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Exhibit No. \_\_\_\_\_ (MAW-4T)

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

RESPONSE TESTIMONY OF MICHAEL WEINSTEIN

On behalf of Waste Management of Washington, Inc.

November 16, 2012

1 **Q. Please state your name and business address.**

2 A. My name is Michael Weinstein. My business address is 720 4<sup>th</sup> Avenue, Ste. 400,  
3 Kirkland, WA 98033.

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

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

7 **Q. Are you the same Michael Weinstein who submitted Direct Testimony in this**  
8 **proceeding?**

9 A. Yes.

10 **Q. What is the purpose of your response testimony in this proceeding?**

11 A. First, I will address the background, experience and methodology used by Christopher  
12 Dunn in his Direct Testimony. Second, I will address the flawed assumptions and data  
13 he relied on in his Direct Testimony which resulted in the erroneous conclusions he  
14 advanced. Third, I will address my projections regarding the growth in Washington’s  
15 regulated medical waste (“RMW”) market and the impact on Stericycle of statewide  
16 competition from Waste Management. Fourth, I will address the absence of any  
17 probative evidence to suggest that the economic viability of the WRRRA Protestants will  
18 be impacted by approval of Waste Management’s application for statewide authority.

19 **I. MR. DUNN’S BACKGROUND, EXPERIENCE AND METHODOLOGY**

20 **Q. Have you reviewed the prefiled testimony of Christopher Dunn?**

21 A. Yes.

22 **Q. Did you attend Mr. Dunn’s deposition on November 2, 2012?**

23 A. Yes. A true and correct copy of excerpts of his deposition is attached hereto as  
24 Exhibit 3.

1 **Q. Based on your education and experience, does Mr. Dunn have the requisite**  
2 **education, training or experience to testify regarding the financial effects to**  
3 **Stericycle if Waste Management's application for statewide authority were**  
4 **granted?**

5 A. No.

6 **Q. Why not?**

7 A. Mr. Dunn has no education, training or experience in accounting or finance. He never  
8 finished college and while in college he never took any courses in accounting. Ex. 3 at  
9 5:18-6:4. At Stericycle and its predecessor BFI Medical Waste Systems, where Mr.  
10 Dunn has spent his entire career, he has been a truck driver, unloaded trucks, scheduled  
11 collection routes, ordered vehicles, managed the plant operations, and supervised office  
12 staff who handle truck dispatching and customer billing. *Id.* at 6:14-7:7, 8:13-9:1,  
13 15:13-20, 19:4-25. He has never had any accounting responsibilities for Stericycle or  
14 any on-the-job training in accounting functions. *Id.* at 7:22-24, 9:16-19, 15:3-4, 21:8-  
15 22:4. He has never created a budget for Stericycle. *Id.* at 9:13-15, 16:3-11. He has  
16 never been involved in preparing any of Stericycle's rate filings with the Commission  
17 and he has never reviewed Stericycle's annual reports filed with the Commission. *Id.* at  
18 22:5-7, 99:11-13. Prior to submitting his Direct Testimony in this case, he never  
19 analyzed Stericycle's tariff rates. *Id.* at 22:13-16, 23:2-24:1. Mr. Dunn does not know  
20 who handles the accounting functions for Stericycle. *Id.* at 24:24-25:2. He does not  
21 know what Stericycle's profit margin presently is in Washington, not even a ballpark  
22 number, nor does he know if that profit margin is within the range the Commission has  
23 deemed acceptable for solid waste companies. *Id.* at 52:24-53:2, 53:17-54:5.

24 **Q. Are there any other reasons you believe Mr. Dunn is not qualified to offer any**  
**testimony regarding the financial effects to Stericycle of statewide competition**  
**from Waste Management?**

1 A. Yes. Mr. Dunn did not create Exhibit A to his Direct Testimony which sets forth  
2 Stericycle's view of the "effects of business loss in [the] new territory" ("Exhibit A").  
3 Exhibit A was created by John Suchla, an employee of Stericycle, Inc. in Illinois, whom  
4 Mr. Dunn has never met and whom Mr. Dunn never had any communications with until  
5 Mr. Dunn was asked to file his Direct Testimony. *Id.* at 25:15-21, 26:3-10, 55:19-20,  
6 56:12-57:1, 93:22-94:7. Mr. Dunn's sole contribution to Exhibit A was to select the  
7 three percentages of revenue loss to be applied in Mr. Suchla's model. Mr. Dunn  
8 selected 10, 25 and 50 percent. *Id.* at 94:8-21, 95:13-19. He "had to choose something"  
9 and he acknowledges that he could have picked any other numbers instead. *Id.* at  
59:18-60:8.

10 **Q. Did Mr. Dunn determine which of Stericycle's revenues come from the "current**  
11 **territory" and which come from the "new territory"?**

12 A. No. According to Mr. Dunn, Mr. Suchla made that determination. *Id.* at 54:15-22. Mr.  
13 Dunn did not even see any of the underlying data, and does not know where the data  
14 came from, which supports Exhibit A's assertion regarding the percentage of  
15 Stericycle's revenues which come from the "new territory." *Id.* at 55:13-18, 56:3-11.  
16 Mr. Dunn states in his Direct Testimony that Stericycle's "revenue per stop in the new  
17 territory is almost 19% lower than our revenue per stop in WM's existing service  
18 territory," Dunn Direct Testimony ¶ 5, but Mr. Suchla, not Mr. Dunn, reached that  
19 conclusion and Mr. Dunn does not know what Mr. Suchla did to reach this conclusion.  
20 Ex. 3 at 62:10-63:4, 66:11-67:10. Mr. Dunn does not know how much revenue  
Stericycle generates per stop in Waste Management's existing service territory. *Id.* at  
67:11-19.

21 **Q. Is Mr. Dunn's assertion in paragraph 6 of his Direct Testimony that Stericycle's**  
22 **"costs per stop are higher on routes within the new territory than within WM's**  
23 **existing territory" based on his review of any data?**

1 A. No. He does not know what Stericycle's costs per stop are in the two territories and he  
2 never looked at any data to make this determination. *Id.* at 81:5-19.

3 **Q. Does Mr. Dunn know the source of the "stop, cost and revenue data for Stericycle**  
4 **in 2011" referenced in his Direct Testimony at paragraph 9 and which form the**  
5 **basis for Exhibit A?**

6 A. No. Mr. Suchla, not Mr. Dunn, came up with these numbers. Mr. Dunn does not know  
7 what data Mr. Suchla reviewed to determine the numbers used in Exhibit A. *Id.* at 96:7-  
8 15.

9 **Q. Did Mr. Dunn determine which of Stericycle's 2011 costs were fixed and which**  
10 **were variable as reflected in Exhibit A?**

11 A. No. Mr. Suchla, not Mr. Dunn, made that determination. *Id.* at 105:11-108:4, 106:12-  
12 14. So, Mr. Dunn does not know which costs are included as fixed and which as  
13 variable on Exhibit A. *Id.* at 97:23-98:5.

## 14 II. IMPACT TO STERICYCLE

15 **Q. Please describe the assumptions Mr. Dunn makes in his Direct Testimony with**  
16 **which you disagree.**

17 A. In his Direct Testimony and Exhibit A, Mr. Dunn has assumed that Washington's  
18 RMW market will remain static based on the amount of Stericycle's gross revenues in  
19 2011. He has assumed that, if statewide authority is granted to Waste Management, the  
20 entire RMW market for which Stericycle will compete with Waste Management is  
21 \$13,709,428.15. This number represents Stericycle's 2011 gross revenues as reported  
22 on its Annual Report filed with the Commission. Attached hereto as Exhibit 7 is a true  
23 and correct copy of Stericycle's 2011 Annual Report to the Commission which Waste  
24 Management obtained from the Commission. The growth of Washington's RMW  
market in the last eleven years demonstrates that Mr. Dunn's assumption of a static

1 market is completely unreasonable. As reflected in the reported gross revenues of  
2 Stericycle – the only statewide provider of RMW services and which, until midway  
3 through 2011, had a corner on the RMW market – the Washington RMW market has  
4 grown in each year since 2001, save one and in that year Stericycle nonetheless  
5 witnessed a material increase in its net income. In 2002, Stericycle’s gross revenues  
6 **grew by 16%** and its net income **increased by 21.2%**. In 2003, although Stericycle’s  
7 gross revenue declined by a slight .9% (nine tenths of one percent), its net income  
8 **increased by 6.7%**. In 2004, Stericycle gross revenues **grew by 9%** and its net income  
9 **increased by 5.4%**. In 2005, Stericycle’s gross revenues **grew by 7.8%** and its net  
10 income **increased by 4.9%**. In 2006, Stericycle’s gross revenues **grew by 2.4%** and its  
11 net income **increased by 2.5%**. In 2007, Stericycle’s gross revenues **grew by 10.6%**  
12 and its net income **increased by 5.7%**. In 2008, Stericycle’s gross revenues **grew by**  
13 **11.3%** and its net income **increased by 5.7%**. In 2009, Stericycle’s gross revenues  
14 **grew by 6.8%** and its net income **increased by 8.2%**. In 2010, Stericycle’s gross  
15 revenues **grew by 2.6%** and its net income **increased by .4%**. In 2011, the first year in  
16 which Stericycle faced competition from Waste Management, Stericycle’s gross  
17 revenues **grew by 11%** and its net income **increased by 4.0%**. Since 2001,  
18 Stericycle’s revenues have **grown cumulatively by 106.9%** and its net income has  
19 **grown cumulatively by \$5,093,718**. See Ex. 2 to my Direct Testimony. Moreover, in  
20 2011, the RMW market was larger than reflected by Stericycle’s gross revenues  
21 because, in its first partial year of providing RMW services in the Certificate No. G-237  
22 territory, Waste Management had gross revenues of \$115,240. Attached hereto as  
23 Exhibit 4 is a true and correct copy of Waste Management’s Income Statement for  
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1 2011. So, we know that even in 2011, itself, Washington's RMW market was larger  
2 than Stericycle's gross revenues for that year. We also know that Washington's RMW  
3 market was even larger this year when Waste Management had gross revenues of  
4 \$326,219 through August 31. Attached hereto as Exhibit 5 is a true and correct copy of  
5 Waste Management's Income Statement for the first eight months of 2012. So, taking  
6 Stericycle's 2011 gross revenue number of \$13,709,428 – as Mr. Dunn did – and adding  
7 Waste Management's gross revenues through August of this year, it is evident that  
8 Washington's RMW market *already* is at least \$14,035,647. The year-over-year growth  
9 in Stericycle's gross revenues during a period when it had no meaningful competition –  
10 2001-2010 – amply supports and directs the conclusion that the market will continue to  
11 expand irrespective of which companies are providing the RMW service. That  
12 conclusion is also supported and directed by the growth in the overall RMW market in  
13 the one partial year – 2011 – in which Stericycle had meaningful competition. At his  
14 deposition Mr. Dunn acknowledged that it is “possible” that Stericycle's revenues can  
15 increase if the overall RMW market continues to grow but neither his Direct Testimony  
16 nor Exhibit A considered that possibility. Ex. 3 at 119:14-19. Not surprisingly, given  
17 his lack of training and experience with accounting and finance, Mr. Dunn recognizes  
18 that he “ha[s] no way of knowing” if it “would be possible” for Washington's RMW  
19 market to increase from its 2011 size. This is simply something he has never  
20 considered. *Id.* at 43:10-14.

21 **Q. Do you disagree with any other assumptions Mr. Dunn has made?**

22 A. Yes. He wrongly assumes that Stericycle's revenues will decrease from 2011 to 2012.  
23 *Id.* at 31:4-8, 32:2-5, 34:9-12. He believes this will occur because some Stericycle

1 customers within the Certificate No. G-237 territory have moved their business to  
2 Waste Management. *Id.* at 31:9-32:25. However, the data which Stericycle has  
3 produced demonstrates that in areas where Stericycle has lost customers, Stericycle has  
4 nonetheless increased the volume of RMW collected and processed (further supporting  
5 the conclusion that Washington's RMW market continues to grow). Stericycle reports  
6 that it lost 51 customers in Pierce County from 2011 to May 2012, yet increased the  
7 number of containers collected there by 2,900. According to Stericycle, it lost 25  
8 customers in Clark County from 2011 to May 2012, yet increased the number of  
9 containers collected there by 107. Similarly, Stericycle reports that it lost 11 customers  
10 in Grays Harbor County from 2011 to May 2012, yet it increased the number of  
11 containers collected there by 13. In Island County, Stericycle lost 11 customers from  
12 2011 to May 2012, yet increased the number of containers collected there by 76. In  
13 Kittitas County, Stericycle reports that it lost 3 customers from 2011 to May 2012, yet  
14 increased the number of containers collected there by 64. Stericycle lost 1 customer  
15 from 2011 to May 2012 in Stevens County while increasing the number of containers  
16 collected there by 16. In Walla Walla County, Stericycle lost 2 customers from 2011 to  
17 May 2012, yet increased the number of containers collected there by 96. Attached  
18 hereto as Exhibit 6 is a true and correct copy of Stericycle's Second Supplemental  
19 Responses to Waste Management's Data Requests reflecting this growth in the RMW  
20 market this year (at pp. 2-5). Moreover, Mr. Dunn acknowledges that Stericycle has  
21 added new customers in 2012. Ex. 3 at 42:1-14. Further evidence that Stericycle's  
22 2012 revenues will not be lower than its 2011 revenues is found in the fact that  
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1 Stericycle did not have to lay off a single driver in 2012. *Id.* at 50:18-20. If

2 Stericycle's revenues were shrinking, a corresponding reduction in labor would result.

3 **Q. Are there any other assumptions Mr. Dunn makes in his prefiled testimony with**  
4 **which you disagree?**

5 A. Yes. Contrary to his testimony, Exhibit A is **not** "based on ... cost ... data for  
6 Stericycle in 2011." Dunn Direct Testimony ¶ 9. Although Exhibit A uses Stericycle's  
7 2011 revenue as reported in Stericycle's Annual Report to the Commission, it **does not**  
8 use the 2011 expenses Stericycle reported to the Commission. Ex. 7. Stericycle  
9 reported to the Commission that its 2011 expenses were **\$12,850,339**. *Id.* To the  
10 contrary, Exhibit A shows Stericycle's 2011 expenses as **\$9,423,122.28** ("fixed costs"  
11 of \$5,109,471.36 + "variable costs" of \$4,313,650.92). Mr. Dunn acknowledges that  
12 Exhibit A does not include all of Stericycle's 2011 costs. Ex. 3 at 96:16-25.

13 **Q. Does Exhibit A properly categorize Stericycle's "fixed" and "variable" costs?**

14 A. No. It is impossible to know which costs Stericycle included in each of these  
15 categories. Mr. Dunn, the proponent of Exhibit A, testified that he does not know  
16 which costs were deemed "fixed" and which costs were deemed "variable" in Exhibit  
17 A. *Id.* at 97:23-98:5, 105:11-106:14. However, it is evident that the cost numbers are  
18 incorrect. Mr. Dunn acknowledged that disposal costs are variable because they are  
19 based on volume; if less waste is collected, fewer disposal costs are incurred. *Id.* at  
20 48:4-13. According to the information Stericycle supplied in discovery, it incurred  
21 "disposal expenses" of **\$5,628,493** in 2011. A true and correct copy of "Exhibit DR  
22 #1," which Stericycle produced to Waste Management on June 29, 2012, is attached  
23 hereto as Exhibit 9. Stericycle reported that same number to the Commission in its  
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1 Annual Report. *See* Ex. 7. To the contrary, Exhibit A states that in 2011 Stericycle  
2 incurred **total** variable costs of \$4,313,650.92. Without taking into account any other  
3 variable cost, this number is \$1,314,842 lower than Stericycle's reported (and  
4 presumably actual) variable disposal expenses. Furthermore, although Mr. Dunn does  
5 not know which costs were determined to be variable and which ones fixed in Exhibit  
6 A, Mr. Dunn, himself, does not understand how costs should be categorized for this  
7 type of accounting. For example, he testified that "direct labor" costs are fixed. Ex. 3  
8 at 100:1-8, 101:20-22 (reviewing the discovery responses which are attached hereto as  
9 Exhibit 6). Nonetheless, he acknowledged that a loss of customers would reduce the  
10 amount of employee time necessary to collect the waste and that this labor cost should  
11 be treated as variable. *Id.* at 37:21-38:10, 82:16-84:4. In fact, the larger portion of  
12 labor costs **is variable** because the amount of labor required is proportional to the size  
13 of the customer base. In contrast, Mr. Dunn believes that "office expense" is variable.  
14 *Id.* at 101:14-15. However, office expenses are independent of output and they remain  
15 constant despite changes in the size of the customer base. They are, thus, fixed.  
16 Understandably, given his line of work, Mr. Dunn is not able to hazard a guess as to  
17 how to categorize many of Stericycle's expenses. *Id.* at 100:23-101:5 (fringe  
18 allocation), 101:16-17 (telephone), 102:14-18 (depreciation of equipment), 102:19-20  
19 (insurance), 104:14-16 (sharps containers), 105:5-6 (professional fees), 105:9-10 (intra-  
20 company corporate expenses). In addition, profitable businesses have lower fixed costs  
21 than variable costs which grow with the company's increase in revenue. The opposite  
22 is true in Exhibit A where fixed costs (\$5,109,471.36) are \$795,820.44 more than  
23 variable costs (\$4,313,650.92).

1 **Q. Is Port Angeles an appropriate and representative example for Mr. Dunn to use in**  
2 **considering the impact to Stericycle of competition from Waste Management?**

3 A. No. Mr. Dunn uses the example of Port Angeles to argue that Stericycle's costs are  
4 largely fixed and that a loss of customers to Waste Management will not see a  
5 corresponding decrease in costs to Stericycle. However, Mr. Dunn readily admits that  
6 Port Angeles is not typical of Stericycle's business in the "new territory." First, it is one  
7 of Stericycle's very few routes located exclusively in the "new territory." *Id.* at 70:23-  
8 71:20. Second, Mr. Dunn is not aware of a single Stericycle route in the "new territory"  
9 which receives less frequent service than Port Angeles. *Id.* at 78:5-80:14. Third, due to  
10 the need to take a ferry to get there, the Port Angeles route has a disproportionately high  
11 number of "stem miles" – the fixed costs of getting from Stericycle's facility in  
12 Woodinville to Port Angeles and back – in comparison to the amount of time spent by  
13 the driver in Port Angeles collecting waste, which is a variable cost dependent on the  
14 number of customers and volume of waste. *Id.* at 84:10-85:13. It is also important to  
15 note that previously Port Angeles was served by **both** Stericycle and BFI. *Id.* at 87:2-6.  
16 Mr. Dunn's example of Port Angeles also fails to project competitive impact to  
17 Stericycle because he did not consider or determine the amount of costs Stericycle  
18 would save if some of its customers moved to Waste Management. *Id.* at 88:11-22.  
19 However, he recognizes that Stericycle's costs to serve Port Angeles are not the same as  
20 its costs to serve the large Bellevue RMW market. *Id.* at 91:22-25. Finally, Mr. Dunn  
21 admits that he cannot say one way or the other whether Stericycle's services in Port  
22 Angeles would be profitable if Stericycle had to compete with Waste Management for  
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1 that business and he does not know how much business Stericycle could lose in Port  
2 Angeles and remain profitable. *Id.* at 92:15-23.

3 **Q. Do you agree with Mr. Dunn’s conclusion about the impact to Stericycle from**  
4 **statewide competition from Waste Management?**

5 A. No. Mr. Dunn’s ultimate conclusion is that competition from Waste Management  
6 “would impose a serious squeeze on our margins.” Dunn Direct Testimony ¶ 13. He  
7 does not quantify the “squeeze,” but Stericycle has readily acknowledged that its  
8 economic viability is not threatened by having to compete with Waste Management  
9 statewide. *See* Stericycle’s Opposition to Waste Management’s Motion to Compel  
10 Discovery filed Aug. 6, 2012 ¶ 7 (“Stericycle makes no claim that Waste Management’s  
11 entry into the market in the territory covered by the application would drive Stericycle  
12 out of business.”), a true and correct copy of which is attached hereto as Exhibit 10. In  
13 any event, Mr. Dunn acknowledges that “margin” is defined as “the difference between  
14 revenues and costs.” Ex. 3 at 52:7-11. Having failed to include **all** of Stericycle’s  
15 costs, Mr. Dunn has not demonstrated the effect on Stericycle’s margin (or its costs)  
16 from statewide competition with Waste Management. Furthermore, he readily  
17 acknowledges that he does not know whether or not Stericycle would be profitable if it  
18 had to compete with Waste Management in the “new territory” and he has no idea how  
19 much business Stericycle would need to lose to Waste Management to become  
20 unprofitable. *Id.* at 92:15-93:9, 117:21-23. He did not consider and “would have no  
21 way of knowing” at what rate Stericycle’s revenues will decline in the “new territory” if  
22 Stericycle has to compete with Waste Management there like it does everywhere else in  
23 the state. *Id.* at 85:24-86:3. Finally, Mr. Dunn acknowledges that it is possible that  
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1 Stericycle could compete with Waste Management statewide and still have a sufficient  
2 profit margin without requiring Stericycle to raise its rates or decrease its service levels.  
3 *Id.* at 122:22-123:3.

4 **III. PROJECTIONS REGARDING RMW MARKET AND EFFECT OF**  
5 **COMPETITION ON STERICYCLE**

6 **Q. What forecast have you made regarding growth in the RMW market?**

7 A. I project that by 2015 the Washington RMW services market reasonably can exceed  
8 \$20 million. Attached as Exhibit 8 is a true and correct copy of a spreadsheet I created  
9 based on the revenue reported in Stericycle's Annual Reports for 2001 through 2011  
10 which show an average annual increase in revenue of 7.54% which I have applied to the  
11 years 2012 through 2015 (2015 annual revenue of \$18,337,273). I project that by 2015,  
12 the market will expand by at least an additional \$1.7 million as a result of an aging  
13 population and the implementation of the Affordable Care Act. Stericycle agrees.  
14 Attached hereto as Exhibit 13 is a true and correct copy of an article published  
15 yesterday in *Waste & Recycling News* entitled "Stericycle CEO Expects Profits on  
16 'Obamacare' Solid Waste." Stericycle, Inc.'s "[o]rganic growth was high for the [third  
17 quarter of 2012], with large-quantity sales up 9% and small-quantity sales up 11%. In a  
18 report to investors, analyst Ryan Daniels of William Blair & Co., said those results were  
19 the highest organic growth rates the company has produced in the last four years."  
20 Ex. 13. If Waste Management is successful in achieving its projected one third of the  
21 Washington RMW market, Stericycle would still have more than two thirds of the 2015  
22 market which I expect reasonably would yield annual revenue to Stericycle in the  
23 neighborhood of \$14 million ( $\$20,000,000 - (\$500,723 \times 12) = \$13,991,324$ ), a bit  
24 more than what Stericycle has presently. My projection that Stericycle can reasonably  
be expected to increase its gross revenues even while losing customers is further  
supported by the actual experience Stericycle has reported since it has faced

1 competition from Waste Management in the Certificate No. G-237 territory. *See* Ex. 6  
2 at 2-5.

3 **Q. What do you project as to Stericycle's profitability if it must compete with Waste**  
4 **Management statewide?**

5 A. By mid-2015, I project that Waste Management will have secured approximately one  
6 third of the market. Attached hereto as Exhibit 11 is a true and correct copy of the  
7 worksheet I prepared showing my projections (at pp. 4 showing June 2015 monthly  
8 revenue of \$500,723). If Waste Management is successful in achieving its projections,  
9 Stericycle would still have more than two thirds of the 2015 market which I expect  
10 reasonably would yield annual revenue to Stericycle in the neighborhood of \$14  
11 million, a bit more than what Stericycle had in 2011.

#### 11 IV. IMPACT TO THE WRRRA PROTESTANTS

12 **Q. Have you reviewed the Direct Testimony of Mark Wash on behalf of Consolidated**  
13 **Disposal Services, Inc. ("Consolidated")?**

14 A. Yes.

15 **Q. Based on your experience and education, does Mr. Wash's testimony demonstrate**  
16 **that there exists a material risk that competition from Waste Management would**  
17 **threaten Consolidated's economic viability?**

18 A. No.

19 **Q. Why not?**

20 A. Mr. Wash acknowledges that medical waste is only a small part of Consolidated's  
21 business and he has submitted no evidence or analysis which would suggest there is any  
22 possible threat here to Consolidated's viability. Moreover, he also has not submitted  
23 any evidence or analysis which would suggest that Consolidated's RMW service is in  
24 any jeopardy. He has not provided any information regarding Consolidated's costs or

1 its profit. He has not provided any explanation or analysis regarding the amount of  
2 costs Consolidated would save if it lost any business to Waste Management. He also  
3 has not provided any analysis to demonstrate how much business Consolidated would  
4 have to lose to Waste Management to threaten the profitability of Consolidated's RMW  
5 service. Moreover, the information he has provided is not sufficient to determine  
6 whether Consolidated's RMW service is even profitable today particularly given the  
7 lack of any economies of scale Consolidated can offer its customers. Mr. Wash also  
8 offered no explanation as to why any of Consolidated's customers would move their  
9 business to Waste Management when they have not previously moved their business to  
10 Stericycle. There is no evidence to suggest that Consolidated's customers are in any  
11 way dissatisfied with Consolidated's RMW service. I note that Stericycle presently  
12 collects all of this RMW from Consolidated for transportation, processing, and disposal  
13 and, apparently, that has not caused any of Consolidated's customers to simplify and  
14 streamline the handling of their RMW by moving their business to Stericycle.  
15 Importantly, Consolidated has been providing RMW services since before 1998 when  
16 Consolidated competed successfully with two statewide RMW service providers,  
17 Stericycle and BFI. Finally, Mr. Wash has not attested to having any education or  
18 training in accounting or finance which would qualify him to testify regarding  
19 projections of future market impact. He acknowledges that he did not prepare his  
20 Exhibit MW-4.

21 **Q. Have you reviewed the Direct Testimony of Mark Gingrich on behalf of Murrey's**  
22 **Disposal Co., Inc. ("Murrey's")?**

23 A. Yes.

1 **Q. Based on your experience and education, does Mr. Gingrich's testimony**  
2 **demonstrate that there exists a material risk that competition from Waste**  
3 **Management would threaten Murrey's economic viability?**

4 A. No.

5 **Q. Why not?**

6 A. Mr. Gingrich acknowledges that medical waste is only part of Murrey's business and he  
7 has submitted no evidence or analysis which would suggest there is any possible threat  
8 here to Murrey's viability. Moreover, he also has not submitted any evidence or  
9 analysis which would suggest that Murrey's RMW service is in any jeopardy. He has  
10 not provided any explanation or analysis regarding the amount of costs Murrey's would  
11 save if it lost any business to Waste Management. He also has not provided any  
12 analysis to demonstrate how much business Murrey's would have to lose to Waste  
13 Management to threaten the profitability of Murrey's RMW service. Presently,  
14 Murrey's is earning approximately \$26,048 more in net operating income than what it  
15 is entitled to earn under an acceptable operating ratio of 93.99%. Attached hereto as  
16 Exhibit 12 is a true and correct copy of my analysis based on the Lurito-Gallagher  
17 formula. Consequently, Murrey's is earning an exceedingly good margin and could  
18 lose business and still earn an acceptable margin. Mr. Gingrich also offered no  
19 explanation as to why any of Murrey's customers would move their business to Waste  
20 Management when they have not previously moved their business to Stericycle. There  
21 is no evidence to suggest that Murrey's customers are in any way dissatisfied with  
22 Murrey's RMW service. Importantly, Murrey's has been providing RMW services  
23 since before 1998 when Murrey's competed successfully with two statewide RMW



1 service providers, Stericycle and BFI. Finally, Mr. Gingrich has not attested to having  
2 any education or training in accounting or finance which would qualify him to testify  
3 regarding projections of future market impact. He acknowledges that he did not prepare  
4 his Exhibit MG-3.

5 **Q. Have you reviewed the Direct Testimony of Devon Felsted on behalf of Pullman**  
6 **Disposal Service (“Pullman”)?**

7 A. Yes.

8 **Q. Based on your experience and education, does Mr. Felsted’s testimony**  
9 **demonstrate that there exists a material risk that competition from Waste**  
10 **Management would threaten Pullman’s economic viability?**

11 A. No.

12 **Q. Why not?**

13 A. Mr. Felsted acknowledges that medical waste is only a small part of Pullman’s business  
14 and he has submitted no evidence or analysis which would suggest there is any possible  
15 threat here to Pullman’s viability. Moreover, he also has not submitted any evidence or  
16 analysis which would suggest that Pullman’s RMW service is in any jeopardy. He has  
17 not provided any information regarding Pullman’s costs or its profit. He has not  
18 provided any explanation or analysis regarding the amount of costs Pullman would save  
19 if it lost any business to Waste Management. He also has not provided any analysis to  
20 demonstrate how much business Pullman would have to lose to Waste Management to  
21 threaten the profitability of Pullman’s RMW service. Moreover, the information he has  
22 provided is not sufficient to determine whether Pullman’s RMW service is even  
23 profitable today particularly given the lack of any economies of scale Pullman can offer  
24

1 its customers. Mr. Felsted also offered no explanation as to why any of Pullman's  
2 customers would move their business to Waste Management when they have not  
3 previously moved their business to Stericycle. There is no evidence to suggest that  
4 Pullman's customers are in any way dissatisfied with Pullman's RMW service. I note  
5 that Stericycle presently collects all of this RMW from Pullman for transportation,  
6 processing, and disposal and, apparently, that has not caused any of Pullman's  
7 customers to simplify and streamline the handling of their RMW by moving their  
8 business to Stericycle. Importantly, Pullman has been providing RMW services since  
9 before 1998 when Pullman competed successfully with two statewide RMW service  
10 providers, Stericycle and BFI. Finally, Mr. Felsted has not attested to having any  
11 education or training in accounting or finance which would qualify him to testify  
12 regarding projections of future market impact. He acknowledges that he did not prepare  
13 his Exhibit DF-4.

14 **Q. Have you reviewed the Direct Testimony of Ed Rubatino on behalf of Rubatino**  
15 **Refuse Removal, Inc. ("Rubatino")?**

16 A. Yes.

17 **Q. Based on your experience and education, does Mr. Rubatino's testimony**  
18 **demonstrate that there exists a material risk that competition from Waste**  
19 **Management would threaten Rubatino's economic viability?**

20 A. No.

21 **Q. Why not?**

22 A. Mr. Rubatino acknowledges that medical waste is only a small part of Rubatino's  
23 business and he has submitted no evidence or analysis which would suggest there is any  
24

1 possible threat here to Rubatino's viability. Moreover, he also has not submitted any  
2 evidence or analysis which would suggest that Rubatino's RMW service is in any  
3 jeopardy. He has not provided any information regarding Rubatino's costs, revenues or  
4 profit. He has not provided any explanation or analysis regarding the amount of costs  
5 Rubatino would save if it lost any business to Waste Management. He also has not  
6 provided any analysis to demonstrate how much business Rubatino would have to lose  
7 to Waste Management to threaten the profitability of Rubatino's RMW service.  
8 Moreover, the information he has provided is not sufficient to determine whether  
9 Rubatino's RMW service is even profitable today particularly given the lack of any  
10 economies of scale Rubatino can offer its customers. Mr. Rubatino also offered no  
11 explanation as to why any of Rubatino's customers would move their business to Waste  
12 Management when they have not previously moved their business to Stericycle. While  
13 Rubatino lost one hospital customer to Stericycle, the remaining customers are small  
14 generators. There is no evidence to suggest that Rubatino's customers are in any way  
15 dissatisfied with Rubatino's RMW service. Importantly, Rubatino has been providing  
16 RMW services since before 1998 when Rubatino competed successfully with two  
17 statewide RMW service providers, Stericycle and BFI. Finally, Mr. Rubatino has not  
18 attested to having any education or training in accounting or finance which would  
19 qualify him to testify regarding projections of future market impact.

20 **Q. Does this conclude your response testimony?**

21 **A. Yes.**

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Exhibit No. \_\_\_\_\_ (MAW-5)

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 3 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

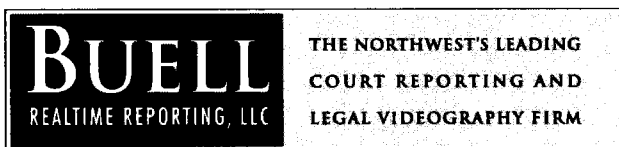
November 16, 2012

Exhibit 3 to Response Testimony of Michael Weinstein

**Christopher Dunn**

**In the Matter of the Application of Waste Management of  
Washington, Inc.**

**November 2, 2012**



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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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In Re Application of )  
 )  
WASTE MANAGEMENT OF )  
WASHINGTON, INC. )  
d/b/a WM Healthcare Solutions ) Docket No. TG-120033  
of Washington )  
720 4th Ave. Ste 400 )  
Kirkland, WA 98033-8136 )

DEPOSITION UPON ORAL EXAMINATION

OF

CHRISTOPHER DUNN

Taken at 315 Fifth Avenue South, Suite 1000

Seattle, Washington

DATE TAKEN: November 2, 2012

REPORTED BY: KATHLEEN HAMILTON, RPR, CRR, CCR 1917

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A P P E A R A N C E S

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ALSO PRESENT:

MIKE WEINSTEIN

\* \* \* \* \*

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DEPOSITION OF CHRISTOPHER DUNN

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1 Q. Okay. So just a couple quick rules. As you'll recall  
2 from your past experience, everything you and I and any of the  
3 other lawyers here say is being transcribed, and so we need to  
4 make sure that we don't interrupt each other.

5 So I ask that even if you can anticipate where I'm  
6 going with a question, let me finish, get it out of my mouth,  
7 have my period there, and then you can answer, and I will do my  
8 best not to cut you off before you're completed with an answer.

9 I'm going to refer here in this deposition to  
10 Stericycle, and by Stericycle I mean Stericycle of Washington,  
11 Inc.

12 Is that acceptable?

13 A. Yes.

14 Q. Okay. And unless otherwise stated, the questions that  
15 I ask regarding Washington's regulated medical waste market  
16 have to do only with the State of Washington; okay?

17 A. Yes.

18 Q. All right. So tell me, please, the highest level of  
19 education that you attained, formal education.

20 A. Third year of college, not graduated.

21 Q. And where did you attend school?

22 A. Edmonds Community College and Central Washington  
23 University.

24 Q. And what did you study while you were in college?

25 A. Mixed courses.

1 Q. Was there any focus, any particular focus?

2 A. No.

3 Q. Okay. Did you take any courses in accounting?

4 A. No.

5 Q. So I have received and reviewed the pre-filed  
6 testimony that you submitted in this case, and so I wanted to  
7 ask you a little bit more about the work experience that you  
8 describe there.

9 And so can -- I'd like to start with your first  
10 position at BFI, which I understand began in 1995; is that  
11 correct?

12 A. Yes.

13 Q. And what was that position? What was --

14 A. The exact title I don't recall, but it was basically a  
15 long-haul shuttle driver, so tractor trailer rigs. And I did  
16 some fill-in on routes and things of that sort as well.

17 Q. And you did somewhat?

18 A. Fill-in on routes.

19 Q. What does that mean, fill-in?

20 A. There was two kind of categories at that time where  
21 they had a shuttle driver, as I described, tractor trailer  
22 driver, and then there was also the drivers that would collect  
23 directly from facilities called route drivers.

24 Q. And what is a -- what is a shuttle driver?

25 A. Shuttle driver would be mostly taking loads from the

1 transfer hubs to the treatment facility.

2 Q. So did you do anything other than these two types of  
3 driver positions in your first BFI job? Is that generally the  
4 main work you did?

5 A. I did some plant work as well. At that time we would  
6 unload our own trucks, so I worked with the plant employees in  
7 Ferndale as well.

8 Q. Anything else during that first position at BFI?

9 A. No.

10 Q. Okay. Did you get any training for the -- the work  
11 you did as a shuttle driver or a route driver?

12 A. Yes.

13 Q. What kind of training?

14 A. Operational training, safety training, you know, some  
15 customer-service-type training.

16 Q. And was that in-house?

17 A. Yes.

18 Q. Okay. Did you receive any other kind of training,  
19 other than what you've just mentioned, when you had that first  
20 position at BFI?

21 A. No, I think that summarizes it.

22 Q. Did you have any accounting responsibilities in that  
23 first position at BFI?

24 A. No.

25 Q. To whom did you report?

1 A. At that time my direct report was to Jeff Daub.

2 Q. I've heard that name.

3 A. Yeah.

4 Q. Did anyone report to you in that first position?

5 A. No.

6 Q. Now, at some point, as I understand it, you -- in  
7 approximately 1999 you became transportation manager for BFI;  
8 is that right?

9 A. Correct.

10 Q. And so that would have been your next -- that would  
11 have been the first job change you had once you came to BFI?

12 A. Correct.

13 Q. Okay. And so what was the difference between the  
14 transportation manager job and the one you previously held at  
15 BFI?

16 A. Well, then I began to work on route structures for the  
17 route drivers. I began to work on the equipment side of  
18 things, ordering vehicles, more in detail with the office staff  
19 as far as at that time we did a lot of billing and more in-tune  
20 items for the field that we don't currently maybe do as much  
21 today. So we did, you know, just operational type items that I  
22 was in charge of at that time.

23 Q. And did you carry over with any of your  
24 responsibilities from your prior position at BFI once you moved  
25 into the transportation manager title?

1 A. Yes, I continued to still drive truck on occasion.

2 Q. Any other continuation of duties from the first stint?

3 A. No.

4 Q. Did you have any accounting responsibilities as a  
5 transportation manager?

6 A. There were budgetary items that we'd look at. Those  
7 were given to us, you know, by Jeff exactly, and he was given  
8 those to him, I would assume, by our operation team.

9 Q. And so when you say that there were budgetary items,  
10 does that mean you were handed a budget that you were then  
11 responsible for operating with; is that fair?

12 A. Yes.

13 Q. Did you have any responsibilities for generating the  
14 budget?

15 A. No.

16 Q. And did you have any other accounting, what you would  
17 consider to be accounting-type responsibilities as a  
18 transportation manager?

19 A. No.

20 Q. And so I take it you continued to report to Jeff Daub  
21 in your -- as a transportation manager?

22 A. Did I continue to --

23 Q. Report to him.

24 A. Yes.

25 Q. So the entire time you were a transportation manager,

1 issues at Management 2000?

2 A. No, it was mostly in the focus of HR-type items.

3 Q. Was there any accounting training?

4 A. No.

5 Q. So in April of 2011, you became regional operations  
6 manager for Stericycle; correct?

7 A. Correct.

8 Q. And that was a promotion?

9 A. Correct.

10 Q. And did your responsibilities change?

11 A. Yes.

12 Q. Okay. How did they change?

13 A. I had also then at that point been put in charge of  
14 all the plant operations as well.

15 Q. Any other changes in your job responsibilities?

16 A. Not that I can think of at this point.

17 Q. So did you continue to have all of the job  
18 responsibilities you had had as a transportation manager in  
19 addition to this new responsibility for plant operations?

20 A. Yes.

21 Q. Okay. And what -- what does that mean that you were  
22 in charge or are in charge of plant operations?

23 A. Similar to transportation portion of it, I would be  
24 looking at the budget for now the plant, trying to figure out  
25 as far as, you know, what were -- what our needs are, both

1 equipment and personnel, and -- and, you know, ultimately in  
2 charge of making those type of decisions.

3 Q. And were you responsible for generating the budget for  
4 the plant or is that something that was given for you -- given  
5 to you and you were directed to operate within it?

6 A. It was given to me.

7 Q. And who gave it to you?

8 A. It's our corporate reporting.

9 Q. So that's coming from the corporate parent,  
10 Stericycle's corporate parent?

11 A. Yes.

12 Q. Okay. And so as part of your responsibility for being  
13 in charge of plant operations, you needed to make or need --  
14 need, present tense, it's your current job; right? This is  
15 your current title?

16 A. Regional operations manager.

17 Q. Okay. So -- and I'm sorry I'm asking in the past  
18 tense, but I understand it's your current position, so I'll ask  
19 in the present tense.

20 You are also currently responsible for determining the  
21 needs of the plant from an equipment and personnel basis?

22 A. Yes.

23 Q. And tell me what do you do on that front?

24 A. Well, as new items come as far as operational items  
25 are introduced, we need to make sure that we have enough

1 do have input there.

2 Q. Who is the person who makes the decisions about hiring  
3 and firing drivers?

4 A. I have two supervisors.

5 Q. And those supervisors report to you?

6 A. Yes.

7 Q. All right. Besides these two supervisors, who else  
8 reports to you in your current position?

9 A. Direct report would be also the two plant managers and  
10 the office staff in Kent.

11 Q. How many office staff are there in Kent?

12 A. There's three.

13 Q. And what are their responsibilities?

14 A. There's two dispatchers and one billing admin.

15 Q. And what is the responsibility of the two dispatchers?

16 A. They are working on routes as far as sequencing, you  
17 know, customer changes, new customer setups, concerns of  
18 drivers for changes on the routes. They also work within our  
19 current computer system called Steriworks to, you know, scrub  
20 it for any information needed to go out in the field.

21 And the billing person that we have, the billing admin  
22 person would be collecting the route information from the  
23 drivers, double-checking it against what their the paperwork  
24 versus what their computer system says, and sending them off  
25 into approved batches for corporate billing.



1 amount of stops and try to come up with a -- an average that we  
2 believe the drivers are capable of achieving.

3 Q. Average of what, amount of --

4 A. Route size.

5 Q. Okay. And route size is geographic issue; right? Or  
6 are you looking at the amount of waste they're collecting or  
7 the amount of visits they're making?

8 A. Yes.

9 Q. All of that?

10 A. Yes.

11 Q. Okay. So when you say you're looking for the average,  
12 are you looking for the average on all of those issues, the  
13 average amount -- volume of waste, the average number of hours,  
14 the average number of stops, the average number of customers?

15 A. Yes.

16 Q. Is that what you mean?

17 A. Uh-huh.

18 Q. "Yes"?

19 A. Yes.

20 Q. And do you mean anything else by that?

21 A. No.

22 Q. Okay. So do you build spreadsheets to address any  
23 other issues in your current position?

24 A. No.

25 Q. And other than what you've just described, do you have

1 any other -- perform any other functions or have any other  
2 responsibilities which you would consider to be of the  
3 accounting type?

4 A. No.

5 Q. Have you been involved in preparing any of  
6 Stericycle's filings with the UTC?

7 A. No.

8 Q. Prior to the testimony which you have submitted in  
9 this case, have you analyzed Stericycle's rates in Washington?

10 MR. VAN KIRK: Objection to the form of the question.

11 THE WITNESS: Can you repeat it?

12 BY MS. GOLDMAN:

13 Q. Sure. Prior to the testimony that you submitted in  
14 this case, have you analyzed Stericycle's rates in Washington?

15 MR. VAN KIRK: Same objection.

16 THE WITNESS: I've not analyzed it.

17 BY MS. GOLDMAN:

18 Q. Have you, prior to your involvement in this case, had  
19 any occasion to consider what -- the rates that are being  
20 charged by Stericycle?

21 MR. VAN KIRK: Objection. Vague.

22 THE WITNESS: Say that again, please.

23 MS. GOLDMAN: Could you read it back, please.

24 (Question was read back.)

25 THE WITNESS: Can you reword that?

1 BY MS. GOLDMAN:

2 Q. Sure. So you've offered some testimony regarding some  
3 impacts to Stericycle from potential competition from Waste  
4 Management; correct?

5 A. Correct.

6 Q. Prior to engaging in that exercise, did you ever have  
7 an occasion to consider the rates being charged by Stericycle  
8 in any context?

9 A. Define "consider," when you say "consider."

10 Q. Review them.

11 A. I've looked at them.

12 Q. And what was the purpose of you looking at them?

13 A. Just to be aware of the tariff rate.

14 Q. And make sure that the right rate is being charged or  
15 just to know what the rate is?

16 A. Just to be familiar with the rate.

17 Q. Okay. And so other than looking at the rates to be  
18 knowledgeable about what dollar amounts they are, have you had  
19 occasion to look at the rates or consider them prior to your  
20 testimony in this case?

21 A. I have.

22 Q. Tell me what you did.

23 A. We've looked at the portion of the rates in  
24 consideration to incinerate containers.

25 Q. Anything else?

1 A. I mean, at this time that's all I can recall.

2 Q. And when you say "we," who do you mean?

3 A. Usually if we're looking at things, we discuss it as a  
4 group between myself, Mike Philpott.

5 Q. And that's the group, you and Mike Philpott?

6 A. That may not include everybody, but it's usually a  
7 conversation since we're in the same office together.

8 Q. And so when you and Mr. Philpott discuss the  
9 incinerate containers, what was the gist of that conversation?

10 A. We talked about, you know, the amount of trucking to  
11 Salt Lake City, for example, and where we thought we'd be at  
12 for our gross margin in regards to the current rates versus the  
13 current costs.

14 Q. And that discussion about the gross margin was looking  
15 specifically and only at the incinerate containers?

16 A. At that time.

17 Q. What does gross margin mean?

18 A. Cost versus revenue.

19 Q. So if I do the math right, I take revenue and subtract  
20 costs and get gross margin?

21 A. Yes.

22 Q. And is gross margin the same thing as profit?

23 A. I would suppose so.

24 Q. Who handles the accounting functions for Stericycle?

25 And I will remind you here that when I say Stericycle, I mean

1 Stericycle of Washington, Inc. Do you know?

2 A. I don't know.

3 Q. So I take it you don't work with any of Stericycle's  
4 accounting folks; is that correct?

5 A. That's not correct.

6 Q. Okay. Who do you work with?

7 A. I worked with John Suchla.

8 Q. Okay. John Suchla?

9 A. Uh-huh.

10 Q. You need to answer verbally.

11 A. Yes.

12 Q. Any other accounting -- any other Stericycle  
13 accounting people that you work with?

14 A. No.

15 Q. And is Mr. Suchla employed by Stericycle of  
16 Washington, Inc., to your knowledge?

17 A. No.

18 Q. He is employed by Stericycle, Inc?

19 A. Yes.

20 Q. And where is he located?

21 A. Chicago.

22 Q. What are his responsibilities as far as the Washington  
23 business goes?

24 A. I'm not sure what his total responsibilities are in  
25 case of Washington.

1 Q. Well, you have occasion to interact with him; correct?

2 A. Yes.

3 Q. Describe for me the context of those is interactions.

4 A. In regards to this hearing, he assisted with part of I  
5 think the exhibit that you have.

6 Q. Prior to your involvement in this case, have you had  
7 occasion to deal with Mr. Suchla?

8 A. No.

9 Q. Had you ever met him before?

10 A. No.

11 Q. Do you know what his title is?

12 A. No.

13 Q. Okay. So to your knowledge, Mr. Suchla is the only  
14 member of the -- or employee who handles accounting  
15 responsibilities for Washington with whom you have interacted;  
16 is that accurate?

17 A. Say that again, please.

18 Q. Sure. I wanted to confirm that Mr. Suchla is the only  
19 Stericycle accounting person with whom you have worked.

20 A. Yes.

21 Q. Okay. Are you familiar with the person by the name of  
22 Nanette Walker?

23 A. Yes.

24 Q. Do you know who she is?

25 A. She has something to do with the filings of the UTC.

1           Did you prepare the first draft of this or did  
2 Mr. Van Kirk prepare the first draft of this?

3       A.    I did.

4       Q.    Okay. Do you expect that Stericycle's revenue will  
5 change from 2011 to 2012?

6       A.    Yes.

7       Q.    In what way?

8       A.    I actually think it will be a little less.

9       Q.    And what is -- what is that based on?

10      A.    Waste Management and on-site treatment.

11      Q.    And do you know how much less 2012 revenue will be  
12 than 2011?

13      A.    I don't.

14      Q.    And have you looked at any data that would support  
15 your conclusion that 2012 is going to see a reduction in  
16 revenue?

17      A.    Yes.

18      Q.    What data have you looked at?

19      A.    In Steriworks the loss of certain customers, and the  
20 annual financial impact from that.

21      Q.    Anything else that you've -- any other data that  
22 you've looked at?

23      A.    No.

24      Q.    And so have you -- have you quantified what the --  
25 that loss would be from 2011 to 2012?

1 A. No.

2 Q. Do you have any sense, ballpark what that would be?

3 A. Yes.

4 Q. What is your sense?

5 A. 400,000.

6 Q. And what is that based on, that ballpark number?

7 A. Reviewing the revenues from the customer base that  
8 were lost.

9 Q. And -- okay. How many customers did you note had been  
10 lost in your review of the Steriworks information?

11 A. I don't have an exact number.

12 Q. Ballpark?

13 A. Mid teens.

14 Q. Mid teens?

15 A. Yes.

16 Q. And I take it, then, it's your testimony that this  
17 approximately 15 or so customers, customer loss resulted in a  
18 loss of \$400,000, ballpark, in revenue; is that correct?

19 A. The customers I am speaking of were the larger impact  
20 customers.

21 Q. When you say the ones you're speaking of, do you mean  
22 those are the 15 you're looking at or those are the ones that  
23 generate the \$400,000 ballpark or both?

24 A. The 15 were the ones that I would contribute the  
25 larger dollar amount of \$400,000 to.



1 Q. Do you remember the name?

2 A. Kennewick General.

3 Q. What other customers?

4 A. Children's Hospital.

5 Q. In Seattle?

6 A. Uh-huh, yes, yes.

7 Q. What other ones?

8 A. That's all I can recall at this point.

9 Q. And when you say \$400,000 ballpark, is that -- are you  
10 anticipating that being the calendar year loss or is that at  
11 some point prior to end of 2012?

12 A. Calendar year.

13 Q. Okay. And when was the most recent time that you  
14 reviewed the data in Steriworks to determine if there had been  
15 a change in or if there would be a change in revenue from 2011  
16 to 2012?

17 A. I don't have the exact date, but it has been a while.

18 Q. So have you -- do you think you've looked at it since  
19 August?

20 A. No.

21 Q. Okay. So you mentioned that there -- the causes, from  
22 your perspective, of the change or loss in revenue from 2011 to  
23 2012 were Waste Management and on-site treatment.

24 And you've just described what you meant by Waste  
25 Management; correct? That is the customers you lost to Waste

1 A. I don't have that information at this time.

2 Q. Has there been a decrease in Stericycle's costs as a  
3 result of the loss of the revenue from on-site treatment?

4 A. Yes.

5 Q. And what is that?

6 A. I do not have the dollar amount.

7 Q. Who would have that information?

8 A. It would need to be researched and looked at at that  
9 point.

10 Q. And who has the -- the capability or the data to do  
11 that research at Stericycle?

12 A. Well, we could look at it locally. We just haven't  
13 looked at it to give you a -- an idea at this point.

14 Q. And have there been any decreases in Stericycle's  
15 costs as a result of the loss of these mid-teen number of  
16 customers to Waste Management?

17 MR. VAN KIRK: Objection to the form of the question.  
18 Misstates testimony.

19 THE WITNESS: Can you ask it again?

20 BY MS. GOLDMAN:

21 Q. Sure. Has Stericycle seen any decrease in its costs  
22 as a result of the loss of these 15 or so customers to Waste  
23 Management?

24 MR. VAN KIRK: Same objection.

25 THE WITNESS: Yes.

1 BY MS. GOLDMAN:

2 Q. And what would that decrease in costs be?

3 A. Those containers are not being treated at our Morton  
4 facility, and the time that it would take at each facility to  
5 pick up and deliver new containers at that place.

6 Q. And what about employee time?

7 A. Employee time?

8 Q. Any decrease in costs as a result of decrease in  
9 employee time?

10 A. Yes.

11 Q. Any other type of costs that would have been -- seen a  
12 decrease as a result of the loss of these 15 or so customers to  
13 Waste Management in 2012?

14 A. Without studying all of it, I'd say there's -- there's  
15 maybe something else, but I don't know at this point.

16 Q. Is there anybody at Stericycle who is responsible for  
17 analyzing this type of an issue?

18 A. What type of an issue?

19 Q. Cost impact from loss of business.

20 A. Yes.

21 Q. Who is that?

22 A. It would be myself, my direct report, Mike Philpott.  
23 It could be his direct report, and so on up.

24 Q. And have you conducted any analysis into the impact on  
25 Stericycle's costs from the loss of business to Waste

1 Q. To your knowledge, has Stericycle added any new  
2 business, new -- and by that I mean new businesses, new  
3 customers in 2012?

4 A. Yes.

5 Q. How many?

6 A. I would not have that number.

7 Q. Who would have that number?

8 A. It would have to be researched. It's in the computer  
9 system.

10 Q. Do you have any idea what that number is?

11 A. No.

12 Q. Do you have any idea what the revenue is that's been  
13 generated by the new customers in 2012?

14 A. No.

15 Q. And other than the possibility of adding new -- well,  
16 strike that.

17 Where do you -- where did Stericycle find new  
18 customers this year? Describe for me who -- where do you find  
19 a new customer? Is that because somebody's opening up a new  
20 dentist shop or they were doing something on site prior and now  
21 want to move to Stericycle? Explain to me what does that new  
22 customer look like?

23 A. You described the first one, a new business that  
24 opened up.

25 Q. So would you -- in 2012 did Stericycle obtain new

1 customers from any other source other than a new generator  
2 coming on to the market?

3 A. Repeat that.

4 Q. Sure. In 2012 Stericycle has new -- new customers.  
5 And my question is, other than -- have there been any new  
6 customers other than customers who are opening up their shop,  
7 so they are a brand-new entrant to their market and they now  
8 need medical waste services?

9 A. That's by definition, that is the new customer, yes.

10 Q. Okay. Do you expect that the Washington market for  
11 medical waste services will grow from 2011 to 2015?

12 A. I have no way of knowing that that would be possible.

13 Q. Okay. Is that something you ever considered?

14 A. No.

15 Q. Did Stericycle's revenue increase from 2010 to 2011?

16 A. Yes.

17 Q. And what was the cause of that increase?

18 A. I don't know the direct cause of that increase.

19 Q. Does anybody in Stericycle know that?

20 A. It's likely that somebody would know that, yes.

21 Q. What about from 2009 to 2010, did Stericycle's revenue  
22 increase between those years?

23 A. Yes.

24 Q. And do you know what caused that?

25 A. I don't have the direct effect of that, no.

1 either go in the variable costs bucket or the fixed costs  
2 bucket; is that fair?

3 A. That's fair.

4 Q. Okay. Are disposal costs fixed or variable?

5 A. Variable.

6 Q. Why?

7 A. Based on volume.

8 Q. So if there's more waste, there's more disposal costs;  
9 right?

10 A. Correct.

11 Q. And if there's less waste, there's less disposal  
12 costs; right?

13 A. Correct.

14 Q. Okay. In your experience, is it normal for a solid  
15 waste company to have higher fixed or variable costs?

16 A. I'd say higher fixed.

17 Q. And why is that?

18 A. The items that I can think of have high dollar amounts  
19 attached to them.

20 Q. And is your experience based on anything other than  
21 what you've seen at Stericycle?

22 A. Just Stericycle.

23 Q. What is the normal range for the ratio of fixed to  
24 variable costs in a solid waste company, if you know?

25 A. I don't know.

1 Q. Ballpark?

2 A. Three.

3 Q. And do you know the circumstances why those three,  
4 approximately three drivers were let go?

5 A. I don't know off the top of my head, no.

6 Q. What about the prior year, 2010, do you know if any --  
7 if Stericycle fired or laid off any drivers that year?

8 A. We did.

9 Q. Do you recall how many?

10 A. No.

11 Q. Do you recall why they were laid off?

12 A. No. No. No. Excuse me? You said fired or laid off?

13 Q. Yes.

14 A. Yeah. No.

15 Q. Okay. Just to be clear, because of the "yeah, no,"  
16 you are aware that in 2010 Stericycle did fire or layoff some  
17 drivers, but you don't know how many or for what reason; is  
18 that correct?

19 A. Correct.

20 Q. Thank you. Has Stericycle fired or laid off any other  
21 employees in 2012?

22 A. Yes.

23 Q. How many?

24 A. I don't have the exact number.

25 Q. Ballpark?

1 any other employees in 2011?

2 A. Yes.

3 Q. How many?

4 A. I don't have an exact number.

5 Q. Do you know why they were let go?

6 A. No.

7 Q. Are you familiar with the term "margin"?

8 A. Yes.

9 Q. What does that mean?

10 A. The gross -- are you -- I guess gross margin, it would  
11 be the difference between revenues and costs. Is it okay if we  
12 take a break?

13 Q. Yes, take a break.

14 (A break was taken  
15 from 10:47 a.m. to 11:01 a.m.)

16 BY MS. GOLDMAN:

17 Q. Does Stericycle, to your knowledge, have plans to  
18 project revenue growth over the next three to five years?

19 A. Not to my knowledge.

20 Q. And you mentioned that in 2012 a couple of Biosystem  
21 employees were let go by Stericycle. Do you know if they were  
22 fired or laid off?

23 A. Fired.

24 Q. What is Stericycle's margin in Washington?

25 A. I don't know the exact margin.



1 Q. Do you know what it is generally or ballpark?

2 A. No.

3 Q. What is the margin in Oregon for the Stericycle  
4 company that operates there?

5 A. Can you repeat the question?

6 Q. Can you read it back, please.

7 (Question was read back.)

8 A. Not sure I understand your question.

9 Q. Does Stericycle -- does a Stericycle entity have  
10 operations in Oregon?

11 A. Yes.

12 Q. Does that operation -- what is the margin of that  
13 entity for its Oregon operation?

14 A. I don't have that information.

15 Q. Okay. And would your answer be the same for Idaho?

16 A. Yes.

17 Q. Okay. Do you have an understanding of what the  
18 permissible range of profit is that is permitted by the UTC for  
19 solid waste companies?

20 A. Yes.

21 Q. What is that?

22 A. Six to eight percent.

23 Q. And what is the basis of your understanding?

24 A. Just been told that.

25 Q. Who told you that?

1 A. Mike Philpott.

2 Q. And do you know if Stericycle's Washington operations  
3 currently are generating a profit within that range or do you  
4 not know?

5 A. I would not know.

6 Q. Who would know that?

7 A. Nanette Walker and our corporate office.

8 Q. In Illinois?

9 A. Yes.

10 Q. Anybody else?

11 A. Mike might know that. I don't have any way of knowing  
12 that he knows that.

13 Q. Mike Philpott?

14 A. Yes.

15 Q. What percentage of Stericycle's revenue comes from  
16 what you have described as the new territory in your direct  
17 testimony, which is Exhibit 30?

18 A. More than half.

19 Q. And how did you -- what did you do to reach that  
20 conclusion?

21 A. Actually, it was John Suchla that was able to bring  
22 those numbers out.

23 Q. And do you know what he did to make that determination  
24 that more than 50 percent of Stericycle's revenues come from  
25 the new territory?

1 A. He looked at the zip codes and cities that, looking at  
2 the UTC maps of what Waste Management was able to currently  
3 service, and take the opposite of that and draw out the  
4 revenues per city and zip code.

5 Q. Did you see that information?

6 A. I saw some of the --

7 MR. VAN KIRK: Objection. Sorry. Vague. Which  
8 information? If you -- I don't think that was clear, but go  
9 ahead.

10 THE WITNESS: I saw some of the maps from the UTC web  
11 sites.

12 BY MS. GOLDMAN:

13 Q. Okay. You saw maps. Did you see any of the  
14 information that Mr. Suchla derived from Stericycle's database  
15 regarding revenue in what I'll refer to as the G237 territory  
16 where Waste Management currently has authority and what you've  
17 called the new territory?

18 A. Just on Exhibit A.

19 Q. Okay. So Exhibit A was prepared by Mr. Suchla?

20 A. Correct.

21 Q. Okay. So where did Mr. Suchla get the information  
22 that he used to conclude that more than 50 percent of the  
23 revenue -- of Stericycle's revenue comes from the new  
24 territory?

25 A. Don Wilson I believe worked with Jared to, using the

1 maps, decipher what the new territory would be.

2 Q. Okay. So I'm not asking -- my question is not about  
3 how did you figure out which territory was which. My question  
4 is what did Mr. Suchla do, what data did he look at, financial  
5 data to look at to derive the conclusion that more than 50  
6 percent of Stericycle's revenue originates in the new  
7 territory?

8 A. He never did tell me where he reviewed the revenue  
9 portion of it, other than I can assume it's off of the  
10 Steriworks program and other items that he might have available  
11 to him.

12 Q. So I take it you had some conversations with  
13 Mr. Suchla regarding your pre-filed testimony and Exhibit A; is  
14 that right?

15 A. Yes.

16 Q. And did you meet in person with him?

17 A. No.

18 Q. How many conversations did you have with him?

19 A. I'd say a guess would be four.

20 Q. And was anybody else -- did anybody else participate  
21 in those conversations?

22 A. Yes.

23 Q. Who?

24 A. Jared.

25 Q. Okay. Mr. Van Kirk, who's next to you. Anybody else?

1 you've made -- that you made to your draft as a result of -- of  
2 any comments that you received.

3 A. No. The substance is still as original.

4 Q. Okay. Now, you -- you used loss percentages, revenue  
5 loss percentages of ten, 25 and 50 percent in your analysis;  
6 correct?

7 A. Correct.

8 Q. What was your rationale for selecting those three  
9 percentages? Well, let me ask you this, actually. Who  
10 selected those percentages, you or Mr. Suchla or someone else?

11 MR. VAN KIRK: And hold on just a minute. I'm going  
12 to object to the extent that it calls for you to repeat  
13 privileged communications, with the caveat that I'm not  
14 implying that percentages came from us. But just be -- just be  
15 wary in your answer to not reveal anything that was discussed  
16 in consultation with attorneys.

17 BY MS. GOLDMAN:

18 Q. So let me ask the question again. Who selected the  
19 ten, 25 and 50 percent revenue losses that were used for  
20 Exhibit A to your direct testimony?

21 A. I selected the breakouts as we had discussed prior.

22 Q. When you say "breakouts," you're talking about those  
23 three percentages?

24 A. Correct.

25 Q. And why did you choose those three?

1 A. Seemed that we had to choose something, and that was  
2 just the three that was chosen.

3 Q. And because they're round numbers or they're what?

4 A. Yeah, they're just numbers of -- of differentiating  
5 amounts.

6 Q. Okay. So could you have picked eight, 20 and 40  
7 percentages?

8 A. Yes.

9 Q. Okay. So these are just kind of markers to see what  
10 happens when you throw these numbers into the analysis;  
11 correct?

12 A. Yes.

13 Q. Okay. What do you understand the new territory to be  
14 as you have referenced it in your testimony?

15 A. It's -- it's mostly rural areas, but there are holes  
16 and some larger geographic, you know, locations. The mapping  
17 of Waste Management is hit and miss at best.

18 Q. What do you mean by "hit and miss"? Just difficult to  
19 track?

20 A. The territories you -- you have to use a little bit of  
21 assumption when it comes to the zip code versus the cities at  
22 some points.

23 Q. Okay. Are there any areas in the new territory that  
24 you would consider to be not rural?

25 A. Yes.

1 A. The current territory of Waste Management.

2 Q. Yes.

3 A. Yes.

4 Q. Okay. So let me just ask that. And is that -- is  
5 that a good way to refer to it, the current Waste Management  
6 territory on the one hand, and the new territory on the other,  
7 we understand that between those two we're talking about the  
8 whole state; right?

9 A. Correct.

10 Q. Okay. So let me ask that again. Or let me clarify.  
11 You've just testified that the percentage of regulated medical  
12 waste generated in the new territory is less than the amount or  
13 the volume of regulated medical waste generated in the current  
14 Waste Management territory; correct?

15 A. Correct.

16 Q. By what percentage?

17 A. I think we looked at it that 19 percent less.

18 Q. And what did you look at to make that determination or  
19 did you make that determination yourself or did someone else?  
20 Let me ask that -- that's the question I want. Since I have  
21 two there, I'll ask it again.

22 Did you make the determination that there was 19  
23 percent less medical waste generated in the new territory or  
24 did someone else?

25 A. Someone else.

1 Q. Who -- who was the one that made that determination?

2 A. I believe that was John Suchla.

3 Q. And do you know what he did to reach that conclusion?

4 A. No.

5 Q. Now, earlier you testified that it was your  
6 understanding that more than 50 percent of waste -- of  
7 Stericycle's revenue comes from the new territory.

8 Is that still your testimony?

9 A. Uh-huh, yes.

10 Q. So more than 50 percent of Stericycle's revenue is  
11 generated in a part of the state that generates 19 percent less  
12 medical waste; is that fair?

13 A. Yes.

14 Q. Okay. In paragraph 4 of your testimony, you write  
15 that generally your customers in the new territory are smaller  
16 and more dispersed than in the existing Waste Management  
17 territory.

18 Did you reach that conclusion or did somebody else?

19 A. I did.

20 Q. And what did you do to -- what did you look at, what  
21 information did you look at to derive that conclusion?

22 A. Most of the customers in Seattle example are larger  
23 quantity generators. Most of the areas in the urban -- most of  
24 the customers in the urban areas, because of the need and  
25 obviously the population, are smaller generators.



1 A. Correct.

2 Q. Okay. What proportion of what you've called "the new  
3 territory" is comprised of rural areas?

4 A. Most of it. I don't have an exact breakout.

5 Q. And what proportion of the existing Waste Management  
6 territory is comprised of rural areas?

7 A. Say that again.

8 Q. Can you read it back, please.

9 (Question was read back.)

10 A. I'd say a very small percentage.

11 Q. Okay. Continuing to paragraph 5 of your direct  
12 testimony, the first sentence you write, "I have reviewed the  
13 revenue we earn per customer pickup or stop within the new  
14 territory."

15 What is that -- what is the per customer pickup  
16 revenue?

17 A. It's an average that we have on our budget that shows  
18 this is what our per stop revenue is.

19 Q. And what is that amount?

20 A. I don't have that off the top of my head.

21 Q. Is that a number that you generated or someone else  
22 generated for purposes of this testimony?

23 A. It's generated off the budget.

24 Q. Who generated it, you or someone else?

25 A. Somebody else.

1 Q. And is that Mr. Suchla who generated it?

2 A. I don't know that he generated it.

3 Q. But it was a number you were given; is that correct?

4 A. Correct.

5 Q. And who gave it to you, do you recall?

6 A. John Suchla.

7 Q. Okay. And so Mr. Suchla told you that the revenue  
8 that Stericycle earns per customer pickup or stop within the  
9 new territory, what that was; is that correct?

10 A. Correct.

11 Q. Okay. How much revenue does Stericycle generate per  
12 stop in Waste Management's existing service territory?

13 A. I don't have that information.

14 Q. And is that information that Mr. Suchla reviewed?

15 A. Most likely.

16 Q. Do you know one way or the other?

17 A. No.

18 Q. Okay. But you didn't review it; correct?

19 A. Correct.

20 Q. When you say in paragraph 5, "per customer pickup or  
21 stop," what does that mean? Does that mean each time a truck  
22 stops at a customer?

23 A. Yes.

24 Q. So what happens if a truck stops in a facility with  
25 multiple customers, is that one stop or is that multiple stops?

1 regarding this issue?

2 A. No.

3 Q. Okay. So as you sit here today, you have a sense that  
4 Stericycle's revenue per stop in the new territory is  
5 profitable, but you have never looked at that issue and the  
6 data underlying it; is that correct?

7 A. Correct.

8 Q. Okay. So continuing with your direct testimony,  
9 paragraph 6 you testify, "I have reviewed our current  
10 collection routes for service to customers in the new territory  
11 and have compared those routes to our collection routes in  
12 Waste Management's existing territory."

13 Is that something you did or something that someone  
14 else did?

15 A. No, I've looked at the routes in the areas of the new  
16 territory and looked at the routes that Waste Management has in  
17 existing territories.

18 Q. Okay. So what information did you review when you did  
19 that?

20 A. We have, on our Steriworks program, the routes that  
21 we, you know, built that were ready to go into the areas  
22 that -- that service those collection facilities.

23 Q. And how many routes does Stericycle have in the new  
24 territory?

25 A. That's complicated, because the new territory, in a

1 lot of cases with our routes, they cross over into what Waste  
2 Management's current territory might be as well. There's  
3 only -- I think one of them that I use in here, there's only  
4 really a couple that would say that these are dedicated new  
5 territory routes.

6 Q. And that would make sense; right? Because Stericycle  
7 is operating in the whole state. You're not distinguishing  
8 internally between new territory and Waste Management territory  
9 for setting up logical routes; right?

10 A. Correct.

11 Q. Okay. And so as I understand it, there are only a  
12 couple routes that are exclusively within the new territory.

13 A. Correct.

14 Q. Okay. And where are those routes, those ones that are  
15 exclusively within the new territory?

16 A. As described in here, we call it the Port Angeles  
17 route.

18 Q. Okay. So one is in Port Angeles, and where is the  
19 other one?

20 A. I believe there's another one in Longview.

21 Q. Okay. And does the Port Angeles route include cities  
22 or towns or locations outside of Port Angeles?

23 A. Yes.

24 Q. Is it the entire Olympic Peninsula?

25 A. Not at one time, but that's part of the structure.

1 Angeles?

2 A. I don't have that information.

3 Q. Do you have any idea?

4 A. No.

5 Q. Is Stericycle's service in Port Angeles typical of its  
6 service to other locations in the new territory?

7 MR. VAN KIRK: Objection to the form of the question.

8 THE WITNESS: Can you repeat that?

9 MS. GOLDMAN: Can you read it back, please.

10 (Question was read back.)

11 BY MS. GOLDMAN:

12 Q. And by "service," I mean frequency of service.

13 A. Is it typical of that?

14 Q. Yes.

15 A. No.

16 Q. Why not?

17 A. Depending on customer need and volumes, we may go to  
18 other places either more frequently or less frequently.

19 Q. So where do you tend to go more frequently in the new  
20 territory?

21 A. Well, Bellevue would be a good example.

22 Q. How often do you have trucks going to Bellevue?

23 A. One day per week.

24 Q. Okay. Where else in the new territory is it more  
25 frequent than Port Angeles?

1 A. Again, without studying the map, Longview.

2 Q. And how often is that?

3 A. One route day per week.

4 Q. And when you say "one route day per week," that means  
5 one truck, one driver?

6 A. Yes.

7 Q. Okay. And so the same would be true for Bellevue,  
8 one --

9 A. No. Bellevue actually is more than one truck, one  
10 driver.

11 Q. How many trucks go to Bellevue on that one day each  
12 week?

13 A. Oh, more than one, less than three. Not positive on  
14 that, depending on the border that we're talking about of the  
15 city limits.

16 Q. Okay. Any other places that you can think of in the  
17 new territory that would be receive more frequent service than  
18 Port Angeles?

19 A. Pasco, Washington.

20 Q. And what does Pasco see?

21 A. Two days per week.

22 Q. How many drivers each day?

23 A. One truck, one driver.

24 Q. Okay. Where else in the -- in the new territory is  
25 there more frequent service than Port Angeles?

1 A. Without studying the map any further, I couldn't tell.

2 Q. Okay. What about less frequently, where in the new  
3 territory -- you testified that Port Angeles is not typical,  
4 because in some areas, other areas in the new territory, it's  
5 more frequent service, and some areas of the new territories  
6 less frequent; is that right?

7 A. Correct.

8 Q. Okay. So what about the less frequent ones, where in  
9 the new territories is Stericycle's service less frequent than  
10 it is in Port Angeles?

11 A. Again, without studying the map, I wouldn't be able  
12 to --

13 Q. Can you think of a single one as you sit here?

14 A. New territory versus current territory, no, I cannot.

15 Q. Okay. So back to paragraph 6. At the top of page 3  
16 you say, "In general our collection routes in the new territory  
17 typically involve higher mileage and more drive time per stop  
18 than our collection routes in Waste Management's existing  
19 territory."

20 And what I want to know is what's the difference?  
21 What is the mileage, typical or average mileage in the new  
22 territory versus the existing Waste Management territory?

23 A. I don't have the typical mileages, other than they're  
24 urban versus, you know, localized larger cities.

25 Q. So what analysis, if any, beyond what you've just

1 said, urban versus rural, did you consider in reaching the  
2 determination that the collection routes in the new territory  
3 typically involve higher mileage? Just that?

4 A. That's it.

5 Q. Okay. So at the end of paragraph 6 you write, "This  
6 means that our costs per stop are higher on routes within the  
7 new territory than within Waste Management's existing  
8 territory."

9 How did you determine -- did you determine what those  
10 two rates are or costs are between the new and the existing  
11 territory?

12 A. The actual costs, no.

13 Q. So is this again, this conclusion that the costs per  
14 stop are higher, is based on your conclusion that there are  
15 more rural areas in the new territory?

16 A. Yes.

17 Q. And other than that, it's not based -- it's not based  
18 on anything other than that; is that correct?

19 A. Correct.

20 Q. Do you assume that there will or will not be growth in  
21 the overall size of the new territory's regulated medical waste  
22 market?

23 A. I'm sorry. One more time.

24 Q. Sure. Could you repeat that, please, or read it back.

25 (Question was read back.)



1 A. I don't assume either.

2 Q. Is it fair to say you haven't considered that issue  
3 one way or the other?

4 A. Correct.

5 Q. In paragraph 7 you say that, "Our mileage and  
6 drive-time costs in the new territory are largely fixed."  
7 Which drive times -- drive-time costs in the new territory do  
8 you consider to not be fixed costs?

9 A. The only variable will be based on loss of customer  
10 base within that route.

11 Q. And what would -- what would that result in? How  
12 would that impact costs, drive-time costs?

13 A. Oops. It would be -- I mean, it's an assumption.  
14 Depends on where the customer is located within that route to  
15 really have the impact to say, "This is what it would be."

16 Q. So then a loss of customers could result in a decrease  
17 in drive-time costs; correct?

18 A. Only on a route drive times, not stem mile route  
19 times.

20 Q. Okay. What is a stem mile?

21 A. Stem mile route time is from -- an example of  
22 Woodinville to Port Angeles and Port Angeles back to  
23 Woodinville would be a stem route mile.

24 Q. So you got to go there anyway?

25 A. Exactly.

1 Q. So you're talking about how much time Mr. Homer spends  
2 once he gets to Port Angeles; is that right?

3 A. Correct.

4 Q. So he's still got to go there, and he's still got to  
5 come back, and that's not going to change if you lose some  
6 customers; right?

7 A. Correct.

8 Q. But you may -- you expect you would see a decrease in  
9 drive-time costs for the amount of time that Mr. Homer actually  
10 spends in Port Angeles; correct?

11 A. That could be. That's correct.

12 Q. So instead of eight to ten hours, it might be six to  
13 eight hours?

14 A. It's possible.

15 Q. Okay. You don't know; right?

16 A. Well, nobody knows unless that customer base -- you  
17 can study the customer base that you would be losing at that  
18 point.

19 Q. And have you made any assumptions or studies of what  
20 impact the loss of various customers would have to the  
21 drive-time costs?

22 A. Just a general assumption.

23 Q. Okay. Just a general assumption that, if you lose  
24 some customers, you're going to diminish the drive-time costs  
25 within the pickup area by some amount unknown; correct?

1 A. Correct.

2 Q. Okay. And I -- so I take it, then, that there are  
3 drive-time costs that you would consider to be variable?

4 A. Yes.

5 Q. And those are the ones within Port Angeles itself;  
6 right?

7 A. Within route, yes.

8 Q. And the stem mile ones you consider to be fixed?

9 A. Yes.

10 Q. Okay. Do you have an opinion or an answer to the  
11 question as to what proportion the decrease in costs will be  
12 relative to the decrease in revenue?

13 A. Well, because of the stem mile fixed cost portion of  
14 it, the decline in cost likely would be less than the immediate  
15 decline in revenue.

16 Q. So if you lose 50 percent of revenue, you'd lose  
17 something less than 50 percent in costs?

18 A. Correct.

19 Q. But you don't know how much less; correct?

20 A. No.

21 Q. Correct?

22 A. Correct.

23 Q. And how much of your drive-time cost is coming from  
24 the stem mile and how much is coming from the within -- within  
25 the -- that specific area?

1 A. That would change depending on the route.

2 Q. Okay. So the number would vary all over the state;  
3 right?

4 A. Correct.

5 Q. And so in the case of Port Angeles, the stem mile  
6 route time is substantial in comparison to the time that's  
7 actually spent picking up waste in the city; right?

8 A. Correct.

9 Q. And there are many places in the new territory in  
10 Washington where that ratio would be different so that the stem  
11 mile route time would be much less than the -- in area pickup  
12 time; right?

13 A. It's possible.

14 MR. VAN KIRK: Objection to the form of the question.

15 THE WITNESS: That's possible.

16 BY MS. GOLDMAN:

17 Q. Okay. Have you -- do you have an opinion as to the  
18 rate at which Stericycle's costs will decline in the new  
19 territory if it's faced with competition from Waste Management?

20 A. Say that again, please.

21 Q. Yes. Could you read it back.

22 (Question was read back.)

23 A. Could you maybe reword that?

24 Q. Well, I'll try another question. Do you -- at what  
25 rate will Stericycle's revenues decline in the new territory if

1 it's faced with competition from Waste Management? Have you  
2 conducted that analysis?

3 A. I would have no way of knowing that.

4 Q. Okay. Who selected Port Angeles as your illustrative  
5 example for your testimony?

6 A. I did.

7 Q. Why?

8 A. Based on it being a route into the new territory that  
9 we didn't have any overlap of customer pickups into the old  
10 territory.

11 Q. Okay. Any other reason?

12 A. No.

13 Q. Do you know how many of the -- of Stericycle's Port  
14 Angeles customers are small quantity generators? Any idea?

15 A. No.

16 Q. What is Stericycle's profit margin from its Port  
17 Angeles business?

18 MR. VAN KIRK: Objection to the form of the question.

19 THE WITNESS: I wouldn't know that.

20 BY MS. GOLDMAN:

21 Q. Who would know that?

22 A. It would have to be studied. I'm not sure who would  
23 know that at that point.

24 Q. Has Stericycle ever had competition from another  
25 biomedical waste service provider in Port Angeles?

1 A. Not that I'm aware of.

2 Q. Did BFI service Port Angeles?

3 A. Yes.

4 Q. So when BFI serviced Port Angeles, Port Angeles would  
5 have had an option of Stericycle or BFI; is that correct?

6 A. That would be correct.

7 Q. Do you know what time period that was when Port  
8 Angeles waste generators had an option of the two?

9 A. Prior to '99.

10 Q. Do you know for how long prior to '99?

11 A. No.

12 Q. And prior to '99, you worked at BFI; correct?

13 A. Correct.

14 Q. And after '99 Stericycle had acquired BFI and you  
15 worked for Stericycle; correct?

16 A. Yes.

17 Q. Okay. Was Stericycle's service to Port Angeles  
18 profitable when it was also being serviced by BFI?

19 MR. VAN KIRK: Objection to the form of the question.

20 BY MS. GOLDMAN:

21 Q. Do you know?

22 MR. VAN KIRK: Foundation.

23 THE WITNESS: I wouldn't know that.

24 BY MS. GOLDMAN:

25 Q. Did Stericycle's revenues in Port Angeles increase

1 from 2010 to 2011?

2 A. I wouldn't know that.

3 Q. Has the volume of regulated medical waste in Port  
4 Angeles increased since Stericycle began providing service  
5 there?

6 A. I wouldn't know that.

7 Q. Let's go off the record.

8 (A luncheon recess was taken  
9 from 12:00 p.m. to 12:44 p.m.)

10 BY MS. GOLDMAN:

11 Q. So back to paragraph 8 of your testimony. You write a  
12 couple lines down, "If Waste Management obtains authority to  
13 serve that area," referring to Port Angeles, "and acquires, for  
14 example, 50 percent of the business, Stericycle will lose  
15 approximately 50 percent of its revenue from that area at  
16 current rates."

17 And I would like to know if Stericycle loses 50  
18 percent of the business in Port Angeles what the associated  
19 savings and costs will be.

20 A. The actual amount?

21 Q. Yes. Did you compute that?

22 A. No.

23 MR. VAN KIRK: You mean just for Port Angeles?

24 THE WITNESS: Yeah, Port Angeles wasn't singled out.

25 BY MS. GOLDMAN:

1 A. Okay.

2 Q. Okay. So we know from your Exhibit A that if  
3 Stericycle loses 50 percent of revenue in the new territory,  
4 the variable costs will go down by a million two hundred  
5 eighty-seven thousand and change; correct?

6 A. Correct.

7 Q. Okay. Is that -- do you expect that that same ratio  
8 will hold true for Port Angeles?

9 A. The only thing we have to look at is in a -- that was  
10 a -- that was obviously a statewide thing that we looked at,  
11 statewide numbers. If you looked at Port Angeles and you said,  
12 you know, there is still going to be assumptions based on  
13 generators that you would lose to say how much of an impact  
14 that would truly be.

15 Q. Okay. So would -- would you expect that that would  
16 hold true, that this -- this analysis on Exhibit A, as far as  
17 the percentage and amount of loss of variable costs, would hold  
18 true for the example of a 50-percent loss of revenue in Port  
19 Angeles?

20 A. Costs would be in the similar line of that reduction,  
21 yes.

22 Q. Okay. And is that -- and so in your opinion, does  
23 Port -- does Stericycle expend equivalent costs to service Port  
24 Angeles as say it does Bellevue?

25 A. No, it would be different.



1 Q. Okay. So do you consider the costs Stericycle expends  
2 for its service to Port Angeles to be average, above average,  
3 below average, have no idea?

4 A. There's -- yeah, no idea.

5 Q. In your opinion, would Stericycle be profitable in  
6 Port Angeles if it had to compete with Waste Management?

7 A. That completely depends. I mean, that's hard to  
8 decipher at this point in time.

9 Q. So you don't know one way or another; is that correct?

10 A. I would know at one point in time depending on the  
11 loss rate. It would have to be looked at.

12 Q. Right. So if you have data in front of you, because  
13 you're talking about present tense, you can obviously calculate  
14 it.

15 But as you sit here today, and you contemplate future  
16 competition from Waste Management, you can't say really one way  
17 or another whether Stericycle would be profitable in Port  
18 Angeles in direct competition with Waste Management; is that  
19 fair?

20 A. That's fair.

21 Q. Okay. How much business would Stericycle need to lose  
22 in Port Angeles to become unprofitable?

23 A. I wouldn't have an answer to that.

24 Q. What about state -- what about in the whole new  
25 territory, how much business would Stericycle need to lose to

1 become unprofitable, do you know?

2 A. I don't.

3 Q. Have you considered that question?

4 A. Yes.

5 Q. In what context?

6 A. Based on looking at these numbers.

7 Q. And so you -- you considered that question, but you  
8 were not able to derive an answer; is that fair?

9 A. Yes.

10 Q. Okay. Have you reviewed Mr. Weinstein's direct  
11 testimony?

12 A. No.

13 Q. You know that Mr. Weinstein is sitting to my left?

14 A. Just met him this morning.

15 Q. Okay. And so you -- are you aware that -- of whether  
16 or not he filed direct testimony in this case?

17 A. I've heard of him filing, but that's it.

18 Q. Okay.

19 A. The extent.

20 Q. But you have not reviewed his testimony; correct?

21 A. Correct.

22 Q. Okay. So continuing on to paragraph 9 of your  
23 testimony, Exhibit 30 to your deposition. You write that, "I  
24 developed a model with our corporate accounting staff." Now,  
25 did you participate in developing the model or is this

1 Mr. Suchla's handiwork?

2 A. The end result is his handiwork, but I did talk to him  
3 about this is what we're looking for.

4 Q. So tell me what -- what did you do to develop the  
5 model?

6 A. Just told him this is -- this is what we're looking  
7 for to show this type of -- of revenue and cost.

8 Q. What do you mean? What did you tell him you were  
9 looking for?

10 A. To say that if we have an effective loss of ten, 25  
11 and 50 percent, can we show that.

12 Q. Okay. So you came up with those three percentage  
13 points, and then you gave those to Mr. Suchla; correct?

14 A. Correct.

15 Q. And other than you being the one who determined those  
16 three percentage points, did you do anything else to develop  
17 the model that is -- that is reflected here in Exhibit A?

18 A. No.

19 Q. Okay. The rest of that would be Mr. Suchla's work, to  
20 your knowledge?

21 A. Yes.

22 Q. Did anybody else besides Mr. Suchla work on developing  
23 this model, other than what you have just testified to?

24 A. Other than what I've told him to start with, it was  
25 him and I.

1 Q. Okay. And what you told him to start with was ten, 25  
2 and 30 percent, and then he took it from there; correct?

3 MR. VAN KIRK: Objection to the form of the question.

4 THE WITNESS: No.

5 BY MS. GOLDMAN:

6 Q. Okay. I'm sorry. So what more did you give him?  
7 What more did you do in developing the model other than giving  
8 him those percentage points?

9 A. No, I -- the percentage points I gave was ten, 25 and  
10 50 percent.

11 Q. I'm sorry. Did I say 30?

12 A. Yes.

13 Q. I misspoke. Let me try that again. Okay. So you  
14 started by -- by providing Mr. Suchla ten, 25 and 50 percent  
15 numbers, and then he developed the rest of the model; correct?

16 A. Correct.

17 Q. And other than that, nobody else participating in --  
18 participated in developing that model; is that correct?

19 A. Not that I'm aware of.

20 Q. So you're -- so am I correct that you're not aware of  
21 anyone else participating in developing the model other than  
22 you and Mr. Suchla?

23 I'm -- I'm asking the question again, because we ended  
24 up with a kind of a double negative there, and I wanted to make  
25 sure that the record is correct, so I'm asking you the same

1 question again so that we can get the record straight.

2 And the question is: Am I correct that the only two  
3 people who participated in developing the model are you, who  
4 provided the ten, 25 and 50 percent to Mr. Suchla, and  
5 Mr. Suchla?

6 A. To the best of my knowledge, yes.

7 Q. Thank you. So you write in paragraph 9, "This model  
8 is based on stop, cost and revenue data for Stericycle in  
9 2011."

10 Where did that data come from?

11 A. Our operating budget and whatever John was -- Suchla  
12 was able to draw from in the corporate accounting.

13 Q. Do you know what he was able to draw from in a  
14 corporate accounting?

15 A. No.

16 Q. And if we look at Exhibit A, it's my understanding  
17 from your testimony that the fixed costs and the variable  
18 costs, which are reflected on Exhibit A, show all of the costs  
19 that Stericycle experienced for its -- its 2011 Washington  
20 business; is that correct?

21 A. No, I don't think that's correct.

22 Q. Okay. Correct me, then.

23 A. I think there's more costs associated with corporate  
24 items that I do not -- I'm not privy to. But this is operating  
25 costs for us.

1 Q. Okay. So what -- what -- what costs that Stericycle  
2 expended on its Washington business are not included in this?

3 A. Well, that's -- that's what I'm saying. I think that  
4 there's more costs associated with corporate items that I'm not  
5 privy to nor do I see in our budget, in our operating costs  
6 budget.

7 Q. So tell me, then, how you could generate this  
8 information without having all of those costs in here?

9 A. These are our operating costs.

10 Q. Okay. And so let's go through. Tell me what are the  
11 operating costs. Let's start with the fixed costs of 5.109  
12 million.

13 What -- what are those?

14 A. Which one are you looking at?

15 Q. Well, every single one of them has the exact same  
16 fixed costs.

17 A. Oh, down here.

18 Q. Every single place you've got fixed costs, it's the  
19 same number; right?

20 A. Yes.

21 Q. Because that's not changing?

22 A. Right.

23 Q. So you've got 5.1 million dollars in fixed costs.  
24 What does that include? Which costs are included? How --  
25 where did that number come from?

1       A.    I can't tell you all of the costs at this point in  
2 time, but those are our budgetary items on our operating  
3 budget.  As an example of that, I said properties and  
4 buildings, lease vehicles, labor, you know, things of that  
5 sort.

6       Q.    And so this would also include the disposal expenses?

7       A.    Well, those would be variable costs.

8       Q.    Okay.  So the variable expenses, the variable costs on  
9 Exhibit A would also include the disposal expenses; correct?

10      A.    Correct.

11      Q.    Okay.  Have you ever reviewed Stericycle's annual  
12 reports that are filed with the UTC?

13      A.    No.

14      Q.    Are you aware that Stericycle files those?

15      A.    Yes.

16      Q.    And what is your understanding of what information is  
17 in there?

18      A.    My understanding is it's our gross margin reported to  
19 the state.

20      Q.    Anything else?

21      A.    Not that I'm aware of.

22      Q.    So off the record.

23                               (Pause in the proceedings.)

24                               (Exhibit No. 31 marked.)

25   BY MS. GOLDMAN:

1 Q. You've been handed what's been marked as Exhibit 31 to  
2 your deposition. Have you ever seen this document before?

3 A. No.

4 Q. Do you have any idea what it is?

5 A. It -- I assume it looks like it's built after our  
6 budget.

7 Q. Okay. So -- well, I can only reflect to you that this  
8 was produced to me by Stericycle, and that it indicates that  
9 it's 2011 information you see up at the top left?

10 A. Yes.

11 Q. Okay. So I'd like you to help me by going through  
12 here and identify which of these expenses are included in your  
13 fixed costs and which are included in your variable costs.

14 A. Okay.

15 Q. We can start by looking at categories, if that's  
16 easier. So the categories Stericycle has set forth in the left  
17 margin.

18 So for example, we can start with the very first cost  
19 is "total disposal expenses"; right?

20 A. Uh-huh.

21 Q. You see that?

22 A. Yes. Yes, I do.

23 Q. And that would be -- you've said that's variable;  
24 correct?

25 A. Correct.



1 Q. Okay. So what about the next -- what about the next  
2 one, "direct labor"?

3 A. Fixed.

4 Q. That's all fixed?

5 A. The direct labor, yes.

6 Q. So the direct labor doesn't vary at all, dependent  
7 on -- on revenue; correct?

8 A. Correct.

9 Q. Okay. "Inservice admin," is that fixed or variable?

10 A. Fixed.

11 Q. "Incentive compensation," fixed or variable?

12 A. Variable.

13 Q. Why is that variable?

14 A. Incentive compensation, to my understanding, is based  
15 on achieving certain goals which may not be achievable.

16 Q. Okay. "Overtime," and you previously testified that  
17 overtime is a variable expense; correct?

18 A. Correct.

19 Q. "Temp help," is that fixed or variable?

20 A. Variable.

21 Q. "Workers' comp," is that variable or fixed?

22 A. Fixed.

23 Q. "Fringe allocation," what does that mean, do you know?  
24 Healthcare?

25 A. Yeah, it's -- I don't have the exact definition. It's

1 something based on --

2 Q. Benefits?

3 A. Benefits, but I don't have the complete description.

4 Q. Okay. So is "fringe allocation" variable or fixed?

5 A. I'm not positive on that one.

6 Q. Okay. "Employee benefits," fixed or variable?

7 A. Fixed.

8 Q. "Travel," fixed or variable?

9 A. Variable.

10 Q. "Equipment maintenance," fixed or variable?

11 A. Variable.

12 Q. "Safety and supplies," fixed or variable?

13 A. Variable.

14 Q. "Office expense," fixed or variable?

15 A. Variable.

16 Q. "Telephone," fixed or variable?

17 A. I do not -- I'm not sure about telephone.

18 Q. "Postage," fixed or variable?

19 A. Variable.

20 Q. Okay. So continuing to the next category under

21 "transportation expenses, route." "Direct labor," fixed?

22 A. Fixed.

23 Q. Okay. "Transportation administration"?

24 A. Fixed.

25 Q. "Transportation management"?

1 A. That's fixed.

2 Q. "Overtime"?

3 A. Variable.

4 Q. "Workers' compensation"?

5 A. Fixed.

6 Q. "Fringes"?

7 A. That's one I don't believe I understand.

8 Q. Okay. "Travel"?

9 A. Variable.

10 Q. "Buildings and property"?

11 A. Fixed.

12 Q. "Utilities"?

13 A. Variable.

14 Q. "Depreciation, transportation equipment-dash-RT," what

15 is that?

16 A. This is under route, RT is route.

17 Q. Okay. So is that category fixed or variable?

18 A. I'm not positive on that one.

19 Q. Okay. "Insurance"?

20 A. Not positive on that one.

21 Q. "Equipment rental"?

22 A. Fixed.

23 Q. "Equipment maintenance"?

24 A. Variable.

25 Q. "Fuel and oil"?

1 A. Variable.

2 Q. "Third-party trailers"?

3 A. Variable.

4 Q. "Licenses and professional fees"?

5 A. Variable.

6 Q. "Safety and other supplies"?

7 A. Variable.

8 Q. "Tolls, fees and other transportation"?

9 A. Variable.

10 Q. "Office expense"?

11 A. Variable.

12 Q. "Telephone"?

13 A. I'm not sure about that one.

14 Q. "Postage"?

15 A. Variable.

16 Q. Okay. Continuing to "transportation expenses, long  
17 haul." "Insurance"?

18 A. I'm not positive about that one.

19 Q. "Third-party hauling"?

20 A. Variable.

21 Q. "Safety and other supplies"?

22 A. Variable.

23 Q. "Tolls, fees and other transportation"?

24 A. Variable.

25 Q. "Telephone"?

1 A. Not sure.

2 Q. And then continuing to "container expenses, boxes,  
3 liners, bags"?

4 A. Variable.

5 Q. "Depreciation-dash-med waste"?

6 A. I'm not sure about that one.

7 Q. Do you know what that is?

8 A. I can only guess that's depreciation of our reusable  
9 containers, but that would be a guess.

10 Q. Okay. "Sterisafe-dash-products"?

11 A. Not sure.

12 Q. Do you know what that refers to?

13 A. No.

14 Q. "Sharps, containers, liners." Sorry. "Sharps  
15 containers, comma, liners"?

16 A. Not sure about that one.

17 Q. Okay. Continuing to "general and administrative  
18 expenses." "Salaries-dash-general administration"?

19 A. Fixed.

20 Q. "Overtime"?

21 A. Variable.

22 Q. "Workers' compensation"?

23 A. Fixed.

24 Q. "Fringes"?

25 A. I'm not sure about that one.

1 Q. "Travel"?

2 A. Variable.

3 Q. "Insurance"?

4 A. Not sure about that one.

5 Q. "Professional fees-dash-other"?

6 A. I'm not sure about that one.

7 Q. "Office expenses"?

8 A. Variable.

9 Q. "Corp.-slash-regional-slash-district office expenses"?

10 A. I don't know about that one.

11 Q. Okay. I think that's it. So as I understand it, you  
12 didn't determine the fixed costs or the variable costs for  
13 Exhibit A; is that correct?

14 A. Correct.

15 Q. Mr. Suchla did that; right?

16 A. Correct.

17 Q. And you can't say what he included in which category,  
18 can you?

19 MR. VAN KIRK: Objection.

20 THE WITNESS: We discussed it.

21 BY MS. GOLDMAN:

22 Q. Okay. So you previously ran through a list of what  
23 you considered to be fixed and what you considered to be  
24 variable costs?

25 A. Correct.

1 Q. I want to understand what you -- what is in this  
2 number. Which -- which costs are in this number, if you know?

3 A. In which number?

4 Q. Well, let's talk about -- well, actually, it's the  
5 same number in each scenario. If you look at the before  
6 column, do you see that?

7 A. Uh-huh, yes.

8 Q. Okay. In each column it says there's a 5.1 million  
9 dollar number for fixed costs, and then there's a 4.3 million  
10 dollars for variable costs; correct?

11 A. Correct.

12 Q. So tell me what categories of costs Mr. Suchla  
13 included in each of those so that I have the list.

14 A. That would be a better question for Mr. Suchla.

15 Q. I think so, too. Do you have any idea?

16 A. Just based on what we discussed.

17 Q. In other words, just running through the list of  
18 Exhibit DR number 1?

19 A. Correct.

20 Q. I'm sorry. Which is Exhibit 31 to your deposition.  
21 So it would be your expectation that all of the numbers that  
22 you identified as variable would show up in Mr. Suchla's  
23 variable costs; correct?

24 MR. VAN KIRK: Objection to the form of the question.

25 BY MS. GOLDMAN:

1 Q. You can answer.

2 A. You asked me on my -- my belief in it. I'm not saying  
3 I'm comparing it to what John Suchla did. This is my belief on  
4 what I said was fixed and variable.

5 Q. So this is what you would do if you were undertaking  
6 the analysis, you would -- you would split the bucket, the  
7 costs into the two buckets the way you've just testified  
8 regarding Exhibit 31; correct?

9 A. Correct.

10 Q. And there are a couple, several that you just aren't  
11 sure which bucket they go in; right?

12 A. Correct.

13 Q. So if you had been tasked with determining the fixed  
14 costs and the variable costs which showed up in Exhibit A, you  
15 would have done precisely what you and I just went through  
16 here; right? It would look exactly the same as that.

17 The numbers that you told me are variable would be in  
18 the variable cost bucket, and the numbers which you told me or  
19 the categories which you told me are variable costs would go  
20 into the variable costs bucket; right?

21 A. If it was just my opinion on it, yes.

22 Q. Okay. Now, you can't tell me, though, as you sit here  
23 today, where the 5.1 and the 4.3 million dollar numbers come  
24 from in Mr. Suchla's Exhibit A; is that correct?

25 A. Well, they come from our budget, which is not this



1 item right here.

2 Q. Okay. But you can't tell me which costs are included  
3 by category in fixed costs, for example?

4 A. Correct.

5 Q. So you gave Mr. Suchla your operating budget; is that  
6 correct?

7 A. He has it.

8 Q. And your operating budget is what he used to determine  
9 fixed and variable costs; correct?

10 A. Correct.

11 Q. You just don't know how he split them up; right?

12 A. Correct.

13 Q. Was Mr. Suchla looking at your budget for 2011 or was  
14 he looking at your actuals for 2011?

15 A. He was looking at our actuals.

16 Q. And where -- where did you get that information?  
17 Where did -- you said he had it from somewhere. He didn't get  
18 it from you; correct?

19 A. Correct.

20 Q. So where did he find the actuals for 2011?

21 A. It's a program that we have that we can access.

22 Q. And is the program just going to give him the  
23 operating costs? What else?

24 A. No.

25 Q. What else does the program give him?

1 after of the variable costs?

2 A. Correct.

3 Q. What would Stericycle's margin, profit margin be if it  
4 reduced its revenue by 50 percent and its costs by 14 percent  
5 in the new territory, as Mr. Suchla is assuming here in Exhibit  
6 A?

7 A. Can you say it one more time, please.

8 Q. What would Stericycle's profit margin be if it reduced  
9 its revenues by 50 percent and its costs by 14 percent in the  
10 new territory?

11 A. One more time, please.

12 Q. Could you repeat it, please.

13 (Question was read back.)

14 A. Did you say just its costs? I'm sorry. One more  
15 time.

16 Q. Can you read it again, please.

17 (Question was read back.)

18 A. What would -- I'm sorry. One more time.

19 (Question was read back.)

20 A. 1.829907.71.

21 Q. What percentage of its revenue could Stericycle afford  
22 to lose and still have a profitable margin?

23 A. I don't have an answer for that.

24 Q. I want to confirm my understanding of your use of the  
25 term "stop," "per stop." And it's my understanding that you

1 A. Drop in revenue and not a significant drop in  
2 operating costs.

3 Q. So in any situation where there was a drop in revenue,  
4 and the costs that dropped didn't drop exactly in the same  
5 percentage as the drop in revenue, that would be a serious  
6 squeeze on margins; correct?

7 A. Correct.

8 Q. In paragraph 14 you testify that, "The only way for  
9 Stericycle to reduce" -- I'm sorry. "The only way for  
10 Stericycle to increase its revenues is by obtaining a rate  
11 increase from the commission."

12 Do you see that?

13 A. Yes, I do see that.

14 Q. Isn't it true that Stericycle could also increase its  
15 revenues if the overall regulated medical waste market grows in  
16 Washington?

17 A. That's possible.

18 Q. And did you consider that in preparing your testimony?

19 A. No.

20 Q. So if we take a look again at Mr. Suchla's Exhibit A,  
21 what is the time frame that is assumed to be required to  
22 generate this -- these three hypothetical losses in gross  
23 revenue or in revenue? So did that make sense?

24 A. What is the time frame?

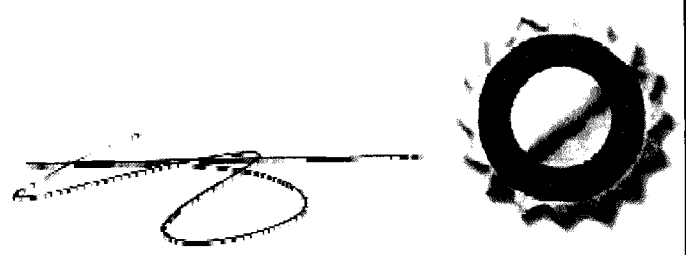
25 Q. Yes. How much time does it take in this model --

C E R T I F I C A T E

STATE OF WASHINGTON  
COUNTY OF KING

I, Kathleen Hamilton, a Certified Shorthand Reporter and Notary Public in and for the State of Washington, do hereby certify that the foregoing transcript of the deposition of CHRISTOPHER DUNN, having been duly sworn, on NOVEMBER 2, 2012, is true and accurate to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 12TH day of NOVEMBER, 2012.



KATHLEEN HAMILTON, RPR, CRR, CCR

My commission expires:

APRIL 2014

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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 4 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012

## Schedule 5 - Income Statement

(for the Year ended on December 31, 2011)

Instructions: Complete this Total Company Income Statement in accordance with the year-end accumulated figures as reflected in your books of account.

Line	Account (a)	WM Healthcare Hauling (b)	WM Healthcare Processing (b)	Total (b)
<b>Revenues:</b>				
1	Solid Waste Operating Revenues (Line 12d, Schedule 6A)	\$ 115,240	\$ -	\$ 115,240
2	Other		44,293	44,293
3	Total Revenue	\$ 115,240	\$ 44,293	\$ 159,533
<b>Expenses:</b>				
4	Driver Wages & Benefits	\$ 336,164	\$ 28,231	\$ 364,395
5	Truck Operating Costs	99,004	-	99,004
6	Repair & Maintenance	16,098	9,102	25,201
7	Insurance & Safety	944	-	944
8	Disposal & Processing	16,750	33,837	50,588
9	Depreciation	7,400	43,259	50,659
10	Selling & Advertising	1,260	-	1,260
11	Office & Administration	20,399	1,693	22,092
12	Management Fees	5,276	2,028	7,304
13	Taxes & Licenses		764	764
14	Rents	106,095	14,454	120,549
15	Other Expenses	1,602	5,994	7,596
16	Total Expenses before Other Items	\$ 610,992	\$ 139,363	\$ 750,355
				(add lines 4 thru 15)
17	Net Income before Other Items	\$ (495,752)	\$ (95,070)	\$ (590,822)
				(line 3 minus line 16)
<b>Other Income &amp; Expense</b>				
18	Other Income/ (Loss)	\$ -	\$ -	\$ -
19	Interest, Dividends, & Other Investment Income/ (Loss)			
20	Distrib./Undistrib. Income/ (Loss) from Subsidiaries			
21	Interest Expense			
22	Other Deductions			
23	Extraordinary Items (Net)			
24	Total Other Income & Expense	\$ -	\$ -	\$ -
				(add lines 18 thru 23)
25	<b>Net Income before Federal Income Taxes</b>	\$ (495,752)	\$ (95,070)	\$ (590,822)
				(line 17 & line 24)
26	Federal Income Taxes	(173,513)	(33,275)	(206,788)
27	<b>Net Income/ (Loss)</b>	\$ (322,239)	\$ (61,796)	\$ (384,034)
				(line 25 minus line 26)

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Exhibit No. \_\_\_\_\_ (MAW-7)

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 5 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012

**Schedule 5 - Income Statement**  
(for the eight Months ended on August 31, 2012)

Instructions: Complete this Total Company Income Statement in accordance with the year-end accumulated figures as reflected in your books of account.

Line	Account	WM Healthcare Hauling
	(a)	(b)
	<b>Revenues:</b>	
1	Solid Waste Operating Revenues (Line 12d, Schedule 6A)	\$ 326,219
2	Other	
3	Total Revenue	<u>\$ 326,219</u>
	<b>Expenses:</b>	
4	Driver Wages & Benefits	\$ 272,474
5	Truck Operating Costs	48,971
6	Repair & Maintenance	9,579
7	Insurance & Safety	5,898
8	Disposal & Processing	132,643
9	Depreciation	15,908
10	Selling & Advertising	-
11	Office & Administration	26,958
12	Management Fees	19,573
13	Taxes & Licenses	7,894
14	Rents	94,491
15	Other Expenses	165,394
16	Total Expenses before Other Items	(add lines 4 thru 15) <u>\$ 799,783</u>
17	Net Income before Other Items	(line 3 minus line 16) <u>\$ (473,564)</u>
	<b>Other Income &amp; Expense</b>	
18	Other Income/ (Loss)	\$ -
19	Interest, Dividends, & Other Investment Income/ (Loss)	
20	Distrib./Undistrib. Income/ (Loss) from Subsidiaries	
21	Interest Expense	
22	Other Deductions	
23	Extraordinary Items (Net)	
24	Total Other Income & Expense	(add lines 18 thru 23) <u>\$ -</u>
25	<b>Net Income before Federal Income Taxes</b>	(line 17 & line 24) <u>\$ (473,564)</u>
26	Federal Income Taxes	(165,747)
27	<b>Net Income/ (Loss)</b>	(line 25 minus line 26) <u>\$ (307,817)</u>



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Exhibit No. \_\_\_\_\_ (MAW-8)

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 6 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012

Exhibit 6 to Response Testimony of Michael Weinstein

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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  
  
**STERICYCLE'S SECOND  
SUPPLEMENTAL RESPONSES TO  
WASTE MANAGEMENT'S DATA  
REQUESTS**

Stericycle of Washington, Inc. supplements its prior responses to Waste Management's data requests as follows:

**DATA REQUEST NO. 7:** Produce contracts and any other documents reflecting arrangements or transactions between you and any affiliated interest (as that term is defined in RCW 80.16.010). If no documents are available, state a summary of the services provided and the prices or values paid.

**SUPPLEMENTAL RESPONSE:** Stericycle incorporates herein its objections raised in its prior response and supplemental response to this data request. Consistent with the Administrative Law Judge's rulings at the August 8, 2012 hearing on cross motions to compel, Stericycle provides the following information in further supplemental response:

1 Stericycle of Washington, Inc.'s cost per standard US short ton for waste processed at  
2 the Morton, Washington processing facility:

3 2011 – \$489.71

4 2012 (5/31) – \$347.13

5 Standard US short tons of waste delivered by Stericycle of Washington, Inc. to the  
6 Morton, Washington processing facility for processing:

7 2011 – 5303.59

8 2012 (5/31) – 2081.22

9 Percentage of waste processed at the Morton, Washington processing facility, measured  
10 by numbers of containers, that is Washington biomedical waste:

11 2011 – 74.1%

12 2012 (5/31) – 55.7%

13 Total cost to operate the Morton, Washington processing facility:

14 2011 – \$3,505,486

15 2012 (5/31) – \$1,298,318

16 **DATA REQUEST NO. 16:** State the volume of biomedical waste you collected, and  
17 the number of customers from whom you collected such waste, within each Washington  
18 county, respectively, in 1995, 2001, 2009, 2010, 2011, and 2012 (to date), respectively.

19 SUPPLEMENTAL RESPONSE: Stericycle incorporates herein its objections raised in  
20 its prior response and supplemental response to this data request. Consistent with the  
21 Administrative Law Judge's rulings at the August 8, 2012 hearing on cross motions to compel,  
22 Stericycle provides the following information in further supplemental response:

23 Volume of biomedical waste collected by Stericycle of Washginton, Inc. from each  
24 Washington State county, expressed by number of containers, and the number of customers  
25 served in each county:

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County	Customers	Containers
ADAMS	2	40
ASOTIN	16	1,289
BENTON	205	14,727
CHELAN	47	4,259
CLALLAM	87	4,440
CLARK	407	25,347
COWLITZ	108	8,655
DOUGLAS	9	39
FERRY	5	113
FRANKLIN	43	2,985
GARFIELD	1	82
GRANT	11	4,697
GRAYS HARBOR	87	3,586
ISLAND	66	1,985
JEFFERSON	25	1,088
KING	3,081	223,660
KITITITAS	30	1,182
KITSAP	290	12,032
KLICKITAT	8	784
LEWIS	103	8,174
LINCOLN	10	258
MASON	56	3,123
OKANOGAN	35	2,259
PACIFIC	17	1,310
PEND OREILLE	10	257
PIERCE	763	44,065
SKAGIT	138	6,347
SKAMANIA	8	63
SNOHOMISH	629	32,431
SPOKANE	590	31,654
STEVENS	29	1,639
THURSTON	301	12,670
WAHKIAKUM	3	37
WALLA WALLA	10	485
WHATCOM	224	10,793
WHITMAN	17	3,201
YAKIMA	129	16,487

1 2012 (5/31) -

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County	Customers	Containers
ADAMS	1	12
ASOTIN	17	593
BENTON	184	4,600
CHELAN	47	1,803
CLALLAM	90	1,939
CLARK	382	10,753
COWLITZ	98	3,412
DOUGLAS	9	23
FERRY	4	49
FRANKLIN	41	1,786
GARFIELD	1	49
GRANT	14	2,147
GRAYS HARBOR	76	1,633
ISLAND	60	910
JEFFERSON	24	410
KING	2873	80,767
KITITITAS	27	560
KITSAP	282	5,226
KLICKITAT	8	310
LEWIS	102	2,419
LINCOLN	10	99
MASON	57	1,266
OKANOGAN	35	895
PACIFIC	15	495
PEND OREILLE	10	97
PIERCE	712	21,407
SAN JUAN	3	23
SKAGIT	124	1,326
SKAMANIA	7	19
SNOHOMISH	616	13,495
SPOKANE	533	11,758
STEVENS	28	704
THURSTON	289	4,903
WAHKIAKUM	2	5
WALLA WALLA	8	300
WHATCOM	203	4,439

**STERICYCLE'S SECOND SUPPLEMENTAL RESPONSES  
TO WASTE MANAGEMENT DATA REQUESTS - Page 4**

**GARVEY SCHUBERT BARER**  
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS  
eighteenth floor  
1191 second avenue  
seattle, washington 98101-2939  
206 464 3939

1	WHITMAN	15	990
2	YAKIMA	129	7,128

3  
4 DATED this 26th day of September, 2012.

5 GARVEY SCHUBERT BARER

6  
7 By 

8 Stephen B. Johnson, WSBA #6196  
9 Jared Van Kirk, WSBA #37029  
10 Attorneys for Protestant Stericycle of  
11 Washington, Inc.

1 **CERTIFICATE OF SERVICE**

2 I, Dominique Barrientes, certify under penalty of perjury under the laws of the State of  
3 Washington that, on September 26, 2012, I caused to be served on the person(s) listed below in  
4 the manner shown a copy of STERICYCLE'S SECOND SUPPLEMENTAL RESPONSES TO  
5 WASTE MANAGEMENT'S DATA REQUESTS:

6 Jessica Goldman  
7 Polly L. McNeill  
8 Summit Law Group  
9 315 - 5<sup>th</sup> Avenue South  
10 Seattle, WA 98104  
11 [jessicag@summitlaw.com](mailto:jessicag@summitlaw.com)  
12 [pollym@summitlaw.com](mailto:pollym@summitlaw.com)  
13 [kathym@summitlaw.com](mailto:kathym@summitlaw.com)  
14 [deannas@summitlaw.com](mailto:deannas@summitlaw.com)

- Via Legal Messenger
- Via Facsimile
- Via U.S. Mail, First Class,  
Postage Prepaid
- Via Email

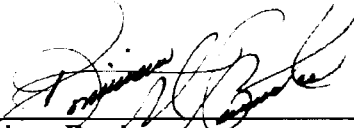
11 James K. Sells  
12 Attorney at Law  
13 PMB 22, 3110 Judson Street  
14 Gig Harbor, WA 98335  
15 [jamesells@comcast.net](mailto:jamesells@comcast.net)  
16 [cheryls@rsulaw.com](mailto:cheryls@rsulaw.com)  
17 *Attorney for Protestant WRRRA, Rubatino,*  
18 *Consolidated, Murrey's and Pullman*

- Via Legal Messenger
- Via Facsimile
- Via U.S. Mail, First Class,  
Postage Prepaid
- Via Email

16 Fronda Woods  
17 Office of the Attorney General  
18 Utilities and Transportation Division  
19 1400 S. Evergreen Park Drive SW  
20 PO Box 40128  
21 Olympia, WA 98504-0128  
22 (360) 664-1225  
23 (360) 586-5522 Fax  
24 [fwoods@utc.wa.gov](mailto:fwoods@utc.wa.gov)  
25 [BDeMarco@utc.wa.gov](mailto:BDeMarco@utc.wa.gov)

- Via Legal Messenger
- Via Facsimile
- Via U.S. Mail, First Class,  
Postage Prepaid
- Via Email

22 Dated at Seattle, Washington this 26<sup>th</sup> day of September, 2012.

23 

24 Dominique Barrientes  
25 [dbarrientes@gsblaw.com](mailto:dbarrientes@gsblaw.com)  
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Exhibit No. \_\_\_\_\_ (MAW-9)

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 7 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012

Exhibit 7 to Response Testimony of Michael Weinstein





Washington Unified Business Identifier (UBI) No.: 604 460 826  
(If you do not know your UBI No. please contact Business Licensing Service at 1-800-451-7985 or BLS@dor.wa.gov))

### ANNUAL REPORT CERTIFICATION

I certify that I, Todd Hankla, the responsible account officer for Stericycle of Washington, Inc. have examined the foregoing report; that, to the best of my knowledge, information and belief, all statements of fact contained in said report are true and said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2011, to December 31, 2011, inclusive.

Name (Printed) Todd Hankla Title VP Finance

Signature \_\_\_\_\_ Date April 30, 2012

#### Online Annual Report Certification

I acknowledge that the foregoing Annual Report has been submitted electronically; that, to the best of my knowledge, information and belief, all statements of fact contained in all attached schedules are true and said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2011, to December 31, 2011, inclusive. I agree that my name typed in lieu of my handwritten signature shall be sufficient to deem the report complete.

Authorized By:

Please Type Full Name Here

Authorized Date:

Please Type Full Date Here

## SCHEDULE 1

**TYPE OF MOTOR CARRIER**  Individual  Partnership  Corporation,  Other (LP, LLP, LLC, etc.)

List the name, title, and percentage of partner's share or stock distribution for major stockholders. If LLC, list members and percentage of ownership.

Name: Stericycle, Inc. \_\_\_\_\_ Title: Parent corporation \_\_\_\_\_ Percent/Shares/Stock/Ownership: 100% \_\_\_\_\_  
 Name: \_\_\_\_\_ Title: \_\_\_\_\_ Percent/Shares/Stock/Ownership: \_\_\_\_\_  
 Name: \_\_\_\_\_ Title: \_\_\_\_\_ Percent/Shares/Stock/Ownership: \_\_\_\_\_

Number of recordable intrastate and interstate accidents in 2011.

*(Please include the total recordable accidents for both intrastate and interstate operations based in Washington.)*

Recordable Accidents	Intrastate	Interstate
An occurrence involving a commercial vehicle on a public road in interstate or intrastate commerce that resulted in:		
<b>A.</b> A fatality.		
<b>B.</b> An injury to a person requiring immediate treatment away from the scene of the accident.		
<b>C.</b> Disabling damage to a vehicle, requiring it to be towed from the accident scene.	1	
Total number of recordable accidents	1	

Total operating miles for the year 2011:

Intrastate 1,035,942\_\_ Interstate 540,265\_\_

Intrastate: Trips that operate exclusively within the state of Washington.

Interstate: Trips that operate outside the state of Washington.

**SCHEDULE 2  
TOTAL COMPANY INCOME STATEMENT**

**Complete this Income Statement in accordance with the year-end accumulated figures as reflected in your books of account.**

Line	Account (a)	Total Company (b)
<b>Revenues:</b>		
1	Solid Waste Related Revenue	13,709,428
2	Other Revenue	_____
3	Total Revenue (Line 1 plus Line 2)	<u>13,709,428</u>
<b>Expenses:</b>		
4	Driver Wages & Benefits	2,857,235
5	Truck Operating Costs	1,120,435
6	Repair & Maintenance	305,662
7	Insurance & Safety	153,744
8	Disposal & Processing	5,628,493
9	Depreciation	295,402
10	Selling & Advertising	_____
11	Office & Administration	1,402,195
12	Taxes & Licenses	62,373
13	Rents	305,161
14	Other Solid Waste Expenses	719,638
15	Total Expenses before Other Items (add Lines 4 thru 14)	<u>12,850,339</u>
16	Net Income before Other Items (Line 3 minus Line 15)	<u>859,089</u>
<b>Other Income &amp; Expense:</b>		
17	Other Income/(Loss)	_____
18	Interest, Dividends, & Other Investment Income/(Loss)	_____
19	Interest Expense	_____
20	Other Deductions	_____
21	Extraordinary Items (Net)	_____
22	Total Other Income & Expense (add Lines 17 thru 21)	<u>0</u>
23	<b>Net Income before Federal Income Taxes</b> (Line 16 plus Line 22)	859,089
24	Federal Income Taxes	311,420
25	<b>Net Income/(Loss)</b> (Line 23 minus Line 24)	<u>547,669</u>

**SCHEDULE 3  
SOLID WASTE CUSTOMER REVENUES AND STATISTICS**

Customer Classification (1)	<i>Annual Miles Operated</i> (2)	Number of Customers at Year End (3)	Annual Solid Waste Revenue (4)
Residential			
Commercial	1,035,942	7,713	13,709,428
Drop Box/Compactor			
Other			
<b>TOTALS</b>			

**SCHEDULE 4  
SOLID WASTE COLLECTION PROPERTY OWNED AT YEAR END**

Description of Property (1)	Cost (2)	Accumulated Depreciation at Year End (3)	Net Book Value at Year End (4) = (2) - (3)
Land & Structures			
Solid Waste Collection Equipment	290,812	169,409	121,403
Bins, Containers, Drop Boxes, etc.	3,442,766	1,391,381	2,051,385
Other	65,751	62,876	2,875
<b>TOTALS</b>	<b>3,799,329</b>	<b>1,623,666</b>	<b>2,175,663</b>

**SOLID WASTE - CLASS C  
REGULATORY FEE CALCULATION SCHEDULE**

Due May 1, 2012

Company Name: STERICYCLE OF WASHINGTON, INC. Annual Report Year 2011

In accordance with RCW 81.77.080 "Regulatory Fees", the Commission requires Solid Waste companies to file reports of gross intrastate operating revenue and pay fees on that revenue. Every company subject to regulation shall file with the Commission a statement under oath showing its gross intrastate operating revenue from operations for the preceding year and pay to the Commission a fee as instructed below.

1	Total Gross Intrastate Operating Revenue **			1	\$13,709,428
2	Regulatory Fee Calculations:			2	
2a	If Line 3 is UNDER \$2,000, Enter ZERO (Filing ZERO indicates schedule is complete)			2a	\$
2b	If Line 3 is OVER \$2,000-enter amount from Line 3	2b	\$ 13,709,428.00 x .4275 % (.004275) =		\$ 58,607.80
3	Total Regulatory Fees owed (Line 2a or Line 2b)				\$
					Agency Use Only 001-111-02-68-227-01
<b>Complete Lines 6 through 9 if filing after May 1</b>					
4	Penalties on Regulatory Fees filed after May 1			4	
4a	Total Penalties on Regulatory Fees owed - enter amount from Line 5	4a	\$ x 2 % (.02) =		\$
5	Interest on Regulatory Fees filed after May 1			5	
5a	Amount from Line 3 _____ x Number of months past May _____ x 1% (.01) =			5a	\$
6	Total Penalties and Interest owed (Line 4a plus Line 5a)			6	\$
					Agency Use Only 001-111-02-68-227-11
7	Total Regulatory, Penalty and Interest Fees Due (Line 3 plus Line 6)			7	58,607.80

Paid 4/26/12

\*\* Note: Gross Washington intrastate operating revenue is defined as all revenue collected for the year from rates under tariffs on file at the Washington Utilities and Transportation Commission. The revenues subject to the Commission's regulatory fees are gross Washington intrastate operating revenues before deductions for uncollectibles, unbillables, subscriber/aggregator commissions or the payment of site charges and state and federal taxes, i.e. "Gross Revenues" means before any deductions from Revenue Receipts.

# 2011 Solid Waste C Annual Report Review Sheet

Date: 5-7-12

Company Name: Stenicycle

- UTC annual report form is complete and signed.
- Are there corrections on the address label? If so, scan the form and e-mail it to the Industry contact, Tina, Records Center, and Paula. *email to tina/rc Paula*
- Information in ARTS is correct:
  - Verify the name matches what is in ARTS.
  - Report received date is entered and accurate.
  - Report complete box is checked.
- Verify UBI No. in Department of Revenue or Secretary of State website(s).
- Verify that Class C Annual Report, Schedule 2, Company Income Statement, Line 3 amount is the same as Solid Waste Class C Regulatory Fee Calculation Schedule, Line 1.
- On upper right hand corner of the annual report, initial and use "entered in computer" stamp verifying the report is complete. Deliver to Record Center.

## NOTES/CONTACTS:

### Forms Required for Solid Waste Companies

- **Class A:** A traditional solid waste collection company with annual gross operating revenue from regulated, intrastate operations of five million dollars or more.
- **Class B:** A traditional solid waste collection company with annual gross operating revenue from regulated, intrastate operations of less than five million dollars.
- **Class C:** A solid waste collection company that does not provide traditional residential or commercial solid waste operations. This class includes specialized carriers, generally hauling specific waste products for specific customers or providing only on-call or nonscheduled service.

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Exhibit No. \_\_\_\_\_ (MAW-10)

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 8 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012



## Medical Waste Revenue Growth Projection in Washington

<u>Stericycle Revenue Estimate</u>			
	<u>Actual</u>		<u>Average</u>
	<u>Revenue</u>	<u>% Change</u>	<u>Annual</u>
			<u>% Change</u>
			<u>7.54%</u>
2001	\$ 6,625,684		\$ 6,625,684
2002	\$ 7,683,380	16.0%	\$ 7,125,405
2003	\$ 7,612,966	-0.9%	\$ 7,662,817
2004	\$ 8,301,852	9.0%	\$ 8,240,761
2005	\$ 8,946,966	7.8%	\$ 8,862,294
2006	\$ 9,161,904	2.4%	\$ 9,530,705
2007	\$ 10,132,153	10.6%	\$ 10,249,528
2008	\$ 11,274,561	11.3%	\$ 11,022,567
2009	\$ 12,039,773	6.8%	\$ 11,853,909
2010	\$ 12,348,092	2.6%	\$ 12,747,953
2011	\$ 13,709,428	11.0%	\$ 13,709,428
2012			\$ 14,743,418
2013			\$ 15,855,394
2014			\$ 17,051,237
2015			\$ 18,337,273

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Exhibit No. \_\_\_\_\_ (MAW-11)

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 9 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012

Exhibit 9 to Response Testimony of Michael Weinstein

Exhibit DR #1

STERICYCLE OF WASHINGTON, INC.		
WUTC Analysis - 2011		
WUTC - WASHINGTON	<b>Adjusted</b>	Allocation
	<b>Total</b>	methods used
<b>REVENUES:</b>		
<u>Service:</u>		
Total service revenue	13,709,428	Revenue %
<b>TOTAL REVENUE</b>	<b>13,709,428</b>	
<u>Disposal:</u>		
TOTAL DISPOSAL EXPENSES	5,628,493	Container #
<b>INSERVICE EXPENSES:</b>		
<u>Compensation:</u>		
Direct Labor	470,790	Container #
Inservice Admin	161,357	Container #
Incentive Compensation	8,457	Container #
Overtime	3,558	Container #
Temp Help	1,236	Container #
Workers Comp	69,156	Container #
Fringe Allocation	160,180	Container #
Employee Benefits	1,118	Container #
Total Compensation	875,852	
<u>Other:</u>		
Travel	124,021	Container #
Equipment Maintenance	505	Container #
Safety and Supplies	27,951	Container #
Office Expense	3,373	Container #
Telephone	25,556	Container #
Postage	107	Container #
Total Other Inservice Expenses	181,513	
<b>TOTAL INSERVICE EXPENSES:</b>	<b>1,057,365</b>	
<b>TRANSPORTATION EXPENSES - ROUTE :</b>		
<u>Compensation:</u>		
Direct labor	1,054,710	# of stops
Transportation administration	56,429	# of stops
Transportation management	69,530	# of stops
Overtime	288,892	# of stops
Workers compensation	145,991	# of stops
Fringes	365,002	# of stops
Total compensation	1,980,554	
<u>Other:</u>		
Travel	34,210	# of stops
Buildings & property	305,161	# of stops
Utilities	26,507	# of stops
Depreciation - transportation equipment - RT	19,807	# of stops
Insurance	56,367	# of stops
Equipment rental	699,203	# of stops
Equipment maintenance	305,158	# of stops
Fuel and oil	345,842	# of stops
3rd party trailers	23,327	# of stops

STERICYCLE OF WASHINGTON, INC.		
WUTC Analysis - 2011		
WUTC - WASHINGTON	<b>Adjusted Total</b>	Allocation methods used
Licenses & professional fees	14,214	# of stops
Safety & other supplies	70,311	# of stops
Tolls, fees and other transportation	22,947	# of stops
Office expense	52,307	# of stops
Telephone	38,084	# of stops
Postage	19,565	# of stops
Total other transportation - route	2,033,010	
Total transportation expenses - route	4,013,564	
<b>TRANSPORTATION EXPENSES - LONG HAUL</b>		
<u>Other:</u>		
Insurance	897	# of stops
3rd party hauling	12,896	# of stops
Safety & other supplies	747	# of stops
Tolls, fees and other transportation	16,220	# of stops
Telephone	497	# of stops
Total transportation expenses - long haul	31,257	
<b>CONTAINER EXPENSES:</b>		
<u>Service:</u>		
Boxes, liners, bags	181,438	Container #
Depreciation - med waste	275,595	Container #
Sterisafe - products	5,998	Container #
Total container service expenses	463,031	
<u>Product:</u>		
Sharps containers, liners	345,268	Container #
Total container expenses	808,299	
<b>TOTAL COST OF REVENUE</b>	<b>11,538,978</b>	
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES:</b>		
<u>Compensation:</u>		
Salaries - General administration	318,801	Revenue %
Overtime	9,410	Revenue %
Workers compensation	60,239	Revenue %
Fringes	94,701	Revenue %
Total general & admin. compensation	483,151	
<u>Other:</u>		
Travel	42,000	Revenue %
Insurance	1,143	Revenue %
Professional fees - other	65,048	Revenue %
Office expenses	9,198	Revenue %
Corp/Regional/District office expenses	710,821	Revenue %
Total other general & admin.	828,210	
Total general & administration	1,311,361	
<b>TOTAL EXPENSES</b>	<b>12,850,339</b>	
<b>OPERATING PROFIT</b>	<b>859,089</b>	

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Exhibit No. \_\_\_\_\_ (MAW-12)

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 10 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In Re Application of  
WASTE MANAGEMENT OF  
WASHINGTON, INC.  
d/b/a WM Healthcare Solutions  
of Washington  
720 4th Ave. Ste 400  
Kirkland, WA 98033-8136

Docket No. TG-120033

STERICYCLE'S OPPOSITION TO WASTE  
MANAGEMENT'S MOTION TO COMPEL  
DISCOVERY

STERICYCLE'S OPPOSITION TO WASTE MANAGEMENT'S MOTION  
TO COMPEL DISCOVERY

GARVEY SCHUBERT BARER  
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS  
*eighteenth floor*  
*1191 second avenue*  
*seattle, washington 98101-2939*  
*206 464-3939*

1 role of the Commission in rate-setting. Under RCW 81.77.030, the Commission is charged to  
2 “supervise and regulate every solid waste collection company in this state . . . [b]y fixing and  
3 altering its rates, charges, classifications, rules and regulations . . . .” Thus, it is the  
4 Commission’s responsibility to ensure that rates charged by Stericycle to biomedical waste  
5 generators are reasonable and that Stericycle’s profits remain within the permissible range.  
6 Stericycle’s rates are contained in a Commission-approved tariff and its resulting profits, based  
7 on those tariff rates, must be presumed reasonable until the Commission determines otherwise  
8 in an appropriate rate proceeding.<sup>3</sup> If Waste Management has a credible basis for questioning  
9 Stericycle’s rates or annual reports, it should provide that information to the Commission. If  
10 the Commission wishes to audit Stericycle’s rates and annual reports, it has the authority and  
11 the means to do so. However, there is no justification for allowing Waste Management -- a  
12 highly interested competitor -- to do so in the context of this application proceeding -- on the  
13 basis of no credible claim of relevance whatsoever to any issue in which Waste Management  
14 has a legitimate interest.<sup>4</sup>

17 7. Waste Management also argues that it should be allowed to go behind  
18 Stericycle’s annual reports to audit Stericycle’s profitability because Stericycle has put its  
19 profitability at issue by claiming that it will be driven from the market if Waste Management’s  
20 application is granted. This is not Stericycle’s contention. Stericycle makes no claim that  
21

---

22 <sup>3</sup> Waste Management also fails to note that Stericycle’s rates are the product of the competitive pricing  
23 environment in place in Washington when Stericycle entered the market – competition offered at that  
24 time by Waste Management itself and several others in portions of the state and BFI Medical Waste  
Systems of Washington, Inc. statewide. *See* Declaration of Michael Philpott in Opposition to Waste  
Management’s Motion to Compel (hereinafter “Philpott Decl.”), filed herewith, at ¶ 4.

25 <sup>4</sup> This is a paradigm instance of a party attempting to obtain discovery on a matter in which it “do[es]  
26 not have a significant interest.” *Cf.* Order 01, ¶ 8. Under the logic of the Commission’s Order 01 in this  
proceeding, if an audit of Stericycle’s annual reports were indicated, this would clearly be a matter for  
the Commission Staff and the Commission, not Waste Management.

1 Waste Management's entry into the market in the territory covered by its application would  
2 drive Stericycle out of business.

3 8. Stericycle will argue, however, that Waste Management's proposed service in  
4 the new territory is not financially feasible, that Waste Management cannot operate at a profit if  
5 it serves throughout the new territory, as it would be obligated to do, and that the only way for  
6 Waste Management to operate profitably would be to engage in cream-skimming -- actively  
7 marketing its services only in the more profitable urban areas adjacent to its existing G-237  
8 territory and along the I-5 corridor -- e.g., Olympia, Vancouver and Bellingham -- while  
9 leaving Stericycle to continue serving its existing customers in the less profitable outlying areas  
10 of the state. Stericycle will also argue that the cost per unit of waste collected will necessarily  
11 increase and revenue earned will necessarily decrease as a result of a divided market in the new  
12 territory. To maintain profitable services throughout this territory, the necessary response of all  
13 carriers serving the territory will be to reduce the level of service offered to customers in many  
14 areas, to increase the rates paid by to those customers, or both. In short, the issues that  
15 Stericycle intends to raise at the hearing do not turn on a claim that it will be driven from the  
16 marketplace by Waste Management but instead will simply direct the Commission's attention  
17 to the indisputable effects that a divided market and cream-skimming by Waste Management  
18 would have on the costs of any carrier attempting to provide service throughout the territory in  
19 question -- and the inevitable consequences which such increased costs would have on rates  
20 and service levels in that territory. In short, Stericycle will argue that the Commission's goal of  
21 reasonable rates and biomedical waste collection services responsive to public need throughout  
22 the state will be harmed, not served, by granting Waste Management's application. *See In re*  
23  
24  
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1 producing such documents for Stericycle, Inc.'s Morton processing facility on the  
2 grounds that such documents are not relevant to this application proceeding and are not  
3 reasonably calculated to lead to the discovery of relevant evidence. Waste Management  
4 has identified documents related to a Dangerous Waste Compliance Inspection conducted  
5 by the Washington Department of Ecology on June 1, 2010, at the Morton processing  
6 facility which identified alleged violations of WAC chapter 173-303, related to the  
7 designation of solid waste accepted inside sharps containers and liquids released from  
8 autoclave units. Without waiving its objections, Stericycle will produce the Department  
9 of Ecology orders related to these alleged violations. As indicated in the Declaration of  
10 Michael Philpott, filed herewith, there have been no other violations of law, alleged  
11 violations of law or investigations involving an alleged violation of law involving  
12 Stericycle, Inc.'s Morton processing facility since January 1, 2009, except as disclosed in  
13 the materials produced related to these alleged violations.  
14  
15


16 **III. Conclusion.**

17 26. For the reasons set out above, Waste Management's Motion to Compel further  
18 responses to its data requests should be denied.  
19

20 DATED this 6th day of August, 2012.

21 Respectfully submitted,

22 GARVEY SCHUBERT BARER

23  
24 By   
25 Stephen B. Johnson, WSBA #6196  
26 Jared Van Kirk, WSBA #37029  
Attorneys for Protestant Stericycle of  
Washington, Inc.

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Exhibit No. \_\_\_\_\_ (MAW-13)

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 11 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012

# Waste Management of Washington

Medical Waste Collection Break-even Analysis

Jan-13      Feb-13      Mar-13      Apr-13      May-13      Jul-13

<b>Revenue</b>	<b>\$ 42,408</b>	<b>\$ 44,105</b>	<b>\$ 45,869</b>	<b>\$ 47,704</b>	<b>\$ 49,612</b>	<b>\$ 54,573</b>	<b>\$ 60,030</b>
<b>Expenses:</b>							
Driver Wages	\$ 13,266	\$ 13,415	\$ 13,566	\$ 13,719	\$ 13,874	\$ 21,156	\$ 21,753
Processing Fees	\$ 17,001	\$ 17,681	\$ 18,388	\$ 19,123	\$ 19,888	\$ 21,877	\$ 24,065
Other Disposal Fees and Taxes	\$ 7,257	\$ 7,374	\$ 7,493	\$ 7,615	\$ 7,739	\$ 7,932	\$ 8,138
Rental Costs	\$ 11,747	\$ 11,747	\$ 11,747	\$ 11,747	\$ 11,747	\$ 13,747	\$ 13,747
Insurance Costs	\$ 737	\$ 737	\$ 737	\$ 737	\$ 737	\$ 765	\$ 765
Truck Operating Costs	\$ 6,205	\$ 6,290	\$ 6,377	\$ 6,464	\$ 6,553	\$ 6,778	\$ 7,012
Depreciation	\$ 1,988	\$ 1,988	\$ 1,988	\$ 1,988	\$ 1,988	\$ 1,988	\$ 1,988
Repairs and Maintenance	\$ 1,106	\$ 1,126	\$ 1,146	\$ 1,167	\$ 1,189	\$ 1,246	\$ 1,309
Office & Administration	\$ 25,985	\$ 26,096	\$ 26,211	\$ 26,331	\$ 26,456	\$ 26,781	\$ 27,138
Management Fees	\$ 2,545	\$ 2,646	\$ 2,752	\$ 2,862	\$ 2,977	\$ 3,274	\$ 3,602
<b>Total Expenses</b>	<b>\$ 87,837</b>	<b>\$ 89,100</b>	<b>\$ 90,405</b>	<b>\$ 91,755</b>	<b>\$ 93,150</b>	<b>\$ 105,546</b>	<b>\$ 109,517</b>

**Net Income (loss) before taxes**      **\$ (45,429)**      **\$ (44,995)**      **\$ (44,536)**      **\$ (44,051)**      **\$ (43,538)**      **\$ (50,972)**      **\$ (49,487)**

<b>Assumptions:</b>							
Monthly Growth in Revenue	4.00%	4.00%	4.00%	4.00%	4.00%	10.00%	10.00%
Monthly % increase in Fuel costs *	1.33%	1.33%	1.33%	1.33%	1.33%	3.33%	3.33%
Monthly % increase in Labor Hours *	1.33%	1.33%	1.33%	1.33%	1.33%	3.33%	3.33%
Additional head count and truck required by 30% increase in growth						30%	

Processed Pounds      71,732      74,602      77,586      80,689      83,917      92,309      101,539

\* % is less than growth percentage due to increasing route densities

# Waste Management of Washington

Medical Waste Collection Break-even Analysis

	<u>Aug-13</u>	<u>Sep-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Feb-14</u>	<u>Mar-14</u>
<b>Revenue</b>	<b>\$ 66,033</b>	<b>\$ 72,637</b>	<b>\$ 79,900</b>	<b>\$ 87,890</b>	<b>\$ 106,347</b>	<b>\$ 116,982</b>
<b>Expenses:</b>						
Driver Wages	\$ 22,372	\$ 23,013	\$ 31,098	\$ 31,983	\$ 41,545	\$ 42,731
Processing Fees	\$ 26,471	\$ 29,118	\$ 32,030	\$ 35,233	\$ 42,632	\$ 46,896
Other Disposal Fees and Taxes	\$ 8,357	\$ 8,590	\$ 8,839	\$ 9,105	\$ 9,696	\$ 10,024
Rental Costs	\$ 13,747	\$ 13,747	\$ 15,747	\$ 15,747	\$ 17,747	\$ 17,747
Insurance Costs	\$ 765	\$ 765	\$ 792	\$ 792	\$ 819	\$ 819
Truck Operating Costs	\$ 7,254	\$ 7,505	\$ 9,265	\$ 9,585	\$ 11,761	\$ 12,168
Depreciation	\$ 1,988	\$ 1,988	\$ 2,822	\$ 2,822	\$ 3,655	\$ 3,655
Repairs and Maintenance	\$ 1,378	\$ 1,454	\$ 1,538	\$ 1,630	\$ 1,842	\$ 1,964
Office & Administration	\$ 27,531	\$ 27,964	\$ 28,439	\$ 28,962	\$ 30,171	\$ 30,867
Management Fees	\$ 3,962	\$ 4,358	\$ 4,794	\$ 5,273	\$ 6,381	\$ 7,019
<b>Total Expenses</b>	<b>\$ 113,825</b>	<b>\$ 118,502</b>	<b>\$ 135,364</b>	<b>\$ 141,133</b>	<b>\$ 166,250</b>	<b>\$ 173,891</b>
<b>Net Income (loss) before taxes</b>	<b>\$ (47,792)</b>	<b>\$ (45,865)</b>	<b>\$ (55,464)</b>	<b>\$ (53,243)</b>	<b>\$ (59,902)</b>	<b>\$ (56,909)</b>

## Assumptions:

Monthly Growth in Revenue	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Monthly % increase in Fuel costs *	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%
Monthly % increase in Labor Hours *	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%
Additional head count and truck required by 30% increase in growth		30%			30%	
Processed Pounds	111,693	122,863	135,149	148,664	179,883	197,871
						217,659
						1,264,273

\* % is less than growth percentage due to increasing route densities

# Waste Management of Washington

## Medical Waste Collection Break-even Analysis

	<u>May-14</u>	<u>Jun-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Nov-14</u>
<b>Revenue</b>	<u>\$ 141,548</u>	<u>\$ 155,703</u>	<u>\$ 171,274</u>	<u>\$ 188,401</u>	<u>\$ 207,241</u>
<b>Expenses:</b>					
Driver Wages	\$ 53,236	\$ 54,761	\$ 56,341	\$ 66,333	\$ 68,241
Processing Fees	\$ 56,744	\$ 62,418	\$ 68,660	\$ 75,526	\$ 83,078
Other Disposal Fees and Taxes	\$ 10,758	\$ 11,169	\$ 11,612	\$ 12,091	\$ 12,609
Rental Costs	\$ 19,747	\$ 19,747	\$ 19,747	\$ 21,747	\$ 21,747
Insurance Costs	\$ 846	\$ 846	\$ 846	\$ 874	\$ 874
Truck Operating Costs	\$ 14,528	\$ 15,033	\$ 15,556	\$ 17,598	\$ 18,211
Depreciation	\$ 4,488	\$ 4,488	\$ 4,488	\$ 5,322	\$ 5,322
Repairs and Maintenance	\$ 2,247	\$ 2,410	\$ 2,589	\$ 2,786	\$ 3,003
Office & Administration	\$ 32,475	\$ 33,402	\$ 34,421	\$ 35,543	\$ 36,776
Management Fees	\$ 8,493	\$ 9,342	\$ 10,276	\$ 11,304	\$ 12,434
<b>Total Expenses</b>	<u>\$ 203,563</u>	<u>\$ 213,616</u>	<u>\$ 224,537</u>	<u>\$ 249,123</u>	<u>\$ 262,296</u>
<b>Net Income (loss) before taxes</b>	<u>\$ (62,015)</u>	<u>\$ (57,913)</u>	<u>\$ (53,263)</u>	<u>\$ (60,722)</u>	<u>\$ (55,055)</u>

	<u>May-14</u>	<u>Jun-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Nov-14</u>
<b>Assumptions:</b>					
Monthly Growth in Revenue	10.00%	10.00%	10.00%	10.00%	10.00%
Monthly % increase in Fuel costs *	3.33%	3.33%	3.33%	3.33%	3.33%
Monthly % increase in Labor Hours *	3.33%	3.33%	3.33%	3.33%	3.33%
Additional head count and truck required by 30% increase in growth	30%	30%	30%	30%	30%

Processed Pounds	239,424	263,367	289,704	318,674	350,541
				385,596	424,155
					466,571

\* % is less than growth percentage due to increasing route densities

# Waste Management of Washington

Medical Waste Collection Break-even Analysis

	<u>Dec-14</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>May-15</u>	<u>Jun-15</u>
<b>Revenue</b>	<b>\$ 303,422</b>	<b>\$ 332,247</b>	<b>\$ 362,149</b>	<b>\$ 428,298</b>	<b>\$ 500,723</b>
<b>Expenses:</b>					
Driver Wages	\$ 85,796	\$ 97,274	\$ 99,823	\$ 114,364	\$ 119,892
Processing Fees	\$ 121,635	\$ 133,190	\$ 145,177	\$ 171,695	\$ 200,729
Other Disposal Fees and Taxes	\$ 15,159	\$ 15,906	\$ 16,678	\$ 18,368	\$ 20,203
Rental Costs	\$ 23,747	\$ 25,747	\$ 25,747	\$ 27,747	\$ 27,747
Insurance Costs	\$ 901	\$ 928	\$ 928	\$ 956	\$ 956
Truck Operating Costs	\$ 22,508	\$ 24,761	\$ 25,546	\$ 28,653	\$ 29,491
Depreciation	\$ 6,155	\$ 6,988	\$ 6,988	\$ 7,822	\$ 7,822
Repairs and Maintenance	\$ 4,110	\$ 4,442	\$ 4,786	\$ 5,547	\$ 6,381
Office & Administration	\$ 43,073	\$ 44,960	\$ 46,918	\$ 51,248	\$ 53,562
Management Fees	\$ 18,205	\$ 19,935	\$ 21,729	\$ 25,698	\$ 30,043
<b>Total Expenses</b>	<b>\$ 341,289</b>	<b>\$ 374,132</b>	<b>\$ 394,321</b>	<b>\$ 452,098</b>	<b>\$ 500,093</b>
<b>Net Income (loss) before taxes</b>	<b>\$ (37,868)</b>	<b>\$ (41,885)</b>	<b>\$ (32,173)</b>	<b>\$ (23,800)</b>	<b>\$ (11,970)</b>

**Assumptions:**

Monthly Growth in Revenue	10.00%	9.50%	9.00%	8.75%	8.25%	8.00%	7.75%
Monthly % increase in Fuel costs *	3.33%	3.17%	3.00%	2.92%	2.75%	2.67%	2.58%
Monthly % increase in Labor Hours *	3.33%	3.17%	3.00%	2.92%	2.75%	2.67%	2.58%
Additional head count and truck required by 30% increase in growth		30%		27%			25%

Processed Pounds	513,228	561,984	612,563	666,162	724,451	784,219	846,956
	3,846,673						912,595

\* % is less than growth percentage due to increasing route densities

# Waste Management of Washington

## Medical Waste Collection Break-even Analysis

	<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>	<u>Nov-15</u>	<u>Dec-15</u>	<u>%</u>
<b>Revenue</b>	<b>\$ 573,249</b>	<b>\$ 600,479</b>	<b>\$ 624,498</b>	<b>\$ 643,233</b>	<b>\$ 662,530</b>	<b><u>100.0%</u></b>
<b><u>Expenses:</u></b>						
Driver Wages	\$ 134,534	\$ 136,428	\$ 138,052	\$ 139,288	\$ 140,539	21.2%
Processing Fees	\$ 229,803	\$ 240,718	\$ 250,347	\$ 257,858	\$ 265,593	40.1%
Other Disposal Fees and Taxes	\$ 22,047	\$ 22,769	\$ 23,422	\$ 23,958	\$ 24,508	3.7%
Rental Costs	\$ 29,747	\$ 29,747	\$ 29,747	\$ 29,747	\$ 29,747	4.5%
Insurance Costs	\$ 983	\$ 983	\$ 983	\$ 983	\$ 983	0.1%
Truck Operating Costs	\$ 33,397	\$ 33,965	\$ 34,452	\$ 34,823	\$ 35,198	5.3%
Depreciation	\$ 8,655	\$ 8,655	\$ 8,655	\$ 8,655	\$ 8,655	1.3%
Repairs and Maintenance	\$ 7,215	\$ 7,529	\$ 7,805	\$ 8,021	\$ 8,243	1.2%
Office & Administration	\$ 60,738	\$ 62,521	\$ 64,094	\$ 65,320	\$ 66,583	10.0%
Management Fees	\$ 34,395	\$ 36,029	\$ 37,470	\$ 38,594	\$ 39,752	6.0%
<b>Total Expenses</b>	<b>\$ 561,515</b>	<b>\$ 579,344</b>	<b>\$ 595,025</b>	<b>\$ 607,246</b>	<b>\$ 619,801</b>	<b><u>93.6%</u></b>
<b>Net Income (loss) before taxes</b>	<b>\$ 11,735</b>	<b>\$ 21,135</b>	<b>\$ 29,472</b>	<b>\$ 35,987</b>	<b>\$ 42,728</b>	<b><u>6.4%</u></b>

### Assumptions:

Monthly Growth in Revenue	6.25%	4.75%	4.00%	3.00%	3.00%
Monthly % increase in Fuel costs *	2.08%	1.58%	1.33%	1.00%	1.00%
Monthly % increase in Labor Hours *	2.08%	1.58%	1.33%	1.00%	1.00%

Additional head count and truck required by 30% increase in growth

Processed Pounds	969,632	1,015,690	1,056,317	1,088,007	1,120,647
					10,359,224

\* % is less than growth percentage due to increasing route densities

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Exhibit No. \_\_\_\_\_ (MAW-14)

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 12 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012

Exhibit 12 to Response Testimony of Michael Weinstein



**Murrey's Disposal Co. Inc. G-9**  
**TOTAL COLLECTION OPERATIONS**

**NEW LURITO/GALLAGHER FORMULA**

INPUT: \$ 88,390

BASE PERIOD EXPENSES: \$ 88,970 \*

BASE PER. EXP. (ADJ.): \$ 120,087

BASE PERIOD REVENUES: \$ 27,658

AVER. INVESTMENT : \$ 60.00%

DEBT RATIO : 40.00%

EQUITY RATIO : 6.00%

COST OF DEBT : 35.00%

TAX RATE : 996

INTEREST EXPENSE :

B & O Tax : 1.80%

WUTC Fee : 0.43%

Rate Case Notification Costs : 0.0000%

BAD DEBTS : 0.0000%

Revenue \$94,039 (calculated)

\* Expenses \$88,390 \*

\* Avg. Investment - \$27,658 \*

% increase(decrease) -21.69%

curve turnover 399.48 (calculated)

final turnover 340.01 (calculated)

curve No. used 3 (calculated)

**OPERATING RATIO ->**

93.99

\$88,970

(469)

(111)

0

0

\$88,390

60% BASE PERIOD EXPENSES

40% B & O Tax

6% WUTC Fee

25% Rate Case Notification Costs

35% BAD DEBTS

**ADJ. BASE PERIOD EXPENSES**

BASE PERIOD REVENUES \$120,087

ADJUSTED REVENUES 94,039

**REVENUE INCREASE(DECREASE)**

(\$26,048)

\$94,039

(88,390)

**SUMMARY:**

TOTAL REVENUES \$94,039

LESS: TOTAL EXPENSES (88,390)

NET INCOME BEFORE INTEREST & TAXES 5,649

LESS: INTEREST (996)

NET INCOME BEFORE TAXES 4,654

LESS: FEDERAL INCOME TAXES 1,629

NET INCOME \$3,025

RETURN ON EQUITY 27.34%



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Exhibit No. \_\_\_\_\_ (MAW-15)

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 13 TO  
RESPONSE TESTIMONY OF MICHAEL WEINSTEIN  
On behalf of Waste Management of Washington, Inc.

November 16, 2012



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## Stericycle CEO expects profits on 'Obamacare'

### More patients away from emergency rooms may help company's bottom line



• November 15, 2012

• By [Jeremy Carroll @jeremyscarroll](#)

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While [Stericycle Inc.](#) hasn't fully quantified what it will mean for business, incoming CEO said he expects the Affordable Care Act – dubbed Obamacare, after President Barack Obama – to be good for business.

Charles A. Alutto, who currently serves as president of Stericycle USA and will take over as CEO for Mark Miller after he retires on Jan. 1, made that clear in remarks to analysts during the announcement of Stericycle's third-quarter earnings on Oct. 24.

He said health care reform, referred to on the call as "Obamacare," will allow more people to access health care.

"That probably does move volumes from the emergency room to [smaller health care facilities], which we think is good for us," Alutto said.

Stericycle has about 16,000 large-quantity clients and 521,000 small-quantity clients, making the shift of medical care from emergency rooms to smaller facilities a good thing for the company. The more people that visit those facilities, the more medical waste they generate.

"If we look at Massachusetts, and a lot of people point to Massachusetts because they do have a similar type of health care system, the studies that we've done internally, we have seen volumes increasing especially in the [smaller facilities] in that state," Alutto said.

In the end, they see the law, as it stands now, as favorable to business, Alutto said.

The discussion took place as the Lake Forest, Ill.-based company reported better than anticipated earnings for the quarter. The company reported third-

quarter earnings of 84 cents per share on \$480.5 million in revenue.

Analysts had predicted the company would report earnings of 82 cents per share, according to Yahoo Finance.

Organic growth was high for the quarter, with large-quantity sales up 9% and small-quantity sales up 11%. In a report to investors, analyst Ryan Daniels of William Blair & Co., said those results were the highest organic growth rates the company has produced in the last four years. He said Stericycle is a strong long-term investment.

"We also continue to favor the company's cash-based, recurring-revenue business model and view Stericycle as a safe haven investment in uncertain times," he wrote.

The company also increased its 2012 guidance, expecting revenue to come in between \$1.87 billion to \$1.9 billion, up from a previous low of \$1.86 billion. Net income for the quarter was \$65.4 million, up from \$59.2 million over the same quarter from last year.

The company also said it closed 12 acquisitions in the quarter, all in the regulated waste sector. Three of those acquisitions were from the United States and the others were international.


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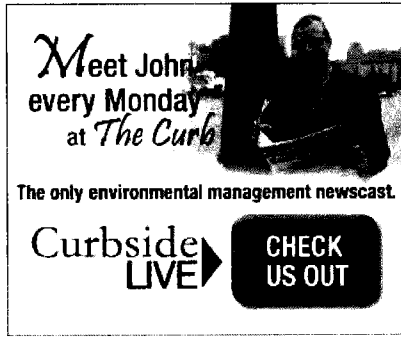
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