



WASTE CONNECTIONS
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October 25, 2019

Mr. Mark Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

Re: Docket TG-131255 Inquiry into methods for setting rates for solid waste collection companies

Dear Mr. Johnson:

Thank you for the opportunity to provide comments on Docket TG-131255 - Inquiry into methods for setting rates for solid waste collection companies. These comments are being submitted on behalf of Waste Connections (WC).

As one of the largest regulated and publically traded solid waste and recycling haulers, offering services to approximately 380,000 households in Washington, we have closely followed the developments of this inquiry since 2013.

We believe the current Lurito-Gallagher (LG) model has served our customers and the citizens of Washington State well since its introduction as the solid waste industry's accepted rate setting method in 1987. It has allowed for the successful and quick implementation of new and improved programs such as single stream recycling and automated cart service.

As the Washington Refuse and Recycling Association (WRRRA), the Berkley Research Group (BRG), and the Washington Utilities and Transportation Commission (WUTC) have already completed extensive work concerning updating the current solid waste rate setting methodology, we will attempt to keep our comments brief and to the main points of interest to us at this time. We also reserve the right to submit additional comments in the future as needed to share our further views as the public process continues.

Waste Connections is generally supportive of the comments submitted to the WUTC by the WRRRA and BRG on October 25, 2019 on behalf of the regulated solid waste industry.

As part of the rate-setting methodology update process, if the WUTC is determined to replace the LG rate-setting model and consider adopting a version of the DuPont model as a possible replacement, WC would support BRG's proposed DuPont Model 1 and/or DuPont Model 2 submitted for consideration that are based on best practices in economic theory and objective



selection of datasets that can be easily replicated and updated in the future on an agreed upon frequency by the WUTC, WRRRA, and regulated solid waste industry.

If an alternate rate-setting methodology is selected, we would expect that taxes be treated as pass-throughs and handled in the same fashion as they have historically been under the current LG rate-setting model. This would continue to provide protection for consumers and solid waste companies concerning taxes that either increase or decrease over time. One recent example was evidenced when the Commission introduced the “modified” LG in 2017 to accommodate for the decrease in the federal corporate income tax rate that was passed through to rate-payers via a reduction in solid waste rates.

In closing, Waste Connections would like to point out the importance of achieving a representative market based rate of return for the solid waste industry operating in Washington under any updated LG rate setting methodology or, any alternate model adopted. Any model utilized in the future must provide the solid waste industry the ability to continue investing the necessary capital needed to keep a vibrant and safe solid waste and recycling system operating across our State. As a publically traded company, decisions regarding the deployment of capital within Waste Connections are made at the corporate level. Local management is held to achieving a market rate of return on capital deployed as compared to capital investments that can be made in other geographic areas of the Company’s operating footprint across the United States. WC has invested approximately \$75 million of capital into our Washington regulated solid waste and recycling operations since 2015. If the WUTC adopts a new rate setting model that proposes lower returns on assets, it could become very difficult to continue to infuse capital in Washington State’s regulated solid waste system at the current and historical levels.

The WUTC in conjunction with the private sector solid waste industry has created a robust, vibrant and safe solid waste and recycling collection system; one which thoroughly protects public health and the environment. We are committed to doing our part to maintain the safest, environmentally and economically sustainable solid waste management system in the future. We appreciate the Commission’s consideration of our comments.

Best regards,



Edward L Westmoreland,
Western Region Vice President of Governmental Affairs
Waste Connections

