

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

WASTE CONTROL, INC.,

Respondent.

DOCKET TG-140560

PARTIAL SETTLEMENT  
AGREEMENT

1 This Partial Settlement Agreement (“Agreement”) is entered into by both parties to this proceeding for the purpose of resolving certain issues raised in the above docket. This Agreement includes the entirety of the terms and conditions agreed to in settlement of certain issues contained in Docket TG-140560. This Agreement is subject to approval by the Washington Utilities and Transportation Commission (“Commission”) and is not effective before such approval.

**I. PARTIES**

2 The parties to this Agreement are Waste Control, Inc. (“WCI” or “the Company”), and the Staff of the Washington Utilities and Transportation Commission (“Staff”) (collectively, “the Parties”). The Parties agree that this Agreement is in the public interest and should be accepted as a partial resolution of issues in this docket.

## II. BACKGROUND

3 WCI is a regulated solid waste collection company. The Company operates  
regulated solid waste collection service in portions of Clark, Cowlitz, and Skamania  
Counties. WCI also operates non-regulated solid waste services in the City of Kalama.

4 **Docket TG-131794.** On September 23, 2013, WCI filed a proposed general rate  
increase in Docket TG-131794 that would generate approximately \$392,000 in additional  
annual revenue. On November 27, 2013, the Commission issued a complaint and order  
suspending WCI's proposed tariff revisions. On March 25, 2014, the Commission granted  
Staff's Motion to Dismiss and Reject WCI's Tariff Filing. The Company re-filed its general  
rate increase on April 3, 2014, in Docket TG-140560.

5 **Docket TG-140560.** On April 3, 2014, WCI filed a proposed general rate increase  
in Docket TG-140560 that would generate approximately \$543,000 in additional annual  
revenue. The Company incorporated documentation from the previously dismissed docket,  
Docket TG-131794, in its revised filing under Docket TG-140560. WCI also requested that  
the Commission immediately suspend the filing and place the Company's filing in Docket  
TG-140560 in a formal adjudicative proceeding. The Commission granted the Company's  
request and held a Prehearing Conference on April 30, 2014. The Washington Refuse and  
Recycling Association "WRAA" was granted intervention status without objection at the  
Prehearing Conference. The Parties subsequently engaged in a multitude of lengthy data  
requests, technical conferences, discovery disputes, a mandated discovery conference, and  
two settlement conference sessions. Staff filed its testimony on July 18, 2014, and the  
Company filed rebuttal testimony on August 20, 2014,

6           Following WCI's rebuttal testimony on August 20, 2014, the Parties formally engaged in discussions to narrow the contested issues in this proceeding. The Parties have reached a Partial Settlement on certain issues in this proceeding and now wish to present their agreement for the Commission's consideration.

### III. AGREEMENT

7           The Parties voluntarily enter this Agreement without hearing or adjudication of any issues of fact or law to resolve the settled matters. The Parties therefore adopt this Agreement to resolve the several matters described below. The Parties recognize that this Agreement represents a compromise of the positions the Parties may otherwise assert in further litigation of this proceeding.

**1. Asset Useful Lives to Reflect USOA/Depreciation Expense, Adjustment R-1A.**

The Parties agree to a final expense amount of \$209,766. The Parties' agreement adheres to the Uniform System of Accounts depreciable lives and the corresponding adjustments to depreciation expense and average net investment.

**2. Property Tax Expense, Adjustment R-6G.** The Parties agree to a final Property Tax Expense of \$9,007. The Parties' agreement reflects additional property that was placed into service before the Company's initial general rate filing on April 3, 2014, as described in the Company's rebuttal testimony on August 20, 2014.

**3. Spare Trucks Expense, Adjustment R-6H.** The Parties agree to a final Spare Trucks Expense of \$36,000. The Parties agreement reflects additional research and data the Company provided in its rebuttal testimony on August 20, 2014.

**4. Capital Structure in Lurito-Gallagher, Adjustment R-8.** The Parties agree to a capital structure of 60 percent equity and 40 percent debt for WCI. The Parties agree to use the above-referenced capital structure in the Lurito-Gallagher calculation to generate WCI's revenue requirement.

**5. Cost of Debt in Lurito-Gallagher, Adjustment R-9.** The Parties agree to a cost of debt of 3.66 percent for WCI. The Parties agree to use the above-referenced 3.66 percent cost of debt in the Lurito-Gallagher calculation to generate WCI's revenue requirement.

**6. Allocation of Average Investment to Non-regulated Operations, Adjustment R-10.** The Parties agree to a final net average investment of \$1,548,613. Final net average investment reflects the Parties' agreement to commingle WCI's regulated and non-regulated Kalama operations.

**7. Labor Expense, P-1.** The Parties agree to a final Labor Expense of \$860,325. The Parties agreement includes \$6,162 (or 0.67 percent) pro forma adjustment for COLA wage increases provided to all employees on July 1, 2014.

**8. Fringe Benefit Expense, Adjustment P-1A.** The Parties agree to a final Fringe Benefit Expense of \$277,528. The Parties agreement includes \$9,060 in Fringe Benefit Expense related to WCI's contributions to employee Health Savings Accounts (HSA).

**9. Fuel Expense, Adjustment P-4.** The Parties agree to a final Fuel Expense of \$291,472. The Parties agree to add fuel data based on the most recent 12-month period as required under WAC 480-70-346.

**10. Residential and Commercial Disposal Expense, Adjustments RC-1A, P-5A.** The Parties agree to a final Residential and Commercial Disposal Expense of \$757,552. The Parties further agree to not separate all regulated and non-regulated Kalama operations, which removes the need to allocate a portion of disposal expenses to non-regulated operations.

**11. Remove Non-Regulated City of Kalama Operations, Adjustment RC-1.** The Parties agree to not separate WCI's regulated and non-regulated Kalama revenues, expenses, and average net investment. The Parties agreement removes the need to separate any portion of non-regulated Kalama from regulated operations. The Parties agree that non-regulated Kalama operations will be added as a component to rate design, and a portion of the final revenue requirement calculation will be directly assigned to non-regulated Kalama operations.

#### IV. UNRESOLVED ISSUES

8 This Partial Settlement Agreement resolves only those issues identified in Section III., above. The following issues remain in dispute and shall be resolved through further litigation:

**1. Shared Utilities Expense.** The Parties disagree as to an appropriate amount of shared utilities expense allocated to WCI for shared facilities among WCI and its affiliates.

**2. Affiliate Land Rents.** Although the Parties agree on a general methodology, the Parties disagree as to the appropriate calculation of capital structure, cost of debt, and cost of equity for use in calculating the Company's allowed affiliated rents.

**3. Rate Case Costs.** The Parties disagree as to the appropriate amount of rate case costs to be included in rates and the appropriate amortization period.

**4. Investigation Fees.** The Parties disagree as to whether the Commission should require WCI to pay investigation fees.

#### V. GENERAL PROVISIONS

9 **Effective Date.** The Parties agree that the terms of this Agreement, should the Commission accept them, become effective on the first day of the first month following issuance of the Commission's Final Order, or its procedural equivalent indicating a final determination from the Commission on all contested matters, in Docket TG-140560. Either Party may petition the Commission for an earlier effective date.

10 **Public Interest.** The Parties agree that this Agreement is in the public interest.

- 11 **Scope.** The Parties agree that this Agreement represents a partial settlement as defined under WAC 480-07-730(2). Therefore, this Agreement reflects settlement of contested issues described in Section III above.
- 12 **Binding on the Parties.** The Parties understand that this Agreement—including any admissions contained herein—is not binding unless and until accepted by the Commission. If the Commission does not accept this Agreement, including all of its terms and conditions without change, then the Parties shall be free to assert their pre-settlement positions and agree that neither this Agreement nor any statements or admissions contained herein shall be admissible or used for any purpose in this docket or any other proceeding for any purpose; provided, however, that either Party may disclose the existence or terms of the Agreement when required to do so by law.
- 13 **Procedure.** The Parties agree to cooperate in submitting this Agreement promptly to the Commission for acceptance. The Parties shall take all actions necessary as appropriate to carry out this Agreement, and the Parties agree to support adoption of this Agreement in proceedings before the Commission. No party to this Agreement or its agents, employees, consultants, or attorneys will engage in advocacy contrary to the Commission's adoption of this Agreement.
- 14 In the event that the Commission rejects all or any portion of this Agreement, or accepts the settlement upon conditions not proposed in this Agreement, and the Parties cannot agree on revised terms to incorporate the Commission's decision, each party reserves the right to withdraw from this Agreement by written notice to the other party and the Commission. Written notice must be served within 10 business days of the Order rejecting part or all of this Agreement or imposing conditions not proposed in this Agreement. If any

Party exercises its right of withdrawal, this Partial Settlement Agreement shall be void and of no effect, and the Parties will support a joint motion for an expedited procedural schedule to address the issues that would otherwise have been settled herein.

15 **Supporting Documentation.** The Parties each agree to provide documentation supporting this Agreement as may be required or requested by the Commission. The Parties' agreement includes each Party's obligation to provide supporting documentation as may be required under WAC 480-07-740.

16 **Admissibility.** The Parties have entered into this Agreement voluntarily, to avoid further expense, inconvenience, uncertainty, and delay. The Parties recognize that this Agreement represents a compromise of the Parties' positions. As such, conduct, statements, and documents disclosed during negotiations of this Agreement shall not be admissible as evidence in this or any other proceeding, except in any proceeding to enforce the terms of this Agreement or any Commission Order adopting those terms.

17 **No Precedent.** The Parties enter into this Partial Settlement Agreement to avoid further expense, uncertainty, and delay. By executing this Partial Settlement Agreement, neither Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at the Partial Settlement Stipulation, and, except to the extent expressly set forth in the Partial Settlement Agreement, no Party shall be deemed to have agreed that such a Partial Settlement Agreement is appropriate for resolving any issues in any other proceeding.

18 **Integrated Terms of Settlement.** The Parties have negotiated this Agreement as an integrated document to be effective upon execution. This Agreement supersedes all prior oral and written agreements on issues addressed herein. Accordingly, the Parties



recommend that the Commission adopt this Agreement in its entirety. This Agreement shall not be construed against either party because it was a drafter of this Agreement.

19 **Execution.** The Parties may execute this Agreement in counterparts and as executed shall constitute one agreement. A signed signature page sent by facsimile or email is as effective as an original document.

Entered into this \_\_\_\_\_ day of October, 2014

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**WASTE CONTROL, INC.**

ROBERT W. FERGUSON  
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Counsel for Waste Control, Inc.

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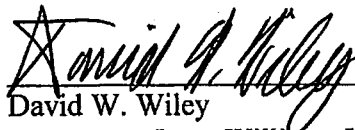
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**WASHINGTON UTILITIES AND  
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