



October 17, 2011

Washington Utilities and Transportation Commission
Chandler Plaza Building
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Subject: Waste Management – Sno-King, a division of Waste Management of Washington, Inc. (G-237);
Tariff # 15

Enclosed are revised pages 2, 21, 24, 25 and 26 to the above-referenced tariff. The purpose of these tariff revisions is to reflect the change in the commodity credits for residential and multi-family customers receiving recycling collection services, and to request approval of the proposed commodity credit for the period from December 1, 2011, to August 31, 2012. These tariff revisions reflect an increase of the current commodity credit from \$1.70 to \$4.15 per month for residential customers and an increase from \$0.21 per yard to \$0.64 per yard for multi-family customers.

Enclosed for your review are our accounting work papers and our Revenue Sharing Report that reflects the revenues received and expenditures incurred during the last revenue sharing period. Customers will be notified of the change in their commodity credit adjustment on their next regularly scheduled billing after the approval of the Commission. In addition, the county has been notified of these proposed tariff changes.

This filing is intended to perpetuate revenue sharing in King County. The prior period's approvals extended the previous revenue-sharing program for an additional three months. Initial Order Granting Petition For Extension Of Revenue Sharing Programs And Recycling Commodity Pricing Adjustments, TG-101220, 101221, 101222 (Consolidated) (July 14, 2011). This filing thus requests approval for a commodity credit for only 9 months, and if approved would bring the timing of the King County program back to the August 31-September 1 cycle. The commodity credit has therefore been calculated based on revenues and expenditures made under the revenue sharing programs for both the original and the extension periods. Enclosed are work papers showing how the commodity credit was calculated, and also showing how the retained revenue was used to increase recycling during the original and extended plan period.

In calculating how retained revenues were used during this period, you will notice that we allocated 8% to Waste Management for a financial reward. Please be assured that we very clearly understand that the Commission has not approved this approach, and we do not intend this filing to be perceived as confrontational. We are aware that the initial order in the previous docket numbers affirmatively rejected earmarking financial incentives to the Company in this manner. In that consolidated proceeding, however, we have filed a petition for administrative review that we hope will persuade the Commission to issue a final order approving the approach taken by the Company and King County. In the meantime, in the context of this filing, all we can do is ask.

We continue to believe the Company should be rewarded for its performance, and that assigning a percent of revenue to its financial incentive is the soundest approach. As some indication of why, the attached Revenue Sharing Report (2010-2011) presents evidence of WM's success. The Company's analysis demonstrates that diversion rates in King County have steadily gone up from 36% in 2009 to 38.4% in the 9-month period of 2011 covered by the preceding plan. The work papers for the commodity credit show that revenues in total and per

customer went up by 51%. In calculating the commodity credit that this filing will replace, the Company projected approximately \$3.6 million; but in fact the Company was able to process materials and locate markets that returned about \$7.4 million. This performance benchmark is exactly the kind of effort that the revenue sharing legislation should reward. For example, WM was able to locate markets for paper products that exceeded the OMB prices by 17%, which itself translates to about \$875,000 of the increase.

For this reason, you will also notice in the attached work papers that Waste Management used 30% as a placeholder in calculating the recycling commodity credit because the Company believes that would provide sufficient funds to perform program activities, assuming recycling revenues remain as high as they have been. We are not requesting approval to retain the full 50% authorized by the statute.

At this point in time, however, neither Waste Management nor its County partners are certain about how to proceed on finalizing the next plan, and thus a revenue sharing program for the next period is not included with this submittal. The Company is still performing under the extended revenue sharing program, and is even now generating data to analyze the plan that ends November 31, and we are sharing that data with King County to use in designing the next plan. We are working with our County partners to identify past program activities that should be incorporated into standard practice (and thus reflected in tariff rates rather than the revenue-sharing-based commodity credit); to ascertain new or expanded activities and potential capital investments to be funded by the 30% retained revenues during the next period; and to identify and estimate costs for preparation of a budget.

We would like an opportunity to make a presentation to the Commission about activities in 2010-2011 under our original and extended Plans program activities that were undertaken during the past period and the effects those efforts and investments had on the goal of increasing recycling in King County. On behalf of Waste Management and King County, we submit the Commission would have a more complete appreciation of the nature of the revenue sharing programs if we translated dollars to actual stories about how the money was spent. To Waste Management, to King County, and to the ratepayers benefiting from these programs, revenue-sharing activities are more than numbers on a spreadsheet. We believe such a presentation would enable all of us to have a better understanding of how the legislative goals of revenue sharing can be achieved.

Armed with a full analysis of the data and a better understanding of the program's implementation, then we would hope to present to the Commission a solid and approvable revenue sharing program for the next plan period.

If you have any questions or need additional information, please contact me at (425) 814-7840.

Very truly yours,



Mike Weinstein
Senior Pricing Manager, Pacific Northwest Market Area

cc: Dean Kattler
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