



Memorandum

Confidential and Proprietary Information

TO: Gene Eckhardt
FROM: Mike Weinstein
DATE: June 16, 2010
RE: Filing Compliance with WAC 480-07-520 (4)(j)

In its most recent tariff filing requesting a revision to its solid waste collection rates, Waste Management of Washington, Inc. d/b/a Waste Management of Seattle/South Sound (“WMW”) filed work papers in accordance with WAC 480-07-520, including information regarding affiliated interest transactions in compliance with subsection (4)(j). For the purpose of facilitating your review of that aspect of the filing, we submit this summary discussion and explanation.

As you know, and as stated in the 2009 Annual Affiliated Interest Report filed by Waste Management of Washington, Inc., the sole affiliated interest with which WMW has dealings is Waste Management, Inc., which provides the following services:

Customer payment processing, Credit checking and delinquent account collections, Cash management and treasury services, Investor relations and shareholder communications, SEC compliance and reporting, Procurement services, Information Technology services, Real estate services, Accounting services and GAAP compliance, Federal, state and local tax compliance, Accounts payable processing, Payroll and benefits administration, Human resource services, Workers’ compensation administration, Risk management (insurance) administration, Safety program support services, “Service Machine” support and administration (enhanced customer service), Engineering services, Federal and state environmental regulatory compliance, Legal services.

The work papers provided with our tariff filing describe the services in further detail, in the file labeled “2009 Corp._Group_Area Overhead_032510.” There, we set forth

several hundred line items of various administrative overhead services [performed by Waste Management, Inc. for WMW](#).

The nature of these services falls generally into the category of “administrative overhead.” Our work papers analyzed the financial burden to WMW for these services during the test year in the various tabs on the Excel spreadsheet referred to above. As stated in our 2009 Annual Affiliated Interest Report, WMW’s allocation costs are based on the proportionate share of total operating expenses less disposal charges and taxes. The analysis set forth in our working papers discloses the basis for calculating that amount for WMW during the relevant test period, by showing the Corporate and Group office total overhead costs, making appropriate adjustments, and then calculating the proper amount for WMW of Seattle/South Sound based on its proportionate share of adjusted total operating expenses.

The next step of the analysis, determining the appropriate amount for regulated operations, is shown in the “Combined Working Trial Balance” spreadsheet at the tab labeled “WTB.” There, on lines 406-408, the total overhead allocation attributed to WMW of Seattle/South Sound is further adjusted to take out the amounts attributable to unregulated operations. Adjustments are made for commercial recycling, commercial roll-off recycling, and non-regulated (i.e., municipal contract) garbage, recycling and yardwaste. As you can see by reference to line 351, allocations are made throughout the work papers on the basis of operating expenses attributable to each of these operations.

The regulation setting forth the affiliated interest information requirements for a general rate increase filing also asks the filing entity to state “the length of time the relationship has been ongoing.” WMW has been receiving the benefit of the various administrative overhead services from the Corporate and Group offices for many years; maybe as long ago as 1987 when Waste Management acquired the predecessor company Bayside Waste Hauling and Transfer, Inc. Frankly, it would be difficult to determine when the arrangement began, but certainly it has been in place since our first Affiliated Interest Annual Report was filed for the calendar year 2005, and since subsection (4)(j) of WAC 480-07-520 was adopted in 2006. More importantly, the truly meaningful response to this item is that the arrangement described in the work papers was in effect during the entire test period, and the calculations provided were for that total twelve-month period.