

WASTE CONTROL, INC.

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-1	Depreciation per the financial statements differs from the allowable depreciation for WUTC purposes. This adjustment restates and classifies the depreciation. (See worksheet 2)	OK - still need to review Depr schedule and assign reg verse non-reg assets
R-2	This entry allocates refunds to the revenue sources.	All refunds must first be allocated to reg verses non-reg than removed from reg
R-3	This entry reclasses payroll benefits to one account to allow for easier distribution in the expense matrix.	Adjustment unnecessary
R-4	Interest expense is not allowed, therefore it is eliminated.	OK - still need to assign cost to reg verses non-reg
R-5	This entry reclasses taxes posted to truck license expense.	OK - still need to assign cost to reg verses non-reg
R-6	This entry 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 of employee relations, it is the elimination of Quelah rents. In the case of bad debts, it is the elimination of allowance accruals.	Moved most expenses to non-reg, still need to assign cost to non-reg for on expense
R-7	Eliminate fuel surcharge	OK - still need to review Depr schedule and assign reg verse non-reg assets
R-8	Staff removed non-regulated revenue and expense for the City of Kalama and the City of Castle Rock	OK
R-9	Eliminate contract hauling revenue and related expense paid to Waste Control Recycling, Inc.	OK
R-10	A payroll analysis is done at period end so an adjustment has been done to reclass payroll.	OK
R-11	Combine Woodland disposal fees with Cowitz County fees	
R-12	Modified allocation of stormwater expense from WCE based on revenue	
R-13	Staff adjusted management fees	
R-14	Staff adjusted capital structure to reflect an average with its affiliates	
R-15	Staff adjusted LG inputs (Bad Debt, Cost of Debr, UTC Fee, etc)	
R-16	Staff adjusted Bad Debt to actual	
R-17	Fuel Adj	
R-18	Staff adjusted utilities in porportion to the allocation of property taxes	
	Staff adjusted payroll calculations	
	Staff removed all other unallowable expenses	
	Staff adjusted asset salvage and useful life	
	Staff removed unallowable Property Tax and rental expense	
	Staff adjusted land rent	

R-12

Stormwater

(Testing and Licenses)

Per Mgmt Fee agreement - WC has agreed to pay 40 percent of the Stormwater expenses paid by WCE

	WCI	WCE	WCR	Total
WC paid	57%			
Test year	12,000		8,878	20,878
Revenue	3,987,446	4,068,108	10,355,311	18,410,865
%	21.7%	22.1%	56.2%	100%
WC Portion	4,522			
Reg Portion	4,121			
Income Stat	10,485			
Adjust	(6,364)			

This is rent to WCR for use of Stormwater System. Most of the costs are incurred by the Transfer Station. Consider revising adjustment. See Annual Meeting Notes. These costs where also included in the Mgmt Fee Calculation.

R-13

Management Fee

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

Total Allowable Costs	119,885	100,816
Income statement acct	180,000	Reg
Adjust	(60,115)	(50,553)

R-14

L/G Capital Structure

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

Affiliates	WCI	WCE	WCR	HB I	HB II	Total	Average
Actual Debt	592,797	1,045,534	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	2,031,322	5,788,043	1,157,609
						Sum	5,074,884
% Debt							77.2%
% Equity							22.8%

R-15

L/G Inputs

Cost of Debt	5.25%	Prime 2009-12	3.25%	Plus Bases	2.00%
UTC Fee	0.4275%	from the annual report			
Tax Rate	34.00%	Further Research required			
Bad Debt					

R-16

Actual Bad Debt

See accompanying summary of significant forecast assumptions.

R-17

Fuel

R-18

Utilities

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

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

R-19

Land Rent

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

Income Statement	138,000	Reg	120,581
Total Allowable	127,967		111,815
Adjust	(10,033)		(8,766)

See accompanying summary of significant forecast assumptions.

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 its 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

WASTE CONTROL, INC.

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	P-4	P-5	P-6	Total
	Payroll	Rate Case Cost	Amortization Four Years 0.25	Adjust Revenues CR & Kalama	Increase Disposal Fees	Adjust Fuel	Proforma Adjustments
REVENUES							
Residential	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial	-	-	-	-	-	-	-
Drop Box	-	-	-	-	-	-	-
Fuel Surcharge	-	-	-	-	-	-	-
Contract Hauling	-	-	-	-	-	-	-
Pass Thru	-	-	-	-	-	-	-
Kalama	-	-	-	39,201 N	-	-	39,201
Refunds	-	-	-	-	-	-	-
				39,201			39,201

OPERATING EXPENSES

Wages Drivers	7,658 A	-	-	-	-	-	7,658
Wages Drop Box Drivers	- A	-	-	-	-	-	-
Wages Mechanics	12,804 A	-	-	-	-	-	12,804
Wages Supervisor	2,165 A	-	-	-	-	-	2,165
Wages Extra Labor	1,486 A	-	-	-	-	-	1,486
Fringe Benefits	40,047 A	-	-	-	-	-	40,047
Contract Labor	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-
Maintenance/Cont./Dr Bx	-	-	-	-	-	-	-
Truck Rental	-	-	-	-	-	-	-
Equipment Rent	-	-	-	-	-	-	-
Tires	-	-	-	-	-	-	-
Fuel	-	-	-	-	-	(3,361) A	(3,361)
Contract Hauling	-	-	-	-	-	-	-
Disposal Fees - Cowitz County	-	-	-	-	173,233 A	-	173,233
Disposal Fees - G-49 Packers	-	-	-	-	-	-	-
Disposal Fees - G-49 Packers	-	-	-	-	-	-	-
Disposal Fees - G-49 Packers	-	-	-	-	-	-	-
Disposal Fees Pass Thru	-	-	-	-	-	-	-
Storm water management	-	-	-	-	-	-	-
Liability Insurance	-	-	-	-	-	-	-
Officer Salaries	-	-	-	-	-	-	-
Office Salaries	2,504 A	-	-	-	-	-	2,504

See accompanying summary of significant forecast assumptions.

Exhibit No. MC-___CX
 Docket TG-140560
 Page 5 of 9
 D = included in pro forma
 R = Removed adj completely
 N = Allocated to Non-reg activity only
 A = Allocate a portion to non-regulated activities

WASTE CONTROL, INC.

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	P-4	P-5	P-6	Total
	Payroll	Rate Case Cost	Amortization Four Years	Adjust CR & Kalama Revenues	Increase Disposal Fees	Adjust Fuel	Proforma Adjustments
Management Fees	16,666	A	0.25	-	-	-	16,666
Bad Debt Expense	-	-	-	-	-	-	-
Office Supply	-	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-
Bank Charges	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-
Rate Case Expense	-	50,000	(37,500)	D	-	-	12,500
Accounting	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-
WUTC Fee	-	-	-	157	-	-	157
Franchise	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Laundry/Uniforms	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Dues and Subscriptions	-	-	-	-	-	-	-
Dues Non-deductible	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-
Seminars	-	-	-	-	-	-	-
Meals and Entertainment	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-
Truck License	-	-	-	-	-	-	-
Taxes and liensing	-	-	-	-	-	-	-
Permits	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-
B & O Tax	-	-	-	588	-	-	588
Land Rent	-	-	-	-	-	-	-
Computer Expense	-	-	-	-	-	-	-
Workmen's Comp	-	-	-	-	-	-	-
Payroll Taxes	-	-	-	-	-	-	-
Employee Relations	-	-	-	-	-	-	-
Life Insurance	-	-	-	-	-	-	-
Counseling Services	-	-	-	-	-	-	-
Employee Medical Insurance	-	-	-	-	-	-	-

D = included in pro forma
R = Removed adj completely
N = Allocated to Non-reg activity only
A = Allocate a portion to non-regulated activities

See accompanying summary of significant forecast assumptions.

WASTE CONTROL, INC.

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	P-4	P-5	P-6	Total
	Payroll	Rate Case Cost	Amortization Four Years 0.25	Adjust CR & Kalama Revenues	Increase Disposal Fees	Adjust Fuel	Proforma Adjustments
Property Taxes	-	-	-	-	-	-	-
Drug Testing	-	-	-	-	-	-	-
SEP Benefits	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Freight	-	-	-	-	-	-	-
Consulting	-	-	-	-	-	-	-
Safety Equipment Expense	-	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-	-
Trucks	-	-	-	-	-	-	-
Service Cars	-	-	-	-	-	-	-
Shop	-	-	-	-	-	-	-
Office Furniture and Fixtures	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Containers	-	-	-	-	-	-	-
Carts	-	-	-	-	-	-	-
Drop Box Truck	-	-	-	-	-	-	-
Drop Boxes	-	-	-	-	-	-	-
Increase (decrease)	<u>\$ (83,330)</u>	<u>\$ (50,000)</u>	<u>\$ 37,500</u>	<u>\$ 38,456</u>	<u>\$ (173,233)</u>	<u>\$ 3,361</u>	<u>\$ (227,246)</u>
	<u>83,330</u>	<u>50,000</u>	<u>(37,500)</u>	<u>745</u>	<u>173,233</u>	<u>(3,361)</u>	<u>266,447</u>

D = included in pro forma
R = Removed adj completely
N = Allocated to Non-reg activity only
A = Allocate a portion to non-regulated activities

See accompanying summary of significant forecast assumptions.

STAFF ADJUSTED

WASTE CONTROL, INC.

Pro forma

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

	Per Books Income Statement	Non- Regulated	Regulated	Restating Adjust	Restated Income Statement	Staff Labor Adjust	Pro forma Adjust	Pro forma Income Statement	Check Figures

REVENUES									
Residential	2,077,765	-	2,077,765	(5,619)	2,072,146	(9,715)	-	2,072,146	2,077,765 OK
Commercial	599,529	-	599,529	(1,137)	598,392	(24,054)	-	598,392	599,529 OK
Drop Box	1,097,758	154,085	943,673	(2,987)	940,687	(7,923)	-	940,687	1,097,758 OK
Fuel Surcharge	45,570	1,453	44,117	(44,117)	-	(376)	-	-	45,570 OK
Contract Handling	-	-	-	-	-	29,297	-	279,230	0 OK
Pass Thru	-	-	-	-	-	-	-	-	0 OK
Kalamia	222,136	-	-	-	-	-	-	-	261,337 OK
Refunds	(9,743)	261,337	(9,743)	9,743	-	-	-	-	(9,743) OK
Total Revenue	4,033,016	415,422	3,620,967	(44,117)	3,611,225	-	-	3,611,225	
Gross operational revenue		415,422	3,620,967						
		10%	90%						

OPERATING EXPENSES

Wages Drivers	339,418	10,820	328,599	(106,927)	221,672	(9,715)	-	211,957	339,418 OK
Wages Drop Box Drivers	-	-	-	-	-	94,450	-	94,450	0 OK
Wages Mechanites	223,687	7,131	216,557	20,538	237,095	(24,054)	-	213,041	223,687 OK
Wages Supervisor	-	-	-	72,795	72,795	(7,923)	-	64,872	0 OK
Wages Extra Labor	28,068	895	27,174	(12,614)	14,560	(376)	-	14,184	28,068 OK
Fringe Benefits	-	-	-	249,932	249,932	29,297	-	279,230	0 OK
Contract Labor	1,172	37	1,135	-	1,135	-	-	1,135	1,172 OK
Maintenance	119,888	3,822	116,066	-	116,066	-	-	116,066	119,888 OK
Maintenance/ Cont./Dr Bx	9,093	290	8,803	-	8,803	-	-	8,803	9,093 OK
Truck Rental	36,000	1,148	34,852	(27,455)	7,398	-	-	7,398	36,000 OK
Equipment Rent	-	-	-	-	-	-	-	-	0 OK
Tires	90,730	2,892	87,838	(9,339)	78,499	-	-	78,499	90,730 OK
Fuel	311,517	9,930	301,587	-	301,587	(3,361)	-	298,226	311,517 OK
Contract Handling	154,085	193,285	-	-	-	-	-	-	193,285 OK
Disposal Fees - Cowlitz County	516,695	22,181	494,514	59,973	554,487	173,233	P-5	727,719	516,695 OK
Disposal Fees - G-49 Packers	59,973	-	59,973	(59,973)	-	-	-	-	59,973 OK
Disposal Fees - G-49	24,814	-	24,814	(24,814)	-	-	-	-	24,814 OK
Disposal Fees Pass Thru	417,041	-	417,041	24,814	441,855	-	-	441,855	417,041 OK
Storm water management	12,000	383	11,617	(3,859)	7,759	-	-	7,759	12,000 OK
Liability Insurance	28,169	898	27,272	-	27,272	-	-	27,272	28,169 OK
Officer Salaries	-	-	-	-	-	-	-	-	0 OK
Office Salaries	200,830	14,300	186,530	(69,124)	117,406	(20,736)	P-1	96,670	200,830 OK
Management Fees	180,000	13,335	166,665	-	166,665	16,666	P-1	183,331	180,000 OK
Bad Debt Expense	50,167	-	50,167	(11,799)	38,369	-	-	38,369	50,167 OK
Office Supply	52,734	3,755	48,979	(5,069)	43,910	-	-	43,910	52,734 OK
Postage	1,685	120	1,565	-	1,565	-	-	1,565	1,685 OK
Bank Charges	4,629	330	4,300	-	4,300	-	-	4,300	4,629 OK
Maintenance	9,098	290	8,808	-	8,808	-	-	8,808	9,098 OK

