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STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION WORKS

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File: TG-921023

October 29, 1992

Ms. Cynthia Stewart, Assistant Manager
King County Solid Waste Division
600 Yesler Building
400 Yesler Way
Seattle, Washington 98104

Dear Ms. Stewart:

Subject: King County Comprehensive Solid Waste Management Plan

The Washington Utilities and Transportation Commission has completed a review of the Preliminary Draft *King County Comprehensive Solid Waste Management Plan*. Staff investigation finds that the plan will impact the customers of Commission-regulated solid waste collection companies.

A number of cost-related items concern the Commission. 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.

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 1997¹. Funded programs include waste reduction and recycling education, transfer station and landfill operations, contributions to a Moderate Risk Waste Program, bond payoff, transfers to reserve accounts and administration/enforcement.

¹ 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.

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

- AVN → yard waste collection from multifamily complexes (recommendation III.9);
- RR → "on-call" household collection of yard waste too large or in excessive amounts for regular household collection (III.10);
- HPWR → large appliance collection from urban households on an "on-call" basis (III.11); and
- HPWR → 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. RCW 70.95.090(8) requires an assessment of the plan's impact on the costs of solid waste collection. As such, the plan must assess costs of programs provided directly by the county as well as the costs of programs required by the county, but provided by the private sector.

Cost impact of a yard waste disposal ban

RR → 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 interests², 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 waste reduction and recycling education programs. While this fee is referenced in plan's discussion on financial systems, Chapter VII, the cost assessment element (Appendix K) omits this cost.

The second fee 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?

The fact that the Health District and not the Solid Waste Division conducts the program is irrelevant. The Commission understanding is that counties are required to write a plan covering the entire solid waste management system--that is, the document submitted for review is the King County Solid Waste Plan, not the King County *Solid Waste Division's* Solid Waste Plan. This surcharge, although being collected to fund another program, is being assessed based upon participation in solid waste collection services. As such, it should be explained in the plan.

² 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.

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 nonresidential 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.

Please refer to the second enclosure for staff comments on specific items within the plan. As King County finalizes this draft of the solid waste plan, staff hopes these comments on various cost considerations will be helpful.

Ms. Cynthia Stewart
October 29, 1992
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If you have any questions about this review or the next steps in the process, please contact the Commission Solid Waste Plan Reviewer, Steve Wamback, at (206) 586-1130. Thank you.

Sincerely,



Paul Curl
Secretary

Enclosures

cc: Joy St. Germain, WRRLC Program
Randy Martin, Solid Waste Support
Tamara Gordy, Northwest Regional Office

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
The necessary per ton increase, over today's rate, would be:	\$18.74	\$32.90
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, ratepayer impacts are cumulative. The \$1.85 impact on mini-can customers predicted for 1997 includes the earlier increase of \$1.05.

KING COUNTY SOLID WASTE MANAGEMENT PLAN
Washington Utilities and Transportation Commission
Preliminary Draft Review Staff Comments

Reviewer: Steve Wamback, Policy Research Specialist
(206) 586-1130

As noted in the accompanying letter from Paul Curl, the Washington Utilities and Transportation Commission (Commission) has completed a review of the King County *Comprehensive Solid Waste Management Plan*. That review determined that the solid waste plan will impact rates charged by the solid waste collection companies.

On the following pages, the Commission Staff comments on specific elements contained within the solid waste management plan. The cited elements may impact solid waste collection rates if not further investigated. The responsibility to comment in this manner is established in RCW 70.95.096:

[the Commission] shall advise the county or city submitting the plan and the department [of Ecology] of the probable effect of the plan's recommendations on those [solid waste collection] rates.

Throughout these comments, Commission staff suggests textual changes to more appropriately reflect state laws and regulations. Deletions are noted by ~~strikeout~~, additions are redlined.

CHAPTER I

Table I.2: The description of RCW 36.58A should read:

RCW 36.58A ~~County authority to regulate solid waste collection~~ districts

Missing from this table are the following statutes and WACs:

RCW 36.58 Solid Waste Disposal
WAC 480-12 Motor Carriers
WAC 480-70 Solid Waste Collection Companies

Page I-8, left column, paragraph 5: Revise sentence to read:

WUTC authority does not ~~necessarily~~ extend to city collection utilities or contracts (RCW 81.77).

Page I-8, right column, paragraph 3: Revise to read:

King County cannot provide solid waste collection unless a solid waste collection district is formed (RCW 36.58A.010) and the Washington Utilities and Transportation Commission determines that no certificated hauler is available to perform collection services. However, RCW 36.58.040(1) gives counties the authority to contract directly for residential recyclable collection or to allow private solid waste haulers ~~franchised~~ certificated by the WUTC to collect recyclable. The County has chosen to have ~~commercial~~ certificated haulers set up recyclable collection programs in unincorporated areas.

CHAPTER II

Page II-16, table II.3, Scenario: 50 Percent WR/R: Data is missing in the "2010" column for rows labeled "rural landfills" and "Cedar Hills."

CHAPTER III

Page III-4, left column, paragraph 6: The second sentence should be revised: ~~The County and cities would all implement and maintain a variable rate structure for solid waste collection, with cost differentials that offer substantial incentives to reduce waste. The County can work with the Washington Utilities and Transportation Commission to implement rates that make waste reduction and recycling more attractive waste management alternatives.~~

Page III-5, right column, paragraph 5: Please refer to the comment for page III-4, above. State law does not grant counties the authorities attributed in this paragraph.

Page III-6, Recommendation III.5: Please refer to the comment for page III-4, above. State law does not grant counties the authorities attributed in this paragraph.

Page III-10, Table III.6: Adding a new line to the table explaining the regulatory structure in place (i.e. city self-regulated or WUTC regulated) would make the table easier to understand.

Page III-30, right column, paragraph 4: Please clarify whether the "21 percent of urban single-family households that do not currently receive this service" reside within incorporated or unincorporated areas. If they reside in an unincorporated area, please state which hauler should be providing the service and whether the County has officially notified the Commission (per RCW 81.77.120) that required services are not being provided.

Page III-33, right column, bullet 1: The last sentence uses the word "voluntary." Please take care in using this word to describe the King County recycling program. The collection programs operated by Commission-regulated haulers are voluntary only in that households may choose to place recyclable at the curb. It is not voluntary to pay. Once a household decides they want refuse removal from their home, they are obligated to pay for curbside recycling.

In addition to the following four comments, please refer to the cover letter for additional comment on these subjects:

Page III-34, left column, bullet 1: Either in this chapter or in the cost assessment, the plan must estimate the cost to provide yardwaste collection services to multifamily residential structures. If multifamily yardwaste collection becomes a required service, the

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certificated haulers will need to purchase the equipment necessary to offer the service to any complex requesting the service. It is unlikely, however, that many complexes will choose to participate in this program. Multifamily apartment complexes in denser urban areas have smaller yard areas and generate little or no yardwaste. In suburban neighborhoods where multifamily complexes generate yardwaste, complexes frequently subscribe to landscaping services. Landscapers self-haul yardwaste generated, making collection service unnecessary.

Page III-34, left column, bullet 2: Either in this chapter or in the cost assessment, the plan must estimate the cost to provide appliance collection services. A required "on-call" service will be especially costly to ratepayers. If the county solid waste plan requires the certificated haulers to provide the service, the Commission must ensure that services are provided to any household requesting such service. The solid waste collection companies will incur expenses to start-up a program without any realistic estimate of how many households would actually request service. In addition, due to King County's refusal to accept many white goods at transfer stations, the cost to dispose white goods has become quite expensive. The plan should take this into consideration and estimate ratepayer impacts.

Page III-34, left column, bullet 3: Either in this chapter or in the cost assessment, the plan must estimate the cost to provide collection of "bulky" yardwaste. A required "on-call" service will be especially costly to ratepayers. If the county solid waste plan requires the certificated haulers to provide the service, the Commission must ensure that services are provided to any household requesting such service. The solid waste collection companies will incur expenses to start-up a program without any realistic estimate of how many households would actually request service. It is reasonable to assume that "on-call" yardwaste collection rates would be higher than the \$4.38 to \$9.00 per month charged to the regular subscribers of yardwaste collection service. Additional costs will come from new routing, additional labor, handling and processing of "bulky" waste. In addition, and a duplicated collection infrastructure. The plan should take this into consideration and estimate ratepayer impacts.

Page III-34, left column, bullet 4: This bullet recommends "regularly scheduled" collection of fabrics and textiles from King County households. Other text recommends that collection take place no less frequently than quarterly. As a regularly scheduled service, such as refuse collection or curbside recycling, it appears that the county wishes the costs of this service to be distributed across the entire residential customer base. Is this the county's intent? Also, has the county estimated the costs to provide this collection service? Haulers will need to create a new collection infrastructure duplicating services already provided by not-for-profit service groups. The plan needs to be revised to clearly state the county's intentions for this new collection service, and needs to estimate the impact on ratepayers.

Page III-35, left column, last paragraph: Please revise the second sentence: Businesses could select their service provider, but if recyclers or cities were unable to provide recycling services, a business' garbage hauler would provide the minimum level of service ~~could subscribe to services provided by any common carrier or private carrier offering recycling services in their area.~~

Page III-35, right column, paragraph 1: State law constrains the Commission from placing minimum service level requirements (for non-residential recycling) on motor carriers regulated under chapter 81.80 RCW.

Page III-37, right column, bullet 8: An assessment of a yardwaste disposal ban needs to estimate the impact on ratepayers.

Page III-39, right column, paragraphs 2, 4: These paragraphs read (in part): "Alternative B would call for the availability of new collection services that could result in added costs to local governments, residences, businesses, and the private sector. While precise costs of the additional WR/R efforts described in Alternative B are difficult to project, some that can be estimated are described below (complete cost estimates for Alternative B collection programs are summarized in Appendix K). . . . In areas of the County where recycling service are regulated by the WUTC, the additional costs would be passed on directly to the customer.

These statements are an unsatisfactory assessment of the costs of implementing the King County Solid Waste Management Plan. Appendix K only estimates costs that King County will pay out of the county's resources. Where those resources involve payments by customers (tip fees) the Commission staff has estimated the ratepayer impacts.

The four new recycling services and the yard waste disposal ban will be implemented primarily by the certificated haulers, with the haulers responsible for nearly all the costs. RCW 70.95.090(8) requires an assessment of the plan's impact on the costs of solid waste collection. As such, the plan must assess costs of programs provided directly by the county as well as the costs of programs required by the county, but provided by the private sector.

Page III-42, recommendations III.9 through III.12: The county is advised to reconsider these recommendations in light of the comments for page III-34, above.

Page III-43, recommendation III.22: The county is advised to complete analysis of this recommendation before implementation.

CHAPTER IV

Page IV-1, right column, paragraph 2: RCW 70.95.096 requires the Commission to "review the plan's assessment of solid waste collection cost impacts on rates." To accomplish this assessment, Commission staff review the entire solid waste management plan, not just the cost assessment appendix. This is done to ensure that all programs and recommendations appropriately represent implementation costs and the impacts those costs have on ratepayers.

Page IV-1, right column, paragraph 3: Revise the first sentence to read: ~~RCW 81.77 also directs if a county legislative authority comments to the Commission per RCW 81.77.120~~ the WUTC ~~to~~ will monitor ~~those~~ comments concerning the adequacy of garbage and refuse collection service in unincorporated portions of a county or unregulated areas in cities and towns.

Page IV-2, left column, paragraph 2: Staff is unaware of the "exceptions" noted in this paragraph. Please clarify.

Page IV-2, right column, paragraph 1: Please revise the first two sentences: RCW 36.58A authorizes counties to establish a system of solid waste disposal. Under certain conditions, ~~as allowed by chapter 36.58A RCW~~ counties may establish collection districts . . .

Page IV-3, Table IV.3: Cities have three regulatory choices, not four. A municipality's option to impose a licensing fee on a solid waste collection company is not a form of regulatory control. When a city licenses a Commission-regulated solid waste collection company, the WUTC maintains its position as the regulatory authority. Rates will be approved or rejected by the Commission, with any city-imposed license fees added to rates. Billing for services will continue to be performed by the collector. Please revise the "license" column in this table to reflect this.

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Page IV-4, left column, bullet 2: Please revise the second sentence: In a licensed system, WUTC certificates are augmented by city licenses, which grant the municipality ~~additional regulatory control over collections and revenue through fees.~~

Page IV-5, Table IV.4: Please define the abbreviation "FA".

A new column should be added to the table to differentiate local government choices for the collection of garbage versus the collection of recyclable materials. For example, Normandy Park has not contracted for waste collection, but Fibres collects recyclable materials under contract.

The table incorrectly cites regulatory authorities for the following cities: Des Moines (certificate), Federal Way (contract), and Mercer Island (contract).

Page IV-6, left column, paragraph 4: Please state which agency was responsible for the moderate risk waste surcharge.

Page IV-8, left column, paragraph 3 and
Page IV-10, recommendation IV.3: Please delete the last sentence. The Commission can not promote cross-subsidization between solid waste collection companies and motor carriers. Such an activity would appear to violate the intent of chapters 81.77 and 81.80 RCW and related WACs.

Page IV-8, right column, paragraph 2: It is untrue that the cost of service methodology "does not allow for incentive rates to encourage WR/R behavior." Under the existing structure, over 60 percent of all solid waste collection company customers subscribe to the minimum levels of service made available to them. The figures exceed 70 percent where recycling services are offered.

Page IV-9, left column, paragraph 4: Please clarify. Does this paragraph ask the Commission to increase rates through shorter amortization periods?

CHAPTER V

Page V-10, left column, paragraph "f": Add the following to the paragraph:

~~CDL collection will be accomplished per chapter 81.77 RCW~~

CHAPTER VI

Page VI-12, right column, paragraph "c": typographical error:
... in a receptacle ~~peid~~ they paid for.

CHAPTER VII

Page VII-1, right column, paragraph 5: Commission staff analysis of the county's cost and funding projections found that the County will need to increase disposal fees before January 1, 1994 to ensure that all programs can be implemented that year.

In addition to the following two comments, please refer to the cover letter for other concerns the Commission has on this section:

Page VII-3, left column, paragraph 2: Please revise the paragraph to clarify that customers of solid waste collection companies pay a different surcharge amount. Residential customers pay \$0.60 per household per month; commercial customers \$5.24.

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Page VII-3, left column, paragraph 3: Staff was unaware that the \$0.22 fee was for the Health Department. That was not the intent communicated to the Commission in August 1991 when the rate was approved. Please revisit and revise as necessary.

RELATED LEGISLATION

This section includes the incorrect version of chapter 70.95 RCW. Through Chapters 298 and 319, Laws of 1991, the 1991 Legislative Session revised Chapter 70.95 RCW.

APPENDIX E

Page E-2, paragraph "g": State law does not grant the county the authority to make the rate structure changes noted in the last sentence to this paragraph.

APPENDIX K

Pages K-9 through K-13: The county reports unreasonably low annual cost impacts for multi-family yardwaste collection, "on-call" yardwaste and appliance collections, and textile collection programs. Estimates in these tables assume all households will subscribe to collection services. Ongoing programs demonstrate otherwise. In the past, the Commission found it inappropriate to charge customers for services made unnecessary by their waste generation habits. Not all customers generate bulky yardwaste, appliances, or textile materials. Thus, the county should not expect the haulers to charge all customers for these additional recycling services. Please revise cost estimates to reflect a smaller target population.

Page K-15, item 3.4.1: Commission-regulated operations do not account for all the customer counts and tonnages in this item. If the county can not provide customer counts and tonnages differentiated between state-regulated and city-regulated collection programs, please include a footnote to that effect.

Page K-24, table 3.3: Please check this table against chapter VII's table VII.3. WR/R, MRW, Administrative, and Hazardous Waste line items differ between the two tables.

Page K-26: Add to this section detail on the \$0.22 administrative surcharge and the Moderate Risk Waste surcharges levied on the certificated haulers. Even if the solid waste division does not handle the proceeds of the MRW surcharge, state law appears to obligate the county to discuss all aspects of the solid waste management system within the plan. The MRW surcharge affects solid waste rates and requires mention.