. TG-120033

**SECOND DATA REQUESTS
PROPOUNDED TO STERICYCLE
BY WASTE MANAGEMENT AND
STERICYCLE'S OBJECTIONS AND
RESPONSES THERETO**

TO: Protestant Stericycle of Washington, Inc. and its attorneys Steven B. Johnson and Jared Van Kirk

Pursuant to WAC 480-07-405 and the Prehearing Conference Order, Waste Management of Washington, Inc. requests that you answer fully and in writing each of the following Data Requests and produce the following-described documents within your possession, custody or control at the offices of Summit Law Group, 315 5th Avenue S, Ste. 1000, Seattle, WA 98104, by August 24, 2012. The terms "you" and "yours" refer to Stericycle of Washington, Inc. and its agents, employees, officers, and directors. The term "document" means writings, drawings, graphs, charts, photographs, and any other data compilation. If you claim a privilege against production of any document, please state the asserted basis of the privilege and describe such document with sufficient specificity to enable Waste Management to frame a motion to compel disclosure. Pursuant to WAC 480-07-405(7)(c), as to each data response, state the name of the

reasonably calculated to lead to the discovery of relevant, admissible evidence. Stericycle further objects to this request because it seeks confidential and proprietary business information and is propounded for the improper purpose of gaining competitive advantage in the marketplace. Stericycle is not the applicant in this proceeding. The characteristics of the services Stericycle offers to Washington biomedical waste generators are potentially relevant to this proceeding, and a proper subject of discovery, only to the extent that Washington biomedical waste generators have expressed a legitimate need for particular services and it is contended that Stericycle's services do not meet that need. Stericycle objects to this request because it is Waste Management's burden to present evidence of legitimate generator need and Waste Management has superior access to information about alleged generator needs and any alleged limitations in Stericycle's service offerings related to such needs. Stericycle also objects to this request as overly broad, unreasonably burdensome and not reasonably calculated to lead to discovery of relevant, admissible evidence because it seeks information concerning services unrelated to an expressed generator need. Waste Management has not identified any expressed generator need related to Stericycle's insurance coverage.

DATA REQUEST NO. 58: Do you contend that statewide competition from Waste Management will have a material impact on you? If so, specifically explain how such competition will impact you, including, but not limited to, specifically setting forth in precise dollar amounts the anticipated changes in the cost of, and prices for, your biomedical waste services.

RESPONSE: Stericycle objects to this request on the grounds that it is overbroad and unreasonably burdensome. Moreover, Stericycle objects that this request is premature in light of the deadlines for providing prefiled direct and rebuttal testimony in this proceeding.

Without waiving the foregoing objections, Stericycle may contend that competition from Waste Management in the territory covered by the application that is the subject of this proceeding will have an adverse impact on Stericycle's costs and revenues and the service

offerings available to biomedical waste generators in that territory and the cost thereof to generators. It is premature to report Stericycle's ongoing analysis and evidence of this contention in advance of the deadlines for prefiled direct and rebuttal testimony.

DATA REQUEST NO. 59: Identify by name, address, employer and job title any witness expected to testify against Waste Management's application, and provide a summary of each witness's anticipated testimony. Produce all documents involving or relating to any such witness and relating to the subject of this proceeding.

RESPONSE: Stericycle objects that this request is premature in light of the deadlines for providing prefiled direct and rebuttal testimony, and for identifying hearing witnesses in this proceeding. Stericycle has not yet made a final identification of its hearing witnesses.

DATA REQUEST NO. 60: For any expert witness identified in response to Data Request No. 59, produce: (a) a copy of all documents and other materials provided to, received from, consulted by, or relied on by, that expert; (b) a copy of the expert's resume and/or CV; and (c) a description of each of the expert witness's opinions, analyses, methodologies, and the facts on which the expert will rely.

RESPONSE: Stericycle objects to this request on the grounds that it is overbroad and unreasonably burdensome. Moreover, Stericycle objects that this request is premature in light of the deadlines for providing prefiled direct and rebuttal testimony, and for identifying hearing witnesses in this proceeding. Stericycle further objects to the request that any expert witness generate a report. Stericycle has not determined whether it will present testimony from any expert witness.

DATA REQUEST NO. 61: Produce all documents and other materials which you intend to offer as evidence in opposition to Waste Management's application.

Before the
Washington Utilities and Transportation Commission

In the Matter of the Application of Waste Management of Washington, Inc.
D/B/A WM Healthcare Solutions of Washington
Docket No. TG-120033

EXHIBIT 2 TO
DIRECT TESTIMONY OF MICHAEL WEINSTEIN
On behalf of Waste Management of Washington, Inc.

October 1, 2012

Direct Testimony of Michael Weinstein

Stericycle of Washington
Summary of Class C Annual Reports

	<u>2001</u>		<u>2002</u>		<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>										
Revenue	<u>\$ 6,625,684</u>	<u>100.0%</u>	<u>\$ 7,683,380</u>	<u>100.0%</u>	<u>\$ 7,612,966</u>	<u>100.0%</u>	<u>\$ 8,301,852</u>	<u>100.0%</u>	<u>\$ 8,946,966</u>	<u>100.0%</u>	<u>\$ 9,161,904</u>	<u>100.0%</u>	<u>\$ 10,132,153</u>	<u>100.0%</u>	<u>\$ 11,274,561</u>	<u>100.0%</u>
Expenses:																
Driver Wages	\$ 1,402,207	21.2%	\$ 1,370,819	17.8%	\$ 1,485,392	19.5%	\$ 1,299,251	15.7%	\$ 1,628,421	18.2%	\$ 1,885,325	20.6%	\$ 2,030,120	20.0%	\$ 2,330,323	20.7%
Fuel and maintenance	\$ 323,285	4.9%	\$ 225,876	2.9%	\$ 670,593	8.8%	\$ 860,556	10.4%	\$ 1,108,236	12.4%	\$ 1,330,695	14.5%	\$ 1,143,796	11.3%	\$ 1,206,860	10.7%
Insurance and safety	\$ 116,783	1.8%	\$ 139,945	1.8%	\$ 190,913	2.5%	\$ 125,088	1.5%	\$ 123,074	1.4%	\$ 156,828	1.7%	\$ 147,649	1.5%	\$ 120,505	1.1%
Depreciation	\$ 125,119	1.9%	\$ 112,465	1.5%	\$ 124,938	1.6%	\$ 100,293	1.2%	\$ 182,141	2.0%	\$ 215,504	2.4%	\$ 230,026	2.3%	\$ 219,128	1.9%
Processing Fees	\$ 2,652,394	40.0%	\$ 2,351,581	30.6%	\$ 3,143,791	41.3%	\$ 3,972,290	47.8%	\$ 4,174,975	46.7%	\$ 3,926,319	42.9%	\$ 4,069,343	40.2%	\$ 4,540,694	40.3%
Office Salaries and Wages	\$ 948,519	14.3%	\$ 944,274	12.3%	\$ 695,108	9.1%	\$ 872,742	10.5%	\$ 492,878	5.5%	\$ 672,388	7.3%	\$ 1,260,493	12.4%	\$ 1,361,824	12.1%
Other Solid Waste expense	\$ 921,348	13.9%	\$ 594,188	7.7%	\$ 271,460	3.6%	\$ 247,486	3.0%	\$ 534,955	6.0%	\$ 428,132	4.7%	\$ 256,228	2.5%	\$ 323,887	2.9%
Other	\$ 183,078	2.8%	\$ 314,784	4.1%	\$ 518,811	6.8%	\$ 375,144	4.5%	\$ 266,121	3.0%	\$ 319,937	3.5%	\$ 414,336	4.1%	\$ 532,150	4.7%
	<u>\$ 6,672,733</u>	<u>100.7%</u>	<u>\$ 6,053,932</u>	<u>78.8%</u>	<u>\$ 7,101,006</u>	<u>93.3%</u>	<u>\$ 7,852,850</u>	<u>94.6%</u>	<u>\$ 8,510,801</u>	<u>95.1%</u>	<u>\$ 8,935,128</u>	<u>97.5%</u>	<u>\$ 9,551,991</u>	<u>94.3%</u>	<u>\$ 10,635,371</u>	<u>94.3%</u>
Net Operating Income	<u>\$ (47,049)</u>	<u>-0.7%</u>	<u>\$ 1,629,448</u>	<u>21.2%</u>	<u>\$ 511,960</u>	<u>6.7%</u>	<u>\$ 449,002</u>	<u>5.4%</u>	<u>\$ 436,165</u>	<u>4.9%</u>	<u>\$ 226,776</u>	<u>2.5%</u>	<u>\$ 580,162</u>	<u>5.7%</u>	<u>\$ 639,190</u>	<u>5.7%</u>
Other Income and (expense)	<u>\$ (925,397)</u>	<u>-14.0%</u>	<u>\$ -</u>	<u>0.0%</u>	<u>\$ -</u>	<u>0.0%</u>	<u>\$ -</u>	<u>0.0%</u>								
Net Income (loss) before FIT	<u>\$ (972,446)</u>	<u>-14.7%</u>	<u>\$ 1,629,448</u>	<u>21.2%</u>	<u>\$ 511,960</u>	<u>6.7%</u>	<u>\$ 449,002</u>	<u>5.4%</u>	<u>\$ 436,165</u>	<u>4.9%</u>	<u>\$ 226,776</u>	<u>2.5%</u>	<u>\$ 580,162</u>	<u>5.7%</u>	<u>\$ 639,190</u>	<u>5.7%</u>
Federal Income Tax	<u>\$ -</u>	<u>0.0%</u>	<u>\$ -</u>	<u>0.0%</u>	<u>\$ -</u>	<u>0.0%</u>										
Net Income (loss)	<u>\$ (972,446)</u>	<u>-14.7%</u>	<u>\$ 1,629,448</u>	<u>21.2%</u>	<u>\$ 511,960</u>	<u>6.7%</u>	<u>\$ 449,002</u>	<u>5.4%</u>	<u>\$ 436,165</u>	<u>4.9%</u>	<u>\$ 226,776</u>	<u>2.5%</u>	<u>\$ 580,162</u>	<u>5.7%</u>	<u>\$ 639,190</u>	<u>5.7%</u>
Number of customers	<u>5,368</u>		<u>5,316</u>		<u>5,889</u>		<u>5,920</u>		<u>6,254</u>		<u>6,263</u>		<u>6,489</u>		<u>7,236</u>	
Revenue per customer	<u>\$ 1,234</u>		<u>\$ 1,445</u>		<u>\$ 1,293</u>		<u>\$ 1,402</u>		<u>\$ 1,431</u>		<u>\$ 1,463</u>		<u>\$ 1,561</u>		<u>\$ 1,558</u>	
	<u>\$ 1,243</u>		<u>\$ 1,139</u>		<u>\$ 1,206</u>		<u>\$ 1,326</u>		<u>\$ 1,361</u>		<u>\$ 1,427</u>		<u>\$ 1,472</u>		<u>\$ 1,470</u>	
Annual Growth in Revenue			<u>\$ 1,057,696</u>		<u>\$ (70,414)</u>		<u>\$ 688,886</u>		<u>\$ 645,114</u>		<u>\$ 214,938</u>		<u>\$ 970,249</u>		<u>\$ 1,142,408</u>	
			<u>16.0%</u>		<u>-0.9%</u>		<u>9.0%</u>		<u>7.8%</u>		<u>2.4%</u>		<u>10.6%</u>		<u>11.3%</u>	
Cumulative Growth in Revenue			<u>\$ 1,057,696</u>		<u>\$ 987,282</u>		<u>\$ 1,676,168</u>		<u>\$ 2,321,282</u>		<u>\$ 2,536,220</u>		<u>\$ 3,506,469</u>		<u>\$ 4,648,877</u>	
			<u>16.0%</u>		<u>14.9%</u>		<u>25.3%</u>		<u>35.0%</u>		<u>38.3%</u>		<u>52.9%</u>		<u>70.2%</u>	
Annual Growth in Processing fees			<u>\$ (300,813)</u>		<u>\$ 792,210</u>		<u>\$ 828,499</u>		<u>\$ 202,685</u>		<u>\$ (248,656)</u>		<u>\$ 143,024</u>		<u>\$ 471,351</u>	
			<u>-11.3%</u>		<u>33.7%</u>		<u>26.4%</u>		<u>5.1%</u>		<u>-6.0%</u>		<u>3.6%</u>		<u>11.6%</u>	
Cumulative Growth in Processing Fees			<u>\$ (300,813)</u>		<u>\$ 491,397</u>		<u>\$ 1,319,896</u>		<u>\$ 1,522,581</u>		<u>\$ 1,273,925</u>		<u>\$ 1,416,949</u>		<u>\$ 1,888,300</u>	
			<u>-11.3%</u>		<u>18.5%</u>		<u>49.8%</u>		<u>57.4%</u>		<u>48.0%</u>		<u>53.4%</u>		<u>71.2%</u>	

Stericycle of Washington
Summary of Class C Annual Reports

	<u>2009</u>		<u>2010</u>		<u>2011</u>		<u>Cumulative 2001-2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenue	\$ <u>12,039,773</u>	<u>100.0%</u>	\$ <u>12,348,092</u>	<u>100.0%</u>	\$ <u>13,709,428</u>	<u>100.0%</u>	\$ <u>107,836,759</u>	<u>100.0%</u>
Expenses:								
Driver Wages	\$ 2,545,846	21.1%	\$ 2,634,878	21.3%	\$ 2,857,235	20.8%	\$ 21,469,817	19.9%
Fuel and maintenance	\$ 1,226,350	10.2%	\$ 875,770	7.1%	\$ 1,426,097	10.4%	\$ 10,398,114	9.6%
Insurance and safety	\$ 133,660	1.1%	\$ 145,679	1.2%	\$ 153,744	1.1%	\$ 1,553,868	1.4%
Depreciation	\$ 250,635	2.1%	\$ 265,369	2.1%	\$ 295,402	2.2%	\$ 2,121,020	2.0%
Processing Fees	\$ 4,519,017	37.5%	\$ 5,773,006	46.8%	\$ 5,628,493	41.1%	\$ 44,751,903	41.5%
Office Salaries and Wages	\$ 1,458,702	12.1%	\$ 1,626,306	13.2%	\$ 1,402,195	10.2%	\$ 11,735,429	10.9%
Other Solid Waste expense	\$ 576,354	4.8%	\$ 613,808	5.0%	\$ 719,638	5.2%	\$ 5,487,484	5.1%
Other	\$ <u>338,707</u>	<u>2.8%</u>	\$ <u>357,987</u>	<u>2.9%</u>	\$ <u>367,534</u>	<u>2.7%</u>	\$ <u>3,988,589</u>	<u>3.7%</u>
	\$ <u>11,049,271</u>	<u>91.8%</u>	\$ <u>12,292,803</u>	<u>99.6%</u>	\$ <u>12,850,338</u>	<u>93.7%</u>	\$ <u>101,506,224</u>	<u>94.1%</u>
Net Operating Income	\$ <u>990,502</u>	<u>8.2%</u>	\$ <u>55,289</u>	<u>0.4%</u>	\$ <u>859,090</u>	<u>6.3%</u>	\$ <u>6,330,535</u>	<u>5.9%</u>
Other Income and (expense)	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ (925,397)	-0.9%
Net Income (loss) before FIT	\$ <u>990,502</u>	<u>8.2%</u>	\$ <u>55,289</u>	<u>0.4%</u>	\$ <u>859,090</u>	<u>6.3%</u>	\$ <u>5,405,138</u>	<u>5.0%</u>
Federal Income Tax	\$ -	0.0%	\$ -	0.0%	\$ <u>311,420</u>	<u>2.3%</u>	\$ <u>311,420</u>	<u>0.3%</u>
Net Income (loss)	\$ <u>990,502</u>	<u>8.2%</u>	\$ <u>55,289</u>	<u>0.4%</u>	\$ <u>547,670</u>	<u>4.0%</u>	\$ <u>5,093,718</u>	<u>4.7%</u>
Number of customers	<u>9,466</u>		<u>7,383</u>		<u>7,713</u>			
Revenue per customer	\$ <u>1,272</u>		\$ <u>1,673</u>		\$ <u>1,777</u>			
	\$ <u>1,167</u>		\$ <u>1,665</u>		\$ <u>1,666</u>			
Annual Growth in Revenue	\$ <u>765,212</u>	<u>6.8%</u>	\$ <u>308,319</u>	<u>2.6%</u>	\$ <u>1,361,336</u>	<u>11.0%</u>		
Cumulative Growth in Revenue	\$ <u>5,414,089</u>	<u>81.7%</u>	\$ <u>5,722,408</u>	<u>86.4%</u>	\$ <u>7,083,744</u>	<u>106.9%</u>		
Annual Growth in Processing fees	\$ <u>(21,677)</u>	<u>-0.5%</u>	\$ <u>1,253,989</u>	<u>27.7%</u>	\$ <u>(144,513)</u>	<u>-2.5%</u>		
Cumulative Growth in Processing Fees	\$ <u>1,866,623</u>	<u>70.4%</u>	\$ <u>3,120,612</u>	<u>117.7%</u>	\$ <u>2,976,099</u>	<u>112.2%</u>		