

Agenda Date: October 28, 1992  
Item Number: 2A

Docket Number: TG-921023  
Company Name: King County  
Draft 1992 Comprehensive Solid Waste Management Plan

Staff: Stephen C. Wamback, Policy Research Specialist *SW*

**Recommendation:**

Direct the Secretary to issue a letter to King County reporting the results of the Commission review of the Preliminary Draft of the 1992 Comprehensive Solid Waste Management Plan (the Plan). This letter should:

- include staff's estimate of the plan's impact on ratepayers;
- request that the plan discuss the service costs associated with an expansion of recycling programs;
- request that the county investigate the impacts of a yard waste disposal ban and how that may impact ratepayers' alternatives and rates; and
- recommend that the plan provide full disclosure on the fee and surcharge funding mechanisms levied by the county.

**Discussion:**

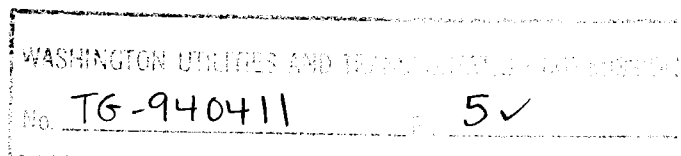
As required by statute, the Department of Ecology sent to the Commission the preliminary draft solid waste management plan submitted by King County. The Commission staff finds that the plan will impact the customers of Commission-regulated solid waste collection companies doing business in King County. There are a number of cost-related items of significant concern to Commission staff. These include the cost impact of programs directly administered by King County, the cost impact of new recycling programs and a yard waste disposal ban that would be administered by the certificated haulers, and fees/surcharges collected by the county directly from ratepayers. This memo will cover each of these in turn.

**Cost impact of programs directly administered by King County**

Chapter VII and Appendix K of the plan explain that the county's operating expenses for solid waste management will increase from approximately \$71.1 million in 1992 to \$75.7 million in 1994 and \$84.1 million in 1997<sup>1</sup>. Funded programs include waste reduction and recycling education, transfer station and landfill operations, a Moderate Risk Waste Program, bond payoff, transfers to reserve accounts and administration/enforcement.

Commission staff analyzed reported costs in conjunction with funding mechanism data. Analysis revealed that the county will need \$16.5 million in additional revenues in 1994 and \$12.3 million in 1997 to fund all planned-for programs. The 1997 deficit occurs despite an

<sup>1</sup> Costs noted in the text reflect only operating expenses. The King County plan also details capital improvement and capital equipment purchases for the three sample years. Capital expenses will be funded by accounts dedicated to those purposes. It appears that all capital expenses and capital funds are in balance.



increase in the disposal fee from \$66 to \$84.23 per ton after 1994. Thus, staff concludes that disposal fee increases greater than those anticipated by the plan will be necessary for King County to fund planned programs in 1994 and 1997.

The deficit calculated for 1994 could be offset by an \$18.74 per ton increase which would yield a new tip fee of \$84.74 per ton. Likewise, analysis shows that a \$98.90 per ton fee levied in 1997 could offset that year's deficit. The attached table displays how these potential disposal fee increases could impact the ratepayers.

#### Cost impact of new recycling programs

In addition to costs that King County incurs to administer the solid waste management system, other costs are borne directly by the ratepayers through service fees. The plan has not detailed these costs. Plan Chapter III requires the certificated haulers to implement new recycling programs:

- yard waste collection from multi-family complexes (recommendation III.9);
- "on-call" household collection of yard waste too large or in excessive amounts for regular household collection (III.10);
- large appliance collection from urban households on an "on-call" basis (III.11); and
- quarterly collection of used clothing and fabrics from urban households (III.12).

While the county does not detail program costs, the plan does estimate that these new collection programs will divert less than one percent of the waste stream destined for disposal. (Table III.13) Given the limited diversion achievable by these programs and the potential for very significant costs, King County should work with the certificated haulers to estimate how much on-call services and new collection systems will cost.

#### Cost impact of a yard waste disposal ban

The plan recommends that the county impose a ban or partial limitation on yard waste disposal at county facilities (recommendation III.22). Under a ban, households would not be allowed to place yard waste in their regular garbage can. While the Commission staff believes that a yard waste disposal ban may be prudent and in the ratepayers' best interests<sup>2</sup>, cost impacts of this change should be estimated as part of this plan.

#### Disclosure on revenues collected from ratepayers

Presently King County collects two fees or surcharges from ratepayers. Each residential ratepayer in the urban unincorporated areas of King County is billed \$0.22 per month to fund

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<sup>2</sup> Additional customers would be expected to subscribe to yard waste collection services, thus lowering many of the per household collection charges presently in effect. Certificated haulers doing business in King County now charge between \$4.38 and \$9.00 per household per month for yard waste collection.

waste reduction and recycling education programs. While this fee is referenced in plan's discussion on financial systems, Chapter VII, it has been excluded from the cost assessment element (Appendix K).

The second fee charged supports implementation of the county's *Local Hazardous Waste Management Plan*. On behalf of the Seattle-King County Health District, the county assesses a fee of \$2.61 per ton on self-haulers using county solid waste facilities. The certificated haulers do not pay this fee at disposal sites. Rather, haulers collect \$0.60 per month from each residential customer and \$5.24 per month from each commercial customer. Haulers remit those fees directly to the health district. Chapter VII and Appendix K should be expanded to more fully discuss revenues from these sources.

In light of these omissions, King County should expand the cost assessment element and related sections throughout the plan to address issues related to these surcharges:

- Are the revenues generated sufficient to fund the programs for which they are intended, and if not, are there backup funding mechanisms?
- If these surcharges generate revenues in excess of program costs, how are the surpluses used to the ratepayers' benefit?
- What plans does the county have to increase/decrease/terminate the surcharges?
- Given the fact that the surcharges generate revenue from a select population, how does the county collect similar fees from other populations to ensure that the ratepayers of the certificated haulers are not being unfairly burdened?

#### Regulatory system changes

Four recommendations seek to implement programs that, by statute, fall within the Commission's jurisdiction.

- . . . establishing substantial cost differentials between solid waste collection service levels (recommendation III.5);
- Continue to establish rate incentives for solid waste collection that encourage participation in recycling programs (III.27);
- Continue to seek changes in the WUTC rate review process to allow haulers to recover costs related to nonresidential recycling service level improvements called for in the Plan (IV.3); and
- Continue to implement rate collection incentives that will encourage waste reduction and recycling (IV.4).

While desiring to encourage waste reduction and recycling, the Commission must consider other factors in rate making. This plan's misstatements on regulatory roles place burdens on the regulated solid waste collection companies, confuse ratepayers, and result in higher rates.

In the past, haulers responded to similar mandates by initiating rate filings with the Commission. Because those mandates (e.g. mandatory percentage spreads between the rates for various collection services) contradicted established regulatory principles authorized by the Washington Administrative Code and state law (e.g. rates must be fair, just, reasonable, and sufficient), the Commission could not allow those rates to take effect. The hauler's cost to initiate the rate case, however, needed to be recovered from ratepayers. Staff urges the county to revisit these recommendations in light of ratepayer equity.

Finally, the plan recommends that the county pursue legislation to clarify the authority of counties and cities to set recommended voluntary minimum service standards for nonresidential collection of recyclables (recommendation IV.1). The county seeks changes to chapter 81.80 RCW (motor carrier statutes) requiring the Commission to ensure that collectors of non-residential recyclable materials adhere to requirements contained with the solid waste plan and service level ordinances. Presently requirements of this nature apply only to haulers regulated under chapter 81.77 RCW, the solid waste collection statutes.

To conclude, staff recommends that the Commission direct the Secretary to issue a letter to King County reporting the results of the Commission review of the Preliminary Draft of the 1992 Comprehensive Solid Waste Management Plan.

Attachment

**ESTIMATED RATEPAYER IMPACTS**

	<u>1994</u>	<u>1997</u>
The Cost Assessment element to the King County Solid Waste Plan predicts deficits during the 1994 and 1997 planning years:	(\$16,512,760)	(\$12,285,048)

One manner through which the deficit could be eliminated is through increases to the disposal fee (\$66.00 in 1992).

Using tonnage projections as estimated by the plan:

881,095 tons	837,709 tons
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The necessary per ton increase, over today's rate, would be:

\$18.74	\$32.90
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The impact this would have on monthly rates is:

Mini-can customer	\$1.05	\$1.85
One-Can Weekly Customer	\$1.38	\$2.42
Two-Can Weekly Customer	\$2.07	\$3.63
Commercial 1 yard/week	\$7.10	\$12.46

Please note that the 1997 disposal fee increase and ratepayer impacts include both the increase contained within the plan (to \$84.23 per ton) as well as an increase necessary to offset the \$12.3 million deficit. Also note that the ratepayer impacts are cumulative. The \$1.85 impact on mini-can customers predicted for 1997 includes the earlier increase of \$1.05.