BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of

DOCKET TG-181023

SUPERIOR WASTE & RECYCLE LLC,

For Solid Waste Disposal Authority

COMMISSION STAFF'S POST-HEARING BRIEF

October 4, 2019

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In re Classification of and Complaint for Penalties Against Daniel Stein d/b/a Seabeck Waste & Recycle, Docket TG-180181, Order 02 (December 10, 2018)

I. INTRODUCTION

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This case presents an application by Superior Waste & Recycle LLC (Superior) for authority to operate as a solid waste carrier that has been challenged by the incumbent solid waste carrier, Waste Management of Washington, Inc., d/b/a Brem-Air Disposal (Waste Management). Based on its review of the testimony and record, Commission Staff (Staff) concludes that Superior has demonstrated its financial and regulatory fitness, and that Superior has in part proposed a new service. However, Staff also determined that Superior has not demonstrated that Waste Management's service will be unsatisfactory to the Commission with respect to the proposed service that is the same. Staff also reasoned that Superior has not demonstrated that public convenience and necessity requires the new service that it is in part proposing. Therefore, Staff maintains that the Commission should deny the application. Although Staff recommends that the Commission deny the application, Staff also requests that the Commission require Waste Management and Staff to meet and discuss how best to resolve the issues raised in the application, including possible revisions to tariffs, and to provide a report of their progress to the Commission within six months of the entry date of the Commission's order in this docket.

II. FACTS

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On December 10, 2018, the Utilities and Transportation Commission (Commission) classified Daniel Stein d/b/a Seabeck Waste & Recycle (Seabeck Waste) as a solid waste collection carrier subject to regulation by the Commission. On December 13, 2018, Stein filed an application for a solid waste collection company certificate of convenience and necessity for Superior. Superior's proposed service territory overlapped with territory presently served by Waste Management. On January 25, 2019, Staff filed a financial review

¹ In re Classification of and Complaint for Penalties Against Daniel Stein d/b/a Seabeck Waste & Recycle, Docket TG-180181, Order 02 at 9 ¶ 39 (December 10, 2018).

memo, which concluded that Superior was financially fit to provide service in its proposed service territory for at least 12 months based on Superior's initial filing. On February 20, Waste Management filed a protest to Superior's application. On August 5, the Commission held a hearing and heard cross-examination from all of the parties to this case.

II. ARGUMENT

A. Legal Standard

1. Applicant Fitness and Public Convenience and Necessity

RCW 81.77.040 prohibits a solid waste collection company from operating for compensation without a certificate of public convenience and necessity issued by the Commission. Under RCW 81.77.040, the Commission must consider, but is not limited to, the following factors when determining whether to issue a certificate:

The present service and the cost thereof for the contemplated area to be served; an estimate of the cost of the facilities to be utilized in the plant for solid waste collection and disposal, set out in an affidavit or declaration; a statement of the assets on hand of the person, firm, association, or corporation that will be expended on the purported plant for solid waste collection and disposal, set out in an affidavit or declaration; a statement of prior experience, if any, in such field by the petitioner, set out in an affidavit or declaration; and sentiment in the community contemplated to be served as to the necessity for such a service.

These factors relate to two determinations that the Commission must make as part of an application: 1) whether the applicant is fit to provide service, and 2) whether public convenience and necessity requires the proposed service. When examining an applicant's fitness, the Commission considers "whether an applicant is fit, willing and able to provide the service for which it seeks authorization – including regulatory and financial fitness." To determine that an applicant is financially fit to provide service, the Commission reviews

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 $^{^2}$ In re Application of Freedom 2000, LLC d/b/a Cando Recycling and Disposal and In re Application of Points Recycling and Refuse, LLC d/b/a Point Recycling and Refuse Company, Dockets TG-081576 and TG-091687 (consolidated), Order 05/02 at 15 \P 35 (Jan. 27, 2010).

"whether [the applicant] can finance the proposed operation for a reasonable time, not whether it is certain to become profitable." To determine an applicant's regulatory fitness, the Commission "must determine whether the [applicant] is in compliance with state laws and rules, and is willing and able to continue to do so." Finally, the Commission has previously determined that public convenience and necessity requires a proposed service where the "sentiment in the community contemplated to be served demonstrates a need for such service."

Superior, as the applicant, bears the burden to show that it is fit to provide service, and that the public convenience and necessity requires its proposed service.⁶

2. Contested Application – Service to the Satisfaction of the Commission

RCW 81.77.040 further states that if an applicant requests a certificate to operate in a territory already served by a certificate holder:

[T]he commission may, after notice and opportunity for a hearing, issue the certificate only if the existing solid waste collection company or companies serving the territory will not provide service to the satisfaction of the commission or if the existing solid waste collection company does not object.

(Emphasis added). Waste Management currently provides solid waste collection service in the territory that Superior proposes to serve and has objected to Superior's application.

Therefore, Superior must show that Waste Management will not provide service to the satisfaction of the Commission to be issued a certificate.

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 $^{^{3}}$ *Id.* at 31 ¶ 72.

⁵ *Id.* at 34 \P 81 (quoting RCW 81.77.040).

⁶ In re Application of Waste Management of Washington, Inc. d/b/a WM Healthcare Solutions of Washington, Docket TG-120033, Order 07 at 8 ¶ 23, 9 ¶ 26, and 10 ¶ 3, 5 (Feb. 14, 2013). The Commission subsequently adopted Order 07 in its final order. See *Id.*, Order 10 at 2 ¶ 5 (July 10, 2013).

An applicant may demonstrate that an existing service company will not provide service to the satisfaction of the Commission in two ways. First, the applicant may show that it is offering to provide a different service than that offered by the existing service provider. Second, the applicant may produce evidence that the existing service provider will not provide service to the satisfaction of the Commission. As part of this inquiry, the Commission considers:

(1) the nature, the seriousness and pervasiveness of complaints, (2) the existing carrier's response to complaints, (3) the carrier's demonstrated ability to resolve [complaints] to the Commission's satisfaction, and (4) its history of compliance with regulation, with special attention to the carrier's cooperativeness on matters central to regulation in the public interest.⁸

The Commission has also interpreted the "service to the satisfaction of the Commission" statutory standard as "indicat[ing] that *any* lack of Commission satisfaction with how the incumbent company provides service – not just with "flawed" or "deficient" service – would justify authorizing an additional provider." Furthermore, the Commission has reasoned that while multiple solid waste carriers may serve the same area, solid waste collection tends to

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⁷ In re Application of Speedishuttle Washington, LLC d/b/a Speedishuttle, Shuttle Express, Inc., v. Speedishuttle Washington, LLC d/b/a Speedishuttle Seattle, and Speedishuttle Washington, LLC d/b/a Speedishuttle Seattle v. Shuttle Express, Inc., Dockets TC-143691, TC-160516, and TC-161257 (consolidated), Order 20/13/10 at 15 ¶ 40 (November 17, 2017). While the cited dockets pertain to transportation carriers other than solid waste carriers, the Commission has previously relied on non-solid waste carrier standards in a solid waste carrier application case. See *In re Application of Freedom 2000, supra* n.2, Order 05/02 at 14-15 ¶ 34 n.56. ("Here and elsewhere in this Order, we cite cases relating to various transportation companies other than solid waste companies. They are relevant because, in relevant respects, the statutory framework, if not the actual language, is similar to that relating to solid waste companies.")

⁸ Superior Refuse Removal, Inc. v. Washington Utils. and Transp. Comm'n, 81 Wn. App. 43, 47 (1996).

⁹ In re Application of Waste Management of Washington, Inc., supra n.6, Order 10 at 3 ¶ 7. Although the Commission was considering a biomedical waste carrier application in this docket, rather than a solid waste carrier, the same statute, RCW 81.77.040, applies to both subsets of carriers. On appeal from this docket, the Court of Appeals agreed that "the Commission has broad authority to determine to its satisfaction whether service is satisfactory." Stericycle of Washington Inc. v. Washington Utils. and Transp. Comm'n, 190 Wn. App. 74, 87 (2015). However, the court also noted that "the Commission has differentiated biomedical waste from neighborhood garbage collection due to the unique attributes of the biomedical waste collection industry." Id. at 88. Therefore, it is unclear whether the Commission wields less discretion to determine whether a solid waste carrier's service is to the satisfaction of the Commission relative to specialized solid waste carriers, despite the shared statutory language. See Id. at 88 (holding that Superior Refuse, 81 Wn. App. 43 (1996) was "inapplicable here because that case was concerned only with neighborhood garbage collection service" as oppose to biomedical waste collection).

favor monopoly service:

[T]he Commission believes that in the context of neighborhood solid waste collection, the statute [81.77.040] contemplates an exclusive grant of authority as the best and most efficient way of serving all customers in a given service territory. In this general context, it is assumed that all or most people and businesses in a given territory are also customers needing garbage service. Under these circumstances, an exclusive grant of authority in a given service territory promotes service, efficiency, [and] consistency and is generally in the public interest. ¹⁰

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The Commission "has consistently held that the proper test period for determining the quality of service provided by the existing carrier is the period prior to the filing of the application for new authority." The Commission has explained that "[i]mprovements in service following the threat of competition, correcting the very deficiencies an applicant bases its case on, are not entitled to weight in evaluating whether the existing service is satisfactory." However, the Commission has also stated that once it has determined whether existing service is satisfactory, "the record would be incomplete if the Commission failed to indicate whether the existing carrier has taken steps to correct problems that are revealed in the record and whether the Commission has taken appropriate enforcement action." ¹³

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Superior, as the applicant, bears the burden to show that Waste Management's present service is not to the satisfaction of the Commission.¹⁴

In re Application of Waste Management of Washington, Inc., supra n.6, Order 10 at 5 ¶ 10 (quoting In re Application GA-868 of Sureway Incineration, Inc., Order M.V.G. No. 1451, at 16-17 (Nov. 30, 1990)).

In re Application of Superior Refuse Removal Corporation, Order M.V.G. No. 1537, Hearing No. GA-849, at

¹¹ In re Application of Superior Refuse Removal Corporation, Order M.V.G. No. 1537, Hearing N 6 (Feb. 11, 1992).

¹² *Id*. at 7.

¹³ *Id*. at 7.

¹⁴ In re Application of Waste Management of Washington, Inc., supra n.6, Order 07 at 6 ¶ 16; In re Application of R.S.T. Disposal Company, Inc., d/b/a Tri-Star Disposal and In re Application of Seattle Disposal Company d/b/a Rabanco Companies, Order M.V.G. No. 1402, Hearing Nos. GA-845 and GA-851, at 15-16 (July 28, 1989).

В. **Superior Waste's Application**

1. **Financial and Regulatory Fitness**

Financial Fitness a.

After reviewing Superior's proposed business plan included in its application, Staff has determined that the company is financially fit to provide service for at least 12 months. Staff's review of Superior's financial estimates suggests that the company will earn a profit of \$2,920 in its first year of operation based on its proposed rates, with an additional \$8,000 cash reserve on hand. 15 Therefore, Staff concludes that Superior has shown that it is financially fit to provide service.

Regulatory Fitness b.

Staff has also concluded that Superior has demonstrated its regulatory fitness. Staff 11

acknowledges that the Commission stated in its order classifying Seabeck Waste, Superior's predecessor, that the company had been operating as a solid waste carrier contrary to Washington law "with knowledge that it was operating in violation of Commission rules," and that the company "demonstrated very little ability or willingness to comply with Commission regulation."16 However, Superior stated that it initially believed that Waste Management was misrepresenting itself as the Commission in order to make Seabeck Waste stop operating.¹⁷ Additionally, Staff notes that Superior agreed at the hearing that it is currently subject to the Commission's regulations and that it plans to comply with all applicable laws and regulations after receiving a certificate of convenience and necessity. 18 Furthermore, Staff is not aware of any additional violations by Superior during the time since Superior filed its application. Therefore, although there may have been some initial concerns

¹⁵ Sevall, Exh. SS-2 at 2. Sevall, Exh. SS-3 at 1.

¹⁶ In re Classification of Seabeck Waste & Recycle, supra n.1, Order 02 at 7 ¶ 25, 29.

¹⁷ Stein, TR. Vol. 2 38:2-20.

¹⁸ Stein, TR. Vol. 2 93:18-23, 97:19 – 98:2.

regarding Superior's regulatory fitness, Staff believes that Superior has demonstrated its regulatory fitness and that any residual issues can be resolved with Superior if its application is approved.

As such, Staff argues that the Commission should determine that Superior has demonstrated its financial and regulatory fitness.

2. Superior's Proposed Service

a. Pack-Out Service is the Same as Waste Management's Drive-In Service

Superior proposes to offer "pack-out" service, which it describes as "different from traditional solid waste collection," in that it pertains to customers who are physically unable to move solid waste to a common collection point or customers who are simply unwilling to move solid waste to a common collection point.¹⁹ Superior also states that "[d]rive-in service and pack-out service are two different services that parallel each other closely. Oftentimes, both services are required for a customer."²⁰ Superior further explains that its pack-out service is distinct from the services offered by Waste Management because Superior's service will not be limited by the one mile drive-in limitation contained in Item 80 of Waste Management's Tariff No. 20, and because it charges more reasonable rates.²¹

The term "drive-in" is not defined in the Waste Management tariff. However, Robert Rutledge testified for Waste Management that "Waste Management offers drive-in service, in which the entire collection vehicle is driven up to a mile off the public roads to collect the customer's cart."²² Similarly, Staff has testified that drive-in service involves "the solid waste

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¹⁹ Stein, Exh. DS-1T at 5:23 – 6:6.

²⁰ Exh. DS-21X at 2.

²¹ *Id*

²² Rutledge, RAR-1T at 3:10-12.

company driving their collection truck down the customer's driveway²³ to pick up the customer's solid waste, recycling, or organic cans or totes."²⁴

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Staff asserts that "pack-out" service and "drive-in" service are substantially the same service. Although Superior states that its service is tailored to physically disabled customers, Superior's tariff does not otherwise propose to limit its service to a particular subset of customers. Additionally, Superior testified that it did not consider "pack-out" service specialized based on the type of service vehicle that Superior would use. While Superior has stated that its rates for "pack-out" are different than the rates offered by Waste Management, "the Commission has historically not considered rates proposed by applicants because rates can be changed at any time."

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Staff requested Waste Management's customer survey notes of Superior's proposed customers to help Staff determine how many customers were excluded from drive-in service due to the 1 mile drive-in distance limitation in Waste Management's tariff. After reviewing Waste Management's survey notes, Staff determined that two of Superior's 53 current customers were ineligible for drive-in service based on the 1 mile distance limitation in Waste Management's tariff for drive-in service. As such, the Commission could determine that Superior is offering a new service with respect to customers that are beyond the 1 mile distance limitation for drive-in service because Waste Management will not provide such

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²³ Waste Management's tariff does define a "driveway" as "providing access to a single residence" and further notes that "if a driveway provides access to multiple residences or accounts, no drive-in fees will be assessed." MAW-6X at 19.

²⁴ Sevall, Exh. SS-6T at 2:15-17.

²⁵ Exh. DS-12X.

²⁶ Stein, TR. Vol. 2 31:14 – 32:2.

²⁷ Exh. DS-21X at 2; *In re Application of R.S.T. Disposal Company, Inc., d/b/a Tri-Star Disposal* and *In re Application of Seattle Disposal Company d/b/a Rabanco Companies*, Order M.V.G. No. 1402, Hearing Nos. GA-845 and GA-851, at 20 (July 28, 1989). The same order further explains that "[t]here is a distinction between rates for service and cost of service. In garbage regulation, the cost of service, based upon the cost of equipment and facilities, is a significant element." *Id.* at 20. See also, RCW 81.77.040, which directs the Commission in part to consider the "present service and the *cost* thereof for the contemplated area to be served." (Emphasis added).

²⁸ Sevall, Exh. SS-T6 at 3:10-17, Sevall, Exh. SS-8C, Sevall, Exh. SS-9C.

service under its current tariff. If the Commission agrees, then it should consider whether public convenience and necessity requires a competing solid waste carrier with respect to the two Superior customers who are excluded from Waste Management's drive-in service and determine whether Waste Management will provide satisfactory service with respect to the remaining 51 Superior customers.

b. Public Convenience and Necessity Does Not Require a New Service

If the Commission determines that Superior is offering a new service to the two customers ineligible for drive-in service, it must determine whether public convenience and necessity requires such service. Staff estimates that there are approximately 1,100 customers within the territory that Superior proposes to operate in.²⁹ Given the low number of unserved drive-in customers relative to the total customer count in the proposed service territory, and the Commission's comments that exclusive service territories for solid waste collection are generally in the public interest, Staff does not think that public convenience and necessity requires an additional carrier.³⁰ Therefore, the Commission should determine that Superior has not demonstrated that the public convenience and necessity requires an additional solid waste carrier in the proposed service territory.³¹

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²⁹ Sevall, Exh. SS-T6 at 3:6-8.

³⁰ Staff also observes that having two competing solid waste carriers within the same service territory would likely lead to lost efficiencies through duplication of services and greater wear and tear on roads, particularly if different customers on the same roads use different solid waste carriers.

³¹ Upon additional review of the survey data provided by Waste Management, Staff notes that Waste Management may be using a different analysis than that used by Staff to determine whether a customer is within the 1 mile drive-in tariff limit. Assuming for the sake of argument that Waste Management's determination of how to measure drive-in distance is correct, there may be up to 14 customers that are ineligible for drive-in service based on the 1-mile limitation. Exh. SS-9C. However, even if Waste Management's analysis is correct (which Staff does not concede), Staff would still conclude that 14 unserved drive-in customers in a proposed service territory of 1100 customers does not show that public convenience and necessity requires an additional certificated solid waste carrier in the service territory. Therefore, the Commission need not resolve the issue of what measurement of distance is correct to resolve this case, because under either analysis, Staff does not believe that Superior has demonstrated that public convenience and necessity requires the operation of a competing solid waste carrier.

3. Superior has not Shown that Waste Management's Service Will Be Unsatisfactory to the Commission

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To evaluate whether Waste Management will provide service to the satisfaction of the Commission, Staff considered the customer support statements provided by Superior and the 23 customer complaints filed with the Commission pertaining to Waste Management since the beginning of 2017.³² Of the 23 customer complaints filed with the Commission, the company was cited for 27 violations of Commission WACs and three of the complaints were upheld in the customer's favor.³³ One customer complaint pertained to a disabled customer requesting drive-in service, however the company was able to provide the customer service and Staff upheld the complaint in the company's favor with arrangements and no violations.³⁴ Given the relatively few customer-upheld complaints and violations over an approximately 2 ½ year period, Staff believes that the nature, seriousness, and pervasiveness of the customer complaints, Waste Management's response to those complaints, and its ability to resolve complaints suggests that Waste Management will provide service to the satisfaction of the Commission. For similar reasons, Staff believes that Waste Management's history of compliance with regulation indicates that the company will provide service to the satisfaction of the Commission.

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Waste Management also asserts that it is not providing drive-in service to several of Superior's proposed customers because the road conditions are not safe enough to provide that service with its existing collection vehicles.³⁵ Staff's review of the record suggests that Waste Management's use of the safety exemption to deny requests for drive-in service is reasonable. Staff observes that Item 30 of Waste Management's tariff allows the company to

³² Stein, Exh. DS-4, Sevall, Exh. SS-7C.

³³ Sevall, Exh. SS-7C.

³⁴ Sevall, Exh. SS-7C at 208-20.

³⁵ Rutledge, Exh. RAR-2T at 2:18-3:7.

refuse to "[d]rive into private property when, in the company's judgment, driveways or roads are improperly constructed or maintained, do not have adequate turn arounds, or have other unsafe conditions." Staff also notes that Superior's proposed tariff contains the same refusal of service terms. WAC 480-70-366(2)(c) also authorizes a company to refuse service if "in the company's judgment, driveways or roads are improperly constructed or maintained, do not have adequate turn arounds, or have other unsafe conditions." Additionally, one customer who provided a support statement for Superior appeared to confirm that some of the roads in Superior's proposed service territory may present safety concerns. Therefore, the Commission should determine that Superior has not shown that Waste Management will not provide service to the satisfaction of the Commission.

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If the Commission agrees that Waste Management will provide service to the satisfaction of the Commission, it need not consider whether public convenience and necessity requires a competing operation.

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In sum, Staff does not believe that the present record demonstrates that Waste Management will not provide service to the satisfaction of the Commission. While Staff does not conclude that Waste Management's service will be unsatisfactory, Staff would like to further explore the issues raised in Superior's application and work with Waste Management to ensure that all of its services are made available to as many customers as possible. In particular, Staff would like to discuss possible revisions to Waste Management tariffs, as

³⁶ Exh. MAW-6X at 14.

³⁷ Exh. DS-12X at 4.

³⁸ Stein, DS-4 at 6-7 ("Although part of Larson Lane (the main road toward my house) is paved, it is privately maintained and very narrow with blind spots. Beyond the paved section, there are dirt/gravel roads that must be traversed to reach my house. The County does not clear the snow or otherwise maintain the roads to my house, which may make them difficult to travel upon in winter. If trees fall on the roads or [the roads] otherwise become obstructed, there is no service to remove them other than good-hearted neighbors that do it voluntarily if they have time. I do not believe that Waste [Management's] heavy and large garbage trucks would be able to safety and regularly travel up the paved portion, and it would be extremely difficult, if not impossible to traverse the dirt or gravel roads – particularly without doing damage to the private roads.")

safely as possible, Staff is troubled by the customer comments contained in Superior's application that describe customers' need to haul garbage up to three miles away from residences to collection points in order to receive service. As such, the Commission should require Staff and Waste Management to meet and discuss implementing the new service vehicles and possible revisions to tariffs, and to report their progress to the Commission within six months of the entry date of the Commission's order in this docket.

well as implementation of the new service vehicles discussed in Waste Management's

testimony. 39 Although Staff entirely agrees that every regulated carrier should operate as

IV. CONCLUSION

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To resolve this application, the Commission must make four determinations. First, the Commission must determine whether Superior has demonstrated regulatory and financial fitness to provide service. Second, the Commission must determine whether Superior proposes to offer the same service as Waste Management. Third, if the Commission determines that Superior is offering the same service, the Commission must determine whether Waste Management's service will be to the satisfaction of the Commission. Finally, if the Commission determines that Superior is offering a new service or that Waste Management's service will not be to the satisfaction of the Commission, it must determine whether public convenience and necessity requires an additional solid waste carrier.

⁴⁰ Stein, Exh. DS-4 at 26-27, 32.

regarding the provision of drive-in service in the service territory.

³⁹ Weinstein, Exh. MAW-5T at 6:12 – 7:3, Weinstein, TR. Vol. 2 117:13-18. While Staff acknowledges that the Commission does not consider an incumbent's improvements to its service after the filing of an application when determining whether the incumbent will provide service to the satisfaction of the Commission, the new service vehicles discussed in Waste Management's testimony would likely be able to safely provide drive-in service to Superior's proposed customers. See Rutledge, RAR-1T at 5:4-7 ("As Mr. Weinstein mentions, we are considering smaller collection vehicles that still have compaction equipment, but weigh less and sit on smaller chassis and are thus able to safely navigate smaller, narrower roads with tighter curves and turn-arounds than our existing collection vehicles."). Use of such vehicles would likely allow Waste Management to safely provide drive-in service to several of Superior's proposed customers and resolve some of Staff's concerns

Staff argues that the Commission should determine that Superior is fit to provide service and that at least part of its proposed service is a different service than the service offered by Waste Management, because Waste Management will not provide drive-in service beyond a mile. However, Staff also maintains that Superior has not shown that Waste Management's service will not be to the satisfaction of the Commission with respect to the service that is the same. Furthermore, Staff does not think that Superior has shown that public convenience and necessity requires an additional solid waste carrier with respect to the portion of Superior's service that is new. Consequently, the Commission should deny the application, yet provide the additional relief requested by Staff.

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As stated above, although Staff maintains that the Commission should deny the application, Staff also requests that the Commission require Waste Management to meet with Staff to discuss how to best implement the service revisions contemplated in the company's testimony. Staff strives to ensure that service providers offer service options on a universal basis throughout a service territory such that all customers may take advantage of all service options. Staff considers universal service an important service goal, particularly in circumstances similar to those raised in Superior's application, where disabled customers are unable to move their solid waste to a common collection point, which in some cases may be a mile or more from the customer's home. Staff would like to further explore the circumstances raised in Superior's application with Waste Management, as Staff was first made fully aware of those circumstances in this application docket. As such, the Commission should require Staff and Waste Management to meet and discuss implementing the new

service vehicles and possible revisions to tariffs, and to report their progress to the

Commission within six months of the entry date of the Commission's order in this docket.

Respectfully submitted,

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