## SCHEDULE 1 - EXPLANATION OF RESTATING ADJUSTMENTS

### For the Twelve Months Ended June 30, 2013 Historical and November 30, 2014 Forecasted (See Independent Accountants' Compilation Report)

				R-18	R-17	R-16	R-15	R-14	R-13	R-12	R-11	R-10	R-9	R-8	K-/	1			K-6	ח	R-5	17-14	D A		R-3	1	R-2		K-1	ם
Staff removed unallowable Property Tax and rental expense	Staff adjusted asset salvage and useful life	Staff removed all other unallowale expenses	Staff adjusted payroll calculations	Staff adjusted utilities in porportion to the alloaction of property taxes	Fuel Adj	Staff adjusted Bad Debt to actual	Staff adjusted LG inputs (Bad Debt, Cost of Debt, UTC Fee, etc)	Staff adjusted capital structure to reflect an average with its affiliates	Staff adjusted management fees	Modified allocation of stormwater expense from WCE based on revenue	Combine Woodland disposal fees with Cowlitz County fees	A payroll analysis is done at period end so an adjustment has been done to reclass payroll.	Eliminate contract hauling revenue and related expense paid to Waste Control Recycling, Inc.	Staff removed non-regulated revenue and expense for the City of Kalama and the City of Castle Rock	Comminate fuel surcharge		accruals.	of employee relations, it is the elimination of Quelah rents. In the case of bad debts, it is the elimination of allowance	Insentry eliminates non-deductible expenses. In the case of dues, it is the elimination of health club dues and political and lobbying costs. In the case of franchise fees, it is the elimination of the 3% fee paid on Castle Rock customers. In the case		This entry reclasses taxes posted to truck license expense.	O			This entry reclasses payroll benefits to one account to allow for easier distribution in the expense matrix.		This entry allocates refinds to the revenue sources		restates and classifies the degreciation (See worknamer 2)	
												OK OK	Ok	Ok	Ok - still need to review Depr schedule and assign reg verse non-reg assets	Moved most expenses to non-reg, still need to assign cost to non-reg for on expense				OIX - Still lived to design cost to be verses holl-beg	OK - still need to assion cost to see verses non-ree	OK - still need to assign cost to reg verses non-reg	Adjustificit difficessary	A Livetiment response		All refunds must first be allocated to reg verses non-reg than removed from reg	OV - Still fleed to review Debi Schedule and assign reg verse non-reg assets	Oli atili mond to reason. Done sale alle and poster man some some sometimes		

Staff adjusted land rent

costs where also included in the Mgmt Fee Calculation.	included in the Ma	osts where also	c		
revising adjustment. See Annual Meeting Notes. These	ent. See Annual M	evising adjustme	7	(6,364)	Adjust
of the costs are incurred by the Transfer Station. Consider	curred by the Tra	f the costs are ir	0	10,485	Income Stat
This is rent to WCR for use of Stormwater System. Most	CR for use of Stor	his is rent to W	T	4,121	Reg Portion
				4,522	WC Portion
	100%	56.2%	22.1%	21.7%	%
	18,410,865	10,355,311	4,068,108	3,987,446	Revenue
	20,878	8,878		12,000	Test year
	Total	WCR	WCE	WCI	
				57%	WC paid
Per Mgmt Fee agreement - WC has agreed to pay 40 percent of the Stormwater expenses paid by WCE	he Stormwater exp	y 40 percent of t	as agreed to pay	greement - WC ha	Per Mgmt Fee ag
		censes)	(Testing and Licenses)	$\sim$	Stromwater

R-12

Management Fee

R-13

Total Allowable Costs linked to file "staff GL and Requested Schedules.xls"

13: 15: 15: 15: 15: 15: 15: 15: 15: 15: 15	Income statement acct 180,000	Total Allowable Costs 119,885	rount vine more coast innea to the sunt of min reduction come
1011	Reg	100,816	mid reducated ocu

L/G Capital Structure

R-14

Average Affiliate Capital Structure linked to file "staff Waste control affiliates FS.xls"

Trende trillian	apriar ou acia	IC HIERCA TO THE	Starr Waste Co	muoi ammaica i	O.AIS		
Affiliates	WCI	WCE	WCR	HB I	HB II	Total	Average
Actual Debt	592,797	1,045,354	1,976,739	13,649,074	2,322,414	19,586,378	3,917,276
Equity 715,517 570,065 1,240,009 1,231,129 2,031,	715,517	570,065	1,240,009	1,231,129	2,031,322 5,788,043	5,788,043	1,157,609
						Sum	5,074,884
% Debt	77.2%						

22.8%	% Equity
77.2%	% Debt

R-15

L/G Inputs

Cost of Debt

5.25% Prime 2009-12

UTC Fee

0.4275% from the annual report

Tax Rate

34.00% Further Research required

Bad Debt

2.00%

Actual Bad Debt

R-16

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Page 3 of 9

Fuel

R-18 Utilities
Total Allowable Costs linked to file "Staff - Utilities Analysis.xlsx"

(18,592)	(21,278)	Adjust
33,680	38,545	Total Allowable
52,272	59,823	Income Statemer
Reg		

R-19 Land Rent
Total Allowable Costs linked to file "Staff - Rent Analysis - Combined Cos. Cap. Structure.xlsx"

(8,766)	(10,033)	\djust
111,815	127,967	Total Allowable
120,581	138,000	ncome Statemer
Reg		

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To:

Wiley, Dave

Subject:

RE: Final TG-131794 Pro forma Model

From: Cheesman, Melissa (UTC) [mailto:mcheesma@utc.wa.gov]

Sent: Thursday, November 21, 2013 9:33 AM

To: Jackie Davis; Mary Spencer

Cc: Shearer, Brett (UTC); LaRue, Ann (UTC) Subject: Final TG-131794 Pro forma Model

Importance: High

Jackie and Mary,

Attached to this email is the final pro forma file and supplement excel files.

- 1. Staff has applied the lease/rental methodology in TC-001846 to the property and truck lease/rents
- 2. Staff has included additional costs and amortized the cost of the general rate case over 4 years
- 3. Staff added back truck 24 and 27 undocumented sales tax
- 4. Staff added back \$4,111 of an employee's base wage that was not properly categorized
- 5. Staff has inputted WCI's capital structure for the test year into the Lurito-Gallagher

Based on these changes the company's additional annual revenue is \$174,634 (percent 4.84%).

Staff has completed it analysis. The company will need to contact staff (email preferably) whether or not the company agrees. If the company agrees, then next step would be rate design and then the company files its new tariff. If the company does not agree, the company will need to file a request for recovery of disposal fees on a temporary basis, subject to refund, with the record center. Then staff and the company will work together on disposal only rate design and then the company will need to file a tariff that only increases rates affected by disposal.

#### Question:

What time are you both available for a conference call this morning? Staff is available at 11 am.

Sincerely,

This e-mail states the informal opinions of commission staff, offered as technical assistance, and are not intended as legal advice. We reserve the right to amend these opinions should circumstances change or additional information be brought to our attention. Staff's opinions are not binding on the commission.

Melissa Cheesman, MPAC Regulatory Analyst 2 Washington Utilities and Transportation Commission 360-664-1251

The unexamined life is not worth living.

- Plato

# SCHEDULE 2 - SUMMARY OF FORECAST ADJUSTMENTS, Continued

## For the Twelve Months Ended June 30, 2013 Historical and November 30, 2014 Forecasted (See Independent Accountants' Compilation Report)

Office Salaries	Officer Salaries	Liability Insurance	Storm water management	Disposal Fees Pass Thru	Disposal Fees - G-49 Packers	Disposal Fees - G-49 Packers	Disposal Fees - Cowlitz County	Contract Hauling	Fuel	Tires	Equipment Rent	Truck Rental	Maintenance/Cont./Dr Bx	Maintenance	Contract Labor	Fringe Benefits	Wages Extra Labor	Wages Supervisor	Wages Mechanics	Wages Drop Box Drivers	Wages Drivers	OPERATING EXPENSES		Refunds	Kalama	Pass Thru	Contract Hauling	Fuel Surcharge	Drop Box	Commercial	Residential	REVENUES		
																															S		Pa	
2,504	,		ī		ı		1	ı	1	r	,	r	ı		ı	40,047	1,486	2,165	12,804	E	7,658			Е	ı			1	E	ı.	ı,	9.00	Pavroll	P-1
>																Α	Α	>	Λ	Α	A										S		Rate	P
,	1		1	1	1	1	ı	E	ı	1	ı	r,	1	1	ı	ï	1	ï	î	ı	ï				ï	ī	ı		ı	ï	•	100	Rate Case	P-2
																															€9		Amortization Four Years	P-3
ī	ī	1	ī	ı	ı	1	ï	ī	ı	ı	1	ì	i	1	ī	ı	ì	ï	ï	ï	ï		ļ	ı	ı	ı	í	ı	ı	·	r	5		7,
,	1		ī	,	•							×			ı		•		×		•		39,201		39,201	•	•	•	r		-	and chines	CR & Kalama	P-4
																							Ĩ		Z						8	Ĭ		<b>-</b> 03
x	ī		•				173,233 A		*		í	i	×		,	×		×	ĭ		£			ı		ŗ	ŗ			ı	1		Disposal Fees	P-5
,	1	,	•	,		,	1		(3,361)		1	1	1		,		1	,		,	,				E	t	ı		ı	E	\$		Adjust Fuel	P-6
2,504	ï	1	Ĩ	î	ĭ	1	173,233	ï	A (3,361)	ĭ	î	i	i	ï	ĭ	40,047	1,486	2,165	12,804	ī	7,658		39,201		39,201	ï	ř		ī	ï	\$		Proforma Adjustments	Total

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N = Allocated to Non-reg activity only A = Allocate a portion to non-regulated activities

D = incluided in pro forma R = Removed adj completely Page 5 of 9

See accompanying summary of significant forecast assumptions.

# SCHEDULE 2 - SUMMARY OF FORECAST ADJUSTMENTS, Continued

## For the Twelve Months Ended June 30, 2013 Historical and November 30, 2014 Forecasted (See Independent Accountants' Compilation Report)

	P-1	P-2	P-3 0 75	P-4	P-5	P-6	Total
	Payroll	Rate Case Cost	Amortization Four Years	CR & Kalama Revenues	Disposal Fees	Adjust Fuel	Proforma Adjustments
Management Fees	16,666 A	- 1	i		•	r	16,666
Bad Debt Expense	E		E	T.	ı	: 1	ı
Office Supply	ı	i	ī	·	ŗ	ĸ	
Postage		Ē	ı		ľ	r	
Bank Charges	ı.		ī	ř		,	ı
Maintenance		ı	i.	ř.	r,	•	
Rate Case Expense		50,000	D (37,500)	D .		Ę	12,500
Accounting	ε	ı.		r	ŗ	r	ï
Legal	E	E	r.	ı		Ę	E
WUTC Fee	1ă	1	ř	157 N		•	157
Franchise		î		•		r	
Communications	ı	Ē	Ē				ř
Utilities	E.	E.	Ē	r.			ũ
Laundry/Uniforms	E.	1			9		ı
Miscellaneous	r	ı	ř		ī		ī
Dues and Subscriptions	τ	1	ř			•	ĭ
Dues Non-deductible			č	ı	•	ţ	ï
Travel	r	ı	ř		ï	ŗ	ï
Seminars	ı		i		Ĭ	ŗ	í
Meals and Entertainment	r		ř.		ı	ŗ	
Advertising			ï.	ı	ť	ŗ	ì
Truck License	ı		ı		Ľ	•	î
Taxes and licensing			i	Ĩ	ı	ŗ	ì
Permits	r	1	i	ï	ı		ĩ
Contributions	E		ī	·	Ĺ	ŗ	Ĩ
B & O Tax		1	ï	588 N	Ĭ	ī	588
Land Rent			ï	·		ï	ï
Computer Expense			ĭ	i	,	ī	i
Workmen's Comp		1	•	ï			ī
Payroll Taxes		1	,	ī		ŗ	ĩ
Employee Relations		1	,				ĩ
Life Insurance	1	1	ī		•	į	ī
Counseling Services	1	1	i		,	į	1
Employee Medical Insurance	,	ï	ï		,		ī

See accompanying summary of significant forecast assumptions.

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Docket TG-140560

N = Allocated to Non-reg activity only

A = Allocate a portion to non-regulated activities

D = incluided in pro forma R = Removed adj completely

# SCHEDULE 2 - SUMMARY OF FORECAST ADJUSTMENTS, Continued

## For the Twelve Months Ended June 30, 2013 Historical and November 30, 2014 Forecasted (See Independent Accountants' Compilation Report)

	P-1	P-2	P-3 0.25	P-4 Adjust	P-5 Increase	P-6	Total
		Rate Case	Amortization	CR & Kalama	Disposal	Adjust	Proforma
	Payroll	Cost	Four Years	Revenues	Fees	Fuel	Adjustments
Property Taxes		í	ī		ŗ.	•	ı
Drug Testing		ř	ı		ı,	ı	ı.
SEP Benefits	Ľ	ě	ě	ř	r.	ij.	Ĕ
Interest	e	č	ï	Ĕ.		ę	ŭ
Freight	r	ī	ı	Ĕ	ť	Ē	Ē
Consulting	<b>I</b> €	ř	ř	Ě	Ļ	Ē	Ē
Safety Equipment Expense	r			r	ľ		
Depreciation:		ř	·	ŧ		ŗ	
Trucks	τ	ě		r.	·		
Service Cars		ı	•	ı			ī
Shop	E	i			r		
Office Furniture and Fixtures			ř	ť			ř
Leasehold Improvements	£		ı	ij	ı	r.	ï
Containers	r	í	ï	ï		•	ī
Carts		è	ī	í			
Drop Box Truck			ī	ï			í
Drop Boxes		r	Ē	r		Ŀ	ı
	83,330	50,000	(37,500)	745	173,233	(3,361)	266,447
Increase (decrease)	\$ (83,330)	\$(50,000)	\$ 37,500	\$ 38,456	\$ (173,233)	\$ 3,361	\$ (227,246)

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D = incluided in pro forma R = Removed adj completely

N = Allocated to Non-reg activity only

A = Allocate a portion to non-regulated activities

#### Pro forma

For the Twelve Months Ended June 30, 2013 Historical and November 30, 2014 Forecasted (See Independent Accountants' Compilation Report)

4,629 OK	4,300			4,300		Cust	4,300	330	4,629	Bank Charges
1,685 OK	1,565			1,565		Cust	1,565	120	1,685	Postage
52,734 OK	43,910			43,910	(5,069) R-13	Cust	48,979	3,755	52,734	Office Supply
50,167 OK	38,369			38,369	(11,799) R-6	Actual	50,167	•	50,167	Bad Debt Expense
180,000 OK	183,331	16,666 P-1		166,665		Pickups	166,665	13,335	180,000	Management Fees
200,830 OK	96,670	- P-1	(20,736)	117,406	(69,124) R-3	Cust	186,530	14,300	200,830	Office Salaries
O OK	1			3		Cust	,		1	Officer Salaries
28,169 OK	27,272			27,272		RTHR	27,272	898	28,169	Liability Insurance
12,000 OK	7,759			7,759	(3,859) R-12	RTHR	11,617	383	12,000	Storm water management
417,041 OK	441,855			441,855	24,814 R-11	Cust	417,041		417,041	Disposal Fees Pass Thru
24,814 OK	ı			1	(24,814) R-11	Cust	24,814		24,814	Disposal Fees - G-49
59,973 OK	1			1	(59,973) R-11	Actual	59,973	1	59,973	Disposal Fees - G-49 Packers
516,695 OK	727,719	173,233 P-5		554,487	59,973 R-11	Actual	494,514	22,181	516,695	Disposal Fees - Cowlitz County
193,285 39,201 OK	1			ī		Actual	,	193,285 R-9,P-4	154,085	Contract Hauling
311,517 OK	298,226	(3,361) P-6		301,587		RTHR	301,587	9,930	311,517	Fuel
90,730 OK	78,499			78,499	(9,339) R-22	RTHR	87,838	2,892	90,730	Tires
O OK	.1					RTHR	,		1	Equipment Rent
36,000 OK	7,398			7,398	(27,455) R-20	RTHR	34,852	1,148	36,000	Truck Rental
9,093 OK	8,803			8,803		RTHR	8,803	290	9,093	Maintenance/ Cont./Dr Bx
119,888 OK	116,066			116,066		RTHR	116,066	3,822	119,888	Maintenance
1,172 OK	1,135			1,135		RTHR	1,135	37	1,172	Contract Labor
OOK	279,230	- P.1	29,297	249,932	249,932 R-3	RTHR	1	,	1	Fringe Benefits
28,068 OK	14,184	- P.1	(376)	14,560	(12,614) R-3	RTHR	27,174	895	28,068	Wages Extra Labor
0 OK	64,872	- P.1	(7,923)	72,795	72,795 R-3	RT HR	,		1	Wages Supervisor
223,687 OK	213,041	, p.1	(24,054)	237,095	20,538 R-3	RTHR	216,557	7,131	223,687	Wages Mechanics
O OK	94,450	- P.1	94,450	,	R-3	Actual	ı.	,	ĵ	Wages Drop Box Drivers
339,418 OK	211,957	- P.1	(9,715)	221,672	(106,927) R-3	RTHR	328,599	10,820	339,418	Wages Drivers
0 OK										OPERATING EXPENSES
						0	90%	10%		
							3,620,967	415,422		Gross operational revenue
	3,611,225			3,611,225	(44,117)		3,655,342	416,874	4,033,016	Total Revenue
(9,743) OK	ı			1	9,743 R-2	Booked	(9,743) Booked	,	(9,743)	Refunds
261,337 39,201 OK	£			ï		Actual	í)	261,337 P-4	222,136	Kalama
0 OK	31	P-5		,	- R-11	Actual	ï	,	,	Pass Thru
NO OK	E			1		Actual	ı.	•		Contract Hauling
45,570 OK	,			,	(44,117) R-7	RTHR	44,117	1,453	45,570	Fuel Surcharge
1,097,758 OK	940,687			940,687	(2,987) R-2,11	Actual/Cust	943,673	154,085 R-9	1,097,758	Drop Box
599,529 OK	598,392			598,392	(1,137) R-2	Booked	599,529		599,529	Commercial
2,077,765 OK	2,072,146			2,072,146	(5,619) R-2	Booked	2,077,765	,	2,077,765	Residential
										REVENUES
Check Figures	S	Adj#	Adjust	Statement	Adj#	Allocation		Adj#	Statement	
	Income	Adjust	Labor	Income	Adjust			Regulated	Income	
	Pro forma	Pro forma	Staff	Restated	Restating		Regulated	Non-	Per Books	
			R-21					R-8		

0 0 0 0	3 429 886	204,468	40,545	3,184,872	(434,304)	3,619,176	319,658	3,899,633	Total Expenses
0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	(20,399)		(20,399)						Overtime Adjustment
0 0 0 X	6,228			6,228	6,228 R-1	Cust			Drop Boxes
0 OK	16,582			16,582	16,582 R-1	Cust			Drop Box Truck
0 OK	28,988			28,988	28,988 R-1	Cust			Carts
	3,995			3,995	3,995 R-1	Cust			Containers
0 00	2,542			2,542	2,542 R-1	Cust			Leasehold Improvements
0 OK	1,952			1,952	1,952 R-1	Cust			Office Furniture and Fixtures
0 OK	339			339	339 R-1	RTHR			Shop
0 OK	19,401			19,401	19,401 R-1	RTHR			Service Cars
0 OK	95,081			95,081	95,081 R-1	RTHR			Trucks
248,512 OK	ı.			Ü	(248,512) R-1	248,512 Actual	ř.	248,512	Depreciation:
7,942 OK	7,689			7,689		7,689 RTHR	253	7,942	Safety Equipment Expense
23,973 OK	22,266			22,266		22,266 cust	1,707	23,973	Consulting
506 OK	489			489		489 RTHR	16	506	Freight
50,614 OK	1			,	(49,001) R4	49,001 RTHR	1,613	50,614	Interest
45,387 OK	ı			ŧ	(43,941) R-3	43,941 RTHR	1,447	45,387	SEP Benefits
1,316 OK	1,274			1,274		1,274 RTHR	42	1,316	Drug Testing
12,129 OK	8,500			8,500	(3,243) R-22	11,743 RTHR	387	12,129	Property Taxes
109,018 OK	1			,	(105,543) R-3	105,543 RTHR	3,475	109,018	Employee Medical Insurance
1,853 OK	1,794			1,794		1,794 RTHR	59	1,853	Counseling Services
447 OK					(433) R-3	433 RTHR	14	447	Life Insurance
23,940 OK	3,525			3,525	(19,651) R-6, 1;	23,176 RTHR	763	23,940	Employee Relations
67,327 OK					(65,181) R-3		2,146	67,327	Payroll Taxes
35,982 OK	,			,	(34,835) R-3		1,147	35,982	Workmen's Comp
5,182 OK	4,115			4,115			165	5,182	Computer Expense
138,000 OK	42,336			42,336	(91,265) R-19		4,399	138,000	Land Rent
71,263 OK	63,929			63,929			7,334	71,263	B & O Tax
1,150 OK	2,227			2,227	1,113 R-6		37	1,150	Contributions
276 OK	267			267		267 RT HR	9	276	Permits
0 OK	778			778	778 R-5	- RT HR	1	1	Taxes and Licensing
7,114 OK	6,108			6,108	(778) R-5		227	7,114	Truck License
1,982 OK	1,919			1,919		1,919 RTHR	63	1,982	Advertising
148 OK	17			17	(127) R-17		5	148	Meals and Entertainment
5,970 OK	1,010			1,010	(4,769) R-17	5,780 RT HR	190	5,970	Seminars
717 OK	1,595			1,595	929 R-6	666 cust	51	717	Travel
3,682 OK	î			,	(3,682) R-6	3,682 Actual	y	3,682	Dues Non-deductible
16,600 OK	8,916			8,916	(6,502) R-6	15,418 Cust	1,182	16,600	Dues and Subscriptions
O OK	ī					- Cust		,	Miscellaneous
19,183 OK	18,572			18,572		18,572 RTHR	612	19,183	Laundry/Uniforms
59,823 OK	37,317			37,317	(20,599) R-18	57,916 RTHR	1,907	59,823	Utilities
19,158 OK	17,794			17,794		17,794 Cust	1,364	19,158	Communications
7,711 OK	ř			ı	(7,711) R-6	7,711 Actual	•	7,711	Franchise
16,809 OK	15,079	î		15,079		15,079 Revenue	1,730	16,809	WUTC Fee
6,765 OK	3,911			3,911	(2,638) R-17	6,549 RTHR	216	6,765	Legal
17,658 OK	16,401			16,401		16,401 cust	1,257	17,658	Accounting
0 OK	17,930	17,930 P-23				- Actual	ï	•	Rate Case Expense

NET OPERATING INCOME OTHER INCOME/EXPENSE

133,382

97,217

**36,165** 133,382

390,187

426,352

######

181,338