

# **WUTC v. Murrey's Disposal Company, Inc. dba Olympic Disposal**

**Docket No. TG-230778 - Vol. III**

**September 9, 2024**



1325 Fourth Avenue, Suite 1840, Seattle, Washington 98101  
Bellingham | Everett | Tacoma | Olympia | Yakima | Spokane  
Seattle 206.287.9066 Tacoma 253.235.0111 Eastern Washington 509.624.3261

[www.buellrealtime.com](http://www.buellrealtime.com)  
email: [audio@buellrealtime.com](mailto:audio@buellrealtime.com)

Page 92

BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION,	)	
	)	
Complainant,	)	
	)	
vs.	)	DOCKET NO. TG-230778
	)	
MURREY'S DISPOSAL COMPANY, INC.	)	
d/b/a OLYMPIC DISPOSAL,	)	
	)	
Respondent.	)	
	)	PAGES 92-219

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VIRTUAL EVIDENTIARY HEARING - VOL III

September 9, 2024

BEFORE ADMINISTRATIVE LAW JUDGE

AMY BONFRISCO

VIA ZOOM

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Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, Washington 98504

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TRANSCRIBED BY: ELIZABETH PATTERSON HARVEY, WA CCR 2731

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A P P E A R A N C E S

FOR COMMISSION STAFF:

Jeff Roberson  
jeff.roberson@utc.wa.gov  
Colin O'Brien  
colin.obrien@atg.wa.gov  
Office of the Attorney General  
Utilities and Transportation Division  
PO Box 40128  
Olympia, Washington 98504  
360.664.1188

FOR PUBLIC COUNSEL:

Robert D. Sykes  
robert.sykes@atg.wa.gov  
Attorney General of Washington  
Public Counsel Unit  
800 Fifth Avenue, Suite 2000  
Seattle, Washington 98104  
206.464.7740

FOR THE RESPONDENT:

David W. Wiley  
dwiley@williamskastner.com  
Christopher Luhrs  
Cluhrs@williamskastner.com  
Williams Kastner & Gibbs, PLLC  
601 Union Street, Suite 4100  
Seattle, Washington 98101  
206.628.6600

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4 JUDGE BONFRISCO: -- p.m. And my name is Amy  
5 Bonfrisco. I am the administrative law judge with the  
6 Utilities and Transportation Commission who will be  
7 presiding over this matter today.

8 We are here for the evidentiary hearing in  
9 Docket TG-230778, which is captioned respectively  
10 Washington Utilities and Transportation Commission versus  
11 Murrey's, doing business as Olympic Disposal.

12 Please note that if you remain on the virtual  
13 hearing, you are deemed as giving consent to  
14 participating in the Zoom recording. Do I have any  
15 concerns with that before I proceed? Okay. Great.

16 I'd like to take some short appearances from  
17 both parties, and then we'll talk about how we're going  
18 to proceed today. So with that, I would like to start  
19 with the company.

20 Mr. Wiley, I can't hear you. Mr. Wiley, I  
21 think you might be muted.

22 MR. GINGRICH: Hi, your Honor. We have the  
23 253 number.

24 JUDGE BONFRISCO: And were you having some --  
25 were you having problems getting in?

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1 MR. GINGRICH: It currently shows as muted in  
2 the room.

3 JUDGE BONFRISCO: Oh, okay. Let me see if my  
4 records staff is on with me. Ryan --

5 UNIDENTIFIED SPEAKER: They'll need to press,  
6 I think Star 6 or Star 9 on their dial pad to unmute.  
7 Try Star 6.

8 JUDGE BONFRISCO: Is that working?

9 ATTORNEY WILEY: Can you hear me?

10 JUDGE BONFRISCO: I can.

11 ATTORNEY WILEY: Can we try again?

12 JUDGE BONFRISCO: Yes. So is this Mr. Wiley  
13 on the phone?

14 ATTORNEY WILEY: It is, your Honor.

15 JUDGE BONFRISCO: Okay. Great. So to just,  
16 you know, back up, I was just wanting to take short  
17 appearances before, you know, I provided a road map of  
18 today's proceeding.

19 But before I do that, were you able to hear  
20 me earlier in the call?

21 ATTORNEY WILEY: Yes, I was, your Honor.

22 JUDGE BONFRISCO: Okay. Perfect. So if you  
23 could just let me know who's here with you today, with  
24 Murrey's counsel?

25 ATTORNEY WILEY: Yes. Good afternoon, your

1 Honor. Dave Wiley and Christopher Luhrs, attorneys from  
2 Williams Kastner and Gibbs, representing respondent  
3 Murrey's Disposal, d/b/a Olympic Disposal.

4 JUDGE BONFRISCO: Okay. Thank you.

5 And staff?

6 ATTORNEY ROBERSON: Good afternoon, Judge  
7 Bonfrisco. My name is Jeff Roberson. I'm an AAG  
8 representing commission staff. And with me at counsel  
9 table is my colleague, AAG Colin O'Brien.

10 JUDGE BONFRISCO: Thank you.

11 And public counsel?

12 ATTORNEY SYKES: Yes. Good afternoon, Judge  
13 Bonfrisco. My name is Robert Sykes, and I'm here on  
14 behalf of public counsel.

15 JUDGE BONFRISCO: Okay. Great.

16 And I don't believe we have any intervenors  
17 in this matter.

18 So from here, I'd just like to talk about the  
19 hearing. First, you know, we'll address the admission of  
20 the prefiled exhibits and testimony, which should be  
21 pretty brief.

22 And then I'd like to allow for opening  
23 statements, which will be limited to ten minutes for each  
24 party before we turn to cross-examination.

25 And I want to thank the parties for agreeing

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1 in advance to the order of the presentation of how we'll  
2 proceed today. I've tentatively planned for us to take a  
3 break around 3:00 p.m. and a morning break tomorrow  
4 around 10:30 or as needed. But if we need to modify  
5 that, Counsel, just let me know, and we can make tweaks  
6 to the schedule.

7 And I just want to remind everybody while  
8 they are not speaking, keep your microphone muted just so  
9 we can control any kind of background noise, and really  
10 use only the video when you're speaking. This just  
11 really makes sure we have a good record.

12 If you experience any technical issues or  
13 observe that a representative has dropped off the line,  
14 just let me know so I can make sure that we address that,  
15 or let me know in the chat if that's easier.

16 And I guess with that, as far as just  
17 technical issues and the proposed breaks, are there any  
18 questions before I proceed?

19 Okay, great. Next --

20 ATTORNEY O'BRIEN: Pardon me, Judge.  
21 Mr. Wiley was trying to speak, I believe.

22 JUDGE BONFRISCO: Mr. Wiley, my apologies.  
23 Go ahead.

24 ATTORNEY WILEY: Yeah, my fault. I didn't  
25 push the button. I alerted Mr. Roberson to one issue



1 that I wanted to bring to your attention in terms of the  
2 logistics today, and that is we were double checking all  
3 the confidentiality declarations. I did not find one,  
4 and I can't remember if one was filed, for Mr. Gingrich.  
5 I don't want there to be difficulty on addressing -- him  
6 being crossed on confidentiality documents, so we have  
7 prepared, in the abundance of caution, another or  
8 original executed agreement, which we can send around now  
9 if you would like that. I just don't want this to be  
10 cumbersome.

11 And as far as I'm aware, this is the first  
12 time we've had a confidential document in a solid waste  
13 rate proceeding, so we are all, on our side, sort of  
14 dealing with it for the first time.

15 JUDGE BONFRISCO: Well, and I mean, I'm glad  
16 you mentioned that because I was, you know, prior to the  
17 proceeding, reviewing through all the confidentiality  
18 agreements. And, you know, I have everything in the  
19 record for, you know, staff and public counsel.

20 But I am not sure I had other confidentiality  
21 agreements filed for each of your witnesses. And I know  
22 going back in the record, you had originally requested  
23 the protective order. And so that was something I wanted  
24 to clarify, that as we go through this testimony today,  
25 that we ensure that, you know, if -- as we address any

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1 confidential testimony, that anybody who has not signed a  
2 confidentiality agreement, we're actually going to send  
3 them to a breakout room.

4 And so that was one of the things I wanted to  
5 do this morning, is have the parties let me know who's  
6 with them that has actually signed the confidentiality  
7 agreement so that it can be clear for records staff who  
8 should be in the proceeding as we walk through each of  
9 those exhibits.

10 And, you know, with that, let's see where I  
11 have this. So I have -- you know, I guess I would start  
12 first with staff, public counsel.

13 And then, Mr. Wiley, if you could let me know  
14 and identify for the record, since this is, you know,  
15 addressing a lot of the proprietary information for the  
16 company, who, you know, you would be admitting to be part  
17 of that proceeding in addressing those exhibits.

18 ATTORNEY WILEY: Yes, that's fine, your  
19 Honor. I believe in our chat -- and my secretary  
20 unfortunately is on vacation this week -- that we filed  
21 confidentiality agreements for Mr. Terzic, for Ms. Lopes,  
22 for Dr. Scontrino, and for Mr. Wonderlick.

23 What I didn't find was one for Mr. Gingrich.

24 So you decide. Again, it's mostly the  
25 company's data that's confidential. So we are not

1 concerned about Mr. Gingrich being asked about company  
2 documents, but at the time this occurs, you can make any  
3 statement or ruling when that arises.

4 JUDGE BONFRISCO: And did you mention  
5 Mr. Wonderlick?

6 ATTORNEY WILEY: Yes.

7 JUDGE BONFRISCO: Okay. Perfect.

8 ATTORNEY WILEY: I believe -- sorry.

9 JUDGE BONFRISCO: Okay. And I'm just looking  
10 really quick. So you're okay with Gingrich, Terzic,  
11 Scontrino, and Lopes.

12 And as far as filing that, I don't have a  
13 problem with that if you could, you know, just submit  
14 that. And we'll get that appended to the record and  
15 include Mr. Gingrich.

16 ATTORNEY WILEY: We'll do that this afternoon  
17 during the hearing, your Honor.

18 JUDGE BONFRISCO: Okay. Perfect.

19 And for staff, my understanding is it's Jeff  
20 Roberson and Colin O'Brien, but are there any other staff  
21 present with you today that I should be aware of?

22 ATTORNEY ROBERSON: That have signed the  
23 agreements, I know for a fact Mike Young, Scott Sevall,  
24 Ben Sharbono, obviously; Jing Roth.

25 There are a number of staff members that

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1 are on the ALD side of the wall who probably would want  
2 to be part of the confidential session who haven't signed  
3 the confidentiality agreement. I'm assuming that would  
4 be Greg Hammond, Judges Thompson, Brown, Jisong Wu,  
5 Stacey Brewster.

6 JUDGE BONFRISCO: Okay. And generally, I  
7 don't believe, and correct me if I'm wrong, I don't  
8 believe that the internal staff generally signs those  
9 separate confidentiality agreements as part of the  
10 record.

11 ATTORNEY ROBERSON: So staff appearing as  
12 parties do. Staff on the ALD side do not.

13 So from the staff side that are appearing as  
14 the parties or as a party, it would be Mr. Young,  
15 Mr. Sevall, Mr. Sharbono, and Ms. Roth in order  
16 (inaudible).

17 JUDGE BONFRISCO: Thank you for clarifying  
18 that. Thank you.

19 And public counsel, I'm not showing that  
20 public counsel was planning on submitting testimony today  
21 based on what was filed back in May. Is that correct?

22 ATTORNEY SYKES: That is correct, your Honor.

23 JUDGE BONFRISCO: Okay. And with you today  
24 -- is there anyone present with you today other than  
25 yourself for public counsel?

1                   ATTORNEY O'BRIEN: No, it's just me from  
2 public counsel today.

3                   JUDGE BONFRISCO: Okay. Thank you so much,  
4 Robert.

5                   Let's see. I also show that the parties --  
6 and correct me if I'm wrong on this -- that you  
7 stipulated to any of the prefiled exhibits and testimony  
8 of the cross-examination; is that correct?

9                   ATTORNEY ROBERSON: With one caveat.

10                  JUDGE BONFRISCO: Yes.

11                  ATTORNEY ROBERSON: Recent practice of the  
12 commission has been to designate something as a cross  
13 exhibit even if it was already an exhibit. Normally the  
14 ALJ's do not admit the exhibit twice. Just to make  
15 things easy, I try to do that. I feel like I confuse  
16 matters.

17                  Staff's preference would be that we not  
18 clutter the record with exhibits admitted multiple times.  
19 If you're comfortable with that, we'll just refer to the  
20 exhibits by their original designations.

21                  JUDGE BONFRISCO: No. And I appreciate that,  
22 and I know you brought that to my attention earlier this  
23 week. And I think that would be easiest to prevent any  
24 confusion and did not intend on admitting them twice, but  
25 I know per the commission rules, we do have the special

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1 designation for cross.

2 So just so everyone's aware, you know, that  
3 basically we'll just refer to the original exhibits as  
4 they were originally admitted in the record for the  
5 direct testimony and other prefiled exhibits.

6 And did I have any questions or concerns from  
7 counsel?

8 I'm sorry. Are you muted?

9 ATTORNEY WILEY: I hope I'm not muted.

10 JUDGE BONFRISCO: Okay. Okay. Good. Did  
11 you have any concerns with -- any objections to the  
12 prefiled exhibits and testimony being part of the  
13 record?

14 ATTORNEY WILEY: No, I didn't, your Honor.  
15 Thank you.

16 JUDGE BONFRISCO: Okay. Perfect. Sorry.  
17 It's never fun with tech issues.

18 And then let's see. I did want to  
19 clarify, do we need Dr. Lu (phonetic) to sign a  
20 confidentiality agreement?

21 ATTORNEY ROBERSON: No. As a policy advisor  
22 to the commission, he would be on the ALD side of the  
23 wall.

24 JUDGE BONFRISCO: Okay. Perfect. Perfect.  
25 All right. So with that -- although, you

1 know, I'll just move to have all the prefiled exhibits  
2 that both of the parties, you know, have stipulated to as  
3 part of the record.

4 Let's see. As far as addressing exhibits, on  
5 August 28, I circulated an updated exhibit list which  
6 reflected the updated and revised testimonies of  
7 company's witnesses Joe Wonderlick and Branko Terzic  
8 based on the errata that counsel had filed. And I just  
9 wanted to make sure that staff didn't have any concerns  
10 with the reliance on the updated testimony that was  
11 incorporated as part of the record based on those errata.

12 ATTORNEY ROBERSON: None.

13 JUDGE BONFRISCO: Okay. Wonderful.

14 So with that, again, I believe I circulated  
15 that updated exhibit list. Were there any questions  
16 about that before we proceed?

17 ATTORNEY WILEY: (Inaudible) from the  
18 company.

19 JUDGE BONFRISCO: Okay. And I guess I just  
20 want to confirm with records staff, I know we were kind  
21 of going through the list of all the key people that  
22 would be part of the proceeding if we go into a closed  
23 proceeding. Did you have any questions about who's  
24 permitted in that closed proceeding before we send those  
25 who have not signed a confidentiality agreement to

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1 another breakout room?

2 MR. SMITH: Hi, this is Ryan Smith with  
3 records. The only ones that I have a question is the  
4 Kalakihi Consulting, and someone that's joined and listed  
5 as call-in mute, underscore 1.

6 JUDGE BONFRISCO: If Kalakihi Consulting, if  
7 you could identify -- if we could start with you to  
8 identify yourself?

9 KALAKIHI CONSULTING: I'm here. Sorry about  
10 that.

11 JUDGE BONFRISCO: No worries.

12 KALAKIHI CONSULTING: Turning off the mute  
13 button. I'm here to observe.

14 JUDGE BONFRISCO: Okay. So basically, just  
15 Ryan, when we have the breakout session, you know, they  
16 have not signed that confidentiality agreement.

17 And then for the other phone number you  
18 identified, you said it was --

19 MR. SMITH: It just says -- where did it  
20 go? They might --

21 JUDGE BONFRISCO: They might have dropped  
22 from the line?

23 MR. SMITH: I think so.

24 Oh, and then there's a Lindsay (phonetic) W.  
25 Are they allowed?



1 JUDGE BONFRISCO: Lindsay W. I am not  
2 familiar with a Lindsay W. Are either counsel familiar  
3 with a Lindsay W.?

4 No. So they would not have signed that  
5 either, so if you could move them to that breakout room  
6 as well.

7 MR. SMITH: Yes.

8 JUDGE BONFRISCO: Okay. Perfect. Thank you,  
9 everyone, for your patience.

10 Okay. Since -- oh, go ahead, Ryan.

11 MR. SMITH: I'm so sorry. If I could, if any  
12 of the parties, after we move people for a breakout  
13 session, confidential stuff is discussed, if you want to  
14 reach out to me in the chat if there's anyone else in  
15 there that you have concerns about, please do so. Thank  
16 you.

17 JUDGE BONFRISCO: And Mr. Wiley, did you have  
18 something to share?

19 ATTORNEY WILEY: No, your Honor.

20 JUDGE BONFRISCO: Okay. Wonderful. All  
21 right. Since -- I appreciate everyone's patience on  
22 figuring that out.

23 Since staff indicated in advance of today's  
24 hearing that it would be waiving its opening statement  
25 just for time efficiency purposes, what I'd like to do is

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1 I'd like to start -- I guess I want to clarify with  
2 Mr. Wiley, since I didn't hear back from you on that,  
3 were you planning on proceeding with an opening statement  
4 today?

5 ATTORNEY WILEY: Yes, your Honor. I'd like  
6 to make a brief opening statement.

7 JUDGE BONFRISCO: Okay. If you'd like to  
8 proceed.

9

10 OPENING STATEMENT BY THE COMPANY

11 ATTORNEY WILEY: Thank you, your Honor, and I  
12 know this is being recorded and with a court reporter.  
13 I'll try to talk in quickly to get in ten minutes, but I  
14 may exceed it just slightly. Bear with me if you would.

15 Thank you for the opportunity to briefly  
16 overview this case from the company's perspective.

17 While this case involves challenges to  
18 several line items in the company's operating expenses  
19 and income statement, at its core, this case concerns the  
20 staff's treatment of a large insurance loss claim.

21 And in the company's view, this entire  
22 protracted and expensive proceeding was completely  
23 avoidable.

24 Indeed, the company attempted to head off  
25 this dispute just before it filed its general rate case

1 almost a year ago to the day, on September 15, by  
2 preliminarily conferring with staff and asking guidance  
3 on how its imminent general rate case could highlight and  
4 deal with a major insurance loss claim involving a  
5 fatality accident during the proposed test year in  
6 regulated service.

7 As it responded to an informal data request,  
8 which was IDR-4, which is Exhibit BS-16X in this  
9 proceeding, it discussed the claim with Mike Young of the  
10 staff, who informally advised that the company might take  
11 the expense over five years, meaning normalize the amount  
12 of the claim over an extended interval so as not to  
13 recognize the full effect of the claim in one fell swoop  
14 for the ratepayers.

15 As Mr. Wonderlick testifies, this has been  
16 the practice in all Waste Connections rate cases for all  
17 of the 13 years-plus he has been involved in UTC rate  
18 filings for the Waste Connections company. And to his  
19 knowledge, there had never been an issue previously.  
20 Thus, that advice, that informal advice, seemed  
21 appropriate and consistent with past auditing experience.

22 Indeed, Mr. Branko Terzic, a former Wisconsin  
23 public service commissioner, testified in the company's  
24 behalf that that is precisely the appropriate regulatory  
25 accounting treatment, and that in effect, the artificial

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1 bifurcation of the deductible from an insurance policy is  
2 unprecedented in his long experience with regulated  
3 utilities.

4           At the end of the normal audit period, which  
5 the company assumed would be the middle of October, they  
6 were startled to learn, on October 16, 2023, that this  
7 would not be the treatment afforded this material claim,  
8 and that the entire approximate \$1.9 million claim would  
9 be disallowed and removed by the staff, which was  
10 corroborated the next day in a meeting among  
11 Mr. Wonderlick; his colleague, Mr. Vandenburg, company  
12 management; and Ms. Van Meter; Mr. Sharbono, the auditor;  
13 and Jing Roth, the deputy division chief of staff, all of  
14 whom, for the commission, affirmed the disallowance.

15           That disallowance is actually featured in  
16 staff -- in the staff workbook, which is Exhibit JW-5C in  
17 this record, and is likely the most detailed  
18 qualification or quantification of staff's position on  
19 the overall rate filing other than Exhibit DS-11C, on  
20 which we have no prefiled testimony supporting the  
21 staff's numbers.

22           For a company generating 22 -- approximately  
23 \$22 million a year in revenue, the disallowance of an  
24 insurance claim expense amounting to 12 to 10 percent of  
25 its annual revenue is understandably a tremendous

1 financial blow, and one that obviously cannot be  
2 sustained, particularly under a rate setting methodology  
3 that generally allows revenue margins or profit in the 4  
4 to 8 percent annual range under Lareto Gallagher  
5 (phonetic).

6 Along with the other smaller expense  
7 adjustments that are addressed in this case, staff's  
8 position on the revenue requirement, from the best we can  
9 ascertain, that we have been provided, places Olympic at  
10 a very precarious financial position and denies it the  
11 ability to assess fair, just, reasonable, and sufficient  
12 rates as required by Title 81 RCW.

13 During this hearing, your Honor, you will  
14 hear from numerous witnesses who examine and critique the  
15 rationale for allowing insurance deductible expenses and  
16 the state of the current insurance liability market for  
17 transportation companies.

18 Indeed, Olympic and Waste Connections lead  
19 broker, Belinda Lopes, describes the recent trends in the  
20 market and the increasing difficulties all trucking and  
21 transportation companies are confronting in obtaining any  
22 liability insurance policies and the unfortunate cost  
23 escalation we all faced in that marketplace. Those  
24 external forces ironically are all exacerbating and  
25 converging on the placement, cost, and coverage

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1 exclusions and under -- as this issue unexpectedly  
2 converged on Olympic's rate filing, and underscores just  
3 how difficult any projections about future expense and  
4 policy provisions are.

5           But as you will also see and hear, as echoed  
6 in the industry publications which are cross exhibits in  
7 this proceeding, not only is liability insurance a  
8 requirement for lawful operations by any regulated solid  
9 waste collection company, accident insurance and  
10 insurance claims in the transportation sector are  
11 statistically not unusual and are a recurring event.

12           No company that I'm aware of that operates  
13 large trucks over public and private roads and generates  
14 thousands of miles annually escapes action in the claims.  
15 And sadly, some are fatal. And juries nationally are  
16 awarding higher and higher damages for these types of  
17 claims, as Ms. Lopes and the industry data support.

18           Yet the auditor in this case seeks to defend  
19 his arbitrary disallowance of Olympic's claim by  
20 asserting that accidents are not typical or normal and do  
21 not recur; thus, under regulatory accounting principles,  
22 they can be thrown out, since they supposedly are  
23 extraordinary and nonrecurring.

24           However, if that were the unlikely case, as  
25 Mr. Terzic posits, why would insurance even be necessary

1 and required by the commission and the state legislature?

2 The reality is the business -- that insurance  
3 premiums and deductibles attached to liability insurance  
4 policies are a completely normal, prudent, and mandatory  
5 expense for any transportation company, and arguably just  
6 as essential to operations as an expense as employee  
7 drivers and payroll.

8 Denying recovery of this essential line item  
9 of expense is indeed a slippery slope that would  
10 ultimately work to the detriment of the public safety if  
11 smaller, less capitalized, regulated solid waste  
12 companies learn that their overall insurance costs, which  
13 yes, includes the premium and the deductible, would  
14 possibly not be allowed by a subjective adjustment by an  
15 auditor.

16 The untenable consequence of such a decision  
17 would steer companies toward bargain basement providers  
18 who might not be viable when the time comes for a claim  
19 to be paid. Frankly, this is not an unimaginable outcome  
20 if the accounting adjustment here were to be ratified by  
21 the commission.

22 And this proceeding is the opportunity to  
23 draw the line on this type of isolated illogical  
24 adjustment, which the evidence of record reflects is,  
25 again, an arbitrary and ultimately aberrant denial.

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1 (Inaudible) I said, insurance claim dispute is the  
2 primary focus of this case.

3 In closing, I want to say a few words about  
4 some of the other disputed adjustments on which we are  
5 hoping to get some commission clarification. Severance  
6 or termination pay is one such issue.

7 As the commission oversees a rapidly evolving  
8 post-pandemic workplace, both in its own house and in the  
9 company it regulates, it's time to reconsider termination  
10 pay as an appropriate risk avoidance option that redounds  
11 to shareholders' and customers' benefit in limiting  
12 liability accruals and in cutting off unproductive  
13 management focus and financial exposure.

14 Both Mr. Wonderlick and Dr. Scontrino speak  
15 to the advantages and positive effects of addressing  
16 employment situations -- separation in situations that  
17 allow parties to move on in their lives, and the downside  
18 risk to morale and productivity in the finite  
19 circumstances where termination pay expense is  
20 disqualified as a prudent management tool.

21 Bonuses and incentive pay to frontline hourly  
22 workers, including customer service payroll and drivers  
23 is another issue meriting reevaluation. These types of  
24 expenses are similarly important tools for employers in  
25 the modern workplace, and are not only beneficial to



1 overall morale, but, as Dr. Scontrino advises based on  
2 empirical data, can lead to positive organizational and  
3 operational outcomes. They can improve overall job  
4 satisfaction and reduce turnover, which directly affects  
5 rates by reducing hiring and training expenses. They are  
6 also less costly than embedding such stipends and base  
7 wages, which is also a significant mitigation of payroll  
8 expense.

9           If, as the staff repeatedly says in this  
10 case, it wants to see direct benefits to the ratepayers  
11 of these programs, it ought to proactively work with the  
12 industry to propose templates and metrics that we can all  
13 adapt rather than rejecting such programs retroactively  
14 citing a lack of data measurement, which staff has never  
15 offered to develop by rule or policy articulation or  
16 codification.

17           Finally, I wanted to, in addition to the  
18 community activity meal expense and other such issues  
19 you'll hear about in the testimony on the  
20 cross-examination thereon, I wanted to touch on one final  
21 issue, which is a late raised denial of certificate  
22 defense legal fees by the staff.

23           As the prefiled testimony did and the  
24 cross-examination testimony we hope to elicit will show,  
25 defense of certificate legal fees should not be in

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1 dispute. Both previous staff treatment and commission  
2 orders have recognized the value of legal fee defense for  
3 certificates, and have fully allowed them over the entire  
4 span of the proceeding. They just normalize the cost as  
5 simply as Olympic has reasonably proposed here.

6 This eleventh hour opposition by staff is  
7 once again arbitrary. They were certainly well aware of  
8 Olympic's long successful battle to uphold its right to  
9 serve the industrial mills in its exclusive territory,  
10 and participated fully in the court appeals filed by the  
11 respondent in that case, and which proceeding spanned  
12 over 2.5 years and involved appeals to the Thurston  
13 County Superior Court, the Washington Court of Appeals,  
14 and a final denial of review by the Washington Supreme  
15 Court.

16 During that time, there was no pending  
17 general rate case by Olympic and no indication by staff  
18 that any affirmative measure needed to be undertaken by  
19 Olympic to recoup its widely known ongoing legal  
20 expenses.

21 Indeed, this is the first occasion Olympic  
22 has formally had to ask for recovery. And it did so in  
23 this pending rate filing in September 2023, which  
24 occurred roughly ten months after the final ruling of the  
25 Court of Appeals approximately six months after the

1 Washington Supreme Court denied review, finally closing  
2 the case in 2023.

3 As with the insurance claim deductible  
4 denial, this was yet another arbitrary and unanticipated  
5 expense rejection by staff, contrary to past dispositions  
6 of certificate legal defenses, which we urge be soundly  
7 rejected by the commission in this proceeding.

8 Thank you.

9 JUDGE BONFRISCO: Thank you, Mr. Wiley.

10 What I'd like to do next is I'd like to have  
11 staff start with the cross of each of the company's  
12 witnesses.

13 But before I tender in the first witness, who  
14 is Mr. Wonderlick, if you could please turn on your  
15 camera and raise your right hand.

16 Mr. Wonderlick? Let me see. There you are.  
17 Okay. Perfect.

18 Do you swear or affirm that the testimony you  
19 will give today will be the truth, the whole truth, and  
20 nothing but the truth?

21 THE WITNESS: I do.

22 JUDGE BONFRISCO: Okay. Staff, if you'd like  
23 to proceed.

24

25

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1           JOE WONDERLICK,           witness herein, having been duly  
2                                   sworn on oath, testified as  
3                                   follows:

4

5                                   CROSS-EXAMINATION

6           BY ATTORNEY ROBERSON:

7           Q     Good afternoon, Mr. Wonderlick. How are you?

8           A     I'm doing well. Thank you.

9           Q     Good. So I think my questions are limited to  
10    your testimony, your opening testimony, which is JW-1T,  
11    and your rebuttal testimony, which I believe is JW-25CT.  
12    If you could have copies of those, that would be great.

13                                ATTORNEY WILEY: He does.

14                                THE WITNESS: I do.

15           Q     (By Attorney Roberson) Excellent. Would you  
16    please turn to page 9, line 14 through 17 of your  
17    rebuttal testimony, which is JW-25CT.

18           A     You say page 9?

19           Q     Page 9, lines 14 through 17.

20                                Are you there?

21           A     Yes.

22           Q     Okay. There, you kind of introduce a topic  
23    that you revisit several times, which is Murrey's belief  
24    that staff is intruding on the discretion and  
25    prerogatives of Murrey's management, correct?

1 A Correct.

2 Q And on page 10, there's a blocked quote from  
3 Leonard Saul Goodman which effectively says agencies  
4 can't substitute their judgment from management absent  
5 abuse of discretion, correct?

6 A Correct.

7 Q How does Murrey's define an abuse of  
8 discretion?

9 A Let me think on that for a second.

10 So the quote says that unless there's an abuse  
11 of discretion. So in my opinion, that would be where  
12 staff identifies where a company -- where the company is  
13 not working in a reasonable -- not making reasonable  
14 decisions based on the information they have before them.

15 Q Okay. Let's --

16 JUDGE BONFRISCO: And Mr. Roberson, I'm sorry  
17 to interrupt here, but I believe this is a confidential  
18 exhibit, correct?

19 ATTORNEY ROBERSON: It is, but I do not  
20 believe that I'm touching on confidential information at  
21 all.

22 JUDGE BONFRISCO: Okay. Go ahead and  
23 proceed, but I just would like to know once we -- once  
24 you believe we're going in that territory, if you could  
25 just please flag that for me so I can make sure we get

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1 anybody who has not signed the confidentiality into a  
2 breakout room.

3 ATTORNEY ROBERSON: Absolutely. And I firmly  
4 believe that it takes a village to prevent the disclosure  
5 of confidential information. So if anyone thinks that  
6 I'm touching on confidential information, please yell at  
7 me and I will say something.

8 JUDGE BONFRISCO: Okay. Perfect.

9 ATTORNEY WILEY: In my mind, it's mostly  
10 where we start talking about numbers where we're going to  
11 get into dicey territory.

12 It would also be part of your --

13 JUDGE BONFRISCO: Perfect.

14 ATTORNEY WILEY: -- (inaudible) Mr. Roberson.

15 JUDGE BONFRISCO: And I figured that's what  
16 you were doing, Mr. Roberson, but I just wanted to  
17 ensure. So, yes, if you just flag that for me and  
18 Mr. Wiley, we're good.

19 ATTORNEY ROBERSON: Excellent.

20 JUDGE BONFRISCO: Thank you.

21 Q (By Attorney Roberson) So Mr. Wonderlick, I  
22 guess I would like to talk further about that answer.

23 So staff is to detect an abuse of discretion,  
24 you think, or Murrey's thinks that staff should be  
25 looking at what, exactly?

1           A     You're somewhat hypothetical there. I think  
2 where staff senses that the company -- the company  
3 management is doing something, you know, illegal or  
4 unethical.

5           Q     So I guess in Murrey's view, then, the  
6 commission is limited to disallowing costs that are  
7 illegal or unethical; is that correct?

8           A     That covers most of it. Yes.

9           Q     What else would be an abuse of discretion in  
10 your opinion?

11                    Like I want the entire universe. We have  
12 illegal, unethical. What else?

13           A     My advice to my children, and I think it  
14 applies here too, it's illegal, unethical, and unsafe.  
15 That is largely the universe.

16           Q     Is there anything else?

17           A     Not that I can think of at the moment.

18           Q     Okay. So is staff looking for results or  
19 process?

20                    How does it know that it's seeing something  
21 illegal, unethical, or unsafe?

22                    You know, it's not at Murrey's operations every  
23 day. It's not there to look at what's going on. How  
24 does it review for those things?

25           A     You're putting me in the spot of staff.

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1           Q     Well, it's your testimony. I'm curious what  
2 you view staff's role is because you testified about what  
3 you think staff's role is.

4           A     I would say that staff's role -- in my years of  
5 experience, the company has -- there are numerous  
6 adjustments that we find back and forth. You know, very  
7 frequently we file for a certain revenue requirement, and  
8 as we go through the audit process, the review process,  
9 we're all human. So some mistakes are made. Some  
10 interpretation differences occur. And we usually work  
11 those out.

12                     And, you know, frankly, we have not had an  
13 adjudicated case in the 13 years I've been part of this  
14 program with the UTC. And I don't think we had an  
15 adjudicated case in the, you know, preceding 12 or 13  
16 years that Waste Connections was in the place because  
17 staff and the company worked things out. And in most  
18 cases, I would say that staff identified things that  
19 maybe the company didn't in its initial pass, and we  
20 worked them out.

21                     So staff plays a role and has had a vital  
22 function over the years with, you know, with their role,  
23 with their oversight role. And in this case, I believe  
24 we've overstepped that. I believe staff has overstepped  
25 that in, you know, basically setting some policy or



1 attempting to set policy without the benefit of working  
2 that through.

3 And what I say by policy, is, you know, in this  
4 case, management, you know, the company -- staff is  
5 saying let's -- we're going to deny all this insurance  
6 deductible program.

7 So all of a sudden, you know, that, you know, I  
8 guess, you know, staff would say, Well, you don't have to  
9 make any changes at all, company. We're going to deny  
10 those expenses.

11 But in effect, you're directing us to do things  
12 different, to run our company differently.

13 With these bonus -- the bonus or the incentive  
14 pay programs, in my testimony I've indicated a number of  
15 times that -- or certainly in interviews, meetings with  
16 staff, you know, times have changed over the years. And  
17 the way we pay employees, the way -- employees in 2024 is  
18 different than maybe the way we paid employees or  
19 compensated employees in 1990. And --

20 Q So this might be a good time to break in.

21 A So staff is pushing us to do things  
22 differently.

23 JUDGE BONFRISCO: I'm sorry, Mr. Roberson. Do  
24 you want to transition?

25 ATTORNEY ROBERSON: I'm just going to ask a

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1 follow-up.

2 JUDGE BONFRISCO: Okay.

3 Q (By Attorney Roberson) So I guess according to  
4 that testimony, anytime staff recommends a disallowance,  
5 it's recommending a policy change, correct?

6 A No. I mean, occasionally we're correcting  
7 whatever mathematical errors, or we're looking at some  
8 interpretation that could be policy change, I suppose.  
9 But where the company agrees or we compromise on  
10 something, yes. That could be possibly policy change.  
11 But not always.

12 Q Okay. So basically, would you then say that  
13 staff is unable to recommend a disallowance of a type  
14 it's never recommended before because that would be the  
15 type of policy change that you believe interferes with  
16 Murrey's management prerogatives?

17 A I think the preferred path is if staff  
18 encounters some things that are not illegal or unethical  
19 and unsafe, then that veers into potential policy changes  
20 that are more overt and outside of a rate case situation.  
21 So overt isn't the right word. But outside of a rate  
22 case situation.

23 So there's quarterly meetings between the UTC  
24 and the industry. There are opportunities to bring some  
25 of these sorts of disagreements up and to work our way

1 through them.

2 Q Okay. Hypothetically, Murrey's decides to buy  
3 million dollar Ferraris for all of its employees as a  
4 goodwill gesture; not management, just line employees.  
5 Does the commission have a role in stepping in and  
6 reviewing that expense?

7 A I'm sorry. Clarify. Million dollar what?

8 Q Ferraris, some expensive gift for the  
9 employees.

10 A Ferraris.

11 Q Not management, the line employees.

12 A Well, you're getting into unethical there.

13 Q Is that unethical, to treat your employees  
14 well?

15 ATTORNEY WILEY: Objection to the form of the  
16 question. (Inaudible) Ferrari is really a value judgment  
17 as to treatment of employee. But the --

18 ATTORNEY ROBERSON: Hypothetically - so just-  
19 (Overlapping speech)

20 JUDGE BONFRISCO: I'm going to sustain the  
21 objection.

22 If you could reframe the question, staff, I'd  
23 appreciate that.

24 ATTORNEY ROBERSON: Absolutely.

25 Q (By Attorney Roberson) Is there -- so then I

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1 guess, building on that, is there an expense that is not  
2 unethical or illegal, but is unreasonable, that staff can  
3 recommend disallowing in your view?

4 A Not that I can think of at the moment.

5 Q Okay. I'd like to move on, then.

6 This was designated as Cross Exhibit JW-30X.  
7 It's Exhibit BS-13.

8 A It might take me a minute to get to that one.

9 Q Take your time.

10 ATTORNEY WILEY: I've got it here in our  
11 responses.

12 THE WITNESS: So BS-13?

13 Q (By Attorney Roberson) Yes.

14 A Let me see if I can get there. Okay. Back to  
15 you. Okay. So BS-13.

16 Q Do you recognize that document?

17 A Let me study it a little closer. Okay. This  
18 is about interim rates.

19 Q These are DR answers, correct?

20 A Yes.

21 Q And would you turn to page 1 of the exhibit;  
22 not the cover page, but the first page of the actual  
23 exhibit?

24 A Okay.

25 Q And --

1           A     Wait. Right now I'm looking at just one page,  
2     which is maybe the cover. Company management has had  
3     numerous meetings to discuss things, including focus on  
4     current company operations. Yes.

5           Q     So that's Murrey's answer to Staff DR Number  
6     21, correct?

7           A     Yes.

8           Q     And at the top, you're listed as one of the  
9     people who prepared the response, correct?

10          A     Yes.

11          Q     And in that DR, staff asked for company  
12     minutes, correct?

13          A     Yes.

14          Q     And Murrey's said that it doesn't routinely  
15     keep minutes, correct?

16          A     Not of these kinds of meetings that were  
17     requested, no. No. Not in general, no, there's not a  
18     lot of minutes.

19          Q     So if Murrey's isn't keeping records of the way  
20     that its management is exercising its discretion, how  
21     does the commission review the exercise of that  
22     discretion?

23          A     Your auditors have access to our general  
24     ledgers.

25          Q     So in Murrey's view, they would be looking at

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1 the results of the decision, not the decision-making  
2 process itself?

3 A I think when you're examining a test year, that  
4 you are being retrospective in that process, yes.

5 Q Okay. Totally changing gears, I'd like to talk  
6 about insurance. So your counsel identified the accident  
7 at issue here. Has Murrey's ever had an accident with a  
8 dollar cost like that one in your experience?

9 ATTORNEY WILEY: Your Honor, if I could just  
10 interpose an objection to the form.

11 When we're talking about Murrey's, we have,  
12 as Mr. Roberson knows, we have Olympic Disposal and we  
13 have the larger Murrey's operation. For instance, at the  
14 interim rate hearing, you heard about Murrey's annual  
15 revenues. Olympic reports its separately.

16 So I'd like to put the question in context.  
17 Are you talking about Olympic or Murrey's?

18 So if he could clarify that, I won't have an  
19 objection.

20 ATTORNEY ROBERSON: I can rephrase.

21 JUDGE BONFRISCO: Okay. Perfect. Thank you.

22 Q (By Attorney Roberson) Let's take a step back.  
23 Mr. Wonderlick, how long have you been at Murrey's,  
24 Murrey's itself; not Olympic, just Murrey's?

25 A Well, I worked with -- for Waste Connections

1 for 23 years. And I guess my involvement as the pricing  
2 manager has been since 2010, so 13 years with Murrey's.

3 Q And in those 13 years, have you also been the  
4 pricing manager for Olympic Disposal?

5 A I guess as the manager, yes. We had other  
6 people focusing on Washington cases earlier in the time.  
7 But yes, I'm familiar.

8 And are you qualifying it to Olympic Disposal  
9 or to Olympic?

10 (Overlapping speech)

11 Q (By Attorney Roberson) At the request of your  
12 counsel, yes, let's qualify it to Olympic Disposal.

13 A Okay. So this is the largest incident -- the  
14 claim that is at issue in this case is the largest claim  
15 that Olympic Disposal has had in the 13 years' experience  
16 I've had with the company.

17 Q Do you know what the next biggest accident  
18 Olympic Disposal -- next biggest claim has been?

19 A I think that -- well, it's been about a  
20 million. It was 968, somewhere in that range.

21 But I think the point of our testimony, of  
22 Mr. Terzik's in particular, is that we are operating a  
23 fleet of heavy equipment, and that companies that operate  
24 fleets of heavy equipment put themselves at risk for  
25 incidents of this size and this magnitude. Do they

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1 happen every 12 months, no, thank God, they don't. Do  
2 they happen every 24 months? Not necessarily. They do  
3 happen.

4 So if you start pulling the universe out from  
5 Olympic to Murrey's to Waste Connections across  
6 Washington, yes, indeed, these things happen and they  
7 have happened.

8 Q In terms of Olympic, that accident at issue is  
9 at least twice as big as the next biggest one, correct?

10 A Yes.

11 Q Okay. On -- can we turn to your open  
12 testimony, which is JW-1T?

13 A Okay. I have it.

14 Q And I did not write down the page number, which  
15 is unhelpful. Page 34, lines 17 through 19.

16 A Okay.

17 Q There you're talking about the amortization of  
18 rate case expenses, correct?

19 A Yes.

20 Q And because you're filing on a three-year  
21 cycle, you propose amortizing over three years, correct?

22 A We do, the rate case expenses.

23 Q And then would you turn to page 25 of that same  
24 testimony, your opening testimony.

25 A Okay.



1 Q Line 16 through 18, the direct quote is, it is  
2 unlikely -- it being Murrey's -- it is unlikely to  
3 experience a claim of this size in the next five years.  
4 Did I read that correctly?

5 A You did.

6 Q And you're recommending amortizing the  
7 insurance claim over five years, correct?

8 A We used that time period as a reasonable proxy  
9 initially at the advice of staff, yes.

10 Q And a shorter amortization period increases the  
11 revenue requirement, correct?

12 A A shorter amortization period would increase  
13 the revenue requirement, yes.

14 Q So --

15 A But in my mind, we are doing that in -- you  
16 know, as compromise and advice of staff, original advice  
17 of staff, you know, recovering it over a longer period of  
18 time than our typical rate cycle.

19 Q So would, then, Murrey's be amenable to a  
20 longer cycle that reflects the actual frequency of these  
21 events, something like ten or more years?

22 A In my testimony, I responded to the ten year  
23 suggestion, which I think was in Mr. Sharbono -- one of  
24 his alternate scenarios.

25 I think that ten years is -- it's half a

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1 generation. It's quite a long way out. It's a long ways  
2 out.

3 And when you divide it into, you know, ten  
4 years, the incremental -- I think when we went with five,  
5 we were balancing the impact on the customer along with  
6 recovery of rates.

7 And by the time you go from five to ten, where  
8 yes, it's going to lower the revenue requirement, but at  
9 that point it becomes less impactful for the customer,  
10 and we thought that was a reasonable balance.

11 Q Okay. Switching gears again, I'd like to talk  
12 about severance. Would you please turn to page 30 of  
13 your opening testimony.

14 A The opening testimony?

15 Q Indeed, JW-1T.

16 A Page 30. Okay. I'm on page 30.

17 Q And that's your discussion of severance,  
18 correct?

19 A Yes.

20 Q On lines 12 through 14, you describe severance  
21 pay as a tool to avoid litigation, correct?

22 A I do. That's one reason for severance.

23 Q And you note that it plays that role, quote,  
24 even when there's no culpability on the part of the  
25 company. Did I read that correctly?

1 A That's what the words say.

2 Q Does it fulfill that role when there is  
3 culpability on the part of the company?

4 A Well, we're small. There is no culpability for  
5 me to admit here or anything. But I guess presumably, it  
6 would be a barrier for an employee.

7 Q Hypothetically, it could be used to cut off  
8 Olympic Disposal's liability for tortious conduct,  
9 correct?

10 A Hypothetically, yes.

11 Q And in the next line, I think it's 14 through  
12 18, you talk about awards of attorney fees, correct?

13 A Hold on one second. A little bit. That if an  
14 employee retains a single dollar of award, yes. The  
15 context there is there's some culpability, but it's very  
16 small culpability, and then all of a sudden all the legal  
17 fees come pouring in.

18 Q But I guess there would be culpability,  
19 correct?

20 A litigant could not win a judgment without a  
21 finding of fault on the part of the company, right?

22 A Presumably.

23 Q Okay. I'd like to turn to your rebuttal  
24 testimony, which is JW-25CT.

25 A Okay.

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1 Q And page 25. Line 9 on page 25 through line 2  
2 on page 26. Is it fair to say that there you testify  
3 that generally staff should not be reviewing general  
4 cases of severance payments?

5 A One thing I guess I want to say here is  
6 culpability is not an issue here with our insurance or  
7 even the severance thing. But anyway, let me see.

8 Could you repeat the question, Mr. Roberson?

9 Q Well, let's look specifically at lines 9  
10 through 11 on page 25. The question is should staff  
11 review severance payments. Your answer is no, correct?

12 A Yes. Correct.

13 Q So do you view Murrey's as required to justify  
14 individual severance payments?

15 A I believe my testimony goes on to say that a  
16 frequent occurrence of severance payments, where there's  
17 multiple ones or very large ones, may require some staff  
18 intervention and some additional investigation.

19 I do not think that was the case in the Olympic  
20 example. These were relatively small payments.

21 Q So absent a certain frequency of severance  
22 payments, staff should just ignore the expenditure?

23 A I think "ignore" might be strong, but accept  
24 that severance is a normal cost of business that is  
25 engaged with in many, many, many organizations, both

1 governmental and nongovernmental.

2 And yes, so I guess I'd just say it that way:  
3 That modest amounts in, you know, relatively infrequent  
4 periods are normal business expenses.

5 Q Okay. And then at the bottom of page 25, I  
6 think it's the last two sentences and then spilling on to  
7 page 26, you offer the opinion that staff should  
8 basically confine itself to reviewing the procedures used  
9 in paying severance, correct?

10 A Yes. I'm -- I guess I'm saying if they're  
11 modest and infrequent, that -- that -- yes, it's fair for  
12 staff to ask if employment counsel and human resources  
13 were involved and move on.

14 Q Okay. Previously we talked about the keeping  
15 of minutes. And your answer was that Murrey's did not  
16 routinely keep minutes, correct?

17 A Correct.

18 Q Would it keep minutes about something like the  
19 payments of severance?

20 A Not necessarily. I'm not personally involved  
21 with severance meetings and discussions.

22 Q Okay. Do you know if Murrey's Olympic Disposal  
23 produced any minutes when Mr. Sharbono asked for them  
24 with regard to these severance payments?

25 A I'm fairly certain we did not produce minutes,

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1 and I do not think there are minutes for this meeting.

2 Q Okay.

3 A Going (inaudible) to this meeting.

4 Q Okay. I think in those -- in that same area,  
5 you described that Murrey's basically pays severance  
6 based on what -- or Olympic Disposal pays severance based  
7 on what it perceives to be the economic best interest of  
8 the company; is that correct?

9 A Correct.

10 Q Does Murrey's Olympic Disposal -- does Olympic  
11 Disposal have written procedures that guide that process?

12 A Around severance payments, we have employment  
13 counsel. We have human resources specialists. We have  
14 written policies, I don't think we do, necessarily.

15 Q Do you have set minimum and maximum amounts for  
16 the payment of severance?

17 A Not that I'm aware of.

18 Q And other than minutes, does Murrey's produce  
19 any kind of report that details the cost-benefit analysis  
20 that it's performing when it decides to pay severance?

21 A Not that I'm aware of.

22 Q Paging back to page 24, so just a page earlier,  
23 you talk about this payment of severance being correlated  
24 to a reduction in employee turnover rates, correct?

25 A I did.

1 Q And that measured the time between the end of  
2 2022 and spring of 2024, correct?

3 A Correct.

4 Q Are you familiar with the phenomenon referred  
5 to as the great resignation?

6 A Familiar with the phenomenon, yes.

7 Q And the end of the great resignation occurred  
8 pretty much in the middle of that time period, correct?

9 A You know, that's a big concept. Yes, it's  
10 somewhat in that space, I think. Seems --

11 Q So is it possible that -- sorry. Continue. I  
12 didn't mean to cut you off.

13 A You're saying it's possible that this  
14 improvement in turnover is related to the great  
15 resignation.

16 We -- you know, I think we beg to differ; that  
17 a management team was necessary in that location, and we  
18 saw -- you know, this turnover change was part of the  
19 results of that.

20 Q And I think this is the crux of the  
21 disagreement between staff and the company, is what is  
22 the basis for your belief that the turnover in management  
23 is responsible. Like, is there any -- did you collect  
24 any evidence that indicates the payment of severance here  
25 reduced turnover?

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1           A     Did we collect evidence. I don't think there's  
2 any evidence that we say -- you know, that we could say  
3 we collected. But what we saw was as a result of various  
4 changes that we made at the district, including a  
5 management change, that turnover changed.

6           Q     Okay.

7           A     And I don't think we've entered it into  
8 evidence. I have seen some employee surveys that were  
9 very positive about the change.

10          Q     Okay. I'd like to switch gears again and talk  
11 about benefits.

12                   Page 27 of your rebuttal testimony, on line 3,  
13 there's a clause here you say, Based on my understanding,  
14 the preponderance of commission focus in this regard has  
15 been on executive and managerial bonuses. Did I read  
16 that correctly?

17          A     That's what the words say, yes.

18          Q     What did you rely on in forming that  
19 understanding?

20          A     I think that understanding has -- I cannot  
21 point to specific commission directives or communications  
22 on that. It's the understanding that I've developed  
23 through some communication over the years of what bonuses  
24 were about.

25                   And, you know, I think when a lot of -- we were



1 looking at some of the bonus-related commission citations  
2 that your folks provided in response to data requests.  
3 These things went back 25, 30, 40 years. And going back  
4 that far, 25, 30, 40 years, I think the preponderance of  
5 incentive and bonus plans were more management, not these  
6 frontline bonus plans. I think they've become more  
7 prevalent since those rulings were largely made.

8 That's more of a -- I guess an accumulated  
9 understanding that I've gotten over the years. I cannot  
10 point to specific documents.

11 Q Okay. Fair enough.

12 You used the term "preponderance." You don't  
13 use the term "exclusive." So is it that you're  
14 recognizing that commission does have orders dealing with  
15 nonmanagerial, non-executive bonuses, or something else?

16 A I'm not certain. So I left some space.

17 Q That's prudent. Okay. Then we'll move on.

18 Rebuttal testimony at page 29, there you  
19 discuss the problems with quantifying the benefits  
20 provided by Murrey's incentive programs, correct?

21 A Yes, the three main barriers.

22 Q And on lines 10 and 11, you testified that  
23 Olympic can't compare its performance before and after  
24 implementation of the programs because they've been in  
25 place for many years, correct?

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1           A       Programs of various sorts have been in place  
2 for many years. There has been some potential movement.

3                    To be honest, I have not analyzed the programs  
4 at Olympic and done a detailed when did one start, when  
5 did one stop, where we are, because it's been fairly  
6 fluid. We've had multiple management teams there over  
7 the time.

8                    But Waste Connections, including Olympic, has  
9 put forward incentive programs of various sorts, always  
10 within the themes that are in this rate case; always  
11 within those themes, safety bonuses and customer service  
12 bonuses, collection-type bonuses. The specifics of the  
13 programs have changed slightly over the years. So  
14 finding measurement points is difficult.

15           Q       Two follow-up questions. The first is did  
16 Murrey's ever, way back when, at the dawn of these  
17 programs, did it study their effectiveness?

18                    Did it look for data about their benefits?

19           A       I don't think -- I am not aware of any before  
20 and after results that Waste Connections has, per se, on  
21 a particular program.

22                    And when I have researched this multiple times  
23 in the past, what I find is there's always some other  
24 thing that goes on, you know. Maybe the district  
25 automates at the same time we're implementing a program.

1 So the automation itself creates productivity improvement  
2 of some sort, and you can't isolate the benefit of a  
3 particular program.

4 Mr. Gingrich talks extensively about his own  
5 personal observations of what he's seen in terms of the  
6 way people act and react and so forth on the ground with  
7 the drivers.

8 My struggle with staff here has always been the  
9 ability to document. And we can't document because of  
10 the lack of the before and after because a program begins  
11 and ends. It's difficult to capture those points. It's  
12 difficult because there's variables that are also  
13 introduced. I just mentioned automation. And it's  
14 difficult because at a single district, a single  
15 location, it's difficult to manage the sample size and  
16 get statistically valid results. And I felt that's what  
17 staff was constantly asking for here.

18 Q I have a follow-up question --

19 A And why -- that's why we've introduced  
20 Dr. Scontrino's testimony, to help resolve the latter two  
21 of those barriers.

22 Q So jumping back, second follow-up question for  
23 that old question, you're suggesting that the programs  
24 are changing over time. Did you look at the before and  
25 after with changes, not necessarily from the beginning of

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1 the program, but just to see if modifications to the  
2 program provided any benefits?

3 ATTORNEY WILEY: Your Honor, could we -- the  
4 form of the question is so broad that I'm not sure he  
5 would, in his response -- can align with Mr. Roberson's  
6 chronology. If we can get a little more specificity or  
7 context on that timing, it would be helpful.

8 JUDGE BONFRISCO: Okay. I'm going to sustain  
9 that objection.

10 If you could, you know, kind of hone in  
11 specifically what you're asking the witness to address.

12 ATTORNEY ROBERSON: Absolutely.

13 Q (By Attorney Roberson) So Mr. Wonderlick, I  
14 guess picking these incentive programs, you've testified  
15 that they're not static. They change over time, correct?

16 A To some extent, yes, they do change over time.

17 Q Has Murrey's considered just looking at whether  
18 or not changes to the program produce any tangible  
19 benefits?

20 A I believe Murrey's has, but we don't have good  
21 documentation of that.

22 Q Okay. Jumping forward, you said you thought  
23 staff was looking for statistically valid data. Did  
24 Mr. Sharbono ever use the words "statistically valid?"

25 A To my knowledge, I guess I do not see those

1 words in print.

2           What I see is prove benefit to ratepayers, or  
3 something similar to that. Management has failed to  
4 prove benefit to ratepayers. And when I say -- when I  
5 read "prove," my inclination is to provide irrefutable  
6 evidence, you know. And that's why we went to  
7 Dr. Scontrino.

8           Q     Last topic, I'd like to talk about the stranded  
9 asset, which you discuss at the end of page 35 and on  
10 page 36 of your rebuttal testimony.

11          A     Okay.

12          Q     And the stranded asset is an abandoned project,  
13 correct?

14          A     It is a -- yes, currently it's an abandoned  
15 project. The company operates under generally accepted  
16 accounting principles, and we did write off the asset.

17          Q     And on page 36, around line 6, you testified  
18 that, quote, community environmental and cost concerns,  
19 end quote, led to the abandonment of the project,  
20 correct?

21          A     Yes.

22          Q     What were those concerns?

23          A     Well, I suspect you have not been personally  
24 involved with trying to site a transfer station in  
25 somebody's neighborhood in recent history. It's a

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1 difficult thing. You know, the neighbors don't usually  
2 -- we're not the most popular people in town, you know,  
3 most of the time when we say we're going to put up a  
4 transfer station. So there was some neighborhood  
5 opposition that came up that way.

6 Q And that squared with what I thought.

7 I guess my questions were more on the  
8 environmental and cost concerns. What were those?

9 A I would say that I'm not really the expert on  
10 all the details of that. I'm more on the accounting  
11 side. So I cannot speak directly to the environmental  
12 concerns.

13 Q Okay. A little bit later down, lines 11 to 14,  
14 you testified that the company hopes to resuscitate the  
15 project at a later date, correct?

16 A Correct.

17 Q Is it Murrey's belief that the kind of  
18 community environmental and cost concerns that led to the  
19 abandonment of the project will have ameliorated in the  
20 future?

21 A Again, I am more the accounting person on this  
22 one, rather than all of the political and ecology related  
23 things.

24 I would say that there are always uphill  
25 battles with these projects, but at different times and

1 different places, there are, you know, shifts, either  
2 politically or economically, that can make these things  
3 work in different times and different circumstances.

4 Q Okay. But you don't know the basis for  
5 Murrey's belief that those concerns wouldn't be a barrier  
6 to the project at some future date?

7 A Not -- you know, the future is the future. At  
8 the moment, you know, neighbors are always neighbors.  
9 They're going to be that way. So something would have to  
10 change before we would resuscitate the project.

11 Q Okay. Last question: Is the risk that a  
12 venture might not pan out part of ordinary business risk?

13 A It often is, but we work under a regulated rate  
14 structure. So, you know, there's -- if we were  
15 completely unregulated, we'd have other options available  
16 to us.

17 Q So that was a yes, a yes but?

18 A Yes but.

19 ATTORNEY ROBERSON: I have no further  
20 questions. Thank you for your time.

21 THE WITNESS: Thank you.

22 ATTORNEY WILEY: Your Honor?

23 JUDGE BONFRISCO: Yes, Mr. Wiley?

24 ATTORNEY WILEY: Sorry. Your Honor, did you  
25 want to take your break now, and do you want it to be a

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1 five- or ten-minute break, or what?

2 ATTORNEY SYKES: Your Honor, I've got about  
3 five minutes of cross for this witness.

4 JUDGE BONFRISCO: Oh, you do. Let's proceed  
5 with public counsel's cross. And then if it works for  
6 the parties, we can take a break after that, like a  
7 ten-minute break. Does that work?

8 ATTORNEY SYKES: Works for me.

9 ATTORNEY WILEY: Excuse me, Mr. Sykes. I  
10 thought your office had said it wasn't going to  
11 participate. Am I wrong on that, that you were always  
12 intending to --

13 ATTORNEY SYKES: We did not --

14 ATTORNEY WILEY: -- questions --

15 ATTORNEY SYKES: -- submit any direct  
16 testimony, but we reserved the right to ask  
17 cross-examination questions should the need arise.

18 ATTORNEY WILEY: Okay. Fair enough, then.

19 JUDGE BONFRISCO: Okay. And then, you know,  
20 if -- so go ahead, public counsel, if you could please  
21 proceed.

22

23 CROSS-EXAMINATION

24 BY ATTORNEY SYKES:

25 Q Good afternoon Mr. Wonderlick.



1 A Good afternoon.

2 Q My name is Rob Sykes. I'm here for the public  
3 counsel of the Washington Attorney General's Office.  
4 I've only got a few minutes of questions for you.

5 You were shown page 18, line 15 of your direct  
6 testimony.

7 A This is the 1T?

8 Q 1T, correct?

9 A Okay. And page 18.

10 Q Page 18, line 15.

11 A Okay. And you say line 16?

12 Q Line 15.

13 A Okay.

14 Q There you describe insurance claims as a  
15 recurring risk in the transportation industry; is that  
16 right?

17 A Yes.

18 Q Okay. And that an insurance claim can arise  
19 from employment issues or accidents; is that correct?

20 A Yes.

21 Q All right. Do you believe Murrey's and its  
22 operating entities is a safe company?

23 A I do.

24 Q Okay. And it strives to operate safely; is  
25 that right?

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1 A Absolutely.

2 Q Okay. Despite that, accidents happen in the  
3 transportation industry; is that right?

4 A Yes, correct.

5 Q Do you know if Murrey's and its operating  
6 entities have internal safety procedures for its  
7 operators?

8 A Absolutely. Mark Gingrich is the better  
9 witness on this. I'm just an accounting guy.

10 But safety 24/7, required reading, tailgates.

11 When we buy companies, we spend quite a bit of  
12 money to get -- almost every time to get the other  
13 company's trucks up to spec with all the high vis, the  
14 lights.

15 We've got driver cameras on every driver that's  
16 constantly recording their activities. We've got G-force  
17 monitors on most of the trucks now that monitor if it's  
18 taking a turn too fast or puts the brakes on too hard.

19 We counsel employees after every incident.

20 It goes on and on. Safety is all over the  
21 place here.

22 Q Now, an accident can happen even if employees  
23 are following internal safety guidelines?

24 A Can happen.

25 Q But in fact, they can also happen if those

1 safety guidelines are violated; is that correct?

2 A Yes.

3 Q Okay. And a victim of a safety violation could  
4 be a customer of Murrey's; do you agree?

5 A Could be.

6 Q Okay. Now, if I'm not mistaken, the large  
7 insurance claim at issue in this case was mediated to a  
8 settlement. Is that your understanding?

9 A Yes.

10 Q Okay. It didn't have to be that way. It could  
11 have gone to a jury; is that right?

12 A It's speculation. I presume so.

13 Q All right. So if it could have gone to a jury,  
14 you could have had a judgment against you?

15 A I presume so. I do know there was no citation.

16 Q Okay. Do investors --

17 A I think counsel also responded here that guilt  
18 is not -- you know, the absence of a criminal or civil  
19 citation does not impact staff's position. I know you're  
20 coming from the consumer advocacy side, but staff has  
21 responded in that way.

22 Q Understood.

23 Do investors consider business risks to be part  
24 -- or when choosing to invest in a company?

25 A Say again? What's the question?

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1 Q I'll ask it a different way. Do investors  
2 consider litigation risk when choosing to invest in a  
3 company?

4 ATTORNEY WILEY: Object to the form, your  
5 Honor. It's overbroad.

6 Investors? What kind of investors? Are we  
7 talking Wall Street, bond underwriters? Let's --

8 ATTORNEY SYKES: I think the question is  
9 clear, your Honor.

10 JUDGE BONFRISCO: I'm going to overrule that  
11 objection.

12 If you could please answer that,  
13 Mr. Wonderlick.

14 THE WITNESS: I don't know what investors  
15 incorporate into their decision making.

16 I guess me personally as an investor, rarely  
17 do I look at a company's litigation history. Perhaps if  
18 it's huge litigation.

19 Q (By Attorney Sykes) Would an investor consider  
20 a company's overall business risk when choosing to  
21 invest, or a company's overall business risk when  
22 choosing to invest?

23 A Ask again. I'm sorry.

24 Q Would an investor consider a company's overall  
25 business risk when choosing to invest?

1           ATTORNEY WILEY:  Objection.  Hearsay, your  
2 Honor.

3           Again, he's asking about the intent of the  
4 mind of an investor.  I don't know why we're going down  
5 here.  Mr. Wonderlick has attested what he would do as an  
6 investor, but how is he supposed to speculate as to  
7 intentions and goals of investors?

8           JUDGE BONFRISCO:  Objection sustained.

9           If you could reframe your line of  
10 questioning, Mr. Sykes.

11           Q     (By Mr. Sykes) Tell you what.  I'll ask a  
12 different question here.

13           Mr. Wonderlick, would you agree that paying a  
14 settlement or a judgment, that is a risk to investors?

15           A     I don't know if I would agree to that, that  
16 paying a settlement is a risk to investors.  I don't know  
17 if I would agree to that.

18           Q     How about this:  Would you agree that passing a  
19 settlement on to ratepayers inures to the benefit of the  
20 investor?

21           A     I think that what we're doing here is managing  
22 claims to the best of our abilities with the information  
23 we have, and that in this case, the -- and the company's  
24 position here is that we are trying to manage costs the  
25 best we can and lowering them as much as we can, and both

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1 investors and shareholders benefit from that.

2 Q Okay. So that wasn't quite my question. I  
3 appreciate the answer.

4 Do you agree that passing on an insurance  
5 deductible or a settlement to a ratepayer inures  
6 primarily to the shareholder?

7 ATTORNEY WILEY: Object to the form of the  
8 question again, your Honor.

9 If insurance is an expense that is allowed as  
10 a day-to-day item for a regulated company, I don't know  
11 why this concept of passing on a liability is related to  
12 that overhead expense.

13 THE WITNESS: I think the cost of doing  
14 business is just like fuel is, really.

15 (Overlapping speech)

16 JUDGE BONFRISCO: Mr. Sykes, what were you  
17 going to say?

18 ATTORNEY SYKES: Your Honor, this goes to the  
19 very core of this issue in the case as to how we're  
20 characterizing a deductible.

21 JUDGE BONFRISCO: I'm going to allow you to  
22 proceed with your line of questioning.

23 Q (By Attorney Sykes) This is my last question.

24 Do you agree -- because I haven't gotten an  
25 answer yet, do you agree that passing the deductible on

1 to ratepayers inures primarily to the investor?

2 A I struggle with this. It is just wrong. This  
3 is a cost of doing business that should be an operating  
4 cost of the business.

5 JUDGE BONFRISCO: And Mr. Sykes, if you could  
6 maybe, just for the record -- you know, I was allowing  
7 the questioning to try to get to the heart of the issue.  
8 But I don't think -- you know, maybe one last time to try  
9 to reframe this. But beyond that, just so it's clear for  
10 the witness, what -- where you're drawing this direct  
11 correlation.

12 Q (By Attorney Sykes) Okay. I will ask it maybe  
13 a more direct way.

14 Does the ratepayer receive a direct benefit  
15 for paying for a company's tort?

16 A We're not talking about a tort.

17 Q I'm asking about a tort.

18 JUDGE BONFRISCO: I'm going to allow the  
19 question. I'm going to allow it.

20 THE WITNESS: So if there was a tort, your  
21 question is hypothetically, there's a tort?

22 (Overlapping speech)

23 Q (By Attorney Sykes) -- this tort.

24 A I think I'm going to stay with staff's opinion  
25 that the liability is a cost to the -- I agree with staff

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1 that the guilt is not an issue here. It's an operating  
2 cost of the company.

3 Q All right. So that still wasn't my question.

4 Does the ratepayer benefit for paying for the  
5 company's tort?

6 A So if the ratepayer -- if it's passed through  
7 to a ratepayer, the ratepayer will pay more.

8 So if the shareholder pays -- I don't know.  
9 You've got me all confused now.

10 The simple math -- you're asking a simple math  
11 question. If it's something -- if something's passed to  
12 the ratepayer, then the shareholder will pay less. But  
13 you're -- the logic here is just wrong.

14 ATTORNEY SYKES: All right. Okay. I have no  
15 further questions for this witness, your Honor.

16 JUDGE BONFRISCO: Okay. Thank you,  
17 Mr. Sykes.

18 And thank you, Mr. Wonderlick. You may --  
19 well, let me ask: Does counsel have any redirect of --  
20 Mr. Wiley?

21 ATTORNEY WILEY: Yes, your Honor. If we  
22 could take a break now for me to check my notes, I think  
23 it would be more efficient.

24 JUDGE BONFRISCO: Staff, do you have any  
25 concerns with that?



1 ATTORNEY ROBERSON: Staff has no objection.

2 JUDGE BONFRISCO: Okay. So right now it's  
3 about 3:04 p.m. How about we come back at 3:15? Does  
4 that -- should give us enough time.

5 And so records, if you could, you know, pause  
6 or stop.

7 (Recess.)

8 JUDGE BONFRISCO: Okay.

9 ATTORNEY WILEY: Okay. Am I on, or am I not?  
10 Okay. Is Mr. Roberson here? Good.

11 And Mr. Sykes is here, I assume?

12 JUDGE BONFRISCO: Mr. Roberson, are you with  
13 us? Yes.

14 And Mr. Sykes?

15 ATTORNEY SYKES: Yes, your Honor.

16 JUDGE BONFRISCO: Okay. Perfect. And I  
17 don't -- let me see -- unless you're on another screen.

18 Oh, there you are. You are on another screen.

19 Okay. We are good. If you would like to  
20 proceed with your rebut of this witness.

21 ATTORNEY WILEY: Yes, your Honor, just a few  
22 redirect.

23

24

25

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1 REDIRECT EXAMINATION

2 BY ATTORNEY WILEY:

3 Q Mr. Wonderlick, you were asked initially by  
4 Mr. Roberson about your definition or understanding of  
5 abuse of discretion and what the staff of the commission  
6 could be looking at under that concept.

7 You testified that staff would be looking at --  
8 you know, could look at anything the company was doing  
9 that was illegal, unethical, and you added unsafe. Can  
10 you put some context on that response, please, in terms  
11 of distinguishing the duties of the commission in regard  
12 to what you believe their proper role is?

13 A Well, I do think that the commission -- and I  
14 -- in my earlier comments, we have conversations about  
15 lots of things and we make adjustments about that.

16 They have the right to the look at the ledgers.  
17 They have the right to talk to the transactions and that  
18 sort of thing.

19 But I do think that when we are talking about  
20 things like insurance and making decisions about  
21 insurance programs and insurance policies, there is --  
22 you know, it's a complex world. And if you read Belinda  
23 Lopes' testimony, there's a lot going on there.

24 And, you know, the decision about policy limits  
25 and sizes and deductibles and that sort of thing, that's

1 the management discretion kind of thing that I think  
2 staff is advised to kind of stay away from because  
3 they're not running the company.

4 Q And in that regard, you don't question staff's  
5 right to inquire into the specifics of the cost of the  
6 policy and the choice of the policy and asking about  
7 that, do you?

8 A No objection to that, no.

9 Q And did your testimony address your opinion on  
10 whether you think, for instance, staff suggesting you  
11 need a lower deductible/higher premium insurance is  
12 something that is their primary role?

13 A I do not think it's staff's primary role, no.

14 Q You were also asked by Mr. Sykes about -- as I  
15 understand his question, about whether settlement of a  
16 claim, per se, in isolation, inures to the benefit of the  
17 shareholders. Is that the only beneficiary of a  
18 settlement of claim in your view and in your experience?

19 A Based on reflection, I was sort of taken aback  
20 by the question. But in reflection, you know, when  
21 you're settling a claim this sort, you're mitigating  
22 liability. You're mitigating risk. And that inures to  
23 the shareholders, and it also inures to the customers by  
24 limiting that potential liability.

25 Q Finally, we mentioned the -- Mr. Roberson asked

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1 you about the 1.92 million dollar claim, and asked you to  
2 compare it to the history of claims for Olympic Disposal.

3 And you testified that the more other recent  
4 one was about half, or 900,000. When you consider the  
5 testimony of Ms. Lopes and the data that's been submitted  
6 into the record, the industry data and other testimony,  
7 is \$1.92 million a modest or significant claim amount in  
8 today's environment?

9 A It's still some money to me. But I'm afraid  
10 that it's a -- increasingly, this is going to be  
11 happening.

12 Q And in today's times with the reference to  
13 nuclear verdicts, runaway verdicts, claims against  
14 trucking companies that is in the literature that we've  
15 submitted, is \$1.92 million a large claim?

16 A I think we're going to be seeing much more.

17 ATTORNEY WILEY: No further questions, your  
18 Honor.

19 JUDGE BONFRISCO: Thank you, Mr. Wiley.

20 And Mr. Wonderlick, you're excused. Thank  
21 you so much.

22 Okay. I am showing that our next witness is  
23 Mark Gingrich. Hopefully, I pronounced your last name  
24 correctly. Mr. Gingrich, could you please turn on your  
25 camera and raise your right hand? I'm going to go ahead

1 and swear you in.

2 Do you swear or affirm the testimony you will  
3 give today will be the whole truth and nothing but the  
4 truth?

5 THE WITNESS: I do, your Honor.

6 JUDGE BONFRISCO: Are you muted? Yes. Okay.

7 THE WITNESS: Can you hear me now?

8 JUDGE BONFRISCO: Yes, it's weird. It's  
9 showing muted on the screen, but I can actually hear you.  
10 I think we're okay.

11 Okay. Mr. Roberson.

12 THE WITNESS: Yeah, I do --

13 JUDGE BONFRISCO: Sorry. Go ahead,  
14 Mr. Gingrich. My apologies.

15 THE WITNESS: I do, your Honor.

16 JUDGE BONFRISCO: Okay. Mr. Roberson, if  
17 you'd like to proceed, it's your witness.

18 ATTORNEY ROBERSON: Thank you.

19

20 MARK GINGRICH, witness herein, having been duly  
21 sworn on oath, testified as  
22 follows:

23

24

25

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1 CROSS-EXAMINATION

2 BY ATTORNEY ROBERSON

3 Q Good afternoon, Mr. Gingrich. How are you?

4 A Doing great. How are you?

5 Q Happy to be here, as are we all, I would  
6 imagine.

7 Your opening testimony, page 3, at lines 11  
8 through 14, you describe the cost effectiveness of  
9 Murrey's incentive pay programs as, quote, clear, end  
10 quote, correct?

11 A The cost effectiveness of incentive pay is  
12 clear.

13 Q Did Murrey's perform any kind of  
14 company-specific study that would justify that statement?

15 A So this talked about the incentive pay kind of  
16 in a bucket with all five programs, I believe. So on an  
17 individual program basis, I could speak more  
18 specifically.

19 But generally, my experience has been that  
20 these incentive programs, of which in this case I believe  
21 there are five, and they all are -- you know, target  
22 quite different benefits to the ratepayer. But yes, in  
23 my experience in this industry, the variety of roles that  
24 they have tend to be very cost effective.

25 Q And I understand that that's your opinion. I

1 guess my question is, did you do any studies that would  
2 justify the statement?

3 A So I guess our studies would be, again,  
4 depending on which of the five programs we're discussing.

5 So for instance, on the accounts receivable  
6 incentive program, where the more reduction of bad debt  
7 that would end up causing the ratepayers have to pay more  
8 cost, as well as the fact that that program incentivized  
9 us collecting dollars earlier in the process which ends  
10 up having less cost to the ratepayers because we're  
11 mailing out less bills, I would say internally that yes,  
12 I would say that I've seen in my internal data that  
13 there's a clear cost effectiveness to that program.

14 But to answer your question more succinctly, we  
15 did not do formal studies in terms of the overall cost  
16 effectiveness of those programs per se.

17 Q When Mr. Sharbono asked for evidence of  
18 benefits, did you provide any of these internal  
19 studies?

20 ATTORNEY LUHRS: Objection. Mischaracterizes  
21 testimony.

22 Q (By Attorney Roberson) Mr. Sharbono asked --

23 JUDGE BONFRISCO: Oh, I -- go ahead,  
24 Mr. Roberson.

25 ATTORNEY ROBERSON: Let me rephrase.

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1 Q (By Attorney Roberson) When Mr. Sharbono asked  
2 for evidence of benefits of these programs, did you  
3 provide any data at all?

4 THE WITNESS: I believe we provided data in a  
5 few forms, including a little bit of before and after  
6 data for some new acquisitions, the Peninsula Sanitation  
7 company and the Waste Control companies with before and  
8 after statistics.

9 And then we also had supplied some secret  
10 shopper scores as well.

11 Q Fair point.

12 Did you provide anything specific to Olympic  
13 Disposal?

14 A I don't believe we provided anything specific  
15 to Olympic Disposal that I recall.

16 Q Okay. On page 4, it's the second full Q&A on  
17 the page, line 16 through (inaudible). You testified  
18 that whenever Waste Connections, Murrey's, whatever the  
19 parent company is, acquires a corporation, you see an  
20 improvement after about two years, correct?

21 A Yes, within a year or two, is how I've  
22 testified.

23 Q And that comes with a change in management,  
24 correct?

25 A Not always, no. My -- sometimes it is just our



1 focus of empowerment. If employees -- our kind of  
2 philosophy is how we believe districts should be led.

3 And current management sometimes changes their  
4 view and gets on board with some of those programs. And  
5 so it's not always a change of actual management.  
6 Sometimes the acquisition may be it's the same management  
7 as they were in a private company, but it's a change in  
8 philosophy.

9 Q So it's a change in culture at the very least?

10 A Yes.

11 Q Does it also involve a change in, kind of,  
12 business processes?

13 A Oh, most certainly, yes.

14 Q Okay. Do you have any evidence that  
15 demonstrates that a change in the pay structure plays any  
16 causal role in the metric improvement that you described?

17 A So could you be more specific in terms of a pay  
18 structure?

19 For which of the individual incentive programs  
20 are you asking about?

21 Q For any of them, I guess.

22 A So the question was any of the programs with  
23 the pay and the structure. What is the benefit you're  
24 asking about? I'm sorry.

25 Q You described kind of a change in -- an

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1 improvement in metrics, correct?

2 A Yes.

3 Q So do you have any evidence that these  
4 incentive programs, any of them at Olympic, played a  
5 causal role in any kind of improvement of metrics?

6 A Well, for instance, I could speak to the  
7 sign-on bonus, for instance. So the turnover rate at  
8 Olympic during the test period, I believe, was north of  
9 40 percent. It may have even approached 50 percent at  
10 one point. The current turnover rate today is half of  
11 that.

12 The sign-on bonus, from my experience, did help  
13 us attract a much greater quantity and quality of  
14 candidates, which allowed us to hire enough folks to help  
15 stabilize the district, which a more stable district  
16 leads to better internal culture and work flow and, you  
17 know, kind of shared work with more folks, helps people  
18 feel better about their jobs.

19 I believe, for instance, a sign-on bonus, you  
20 could demonstrate a direct correlation of having that  
21 attract a large quantity of candidates which allows us to  
22 hire the most -- be most likely to hire the most  
23 qualified and quality candidates has led to the improved  
24 turnover today.

25 Q Were you on the call when Mr. Wonderlick was

1 testifying?

2 A Yes.

3 Q Did you hear our discussion about the great  
4 resignation?

5 A About -- oh, yes, I did hear that Q & A, yes.

6 Q So the test period basically spans the end of  
7 the great resignation, correct, the middle to the end?

8 A I'll kind of defer to you on the timing of what  
9 is known as the great resignation is. So I'm not going  
10 to argue that you're incorrect on that point.

11 Q Is it possible that you're not seeing the  
12 effect of benefit programs so much as just a societal  
13 trend towards pure resignations?

14 ATTORNEY LUHRS: Objection. You're calling  
15 for just a hypothetical.

16 ATTORNEY ROBERSON: Hypothetically, then.

17 JUDGE BONFRISCO: I'm going to sustain that  
18 objection.

19 Mr. Roberson, if you could please reframe  
20 that question.

21 Q (By Attorney Roberson) I think I can move on.  
22 That's fine.

23 Page 7 of your testimony, you talk about the  
24 Tooty training and incentive pay program, correct?

25 A Yes, at the top, yes.

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1           Q     I'm a little curious. You have the cost of the  
2 program in a range. Is it that you're unable to quantify  
3 the cost of the program?

4                     I don't understand why there's a range.

5           A     Sure. So the Tooty program is a secret shopper  
6 program where the secret shoppers have kind of a list of  
7 the types of things we should cover when someone signs up  
8 for service or makes a change of service or has a service  
9 issue. And those questions cover things like where  
10 should you set the garbage to have it collected, what  
11 goes in the recycle bin, what time should you have the  
12 garbage out and other best practices so that the  
13 ratepayer is most educated about how to participate in  
14 the garbage program, which allows us to most efficiently  
15 and effectively provide the service.

16                     And so the reason there's the range is  
17 depending on how well the secret -- the independent  
18 third-party secret shopper scores the call, they get a  
19 certain amount of points. So a customer service rep that  
20 consistently does well, they may often get a higher bonus  
21 than one who, you know, doesn't always hit all of the  
22 points that allow for an educated consumer to participate  
23 effectively in the garbage collection program.

24                     And so that's why there's that range. An  
25 individual rep who does better at, you know,

1 communicating on the phone -- and it's not just a script.  
2 It's also the soft skills of being a polite individual  
3 and using -- you know, engaging well with the customer on  
4 the phone.

5 So said succinctly, it's based on how well that  
6 individual rep is scored from the independent third-party  
7 secret shopper.

8 Q So the cost is 30 cents to \$1.25 per hour per  
9 rep then, it's not just --

10 A So what that is is if some representative -- I  
11 guess I'm going to do some math here on the fly, right?

12 So if some representative earned about \$2,000,  
13 for instance, annually in Tooty bonuses, that equates to  
14 about a dollar per hour effectively, whereas if someone  
15 only earned about \$600 of annual Tooty bonuses from their  
16 performance of the secret shopper, then that equates to  
17 about \$.30 per hour.

18 So it's translating kind of these flat rate  
19 incentive programs, which are black and white on the  
20 piece of paper, that third party as independent says you  
21 either, you know, covered what goes in the recycle bin or  
22 you didn't, right? So someone that covers that  
23 consistently would get a higher (inaudible) payment.

24 And that math is just translating that,  
25 comparing that to what that is per hour to show that

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1 it's, you know, we believe meaningful enough for the  
2 representative to be motivated to always, you know,  
3 provide the best service on the phone, both from a soft  
4 scope component, but more importantly and just as  
5 importantly from an education component so that the  
6 ratepayer who participates in the collection allows us to  
7 service them efficiently.

8 Q Fair enough.

9 I guess what I'm really curious about is the  
10 next sentence, where you say that the benefits of the  
11 program outweigh the nominal cost of the program. I  
12 guess what is the data on which you're basing that  
13 cost-benefit analysis?

14 A Yeah. I understand the question.

15 I guess my first thought on that would be a  
16 little bit of common sense. I would believe in the sense  
17 that with 16,000 residential customers, and you know,  
18 continual people moving in and out, if we didn't  
19 prioritize letting people know exactly when to have the  
20 garbage out or where to collect it, and now we're driving  
21 around and people --- you know, are -- we're less  
22 efficient, right, if someone doesn't know to put out the  
23 garbage, or we don't tell people what the extra fees are,  
24 which is part of the Tooty program script. If you  
25 overfill your can, here's how the fees cost. That's

1 builds also a way too.

2           So I think to me, the direct -- you know, the  
3 benefits of this program outweigh the cost is that kind  
4 of those economies of scale of having an educated  
5 customer base is, I think, very -- helps us be efficient  
6 with our service.

7           Q     Is it fair to say you're making a qualitative  
8 cost-benefit analysis rather than a quantitative one?

9           A     I think that is fair.

10           And then I also wonder, okay, how would I -- I  
11 don't know if I would want to measure, okay, let's have  
12 half the calls answered where we don't tell people their  
13 garbage day or where to put the garbage or what goes in  
14 the recycle bin and the other calls we do, and let's see  
15 what type of challenges or UTC complaints we face from  
16 the customer we don't educate.

17           I'm proud of the fact that with our 16,000  
18 residential customers, weekly service, that's 830,000  
19 collections a year that we collect. And since 2021,  
20 we've had only three UTC complaints, and all of them were  
21 company (inaudible) our customer service reps had done an  
22 effective job.

23           But to your point, that is more of a -- in my  
24 own 22 years of experience as a customer service rep and  
25 customer service manager and observing many locations in

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1 many states, I believe qualitatively, without a doubt.

2 But I do agree we do not have a direct study.

3 Q Okay. Earlier we talked the employee retention  
4 program. You testify about it on page 9, correct?

5 Referral pay, not retention.

6 A Is this the -- you said pay for referring  
7 prospective employees?

8 Q Yeah. On page 9 you testify about that,  
9 correct?

10 A Yes.

11 Q There's two quotes from HR Morning in there,  
12 correct, in that last Q&A on the page?

13 A Correct, yes.

14 Q Those question and answers are general,  
15 correct, they're not specific to the company -- sorry,  
16 the quotes?

17 A Yes. The HR Morning study is not specific to  
18 data from Olympic Disposal specific to referrals.

19 However, you know, our corporation, for which  
20 we have many professional recruiters, you know, from the  
21 field level to recruiting mid-managers to recruiting  
22 managers to recruiting executives, all of them, in their  
23 experience and in their, you know, recruiting world  
24 strongly have seen across the country that our experience  
25 is that referred candidates are retained longer. And we



1 really do stress those referrals. But this is not  
2 specific data to Olympic Disposal.

3 Q Does Olympic keep data on the number of  
4 employees hired through the referral program versus  
5 outside recruitment?

6 A I don't have that information at the ready in  
7 terms of what -- the current roster of 50 some employees,  
8 who was a referred candidate and who did not.

9 Q So is there any -- okay. Fair enough.  
10 Page 11, there you talk about the safety  
11 program, correct?

12 A Yes, the Safety Culture Incentive Program.

13 Q Lines 16 through 18, you admit that it's  
14 difficult to quantify the benefits of such a program,  
15 correct?

16 A Yes. And the reason I would have said that is  
17 because in this program, there's nearly 20 or so  
18 different ways, you know, 20 or so different tasks that  
19 employees can do that target our culture and our safety.  
20 So it is hard to quantify, yes.

21 Q Did you take any steps to study whether the  
22 incentive programs were causally linked with better  
23 performance safety-wise?

24 A So I'd go back to my experience in working as  
25 an operations manager, district manager, and in my

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1 current support roles that I've done over the last seven  
2 or so years in supporting, you know, districts across,  
3 you know, many western states, and that I have seen these  
4 sites that are newer to Waste Connections where they may  
5 have had just a strict and a black and white safety  
6 bonus, for instance, that is just like, hey, if we have  
7 incidents, there's a not a bonus.

8           If there's an incident free -- there is, where  
9 when we have turned on a program like a safety culture  
10 incentive program, that really targets kind of the  
11 individual involvement in a variety of ways to help  
12 improve the safety culture as well as develop that  
13 individual with some of their communication skills,  
14 leadership skills, getting peers talking to peers is --  
15 you know, I can stand up in a safety meeting and share  
16 some things, but when a driver's peer steps up in a  
17 safety meeting and shares their views on risky stops or  
18 shares their views on how to back a truck safely, people  
19 tend to listen to that more.

20           So similar to some of the other answers I've  
21 given on these programs, Olympic Disposal does not have a  
22 direct study to demonstrate specifically the actual  
23 impact of this.

24           I know one of our folks that will be providing  
25 testimony or has provided testimony talks about the small

1 sample size factor, right? So that's always going to be  
2 an issue when we're talking about an individual district,  
3 that small sample size.

4 But I'll say my experience across a wide  
5 variety of roles with the company, both front line and my  
6 current role, as well as working a variety of geographies  
7 and working at union sites, nonunion sites, regulated  
8 sites, nonregulated sites, I've seen without a doubt that  
9 this type of program that really involves our frontline  
10 employees speaking up and getting involved in our safety  
11 culture undoubtedly provide a benefit to the ratepayer in  
12 the form of fewer -- less risk.

13 But to answer the question succinctly, I do not  
14 have an Olympic Disposal study that would demonstrate  
15 that, no.

16 Q And earlier when we talked about Waste  
17 Connections' experience with acquiring other companies,  
18 you noted that there were cultural changes and process  
19 changes as well, right?

20 A Yes.

21 Q So when you're talking about safety  
22 improvements at these other companies, I guess the  
23 question is how do you know that it's the incentive  
24 program as opposed to one of those other things?

25 They're all happening at the same time,

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1 correct?

2 A Yeah. I understand the question.

3 I mean, in my mind, you know, running a garbage  
4 company is a complicated endeavor. Trucks, weather,  
5 routes, customers, employees, CDL drivers, there's lots  
6 and lots of variables. And there's a lot going on there.

7 And so any one -- introducing any one change  
8 within that complex level of variables, I don't believe  
9 in and of itself is easily demonstrated of making a  
10 change on that whole complicated set of variables in  
11 there.

12 You know, to me the great thing about Waste  
13 Connections is we, you know, emphasize 360 degrees of,  
14 you know, approach to help, you know, our leaders run a  
15 safe and efficient and -- you know, a company that they  
16 can be proud of and employees can be proud of and we can  
17 be proud of.

18 So there's lots of variables with those changes  
19 and acquisitions; like you say, culture, business  
20 process. And these programs, I think are one of those,  
21 are the 360 degrees of items that we put in place to make  
22 it a great place and a safe place to work.

23 Q Last set of questions. Page 2, the first Q &  
24 A, the second sentence there, you opine that staff should  
25 evaluate, in the context of various things, these

1 incentive programs, correct?

2 A Yes.

3 Q Isn't that what Mr. Sharbono tried to do?

4 I mean, he was asking for the costs and the  
5 benefits. Isn't that an evaluation?

6 A That is an evaluation.

7 However, I believe the evaluation request  
8 (inaudible) you know, demonstratable, you know, for this  
9 district and this small sample size, and, you know, a  
10 certain period of finite time, it's very challenging to  
11 have that precise of a direct correlation A to B  
12 statistically.

13 However, in terms of staff evaluating, I  
14 believe, like, for instance, for the Tooty program I was  
15 discussing, I would hope, and I'm optimistic, that staff  
16 could have an evaluation in which they see our intent of  
17 these programs as well as seeing the overall cost of  
18 these programs in the context of what, you know, the  
19 other overall expenses are with running a business; that  
20 these are not windfall bonuses or incentives paid to  
21 folks, that they're just prioritizing key parts of our  
22 business where we want to drive results that do benefit  
23 the ratepayer.

24 And so I just believe that the staff's  
25 evaluation is too, you know, precise black and white on

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1 programs that, again, with those sample sizes and the  
2 other complexities that I described in running a garbage  
3 business, it may be a very challenging hurdle to meet  
4 that style of evaluation where we would be happy to  
5 engage with, you know, and do the -- the programs have  
6 the ingredients of benefiting the ratepayers through the  
7 incentives that the programs incentivify.

8 Q Following up on that, Mr. Sharbono worked with  
9 you on ways to show the benefits of these programs,  
10 correct?

11 He was brainstorming ideas with you?

12 A From a statistical -- my recollection is  
13 brainstorming from a statistical way in which I've  
14 described that they are -- those are difficult to show  
15 the direct correlation because of the many variables with  
16 running a garbage business.

17 Q Okay. The commission's an economic regulator,  
18 correct?

19 A Yes.

20 Q Murrey's Olympic's customers effectively have  
21 no alternative providers, correct?

22 A That's correct.

23 Q So the commission is making judgments about  
24 what's appropriate to include in rates for people who  
25 have no alternatives, correct?

1           A       I am not the individual that is typically in  
2 the weeds with staff on, you know, the various expenses.

3                   And so, like, I'm not sure, for instance, if  
4 you know, if we had window cleaning twice a year versus  
5 once a year, which there's I believe a benefit to have,  
6 you know, your offers workers not be looking at a bunch  
7 of gunk on the windows, and if staff were to, you know,  
8 ask us to prove the benefit of twice a year window  
9 washing as compared to once a year window washing, I'm  
10 not sure, you know, how that would be staff discretion or  
11 not.

12                   But I do understand staff's role in the process  
13 and protecting the consumer, certainly.

14           Q       I guess my question is what level of  
15 objectivity do you think the commission should require in  
16 order to include a cost in their rates?

17                   ATTORNEY LUHRS:  Objection to the extent that  
18 you're seeking some sort of legal basis or -- if you're  
19 asking the witness to comment on the scope of the staff's  
20 inquiry, I think that's inappropriate, your Honor.

21                   ATTORNEY ROBERSON:  He's opened the door to  
22 it.  He testifies about what staff should be doing in  
23 terms of an evaluation.

24                   JUDGE BONFRISCO:  I'm going to overrule the  
25 objection and allow you to proceed with your line of

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1 questioning, Mr. Roberson.

2 THE WITNESS: Okay. The question, please?

3 JUDGE BONFRISCO: Yes.

4 Q (By Attorney Roberson) What level of  
5 objectivity should the commission, as an economic  
6 regulator, require in terms of the evidence for costs  
7 included in the revenue requirement?

8 A That's a difficult question. I think I would  
9 answer that staff -- you know, we're -- and how we're  
10 allowed to -- we set wages based on what we think wages  
11 are in the market, you know.

12 We fix trucks. And we believe their trucks  
13 need to be fixed, and we buy the parts that we believe  
14 are appropriate for the truck.

15 I mentioned we hire the window washing  
16 frequency that we feel is the right window washing  
17 frequency.

18 And my opinion is that these types of incentive  
19 programs to frontline employees that are, you know, in  
20 the scope of things, not, you know, excessive in cost;  
21 that those -- that the latitude to have a culture that's  
22 a great place to work for our employees, have incentives  
23 that employees can be proud to pursue and have engagement  
24 with peers on programs, we believe that these programs  
25 would be -- we'd have similar latitude in running our



1 business just the way that we're allowed to choose our  
2 window washing frequently or what parts we should buy for  
3 trucks.

4 Q I thought I was done, but that raises, I guess,  
5 a follow-up question.

6 So you say excessive. Excessive in terms of  
7 just the dollar amounts at issue, or --

8 A I said I do not believe these were excessive in  
9 terms of the dollar amount, correct.

10 Q So then do you believe that staff should be  
11 evaluating costs on a sliding scale with more scrutiny  
12 for objectively what is a more excessive cost?

13 A I don't know the answer to that question.

14 As Mr. Wonderlick, I believe, just -- staff has  
15 access to all of our invoices and ledgers and things like  
16 that. And so I don't know the answer to that question.

17 ATTORNEY ROBERSON: Fair enough. I have no  
18 further questions. Thank you for your time.

19 JUDGE BONFRISCO: Thank you, Mr. Roberson.

20 THE WITNESS: Thank you.

21 JUDGE BONFRISCO: Mr. Gingrich, just hold  
22 tight.

23 I want to check. Do we have any  
24 redirect? Mr. Luhrs?

25 ATTORNEY LUHRS: I anticipate limited

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1 redirect. And I'd appreciate the opportunity to just  
2 take a couple notes to just make it as efficient as  
3 possible.

4 JUDGE BONFRISCO: Okay. Perfect.

5 When you are ready, you can proceed with the  
6 witness.

7 ATTORNEY LUHRS: Okay.

8 JUDGE BONFRISCO: Thank you.

9 ATTORNEY LUHRS: Your Honor, to clarify, is  
10 Mr. Sykes going to ask any cross before I perform the  
11 redirect?

12 JUDGE BONFRISCO: I'm not aware of that.

13 But Mr. Sykes, if you could let us know  
14 whether you were planning on providing any cross of  
15 Mr. Gingrich?

16 ATTORNEY SYKES: I have no cross for this  
17 witness.

18 JUDGE BONFRISCO: Okay. Perfect. Thank you.

19 ATTORNEY LUHRS: Okay. I'm going to take a  
20 couple minutes and then proceed with my questions. Thank  
21 you.

22 (Pause in proceedings)

23 JUDGE BONFRISCO: Okay. Thank you for your  
24 patience, Mr. Gingrich.

25 So Mr. Luhrs, are we ready?

1 ATTORNEY LUHRS: I think we are, your Honor.

2 Thank you.

3 JUDGE BONFRISCO: Okay. Thank you. Please  
4 proceed.

5

6 REDIRECT EXAMINATION

7 BY ATTORNEY LUHRS:

8 Q Mr. Gingrich, I'm going to ask you some  
9 questions. It's called redirect examination. And I  
10 might bounce around a little bit, so forgive me for that.

11 You testified that you have been in the  
12 industry for -- and correct me if you've actually been  
13 something different -- for about 22 years; is that right?

14 A Correct.

15 Q And you mentioned some of your experience in  
16 customer service and other aspects. Could you just  
17 provide just a brief summary of those 22 years?

18 A Sure. I started as a customer service temp 22  
19 years ago and then became a customer service manager;  
20 ultimately got my CDL, and did an operations supervisor  
21 job, dispatch job.

22 Went to Iowa for a little bit as an operations  
23 manager.

24 I came back to Washington, into Washington  
25 state as -- I was the administrative office manager for

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1 the Murrey's -- actually, the Murrey's in Fife company  
2 for several years, and then was promoted to operations  
3 manager of that district and then ultimately assistant  
4 manager of that district, and then ultimately assistant  
5 district manager of that district, district manager of  
6 that district; and then relocated to Alaska, where I was  
7 a division vice president for a dozen or 13 locations in  
8 Alaska. I was there for about 2.5 years.

9 And then I moved to Bend, Oregon for about two  
10 years, where I supported a large number of districts  
11 across five western states that had different garbage  
12 companies.

13 And then just over two years, I moved back here  
14 to Washington state where I support 17 locations in what  
15 we call our Rainier Division as division vice president.

16 Q And so roughly how many years is that -- I'm  
17 asking you to repeat yourself, so for that I apologize.  
18 But about how many years of management experience do you  
19 have?

20 A I'd guess maybe (inaudible) 18, 19 years. I'd  
21 have to look, more than that, maybe.

22 Q That's fine.

23 Has the amount of compensation, the rate that  
24 folks earn on the front lines, has that changed over that  
25 period?

1 A Yes.

2 Q And in which direction has it trended?

3 A Upward.

4 Q Okay. And have incentive programs changed over  
5 that period of time as well?

6 A The incentive programs that I've seen have  
7 crossed a variety of garbage companies throughout the  
8 western units. Maybe some of the details within the  
9 incentive programs often change, depending on the  
10 priorities that we're looking to improve in an individual  
11 district.

12 And as I've seen new companies become part of  
13 Waste Connections family of companies, you know, we've  
14 added those programs as part of our, you know,  
15 ingredients to make them a safe and a great place to  
16 work. So they have certainly evolved and become a lot  
17 more commonplace, yes.

18 Q And are there more just incentive programs  
19 broadly now than, say, 20, 18 years ago?

20 A Certainly, yes.

21 Q Okay. And do the employees that you hire,  
22 (inaudible) do they expect more incentives than they did  
23 18 years ago?

24 ATTORNEY ROBERSON: Objection. This is  
25 beyond the scope of my cross.

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1                   ATTORNEY LUHRS: Well, you did ask about  
2 incentive programs. And I'm trying to get a flavor for  
3 their reasonableness. That's the crux of a lot of  
4 Mr. Gingrich's testimony.

5                   JUDGE BONFRISCO: Thank you for stating, each  
6 of you, thank you for stating your concerns.

7                   I am going to overrule that objection and  
8 allow the questioning to continue.

9                   THE WITNESS: Could you please re-ask the  
10 question?

11                  Q     (By Attorney Luhrs) I'm happy to.

12                   Do employees expect nowadays for the company to  
13 have incentive programs?

14                  A     I think what I would say about nowadays is it's  
15 a much more challenging, competitive, and difficult  
16 environment in which to hire the type of candidates that  
17 we need to run our garbage companies.

18                   CDL drivers are more difficult to find; diesel  
19 mechanics, certainly diesel mechanics that want to  
20 operate underneath garbage trucks that are kind of  
21 stinky, et cetera.

22                   And so I think there's a more challenging labor  
23 pool to pull from, from which the type of skilled folks  
24 we need to run our business.

25                   And so the fact that incentive programs we see

1 are a key ingredient to retain those folks. It does help  
2 with attracting those folks. And then once folks come on  
3 board and engage with that program, you know, certainly  
4 they do come to expect, you know, programs like that.

5 And so I think for us, it's been -- we've seen  
6 the results these programs bring, which is why we've  
7 introduced them.

8 But they also play a role in helping us attract  
9 and obtain talent in this challenging environment, at  
10 least for our industry and the types of skills and  
11 individuals that we need.

12 Q Thank you.

13 And Mr. Roberson asked you about the  
14 performance of studies to evaluate some of these  
15 incentives. Do you recall that?

16 A Yes.

17 Q And I believe your testimony was something to  
18 the effect that, you know, you don't know, quote/unquote,  
19 studies are performed, but you were able to offer  
20 commentary because of your experience; is that a fair  
21 characterization?

22 A Correct, yes.

23 Q Okay. And so you are in a position to provide  
24 commentary on the effectiveness of those incentives just  
25 given your role; is that right?

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1           A     I would -- I believe I have the breadth of  
2     experience, not just from a calendar standpoint of years  
3     of experience, but also having been fortunate enough to  
4     work in a variety of different roles and industry from an  
5     entry level customer service representative to where I'm  
6     fortunate to be in a role today as a division vice  
7     president, and also having had the opportunity to work  
8     and support districts across varied geographies as well  
9     as districts, as I mentioned earlier, that are both  
10    union, nonunion, regulated, nonregulated.

11                 So I feel that I've without a doubt seen the,  
12    you know, bulk of these programs deliver and then the  
13    benefits of them, yeah.

14           Q     And you spoke to referral bonuses, sign-on --  
15    excuse me; incentives, sign-on and referral incentives,  
16    correct?

17           A     Yes.

18           Q     And are you familiar with any data, any metric  
19    -- maybe they weren't called a study -- but any data that  
20    speaks to their effectiveness?

21           A     Well, as I mentioned earlier in our Olympic  
22    Disposal specifically, I know our turnover rate today is  
23    about half of what it was a couple years ago.

24           Q     Okay. And over that period of time, these  
25    incentive programs were in place, correct?



1 A Correct.

2 Q Which incentive programs were in place over  
3 that time period?

4 A I would say specifically the sign-on bonus was  
5 a key component of that in terms of attracting quantity  
6 of applications for positions, which allows our recruiter  
7 to really find a quality skilled candidate for that  
8 position.

9 The referral bonus also, you know, kind of has  
10 two ways in which that, you know, benefits filling those  
11 open spots. One is we're more, you know -- it's -- our  
12 employees are doing the on-the-ground recruiting for us.

13 And two, the data that our recruiting managers  
14 from -- as I mentioned earlier, kind of from the  
15 frontline recruiters all the way up to executive  
16 recruiters, they all, you know, feel very strongly, based  
17 on acts and data that they've seen, that referred  
18 candidates tend to have much better retention rates than  
19 nonreferred candidates.

20 Q Okay. And outside recruitment companies cost  
21 money, correct?

22 A Yes.

23 Q And whereas the referral from an internal  
24 employee does not cost the company money; is that right?

25 A Outside of the referral incentive pay to the

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1 employee who made the referral, yes.

2 Q Of course. Of course. And thank you for that  
3 clarification.

4 You were asked by Mr. Roberson about the  
5 article you cited, I believe an HR Morning article. Do  
6 you recall that testimony?

7 A Yes.

8 Q And you explained that it does not study  
9 Olympic, correct?

10 A Correct.

11 Q Do you believe that some of the contents apply  
12 to Olympic that were cited or explained, discussed in  
13 that article?

14 A 100 percent, yes.

15 Q Okay. And what are some of those concepts?

16 I think we just discussed them, correct?

17 A Yes.

18 Q Okay. Things like referrals?

19 A Yes, primarily the double benefit of the  
20 referral bonus, which is you have more resources engaged  
21 in trying to find candidates, and statistically referred  
22 candidates tend to have better retention.

23 I guess a third nugget I would add in there is  
24 that when an employee refers someone to our company, that  
25 referred candidates is going to get the actual straight

1 true story of what the job is; whereas the recruiter, you  
2 know, explaining to a person on the phone what driving a  
3 garbage truck is like in Clallam and Jefferson County,  
4 Washington, whereas a referred candidate hears directly  
5 from a driver who's doing that job and helps them make  
6 the decision if that's going to be a good career choice  
7 for them or not, which I suspect is one of the many  
8 reasons why a referred candidate does better than those  
9 that just reply to an Indeed.com ad or something.

10 Q Understood.

11 And finally, you offered testimony when  
12 responding to a question from Mr. Roberson about the  
13 Tooty program; do you recall that?

14 A I do recall being asked, or at least speaking  
15 to Tooty a couple times. But I'm not sure which Tooty  
16 feature you're referring to.

17 Q Sure. Sure. So I'm referring to the secret  
18 shopper element of Tooty.

19 A Okay.

20 Q And that is an evaluation of customer  
21 experience; is that fair?

22 A Evaluation of customer experience from how  
23 they're generally treated by the representative, but then  
24 also the customer experience in that they're getting, you  
25 know, the proper information which will allow them to,

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1 you know, be educated participants in the garbage  
2 collection system.

3 JUDGE LUHRS: Okay. Thanks. I don't have  
4 anything further. Thanks for your time.

5 JUDGE BONFRISCO: Thank you, Mr. Luhrs.  
6 And thank you, Mr. Gingrich.

7 And the bench does not have any questions.

8 So I just want to do a quick time check.  
9 We're at about 4:08 p.m. I think we can proceed with  
10 Branko Terzic. But beyond that, I'm not sure. He might  
11 be our last witness, depending on how much time that  
12 takes today. But I just want to check in with  
13 Mr. Roberson and Mr. Luhrs on that.

14 ATTORNEY ROBERSON: Actually, my colleague,  
15 Mr. O'Brien will be handling the cross of the last two  
16 witnesses.

17 JUDGE BONFRISCO: Oh, he will. Thank you.

18 So Mr. O'Brien, do you think we'll be able to  
19 get to both Ms. Lopes and Branko Terzic today, or do you  
20 think, you know, really, kind of as I'm foreseeing, just  
21 Branko only and then redirect?

22 ATTORNEY O'BRIEN: I would say it's certainly  
23 possible we can get to both today. But I think it is  
24 more likely that we only get to Branko Terzic today.

25 JUDGE BONFRISCO: Okay. So at this point,

1 Mr. Terzic, if you could turn on your camera --

2 ATTORNEY WILEY: Your Honor, I'm sorry to  
3 interrupt. Just because I have Ms. Lopes standing by,  
4 can we dismiss her for the day and move her to tomorrow  
5 morning, or do you want her to hold? It's kind of up to  
6 you.

7 JUDGE BONFRISCO: I know Mr. O'Brien and  
8 Mr. Roberson indicated about 20 minutes; is that correct,  
9 for questioning Mr. Terzic?

10 ATTORNEY O'BRIEN: Yeah, about 20 minutes or  
11 maybe a little bit less, your Honor.

12 JUDGE BONFRISCO: Honestly, if we can keep  
13 the redirect short, we could probably fit her in today.  
14 But let's see. Let's proceed and see how far we get at  
15 this point.

16 ATTORNEY WILEY: Okay. I see Ms. Lopes on  
17 the screen. So if she can be patient with us.

18 I'm sorry, Ms. Lopes. I'll let you know --

19 JUDGE BONFRISCO: If it is easier, Mr. Wiley,  
20 just to have her -- I know we want to start tomorrow with  
21 Mr. Scontrino because he's got limited time.

22 So if it's easier for Mrs. Lopes that you  
23 prefer to excuse her, I don't see a problem with that. I  
24 know we're getting tight on time.

25 MS. LOPES: I don't mind holding. I'm fine.

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1 If that works out. Yeah, I don't mind.

2 JUDGE BONFRISCO: Okay. Thank you,

3 Ms. Lopes.

4 MS. LOPES: Absolutely.

5 JUDGE BONFRISCO: All right. So Mr. Terzic,  
6 if you could just raise your right hand, I'm going to  
7 swear you in. Do you swear or affirm the testimony will  
8 be the truth, the whole truth, and nothing but the truth?

9 THE WITNESS: Yes, I do.

10 And this is Bron-ko Terzic, thank you.

11 JUDGE BONFRISCO: Bron-ko. My apologies. I  
12 was worried I'd mispronounce it.

13 THE WITNESS: That's quite all right.

14 JUDGE BONFRISCO: Thank you Branko.

15 Mr. O'Brien, the witness is yours. Please  
16 proceed.

17

18 BRANKO TERZIC, witness herein, having been duly  
19 sworn on oath, testified as follows:

20

21 CROSS-EXAMINATION

22 BY ATTORNEY O'BRIEN:

23 Q All right. Good afternoon, Mr. Terzic. I've  
24 got just a couple of questions for you.

25 So in your testimony, on page 13 of your direct

1 testimony, 1T, you say that severance is a way to provide  
2 certainty as to cost of timing of the resolution of labor  
3 disputes and to cordon off and cap liability. Is that a  
4 correct recitation of that -- of your testimony, page --

5 A Which lines are you referring to, counsel?

6 Q I'm looking at line 7. Sorry. On line 7.

7 A That's correct.

8 Q All right. So my question is should ratepayers  
9 be responsible for a company's employment torts or  
10 claims?

11 A I'm not an attorney. So I don't know the legal  
12 responsibility or what you're referring to.

13 Generally, the severance, I consider that part  
14 of overall labor cost of the company. And just like any  
15 other, it's part of the overall labor cost, direct  
16 salaries and severance.

17 Severance can occur for a variety of reasons,  
18 including downsizing, lack of -- employee lack of skills,  
19 other things that would not necessarily lead to  
20 litigation. And so I think it is part of a total labor  
21 compensation.

22 The regulators look at the total labor  
23 compensation from year to year and company to company,  
24 and that is their check.

25 Q Mr. Terzic, in your direct testimony, do you

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1 offer any reasons for severance other than resolution of  
2 labor disputes?

3 A I did not cover that, but in my experience as a  
4 CEO of a utility, there are other reasons for severance  
5 as well.

6 Q And do you offer any other reasons in your  
7 rebuttal testimony for severance?

8 A I don't believe so.

9 Q And do you agree with some of the other reasons  
10 that the company has proffered that severance could be  
11 useful for ethical treatment of employees or increasing  
12 productivity or morale?

13 A I believe that was the testimony, but I don't  
14 have independent assessment of this particular company  
15 and their particular rationale. If that was their  
16 testimony, so it was.

17 Q I'm asking if in your experience, do you  
18 support those rationales as rationales for severance?

19 A Would you repeat those again?

20 Q That would be the ensuring ethical treatment of  
21 employees and increasing productivity and morale of  
22 employees?

23 A It could be one of the outcomes of severance  
24 payments, yes.

25 Q But would you consider it a primary reason for



1 severance?

2 A Every severance case is going to be unique  
3 based on the facts and circumstances. So I don't know.  
4 In some cases it may be the primary reason it was done;  
5 in other cases, other reasons for severance.

6 Q And just circling back a little bit again, in  
7 instances where employees are -- have -- are given  
8 severance or are paid severance due to potential  
9 liability claims, would you say that a ratepayer would be  
10 or should be responsible for a tort claim or an  
11 employment claim from a ratemaking perspective?

12 Would you say a ratepayer should be responsible  
13 for those sorts of claims?

14 A Yes. I believe I've testified that severance  
15 is reasonable within the cost of service, yes.

16 Q I'm not talking about severance at this point.  
17 I'm talking about if an employment claim or a tort claim  
18 were to go to a judgment and a company were ruled  
19 against, would you say that that is a reasonable cost of  
20 business that a ratepayer should pay?

21 A Let me make sure I understand your  
22 hypothetical. There is a case that goes to a court and a  
23 court makes a decision?

24 Q Yes.

25 A The commission could look at that decision and

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1 make its determination whether it needed to do anything  
2 or nothing.

3 Q But that would be on a case-by-case basis,  
4 then?

5 A Absolutely.

6 Q All right. I'm going to move on a bit.

7 On page 13 of your direct testimony, you state  
8 that severance -- and I'm looking at line 18 in  
9 particular -- you state that severance is a known and  
10 measurable cost, correct?

11 (Overlapping speech)

12 ATTORNEY WILEY: Objection, your Honor.

13 THE WITNESS: Which page, please?

14 ATTORNEY WILEY: Form of the question.

15 JUDGE BONFRISCO: I'm sorry. Mr. Wiley,  
16 please clarify the basis of your objection.

17 ATTORNEY WILEY: Yes. The question -- the  
18 testimony that I'm seeing doesn't say severance per se.  
19 It says severance normalization. Am I looking at the  
20 wrong line?

21 THE WITNESS: That's where I'm having a  
22 problem.

23 JUDGE BONFRISCO: Mr. O'Brien, if you could  
24 please clarify specifically where in the record you were  
25 cross referencing?

1           ATTORNEY O'BRIEN: Mr. Wiley is correct. The  
2 exact line is severance normalization is known and  
3 measurable.

4           JUDGE BONFRISCO: Okay. Let the record  
5 reflect that's the correct wording in the testimony.

6           If you would like to proceed with your  
7 questioning, Mr. O'Brien, and maybe restate that for the  
8 witness?

9           Q     (By O'Brien) So the question was severance --  
10 you state in your testimony that severance normalization  
11 is a known and measurable expense, correct?

12          A     Yes. Once the severance has been established,  
13 the normalization would be known and measurable.

14          Q     So severance itself, however, would be a  
15 variable expense based on the employee -- on the  
16 individual employee's case, typically, yes?

17          A     Case by case, yes.

18          Q     And in that instance, you would typically, for  
19 a -- pardon. For a commission to determine whether a  
20 severance payment was in need of normalization, they  
21 would probably look to policies and procedures that the  
22 company had in place, yes?

23          A     The regulator would look at the regulator's own  
24 practice. And the company would apply, maybe for  
25 normalization, maybe not, and the regulator would then

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1 have to approve the normalization before it could occur.

2 Q And in looking at whether normalization was  
3 appropriate, though, the regulator would likely look  
4 towards the incidences of severance that have occurred  
5 for the company in the past, as well as the company's  
6 practices and procedures that it has delineated for how  
7 severance should be paid, yes?

8 A It would look at a variety of factors,  
9 including the size of the severance, the frequency of  
10 occurrence and other things.

11 But you may have a situation where you never  
12 before had severance, at which point the regulator would  
13 be looking ahead as to how to handle it, whether it could  
14 be included completely in the test year, whether it could  
15 be amortized, over what period it would be amortized.  
16 That would be the regulatory lead followed by the  
17 company.

18 Q And if the company had only one or two  
19 severance payments in the past, and had no policies or  
20 procedures or documentation for how it pays severance in  
21 the future, would you say that that becomes a very  
22 difficult cost to become known and measurable for  
23 normalization?

24 A Well, no, because if you have severance in a  
25 test year, you know what that number is. And the only

1 thing you can amortize is a number that you know.

2 So you apply for a rate case. You have a  
3 revenue requirement. You have a severance amount that  
4 you want to collect, either totally in rates in the total  
5 ratemaking, or you'll want to amortize it over the period  
6 of time. And that will depend upon what the commission's  
7 practices are.

8 Probably the size of the severance, whether --  
9 the recurrence is less of a problem because amortization  
10 has a limited number of years. So if you amortize over  
11 three years, that fourth year is no longer included in  
12 the calculation; and therefore, it goes away. Every  
13 three, five years, the commission has -- generally in  
14 these cases, will have a rate case and they'll reset the  
15 clock.

16 Q But in your testimony, you're not talking  
17 necessarily about amortization, but normalization?

18 A It's the same thing. It's a distinction  
19 without a difference.

20 Normalization generally re-- talks about  
21 recurring, where you have an unusual test year, and that  
22 -- an unusual year, and you normalize the test year for  
23 average weather, average conditions, likely things. So  
24 the normalization and the amortization are similar.

25 Amortization has a fixed time period.

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1 Normalization necessarily does not.

2 But because companies are in regularly for rate  
3 cases, even normalization ends up having a fixed time  
4 period. Doesn't go on forever.

5 Q Would you, in evaluating a utility coming in  
6 for amortization normalization, have greater concern if  
7 the amortized amount -- or if the company did not have an  
8 order in the final order requiring them to come back in  
9 within the amortization period or at the end of the  
10 amortization period to remove those amortized rates?

11 A No, I wouldn't have a concern, because the  
12 commission can bring in a company at any time it wants.

13 It can bring in a company one year after a rate  
14 case if it believes it's overearning. The customers can  
15 petition to have a rate proceeding. Large industrial  
16 customers do that.

17 So I don't think that's -- to me, that's not a  
18 concern that -- and plus the regulators at the end of  
19 every year are obligated to look at the reported  
20 earnings, the reported expenses, and staff, I believe, is  
21 obligated to tell the commissioners, Hey, this utility is  
22 overearning and we ought to take a look at them. That  
23 doesn't mean they'll bring them in for a rate case; for  
24 example, they may be overearning because of unusually  
25 beneficial weather under normalized rates. Next year

1 will not be as good as this year.

2 And I've had this happen to me, where we've had  
3 a particularly bad year and went to the staff and they  
4 said you had a really bad year, but under normalized  
5 rates, next year will be average weather and you'll be  
6 fine, so don't come in for a rate increase.

7 Same thing would happen if we were overearning.  
8 The staff would look at us. I'd tell the staff, Look,  
9 I'm overearning because it's particularly beneficial  
10 weather. In my case it was a gas company. But if next  
11 year is a normal year, the rates you've approved should  
12 not allow me to overearn.

13 ATTORNEY O'BRIEN: All right. Thank you,  
14 Mr. Terzic.

15 I'm done with my questions, your Honor.

16 JUDGE BONFRISCO: Thank you, Mr. O'Brien.

17 Any redirect for Mr. Terzic?

18 ATTORNEY WILEY: Yes, just briefly, your  
19 Honor.

20

21 REDIRECT EXAMINATION

22 BY ATTORNEY WILEY:

23 Q Mr. Terzic, in looking at your rebuttal and  
24 opening testimony, I would say that about 90 percent of  
25 that testimony was directed to the insurance deductible

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1 insurance premium issue, was it not?

2 A Yes.

3 Q And you weren't propounded any questions by the  
4 staff in this cross-examination of that testimony, were  
5 you?

6 A No.

7 ATTORNEY WILEY: No further questions, your  
8 Honor.

9 JUDGE BONFRISCO: Okay. Thank you,  
10 Mr. Wiley.

11 I want to thank you, Mr. Terzic. And just  
12 before I let you go, I just want to confirm, I don't  
13 believe public counsel has any questions. Public  
14 counsel, if you could just confirm that?

15 ATTORNEY SYKES: Yes, I have no questions.

16 JUDGE BONFRISCO: Okay. Perfect. Thank you.

17 THE WITNESS: Thank you, your Honor.

18 JUDGE BONFRISCO: Appreciate your time.

19 Thank you. And with that -- sorry, Mr. Wiley?

20 ATTORNEY WILEY: I was thanking the witness,  
21 your Honor. Sorry.

22 JUDGE BONFRISCO: Oh, okay.

23 So Ms. Lopes, I want to thank you for being  
24 patient. So Ms. Lopes will be our last witness for  
25 today. So Ms. Lopes, thank you for turning on your



1 screen. If you could just raise your right hand, I will  
2 swear you in.

3 Do you swear or affirm the testimony you give  
4 today is the truth, the whole truth, and nothing but the  
5 truth?

6 THE WITNESS: Yes, your Honor.

7 JUDGE BONFRISCO: Perfect. Thank you.

8 Mr. O'Brien, if you'd like to proceed with  
9 the witness.

10 ATTORNEY O'BRIEN: Thank you, your Honor.

11

12 BELINDA LOPES, witness herein, having been duly  
13 sworn on oath, testified as follows:

14

15 CROSS-EXAMINATION

16 BY ATTORNEY O'BRIEN:

17 Q Just to make sure I'm pronouncing your name  
18 right, is it Ms. Lopes?

19 A Yes.

20 Q All right. Thank you.

21 A You're welcome.

22 Q So Ms. Lopes, you talked quite a bit about --  
23 in your testimony, you talked quite a bit about how  
24 Murrey's arrived at its current insurance plan. Can you  
25 tell me if you know how long has Murrey's had its current

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1 deductible limit?

2 A Since 2000- --

3 ATTORNEY O'BRIEN: I'll try very hard to stay  
4 away from confidential testimony, but if we drift into  
5 that...

6 JUDGE BONFRISCO: Well, real quick on that,  
7 Mr. O'Brien, I know early on I was anticipating potential  
8 on Mr. Wonderlick's testimony. But so far we haven't  
9 kind of treaded in that category.

10 If we do need to do a breakout room, though,  
11 I definitely want you to let me know so we can proceed  
12 accordingly.

13 ATTORNEY O'BRIEN: I don't anticipate this  
14 going into anything confidential as long as we don't go  
15 into the specific numbers, which I don't see a need to.

16 JUDGE BONFRISCO: Okay. Yes. So I  
17 anticipate probably tomorrow when we have Mr. Sharbono,  
18 correct? Okay. Perfect.

19 ATTORNEY O'BRIEN: (Inaudible).

20 JUDGE BONFRISCO: So go ahead and proceed,  
21 Mr. O'Brien.

22 Q (By Attorney O'Brien) So Ms. Lopes, without us  
23 talking about specific numbers, how long has Murrey's had  
24 its current deductible?

25 A Since August 1, 2019.

1 Q And has Murrey's ever hit its deductible limit  
2 under the current deductible?

3 A Current program? No.

4 Q And when Murrey's was arriving at this number,  
5 did they calculate what the likelihood is of reaching the  
6 maximum deductible?

7 A Yes.

8 Q And was that likely?

9 A Yes. Could be, yeah. Depends. It depends on  
10 a lot of different factors, but yes, they could.

11 Q And does Murrey's foresee that deductible limit  
12 increasing in the near future?

13 A Yes.

14 Q So under Murrey's current proposal, under the  
15 company's current proposal for how deductibles and  
16 premiums are allocated, 100 percent of premiums and  
17 deductibles will be attributable to the ratepayers,  
18 correct?

19 A That I don't know. I'm not involved in that  
20 process.

21 Q So under Murrey's -- assuming that is the case,  
22 what is Murrey's incentive for mitigating or even  
23 considering the risk of different insurance deductibles  
24 that it chooses?

25 A To keep the premiums in line. Right now the

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1 market is not well. And so in order to save through  
2 premium dollars, we then decide to take on risk.

3 Q Murrey's, the company -- currently ratepayers  
4 are paying all of the premiums for the company, so --

5 ATTORNEY WILEY: Objection. This witness's  
6 testimony is not related to ratepayer contributions.  
7 It's about insurance types, policies, and the market.

8 JUDGE BONFRISCO: I'm going to sustain the  
9 objection.

10 Mr. O'Brien, if you could reframe your line  
11 of questioning.

12 ATTORNEY O'BRIEN: I can move on, your Honor.

13 Q (By Attorney O'Brien) So in your testimony,  
14 Ms. Lopes, you discuss the fact that your current  
15 insurance package, for lack of a better term, is bundled  
16 with some more lucrative types of insurance, Workers'  
17 Compensation, that sort of thing, and that your premiums  
18 are lower as a result.

19 But you also state that under a monoline plan,  
20 you wouldn't get that benefit. What prevents the company  
21 from obtaining a high premium/low deductible insurance  
22 rate with the package benefits?

23 A What prevents them, or what -- your question is  
24 a little gray there. I'm sorry.

25 Q I understand. The testimony didn't go into why

1 the package benefit is only available under the current  
2 insurance plan. Why is that the case?

3 A Well, again, it's all about the premiums. So  
4 you're going to look at the lines of coverage that are  
5 more difficult where the losses are occurring, not just  
6 for us, but throughout the market, which is auto.

7 And some carriers will not take just the  
8 adverse risk. They also want the coverages that have  
9 better loss ratios that help offset some of the claims  
10 and expense. So the comp with the auto and the GL are  
11 generally packaged for this type of organization.

12 Q I guess my question, though, is why would you  
13 not be able to obtain that sort of packaged program for a  
14 different set of auto liability insurance?

15 You haven't -- your insurance doesn't go into  
16 why that package program isn't available for other levels  
17 of deductible premium,

18 A Again, that does not -- it's not a clear  
19 question. It's not available to who? I don't understand  
20 what you're saying. I'm sorry.

21 ATTORNEY WILEY: Your Honor, I would have  
22 difficulty with the framing of the question as well. I  
23 think it was compound, and it also didn't -- I didn't  
24 know to what it was referring in terms of the policy  
25 type.

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1 THE WITNESS: Yeah.

2 JUDGE BONFRISCO: So Mr. O'Brien, you talked  
3 about a packaged program. Maybe for clarity for the  
4 witness, if you could kind of specify what alternative  
5 you're asking her to speak upon, you know, because you're  
6 kind of trying to couch it as a different package, and  
7 maybe clarify the specific components so it's clear for  
8 her.

9 ATTORNEY O'BRIEN: Right.

10 Q (By Attorney O'Brien) Yes. So what I'm trying  
11 to get at is your insurance looks at -- your testimony;  
12 apologies. Your testimony looks at two scenarios.  
13 You've got your package deal with the high deductible and  
14 low premium. You've got a monoline insurance for just  
15 auto liability that has a high premium and low  
16 deductible.

17 I'm asking about why -- I don't see the  
18 reasoning why you can't have the high deductible or the  
19 -- apologies. I don't see the reason why you can't have  
20 that lower deductible option packaged in with everything  
21 else the way that you currently have your high deductible  
22 insurance.

23 A It's all about the insurance market. So you  
24 have the adverse risk for this portfolio is the auto. So  
25 if I go to an insurance company, plenty of insurance

1 companies will just take the Workers' Comp on a  
2 standalone basis. It's got great experience, it's easy  
3 to manage.

4 The auto is a huge industry challenge right now  
5 because of the claims, the amount of verdicts that are  
6 being awarded, and the size of those verdicts. Many of  
7 those insurance companies will not do my auto on a  
8 standalone basis. They want the comp and the GL together  
9 to offset the expense should we have the loss.

10 We can't charge enough premium to cover some of  
11 these losses that occur. So that's why we use different  
12 lines of coverage to help, you know, strategize and,  
13 again, keep premiums as low as we can.

14 You can go monoline, but you may not find the  
15 same coverage, the premiums will be exorbitant, and  
16 again, most carriers will decline to offer you a quote.  
17 And that's for this size fleet. So I'm being specific to  
18 Olympic's fleet size is considered large in our industry.

19 ATTORNEY O'BRIEN: All right, your Honor. I  
20 believe that that's all my questions, your Honor.

21 JUDGE BONFRISCO: Thank you so much,  
22 Mr. O'Brien.

23 Public counsel, before I move on for any  
24 redirect, just want to confirm whether or not you have  
25 any questions for Ms. Lopes?

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1                   ATTORNEY SYKES: Yes, your Honor. I have two  
2 or three, if that's all right.

3                   JUDGE BONFRISCO: Okay. Go ahead and  
4 proceed.

5                   ATTORNEY SYKES: I'll turn my camera on.

6

7                   CROSS-EXAMINATION

8                   BY ATTORNEY SYKES:

9                   Q     Good afternoon, Ms. Lopes. My name is Rob  
10 Sykes. I'm here with the attorney general's public  
11 counsel unit.

12                  A     Yes.

13                  Q     I've only got a few questions for you.

14                         If -- so in your experience, does the insured  
15 ever forego making a claim if their exposure is less than  
16 the amount of their deductible?

17                  A     Well, two things there. The policies require  
18 -- they have reporting requirements; whether it pierces  
19 my deductible or not, you are required to notify the  
20 insurance company of certain types of losses, and also,  
21 when they meet a certain financial threshold within that  
22 deductible.

23                         Anything that's really minor, they'll receive  
24 through a loss run. But they still want to see all of my  
25 losses ground up, first dollar, all the way up. I have



1 to provide that to them.

2 Q If an insured makes a payment directly that is  
3 within the deductible amount, as opposed to seeking  
4 reimbursement, does that count against the deductible?

5 A If they make a payment -- it depends again.  
6 Are you talking about expenses or indemnity?

7 Q Either.

8 A Sometimes it does, sometimes it doesn't.

9 So the current program we have for this year  
10 we're discussing, yes, any payments we made are applied  
11 toward a deductible. But it's a per occurrence  
12 deductible.

13 ATTORNEY SYKES: Got it. That's all I have.

14 THE WITNESS: But yeah, for the auto.

15 ATTORNEY SYKES: Okay.

16 THE WITNESS: It's aggregated for general  
17 liability. The auto, it's per occurrence.

18 ATTORNEY SYKES: Got it. That's all I have.

19 JUDGE BONFRISCO: Okay. Thank you so much,  
20 Mr. Sykes.

21 THE WITNESS: Thank you.

22 JUDGE BONFRISCO: Mr. Wiley, if you have any  
23 redirect.

24 ATTORNEY WILEY: Yes. And while we've got  
25 Ms. Lopes here, there are a couple technical questions

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1 based on the cross that I'd like to ask her about.

2

3 REDIRECT EXAMINATION

4 BY ATTORNEY WILEY:

5 Q Ms. Lopes, you paint a pretty dismal picture  
6 for the auto liability insurance market currently for  
7 trucking and solid waste companies. Could you  
8 characterize it, particularly looking forward?

9 I mean, we have rate years which look one year  
10 into the future. What's the market looking like right  
11 now, and how optimistic should we be that being able to  
12 acquire policies is going to be land office business?

13 A Well, I hate to tell you it's going to continue  
14 to be dismal.

15 The marketplace right now is very challenged.  
16 We are losing insurance companies that want to insure any  
17 heavy vehicle. It's no longer trucking. It's any heavy  
18 vehicle.

19 The marketplace we just went through a renewal  
20 is telling us that they are considering \$100 verdicts a  
21 working layer; in better words, claims being paid out at  
22 that amount is now frequent. It's no longer infrequent.

23 Through this renewal for Waste Connections we  
24 just went through, we were also told that we were no  
25 longer being delineated, our businesses, between

1 transportation, trucking, and then just a business with a  
2 large fleet. They are throwing it all together because  
3 we're all having the same types of claims and are subject  
4 to the same plaintiff's bar that we're all working with  
5 these days. The legal climate is not good at all.

6 Inflation is attacking many different facets of  
7 the claims management process. Capacity, meaning  
8 carriers who were giving us big limits, 5 million, 20  
9 million, 25 million, that's gone. If I can get 5 million  
10 from one insurance company for this fleet, I'm lucky.  
11 usually it's (inaudible) small little slivers.

12 And so the entire process, the medical side of  
13 these claims, we all know the inflation with medical  
14 bills. So it is not getting any better.

15 And we are now just having to be much more  
16 strategic, thoughtful, and creative in how we are  
17 consistently viewing our program design to be able to  
18 keep the insurance in place, which is a statutory  
19 requirement.

20 Q And does this dismal trend affect premiums and  
21 deductibles that you're seeing in the marketplace?

22 A Yes. The marketplace is now dictating to us  
23 what our deductibles will be. It's no longer us having  
24 the option to say I'm going to take more risk because I'm  
25 going to take the risk on myself versus paying a premium.

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1 And then we had a great year, you keep the premium, I  
2 lose. That's gone out the window.

3 Right now the market is dictating where they  
4 will attach and how much they're going to give us.

5 Q Speaking of --

6 A So it's going to continue to be very difficult.

7 Q Sounds like it is.

8 Speaking of the marketplace, Mr. O'Brien was  
9 trying to relate a premise of a monoline, low  
10 deductible/higher insurance premium for Olympic.

11 Based on your testimony about what's going on  
12 in the marketplace, what sort of prospects would the  
13 company have to even find a low deductible/higher premium  
14 monoline product?

15 A You know, it's all subjective when you say low  
16 deductible. A million, two million, three million, we're  
17 still getting in those high seven-digit figures when  
18 we're looking for a deductible.

19 But less than we have right now, it's pretty  
20 dismal. I'd say maybe less than 20 percent, 15 percent.  
21 It's just not available right now.

22 Q And when you said "right now," you meant the \$5  
23 million deductible that's at issue, correct?

24 A Yes. Yes, yes, sir.

25 Q Okay. And there was testimony earlier this

1 afternoon about the size of the insurance claim that's in  
2 hot dispute in this case. And it was -- it's pretty much  
3 agreed that it was 1.92 million or thereabouts. And that  
4 was characterized as a large claim for Olympic.

5 In the annals of your recent experience with  
6 verdicts and risks, is 1.92 million a large claim against  
7 a trucking transportation company?

8 A Not any longer. It's a large claim against a  
9 trucking company, but the market now, the loss -- the  
10 working layer, where they say they're having so many  
11 claims, I mean, the market is just telling us now they're  
12 consider up to 100 million a working layer with the  
13 verdicts when you decide to go to trial. They're just  
14 not good.

15 Q And we presented some cross-examination  
16 exhibits into the record in this case which talked about  
17 last year having an average \$30 million or so verdict.  
18 Is that the kind of range we're talking about?

19 A This year, it's gone up a little bit more.  
20 When we did this, we weren't quite through the renewal.

21 Right now the average verdict we're hearing, 50  
22 million is just kind of an average number for a large  
23 loss.

24 Q 5-0 million, correct?

25 A Yes. 5-0. 50.

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1 ATTORNEY WILEY: Okay. Your Honor, I don't  
2 believe I have any more questions.

3 And Ms. Lopes, thank you for your testimony.

4 THE WITNESS: Thank you.

5 JUDGE BONFRISCO: Thank you so much,  
6 Ms. Lopes. Appreciate all your time.

7 THE WITNESS: Thank you as well. Have a good  
8 evening.

9 JUDGE BONFRISCO: You too.

10 I think at this juncture, based on prior  
11 communications, my understanding is we're going to start  
12 tomorrow with Mr. Scontrino; is that correct? Mr. Wiley?

13 ATTORNEY WILEY: Yes, your Honor, that's  
14 correct. Dr. Scontrino is flying to Scotland tomorrow  
15 afternoon, so I think he wants to be at the start of the  
16 hearing, as far as I know.

17 JUDGE BONFRISCO: And staff, do you have any  
18 objection at this point if we just go ahead and kick off  
19 with him first?

20 ATTORNEY ROBERSON: None at all.

21 JUDGE BONFRISCO: And then basically after  
22 that, I know we have Mr. Sharbono scheduled for cross.

23 Mr. Wiley, do you anticipate the full three,  
24 or do you think it's going to actually go to the 3.5  
25 hours?

1           ATTORNEY WILEY: I think we can -- I'm going  
2 to be optimistic and say I was being conservative, and I  
3 think it will be three max, I think, at the most.

4           And by the way, your Honor, I've been  
5 pronouncing his name Shar-bono. Have I been  
6 mispronouncing that all along?

7           JUDGE BONFRISCO: You're probably pronouncing  
8 it correct. I might be mispronouncing because I am newer  
9 to the utility.

10           (Overlapping speech)

11           ATTORNEY WILEY: Which is why I'm asking --

12           ATTORNEY ROBERSON: No, you pronounced it  
13 correct, Judge.

14           JUDGE BONFRISCO: Thank you. Perfect.

15           ATTORNEY WILEY: I (inaudible) that.

16           ATTORNEY ROBERSON: Shar-bo-neau. It's  
17 French.

18           ATTORNEY WILEY: Okay.

19           JUDGE BONFRISCO: Okay. So yes, Sharbono is  
20 the correct pronunciation on that.

21           So with that, give us the 15 minutes gift of  
22 time, and we will start tomorrow morning at 9:30.

23           Again, I will just ask, I know we didn't end  
24 up needing to break out into the confidential session  
25 today. But if you could please flag that for me once we

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1 get to Mr. Sharbono's testimony, I'd greatly appreciate  
2 that.

3 ATTORNEY WILEY: Thank you. If I  
4 mispronounce tomorrow, correct me. I apologize.

5 JUDGE BONFRISCO: All right.

6 Thank you, everyone. We are now off the  
7 record. Appreciate your time.

8 (Proceedings adjourned at 4:45 p.m.)

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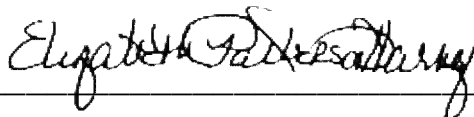



C E R T I F I C A T E

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IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of September, 2024.

Elizabeth Patterson Harvey, CCR 2731