



WASHINGTON REFUSE & RECYCLING ASSOCIATION

August 16, 2013

Mr. Steve King
Executive Director & Secretary
Washington Utilities and
Transportation Commission
P.O. Box 47250
1300 S. Evergreen Park Dr. SW
Olympia, WA 98504-7250

Re: *Docket No. TG-131255*
Comments of Washington Refuse & Recycling Association (WRRA)

Dear Mr. King:

Please consider these initial comments of WRRA regarding the above-referenced docket. Our comments are necessarily very preliminary, as WRRA's opinions and ultimate recommendations are in the formative stage, and will become more precise as we participate in the rulemaking. We are consulting with our members as we examine this important issue.

For clarity, we provide our comments as answers to the "four questions" posed by the Commission's "Notice" of July 19, 2013:

1) At this point, we are not aware of an alternative ratemaking model which provides a more viable framework. We know through experience that the Lurito Gallagher ("L-G") Model in its current form provides a workable and effective framework for ratemaking for solid waste collection companies. This does not mean that alternatives should not be discussed during the rulemaking, but the basic L-G methodology is sound.

2) At this juncture, we have not developed a position on the "CAPM" or alternative ratemaking models in solid waste rate setting as we have worked with the L-G Model for over two decades without substantial challenge or interference, and neither the Commission staff nor the Commission itself has signaled an inclination to substitute another ratemaking approach for L-G Model. We also note that certain challenges remain in using a "CAPM" or alternative approach (such as applying such a model to private companies) which helped form the rationale for adopting the L-G Model in the first place.

3) We believe the L-G Model applies to the limited rate base and capital turnover ratios typically observed in the solid waste industry. The traditional return on rate base methodology tends to be used in industries with very capital-intensive operations such as in the electrical industry where specific capital investments are approved by regulators, and the costs spread over larger rate bases. We are open to hearing why that traditional methodology might be preferable to the L-G Model but have not to this point been shown more viable alternatives.

4) For now, the WRRRA welcomes the rulemaking docket for this review in order to ensure the maximum exchange of views and dialogue amongst the parties at this preliminary stage. The WRRRA and its industry members do have concerns that a rulemaking proceeding could result in the codification of inflexible strictures that do not anticipate variations among the regulated companies. As such, we are not confident that a rulemaking process is the best forum for implementing any final decisions that result from this evaluation of this important ratemaking methodology. On the other hand, policy statements are not advantageous for establishing rules or principles of regulation. Policy statements are non-binding, non-precedential and advisory only and thus will require subsequent individual company processes in order to fully effectuate any articulated changes.

In closing, Washington State citizens and solid waste rate payers enjoy an efficient and cost effective system which results in both environmental and economic sustainability. A recycling rate of 51%, which is 50% higher than the national recycling rate of 34%, makes our state a national leader. Over the past 25 years the L-G Model has provided a predictable and reliable ratemaking method to meet the increasing policy goals of the state and local governments, while encouraging the investment of private capital. Thank you for the opportunity to make some initial comments. We look forward to full participation in this process, and will be prepared to discuss these very important issues in much greater depth as the process proceeds.

Best Regards,

A handwritten signature in black ink that reads "Brad Lovaas". The signature is written in a cursive, flowing style.

BRAD LOVAAS
Executive Director