



November 16, 2011

Washington Utilities and Transportation Commission
Chandler Plaza Building
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

**Subject: Waste Management of Washington, Inc.
d/b/a Waste Management – Northwest (TG-111813);
d/b/a Waste Management – Sno-King (TG-111814); and
d/ba/ Waste Management – South Sound & Seattle (TG-111815)**

Enclosed please find a filing to complete the administrative records for the Commission's review of the 2011-2012 Revenue Sharing Plans between Waste Management of Washington, Inc. (Certificate No. G-237), and Snohomish and King Counties, and the recycling commodity credit for each of Waste Management's three operating divisions calculated to implement the objectives of the Plans and RCW 81.77.185.

These Plans are intended to establish a revenue-sharing program that coordinates efforts in the two Counties. The Plans cover the period beginning December 1, 2011, and ending August 31, 2012. Due to an extension of the previous plans, this abbreviated period is ended to bring the plan periods back to the original ending date, completing a two-year period. The parties are coordinating on execution of the documents, and we understand that the Counties are separately submitting letters communicating their comments on the Plans.

The 2011-2012 Plan materials include the following:

- Waste Management Recycling and Commodity Revenue Sharing Plan for King County
- Waste Management Recycling and Commodity Revenue Sharing Plan for Snohomish County
- King and Snohomish County Revenue Sharing Budget

The 2011-2012 Plans state performance standards under which Waste Management is eligible to earn financial rewards for its role in increasing recycling in Snohomish County and King County. We believe those performance standards are consistent with the Commission's interpretations of RCW 81.77.185. The proposed budget projects revenues and estimates expenses for the activities identified in these Plans, and also allocates funds to be potentially earned by WM. The Plans do not guarantee the company those financial rewards, but WM can qualify if it is able to meet the standards that demonstrate increased recycling in Snohomish and King County.

Also with this filing, Waste Management is submitting revised tariff pages showing newly-calculated recycling commodity credits for the period from December 1, 2011 to August 31, 2012. When Waste Management initially filed for its recycling commodity credit on October 17, 2011, the issue of whether the Commission would permit a revenue-sharing plan that allocated a percent of revenues to the private company was not yet settled. As a result, the Company submitted a filing that applied an 8% allocation. Since then, the Commission has decided that it will not approve a Plan that contemplates using retained revenue in that manner.

We are therefore filing revised tariff pages. Armed with a better understanding of the Commission's evolving views about revenue sharing programs, Waste Management now requests approval of a recycling commodity credit that allows for a financial reward to be assigned to the Company – not as a line-item percentage, but instead for meeting performance standards under the 2010-2011 Plans. By reference to objective factors, Waste Management has performed in a manner that tangibly produced an increase in recycling in Snohomish and King County. Applying the metrics now articulated in the prospective 2011-2012 Plans to the previous plan period of 2010-2011, Waste Management has met performance standards that objectively measure its success. It made program expenditures to implement the Plans and incurred the costs of doing so. It increased food and yard waste subscriptions for both King and Snohomish Counties collectively by 2.7%. It increased the amount of solid waste diverted from landfill disposal for these counties by nearly 1%. And it secured markets for paper commodities that exceed the industry standard by \$752,000. Work papers supporting these conclusions, detailing program revenues and expenditures under the 2010-2011 Plan, and calculating the Company's potential financial reward are included with this filing.

This tariff filing would implement the highest recycling commodity credit that the Company has ever requested. We believe the Commission has full discretion to approve this proposed rate, and allow for the earned portion of retained revenue to be used to reward the Company. Looking back over the previous Plan periods is an essential component of implementing the deferred accounting mechanism used to calculate the recycling commodity credit. The true-up process requires a reconciliation to actual revenues and expenditures, and it permits the Commission to approve an adjustment based on historical performance as well. We therefore request the Commission to allow Waste Management to retain the amount of financial reward it earned by virtue of meeting performance standards as a legitimate use of retained revenue to increase recycling.

The past year has been a learning experience for Waste Management, for its partner Counties, and even for the Commission. We submit this filing as a compilation of all those lessons, and urge the Commission to agree that it presents a principled approach to meeting the goals of the legislature in establishing revenue sharing, as well as the objectives of the Commission in protecting ratepayers while establishing rates that are just, fair, reasonable and sufficient.

Very truly yours,



Mike Weinstein
Senior Pricing Manager, Pacific Northwest Market Area

cc: Bill Reed, King County Solid Waste Division
Jeff Gaisford, King County Solid Waste Division
Bill Reed, King County Solid Waste Division
Sego Jackson, Snohomish County Solid Waste Division
Matt Zybys, Snohomish County Solid Waste Division