Waste Connections, Inc.
Form 10-K
February 10, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ___________

Commission File No. 1-31507

WASTE CONNECTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	94-3283464
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3 Waterway Square Place, Suite 110	
The Woodlands, Texas	77380
(Address of principal executive offices)	(Zip Code)

(832) 442-2200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes **þ** No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No **þ**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes **þ** No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes **þ** No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **þ**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

þ Large accelerated filer	¨ Accelerated filer	¨ Non-accelerated filer	¨ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No **þ**

As of June 30, 2014, the aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant, based on the closing sales price for the registrant's common stock, as reported on the New York Stock Exchange, was $5,988,475,779.

Number of shares of common stock outstanding as of January 30, 2015: 123,984,527

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

WASTE CONNECTIONS, INC.

ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS

Our Company

Waste Connections, Inc. is an integrated municipal solid waste, or MSW, services company that provides solid waste collection, transfer, disposal and recycling services primarily in exclusive and secondary markets in the U.S. and a leading provider of non-hazardous exploration and production, or E&P, waste treatment, recovery and disposal services in several of the most active natural resource producing areas of the U.S. We also provide intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of intermodal facilities.

As of December 31, 2014, we served residential, commercial, industrial and E&P customers in 31 states: Alabama, Alaska, Arizona, California, Colorado, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington and Wyoming. As of December 31, 2014, we owned or operated a network of 148 solid waste collection operations; 69 transfer stations; seven intermodal facilities, 35 recycling operations, 58 active MSW, E&P and/or non-MSW landfills, 22 E&P liquid waste injection wells, 17 E&P waste treatment and recovery facilities, 20 oil recovery facilities and two development stage landfills. Non-MSW landfills accept construction and demolition, industrial and other non-putrescible waste.

Our senior management team has extensive experience in operating, acquiring and integrating non-hazardous waste services businesses, and we intend to continue to focus our efforts on balancing internal and acquisition-based growth. We anticipate that a part of our future growth will come from acquiring additional MSW and E&P waste businesses and, therefore, we expect that additional acquisitions could continue to affect period-to-period comparisons of our operating results.

Waste Connections, Inc. is a Delaware corporation organized in 1997.

Our Operating Strategy

Our operating strategy seeks to improve financial returns and deliver superior stockholder value creation within the solid waste industry. We seek to avoid highly competitive, large urban markets and instead target markets where we can attain high market share either through exclusive contracts, vertical integration or asset positioning. We also target niche markets, like E&P waste treatment and disposal services, with similar characteristics and, we believe, higher comparative growth potential. We are a leading provider of waste services in most of our markets, and the key components of our operating strategy, which are tailored to the competitive and regulatory factors that affect our markets, are as follows:

Target Secondary and Rural Markets. By targeting secondary and rural markets, we believe that we are able to garner a higher local market share than would be attainable in more competitive urban markets, which we believe reduces our exposure to customer churn and improves financial returns. In certain niche markets, like E&P waste treatment and disposal, early mover advantage in certain rural basins may improve market positioning and financial returns given the limited availability of existing third-party-owned waste disposal alternatives.

Control the Waste Stream. In markets where waste collection services are provided under exclusive arrangements, or where waste disposal is municipally owned or funded or available at multiple sources, we believe that controlling the waste stream by providing collection services under exclusive arrangements is often more important to our growth and profitability than owning or operating landfills. In addition, in certain E&P markets with "no pit" rules or other regulations that limit on-site storage or treatment of waste, control of the waste stream allows us to generate additional service revenue from the transportation of waste, as well as the waste treatment and disposal, thus increasing the overall scope and value of the services provided.

Optimize Asset Positioning. We believe that the location of disposal sites within competitive markets is a critical factor to success in both MSW and E&P waste services. Given the importance of and costs associated with the transportation of waste to treatment and disposal sites, having disposal capacity proximate to the waste stream may provide a competitive advantage and serve as a barrier to entry.

Provide Vertically Integrated Services. In markets where we believe that owning landfills is a strategic advantage to a collection operation because of competitive and regulatory factors, we generally focus on providing integrated services, from collection through disposal of solid waste in landfills that we own or operate. Similarly, we see this strategic advantage in E&P waste services where we offer closed loop systems for liquid and solid waste storage, transportation, treatment, and disposal.

Manage on a Decentralized Basis. We manage our operations on a decentralized basis. This places decision-making authority close to the customer, enabling us to identify and address customers' needs quickly in a cost-effective manner. We believe that decentralization provides a low-overhead, highly efficient operational structure that allows us to expand into geographically contiguous markets and operate in relatively small communities that larger competitors may not find attractive. We believe that this structure gives us a strategic competitive advantage, given the relatively rural nature of many of the markets in which we operate, and makes us an attractive buyer to many potential acquisition candidates.

As of December 31, 2014, we delivered our services from over 210 operating locations grouped into four operating segments: our Western segment is comprised of operating locations in Alaska, California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; our Central segment is comprised of operating locations in Arizona, Colorado, Kansas, Louisiana, Minnesota, Nebraska, New Mexico, Oklahoma, South Dakota, Texas, Utah and eastern Wyoming; our Eastern segment is comprised of operating locations in Alabama, Illinois, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, North Carolina, South Carolina and Tennessee; and, our E&P segment includes the majority of our E&P waste service operations in Louisiana, New Mexico, North Dakota, Oklahoma, Texas, Wyoming and along the Gulf of Mexico. Some E&P revenues are also included in other operating segments, where we accept E&P waste at some of our MSW landfills. In addition, a small amount of solid waste revenue is included in our E&P segment.

We manage and evaluate our business on the basis of the operating segments' geographic characteristics, interstate waste flow, revenue base, employee base, regulatory structure, and acquisition opportunities. Each operating segment has a regional vice president and a regional controller reporting directly to our corporate management. These regional officers are responsible for operations and accounting in their operating segments and supervise their regional staff. See Note 15 to the consolidated financial statements for further information on our segment reporting of our operations.

Each operating location has a district or site manager who has a high degree of decision-making authority for his or her operations and is responsible for maintaining service quality, promoting safety, implementing marketing programs and overseeing day-to-day operations, including contract administration. Local managers also help identify acquisition candidates and are responsible for integrating acquired businesses into our operations and obtaining the permits and other governmental approvals required for us to operate.

Implement Operating Standards. We develop company-wide operating standards, which are tailored for each of our markets based on industry norms and local conditions. We implement cost controls and employee training and safety procedures and establish a sales and marketing plan for each market. By internalizing the waste stream of acquired operations, we can further increase operating efficiencies and improve capital utilization. We use a wide-area information system network, implement financial controls and consolidate certain accounting, personnel and customer service functions. While regional and district management operate with a high degree of autonomy, our executive officers monitor regional and district operations and require adherence to our accounting, purchasing, marketing and internal control policies, particularly with respect to financial matters. Our executive officers regularly review the performance of regional officers, district managers and operations. We believe we can improve the profitability of existing and newly acquired operations by establishing operating standards, closely monitoring performance and streamlining certain administrative functions.

Our Growth Strategy

We tailor the components of our growth strategy to the markets in which we operate and into which we hope to expand.

Obtain Additional Exclusive Arrangements. Our operations include market areas where we have exclusive arrangements, including franchise agreements, municipal contracts and governmental certificates, under which we are the exclusive service provider for a specified market. These exclusive rights and contractual arrangements create a barrier to entry that is usually obtained through the acquisition of a company with such exclusive rights or contractual arrangements or by winning a competitive bid.

We devote significant resources to securing additional franchise agreements and municipal contracts through competitive bidding and by acquiring other companies. In bidding for franchises and municipal contracts and evaluating acquisition candidates holding governmental certificates, our management team draws on its experience in the waste industry and knowledge of local service areas in existing and target markets. Our district management and sales and marketing personnel maintain relationships with local governmental officials within their service areas, maintain, renew and renegotiate existing franchise agreements and municipal contracts, and secure additional agreements and contracts while targeting acceptable financial returns. Our sales and marketing personnel also expand our presence into areas adjacent to or contiguous with our existing markets, and market additional services to existing customers. We believe our ability to offer comprehensive rail haul disposal services in the Pacific Northwest improves our competitive position in bidding for such contracts in that region.

Generate Internal Growth. To generate internal revenue growth, our district management and sales and marketing personnel focus on increasing market penetration in our current and adjacent markets, soliciting new customers in markets where such customers have the option to choose a particular waste collection service and marketing upgraded or additional services (such as compaction or automated collection) to existing customers. We also seek price increases necessary to offset increased costs, to improve operating margins and to obtain adequate returns on our deployed capital. Where possible, we intend to leverage our franchise-based platforms to expand our customer base beyond our exclusive market territories. As customers are added in existing markets, our revenue per routed truck increases, which generally increases our collection efficiencies and profitability. In markets in which we have exclusive contracts, franchises and governmental certificates, we expect internal volume growth generally to track population and business growth.

In niche disposal markets, like E&P, our focus is on increasing market penetration, and providing additional service offerings in existing markets where appropriate. In addition, we focus on developing and permitting new treatment and disposal sites in new and existing E&P markets to position ourselves to capitalize on current and future drilling activity in those areas.

Expand Through Acquisitions. We intend to expand the scope of our operations by continuing to acquire MSW and E&P waste facilities and companies in new markets and in existing or adjacent markets that are combined with or “tucked in” to our existing operations. We focus our acquisition efforts on markets that we believe provide significant growth opportunities for a well-capitalized market entrant and where we can create economic and operational barriers to entry by new competitors. This focus typically highlights markets in which we can: (1) provide waste collection services under exclusive arrangements such as franchise agreements, municipal contracts and governmental certificates; (2) gain a leading market position and provide vertically integrated collection and disposal services; or (3) gain a leading market position in a niche market through the provision of treatment and disposal services. We believe that our experienced management, decentralized operating strategy, financial strength, size, and public company status make us an attractive buyer to certain waste collection and disposal acquisition candidates. We have developed an acquisition discipline based on a set of financial, market and management criteria to evaluate opportunities. Once an acquisition is closed, we seek to integrate it while minimizing disruption to our ongoing operations and those of the acquired business.

In new markets, we often use an initial acquisition as an operating base and seek to strengthen the acquired operation's presence in that market by providing additional services, adding new customers and making “tuck-in” acquisitions of other waste companies in that market or adjacent markets. We believe that many suitable “tuck-in” acquisition opportunities exist within our current and targeted market areas that may provide us with opportunities to increase our market share and route density.

The U.S. solid waste services industry experienced significant consolidation during the 1990s. The consolidation trend has continued, most notably with the merger between Republic Services, Inc. and Allied Waste Industries, Inc. in 2008, the merger between IESI-BFC Ltd. and Waste Services, Inc. in 2010, and the sale of the U.S. solid waste business of Veolia Environnement S.A. to Advanced Disposal Services, Inc. in 2012. In spite of this consolidation, the solid waste services industry remains regional in nature, with acquisition opportunities available in select markets. The E&P waste services industry is similarly regional in nature and is also highly fragmented, with acquisition opportunities available in several active natural resource basins. In some markets in both MSW and E&P waste, independent landfill, collection or service providers lack the capital resources, management skills and/or technical expertise necessary to comply with stringent environmental and other governmental regulations and to compete with larger, more efficient, integrated operators. In addition, many of the remaining independent operators may wish to sell their businesses to achieve liquidity in their personal finances or as part of their estate planning.

During the year ended December 31, 2014, we completed nine acquisitions, none of which individually accounted for greater than 10% of our total assets. The total fair value of consideration transferred for the nine acquisitions completed during the year ended December 31, 2014 was approximately $168.7 million. During the year ended December 31, 2013, we completed eight acquisitions, none of which individually accounted for greater than 10% of our total assets. The total fair value of consideration transferred for the eight acquisitions completed during the year ended December 31, 2013 was approximately $64.2 million. During 2012, we acquired the business of R360 Environmental Solutions, Inc., or R360, a leading provider of non-hazardous E&P waste treatment, recovery and disposal services, for total fair value of consideration transferred of $1.38 billion. During the year ended December 31, 2012, we completed 12 other acquisitions, none of which individually or in the aggregate accounted for greater than 10% of our total assets. The total fair value of consideration transferred for the 12 other acquisitions completed during the year ended December 31, 2012 was approximately $275.8 million.

WASTE SERVICES

Collection Services

We provide collection services to residential, commercial, industrial and E&P customers. Our services are generally provided under one of the following arrangements: (1) governmental certificates; (2) exclusive franchise agreements; (3) exclusive municipal contracts; (4) residential subscriptions; (5) residential contracts; or (6) commercial, industrial and E&P service agreements.

Governmental certificates, exclusive franchise agreements and exclusive municipal contracts grant us rights to provide MSW services within specified areas at established rates and are long-term in nature. Governmental certificates, or G Certificates, are unique to the State of Washington and are awarded by the Washington Utilities and Transportation Commission, or WUTC, to solid waste collection service providers in unincorporated areas and electing municipalities. These certificates typically grant the holder the exclusive and perpetual right to provide specific residential, commercial and/or industrial waste services in a defined territory at specified rates subject to divestiture and/or cancellation by the WUTC on specified, limited grounds. Franchise agreements typically provide an exclusive period of seven years or longer for a specified territory; they specify a broad range of services to be provided, establish rates for the services and often give the service provider a right of first refusal to extend the term of the agreement. Municipal contracts typically provide a shorter service period and a more limited scope of services than franchise agreements and generally require competitive bidding at the end of the contract term. In markets where exclusive arrangements are not available, we may enter into residential contracts with homeowners' associations, apartment owners and mobile home park operators, or work on a subscription basis with individual households. In such markets, we may also provide commercial and industrial services under customer service agreements generally ranging from one to five years in duration. Finally, in certain E&P markets with "no pit" rules or other regulations that limit on-site storage or treatment of waste, we offer containers and collection services to provide a closed loop system for the collection of drilling wastes at customers' well sites and subsequent transportation of the waste to our facilities for treatment and disposal.

Landfill Disposal Services

As of December 31, 2014, we owned or operated 42 MSW landfills, eight E&P waste landfills, which only accept E&P waste, eight non-MSW landfills, which only accept construction and demolition, industrial and other non-putrescible waste, and two development stage landfills. Twelve of our MSW landfills also received E&P waste during 2014. We generally own landfills to achieve vertical integration in markets where the economic and regulatory environments make landfill ownership attractive. We also own landfills in certain markets where it is not necessary to provide collection services because we believe that we are able to attract volume to our landfills, given our location or other market dynamics. Over time, MSW landfills generate a greenhouse gas, methane, which can be converted into a valuable source of clean energy. We deploy gas recovery systems at 31 of our landfills to collect methane, which can then be used to generate electricity for local households, fuel local industrial power plants, power alternative fueled vehicles, or qualify for carbon emission credits.

Our developed and operational landfill facilities consisted of the following at December 31, 2014:

Owned and operated landfills	47
Operated landfills under life-of-site agreements	6
Operated landfills under limited-term operating agreements	5
	58

Under landfill operating agreements, the owner of the property, generally a municipality, usually owns the permit and we operate the landfill for a contracted term, which may be the life of the landfill. Where the contracted term is not the life of the landfill, the property owner is generally responsible for final capping, closure and post-closure obligations. We are responsible for all final capping, closure and post-closure obligations at our operated landfills for which we have life-of-site agreements. Our five operating agreements for which the contracted term is less than the life of the landfill have expiration dates of 2015, 2017, 2017, 2018 and 2024, and we intend to seek renewal of these contracts prior to, or upon, their expiration.

Based on remaining permitted capacity as of December 31, 2014, and projected annual disposal volumes, the average remaining landfill life for our owned and operated landfills and landfills operated, but not owned, under life-of-site agreements, is estimated to be approximately 35 years. Many of our existing landfills have the potential for expanded disposal capacity beyond the amount currently permitted. We regularly consider whether it is advisable, in light of changing market conditions and/or regulatory requirements, to seek to expand or change the permitted waste streams or to seek other permit modifications. We also monitor the available permitted in-place disposal capacity of our landfills on an ongoing basis and evaluate whether to seek capacity expansion using a variety of factors.

We are currently seeking to expand permitted capacity at eight of our landfills, for which we consider expansions to be probable. Although we cannot be certain that all future expansions will be permitted as designed, the average remaining landfill life for our owned and operated landfills and landfills operated, but not owned, under life-of-site agreements is estimated to be approximately 40 years when considering remaining permitted capacity, probable expansion capacity and projected annual disposal volume.

The following table reflects estimated landfill capacity and airspace changes, as measured in tons, for owned and operated landfills and landfills operated, but not owned, under life-of-site agreements (in thousands):

	2014			2013		
	Permitted	Probable Expansion	Total	Permitted	Probable Expansion	Total
Balance, beginning of year	668,052	146,933	814,985	654,764	138,885	793,649
Acquired landfills	19,994	-	19,994	-	-	-
Developed landfills	-	-	-	7,607	6,928	14,535
Permits granted	31,265	(31,265)	-	13,348	(13,348)	-
Airspace consumed	(20,486)	-	(20,486)	(19,091)	-	(19,091)
Expansions initiated	-	-	-	-	1,929	1,929
Changes in engineering estimates	15,330	(10,170)	5,160	11,424	12,539	23,963
Balance, end of year	714,155	105,498	819,653	668,052	146,933	814,985

The estimated remaining operating lives for the landfills we own and landfills we operate under life-of-site agreements, based on remaining permitted and probable expansion capacity and projected annual disposal volume, in years, as of December 31, 2014, and December 31, 2013, are shown in the tables below. The estimated remaining operating lives include assumptions that the operating permits are renewed.

	2014						
	0 to 5	6 to 10	11 to 20	21 to 40	41 to 50	51+	Total
Owned and operated landfills	1	3	4	17	6	16	47
Operated landfills under life-of-site agreements	1	-	3	1	-	1	6
	2	3	7	18	6	17	53

	2013						
	0 to 5	6 to 10	11 to 20	21 to 40	41 to 50	51+	Total
Owned and operated landfills	2	2	5	14	5	16	44
Operated landfills under life-of-site agreements	-	1	2	2	-	1	6

2	3	7	16	5	17	50

The disposal tonnage that we received in 2014 and 2013 at all of our landfills is shown in the tables below (tons in thousands):

	Three months ended March 31, 2014		June 30, 2014		September 30, 2014		December 31, 2014		**Twelve months ended**
	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	**December 31, 2014**
Owned operational landfills and landfills operated under life-of-site agreements	50	4,545	50	5,139	51	5,562	53	5,240	20,486
Operated landfills	5	116	5	124	5	130	5	121	491
	55	4,661	55	5,263	56	5,692	58	5,361	20,977

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	Three months ended March 31, 2013		June 30, 2013		September 30, 2013		December 31, 2013		**Twelve months ended**
	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	**December 31, 2013**
Owned operational landfills and landfills operated under life-of-site agreements	49	4,008	49	5,003	49	5,276	50	4,804	19,091
Operated landfills	5	102	5	115	5	119	5	113	449
	54	4,110	54	5,118	54	5,395	55	4,917	19,540

Transfer Station and Intermodal Services

As of December 31, 2014, we owned or operated 64 MSW transfer stations and five E&P waste transfer stations with marine access. Transfer stations receive, compact and load waste to be transported to landfills or treatment facilities via truck, rail or barge. They extend our direct-haul reach and link collection operations or waste generators with distant disposal or treatment facilities by concentrating the waste stream from a wider area and thus providing better utilization rates and operating efficiencies.

Intermodal logistics is the movement of containers using two or more modes of transportation, usually including a rail or truck segment. We entered the intermodal services business in the Pacific Northwest through the acquisition of Northwest Container Services, Inc., which provides repositioning, storage, maintenance and repair of cargo containers for international shipping companies. We provide these services for containerized cargo primarily to international shipping companies importing and exporting goods through the Pacific Northwest. We also operate two intermodal facilities primarily for the shipment of waste by rail to distant disposal facilities that we do not own. As of December 31, 2014, we owned or operated seven intermodal operations in Washington and Oregon. Our fleet of double-stack railcars provides dedicated direct-line haul services among terminals in Portland, Tacoma and Seattle. We have contracts with the Burlington Northern Santa Fe and Union Pacific railroads for the movement of containers among our seven intermodal operations. We also provide our customers container and chassis sales and leasing services.

We intend to further expand our intermodal business through cross-selling efforts with our solid waste services operations. We believe that a significant amount of solid waste is transported currently by truck, rail and barge from primarily the Seattle-Tacoma and Metro Portland areas to remote landfills in Eastern Washington and Eastern Oregon. We believe our ability to market both intermodal and disposal services will enable us to more effectively compete for these volumes.

Recycling Services

We offer residential, commercial, industrial and municipal customers recycling services for a variety of recyclable materials, including compost, cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals. We own or operate 35 recycling processing operations and sell other collected recyclable materials to third parties for processing before resale. The majority of the recyclables we process for sale are paper products and are shipped primarily to customers in Asia. Changes in end market demand as well as other factors can cause fluctuations in the prices for such commodities, which can affect revenue, operating income and cash flows. To reduce our exposure to commodity price volatility and risk with respect to recycled materials, we have adopted a pricing strategy of charging collection and processing fees for recycling volumes collected from third parties. We believe that recycling will continue to be an important component of local and state solid waste management plans due to the public's increasing environmental awareness and expanding regulations that mandate or encourage recycling.

E&P Waste Treatment, Recovery and Disposal Services

E&P waste is a broad term referring to the by-products resulting from oil and natural gas exploration and production activity. These generally include: waste created throughout the initial drilling and completion of an oil or natural gas well, such as drilling fluids, drill cuttings, completion fluids and flowback water; production wastes and produced water during a well's operating life; contaminated soils that require treatment during site reclamation; and substances that require clean-up after a spill, reserve pit clean-up or pipeline rupture. E&P customers are principally integrated oil and natural gas exploration and production companies operating in the areas that we serve. E&P revenue is therefore driven by vertical and horizontal drilling, hydraulic fracturing, production and clean-up activity; it is complemented by other services including closed loop collection systems and the sale of recovered products. E&P activity varies across market areas which are tied to the natural resource basins in which the drilling activity occurs and reflects the regulatory environment, pricing and disposal alternatives available in any given market.

Our customers are generally responsible for the delivery of their waste streams to us. We receive flowback water, produced water and other drilling and production wastes at our facilities in vacuum trucks, dump trucks or containers deposited by roll-off trucks. In certain markets, we offer bins and rails systems that capture and separate liquid and solid oilfield waste streams at our customers' well sites and deliver the drilling and production wastes to our facilities. Waste generated by offshore drilling is delivered by supply vessel from the drilling rig to one of our transfer stations, where the waste is then transferred to our network of barges for transport to our treatment facilities.

As of December 31, 2014, we provided E&P waste treatment, recovery and/or disposal services from a network of eight E&P waste landfills, 12 MSW landfills that also received E&P waste during 2014, 22 E&P liquid waste injection wells, 17 E&P waste treatment and recovery facilities and 20 oil recovery facilities. Treatment processes vary by site and regulatory jurisdiction. At certain treatment facilities, loads of flowback and produced water and other drilling and production wastes delivered by our customers are sampled, assessed and tested by third parties according to state regulations. Solids contained in a waste load are deposited into a land treatment cell where liquids are removed from the solids and are sent through an oil recovery system before being injected into saltwater disposal injection wells or placed in evaporation cells that utilize specialized equipment to accelerate evaporation of liquids. In certain locations, fresh water is then added to the remaining solids in the cell to "wash" the solids several times to remove contaminants, including oil and grease, chlorides and other contaminants, to ensure the solids meet specific regulatory criteria that, in certain areas, are administered by third-party labs and submitted to the regulatory authorities.

After the washing or treatment process, the treated solids are designated "reuse materials," and are no longer considered a waste product by state regulation. These materials are dried, removed from the treatment cells, stockpiled and compacted in designated stockpile areas on site and at certain locations are available for use as feedstock for roadbase. At certain of our facilities, during the treatment process we reclaim oil for resale and we treat and recycle liquids for re-use in our operations or for sale to third parties as fresh or brine water.

COMPETITION

The U.S. municipal solid waste services industry is highly competitive and requires substantial labor and capital resources. Besides Waste Connections, the industry includes: two national, publicly held solid waste companies – Waste Management, Inc. and Republic Services, Inc.; several regional, publicly held and privately owned companies; and several thousand small, local, privately owned companies. Certain of the markets in which we compete or will likely compete are served by one or more large, national solid waste companies, as well as by numerous regional and local solid waste companies of varying sizes and resources, some of which we believe have accumulated substantial goodwill in their markets. We compete for collection, transfer and disposal volume based primarily on the price and, to a lesser extent, quality of our services. We also compete with operators of alternative disposal facilities, including incinerators, and with counties, municipalities and solid waste districts that maintain their own waste collection and disposal operations. Public sector operators may have financial and other advantages over us because of their access to user fees and similar charges, tax revenues, tax-exempt financing and the ability to flow-control waste streams to publicly owned disposal facilities.

From time to time, competitors may reduce the price of their services in an effort to expand their market shares or service areas or to win competitively bid municipal contracts. These practices may cause us to reduce the price of our services or, if we elect not to do so, to lose business. We provide a significant amount of our residential, commercial and industrial collection services under exclusive franchise and municipal contracts and G Certificates. Exclusive franchises and municipal contracts may be subject to periodic competitive bidding.

The U.S. municipal solid waste services industry has undergone significant consolidation, and we encounter competition in our efforts to acquire collection operations, transfer stations and landfills. We generally compete for acquisition candidates with publicly owned regional and national waste management companies. Accordingly, it may become uneconomical for us to make further acquisitions or we may be unable to locate or acquire suitable acquisition candidates at price levels and on terms and conditions that we consider appropriate, particularly in markets we do not already serve. Competition in the disposal industry is also affected by the increasing national emphasis on recycling and other waste reduction programs, which may reduce the volume of waste deposited in landfills.

Competition for E&P waste comes primarily from smaller regional companies that utilize a variety of disposal methods and generally serve specific geographic markets. We also compete with publicly held and privately owned companies such as Waste Management, Inc., Republic Services, Inc., Clean Harbors, Inc., Tervita Corporation, Secure Energy Services Inc., Nuverra Environmental Solutions, Trinity Oilfield Services and Ecoserv in certain markets. In addition, customers in many markets have the option of using internal disposal methods or outsourcing to another third-party disposal company. The principal competitive factors in this business include: gaining customer approval of treatment and disposal facilities; location of facilities in relation to customer activity; reputation; reliability of services; track record of environmental compliance; ability to accept multiple waste types at a single facility; and price.

The intermodal services industry is also highly competitive. We compete against other intermodal rail services companies, trucking companies and railroads, many of which have greater financial and other resources than we do. Competition is based primarily on price, reliability and quality of service.

REGULATION

Introduction

Our operations, including landfills, solid waste transportation, transfer stations, intermodal operations, vehicle maintenance shops, fueling facilities, and oilfield waste treatment, recovery and disposal operations, are all subject to extensive and evolving federal, state and local environmental, health, and safety laws and regulations, the enforcement of which has become increasingly stringent. These laws and regulations may, among other things, require the acquisition of permits for regulated activities; govern the amounts and types of substances that may be released into the environment in connection with our operations; restrict the way we handle or dispose of wastes; limit or prohibit our or our customers' activities in sensitive areas such as wetlands, wilderness areas or areas inhabited by endangered or threatened species; require investigatory and remedial actions to mitigate pollution conditions caused by our operations or attributable to former operations; and impose specific standards addressing worker protections. Compliance is often costly or difficult, and the violation of these laws and regulations may result in the denial or revocation of permits, issuance of corrective action orders, assessment of administrative and civil penalties and even criminal prosecution. The environmental regulations that affect us are administered by the Environmental Protection Agency, or the EPA, and numerous other federal, state and local environmental, zoning, health and safety agencies. For example, the WUTC regulates the portion of our collection business in Washington performed under G Certificates.

We currently comply in all material respects with applicable federal, state and local environmental and occupational health and safety laws, permits, orders and regulations. In addition, we attempt to anticipate future regulatory requirements and plan in advance as necessary to comply with them. We do not presently anticipate incurring any material costs to bring our operations into environmental compliance with existing or expected future regulatory requirements, although we can give no assurance that this will not change in the future. It is possible that substantial costs for compliance or penalties for non-compliance may be incurred in the future. It is also possible that other developments, such as the adoption of stricter environmental laws, regulations and enforcement policies, could result in additional costs or liabilities that we cannot currently quantify. Moreover, changes in environmental laws could reduce the demand for our services and adversely impact our business. For example, changes in environmental laws could limit our customers' oil and natural gas E&P businesses or encourage our customers to handle and dispose of oil and natural gas E&P wastes in other ways.

A number of the major federal, state and local statutes and regulations that apply to our operations are described generally below. Certain of the statutes described below contain provisions that authorize, under certain circumstances, lawsuits by private citizens to enforce the provisions of the statutes. In addition to penalties, some of those statutes authorize an award of attorneys' fees to parties that successfully bring such an action. Enforcement actions under these statutes may include both civil and criminal penalties, as well as injunctive relief in some instances.

The Resource Conservation and Recovery Act of 1976, or RCRA

RCRA regulates the generation, treatment, storage, handling, transportation and disposal of solid waste and requires states to develop programs to ensure the safe disposal of solid waste. RCRA divides solid waste into two groups, hazardous and nonhazardous. Wastes are generally classified as hazardous if they either: (1) are specifically included on a list of hazardous wastes; or (2) exhibit certain characteristics defined as hazardous. Household wastes are specifically designated as nonhazardous. Wastes classified as hazardous under RCRA are subject to much stricter regulation than wastes classified as nonhazardous, and businesses that deal with hazardous waste are subject to regulatory obligations in addition to those imposed on handlers of nonhazardous waste. From time to time, our intermodal services business transports hazardous materials in compliance with federal transportation requirements. Some of our ancillary operations, such as vehicle maintenance operations, may generate hazardous wastes. We manage these wastes in substantial compliance with applicable laws.

In October 1991, the EPA adopted the Subtitle D Regulations governing solid waste landfills. The Subtitle D Regulations, which generally became effective in October 1993, include location restrictions, facility design standards, operating criteria, closure and post-closure requirements, financial assurance requirements, groundwater monitoring requirements, groundwater remediation standards and corrective action requirements. In addition, the Subtitle D Regulations require that new landfill sites meet more stringent liner design criteria (typically, composite soil and synthetic liners or two or more synthetic liners) intended to keep leachate out of groundwater and have extensive collection systems to carry away leachate for treatment prior to disposal. Groundwater monitoring wells must also be installed at virtually all landfills to monitor groundwater quality and, indirectly, the effectiveness of the leachate collection system. The Subtitle D Regulations also require, where certain regulatory thresholds are exceeded, that facility owners or operators control emissions of methane gas generated at landfills in a manner intended to protect human health and the environment. Each state is required to revise its landfill regulations to meet these requirements or such requirements will be automatically imposed by the EPA on landfill owners and operators in that state. Each state is also required to adopt and implement a permit program or other appropriate system to ensure that landfills in the state comply with the Subtitle D Regulations. Various states in which we operate or may operate in the future have adopted regulations or programs as stringent as, or more stringent than, the Subtitle D Regulations.

Most E&P waste is exempt from stringent regulation as a hazardous waste under RCRA. None of our oilfield waste recycling, treatment, and disposal facilities are currently permitted to accept hazardous wastes for disposal, and we take precautions to help ensure that hazardous wastes do not enter or are not disposed of at these facilities. Some wastes handled by us that currently are exempt from treatment as hazardous wastes may in the future be designated as “hazardous wastes” under RCRA or other applicable statutes. For example, in September 2010, a nonprofit environmental group filed a petition with the EPA requesting reconsideration of the RCRA E&P waste exemption. Although the EPA has not yet formally responded to the petition, if the RCRA E&P waste exemption is repealed or modified, we could become subject to more rigorous and costly operating and disposal requirements.

We are required to obtain permits for the land treatment and disposal of E&P waste as part of our operations. The construction, operation and closure of E&P waste land treatment and disposal operations are generally regulated at the state level. These regulations vary widely from state to state. State permits can restrict size and location of disposal operations, impose limits on the types and amount of waste a facility may receive and the overall capacity of a waste disposal facility. States may add additional restrictions on the operations of a disposal facility when a permit is renewed or amended. As these regulations change, our permit requirements could become more stringent and may require material expenditures at our facilities or impose significant restraints or financial assurances on our operations.

In the course of our E&P waste operations, some of our equipment may be exposed to naturally occurring radiation associated with oil and gas deposits, and this exposure may result in the generation of wastes containing naturally occurring radioactive materials, or NORM. NORM wastes exhibiting trace levels of naturally occurring radiation in excess of established state standards are subject to special handling and disposal requirements, and any storage vessels, piping and work area affected by NORM may be subject to remediation or restoration requirements. It is possible that we may incur costs or liabilities associated with elevated levels of NORM.

RCRA also regulates underground storage of petroleum and other regulated materials. RCRA requires registration, compliance with technical standards for tanks, release detection and reporting, and corrective action, among other things. Certain of our facilities and operations are subject to these requirements.

The Federal Water Pollution Control Act of 1972, or the Clean Water Act

The Clean Water Act regulates the discharge of pollutants from a variety of sources, including solid waste disposal sites, transfer stations, and oilfield waste facilities, into waters of the United States. If run-off from our owned or operated transfer stations or oilfield waste facilities or run-off or collected leachate from our owned or operated landfills is discharged into streams, rivers or other surface waters, the Clean Water Act would require us to apply for and obtain a discharge permit, conduct sampling and monitoring and, under certain circumstances, reduce the quantity of pollutants in such discharge. Also, virtually all landfills are required to comply with the EPA's storm water regulations issued in November 1990, which are designed to prevent contaminated landfill storm water run-off from flowing into surface waters. Spill prevention, control and countermeasure requirements of federal laws require appropriate containment berms and similar structures to help prevent the contamination of regulated waters in the event of a hydrocarbon storage tank spill, rupture or leak. We believe that our facilities comply in all material respects with the Clean Water Act requirements. Various states in which we operate or may operate in the future have been delegated authority to implement the Clean Water Act permitting requirements, and some of these states have adopted regulations that are more stringent than the federal Clean Water Act requirements. For example, states often require permits for discharges that may impact ground water as well as surface water. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with discharge permits or other requirements of the Clean Water Act and analogous state laws and regulations. We believe that compliance with existing permits and regulatory requirements under the Clean Water Act and state counterparts will not have a material adverse effect on our business. Future changes to permits or regulatory requirements under the Clean Water Act, however, could adversely affect our business.

Safe Drinking Water Act, or SDWA

Our E&P underground injection operations are subject to the SDWA, as well as analogous state laws and regulations. Under the SDWA, the EPA established the underground injection control or UIC program, which includes requirements for permitting, testing, monitoring, record keeping, and reporting of injection well activities, as well as a prohibition against the migration of fluid containing any contaminant into underground sources of drinking water. State regulations require us to obtain a permit from the applicable regulatory agencies to operate our underground injection wells. We believe that we have obtained the necessary permits from these agencies for our underground injection wells and that we are in substantial compliance with permit conditions and state rules. Although we monitor the injection process of our wells, any leakage from the subsurface portions of the injection wells could cause degradation of fresh groundwater resources, potentially resulting in suspension of our UIC permit, issuance of fines and penalties from governmental agencies, incurrence of expenditures for remediation of the affected resource and imposition of liability by third parties for property damages and personal injuries. In addition, our sales of residual crude oil collected as part of the saltwater injection process could impose liability on us in the event that the entity to which the oil was transferred fails to manage and, as necessary, dispose of residual crude oil in accordance with applicable environmental and occupational health and safety laws.

Oil Pollution Act of 1990, or OPA

The OPA, as amended, establishes strict liability for owners and operators of facilities that are the site of a release of oil into the waters of the U.S. The OPA also imposes ongoing requirements on owners or operators of facilities that handle certain quantities of oil, including the preparation of oil spill response plans and proof of financial responsibility to cover environmental clean-up and restoration costs that could be incurred in conjunction with an oil spill. We handle oil at many of our facilities, and if a release of oil into the waters of the U.S. occurred at one of our facilities, we could be liable for cleanup costs and damages under the OPA.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, or CERCLA

CERCLA established a regulatory and remedial program intended to provide for the investigation and cleanup of facilities where, or from which, a release of any hazardous substance into the environment has occurred or is threatened. CERCLA’s primary mechanism for remedying such problems is to impose strict joint and several liability for cleanup of facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, any person who arranges for the transportation, disposal or treatment of the hazardous substances, and the transporters who select the disposal and treatment facilities, regardless of the care exercised by such persons. CERCLA also imposes liability for the cost of evaluating and remedying any damage to natural resources. The costs of CERCLA investigation and cleanup can be very substantial. Liability under CERCLA does not depend on the existence or disposal of “hazardous waste” as defined by RCRA; it can also be based on the release of even very small amounts of the more than 700 “hazardous substances” listed by the EPA, many of which can be found in household waste. In addition, the definition of “hazardous substances” in CERCLA incorporates substances designated as hazardous or toxic under the federal Clean Water Act, Clear Air Act and Toxic Substances Control Act.

We may handle hazardous substances within the meaning of CERCLA, or similar state statutes, in the course of our ordinary operations and, as a result, may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites at which these hazardous substances have been released into the environment. If we were found to be a responsible party for a CERCLA cleanup, the enforcing agency could hold us, or any other generator, transporter or the owner or operator of the contaminated facility, responsible for all investigative and remedial costs, even if others were also liable. Under such laws, we could be required to remove previously disposed substances and wastes (including substances disposed of or released by prior owners or operators) or remediate contaminated property (including groundwater contamination, whether from prior owners or operators or other historic activities or spills). These laws may also require us to conduct natural resource damage assessments and pay penalties for such damages. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants into the environment. These laws and regulations may also expose us to liability for our acts that were in compliance with applicable laws at the time the acts were performed.

CERCLA also authorizes the imposition of a lien in favor of the United States on all real property subject to, or affected by, a remedial action for all costs for which a party is liable. Subject to certain procedural restrictions, CERCLA gives a responsible party the right to bring a contribution action against other responsible parties for their allocable shares of investigative and remedial costs. Our ability to obtain reimbursement from others for their allocable shares of such costs would be limited by our ability to find other responsible parties and prove the extent of their responsibility, their financial resources, and other procedural requirements. Various state laws also impose strict joint and several liability for investigation, cleanup and other damages associated with hazardous substance releases.

Petroleum hydrocarbons and other substances and wastes arising from E&P-related activities have been disposed of or released on or under many of our sites. At some of our facilities, we have conducted and continue to conduct monitoring or remediation of known soil and groundwater contamination, and we will continue to perform such monitoring and remediation of known contamination, including any post remediation groundwater monitoring that may be required, until the appropriate regulatory standards have been achieved. These monitoring and remediation efforts are usually overseen by state environmental regulatory agencies.

The Clean Air Act, or CAA

The CAA generally, through state implementation of federal requirements, regulates emissions of air pollutants from emissions sources, including certain landfills and oilfield waste facilities, based on factors such as the date of the construction and tons per year of emissions of regulated pollutants. The CAA and analogous state laws require permits for and impose other restrictions on facilities that have the potential to emit substances into the atmosphere above certain specified quantities or in a manner that could adversely affect environmental quality. Failure to obtain a permit or to comply with permit requirements could result in the imposition of substantial administrative, civil and even criminal penalties.

Larger landfills and landfills located in areas where the ambient air does not meet certain requirements of the CAA may be subject to even more extensive air pollution controls and emission limitations. In addition, the EPA has issued standards regulating the disposal of asbestos-containing materials. Air permits may be required to construct gas collection and flaring systems and composting operations, and operating permits may be required, depending on the potential air emissions. In July 2014, the EPA proposed “Subpart XXX,” a New Source Performance Standard (“NSPS”) that would apply to newly constructed or modified municipal solid waste (“MSW”) landfills. Subpart XXX would reduce the non-methane organic compounds (“NMOC”) emission threshold at which MSW landfills must install controls, require compliance even during periods of start-up, shutdown, and malfunction, and impose other requirements. State air regulatory programs may impose additional restrictions beyond federal requirements. For example, some state air programs uniquely regulate odor and the emission of toxic air pollutants.

We do not believe that any of our oilfield waste operations are subject to CAA permitting or regulatory requirements for major sources of air emissions, but some of our facilities are subject to state “minor source” air permitting requirements and other state regulatory requirements for air emissions. In addition, our customers’ operations may be subject to existing and future CAA permitting and regulatory requirements that could have a material effect on their operations. For example, on April 17, 2012, the EPA approved new CAA rules requiring additional emissions controls and practices for oil and natural gas production wells, including wells that are the subject of hydraulic fracturing operations. These rules may increase the costs to our customers of developing and producing hydrocarbons, and as a result, may have an indirect and adverse effect on the amount of oilfield waste delivered to our facilities by our customers.

In addition, the EPA recently modified, or is in the process of modifying, other standards promulgated under the CAA in a manner which could increase our compliance costs. For example, the EPA has recently modified or discussed modifying national ambient air quality standards applicable to particulate matter, carbon monoxide, and oxides of sulfur and nitrogen, and other standards to make them more stringent.

Climate Change Laws and Regulations

On September 27, 2006, California enacted AB 32, the Global Warming Solutions Act of 2006, which established the first statewide program in the United States to limit greenhouse gas, or GHG, emissions and impose penalties for non-compliance. Because landfill and collection operations emit GHGs, our operations in California are subject to regulations issued under AB 32. The California Air Resources Board, or CARB, has taken, and plans to take, various actions to implement AB 32. CARB approved a landfill methane control measure, which became effective in June 2010, and this measure requires that certain uncontrolled landfills install gas collection and control systems and also sets operating standards for gas collection and control systems. In addition, CARB implemented a GHG cap-and-trade program, which began imposing compliance obligations in January 2013.

State climate change laws could also affect our non-California operations. For example, the Western Climate Initiative, which once included seven states and four Canadian provinces, has developed GHG reduction strategies, among them a GHG cap-and-trade program.

The EPA's regulation of GHG emissions under its CAA authority may also impact our operations. In 2009, the EPA made an endangerment finding allowing GHGs to be regulated under the CAA. The CAA requires stationary sources of air pollution to obtain New Source Review, or NSR, permits prior to construction and, in some cases, Title V operating permits. Pursuant to the EPA's rulemakings and interpretations, certain Title V and NSR Prevention of Significant Deterioration, or PSD, permits issued on or after January 2, 2011, must address GHG emissions. As a result, new or modified emissions sources may be required to install Best Available Control Technology to limit GHG emissions. The EPA's proposed Subpart XXX would also require the reduction of GHG emissions from new or modified landfills, and the EPA published in July 2014 an Advanced Notice of Proposed Rulemaking ("ANPR") that sought public comment on rules that would reduce GHG emissions from existing landfills. In addition, the EPA's Mandatory Greenhouse Gas Reporting Rule sets monitoring, recordkeeping, and reporting requirements applicable to certain landfills and other entities.

Regulation of GHG emissions from oil and gas E&P operations may also increase the costs to our customers of developing and producing hydrocarbons, and as a result, may have an indirect and adverse effect on the amount of oilfield waste delivered to our facilities by our customers. For example, a group of state attorneys general petitioned the EPA in December 2012 requesting that the EPA set methane emissions standards for the oil and gas sector pursuant to its CAA authority. The EPA has not yet acted on the petition, but released in April 2014 five technical white papers describing potential methane mitigation measures applicable to E&P sources including compressors, hydraulically fractured oil wells, leaks, liquids unloading, and pneumatic devices, and the EPA had indicated that it would make a decision on its regulatory approach in 2014. The State of Colorado adopted rules in February 2014 that would directly regulate methane emissions from the oil and gas sector, and other states subsequently adopted or considered similar regulations, including Wyoming, California and Ohio.

The EPA's 2014 activities discussed above follow on the White House's release in March 2014 of a "Climate Action Plan: Strategy to Reduce Methane Emissions," which sets out a strategy for EPA and other agencies to follow in reducing emissions from landfills, oil and gas operations, coal mines and the agricultural sector.

These statutes and regulations increase the costs of our operations, and future climate change statutes and regulations may have an impact as well. If we are unable to pass such higher costs through to our customers, or if our customers' costs of developing and producing hydrocarbons increase, our business, financial condition and operating results could be adversely affected.

The Occupational Safety and Health Act of 1970, or the OSH Act

The OSH Act is administered by the Occupational Safety and Health Administration, or OSHA, and many state agencies whose programs have been approved by OSHA. The OSH Act establishes employer responsibilities for worker health and safety, including the obligation to maintain a workplace free of recognized hazards likely to cause death or serious injury, comply with adopted worker protection standards, maintain certain records, provide workers with required disclosures and implement certain health and safety training programs. Various OSHA standards may apply to our operations, including standards concerning notices of hazards, safety in excavation and demolition work, the handling of asbestos and asbestos-containing materials and worker training and emergency response programs.

Hydraulic Fracturing Regulation

We do not conduct hydraulic fracturing operations, but we do provide treatment, recovery and disposal services with respect to the fluids used and wastes generated by our customers in such operations, which are often necessary to drill and complete new wells and maintain existing wells. Recently, there has been increased public concern regarding the alleged potential for hydraulic fracturing to adversely affect drinking water supplies, and proposals have been made to enact separate federal legislation or legislation at the state and local government levels that would increase the regulatory burden imposed on hydraulic fracturing. Bills and regulations have been proposed and/or adopted at the federal, state and local levels that would regulate, restrict or prohibit hydraulic fracturing operations or require the reporting and public disclosure of chemicals used in the hydraulic fracturing process. Additionally, the EPA is currently studying the environmental impacts of hydraulic fracturing, including the impacts resulting from the treatment and disposal of E&P wastes associated with the hydraulic fracturing process. In 2014, the EPA proposed or discussed new rules that would regulate hydraulic fracturing and the treatment and disposal of E&P wastes associated with fracturing.

Hydraulic fracturing is regulated extensively at the state level, typically by state oil and natural gas commissions and similar agencies. States and localities have placed moratoria or bans on hydraulic fracturing or the disposal of waste therefrom, or have considered the same. For example, in December 2014, New York announced its intention to ban hydraulic fracturing, and bans or moratoria are in effect in localities in California, Colorado, Ohio, Pennsylvania and Texas, as well as in other states. Several states, including Louisiana, New Mexico, North Dakota, Oklahoma, Texas and Wyoming, where we conduct business, have adopted or proposed laws and/or regulations to require oil and natural gas operators to disclose information concerning their operations, which could result in increased public scrutiny.

As part of its efforts to regulate hydraulic fracturing, the EPA is developing a proposed rule to amend the Effluent Limitations Guidelines and Standards (“ELGs”) to address discharges of wastewater pollutants from onshore unconventional oil and gas extraction facilities to publicly-owned treatment works (“POTWs”). The EPA sent the proposed rule to the White House Office of Management & Budget in November 2014 for pre-publication review and plans to publish the proposed rule in February 2015. In September 2014, the EPA announced that it plans to conduct a detailed study of centralized waste treatment (“CWT”) facilities accepting oil and gas extraction wastewater to ensure that current controls are adequate, and the scope of the planned study would analyze the environmental impacts of discharges from CWTs, available treatment technologies and their costs. In May 2014, the EPA issued an ANPR under the Toxic Substances Control Act (“TSCA”) seeking comment on whether and how the EPA should regulate the reporting or disclosure of the use of hydraulic fracturing chemical substances and mixtures. The EPA also released in 2014 guidance and studies concerning the applicability of the SDWA and RCRA to hydraulic fracturing operations. The impacts of the rules that the EPA is proposing or discussing will be uncertain until the rules are finalized.

If the EPA’s newly proposed or discussed rules, or other new federal, state or local laws or regulations that significantly restrict hydraulic fracturing, are adopted, such legal requirements could result in delays, eliminate certain drilling and injection activities and make it more difficult or costly for our customers to perform hydraulic fracturing. Any such regulations limiting or prohibiting hydraulic fracturing could reduce oil and natural gas exploration and production activities by our customers and, therefore, adversely affect our business. Such laws or regulations could also materially increase our costs of compliance.

Flow Control/Interstate Waste Restrictions

Certain permits and approvals and state and local regulations may limit a landfill’s or transfer station’s ability to accept waste that originates from specified geographic areas, import out-of-state waste or wastes originating outside the local jurisdictions or otherwise discriminate against non-local waste. These restrictions, generally known as flow control restrictions, are controversial, and some courts have held that some state and local flow control schemes violate constitutional limits on state or local regulation of interstate commerce, while other state and local flow control schemes do not. Certain state and local jurisdictions may seek to enforce flow control restrictions through local legislation or contractually. These actions could limit or prohibit the importation of wastes originating outside of local jurisdictions or direct that wastes be handled at specified facilities. Such actions could adversely affect our transfer stations and landfills. These restrictions could also result in higher disposal costs for our collection operations. If we were unable to pass such higher costs through to our customers, our business, financial condition and operating results could be adversely affected.

State and Local Regulations

Each state in which we now operate or may operate in the future has laws and regulations governing the generation, storage, treatment, handling, transportation and disposal of solid waste, oilfield waste, occupational safety and health, water and air pollution and, in most cases, the siting, design, operation, maintenance, closure and post-closure maintenance of landfills and transfer stations. State and local permits and approval for these operations may be required and may be subject to periodic renewal, modification or revocation by the issuing agencies. In addition, many states have adopted statutes comparable to, and in some cases more stringent than, CERCLA. These statutes impose requirements for investigation and cleanup of contaminated sites and liability for costs and damages associated with such sites, and some provide for the imposition of liens on property owned by responsible parties.

Many municipalities also have enacted or could enact ordinances, local laws and regulations affecting our operations. These include zoning and health measures that limit solid waste management activities to specified sites or activities, flow control provisions that direct or restrict the delivery of solid wastes to specific facilities, laws that grant the right to establish franchises for collection services and bidding for such franchises, and bans or other restrictions on the movement of solid wastes into a municipality.

Various jurisdictions have enacted “fitness” regulations which allow agencies with authority over waste service contracts or permits to deny or revoke such contracts or permits based on the compliance history of the provider. Some jurisdictions also consider the compliance history of the parent, subsidiaries, or affiliated companies of the provider in making these decisions.

Permits or other land use approvals with respect to a landfill, as well as state or local laws and regulations, may specify the quantity of waste that may be accepted at the landfill during a given time period and/or the types of waste that may be accepted at the landfill. Once an operating permit for a landfill is obtained, it generally must be renewed periodically.

There has been an increasing trend at the state and local level to mandate and encourage waste reduction at the source and waste recycling, and to prohibit or restrict the disposal in landfills of certain types of solid wastes, such as food waste, yard waste, leaves, tires, computers and other electronic equipment waste, and painted wood and other construction and demolition debris. The enactment of regulations reducing the volume and types of wastes available for transport to and disposal in landfills could prevent us from operating our facilities at their full capacity.

Some state and local authorities enforce certain federal requirements in addition to state and local laws and regulations. For example, in some states, local or state authorities enforce requirements of RCRA, the OSH Act and parts of the CAA and the Clean Water Act instead of the EPA or OSHA, as applicable, and in some states such laws are enforced jointly by state or local and federal authorities.

E&P waste treatment, recovery and disposal operations are also regulated at the state level. For example, in Louisiana, the Louisiana Department of Natural Resources, or LDNR is responsible for regulating and permitting all oil and natural gas activities in the state, including E&P waste treatment and disposal operations, such as injection wells, land treatment and disposal facilities and transfer stations. As an example of the impact state regulations can have, in November 2009, the LDNR amended its regulations allowing operators to reuse certain E&P waste in hydraulic fracturing operations one time before the operators must dispose of the waste, and on June 20, 2010, the LDNR amended its regulations to allow operators to reuse E&P waste from hydraulic fracturing as many times as reasonably feasible. This regulatory action allows operators to, in some cases, forego sending their E&P waste to commercial disposal facilities such as ours, directly impacting our operations in Louisiana. State environmental laws and regulations require that we obtain permits and authorizations prior to the development and operation of E&P waste treatment and storage facilities and in connection with the disposal and transportation of certain types of waste. The applicable regulatory agencies strictly monitor production and disposal practices at all of our facilities. As part of our permitting process, we participate in annual monitoring, internal testing and third-party testing. A breach of such laws or regulations may result in suspension or revocation of necessary permits and authorizations, civil liability and imposition of fines and penalties. Moreover, if we experience a delay in obtaining, are unable to obtain, or suffer the revocation of required permits, we may be unable to serve our customers, our operations may be interrupted, and our growth and revenue may be limited.

Public Utility Regulation

In some states, public authorities regulate the rates that landfill operators may charge. The adoption of rate regulation or the reduction of current rates in states in which we own or operate landfills could adversely affect our business, financial condition and operating results.

Solid waste collection services in all unincorporated areas of Washington and in electing municipalities in Washington are provided under G Certificates awarded by the WUTC. In association with the regulation of solid waste collection service levels in these areas, the WUTC also reviews and approves rates for regulated solid waste collection and transportation service.

RISK MANAGEMENT, INSURANCE AND FINANCIAL SURETY BONDS

Risk Management

We maintain environmental and other risk management programs that we believe are appropriate for our business. Our environmental risk management program includes evaluating existing facilities and potential acquisitions for environmental law compliance. We do not presently expect environmental compliance costs to increase materially above current levels, but we cannot predict whether future acquisitions will cause such costs to increase. We also maintain a worker safety program that encourages safe practices in the workplace. Operating practices at our operations emphasize minimizing the possibility of environmental contamination and litigation. Our facilities comply in all material respects with applicable federal and state regulations.

Insurance

We have a high deductible or self-insured retention insurance program for automobile liability, general liability, employer's liability claims, environmental liability, cyber liability, employment practices liability and directors' and officers' liability as well as for employee group health insurance, property and workers' compensation. Our loss exposure for insurance claims is generally limited to per incident deductibles or self-insured retentions. Losses in excess of deductible or self-insured retention levels are insured subject to policy limits. Under our current insurance program, we carry per incident deductibles or self-insured retentions of $2 million for automobile liability claims, $1.5 million for workers' compensation and employer's liability claims, $1 million for general liability claims, $1 million for directors' and officers' liability claims, $250,000 for employee group health insurance and employment practices liability, and primarily $100,000 for property claims. We also have a policy covering risks associated with cyber liability that has a $50,000 self-insured retention. Additionally, we have umbrella policies with insurance companies for automobile liability, general liability and employer's liability. Since workers' compensation is a statutory coverage limited by the various state jurisdictions, the umbrella coverage is not applicable. Also, our umbrella policy does not cover property claims, as the insurance limits for these claims are in accordance with the replacement values of the insured property. From time to time, actions filed against us include claims for punitive damages, which are generally excluded from coverage under our liability insurance policies.

We carry environmental protection insurance which has a $250,000 per incident deductible. This insurance policy covers all owned or operated landfills, certain transfer stations and other facilities, subject to the policy terms and conditions. Our policy provides insurance for new pollution conditions that originate after the commencement of our coverage. Pollution conditions existing prior to the commencement of our coverage, if found, could be excluded from coverage.

Financial Surety Bonds

We use financial surety bonds for a variety of corporate guarantees. The financial surety bonds are primarily used for guaranteeing municipal contract performance and providing financial assurances to meet asset closure and retirement requirements under certain environmental regulations. In addition to surety bonds, such guarantees and obligations may also be met through alternative financial assurance instruments, including insurance, letters of credit and restricted asset deposits. At December 31, 2014 and 2013, we had provided customers and various regulatory authorities with surety bonds in the aggregate amount of approximately $342.6 million and $304.4 million, respectively, to secure our asset closure and retirement requirements and $94.4 million and $89.2 million, respectively, to secure performance under collection contracts and landfill operating agreements.

We own a 9.9% interest in a company that, among other activities, issues financial surety bonds to secure landfill final capping, closure and post-closure obligations for companies operating in the solid waste sector, including a portion of our own.

EMPLOYEES

At December 31, 2014, we had 6,777 employees, of which 683, or approximately 10.1% of our workforce, were employed under collective bargaining agreements, primarily with the Teamsters Union. These collective bargaining agreements are renegotiated periodically. We have five collective bargaining agreements covering 249 employees that have expired or are set to expire during 2015. We do not expect any significant disruption in our overall business in 2015 as a result of labor negotiations, employee strikes or organizational efforts.

SEASONALITY

We expect our operating results to vary seasonally, with revenues typically lowest in the first quarter, higher in the second and third quarters and lower in the fourth quarter than in the second and third quarters. This seasonality reflects (a) the lower volume of solid waste generated during the late fall, winter and early spring because of decreased construction and demolition activities during winter months in the U.S., and (b) reduced E&P activity during harsh weather conditions, with expected fluctuation due to such seasonality between our highest and lowest quarters of approximately 12% to 15%. In addition, some of our operating costs may be higher in the winter months. Adverse winter weather conditions slow waste collection activities, resulting in higher labor and operational costs. Greater precipitation in the winter increases the weight of collected municipal solid waste, resulting in higher disposal costs, which are calculated on a per ton basis.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning our executive officers as of February 10, 2015:

NAME	AGE	**POSITIONS**
Ronald J. Mittelstaedt [1]	51	Chief Executive Officer and Chairman
Steven F. Bouck	57	President
Darrell W. Chambliss	50	Executive Vice President and Chief Operating Officer
Worthing F. Jackman	50	Executive Vice President and Chief Financial Officer
David G. Eddie	45	Senior Vice President and Chief Accounting Officer
David M. Hall	57	Senior Vice President – Sales and Marketing
James M. Little	53	Senior Vice President – Engineering and Disposal
Patrick J. Shea	44	Senior Vice President, General Counsel and Secretary
Matthew S. Black	42	Vice President and Chief Tax Officer
Robert M. Cloninger	42	Vice President, Deputy General Counsel and Assistant Secretary
Eric O. Hansen	49	Vice President – Chief Information Officer
Susan R. Netherton	45	Vice President – People, Training and Development
Scott I. Schreiber	58	Vice President – Disposal Operations
Gregory Thibodeaux	48	Vice President – Maintenance and Fleet Management
Mary Anne Whitney	51	Vice President – Finance
Richard K. Wojahn	57	Vice President – Business Development

(1) Member of the Executive Committee of the Board of Directors.

Ronald J. Mittelstaedt has been Chief Executive Officer and a director of Waste Connections since the company was formed, and was elected Chairman in January 1998. Mr. Mittelstaedt also served as President from Waste Connections' formation through August 2004. Mr. Mittelstaedt has more than 25 years of experience in the solid waste industry. Mr. Mittelstaedt serves as a director of SkyWest, Inc. and Mattress Firm Holding Corp. Mr. Mittelstaedt holds a B.A. degree in Business Economics with a finance emphasis from the University of California at Santa Barbara.

Steven F. Bouck has been President of Waste Connections since September 1, 2004. From February 1998 to that date, Mr. Bouck served as Executive Vice President and Chief Financial Officer. Mr. Bouck held various positions with First Analysis Corporation from 1986 to 1998, focusing on financial services to the environmental industry. Mr. Bouck holds B.S. and M.S. degrees in Mechanical Engineering from Rensselaer Polytechnic Institute, and an M.B.A. in Finance from the Wharton School.

Darrell W. Chambliss has been Executive Vice President and Chief Operating Officer of Waste Connections since October 2003. From October 1, 1997, to that date, Mr. Chambliss served as Executive Vice President – Operations. Mr.

Chambliss has more than 24 years of experience in the solid waste industry. Mr. Chambliss holds a B.S. degree in Business Administration from the University of Arkansas.

Worthing F. Jackman has been Executive Vice President and Chief Financial Officer of Waste Connections since September 1, 2004. From April 2003 to that date, Mr. Jackman served as Vice President – Finance and Investor Relations. Mr. Jackman held various investment banking positions with Alex. Brown & Sons, now Deutsche Bank Securities, Inc., from 1991 through 2003, including most recently as a Managing Director within the Global Industrial & Environmental Services Group. In that capacity, he provided capital markets and strategic advisory services to companies in a variety of sectors, including solid waste services. Mr. Jackman serves as a director of Quanta Services, Inc. He holds a B.S. degree in Finance from Syracuse University and an M.B.A. from the Harvard Business School.

David G. Eddie has been Senior Vice President and Chief Accounting Officer of Waste Connections since January 2011. From February 2010 to that date, Mr. Eddie served as Vice President – Chief Accounting Officer. From March 2004 to February 2010, Mr. Eddie served as Vice President – Corporate Controller. From April 2003 to February 2004, Mr. Eddie served as Vice President – Public Reporting and Compliance. From May 2001 to March 2003, Mr. Eddie served as Director of Finance. Mr. Eddie served as Corporate Controller for International Fibercom, Inc. from April 2000 to May 2001. From September 1999 to April 2000, Mr. Eddie served as Waste Connections’ Manager of Financial Reporting. From September 1994 to September 1999, Mr. Eddie held various positions, including Audit Manager, for PricewaterhouseCoopers LLP. Mr. Eddie is a Certified Public Accountant and holds a B.S. degree in Accounting from California State University, Sacramento.

David M. Hall has been Senior Vice President – Sales and Marketing of Waste Connections since October 2005. From August 1998 to that date, Mr. Hall served as Vice President – Business Development. Mr. Hall has more than 29 years of experience in the solid waste industry with extensive operating and marketing experience in the Western U.S. Mr. Hall received a B.S. degree in Management and Marketing from Missouri State University.

James M. Little has been Senior Vice President – Engineering and Disposal of Waste Connections since February 2009. From September 1999 to that date, Mr. Little served as Vice President – Engineering. Mr. Little held various management positions with Waste Management, Inc. (formerly USA Waste Services, Inc., which acquired Waste Management, Inc. and Chambers Development Co. Inc.) from April 1990 to September 1999, including Regional Environmental Manager and Regional Landfill Manager, and most recently Division Manager in Ohio, where he was responsible for the operations of ten operating companies in the Northern Ohio area. Mr. Little is a certified professional geologist and holds a B.S. degree in Geology from Slippery Rock University.

Patrick J. Shea has been Senior Vice President, General Counsel and Secretary of Waste Connections since August 2014. From February 2009 to that date, Mr. Shea served as Vice President, General Counsel and Secretary. From February 2008 to February 2009, Mr. Shea served as General Counsel and Secretary. He served as Corporate Counsel from February 2004 to February 2008. Mr. Shea practiced corporate and securities law with Brobeck, Phleger & Harrison LLP in San Francisco from 1999 to 2003 and Winthrop, Stimson, Putnam & Roberts (now Pillsbury Winthrop Shaw Pittman LLP) in New York and London from 1995 to 1999. Mr. Shea holds a B.S. degree in Managerial Economics from the University of California at Davis and a J.D. degree from Cornell University.

Matthew S. Black has been Vice President and Chief Tax Officer of Waste Connections since March 2012. From December 2006 to that date, Mr. Black served as Executive Director of Taxes. Mr. Black served as Tax Director for The McClatchy Company from April 2001 to November 2006, and served as Tax Manager from December 2000 to March 2001. From January 1994 to November 2000, Mr. Black held various positions, including Tax Manager, for PricewaterhouseCoopers LLP. Mr. Black is a Certified Public Accountant and holds a B.S. degree in Accounting and M.S. degree in Taxation from California State University, Sacramento.

Robert M. Cloninger has been Vice President, Deputy General Counsel and Assistant Secretary of Waste Connections since August 2014. From February 2013 to that date, Mr. Cloninger served as Deputy General Counsel. He served as Corporate Counsel from February 2008 to February 2013. Mr. Cloninger practiced corporate, securities and mergers and acquisitions law with Schiff Hardin LLP in Chicago from 1999 to 2004 and Downey Brand LLP in Sacramento from 2004 to 2008. Mr. Cloninger holds a B.A. degree in History from Northwestern University and a J.D. degree from the University of California at Davis.

Eric O. Hansen has been Vice President – Chief Information Officer of Waste Connections since July 2004. From January 2001 to that date, Mr. Hansen served as Vice President – Information Technology. From April 1998 to December 2000, Mr. Hansen served as Director of Management Information Systems. Mr. Hansen holds a B.S. degree from Portland State University.

Susan R. Netherton has been Vice President – People, Training and Development since July 2013. From February 2007 to that date, Ms. Netherton served as Director of Human Resources and Employment Manager. From 1994 to 2007, Ms. Netherton held various human resources positions at Carpenter Technology Corporation, a publicly traded specialty metals and materials company. Ms. Netherton holds a B. S. in Elementary Education from Kutztown University and an M.B.A. from St. Mary's College of California.

Scott I. Schreiber has been Vice President – Disposal Operations of Waste Connections since February 2009. From October 1998 to that date, Mr. Schreiber served as Director of Landfill Operations. Mr. Schreiber has more than 34 years of experience in the solid waste industry. From September 1993 to September 1998, Mr. Schreiber served as corporate Director of Landfill Development and corporate Director of Environmental Compliance for Allied Waste Industries, Inc. From August 1988 to September 1993, Mr. Schreiber served as Regional Engineer (Continental Region) and corporate Director of Landfill Development for Laidlaw Waste Systems Inc. From June 1979 to August 1988, Mr. Schreiber held several managerial and technical positions in the solid waste and environmental industry. Mr. Schreiber holds a B.S. degree in Chemistry from the University of Wisconsin at Parkside.

Gregory Thibodeaux has been Vice President – Maintenance and Fleet Management of Waste Connections since January 2011. From January 2000 to that date, Mr. Thibodeaux served as Director of Maintenance. Mr. Thibodeaux has more than 28 years of experience in the solid waste industry having held various management positions with Browning Ferris Industries, Sanifill, and USA Waste Services, Inc. Before coming to Waste Connections, Mr. Thibodeaux served as corporate Director of Maintenance for Texas Disposal Systems.

Mary Anne Whitney has been Vice President - Finance of Waste Connections since March 2012. From November 2006 to that date, Ms. Whitney served as Director of Finance. Ms. Whitney held various finance positions for Wheelabrator Technologies from 1990 to 2001. Ms. Whitney holds a B.A. degree in Economics from Georgetown University and an M.B.A. in Finance from New York University Stern School of Business.

Richard K. Wojahn has been Vice President – Business Development of Waste Connections since February 2009. From September 2005 to that date, Mr. Wojahn served as Director of Business Development. Mr. Wojahn served as Vice President of Operations for Mountain Jack Environmental Services, Inc. (which was acquired by Waste Connections in September 2005) from January 2004 to September 2005. Mr. Wojahn has more than 33 years of experience in the solid waste industry having held various management positions with Waste Management, Inc. and Allied Waste Industries, Inc. Mr. Wojahn attended Western Illinois University.

AVAILABLE INFORMATION

Our corporate website address is http://www.wasteconnections.com. The information on our website is not incorporated by reference in this annual report on Form 10-K. We make our reports on Forms 10-K, 10-Q and 8-K and any amendments to such reports available on our website free of charge as soon as reasonably practicable after we file them with or furnish them to the Securities and Exchange Commission, or SEC. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC, 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

Certain statements contained in this Annual Report on Form 10-K are forward-looking in nature, including statements related to our ability to obtain additional exclusive arrangements, our ability to generate internal growth, our ability to generate free cash flow and reduce our leverage, our ability to provide adequate cash to fund our operating activities, our ability to draw on our credit agreement or raise additional capital, the impact of global economic conditions, including the price of crude oil, on our volume, business and results of operations, the effects of landfill special waste projects on volume results, the effects of seasonality on our business and results of operations, demand for recyclable commodities and recyclable commodity pricing, our ability to grow through acquisitions and our expectations with respect to the impact of acquisitions on our expected revenues and expenses, our ability to expand permitted capacity at landfills we own or operate, our expectations with respect to capital expenditures, our expectations with respect to the purchase of fuel and fuel prices, and our expectations with respect to the outcomes of our legal proceedings. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates," or the negative thereof or comparable terminology, or by discussions of strategy.

Our business and operations are subject to a variety of risks and uncertainties and, consequently, actual results may differ materially from those projected by any forward-looking statements. Factors that could cause actual results to differ from those projected include, but are not limited to, those listed below and elsewhere in this report. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change.

Negative trends or volatility in crude oil prices may adversely affect the level of exploration, development and production activity of E&P companies and the demand for our E&P waste services.

The price of crude oil dropped precipitously in late 2014 and is expected to affect the profitability and creditworthiness of many E&P companies and therefore may affect their level of investment and the amount of linear feet drilled in the basins where we operate. Lower crude oil prices and the volatility of such prices may impact the ability of E&P companies to access capital on economically advantageous terms or at all; in addition, E&P companies may elect to decrease investment in basins where the returns on investment are inadequate or uncertain due to lower crude oil prices or volatility in crude oil prices. Such reductions in capital spending would negatively impact E&P waste generation and therefore the demand for our services. Further, we cannot provide assurances that higher crude oil prices will result in increased capital spending and linear feet drilled by our customers in the basins where we operate.

Our results are vulnerable to economic conditions.

Our business and financial results would be harmed by downturns in the general economy, or in the economy of the regions in which we operate as well as other factors affecting those regions, including the price of crude oil. In an economic slowdown, we experience the negative effects of decreased waste generation, increased competitive pricing pressure, customer turnover, and reductions in customer service requirements. Two lines of business that could see a more immediate impact would be construction and demolition and E&P waste disposal. In addition, a weaker economy may result in declines in recycled commodity prices. Worsening economic conditions or a prolonged or recurring economic recession could adversely affect our operating results and expected seasonal fluctuations. Further, we cannot assure you that any improvement in economic conditions after such a downturn will result in an immediate, if at all positive, improvement in our operating results or cash flows.

<u>Our E&P waste business depends on the willingness of E&P companies to outsource their waste services activities</u>.

The demand for E&P waste services in the basins in which we operate may be adversely affected by the willingness of E&P companies to outsource their waste services activities. In certain basins, we are largely dependent on the willingness of E&P companies to outsource their waste services activities generally, and to us specifically, rather than to our competitors. To the extent that E&P companies, including our current customers, elect not to outsource their E&P waste services activities or market prices decline, our results may be affected. E&P companies have varying market shares within basins, and, depending on that share, the loss of any customer in a given basin could have an adverse effect on results of operations and cash flows in that market. Furthermore, while our E&P customers frequently require us to enter into master service agreements, such agreements typically do not include volume commitments from the customers and typically are terminable at the discretion of either party. These factors introduce greater volatility to our revenues and operating margins for this business, which could have a material adverse effect on our financial position, results of operations and cash flows.

Our industry is highly competitive and includes larger and better capitalized companies, companies with lower prices, return expectations or other advantages, and governmental service providers, which could adversely affect our ability to compete and our operating results.

Our industry is highly competitive and requires substantial labor and capital resources. Some of the markets in which we compete or will seek to compete are served by one or more large, national companies, as well as by regional and local companies of varying sizes and resources, some of which we believe have accumulated substantial goodwill in their markets. Some of our competitors may also be better capitalized than we are, have greater name recognition than we do, or be able to provide or be willing to bid their services at a lower price than we may be willing to offer. In addition, existing and future competitors may develop or offer services or new technologies, new facilities or other advantages. Our inability to compete effectively could hinder our growth or negatively impact our operating results.

In our solid waste business, we also compete with counties, municipalities and solid waste districts that maintain or could in the future choose to maintain their own waste collection and disposal operations, including through the implementation of flow control ordinances or similar legislation. These operators may have financial advantages over us because of their access to user fees and similar charges, tax revenues and tax-exempt financing.

In our E&P waste business, we compete for disposal volumes with existing facilities owned by third parties, and we face potential competition from new facilities that are currently under development. Increased competition in certain markets may result in lower pricing and decreased volumes at our facilities. In addition, customers in certain markets may decide to use internal disposal methods for the treatment and disposal of their waste.

Our financial and operating performance may be affected by the inability to renew landfill operating permits, obtain new landfills and expand existing ones.

We currently own and/or operate 58 landfills and have two additional landfills in development. Our ability to meet our financial and operating objectives may depend in part on our ability to acquire, lease, or renew landfill operating permits, expand existing landfills and develop new landfill sites, especially in our E&P waste business. It has become increasingly difficult and expensive to obtain required permits and approvals to build, operate and expand solid waste management facilities, including landfills and transfer stations. Although the process generally takes less time, the process of obtaining permits and approvals for E&P landfills has similar uncertainties. Operating permits for landfills in states where we operate must generally be renewed every five to ten years, although some permits are required to be renewed more frequently. These operating permits often must be renewed several times during the permitted life of a landfill. The permit and approval process is often time consuming, requires numerous hearings and compliance with zoning, environmental and other requirements, is frequently challenged by special interest and other groups, and may result in the denial of a permit or renewal, the award of a permit or renewal for a shorter duration than we believed was otherwise required by law, or burdensome terms and conditions being imposed on our operations. We may not be able to obtain new landfill sites or expand the permitted capacity of our landfills when necessary and may be required to expense up to the carrying value of the landfill or expansion project, less the recoverable value of the property and other amounts recovered. Obtaining new landfill sites is important to our expansion into new, non-exclusive solid waste markets and in our E&P waste business. If we do not believe that we can obtain a landfill site in a non-exclusive market, we may choose not to enter that market. Expanding existing landfill sites is important in those markets where the remaining lives of our landfills are relatively short. We may choose to forego acquisitions and internal growth in these markets because increased volumes would further shorten the lives of these landfills. Any of these circumstances could adversely affect our operating results.

Competition for acquisition candidates, consolidation within the waste industry and economic and market conditions may limit our ability to grow through acquisitions.

We seek to grow through strategic acquisitions in addition to internal growth. Although we have and expect to continue to identify numerous acquisition candidates that we believe may be suitable, we may not be able to acquire them at prices or on terms and conditions favorable to us.

Other companies have adopted or may in the future adopt our strategy of acquiring and consolidating regional and local businesses. We expect that increased consolidation in the solid waste services industry will continue to reduce the number of attractive acquisition candidates. Moreover, general economic conditions and the environment for attractive investments may affect the desire of the owners of acquisition candidates to sell their companies. As a result, we may have fewer acquisition opportunities, and those opportunities may be on less attractive terms than in the past, which could cause a reduction in our rate of growth from acquisitions.

Our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so. While we expect we will be able to fund some of our acquisitions with our existing resources, additional financing to pursue additional acquisitions may be required. However, particularly if market conditions deteriorate, we may be unable to secure additional financing or any such additional financing may be available to us on unfavorable terms, which could have an impact on our flexibility to pursue additional acquisition opportunities. In addition, disruptions in the capital and credit markets could adversely affect our ability to draw on our credit agreement or raise other capital. Our access to funds under the credit agreement is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

<u>Our indebtedness could adversely affect our financial condition and limit our financial flexibility</u>.

As of December 31, 2014, we had approximately $2.0 billion of total indebtedness outstanding, and we may incur additional debt in the future. This amount of indebtedness could:

- increase our vulnerability to general adverse economic and industry conditions;
- expose us to interest rate risk since a majority of our indebtedness is at variable rates;
- limit our ability to obtain additional financing or refinancings at attractive rates;
- require the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund our growth strategy, working capital, capital expenditures, dividends, share repurchases and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry; and
- place us at a competitive disadvantage relative to our competitors with less debt.

Further, our outstanding indebtedness is subject to financial and other covenants, which may be affected by changes in economic or business conditions or other events that are beyond our control. If we fail to comply with the covenants under any of our indebtedness, we may be in default under the loan, which may entitle the lenders to accelerate the debt obligations. A default under one of our loans could result in cross-defaults under our other indebtedness. In order to avoid defaulting on our indebtedness, we may be required to take actions such as reducing or delaying capital expenditures, reducing or eliminating dividends or stock repurchases, selling assets, restructuring or refinancing all or part of our existing debt, or seeking additional equity capital, any of which may not be available on terms that are favorable to us, if at all.

<u>Price increases may not be adequate to offset the impact of increased costs, or may cause us to lose volume</u>.

We seek price increases necessary to offset increased costs, to improve operating margins and to obtain adequate returns on our deployed capital. Contractual, general economic, competitive or market-specific conditions may limit our ability to raise prices. As a result of these factors, we may be unable to offset increases in costs, improve operating margins and obtain adequate investment returns through price increases. We may also lose volume to lower-price competitors.

Fluctuations in prices for recycled commodities that we sell and rebates we offer to customers may cause our revenues and operating results to decline.

We provide recycling services to some of our customers. The majority of the recyclables we process for sale are paper products that are shipped to customers in Asia. The sale prices of and demands for recyclable commodities, particularly paper products, are frequently volatile and when they decline, our revenues, operating results and cash flows will be affected. Our recycling operations offer rebates to customers based on the market prices of commodities we buy to process for resale. Therefore, if we recognize increased revenues resulting from higher prices for recyclable commodities, the rebates we pay to suppliers will also increase, which also may impact our operating results.

We have limited experience in running an E&P waste treatment, recovery and disposal business.

In 2012, we acquired the non-hazardous E&P waste treatment, recovery and disposal businesses of R360, which are included in what we refer to as our E&P waste business. Our E&P waste business accounted for approximately 15% of our revenues in 2014. While we conducted limited E&P waste treatment and disposal prior to the R360 acquisition, the E&P waste business is outside of our historical core business of municipal solid waste. We expect revenues and operating margins, as well as customer demand, for our E&P waste business to be more volatile than our historical MSW business, particularly in the near term, given the precipitous decline in crude oil prices in late 2014. If we are unable to effectively manage this business, or if we do not adequately anticipate the volatility of this business, our financial condition and results of operations may suffer.

The seasonal nature of our business and "event-driven" waste projects cause our results to fluctuate.

Based on historic trends, we expect our operating results to vary seasonally, with revenues typically lowest in the first quarter, higher in the second and third quarters, and lower in the fourth quarter than in the second and third quarters. We expect the fluctuation in our revenues between our highest and lowest quarters to be approximately 12% to 15%. This seasonality reflects the lower volume of solid waste generated during the late fall, winter and early spring because of decreased construction and demolition activities during the winter months in the U.S., and reduced E&P activity during harsh weather conditions. Conversely, mild winter weather conditions may reduce demand for oil and natural gas, which may cause our customers to curtail their drilling programs, which could result in production of lower volumes of E&P waste.

Adverse winter weather conditions slow waste collection activities, resulting in higher labor and operational costs. Greater precipitation in the winter increases the weight of collected waste, resulting in higher disposal costs, which are calculated on a per ton basis. Certain weather conditions, including severe storms, may result in temporary suspension of our operations, which can significantly impact the operating results of the affected areas. Conversely, weather-related occurrences and other "event-driven" waste projects can boost revenues through heavier weight loads or additional work for a limited time period. These factors impact period-to-period comparisons of financial results, and our stock price may be negatively affected by these variations.

We may lose contracts through competitive bidding, early termination or governmental action.

We derive a significant portion of our revenues from market areas where we have exclusive arrangements, including franchise agreements, municipal contracts and G Certificates. Many franchise agreements and municipal contracts are for a specified term and are, or will be, subject to competitive bidding in the future. For example, we have approximately 319 contracts, representing approximately 2.4% of our annual revenues, which are set for expiration or automatic renewal on or before December 31, 2015. Although we intend to bid on additional municipal contracts and franchise agreements, we may not be the successful bidder. In addition, some of our customers, including municipalities, may terminate their contracts with us before the end of the terms of those contracts. Similar risks may affect contracts that we are awarded to operate municipally-owned assets, such as landfills. For example, see the discussion regarding the Madera County, California Materials Recovery Facility Contract Litigation under the "Legal Proceedings" section of Note 11 of our consolidated financial statements included in Item 8 of this report.

Governmental action may also affect our exclusive arrangements. Municipalities may annex unincorporated areas within counties where we provide collection services. As a result, our customers in annexed areas may be required to obtain services from competitors that have been franchised by the annexing municipalities to provide those services. In addition, municipalities in which we provide services on a competitive basis may elect to franchise those services. Unless we are awarded franchises by these municipalities, we will lose customers. Municipalities may also decide to provide services to their residents themselves, on an optional or mandatory basis, causing us to lose customers.

Municipalities in Washington may, by law, annex any unincorporated territory, which could remove such territory from an area covered by a G Certificate issued to us by the WUTC. Such occurrences could subject more of our Washington operations to competitive bidding. Moreover, legislative action could amend or repeal the laws governing WUTC regulation, which could harm our competitive position by subjecting more areas to competitive bidding and/or overlapping service. If we are not able to replace revenues from contracts lost through competitive bidding or early termination or from the renegotiation of existing contracts with other revenues within a reasonable time period, our revenues could decline.

Alternatives to landfill disposal may cause our revenues and operating results to decline.

Counties and municipalities in which we operate landfills may be required to formulate and implement comprehensive plans to reduce the volume of municipal solid waste deposited in landfills through waste planning, composting, recycling or other programs. Some state and local governments prohibit the disposal of certain types of wastes, such as yard waste, at landfills. Although such actions are useful to protect our environment, these actions, as well as the actions of our customers to reduce waste or seek disposal alternatives, have reduced and may in the future further reduce the volume of waste going to landfills in certain areas, which may affect our ability to operate our landfills at full capacity and could adversely affect our operating results.

Increases in labor costs could impact our financial results.

Labor is one of our highest costs and relatively small increases in labor costs per employee could materially affect our cost structure. We compete with other businesses in our markets for qualified employees and the labor supply is sometimes tight in our markets. In our E&P waste business, for example, we are exposed to the cyclical variations in demand that are particular to the development and production of oil and natural gas in the U.S. A shortage of qualified employees would require us to incur additional costs related to wages and benefits, to hire more expensive temporary employees or to contract for services with more expensive third-party vendors.

Increases in the price of diesel or compressed natural gas fuel may adversely affect our collection business and reduce our operating margins.

The market price of diesel fuel is volatile. We generally purchase diesel fuel at market prices, and such prices have fluctuated significantly in recent years. A significant increase in market prices for fuel could adversely affect our waste collection business through a combination of higher fuel and disposal-related transportation costs and reduce our operating margins and reported earnings. To manage a portion of this risk, we have entered into fuel hedge agreements related to forecasted diesel fuel purchases and fixed-price fuel purchase contracts. During periods of falling diesel fuel prices, our hedge payable positions may increase and it may become more expensive to purchase fuel under fixed-price fuel purchase contracts than at market prices.

We utilize compressed natural gas, or CNG, in a small percentage of our fleet and may convert more of our fleet from diesel fuel to CNG over time. The market price of CNG is also volatile; a significant increase in such cost could adversely affect our operating margins and reported earnings.

Labor union activity could divert management attention and adversely affect our operating results.

From time to time, labor unions attempt to organize our employees. Some groups of our employees are represented by unions, and we have negotiated collective bargaining agreements with most of these unions. We are currently engaged in negotiations with other labor unions attempting to organize groups of our employees. Additional groups of employees may seek union representation in the future. As a result of these activities, we may be subjected to unfair labor practice charges, complaints and other legal and administrative proceedings initiated against us by unions or the National Labor Relations Board, which could negatively impact our operating results. Negotiating collective bargaining agreements with these unions could divert management attention, which could also adversely affect operating results. If we are unable to negotiate acceptable collective bargaining agreements, we might have to wait through “cooling off” periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the type and duration of any labor disruptions, our operating expenses could increase significantly, which could adversely affect our financial condition, results of operations and cash flows.

We could face significant withdrawal liability if we withdraw from participation in one or more multiemployer pension plans in which we participate and the accrued pension benefits are not fully funded.

We participate in two “multiemployer” pension plans administered by employee and union trustees. We make periodic contributions to these plans to fund pension benefits for our union employees pursuant to our various contractual obligations to do so. In the event that we withdraw from participation in or otherwise cease our contributions to one of these plans, then applicable law regarding withdrawal liability could require us to make additional contributions to the plan if the accrued benefits are not fully funded, and we would have to reflect that "withdrawal liability" as an expense in our consolidated statement of operations and as a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent to which accrued benefits are funded. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that participate in these plans, we may decide to discontinue participation in a multiemployer plan, and in that event, we could face withdrawal liability. Some multiemployer plans in which we participate may from time to time have significant accrued benefits that are not funded. The size of our potential withdrawal liability may be affected by the level of unfunded accrued benefits, the actuarial assumptions used by the plan and the investment gains and losses experienced by the plan.

Our financial results could be adversely affected by impairments of goodwill or indefinite-lived intangibles.

As a result of our acquisition strategy, we have a material amount of goodwill and indefinite-lived intangibles recorded in our financial statements. We do not amortize our existing goodwill or indefinite-lived intangibles and are required to test goodwill and indefinite-lived intangibles for impairment annually using the two-step process prescribed in the accounting guidance. The first step is a screen for potential impairment, using either a qualitative or quantitative assessment, while the second step measures the amount of the impairment, if any. We perform the first step of the required impairment tests of goodwill and indefinite-lived intangible assets annually using a quantitative assessment.

Pending or future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements.

We are, and from time to time become, involved in lawsuits, regulatory inquiries, and governmental and other legal proceedings arising out of the ordinary course of our business. Many of these matters raise complicated factual and legal issues and are subject to uncertainties and complexities, all of which makes the matters costly to address. For example, in recent years, wage and hour and employment laws have changed regularly and become increasingly complex, which has fostered litigation, including purported class actions. Similarly, citizen suits brought pursuant to environmental laws, such as those regulating the treatment of storm water runoff, have proliferated. The timing of the final resolutions to lawsuits, regulatory inquiries, and governmental and other legal proceedings is uncertain. Additionally, the possible outcomes or resolutions to these matters could include adverse judgments or settlements, either of which could require substantial payments, adversely affecting our consolidated financial condition, results of operations and cash flows. See discussion under the "Legal Proceedings" section of Note 11 of our consolidated financial statements included in Item 8 of this report.

We may be subject in the normal course of business to judicial, administrative or other third-party proceedings that could interrupt or limit our operations, require expensive remediation, result in adverse judgments, settlements or fines and create negative publicity.

Governmental agencies may, among other things, impose fines or penalties on us relating to the conduct of our business, attempt to revoke or deny renewal of our operating permits, franchises or licenses for violations or alleged violations of environmental laws or regulations or as a result of third-party challenges, require us to install additional pollution control equipment or require us to remediate potential environmental problems relating to any real property that we or our predecessors ever owned, leased or operated or any waste that we or our predecessors ever collected, transported, disposed of or stored. Individuals, citizens groups, trade associations or environmental activists may also bring actions against us in connection with our operations that could interrupt or limit the scope of our business. Any adverse outcome in such proceedings could harm our operations and financial results and create negative publicity, which could damage our reputation, competitive position and stock price.

Increases in insurance costs and the amount that we self-insure for various risks could reduce our operating margins and reported earnings.

We maintain high deductible insurance policies for automobile, general, employer's, environmental, cyber, employment practices and directors' and officers' liability as well as for employee group health insurance, property insurance and workers' compensation. We carry umbrella policies for certain types of claims to provide excess coverage over the underlying policies and per incident deductibles. The amounts that we effectively self-insure could cause significant volatility in our operating margins and reported earnings based on the event and claim costs of incidents, accidents, injuries and adverse judgments. Our insurance accruals are based on claims filed and estimates of claims incurred but not reported and are developed by our management with assistance from our third-party actuary and our third-party claims administrator. To the extent these estimates are inaccurate, we may recognize substantial additional expenses in future periods that would reduce operating margins and reported earnings. Furthermore, while we maintain liability insurance, our insurance is subject to coverage limitations. If we were to incur substantial liability, our insurance coverage may be inadequate to cover the entirety of such liability. This could have a material adverse effect on our financial position, results of operations and cash flows. One form of coverage limitation concerns claims for punitive damages, which are generally excluded from coverage under all of our liability insurance policies. A punitive damage award could have an adverse effect on our reported earnings in the period in which it occurs. Significant increases in premiums on insurance that we retain also could reduce our margins.

We rely on computer systems to run our business and disruptions or privacy breaches in these systems could impact our ability to service our customers and adversely affect our financial results, damage our reputation, and expose us to litigation risk.

Our businesses rely on computer systems to provide customer information, process customer transactions and provide other general information necessary to manage our businesses. We also rely on a Payment Card Industry compliant third party to protect our customers' credit card information. We have an active disaster recovery plan in place that we review and test. However, our computer systems are subject to damage or interruption due to system conversions, power outages, computer or telecommunication failures, catastrophic events such as fires, tornadoes and hurricanes and usage errors by our employees. Given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to operational delays and interruptions in our ability to provide services to our customers. Any disruption caused by the unavailability of our computer systems could adversely affect our revenues or could require significant investment to fix or replace them, and, therefore, could affect our operating results.

In addition, cyber-security attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data. If the network of security controls, policy enforcement mechanisms or monitoring systems we use to address these threats to technology fail, the compromising of confidential or otherwise protected company, customer or employee information, destruction or corruption of data, security breaches or other manipulation or improper use of our systems and networks could result in financial losses from remedial actions, loss of business or potential liability and damage to our reputation.

A portion of our growth and future financial performance depends on our ability to integrate acquired businesses, and the success of our acquisitions.

A component of our growth strategy involves achieving economies of scale and operating efficiencies by growing through acquisitions. We may not achieve these goals unless we effectively combine the operations of acquired businesses with our existing operations. Similar risks may affect contracts that we are awarded to operate municipally-owned assets, such as landfills. In addition, we are not always able to control the timing of our acquisitions. Our inability to complete acquisitions within the time frames that we expect may cause our operating results to be less favorable than expected, which could cause our stock price to decline.

Even if we are able to make acquisitions on advantageous terms and are able to integrate them successfully into our operations and organization, some acquisitions may not fulfill our anticipated financial or strategic objectives in a given market due to factors that we cannot control, such as market conditions, including the price of crude oil, market position, competition, customer base, loss of key employees, third-party legal challenges or governmental actions. In addition, we may change our strategy with respect to a market or acquired businesses and decide to sell such operations at a loss, or keep those operations and recognize an impairment of goodwill and/or intangible assets. Similar risks may affect contracts that we are awarded to operate municipally-owned assets, such as landfills.

Each business that we acquire or have acquired may have liabilities or risks that we fail or are unable to discover, or that become more adverse to our business than we anticipated at the time of acquisition.

It is possible that the corporate entities or sites we have acquired, or which we may acquire in the future, have liabilities or risks in respect of former or existing operations or properties, or otherwise, which we have not been able to identify and assess through our due diligence investigations. As a successor owner, we may be legally responsible for those liabilities that arise from businesses that we acquire. Even if we obtain legally enforceable representations, warranties and indemnities from the sellers of such businesses, they may not cover the liabilities fully or the sellers may not have sufficient funds to perform their obligations. Some environmental liabilities, even if we do not expressly assume them, may be imposed on us under various regulatory schemes and other applicable laws. In addition, our insurance program may not cover such sites and will not cover liabilities associated with some environmental issues that may have existed prior to attachment of coverage. A successful uninsured claim against us could harm our financial condition or operating results. Additionally, there may be other risks of which we are unaware that could have an adverse effect on businesses that we acquire or have acquired. For example, interested parties may bring actions against us in connection with operations that we acquire or have acquired. Furthermore, risks or liabilities we judge to be not material or remote at the time of acquisition may develop into more serious risks to our business. Any adverse outcome resulting from such risks or liabilities could harm our operations and financial results and create negative publicity, which could damage our reputation, competitive position and stock price. For example, see the discussions regarding the Hudson Valley, New York TEAM Transportation Workers' Compensation Trust and the Lower Duwamish Waterway Superfund Site Allocation Process under the "Legal Proceedings" section of Note 11 of our consolidated financial statements included in Item 8 of this report.

Extensive and evolving environmental, health and safety laws and regulations may restrict our operations and growth and increase our costs.

Existing environmental laws and regulations have become more stringently enforced in recent years. In addition, our industry is subject to regular enactment of new or amended federal, state and local environmental and health and safety statutes, regulations and ballot initiatives, as well as judicial decisions interpreting these requirements, which have become more stringent over time. Citizen suits brought pursuant to environmental laws have proliferated. We expect these trends to continue, which could lead to material increases in our costs for future environmental, health and safety compliance. These requirements also impose substantial capital and operating costs and operational limitations on us and may adversely affect our business. In addition, federal, state and local governments may change the rights they grant to, the restrictions they impose on, or the laws and regulations they enforce against, solid waste and E&P waste services companies. These changes could adversely affect our operations by restricting the way in which we manage storm water runoff, comply with health and safety laws, treat and dispose of E&P or other waste or our ability to operate and expand our business.

Governmental authorities and various interest groups have promoted laws and regulations that could limit greenhouse gas, or GHG, emissions due to concerns that GHGs are contributing to climate change. The State of California has already adopted a climate change law, and other states in which we operate are considering similar actions. In addition, the EPA made an endangerment finding in 2009 allowing certain GHGs to be regulated under the CAA. This finding allows the EPA to create regulations that will impact our operations – including imposing emission reporting, permitting, control technology installation, and monitoring requirements, although the materiality of the impacts will not be known until all regulations are finalized. Regulation of GHG emissions from oil and natural gas E&P operations may also increase the costs to our customers of developing and producing hydrocarbons, and as a result, may have an indirect and adverse effect on the amount of oilfield waste delivered to our facilities by our customers. These statutes and regulations increase the costs of our operations, and future climate change statutes and regulations may have an impact as well.

Our E&P waste business could be adversely affected by changes in laws regulating E&P waste.

We believe that the demand for our E&P waste services is directly related to the regulation of E&P waste. In particular, RCRA, which governs the disposal of solid and hazardous waste, currently exempts certain E&P wastes from classification as hazardous wastes. In recent years, proposals have been made to rescind this exemption from RCRA. If the exemption covering E&P wastes is repealed or modified, or if the regulations interpreting the rules regarding the treatment or disposal of this type of waste were changed, our operations could face significantly more stringent regulations, permitting requirements, and other restrictions, which could have a material adverse effect on our business.

Changes in laws or government regulations regarding hydraulic fracturing could increase our customers' costs of doing business and reduce oil and gas production by our customers, which could adversely impact our business.

We do not conduct hydraulic fracturing operations, but we do provide treatment, recovery and disposal services with respect to the fluids used and wastes generated by our customers in such operations, which are often necessary to drill and complete new wells and maintain existing wells. Recently, there has been increased public concern regarding the alleged potential for hydraulic fracturing to adversely affect drinking water supplies, and proposals have been made to enact separate federal, state and local legislation that would increase the regulatory burden imposed on hydraulic fracturing. Bills and regulations have been proposed and/or adopted at the federal, state, and local levels that would regulate, restrict, or prohibit hydraulic fracturing operations or require the reporting and public disclosure of chemicals used in the hydraulic fracturing process. Additionally, the EPA is currently studying the environmental impacts of hydraulic fracturing, including the impacts resulting from the treatment and disposal of E&P wastes associated with the hydraulic fracturing process, which could result in increased regulation of hydraulic fracturing and new rules regarding the treatment and disposal of E&P wastes associated with fracturing.

If new federal, state, or local laws or regulations that significantly restrict hydraulic fracturing are adopted, such legal requirements could result in delays, eliminate certain drilling and injection activities, and make it more difficult or costly for our customers to perform fracturing. Any such regulations limiting or prohibiting hydraulic fracturing could reduce oil and natural gas E&P activities by our customers and, therefore, adversely affect our business. Such laws or regulations could also materially increase our costs of compliance and doing business by more strictly regulating how hydraulic fracturing wastes are handled or disposed. Conversely, any loosening of existing federal, state, or local laws or regulations regarding how such wastes are handled or disposed could adversely impact demand for our services.

Future changes in laws regulating the flow of solid waste in interstate commerce could adversely affect our operating results.

Various state and local governments have enacted, or are considering enacting, laws and regulations that restrict the disposal within the jurisdiction of solid waste generated outside the jurisdiction. In addition, some state and local governments have promulgated, or are considering promulgating, laws and regulations which govern the flow of waste generated within their respective jurisdictions. These "flow control" laws and regulations typically require that waste generated within the jurisdiction be directed to specified facilities for disposal or processing, which could limit or prohibit the disposal or processing of waste in our transfer stations and landfills. Such flow control laws and regulations could also require us to deliver waste collected by us within a particular jurisdiction to facilities not owned or controlled by us, which could increase our costs and reduce our revenues. In addition, such laws and regulations could require us to obtain additional costly licenses or authorizations to be deemed an authorized hauler or disposal facility. All such waste disposal laws and regulations are subject to judicial interpretation and review. Court decisions, legislation, and state and local regulation in the waste disposal area could adversely affect our operations.

<u>Extensive regulations that govern the design, operation and closure of landfills may restrict our landfill operations or increase our costs of operating landfills</u>.

If we fail to comply with state and federal regulations governing the design, operation, closure and financial assurance of MSW, non-MSW and E&P landfills, we could be required to undertake investigatory or remedial activities, curtail operations or close such landfills temporarily or permanently. Future changes to these regulations may require us to modify, supplement or replace equipment or facilities at substantial costs. If regulatory agencies fail to enforce these regulations vigorously or consistently, our competitors whose facilities are not forced to comply with the regulations may obtain an advantage over us. Our financial obligations arising from any failure to comply with these regulations could harm our business and operating results.

Our financial results are based upon estimates and assumptions that may differ from actual results.

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles, estimates and assumptions are made that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and we must exercise significant judgment. The most difficult, subjective and complex estimates and the assumptions that deal with the greatest amount of uncertainty are related to our accounting for landfills, self-insurance accruals, income taxes, allocation of acquisition purchase price, asset impairments and litigation, claims and assessments. Actual results for all estimates could differ materially from the estimates and assumptions that we use, which could have an adverse effect on our financial condition and results of operations.

Our accruals for our landfill site closure and post-closure costs may be inadequate.

We are required to pay capping, closure and post-closure maintenance costs for landfill sites that we own and operate. We are also required to pay capping, closure and post-closure maintenance costs for operated landfills for which we have life-of-site agreements. Our obligations to pay closure or post-closure costs may exceed the amount we have accrued and reserved and other amounts available from funds or reserves established to pay such costs. In addition, the completion or closure of a landfill site does not end our environmental obligations. After completion or closure of a landfill site, there exists the potential for unforeseen environmental problems to occur that could result in substantial remediation costs. Paying additional amounts for closure or post-closure costs and/or for environmental remediation could harm our financial condition or operating results.

We depend significantly on the services of the members of our senior and regional management team, and the departure of any of those persons could cause our operating results to suffer.

Our success depends significantly on the continued individual and collective contributions of our senior and regional management team. Of particular importance to our success are the services of our founder, Chief Executive Officer and Chairman, Ronald J. Mittelstaedt. Key members of our management, including Mr. Mittelstaedt, have entered into employment agreements, but we may not be able to enforce these agreements. The loss of the services of any member of our senior and regional management or the inability to hire and retain experienced management personnel could harm our operating results.

Our decentralized decision-making structure could allow local managers to make decisions that adversely affect our operating results.

We manage our operations on a decentralized basis. Local managers have the authority to make many decisions concerning their operations without obtaining prior approval from executive officers, subject to compliance with general company-wide policies. Poor decisions by local managers could result in the loss of customers or increases in costs, in either case adversely affecting operating results.

Liabilities for environmental damage may adversely affect our financial condition, business and earnings.

We may be liable for any environmental damage that our current or former operations cause, including damage to neighboring landowners or residents, particularly as a result of the contamination of soil, groundwater or surface water, and especially drinking water, or to natural resources. We may be liable for damage resulting from conditions existing before we acquired these operations. Even if we obtain legally enforceable representations, warranties and indemnities from the sellers of these operations, they may not cover the liabilities fully or the sellers may not have sufficient funds to perform their obligations.

We may also be liable for any on-site environmental contamination caused by pollutants or hazardous substances whose transportation, treatment or disposal we or our predecessors arranged or conducted. Some environmental laws and regulations may impose strict, joint and several liability in connection with releases of regulated substances into the environment. Therefore, in some situations we could be exposed to liability as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, third parties. If we were to incur liability for environmental damage, environmental cleanups, corrective action or damage not covered by insurance or in excess of the amount of our coverage, our financial condition or operating results could be materially adversely affected. For example, see the discussion regarding the Lower Duwamish Waterway Superfund Site Allocation Process under the "Legal Proceedings" section of Note 11 of our consolidated financial statements included in Item 8 of this report.

If we are not able to develop and protect intellectual property, or if a competitor develops or obtains exclusive rights to a breakthrough technology, our financial results may suffer.

Our existing and proposed service offerings to customers may require that we develop or license, and protect, new technologies. We may experience difficulties or delays in the research, development, production and/or marketing of new products and services which may negatively impact our operating results and prevent us from recouping or realizing a return on the investments required to bring new products and services to market. Further, protecting our intellectual property rights and combating unlicensed copying and use of intellectual property is difficult, and any inability to obtain or protect new technologies could impact our services to customers and development of new revenue sources. Additionally, a competitor may develop or obtain exclusive rights to a "breakthrough technology" that provides a revolutionary change in traditional waste management. If we have inferior intellectual property to our competitors, our financial results may suffer.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2014, we owned 148 collection operations, 52 transfer stations, 33 MSW landfills, eight E&P waste landfills, six non-MSW landfills, two development stage landfills, 35 recycling operations, five intermodal operations, 22 liquid E&P waste injection wells, 17 E&P waste treatment and recovery facilities and 20 oil recovery facilities, and operated, but did not own, an additional 17 transfer stations, nine MSW landfills, two non-MSW landfills and two intermodal operations, in 31 states. Non-MSW landfills accept construction and demolition, industrial and other non-putrescible waste. We lease certain of the sites on which these facilities are located. We lease various office facilities, including our corporate offices in The Woodlands, Texas, where we occupy approximately 53,000 square feet of space. We also maintain regional administrative offices in each of our segments. We own various equipment, including waste collection and transportation vehicles, related support vehicles, double-stack rail cars, carts, containers, chassis and heavy equipment used in landfill, collection, transfer station, waste treatment and intermodal operations. We believe that our existing facilities and equipment are adequate for our current operations. However, we expect to make additional investments in property and equipment for expansion and replacement of assets in connection with future acquisitions.

ITEM 3. LEGAL PROCEEDINGS

Information regarding our legal proceedings can be found under the “Legal Proceedings” section of Note 11 of our consolidated financial statements included in Item 8 of this report and is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURE

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the symbol “WCN”. The following table sets forth the high and low prices per share of our common stock, as reported on the New York Stock Exchange, and the cash dividends declared per share of common stock, for the periods indicated.

	HIGH	LOW	**DIVIDENDS DECLARED[(1)]**
2015			
First Quarter (through January 30, 2015)	$44.60	$42.05	$ 0.13
2014			
Fourth Quarter	$50.73	$42.86	$ 0.13
Third Quarter	50.93	46.60	0.115
Second Quarter	48.80	41.76	0.115
First Quarter	44.62	39.69	0.115
2013			
Fourth Quarter	$46.49	$41.08	$ 0.115
Third Quarter	46.00	41.14	0.10
Second Quarter	41.71	34.61	0.10
First Quarter	36.56	33.26	0.10

(1) On February 9, 2015, we announced that our Board of Directors approved a regular quarterly cash dividend of $0.13 per share on our common stock. Our Board of Directors will review the cash dividend periodically, with a long-term objective of increasing the amount of the dividend. We cannot assure you as to the amounts or timing of future dividends. We have the ability under our credit agreement and master note purchase agreement to repurchase our common stock and pay dividends provided we maintain specified financial ratios.

As of January 30, 2015, there were 97 record holders of our common stock.

Our Board of Directors has authorized a common stock repurchase program for the repurchase of up to $1.2 billion of our common stock through December 31, 2017. Under the program, stock repurchases may be made in the open market or in privately negotiated transactions from time to time at management's discretion. The timing and amounts of any repurchases will depend on many factors, including our capital structure, the market price of our common stock and overall market conditions. As of December 31, 2014, we have repurchased approximately 40.0 million shares of our common stock at a cost of $791.4 million, or an average price of $19.77 per share. The table below reflects repurchases we made during the three months ended December 31, 2014 (in thousands, except share and per share amounts):

Period	Total Number of Shares Purchased	**Average Price Paid Per Share**[(1)]	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
10/1/14 – 10/31/14	-	$ -	-	$ 415,960
11/1/14 – 11/30/14	-	-	-	415,960
12/1/14 – 12/31/14	167,100	43.79	167,100	408,643
	167,100	43.79	167,100	

(1) This amount represents the weighted average price paid per common share. This price includes a per share commission paid for all repurchases.

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Performance Graph

The following performance graph compares the total cumulative stockholder returns on our common stock over the past five fiscal years with the total cumulative returns for the S&P 500 Index, the Dow Jones U.S. Waste and Disposal Services Index, or DJ Waste Services Index, and a peer group index we selected. We have selected the DJ Waste Services Index to replace the peer group index we have used in past years. As a result of our acquisition of R360 in October 2012 and subsequent growth of our E&P waste business, we believe that the numerous and diversified companies represented by the DJ Waste Services Index provides a more relevant comparison.

The graph assumes an investment of $100 in our common stock on December 31, 2009, and the reinvestment of all dividends. This chart has been calculated in compliance with SEC requirements and prepared by Capital IQ®.

This graph and the accompanying text is not "soliciting material," is not deemed filed with the SEC, and is not to be incorporated by reference in any filing by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Company Name / Index	Base Period Dec09	Indexed Returns Years Ending Dec10	Dec11	Dec12	Dec13	Dec14
Waste Connections, Inc.	$ 100	$124.09	$150.84	$155.63	$203.04	$206.83
S&P 500 Index	$ 100	$115.06	$117.49	$136.30	$180.44	$205.14
Dow Jones U.S. Waste & Disposal Services Index	$ 100	$118.78	$118.99	$129.11	$161.31	$183.49
Peer Group [(a)]	$ 100	$113.46	$104.82	$113.95	$146.05	$175.97

(a) Peer Group Companies: Casella Waste Systems, Inc.; Republic Services, Inc.; Waste Management, Inc.; Progressive Waste Solutions Ltd.

THE STOCK PRICE PERFORMANCE INCLUDED IN THIS GRAPH IS NOT NECESSARILY INDICATIVE OF FUTURE STOCK PRICE PERFORMANCE.

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ITEM 6. SELECTED FINANCIAL DATA

This table sets forth our selected financial data for the periods indicated. This data should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Annual Report on Form 10-K and our audited consolidated financial statements, including the related notes and our independent registered public accounting firm's report and the other financial information included in Item 8 of this Annual Report on Form 10-K. The selected data in this section is not intended to replace the consolidated financial statements included in this report.

	YEARS ENDED DECEMBER 31,				
	2014 [(a)]	**2013** [(a)]	**2012** [(a)]	2011	2010
	(in thousands, except share and per share data)				
STATEMENT OF OPERATIONS DATA:					
Revenues	$2,079,166	$1,928,795	$1,661,618	$1,505,366	$1,319,757
Operating expenses:					
Cost of operations	1,138,388	1,064,819	956,357	857,580	749,487
Selling, general and administrative	229,474	212,637	197,454	161,967	149,860
Depreciation	230,944	218,454	169,027	147,036	132,874
Amortization of intangibles	27,000	25,410	24,557	20,064	14,582
Loss on prior office leases	-	9,902	-	-	-
Gain from litigation settlement	-	-	(3,551)	-	-
Impairments and other operating charges	4,091	4,129	1,627	1,657	571
Operating income	449,269	393,444	316,147	317,062	272,383
Interest expense	(64,674)	(73,579)	(53,037)	(44,520)	(40,134)
Loss on extinguishment of debt	-	-	-	-	(10,193)
Other income, net	1,067	1,056	1,993	587	3,420
Income before income tax provision	385,662	320,921	265,103	273,129	225,476
Income tax provision	(152,335)	(124,916)	(105,443)	(106,958)	(89,334)
Net income	233,327	196,005	159,660	166,171	136,142
Less: Net income attributable to noncontrolling interests	(802)	(350)	(567)	(932)	(1,038)
Net income attributable to Waste Connections	$232,525	$195,655	$159,093	$165,239	$135,104
Earnings per common share attributable to Waste Connections' common stockholders:					
Basic	$1.87	$1.58	$1.31	$1.47	$1.17
Diluted	$1.86	$1.58	$1.31	$1.45	$1.16

Shares used in the per share calculations:					
Basic	124,215,346	123,597,540	121,172,381	112,720,444	115,646,173
Diluted	124,787,421	124,165,052	121,824,349	113,583,486	116,894,204
Cash dividends per common share	$0.475	$0.415	$0.37	$0.315	$0.075
Cash dividends paid	$58,906	$51,213	$44,465	$35,566	$8,561

(a) For more information regarding this financial data, see the Management's Discussion and Analysis of Financial Condition and Results of Operations section included in this report.

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	DECEMBER 31,				
	2014	2013	2012	2011	2010
	(in thousands, except share and per share data)				
BALANCE SHEET DATA:					
Cash and equivalents	$14,353	$13,591	$23,212	$12,643	$9,873
Working capital surplus (deficit)	5,833	(16,513)	(55,086)	(34,544)	(37,976)
Property and equipment, net	2,594,205	2,450,649	2,457,606	1,450,469	1,337,476
Total assets	5,250,031	5,064,252	5,076,026	3,328,005	2,915,984
Long-term debt and notes payable	1,975,916	2,067,590	2,204,967	1,172,758	909,978
Total equity	2,233,741	2,048,207	1,883,130	1,399,687	1,370,418

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the “Selected Financial Data” included in Item 6 of this Annual Report on Form 10-K, our consolidated financial statements and the related notes included elsewhere in this report.

Industry Overview

The municipal solid waste industry is a local and highly competitive business, requiring substantial labor and capital resources. The participants compete for collection accounts primarily on the basis of price and, to a lesser extent, the quality of service, and compete for landfill business on the basis of tipping fees, geographic location and quality of operations. The municipal solid waste industry has been consolidating and continues to consolidate as a result of a number of factors, including the increasing costs and complexity associated with waste management operations and regulatory compliance. Many small independent operators and municipalities lack the capital resources, management, operating skills and technical expertise necessary to operate effectively in such an environment. The consolidation trend has caused municipal solid waste companies to operate larger landfills that have complementary collection routes that can use company-owned disposal capacity. Controlling the point of transfer from haulers to landfills has become increasingly important as landfills continue to close and disposal capacity moves further from collection markets.

Generally, the most profitable operators within the municipal solid waste industry are those companies that are vertically integrated or enter into long-term collection contracts. A vertically integrated operator will benefit from: (1) the internalization of waste, which is bringing waste to a company-owned landfill; (2) the ability to charge third-party haulers tipping fees either at landfills or at transfer stations; and (3) the efficiencies gained by being able to aggregate and process waste at a transfer station prior to landfilling.

The E&P waste services industry is regional in nature and is also highly fragmented, with acquisition opportunities available in several active natural resource basins. Competition for E&P waste comes primarily from smaller regional companies that utilize a variety of disposal methods and generally serve specific geographic markets. In addition, customers in many markets have the option of using internal disposal methods or outsourcing to another third-party disposal company. The principal competitive factors in this business include: gaining customer approval of treatment and disposal facilities; location of facilities in relation to customer activity; reputation; reliability of services; track record of environmental compliance; ability to accept multiple waste types at a single facility; and price.

Executive Overview

We are an integrated municipal solid waste services company that provides solid waste collection, transfer, disposal and recycling services primarily in exclusive and secondary markets in the U.S. and a leading provider of non-hazardous exploration and production, or E&P, waste treatment, recovery and disposal services in several of the most active natural resource producing areas of the U.S. We also provide intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of intermodal facilities.

We seek to avoid highly competitive, large urban markets and instead target markets where we can attain high market share either through exclusive contracts, vertical integration or asset positioning. In markets where waste collection services are provided under exclusive arrangements, or where waste disposal is municipally owned or funded or available at multiple municipal sources, we believe that controlling the waste stream by providing collection services under exclusive arrangements is often more important to our growth and profitability than owning or operating landfills. We also target niche markets, like E&P waste treatment and disposal services, with similar characteristics and, we believe, higher comparative growth potential over the long term.

As of December 31, 2014, we served residential, commercial, industrial and E&P customers in 31 states: Alabama, Alaska, Arizona, California, Colorado, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington and Wyoming. As of December 31, 2014, we owned or operated a network of 148 solid waste collection operations; 69 transfer stations; seven intermodal facilities, 35 recycling operations, 58 active MSW, E&P and/or non-MSW landfills, 22 E&P liquid waste injection wells, 17 E&P waste treatment and recovery facilities, 20 oil recovery facilities and two development stage landfills.

2014 Financial Performance

Operating Results

Revenues in 2014 increased 7.8% to $2.08 billion from $1.93 billion in 2013, as a result of organic growth in solid waste, plus increased E&P waste activity. Solid waste revenues increased 5.4%, primarily due to internal growth. Solid waste internal growth increased to 4.3% in 2014, from 3.1% in 2013. Pricing growth was 0.1 percentage points lower than in 2013, due to higher core prices offset by lower fuel, materials and environmental surcharges. Increases in landfill and hauling volumes contributed to total volume growth increasing to 2.1% in 2014 from 0.7% in 2013. A larger decrease in recycled commodity prices than in the prior year, coupled with lower volumes due to the closure of two of our recycling operations, resulted in recycling contributing negative 0.6% to internal growth in 2014, compared to negative 0.5% in 2013. E&P waste revenues increased to $310.1 million from $250.8 million in 2013, through a combination of increased activity at existing facilities and contributions from new facilities.

In 2014, adjusted earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, a non-GAAP financial measure (refer to page 60 of this report for a definition and reconciliation to Net income), increased 9.1% to $717.1 million, from $657.0 million in 2013. As a percentage of revenue, adjusted EBITDA increased from 34.1% in 2013, to 34.5% in 2014. This 0.4 percentage point increase was primarily attributable to an increased mix of higher margin solid waste disposal and E&P waste revenues. Adjusted net income attributable to Waste Connections, a non-GAAP financial measure (refer to page 61 of this report for a definition and reconciliation to Net income attributable to Waste Connections), in 2014 increased 14.7% to $254.2 million from $221.7 million in 2013.

Adjusted Free Cash Flow

Net cash provided by operating activities increased 12.6% to $545.2 million in 2014, from $484.1 million in 2013, and capital expenditures increased from $209.9 million in 2013 to $241.3 million in 2014, an increase of $31.4 million, or 15.0%. This increase in capital expenditures was primarily due to pulling forward into 2014 capital expenditures from 2015 to take advantage of bonus depreciation tax benefits available in 2014, and the construction of two new E&P waste disposal facilities and a new construction and demolition landfill. Adjusted free cash flow, a non-GAAP financial measure (refer to page 59 of this report for a definition and reconciliation to Net cash provided by operating activities), increased 6.6% to $321.6 million in 2014, from $301.6 million in 2013. Adjusted free cash flow as a percentage of revenues was 15.5% in 2014, compared to 15.6% in 2013. This decrease as a percentage of revenues was primarily due to increased capital expenditures as noted above.

Return of Capital to Stockholders

In 2014, we returned $58.9 million to stockholders through cash dividends declared by our Board of Directors, which also increased the quarterly cash dividend by 13% from $0.115 to $0.13 per share of common stock in October 2014. Our Board of Directors intends to review the quarterly dividend during the fourth quarter of each year, with a long-term objective of increasing the amount of the dividend. In 2014, we also repurchased approximately 167,100 shares of common stock at a cost of $7.3 million. We expect the amount of capital we return to stockholders through stock repurchases to vary depending on our financial condition and results of operations, capital structure, the amount of cash we deploy on acquisitions, the market price of our common stock, and overall market conditions. We cannot assure you as to the amounts or timing of future stock repurchases or dividends. We have the ability under our credit agreement and master note purchase agreement to repurchase our common stock and pay dividends provided that we maintain specified financial ratios.

Capital Position

We target a leverage ratio, as defined in our credit agreement, of approximately 2.75x total debt to EBITDA. We deployed $126.2 million during 2014 for acquisitions from operating cash flow, and we paid down over $93 million in debt. As a result, our leverage ratio improved to 2.67x at December 31, 2014, from 3.08x at December 31, 2013.

Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in the consolidated financial statements. As described by the SEC, critical accounting estimates and assumptions are those that may be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and that have a material impact on the financial condition or operating performance of a company. Such critical accounting estimates and assumptions are applicable to our reportable segments. Based on this definition, we believe the following are our critical accounting estimates.

Insurance liabilities. We maintain high deductible or self-insured retention insurance policies for automobile, general, employer's, environmental, cyber, employment practices and directors' and officers' liability as well as for employee group health insurance, property insurance and workers' compensation. We carry umbrella policies for certain types of claims to provide excess coverage over the underlying policies and per incident deductibles or self-insured retentions. Our insurance accruals are based on claims filed and estimates of claims incurred but not reported and are developed by our management with assistance from our third-party actuary and third-party claims administrator. The insurance accruals are influenced by our past claims experience factors, which have a limited history, and by published industry development factors. If we experience insurance claims or costs above or below our historically evaluated levels, our estimates could be materially affected. The frequency and amount of claims or incidents could vary significantly over time, which could materially affect our self-insurance liabilities. Additionally, the actual costs to settle the self-insurance liabilities could materially differ from the original estimates and cause us to incur additional costs in future periods associated with prior year claims.

Income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. If our judgment and estimates concerning assumptions made in calculating our expected future income tax rates are incorrect, our deferred tax assets and liabilities would change. Based on our net deferred tax liability balance at December 31, 2014, each 0.1 percentage point change to our expected future income tax rate would change our net deferred tax liability balance and income tax expense by approximately $1.3 million.

Accounting for landfills. We recognize landfill depletion expense as airspace of a landfill is consumed. Our landfill depletion rates are based on the remaining disposal capacity at our landfills, considering both permitted and probable expansion airspace. We calculate the net present value of our final capping, closure and post-closure commitments by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted risk-free rate. Any changes in expectations that result in an upward revision to the estimated undiscounted cash flows are treated as a new liability and are inflated and discounted at rates reflecting current market conditions. Any changes in expectations that result in a downward revision (or no revision) to the estimated undiscounted cash flows result in a liability that is inflated and discounted at rates reflecting the market conditions at the time the cash flows were originally estimated. This policy results in our final capping, closure and post-closure liabilities being recorded in "layers." The resulting final capping, closure and post-closure obligation is recorded on the balance sheet along with an offsetting addition to site costs, which is amortized to depletion expense as the remaining landfill airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. The accounting methods discussed below require us to make certain estimates and assumptions. Changes to these estimates and assumptions could have a material effect on our financial condition and results of operations. Any changes to our estimates are applied prospectively.

Landfill development costs. Landfill development costs include the costs of acquisition, construction associated with excavation, liners, site berms, groundwater monitoring wells, gas recovery systems and leachate collection systems. We estimate the total costs associated with developing each landfill site to its final capacity. Total landfill costs include the development costs associated with expansion airspace. Expansion airspace is described below. Landfill development costs depend on future events and thus actual costs could vary significantly from our estimates. Material differences between estimated and actual development costs may affect our cash flows by increasing our capital expenditures and thus affect our results of operations by increasing our landfill depletion expense.

Final capping, closure and post-closure obligations. We accrue for estimated final capping, closure and post-closure maintenance obligations at the landfills we own, and the landfills that we operate, but do not own, under life-of-site agreements. We could have additional material financial obligations relating to final capping, closure and post-closure costs at other disposal facilities that we currently own or operate or that we may own or operate in the future. Our discount rate assumption for purposes of computing 2014 and 2013 "layers" for final capping, closure and post-closure obligations was 5.75% for each year, which reflects our long-term cost of borrowing as of the end of 2013 and 2012. Our inflation rate assumption was 2.5% for the years ended December 31, 2014 and 2013. Significant reductions in our estimates of the remaining lives of our landfills or significant increases in our estimates of the landfill final capping, closure and post-closure maintenance costs could have a material adverse effect on our financial condition and results of operations. Additionally, changes in regulatory or legislative requirements could increase our costs related to our landfills, resulting in a material adverse effect on our financial condition and results of operations.

We own two landfills for which the prior owners are obligated to reimburse us for certain costs we incur for final capping, closure and post-closure activities on the portion of the landfill utilized by the prior owners. We accrue the prior owner's portion of the final capping, closure and post-closure obligation within the balance sheet classification of Other long-term liabilities, and a corresponding receivable from the prior owner in long-term Other assets.

Disposal capacity. Our internal and third-party engineers perform surveys at least annually to estimate the remaining disposal capacity at our landfills. Our landfill depletion rates are based on the remaining disposal capacity, considering both permitted and probable expansion airspace, at the landfills that we own and at landfills that we operate, but do not own, under life-of-site agreements. Our landfill depletion rate is based on the term of the operating agreement at our operated landfill that has capitalized expenditures. Expansion airspace consists of additional disposal capacity being pursued through means of an expansion that has not yet been permitted. Expansion airspace that meets the following criteria is included in our estimate of total landfill airspace:

1) whether the land where the expansion is being sought is contiguous to the current disposal site, and we either own the expansion property or have rights to it under an option, purchase, operating or other similar agreement;
2) whether total development costs, final capping costs, and closure/post-closure costs have been determined;
3) whether internal personnel have performed a financial analysis of the proposed expansion site and have determined that it has a positive financial and operational impact;
4) whether internal personnel or external consultants are actively working to obtain the necessary approvals to obtain the landfill expansion permit; and
5) whether we consider it probable that we will achieve the expansion (for a pursued expansion to be considered probable, there must be no significant known technical, legal, community, business or political restrictions or similar issues existing that we believe are more likely than not to impair the success of the expansion).

We may be unsuccessful in obtaining permits for expansion disposal capacity at our landfills. In such cases, we will charge the previously capitalized development costs to expense. This will adversely affect our operating results and cash flows and could result in greater landfill depletion expense being recognized on a prospective basis.

We periodically evaluate our landfill sites for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on regulatory factors, market conditions and operational performance of our landfills. Future events could cause us to conclude that impairment indicators exist and that our landfill carrying costs are impaired. Any resulting impairment loss could have a material adverse effect on our financial condition and results of operations.

Goodwill and indefinite-lived intangible assets testing. Goodwill and indefinite-lived intangible assets are tested for impairment on at least an annual basis in the fourth quarter of the year. In the first step of testing for goodwill impairment, we estimate the fair value of each reporting unit, which we have determined to be our three geographic operating segments and our E&P segment, and compare the fair value with the carrying value of the net assets assigned to each reporting unit. If the fair value of a reporting unit is greater than the carrying value of the net assets, including goodwill, assigned to the reporting unit, then no impairment results. If the fair value is less than its carrying value, then we would perform a second step and determine the fair value of the goodwill. In this second step, the fair value of goodwill is determined by deducting the fair value of a reporting unit's identifiable assets and liabilities from the fair value of the reporting unit as a whole, as if that reporting unit had just been acquired and the purchase price were being initially allocated. If the fair value of the goodwill is less than its carrying value for a reporting unit, an impairment charge would be recorded to earnings in our Consolidated Statements of Net Income. In testing indefinite-lived intangible assets for impairment, we compare the estimated fair value of each indefinite-lived intangible asset to its carrying value. If the fair value of the indefinite-lived intangible asset is less than its carrying value, an impairment charge would be recorded to earnings in our Consolidated Statements of Net Income.

To determine the fair value of each of our reporting units as a whole and each indefinite-lived intangible asset, we use discounted cash flow analyses, which require significant assumptions and estimates about the future operations of each reporting unit and the future discrete cash flows related to each indefinite-lived intangible asset. Significant judgments inherent in these analyses include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our 2014 discounted cash flow analyses were based on ten-year financial forecasts, which in turn were based on the 2015 annual budget developed internally by management. These forecasts reflect operating profit margins that were consistent with 2014 results and annual revenue growth rates of 3.2% in perpetuity. Our discount rate assumptions are based on an assessment of our weighted average cost of capital which approximated 5.2%. In assessing the reasonableness of our determined fair values of our reporting units, we evaluate our results against our current market capitalization.

In addition, we would evaluate a reporting unit for impairment if events or circumstances change between annual tests indicating a possible impairment. Examples of such events or circumstances include the following:

· a significant adverse change in legal factors or in the business climate;

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- an adverse action or assessment by a regulator;
- a more likely than not expectation that a segment or a significant portion thereof will be sold; or
- the testing for recoverability of a significant asset group within the segment.

We did not record an impairment charge as a result of our goodwill and indefinite-lived intangible assets impairment tests in 2014 and 2013.

Business Combination Accounting. We recognize, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. We measure and recognize goodwill as of the acquisition date as the excess of: (a) the aggregate of the fair value of consideration transferred, the fair value of any noncontrolling interest in the acquiree (if any) and the acquisition date fair value of our previously held equity interest in the acquiree (if any), over (b) the fair value of net assets acquired and liabilities assumed. At the acquisition date, we measure the fair values of all assets acquired and liabilities assumed that arise from contractual contingencies. We measure the fair values of all noncontractual contingencies if, as of the acquisition date, it is more likely than not that the contingency will give rise to an asset or liability.

General

Our revenues consist mainly of fees we charge customers for collection, transfer, recycling and disposal of non-hazardous solid waste and treatment, recovery and disposal of non-hazardous E&P waste. Our collection business also generates revenues from the sale of recyclable commodities, which have significant variability. A large part of our collection revenues comes from providing residential, commercial and industrial services. We frequently perform these services under service agreements, municipal contracts or franchise agreements with governmental entities. Our existing franchise agreements and most of our existing municipal contracts give us the exclusive right to provide specified waste services in the specified territory during the contract term. These exclusive arrangements are awarded, at least initially, on a competitive bid basis and subsequently on a bid or negotiated basis. We also provide residential collection services on a subscription basis with individual households.

We typically determine the prices of our solid waste collection services by the collection frequency and level of service, route density, volume, weight and type of waste collected, type of equipment and containers furnished, the distance to the disposal or processing facility, the cost of disposal or processing, and prices charged by competitors for similar services. The terms of our contracts sometimes limit our ability to pass on price increases. Long-term solid waste collection contracts often contain a formula, generally based on a published price index, that automatically adjusts fees to cover increases in some, but not all, operating costs, or that limit increases to less than 100% of the increase in the applicable price index.

We charge transfer station and landfill customers a tipping fee on a per ton and/or per yard basis for disposing of their solid waste at our transfer stations and landfill facilities. Many of our transfer station and landfill customers have entered into one to ten year disposal contracts with us, most of which provide for annual indexed price increases.

Our revenues from E&P waste services consist mainly of fees that we charge for the treatment and disposal of liquid and solid waste derived from the drilling of wells for the production of oil and natural gas. We also generate income from the transportation of waste to the disposal facility in certain markets and the sale of reclaimed oil, roadbase and processed and treated waters.

Our revenues from recycling services consist of proceeds generated from selling recyclable materials (including compost, cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals) collected from our residential customers and at our recycling processing operations to third parties for processing before resale.

Our revenues from intermodal services consist mainly of fees we charge customers for the movement of cargo and solid waste containers between our intermodal facilities. We also generate revenue from the storage, maintenance and repair of cargo and solid waste containers and the sale or lease of containers and chassis.

No single contract or customer accounted for more than 10% of our total revenues at the consolidated or reportable segment level during the periods presented. The following tables reflect a breakdown of our revenue and inter-company eliminations for the periods indicated (dollars in thousands):

	Year Ended December 31, 2014			
	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	$1,289,906	$ (3,593)	$1,286,313	61.9 %
Solid waste disposal and transfer	617,161	(235,851)	381,310	18.3
Solid waste recycling	58,226	(2,118)	56,108	2.7
E&P waste treatment, recovery and disposal	326,934	(16,862)	310,072	14.9
Intermodal and other	46,291	(928)	45,363	2.2
Total	$2,338,518	$ (259,352)	$2,079,166	100.0 %

	Year Ended December 31, 2013			
	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	$1,219,091	$ (4,304)	$1,214,787	63.0 %
Solid waste disposal and transfer	579,379	(226,897)	352,482	18.3
Solid waste recycling	71,831	(6,101)	65,730	3.4
E&P waste treatment, recovery and disposal	262,286	(11,462)	250,824	13.0
Intermodal and other	46,038	(1,066)	44,972	2.3
Total	$2,178,625	$ (249,830)	$1,928,795	100.0 %

	Year Ended December 31, 2012			
	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	$1,176,333	$ (5,545)	$1,170,788	70.4 %
Solid waste disposal and transfer	524,861	(215,871)	308,990	18.6
Solid waste recycling	81,512	(8,722)	72,790	4.4
E&P waste treatment, recovery and disposal	61,350	(1,542)	59,808	3.6
Intermodal and other	50,321	(1,079)	49,242	3.0
Total	$1,894,377	$ (232,759)	$1,661,618	100.0 %

Cost of operations includes labor and benefits, tipping fees paid to third-party disposal facilities, vehicle and equipment maintenance, workers' compensation, vehicle and equipment insurance, insurance and employee group health claims expense, third-party transportation expense, fuel, the cost of materials we purchase for recycling, district and state taxes and host community fees and royalties. Our significant costs of operations in 2014 were labor, third-party disposal and transportation, vehicle and equipment maintenance, taxes and fees, insurance and fuel. We use a number of programs to reduce overall cost of operations, including increasing the use of automated routes to reduce labor and workers' compensation exposure, utilizing comprehensive maintenance and health and safety programs, and increasing the use of transfer stations to further enhance internalization rates. We carry high-deductible or self-insured retention insurance for automobile liability, general liability, employer's liability, environmental liability, cyber liability, employment practices liability and directors' and officers' liability as well as for employee group health claims, property and workers' compensation. If we experience insurance claims or costs above or below our historically evaluated levels, our estimates could be materially affected.

Selling, general and administrative, or SG&A, expense includes management, sales force, clerical and administrative employee compensation and benefits, legal, accounting and other professional services, acquisition expenses, bad debt expense and rent expense for our corporate headquarters.

Depreciation expense includes depreciation of equipment and fixed assets over their estimated useful lives using the straight-line method. Depletion expense includes depletion of landfill site costs and total future development costs as remaining airspace of the landfill is consumed. Remaining airspace at our landfills includes both permitted and probable expansion airspace. Amortization expense includes the amortization of finite-lived intangible assets, consisting primarily of long-term franchise agreements and contracts, customer lists and non-competition agreements, over their estimated useful lives using the straight-line method. Goodwill and indefinite-lived intangible assets, consisting primarily of certain perpetual rights to provide solid waste collection and transportation services in specified territories, are not amortized.

We capitalize some third-party expenditures related to development projects, such as legal, engineering and interest expenses. We expense all third-party and indirect acquisition costs, including third-party legal and engineering expenses, executive and corporate overhead, public relations and other corporate services, as we incur them. We charge against net income any unamortized capitalized expenditures and advances (net of any portion that we believe we may recover, through sale or otherwise) that may become impaired, such as those that relate to any operation that is permanently shut down and any landfill development project that we believe will not be completed. We routinely evaluate all capitalized costs, and expense those related to projects that we believe are not likely to succeed. For example, if we are unsuccessful in our attempts to obtain or defend permits that we are seeking or have been awarded to operate or expand a landfill, we will no longer generate anticipated income from the landfill and we will be required to expense in a future period up to the carrying value of the landfill or expansion project, less the recoverable value of the property and other amounts recovered.

Results of Operations

The following table sets forth items in our Consolidated Statements of Net Income in thousands and as a percentage of revenues for the periods indicated:

	Years Ended December 31,					
	2014	% of Revenues	2013	% of Revenues	2012	% of Revenues
Revenues	$2,079,166	100.0 %	$1,928,795	100.0 %	$1,661,618	100.0 %
Cost of operations	1,138,388	54.8	1,064,819	55.2	956,357	57.6
Selling, general and administrative	229,474	11.0	212,637	11.0	197,454	11.9
Depreciation	230,944	11.1	218,454	11.4	169,027	10.2
Amortization of intangibles	27,000	1.3	25,410	1.3	24,557	1.5
Loss on prior office leases	-	-	9,902	0.5	-	-
Gain from litigation settlement	-	-	-	-	(3,551)	(0.2)
Impairments and other operating charges	4,091	0.2	4,129	0.2	1,627	0.0
Operating income	449,269	21.6	393,444	20.4	316,147	19.0
Interest expense	(64,674)	(3.1)	(73,579)	(3.8)	(53,037)	(3.2)
Other income, net	1,067	0.0	1,056	0.0	1,993	0.1
Income tax provision	(152,335)	(7.3)	(124,916)	(6.5)	(105,443)	(6.3)
Net income attributable to noncontrolling interests	(802)	(0.0)	(350)	(0.0)	(567)	(0.0)
Net income attributable to Waste Connections	$232,525	11.2 %	$195,655	10.1 %	$159,093	9.6 %

Years Ended December 31, 2014 and 2013

Revenues. Total revenues increased $150.4 million, or 7.8%, to $2.079 billion for the year ended December 31, 2014, from $1.929 billion for the year ended December 31, 2013.

During the year ended December 31, 2014, incremental revenue from acquisitions closed during, or subsequent to, the year ended December 31, 2013, increased solid waste revenues and E&P revenues by approximately $28.0 million and $3.8 million, respectively. Operations divested during, or subsequent to, the year ended December 31, 2013, decreased solid waste revenues by approximately $10.0 million.

During the year ended December 31, 2014, the net increase in prices charged to our solid waste customers was $47.3 million, consisting of $46.6 million of core price increases and $0.7 million of fuel, materials and environmental surcharges.

During the year ended December 31, 2014, volume increases in our existing business increased solid waste revenues and E&P revenues by $35.1 million and $55.8 million, respectively. The increase in solid waste volumes was primarily attributable to increases in roll off collection, landfill special waste projects, landfill MSW volumes and transfer station volumes resulting from increased construction and general economic activity in our markets. The increase in E&P volumes was primarily attributable to $23.9 million of revenue from new facilities opened subsequent to December 31, 2013 and $31.9 million of volume increases at facilities owned and operated in each of the comparable periods.

The substantial reductions in crude oil prices that began in October 2014 and are continuing into 2015 are expected to result in a decline in the level of drilling and production activity, reducing the demand for E&P waste services in the basins in which we operate. Based on the 2015 capital budgets announced to date by E&P companies in the basins in which we operate, we currently believe that E&P revenues at facilities included in our results of operations for the entire year ended December 31, 2014 could decline significantly in 2015. The overall decline in our E&P revenues will be partially offset by new facilities opened in 2015 and the full year impact of operations from E&P acquisitions closed subsequent to January 1, 2014. Further or sustained declines in commodity prices may lead to further reductions in drilling activities by our E&P customers and further declines in our E&P volumes and revenues.

During the year ended December 31, 2014, the closure of two recycling operations in our Western segment decreased revenues by $10.2 million. Revenues from sales of recyclable commodities at all other facilities owned during the year ended December 31, 2014 and 2013 increased $0.4 million due primarily to an increase in volumes processed and sold.

Other revenues increased by $0.2 million during the year ended December 31, 2014, consisting of $2.0 million of contracted landfill construction services we performed at a landfill we operate and $0.5 million of other revenue increases, partially offset by a $2.3 million decrease from lower cargo volumes at our intermodal operations due primarily to the loss of a large intermodal customer.

Cost of Operations. Total cost of operations increased $73.6 million, or 6.9%, to $1.138 billion for the year ended December 31, 2014, from $1.065 billion for the year ended December 31, 2013. The increase was primarily the result of $17.0 million of additional operating costs from acquisitions closed during, or subsequent to, the year ended December 31, 2013, partially offset by a decrease in operating costs of $7.8 million resulting from operations divested during, or subsequent to, the year ended December 31, 2013, and the following changes at operations owned in comparable periods in 2013 and 2014: an increase in third-party trucking and transportation expenses of $14.6 million due to increased transfer station, landfill and E&P volumes that require us to transport the waste to our disposal sites, an increase in labor expenses of $14.3 million due primarily to employee pay rate and headcount increases, an increase in taxes and royalties on revenues of $9.4 million due primarily to increased revenues, an increase in truck, container, equipment and facility maintenance and repair expenses of $8.6 million due to an increase in the cost of parts and services and variability in the timing and severity of major repairs, an increase in third-party disposal expense of $8.1 million due to disposal rate increases and higher disposal associated with increased collection volumes, an increase in third-party subcontractor expenses of $4.2 million at our E&P facilities to perform processing and remediation services resulting from higher E&P disposal volumes, an increase in auto and workers' compensation claims expense under our high deductible insurance program of $3.3 million due primarily to adjustments to projected losses on prior period claims, an increase of $2.7 million related to an increase in the volume of waste solidification materials needed to treat higher E&P waste volumes at our facilities and regulatory changes requiring use of higher cost waste solidification materials at one of our landfills, an increase of $2.0 million associated with the cost of contracted landfill construction services we performed at a landfill we operate, an increase in employee benefits expenses of $1.4 million due to increased employee participation in our benefits program and increased medical claim costs, and $0.9 million of other net increases, partially offset by a decrease in equipment rental expense of $2.3 million resulting from capital purchases replacing certain equipment that was previously rented at our E&P facilities, a decrease in the cost of recyclable commodities of $1.8 million due to declines in commodity prices and decreased commodity volumes resulting from the closure of two of our recyclable processing centers subsequent to December 31, 2013 and a decrease in fuel expense of $1.0 million resulting from the net of lower market prices for diesel fuel not purchased under diesel fuel hedge agreements offsetting an increase in total diesel fuel gallons consumed.

Cost of operations as a percentage of revenues decreased 0.4 percentage points to 54.8% for the year ended December 31, 2014, from 55.2% for the year ended December 31, 2013. The decrease as a percentage of revenues was comprised of a 0.4 percentage point decrease in labor expenses and a 0.4 percentage point decrease in fuel expense due to lower prices for diesel fuel, a 0.2 percentage point decrease from lower equipment rental expenses and a 0.1 percentage point decrease in disposal expense resulting from the increased internalization of certain collection and transfer station volumes as well as increased landfill and E&P revenues not resulting in increased disposal expenses, partially offset by a 0.5 percentage point increase from higher third-party trucking expenses and a 0.2 percentage point increase in third party subcontractor expenses at our E&P facilities.

SG&A. SG&A expenses increased $16.9 million, or 7.9%, to $229.5 million for the year ended December 31, 2014, from $212.6 million for the year ended December 31, 2013. The increase was primarily the result of $2.8 million of additional SG&A expenses from acquisitions closed during, or subsequent to, the year ended December 31, 2013, partially offset by a decrease in SG&A expenses of $0.9 million resulting from operations divested during, or subsequent to, the year ended December 31, 2013, and the following changes at operations owned in comparable periods in 2013 and 2014: an increase in accrued cash incentive compensation expense of $6.2 million resulting from the achievement of certain financial targets in the current period, an increase in payroll and payroll-related expenses of $3.1 million primarily related to annual compensation increases, an increase in equity-based compensation expense of $3.0 million associated with a decrease in our estimated pre-vesting forfeiture rate and an increase in the total fair value of our annual recurring grant of restricted stock units to our personnel, an increase in professional fees of $2.0 million due primarily to increased expenses for external legal and information technology services, a $1.2 million increase in expenses for uncollectible accounts receivable primarily in our E&P business due to the impact of the decline in crude oil prices at the end of 2014 impacting the solvency of certain E&P customers and $0.4 million of other net increases, partially offset by a decrease in deferred compensation expense of $0.9 million as a result of decreases in the market value of investments to which employee deferred compensation liability balances are tracked.

SG&A expenses as a percentage of revenues was unchanged at 11.0% for the years ended December 31, 2014 and 2013, resulting from a 0.2 percentage point increase from increased cash incentive compensation expense being offset by a 0.2 percentage point decrease from leveraging existing administrative functions to support increases in revenues.

Depreciation. Depreciation expense increased $12.4 million, or 5.7%, to $230.9 million for the year ended December 31, 2014, from $218.5 million for the year ended December 31, 2013. The increase was primarily the result of $2.0 million of additional depreciation expense and $0.1 million of additional depletion expense from acquisitions closed during, or subsequent to, the year ended December 31, 2013, partially offset by a decrease in depreciation expense of $0.9 million resulting from operations divested during, or subsequent to, the year ended December 31, 2013, and the following changes at operations owned in comparable periods in 2013 and 2014: an increase in depreciation expense of $7.2 million associated with additions to our fleet and equipment purchased to support our existing operations and an increase in depletion expense of $5.4 million due primarily to an increase in volumes at our existing landfill operations, partially offset by an adjustment to depletion expense of $1.4 million recorded during the year ended December 31, 2013 resulting from an adjustment to final capping obligations at one of our landfill operations.

Depreciation expense as a percentage of revenues decreased 0.3 percentage points to 11.1% for the year ended December 31, 2014, from 11.4% for the year ended December 31, 2013. The decrease as a percentage of revenues was due primarily to the aforementioned prior year adjustment to depletion expense resulting from an adjustment to final capping obligations at one of our landfill operations and leveraging existing equipment to support increases in revenues.

Amortization of Intangibles. Amortization of intangibles expense increased $1.6 million, or 6.3%, to $27.0 million for the year ended December 31, 2014, from $25.4 million for the year ended December 31, 2013. The increase was attributable to $2.0 million of additional amortization expense during the year ended December 31, 2014 from acquisitions closed during, or subsequent to, the year ended December 31, 2013, partially offset by a decrease in amortization expense of $0.4 million resulting from certain intangible assets becoming fully amortized subsequent to the year ended December 31, 2013.

Amortization expense as a percentage of revenues was unchanged at 1.3% for the years ended December 31, 2014 and 2013.

Loss on Prior Office Leases. During the year ended December 31, 2013, we recorded a $9.2 million expense charge associated with the cessation of use of our former corporate headquarters in Folsom, California, and subsequently remitted a payment to terminate our remaining lease obligation. Additionally, during the year ended December 31, 2013, we recorded a $0.7 million expense charge associated with the cessation of use of our E&P segment’s former regional offices in Houston, Texas.

Impairments and Other Operating Charges. Impairments and other operating charges was a loss of $4.1 million for the years ended December 31, 2014 and 2013.

During the year ended December 31, 2013, we recorded net losses totaling $2.5 million on the disposal of three operating locations, $1.3 million of expenses resulting from increases to the fair value of amounts payable under liability-classified contingent consideration arrangements associated with acquisitions closed prior to 2013 and a $0.8 million write-down in the carrying value of assets at an operating location that was closed in 2013, partially offset by $0.5 million of net gains on the disposal of certain operating assets.

During the year ended December 31, 2014, we recorded an $8.4 million impairment charge at an E&P disposal facility as a result of projected operating losses resulting from the migration of the majority of the facility's customers to a new E&P facility that we own and operate, which was partially offset by $4.1 million of decreases to the fair value of amounts payable under liability-classified contingent consideration arrangements associated with acquisitions closed prior to 2014 and $0.2 million of net gains on the disposal of certain operating assets.

Operating Income. Operating income increased $55.9 million, or 14.2%, to $449.3 million for the year ended December 31, 2014, from $393.4 million for the year ended December 31, 2013. The increase was attributable to the $150.4 million increase in revenues and a $9.9 million decrease in loss on prior office leases, partially offset by the $73.6 million increase in cost of operations, $16.9 million increase in SG&A expense, $12.4 million increase in depreciation expense and $1.6 million increase in amortization of intangibles expense.

Operating income as a percentage of revenues increased 1.2 percentage points to 21.6% for the year ended December 31, 2014, from 20.4% for the year ended December 31, 2013. The increase as a percentage of revenues was comprised of a 0.4 percentage point decrease in cost of operations, a 0.5 percentage point decrease in loss on prior office leases and a 0.3 percentage point decrease in depreciation expense.

Interest Expense. Interest expense decreased $8.9 million, or 12.1%, to $64.7 million for the year ended December 31, 2014, from $73.6 million for the year ended December 31, 2013, due to the following changes: a decrease of $3.7 million due to a reduction in the applicable margin above the base rate or LIBOR rate for outstanding borrowings under our prior credit agreement and term loan agreement as a result of a reduction in our leverage ratio of total debt to EBITDA and amendments to the prior credit agreement and term loan agreement, a decrease of $2.8 million due to a reduction in the average outstanding balances on our prior credit agreement and term loan agreement, a decrease of $2.0 million due to the expiration in February 2014 of a $175 million interest rate swap with a fixed rate of 2.85% and the commencement of a new $175 million interest rate swap with a fixed rate of 1.60%, a decrease of $0.6 million resulting from a decrease in interest accretion expense recorded on liability-classified contingent consideration arrangements that were settled, or became fully accrued, subsequent to December 31, 2013 and a $0.6 million decrease from other net changes, partially offset by a $0.8 million increase resulting from the commencement in July 2014 of a new $100 million interest rate swap with a fixed rate of 1.80%.

Income Tax Provision. Income taxes increased $27.4 million, or 21.9%, to $152.3 million for the year ended December 31, 2014, from $124.9 million for the year ended December 31, 2013, as a result of increased pre-tax income and an adjustment in deferred tax liabilities resulting from the enactment of New York State's 2014-2015 Budget Act that increased our income tax expense and our effective tax rate during the year ended December 31, 2014 by $1.2 million and 0.3 percentage points, respectively.

The reconciliation of the income tax provision to the 2012 federal and state tax returns, which were filed during 2013, decreased our tax expense by $0.8 million and reduced our effective tax rates by 0.3 percentage points for the year ended December 31, 2013.

Our effective tax rates for the years ended December 31, 2014 and 2013, were 39.5% and 38.9%, respectively.

Years Ended December 31, 2013 and 2012

Revenues. Total revenues increased $267.2 million, or 16.1%, to $1.929 billion for the year ended December 31, 2013, from $1.662 billion for the year ended December 31, 2012.

During the year ended December 31, 2013, incremental revenue growth from the R360 acquisition was $186.0 million. All other acquisitions closed during, or subsequent to, the year ended December 31, 2012, increased revenues by approximately $38.2 million. Operations divested during, or subsequent to, the year ended December 31, 2012, decreased revenues by approximately $5.4 million.

During the year ended December 31, 2013, the net increase in prices charged to our customers was $46.7 million, consisting of $42.2 million of core price increases and $4.5 million of fuel, materials and environmental surcharges.

During the year ended December 31, 2013, volume increases in our existing business increased revenues by $13.7 million. The increase in volume was primarily attributable to increases in landfill MSW volumes, landfill special waste projects and roll off collection resulting from increased construction and general economic activity in our markets, partially offset by the loss of commercial and residential collection, transfer station and landfill revenues under the terminated Madera County contracts and by declines in commercial collection primarily attributable to service level declines with existing customers and a reduction in customer counts due to competition in our markets.

During the year ended December 31, 2013, decreased recyclable commodity volumes in our Eastern segment, the closure of a recycling operation in our Western segment and decreased recyclable commodity prices, primarily due to decreased overseas demand for recyclable commodities, decreased revenues by $7.9 million.

Other revenues decreased by $4.1 million during the year ended December 31, 2013, primarily due to a decrease in cargo volume at our intermodal operations due primarily to the loss of a large intermodal customer.

Cost of Operations. Total cost of operations increased $108.5 million, or 11.3%, to $1.065 billion for the year ended December 31, 2013, from $956.4 million for the year ended December 31, 2012. The increase was primarily the result of $78.1 million of additional operating costs during the year ended December 31, 2013, from the R360 acquisition, $19.3 million of additional operating costs from all other acquisitions closed during, or subsequent to, the year ended December 31, 2012, partially offset by a decrease in operating costs of $2.6 million resulting from operations divested during, or subsequent to, the year ended December 31, 2012, and the following changes at operations owned in comparable periods in 2012 and 2013: an increase in labor expenses of $6.2 million due primarily to employee pay rate increases and increases in employee headcount to support growth in our existing operations, an increase in diesel fuel expenses of $2.6 million resulting from the net impact of the expiration of a prior year fuel hedge in which the diesel fuel fixed price under the hedge agreement was less than the diesel fuel retail price and an increase in total diesel fuel gallons consumed, partially offset by lower market prices for diesel fuel not purchased under diesel fuel hedge agreements, an increase in truck, container, equipment and facility maintenance and repair expenses of $2.6 million due to variability in the timing and severity of major repairs, an increase in third-party trucking and transportation expenses of $2.5 million due to increased landfill volumes that require us to transport the waste to our disposal sites, an increase in taxes on revenues of $2.2 million due to increased collection and landfill revenues, an increase in third-party disposal expense of $1.4 million due to changes in the disposal internalization of collected volumes in certain markets, an increase in equipment rental expense of $0.9 million to support operating locations with short-term equipment needs, an increase in cell processing reserves at certain E&P locations of $0.9 million due to higher waste volumes filling existing processing cells and requiring the opening of new processing cells, an increase in insurance premiums under our high deductible insurance program of $0.6 million due to our growth from acquisitions and $2.0 million of other net increases, partially offset by a $3.1 million decrease in insurance claims expense under our high deductible insurance program due primarily to a reduction in projected losses on open auto and workers' compensation claims, a decrease in the cost of recyclable commodities of $2.7 million due to declines in commodity values and decreased recyclable commodity volumes and a decrease in rail transportation expenses at our intermodal operations of $2.4 million due to decreased rail cargo volume.

Cost of operations as a percentage of revenues decreased 2.4 percentage points to 55.2% for the year ended December 31, 2013, from 57.6% for the year ended December 31, 2012. The decrease as a percentage of revenues was comprised of a 1.7 percentage point decrease from acquisitions closed during, or subsequent to, the year ended December 31, 2012, having lower cost of operations as a percentage of revenue than our historical company average, a 0.3 percentage point decrease from lower auto and workers' compensation expense, a 0.2 percentage point decrease from a decrease in the cost of recyclable commodities and a 0.2 percentage point decrease from a decrease in rail transportation expenses at our intermodal operations.

SG&A. SG&A expenses increased $15.1 million, or 7.7%, to $212.6 million for the year ended December 31, 2013, from $197.5 million for the year ended December 31, 2012. The increase was primarily the result of $15.4 million of additional SG&A expenses during the year ended December 31, 2013, from the R360 acquisition, $2.6 million of additional SG&A expenses from all other acquisitions closed during, or subsequent to, the year ended December 31, 2012, and the following changes at operations owned in comparable periods in 2012 and 2013: an increase in cash incentive compensation expense of $4.0 million resulting from the achievement of certain financial targets, an increase in payroll and payroll-related expenses of $1.6 million primarily related to annual compensation increases, an increase in recurring equity-based compensation expense associated with our annual grant of restricted stock unit awards to our personnel of $1.7 million due to an increase in the number of personnel receiving restricted stock unit awards, an increase in professional fees of $1.1 million due primarily to increased expenses for external accounting, tax and information technology services, an increase in deferred compensation expense of $0.7 million due to an increase in deferred compensation liabilities to employees as a result of increases in the market value of investments to which employee deferred compensation balances are tracked, an increase in credit card processing expenses of $0.6 million due to more customers submitting payments for services using credit cards, an increase in contributions to support community activities of $0.5 million and $0.9 million of other net increases, partially offset by a decrease of $7.0 million associated with relocation expenses, the majority of which were incurred during the prior year in connection with the relocation of our corporate headquarters from Folsom, California to The Woodlands, Texas, a decrease in equity-based compensation resulting from a grant in 2012 of $3.6 million of immediately vested restricted stock units to certain executive officers at the time the executives agreed to modifications to their employment contracts and a decrease in direct acquisition expenses of $3.4 million due to a reduction in acquisition activity.

SG&A expenses as a percentage of revenues decreased 0.9 percentage points to 11.0% for the year ended December 31, 2013, from 11.9% for the year ended December 31, 2012. The decrease as a percentage of revenues was comprised of a 0.5 percentage point decrease from lower relocation expenses, a 0.3 percentage point decrease due to acquisitions closed during, or subsequent to, the year ended December 31, 2012, having lower SG&A expenses as a percentage of revenue than our historical company average, a 0.2 percentage point decrease from lower total equity-based compensation expense and a 0.2 percentage point decrease due to a decrease in direct acquisition expenses, partially offset by a 0.2 percentage point increase from increased cash incentive compensation expense and a 0.1 percentage point increase from the increase in professional fee expenses.

Depreciation. Depreciation expense increased $49.5 million, or 29.2%, to $218.5 million for the year ended December 31, 2013, from $169.0 million for the year ended December 31, 2012. The increase was primarily attributable to $15.4 million of depreciation and $17.8 million of depletion during the year ended December 31, 2013, from the R360 acquisition, $2.4 million of depreciation and $3.0 million of depletion from all other acquisitions closed during, or subsequent to, the year ended December 31, 2012, an increase in depletion expense of $6.0 million due primarily to both an increase in volumes at our existing landfill operations and adjustments to landfill closure liabilities and an increase in depreciation expense of $4.9 million associated with additions to our fleet and equipment purchased to support our existing operations.

Depreciation expense as a percentage of revenues increased 1.2 percentage points to 11.4% for the year ended December 31, 2013, from 10.2% for the year ended December 31, 2012. The increase as a percentage of revenues was comprised of a 0.7 percentage point increase from an increase in depletion expense at landfills acquired during, or subsequent to, the year ended December 31, 2012, which have a higher depletion rate per ton relative to our historical company average, a 0.4 percentage point increase in depletion expense at our existing operations due to increased landfill volumes and the aforementioned adjustments to landfill closure obligations and a 0.1 percentage point increase in depreciation expense at our existing operations due to additions to our fleet and equipment.

Amortization of Intangibles. Amortization of intangibles expense increased $0.8 million, or 3.5%, to $25.4 million for the year ended December 31, 2013, from $24.6 million for the year ended December 31, 2012. The increase was primarily attributable to $1.8 million of additional amortization expense during the year ended December 31, 2013, for permits and customer lists from the R360 acquisition and $1.0 million of additional amortization expense for contracts and customer lists from all other acquisitions closed during, or subsequent to, the year ended December 31, 2012, partially offset by a decrease in amortization expense of $2.0 million resulting from certain intangible assets becoming fully amortized subsequent to the year ended December 31, 2012.

Amortization expense as a percentage of revenues decreased 0.2 percentage points to 1.3% for the year ended December 31, 2013, from 1.5% for the year ended December 31, 2012. The decrease as a percentage of revenues was attributable to the reduction in amortization expense resulting from certain intangible assets becoming fully amortized subsequent to December 31, 2012.

Impairments and Other Operating Charges. Impairments and other operating charges increased $2.5 million, to a loss of $4.1 million for the year ended December 31, 2013, from a loss of $1.6 million for the year ended December 31, 2012. The increase was attributable to a $2.5 million net loss on the disposal of three operating locations in 2013 compared to a $0.8 million loss on the disposal of an operating location in 2012, $1.3 million of expenses resulting from increases to the fair value of amounts payable under liability-classified contingent consideration arrangements associated with acquisitions closed prior to 2013 and a $0.8 million write-down in the carrying value of assets at an operating location that was closed in 2013, partially offset by a write off in 2012 of a contract with a carrying value of $0.6 million that was not renewed and an increase of $0.7 million in other net gains resulting primarily from the sale of vehicles and equipment.

Loss on Prior Office Leases. During the year ended December 31, 2013, we recorded a $9.2 million expense charge associated with the cessation of use of our former corporate headquarters in Folsom, California, and subsequently remitted a payment to terminate our remaining lease obligation. Additionally, during the year ended December 31, 2013, we recorded a $0.7 million expense charge associated with the cessation of use of our E&P segment's former regional offices in Houston, Texas.

Gain from Litigation Settlement. Gain from litigation settlement of $3.6 million for the year ended December 31, 2012, consisted of an award received from an arbitration we filed against a counter-party for breach of a disposal agreement.

Operating Income. Operating income increased $77.3 million, or 24.4%, to $393.4 million for the year ended December 31, 2013, from $316.1 million for the year ended December 31, 2012. The increase was primarily attributable to the $267.2 million increase in revenues, partially offset by the $108.5 million increase in cost of operations, $49.5 million increase in depreciation expense, $15.1 million increase in SG&A expense, $9.9 million expense charge recorded for the loss on our prior office leases, $3.6 million gain from litigation settlement received in

2012, $2.5 million increase in impairments and other operating charges and $0.8 million increase in amortization of intangibles expense.

Operating income as a percentage of revenues increased 1.4 percentage points to 20.4% for the year ended December 31, 2013, from 19.0% for the year ended December 31, 2012. The increase as a percentage of revenues was comprised of a 2.4 percentage point decrease in cost of operations, 0.9 percentage point decrease in SG&A expense and 0.2 percentage point decrease in amortization expense, partially offset by a 1.2 percentage point increase in depreciation expense, 0.5 percentage point increase in loss on prior office leases, a 0.2 percentage point decrease in gain from litigation settlement and a 0.2 percentage point increase in impairments and other operating charges.

Interest Expense. Interest expense increased $20.6 million, or 38.7%, to $73.6 million for the year ended December 31, 2013, from $53.0 million for the year ended December 31, 2012, due to the following changes for the comparable periods in 2012 and 2013: an increase of $13.6 million from the October 2012 incurrence of our prior term loan agreement to fund a portion of the consideration for the R360 acquisition, an increase of $4.0 million due to an increase in the average outstanding balance on our prior credit agreement due to additional borrowings to fund a portion of the consideration for the R360 acquisition, an increase of $1.4 million due to an increase in the applicable margin above the base rate or LIBOR rate under our prior credit agreement as a result of our leverage ratio increasing due to our higher total debt balance, an increase of $0.9 million from the amortization of debt issuance costs associated with our prior credit agreement and term loan agreement, an increase of $0.5 million resulting from interest accretion expense recorded on long-term liabilities recorded at fair value associated with acquisitions closed during, or subsequent to, the year ended December 31, 2012, and an increase of $0.2 million due to the commencement of a $150 million interest rate swap in April 2012 with a fixed rate of 0.80%.

Income Tax Provision. Income taxes increased $19.5 million, or 18.5%, to $124.9 million for the year ended December 31, 2013, from $105.4 million for the year ended December 31, 2012, as a result of increased pre-tax income.

Our effective tax rates for the years ended December 31, 2013 and 2012, were 38.9% and 39.8%, respectively.

During the year ended December 31, 2012, income tax expense and our effective tax rate were increased by $2.6 million and 1.0 percentage points, respectively, associated with an adjustment in deferred tax liabilities resulting from changes in the geographical apportionment of our state income taxes primarily due to the R360 acquisition, and $1.1 million and 0.4 percentage points, respectively, due to $2.9 million of the $3.6 million equity-based compensation granted to certain executive officers, incurred at the time the executives agreed to modifications to their employment contracts, being non-deductible expenses.

Additionally, the reconciliation of the income tax provision to the 2011 federal and state tax returns, which were filed during 2012, decreased tax expense by $1.7 million and reduced our effective tax rate by 0.6 percentage points for the year ended December 31, 2012. The reconciliation of the income tax provision to the 2012 federal and state tax returns, which were filed during 2013, decreased our tax expense by $0.8 million and reduced our effective tax rate by 0.3 percentage points for the year ended December 31, 2013.

Segment Reporting

Our Chief Operating Decision Maker evaluates operating segment profitability and determines resource allocations based on several factors, of which the primary financial measure is segment EBITDA. We define segment EBITDA as earnings before interest, taxes, depreciation, amortization, loss on prior office leases, impairments and other operating charges and other income (expense). Segment EBITDA is not a measure of operating income, operating performance or liquidity under GAAP and may not be comparable to similarly titled measures reported by other companies. Our management uses segment EBITDA in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments.

We manage our operations through three geographic operating segments (Western, Central and Eastern), and our E&P segment, which includes the majority of our E&P waste treatment and disposal operations. Our three geographic operating segments and our E&P segment comprise our reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts. Our Western segment is comprised of operating locations in Alaska, California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; our Central segment is comprised of operating locations in Arizona, Colorado, Kansas, Louisiana, Minnesota, Nebraska, New Mexico, Oklahoma, South Dakota, Texas, Utah and eastern Wyoming; and our Eastern segment is comprised of operating locations in Alabama, Illinois, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, North Carolina, South Carolina and Tennessee. The E&P segment is comprised of our E&P operations in Louisiana, New Mexico, North Dakota, Oklahoma, Texas, Wyoming and along the Gulf of Mexico.

Revenues, net of intercompany eliminations, for our reportable segments are shown in the following table in thousands and as a percentage of total revenues for the periods indicated:

	Years Ended December 31,								
	2014	% of Revenues		2013	% of Revenues		2012	% of Revenues	
Western	$823,922	39.6	%	$805,790	41.8	%	$782,134	47.1	%
Central	561,480	27.0		510,928	26.5		461,875	27.8	
Eastern	393,821	19.0		371,772	19.3		366,825	22.1	
E&P	299,943	14.4		240,305	12.4		50,784	3.0	
	$2,079,166	100.0	%	$1,928,795	100.0	%	$1,661,618	100.0	%

Segment EBITDA for our reportable segments is shown in the following table in thousands and as a percentage of segment revenues for the periods indicated:

	Years Ended December 31,								
	2014	% of Revenues		2013	% of Revenues		2012	% of Revenues	
Western	$258,126	31.3	%	$249,548	31.0	%	$229,427	29.3	%
Central	197,121	35.1		182,790	35.8		164,756	35.7	
Eastern	116,230	29.5		108,173	29.1		101,046	27.5	
E&P	147,261	49.1		111,056	46.2		23,651	46.6	
Corporate[(a)]	(7,434)	-		(228)	-		(11,073)	-	
	$711,304	34.2		$651,339	33.8		$507,807	30.6	

(a) Corporate functions include accounting, legal, tax, treasury, information technology, risk management, human resources, training and other administrative functions. Amounts reflected are net of allocations to the four operating segments.

A reconciliation of segment EBITDA to Income before income tax provision is included in Note 15 of our consolidated financial statements included in Item 8 of this report.

Significant changes in revenue and segment EBITDA for our reportable segments for the year ended December 31, 2014, compared to the year ended December 31, 2013, and for the year ended December 31, 2013, compared to the year ended December 31, 2012, are discussed below.

Segment Revenue

Revenue in our Western segment increased $18.1 million, or 2.3%, to $823.9 million for the year ended December 31, 2014, from $805.8 million for the year ended December 31, 2013. The components of the increase consisted of volume increases of $21.4 million primarily in our collection operations, transfer stations and solid waste landfills, net price increases of $12.0 million, revenue growth from acquisitions closed during, or subsequent to, the year ended December 31, 2013, of $0.3 million and other revenue increases of $0.4 million, partially offset by decreases of $5.3 million from divested operations, recyclable commodity sales decreases of $8.4 million due primarily to the closure of two of our recycling operations subsequent to December 31, 2013 and intermodal revenue decreases of $2.3 million due to decreases in cargo volume resulting primarily from the loss of a large intermodal customer.

Revenue in our Western segment increased $23.7 million, or 3.0%, to $805.8 million for the year ended December 31, 2013, from $782.1 million for the year ended December 31, 2012. The components of the increase consisted of net price increases of $17.1 million, revenue growth from acquisitions closed during, or subsequent to, the year ended December 31, 2012, of $13.5 million and volume increases of $5.9 million primarily at our landfill operations, partially offset by recyclable commodity sales decreases of $4.1 million due to lower prices for recyclable commodities and the closure of one of our recycling operations, intermodal revenue decreases of $4.5 million due to decreases in cargo volume resulting primarily from the loss of a large intermodal customer, decreases of $3.7 million from divested operations and other revenue decreases of $0.5 million.

Revenue in our Central segment increased $50.6 million, or 9.9%, to $561.5 million for the year ended December 31, 2014, from $510.9 million for the year ended December 31, 2013. The components of the increase consisted of revenue growth from acquisitions closed during, or subsequent to, the year ended December 31, 2013, of $24.2 million, net price increases of $22.0 million, volume increases of $5.6 million primarily in our roll off collection business, transfer station and solid waste landfills and $0.1 million of other revenue increases, partially offset by recyclable commodity sales decreases of $0.7 million and decreases of $0.6 million from divested operations.

Revenue in our Central segment increased $49.0 million, or 10.6%, to $510.9 million for the year ended December 31, 2013, from $461.9 million for the year ended December 31, 2012. The components of the increase consisted of revenue growth from acquisitions closed during, or subsequent to, the year ended December 31, 2012, of $22.3 million, net price increases of $18.1 million, volume increases of $8.2 million primarily in our roll off collection business and our solid waste landfills and other revenue increases of $0.5 million, partially offset by recyclable commodity sales decreases of $0.1 million.

Revenue in our Eastern segment increased $22.0 million, or 5.9%, to $393.8 million for the year ended December 31, 2014, from $371.8 million for the year ended December 31, 2013. The components of the increase consisted of net price increases of $13.3 million, volume increases of $8.1 million primarily in our roll off collection business, transfer station and solid waste landfills, other revenue increases of $2.0 million primarily associated with contracted landfill construction services we performed at a landfill we operate and revenue growth from acquisitions closed during, or subsequent to, the year ended December 31, 2013, of $3.5 million, partially offset by decreases of $4.1 million from divested operations and recyclable commodity sales decreases of $0.8 million due to lower prices for recyclable commodities.

Revenue in our Eastern segment increased $5.0 million, or 1.3%, to $371.8 million for the year ended December 31, 2013, from $366.8 million for the year ended December 31, 2012. The components of the increase consisted of net price increases of $11.5 million, revenue growth from acquisitions closed during, or subsequent to, the year ended December 31, 2012, of $1.2 million and other revenue increases of $0.4 million, partially offset by volume decreases of $2.7 million resulting from decreased residential and commercial collection volumes, partially offset by increased solid waste landfill volumes, recyclable commodity sales decreases of $3.7 million and decreases of $1.7 million from divested operations.

Revenue in our E&P segment increased $59.6 million, or 24.8%, to $299.9 million for the year ended December 31, 2014, from $240.3 million for the year ended December 31, 2013. The components of the increase consisted of $23.9 million of revenue from new facilities opened subsequent to December 31, 2013, $31.9 million of volume increases at facilities owned and operated in each of the comparable periods and $3.8 million of revenue from acquisitions closed during the year ended December 31, 2014.

The substantial reductions in crude oil prices that began in October 2014 and are continuing into 2015 are expected to result in a decline in the level of drilling and production activity, reducing the demand for E&P waste services in the basins in which we operate. Based on the 2015 capital budgets announced to date by E&P companies in the basins in which we operate, we currently believe that E&P revenues at facilities included in our results of operations for the entire year ended December 31, 2014 could decline significantly in 2015. The overall decline in our E&P revenues will be partially offset by new facilities opened in 2015 and the full year impact of operations from E&P acquisitions closed subsequent to January 1, 2014. Further or sustained declines in commodity prices may lead to further reductions in drilling activities by our E&P customers and further declines in our E&P volumes and revenues.

Revenue in our E&P segment increased $189.5 million, or 373.2%, to $240.3 million for the year ended December 31, 2013, from $50.8 million for the year ended December 31, 2012. The components of the increase consisted of revenue from the R360 acquisition of $186.0 million and one additional acquisition closed subsequent to the year ended December 31, 2012 of $1.2 million and volume increases of $2.3 million.

Segment EBITDA

EBITDA in our Western segment increased $8.6 million, or 3.4%, to $258.1 million for the year ended December 31, 2014, from $249.5 million for the year ended December 31, 2013. The increase was primarily due to an increase in revenues of $18.1 million, a net $4.9 million decrease in cost of operations and SG&A expenses attributable to divested operations, a decrease in the cost of recyclable commodities of $1.7 million due to a net decline in commodity volumes resulting from the closure of two of our recyclable processing centers subsequent to December 31, 2013, a decrease in fuel expense of $1.4 million resulting from the net of lower market prices for diesel fuel not purchased under diesel fuel hedge agreements offsetting an increase in total diesel fuel gallons consumed and $0.3 million of other net decreases, partially offset by an increase in taxes on revenues of $4.7 million due to increased revenues, an increase in third-party disposal expense of $4.4 million due to disposal rate increases and higher disposal associated with increased collection volumes, an increase in direct and administrative labor expenses of $2.4 million due primarily to employee pay rate increases, an increase in auto, workers' compensation and property claims expense under our high deductible insurance program of $1.7 million due primarily to adjustments to projected losses on prior period claims, an increase in employee benefits expenses of $1.1 million due to increased employee participation in our benefits program and increased medical claim costs, an increase in truck, container, equipment and facility maintenance and repair expenses of $0.9 million due to variability in the timing and severity of major repairs, increases in expenses for uncollectible accounts receivable of $0.8 million associated with receivables from an individual customer that were deemed uncollectible, an increase in third party trucking and transportation expenses of $0.7 million due to increased volumes disposed of at our transfer stations that require further transportation to our landfills, an increase in corporate overhead expense allocations of $0.7 million due primarily to revenue growth and an increase in professional fee expenses primarily associated with business development opportunities of $0.4 million.

EBITDA in our Western segment increased $20.1 million, or 8.8%, to $249.5 million for the year ended December 31, 2013, from $229.4 million for the year ended December 31, 2012. The increase was primarily due to an increase in revenues of $23.7 million, decreased rail transportation expenses at our intermodal operations of $2.4

million resulting from the decline in intermodal cargo volume, decreased expenses associated with the cost of recyclable commodities of $1.5 million due to declines in commodity values, decreased auto and workers' compensation expense under our high deductible insurance program of $1.3 million due primarily to a reduction in projected losses on open auto and workers' compensation claims, decreased bad debt expense of $0.9 million due to improved collection results and $0.9 million of other net expense decreases, partially offset by a net $5.7 million increase in cost of operations and SG&A expenses attributable to acquired operations, increased direct and administrative labor expenses of $2.5 million resulting from employee pay increases and additional personnel needed to support the segment's growth and increased taxes on revenues of $2.4 million resulting from higher collection and landfill revenues.

EBITDA in our Central segment increased $14.3 million, or 7.8%, to $197.1 million for the year ended December 31, 2014, from $182.8 million for the year ended December 31, 2013. The increase was primarily due to an increase in revenues of $50.6 million, partially offset by a net $15.4 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in labor expenses of $4.8 million due primarily to employee pay rate increases, an increase in third-party trucking and transportation expenses of $4.3 million due to increased volumes disposed of at our transfer stations that require further transportation to our landfills, an increase in third-party disposal expense of $3.5 million due to disposal rate increases and higher disposal associated with increased collection volumes, an increase in truck, container, equipment and facility maintenance and repair expenses of $1.8 million due to variability in the timing and severity of major repairs, an increase in corporate overhead expense allocations of $1.8 million due primarily to revenue growth, an increase in landfill solidification materials of $1.2 million due to regulatory changes requiring use of higher cost materials at one of our landfills, an increase in auto, workers' compensation and property claims expense under our high deductible insurance program of $1.0 million due primarily to adjustments to projected losses on prior period claims, an increase in taxes on revenues of $0.9 million due to increased revenues, an increase in employee benefits expenses of $0.8 million due to increased employee participation in our benefits program and increased medical claim costs and $0.8 million of other net expense increases.

EBITDA in our Central segment increased $18.0 million, or 10.9%, to $182.8 million for the year ended December 31, 2013, from $164.8 million for the year ended December 31, 2012. The increase was primarily due to an increase in revenues of $49.0 million and decreased allocation of expenses from corporate of $1.0 million due to a decrease in the allocation rate, partially offset by a net $14.5 million increase in cost of operations and SG&A expenses attributable to acquired operations, increased direct and administrative labor expenses of $4.4 million resulting from employee pay increases and additional personnel needed to support the segment's growth, increased disposal expenses, third-party trucking and transportation expenses and taxes on revenues of $2.8 million, $1.6 million and $0.9 million, respectively, resulting from collection and landfill volume growth, increased truck, container, equipment and facility maintenance and repair expenses of $2.4 million due to variability in the timing and severity of major repairs, increased diesel fuel expenses of $1.9 million due primarily to the net impact of the expiration of a prior year fuel hedge in which the diesel fuel fixed price under the hedge agreement was less than the diesel fuel retail price, increased equipment rental expenses of $1.3 million to service landfill volume increases, increased cash incentive compensation expense of $0.7 million resulting from the achievement of certain financial targets and $1.5 million of other net expense increases.

EBITDA in our Eastern segment increased $8.0 million, or 7.4%, to $116.2 million for the year ended December 31, 2014, from $108.2 million for the year ended December 31, 2013. The increase was primarily due to an increase in revenues of $22.0 million, a net $3.4 million decrease in cost of operations and SG&A expenses attributable to divested operations and a decrease in expenses for uncollectible accounts receivable of $1.2 million due to a charge recorded during the year ended December 31, 2013 associated with receivables from one large customer that were deemed uncollectible, partially offset by an increase in labor expenses of $3.8 million due primarily to employee pay rate increases, an increase in truck, container, equipment and facility maintenance and repair expenses of $2.9 million due to variability in the timing and severity of major repairs, an increase in taxes on revenues of $2.1 million due to both an increase in revenues and a prior year adjustment that decreased taxes on revenues expense, a net increase in cost of operations and SG&A expenses of $2.0 million attributable to acquisitions closed during the year ended December 31, 2014, an increase of $2.0 million associated with the cost of contracted landfill construction services we performed at a landfill we operate, an increase in leachate disposal expenses of $1.9 million at certain landfills we own and operate, an increase in auto and workers' compensation expense under our high deductible insurance program of $0.8 million due to adjustments to projected losses on prior period claims, an increase in employee benefits expenses of $0.8 million due to increased employee participation in our benefits program and increased medical claim costs, an increase in corporate overhead expense allocations of $0.5 million due primarily to revenue growth, an increase in third-party trucking and transportation expenses of $0.4 million due to increased volumes disposed of at our transfer stations that require further transportation to our landfills, an increase in third-party disposal expense of $0.3 million due to disposal rate increases and higher disposal associated with increased roll off collection volumes and $1.1 million of other net expense increases.

EBITDA in our Eastern segment increased $7.2 million, or 7.1%, to $108.2 million for the year ended December 31, 2013, from $101.0 million for the year ended December 31, 2012. The increase was primarily due to an increase in revenues of $5.0 million, decreased allocation of expenses from corporate of $2.5 million due to a decrease in the allocation rate, decreased expenses associated with the cost of recyclable commodities of $1.5 million due to declines in commodity value and a decrease in recyclable commodity volume, decreased auto and workers' compensation expense under our high deductible insurance program of $1.1 million due primarily to a reduction in projected losses on open auto and workers' compensation claims and $0.8 million of other net expense decreases, partially offset by increased expenses for uncollectible accounts receivable of $1.3 million primarily due to receivables from one large customer that were deemed uncollectible, increased diesel fuel expenses of $1.2 million due primarily to the net impact of the expiration of a prior year fuel hedge in which the diesel fuel fixed price under the hedge agreement was less than the diesel fuel retail price and increased direct and administrative labor expenses of $1.2 million resulting primarily from employee pay increases.

EBITDA in our E&P segment increased $36.2 million, or 32.6%, to $147.3 million for the year ended December 31, 2014, from $111.1 million for the year ended December 31, 2013. The increase was primarily due to an increase in revenues of $59.6 million, a decrease in equipment rental expense of $1.7 million resulting from capital purchases replacing certain equipment that was previously rented and $0.7 million of other net expense decreases, partially offset by an increase in third-party trucking and transportation expenses of $9.2 million due to increased volumes that require us to transport the waste to our disposal sites, an increase in labor expenses of $4.8 million due primarily to employee pay rate increases and increased headcount to support new operating facilities, an increase of $4.1 million for third-party subcontractor processing and remediation services resulting from higher E&P volumes, an increase in truck, container, equipment and facility maintenance and repair expenses of $3.2 million due to variability in the timing and severity of major repairs, a net increase in cost of operations and SG&A expenses of $1.9 million attributable to acquisitions closed during the year ended December 31, 2014, an increase in landfill solidification materials of $1.4 million due to increased E&P volumes and an increase in expenses for uncollectible accounts receivable of $1.2 million due to the impact of the decline in crude oil prices at the end of 2014 impacting the solvency of certain E&P customers.

We believe that the aforementioned reductions in crude oil prices that began in October 2014 and are continuing into 2015 could reduce EBITDA at facilities included in our E&P segment's results of operations for the entire twelve month period ended December 31, 2014 significantly in 2015. The overall decline in EBITDA at our E&P segment will be partially offset by new facilities opened in 2015 and the full year impact of operations from E&P acquisitions closed subsequent to January 1, 2014. Further or sustained declines in commodity prices may lead to further reductions in drilling activities by our E&P customers and further declines in our EBITDA.

EBITDA in our E&P segment increased $87.4 million, or 369.6%, to $111.1 million for the year ended December 31, 2013, from $23.7 million for the year ended December 31, 2012. The increase was primarily attributable to segment EBITDA generated from the R360 acquisition.

EBITDA at Corporate decreased $7.2 million, to a loss of $7.4 million for the year ended December 31, 2014, from a loss of $0.2 million for the year ended December 31, 2013. The increased loss was due to an increase in accrued cash incentive compensation expense of $5.7 million resulting from the achievement of certain financial targets in the current period, an increase in equity-based compensation expense of $3.1 million associated with a decrease in our estimated pre-vesting forfeiture rate and an increase in the total fair value of our annual recurring grant of restricted stock units to our personnel, an increase in professional fees of $2.2 million due primarily to increased expenses for external legal and information technology services and an increase in payroll expenses of $1.5 million due to headcount and pay rate increases, partially offset by an increase in revenue-based corporate overhead expense allocations to our segments of $3.2 million due primarily to our volume growth, a decrease in employee relocation expenses of $1.5 million primarily associated with our relocation of our corporate headquarters from Folsom, California to The Woodlands, Texas, which was completed in 2013 and a decrease in real estate lease expense of $0.6 million due primarily to the elimination of duplicate lease obligations for our former headquarters in Folsom, California and our E&P segment's former regional offices in Houston, Texas.

EBITDA at Corporate improved $10.9 million, to a loss of $0.2 million for the year ended December 31, 2013, from a loss of $11.1 million for the year ended December 31, 2012. The lower loss was due to decreased relocation expenses of $7.3 million primarily associated with the relocation of our corporate headquarters from Folsom, California to The Woodlands, Texas, which was substantially completed in 2012, a grant in 2012 of $3.6 million of immediately vested restricted stock units to certain executive officers at the time the executives agreed to modifications to their employment contracts, decreased direct acquisition expenses of $3.4 million due to a decline in acquisition activity, an increase in corporate overhead expense allocations to our segments of $3.2 million due primarily to a full year allocation of expenses to our new E&P segment and $0.5 million of other net expense decreases, partially offset by an increase in cash incentive compensation expense of $3.3 million resulting from the achievement of certain financial targets, an increase in equity-based compensation expense of $2.0 million associated with our annual recurring grant of restricted stock units to our personnel and an increase in professional fee expenses of $1.8 million due primarily to increased expenses for external accounting, tax and information technology services.

Liquidity and Capital Resources

The following table sets forth certain cash flow information for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Net cash provided by operating activities	$545,220	$484,061	$416,327
Net cash used in investing activities	(363,408)	(251,015)	(1,733,847)
Net cash provided by (used in) financing activities	(181,050)	(242,667)	1,328,089
Net increase (decrease) in cash and equivalents	762	(9,621)	10,569
Cash and equivalents at beginning of year	13,591	23,212	12,643
Cash and equivalents at end of year	$14,353	$13,591	$23,212

Operating Activities Cash Flows

For the year ended December 31, 2014, net cash provided by operating activities was $545.2 million. For the year ended December 31, 2013, net cash provided by operating activities was $484.1 million. The $61.1 million increase was due primarily to the following:

1) An increase in net income of $37.3 million, adjusted for an increase in cash flows from operating assets and liabilities, net of effects from acquisitions, of $14.6 million. Cash provided by operating assets and liabilities, net of effects from acquisitions, was $1.3 million for the year ended December 31, 2014. Cash used for operating assets and liabilities, net of effects from acquisitions, was $13.3 million for the year ended December 31, 2013. The significant components of the $1.3 million in net cash inflows from changes in operating assets and liabilities, net of effects from acquisitions, for the year ended December 31, 2014, include the following:

a) an increase in cash resulting from a $10.2 million increase in accounts payable due primarily to growth in our operations and the timing of vendor payments;

b) an increase in cash resulting from a $8.6 million increase in deferred revenue due primarily to increased revenues and the timing of billing for services;

c) an increase in cash resulting from an increase in accrued liabilities of $5.8 million due primarily to an increase in accrued cash incentive compensation and increased liabilities for auto and workers' compensation claims;

d) an increase in cash resulting from an increase in other long-term liabilities of $2.8 million due primarily to increased deferred compensation plan liabilities resulting from employee contributions and plan earnings; less

e) a decrease in cash resulting from a $22.2 million increase in accounts receivable due to an increase in revenues remaining uncollected at the end of the comparable periods; less

f) a decrease in cash resulting from a $3.9 million increase in prepaid expenses and other current assets due primarily to an increase in prepaid income taxes;

2) An increase in depreciation expense of $12.5 million due primarily to increased depletion expense resulting from higher landfill volumes and increased depreciation expense resulting from increased capital expenditures;

3) A decrease in payment of contingent consideration recorded in earnings of $4.0 million due primarily to the final contingent consideration payout in 2013 resulting from the completion of an earnings target for the 2012 acquisition of SKB exceeding the fair value of the contingent consideration liability recorded at the acquisition close date;

4) An increase in equity-based compensation expense of $3.0 million attributable to a decrease in our estimated pre-vesting forfeiture rate and an increase in the total fair value of our annual recurring grant of restricted stock units to our personnel;

5) An increase in the loss on disposal of assets and impairments of $5.4 million due primarily to an impairment charge recorded in 2014 at one of our E&P facilities being partially offset by a loss on the disposal of a solid waste collection operation in 2013; less

6) A decrease in our provision for deferred taxes of $7.6 million due primarily to tax deductible timing differences associated with prepaid expenses and equity-based compensation; less

7) A decrease of $5.4 million attributable to post-closing adjustments resulting in a net decrease in the fair value of amounts payable under liability-classified contingent consideration arrangements associated with acquisitions closed prior to 2014; less

8) A decrease of $3.8 million attributable to an increase in the excess tax benefit associated with equity-based compensation, due to an increase in the vesting of equity-based compensation resulting in increased taxable income recognized by employees that is tax deductible to us.

For the year ended December 31, 2013, net cash provided by operating activities was $484.1 million. For the year ended December 31, 2012, net cash provided by operating activities was $416.3 million. The $67.8 million increase was due primarily to the following:

1) An increase in net income of $36.3 million, adjusted for a decrease in cash flows from operating assets and liabilities, net of effects from acquisitions, of $27.4 million to cash used for operating assets and liabilities of $13.3 million for the year ended December 31, 2013, from cash provided by operating assets and liabilities of $14.1 million for the year ended December 31, 2012. The significant components of the $13.3 million in net cash outflows from changes in operating assets and liabilities for the year ended December 31, 2013, include the following:

a) an increase in cash resulting from an increase in accrued liabilities of $6.1 million due primarily to an increase in accrued interest due to the timing of interest payments on our notes and prior term loan agreement, an increase in accrued cash incentive compensation expense resulting from the achievement of certain financial targets and an increase in accrued payroll due to our payroll pay cycle resulting in one additional day of accrual at December 31, 2013;

b) an increase in cash resulting from a $2.9 million increase in other long term liabilities due primarily to increased deferred compensation plan liabilities resulting from employee contributions and plan earnings;

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c) an increase in cash resulting from a $1.7 million decrease in prepaid expenses and other current assets due primarily to a decrease in prepaid income taxes;

d) an increase in cash resulting from a $1.6 million decrease in accounts receivable due to improved collection results in our solid waste and E&P markets, partially offset by increased revenues in 2013 remaining collectable at year end; and

e) an increase in cash resulting from an increase in deferred revenue of $1.4 million due primarily to price-led growth in our residential and commercial collection business for which the majority of our advance billings are incurred; partially offset by

f) a decrease in cash resulting from a $27.0 million decrease in accounts payable due primarily to the timing of payments;

2) An increase in depreciation expense of $49.4 million due primarily to assets acquired in acquisitions closed during, or subsequent to, the year ended December 31, 2012, increased depletion expense resulting from higher landfill volumes and increased depreciation expense resulting from increased capital expenditures;

3) An increase in loss on disposal of assets and impairments of $1.2 million due primarily to the sale of three operating locations in 2013 and the write-down in the carrying value of assets at an operating location that was closed in 2013, compared to the sale of one operating location in 2012 and the write off in 2012 of the carrying value of a contract that was not renewed; partially offset by an increase in net gains from all other asset sales in 2013;

4) An increase in our provision for deferred taxes of $9.0 million due primarily to an increase in the tax deductibility of goodwill as a result of goodwill recorded from acquisitions closed during the year ended December 31, 2012, as well as other tax deductible timing differences associated with depreciation; and

5) An increase of $1.3 million attributable to post-closing adjustments resulting in a net increase in the fair value of amounts payable under liability-classified contingent consideration arrangements associated with acquisitions closed prior to 2013; less

6) A decrease in equity-based compensation expense of $1.9 million due to a grant of $3.6 million of immediately vested restricted stock units to certain executive officers at the time the executives agreed to modifications to their employment contracts during the year ended December 31, 2012, partially offset by a $1.7 million increase associated with our annual grant of restricted stock units to our personnel during the year ended December 31, 2013; less

7) An increase in payment of contingent consideration recorded in earnings of $5.1 million due primarily to the final contingent consideration payout resulting from the completion of an earnings target for the 2012 acquisition of SKB Environmental, Inc., or SKB, exceeding the fair value of the contingent consideration liability recorded at the acquisition close date.

As of December 31, 2014, we had a working capital surplus of $5.8 million, including cash and equivalents of $14.4 million. Our working capital position increased $22.3 million from a deficit of $16.5 million at December 31, 2013, including cash and equivalents of $13.6 million. To date, we have experienced no loss or lack of access to our cash or cash equivalents; however, we can provide no assurances that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets. Our strategy in managing our working capital is generally to apply the cash generated from our operations that remains after satisfying our working capital and capital expenditure requirements, along with stock repurchase and dividend programs, to reduce the unhedged portion of our indebtedness under our prior credit agreement and to minimize our cash balances.

Investing Activities Cash Flows

Net cash used in investing activities increased $112.4 million to $363.4 million for the year ended December 31, 2014, from $251.0 million for the year ended December 31, 2013. The significant components of the increase include the following:

1) An increase in payments for acquisitions of $62.0 million primarily due to the acquisition of six solid waste businesses, an E&P disposal business, two permitted development stage E&P landfill sites and a permitted development stage construction and demolition landfill site during the year ended December 31, 2014;
2) A cash receipt of $18.0 million during the year ended December 31, 2013 resulting from the settlement of the final closing date net working capital with the former owners of R360; and
3) An increase in capital expenditures for property and equipment of $31.4 million due primarily to expenditures for acquisitions closed subsequent to December 31, 2013, new facilities in our E&P segment, expenditures for trucks in our Houston location that operate on compressed natural gas, and increases in landfill site cost construction, vehicles and containers, partially offset by decreases in expenditures for equipment for our E&P segment and leasehold improvements associated with our new corporate headquarters in The Woodlands, Texas.

Net cash used in investing activities decreased $1.483 billion to $251.0 million for the year ended December 31, 2013, from $1.734 billion for the year ended December 31, 2012. The significant components of the decrease include the following:

1) A decrease in payments for acquisitions of $1.516 billion as the $1.580 billion of total cash consideration we paid during the year ended December 31, 2012 for the acquisitions of R360, Alaska Waste, SKB, nine other solid waste collection businesses and one other E&P disposal business exceeded the $64.2 million of total cash consideration we paid during the year ended December 31, 2013, for the acquisition of Ace Solid Waste and seven other solid waste collection businesses during the year ended December 31, 2013;
2) A cash receipt of $18.0 million in 2013 resulting from the settlement of the final closing date net working capital with the former owners of R360; and
3) An increase in proceeds from disposal of assets of $8.3 million due primarily to the sale of three operating locations in 2013; less
4) An increase in capital expenditures for property and equipment of $56.4 million due primarily to expenditures to support acquisitions closed during, or subsequent to, the year ended December 31, 2012, expenditures for leasehold improvements at our new corporate headquarters in The Woodlands, Texas, expenditures for trucks in our San Jose, California location that operate on compressed natural gas, expenditures associated with the development of new facilities in our E&P segment and accelerating into 2013 the planned purchase of certain heavy equipment in 2014 to take advantage of favorable tax depreciation benefits.

Financing Activities Cash Flows

Net cash used in financing activities decreased $61.6 million to $181.1 million for the year ended December 31, 2014, from $242.7 million for the year ended December 31, 2013. The significant components of the decrease include the following:

1) A decrease in net repayments of long-term borrowings of $72.6 million due primarily to decreased repayments of our prior credit agreement as a result of the aforementioned increase in payments for acquisitions during the year ended December 31, 2014 and the cash receipt during the year ended December 31, 2013 resulting from the settlement of the final closing date net working capital with the former owners of R360; less
2) An increase of $3.8 million attributable to an increase in the excess tax benefit associated with equity-based compensation, due to an increase in the vesting of equity-based compensation resulting in increased taxable income recognized by employees that is tax deductible to us; less
3) An increase in cash dividends paid of $7.7 million due to an increase in our quarterly dividend rate to an annual total of $0.475 per share for the year ended December 31, 2014, from an annual total of $0.415 per share for the year ended December 31, 2013, and an increase in our total common shares outstanding; and
4) An increase in payments to repurchase our common stock of $7.3 million due to no shares being repurchased during the year ended December 31, 2013.

Net cash from financing activities decreased $1.571 billion to net cash used in financing activities of $242.7 million for the year ended December 31, 2013, from net cash provided by financing activities of $1.328 billion for the year ended December 31, 2012. The significant components of the decrease include the following:

1) A decrease in net long-term borrowings of $1.204 billion due primarily to us borrowing $1.275 billion of the purchase price for the R360 acquisition with $475 million of proceeds from borrowings under our prior credit agreement and $800 million of proceeds from our prior term loan agreement during the year ended December 31, 2012, partially offset by higher net repayments under our prior credit agreement during the year ended December 31, 2012;
2) A decrease in cash flows from proceeds from common stock offerings of $369.6 million, net, due to the sale during the year ended December 31, 2012, of 12,000,000 shares of our common stock in a public offering;
3) An increase in payment of contingent consideration recorded at close of $11.4 million due primarily to the payout in 2013 of the fair value of the contingent consideration liability recorded at the close date for the 2012 acquisition of SKB resulting from the achievement of an earnings target, partially offset by the 2012 payout of the fair value of the contingent consideration liability recorded at the close date for the 2012 R360 acquisition; and
4) An increase in cash dividends paid of $6.7 million due to an increase in our dividend rate to an annual total of $0.415 per share in 2013, from an annual total of $0.37 per share in 2012, and an increase in our total common shares outstanding; less
5) A decrease in payments to repurchase our common stock of $18.6 million due to no shares being repurchased during the year ended December 31, 2013.

Our business is capital intensive. Our capital requirements include acquisitions and capital expenditures for landfill cell construction, landfill development, landfill closure activities and intermodal facility construction in the future.

On October 21, 2014, our Board of Directors extended the term of our existing common stock repurchase program. As amended, our common stock repurchase program authorizes the repurchase of up to $1.2 billion of our common stock through December 31, 2017. Under the program, stock repurchases may be made in the open market or in privately negotiated transactions from time to time at management's discretion. The timing and amounts of any repurchases will depend on many factors, including our capital structure, the market price of the common stock and overall market conditions. As of each of December 31, 2014 and 2013, we had repurchased in aggregate 40.0 million and 39.9 million shares, respectively, of our common stock at an aggregate cost of $791.4 million and $784.0 million, respectively. No shares were repurchased under the program during the year ended December 31, 2013. As of December 31, 2014, the remaining maximum dollar value of shares available for purchase under the program was approximately $408.6 million.

Our Board of Directors authorized the initiation of a quarterly cash dividend in October 2010 and has increased it on an annual basis. Cash dividends of $58.9 million and $51.2 million were paid during the years ended December 31, 2014 and 2013, respectively. In October 2014, our Board of Directors authorized an increase to our regular quarterly cash dividend of $0.015, from $0.115 to $0.13 per share. We cannot assure you as to the amounts or timing of future dividends.

We made $241.3 million in capital expenditures during the year ended December 31, 2014. We expect to make capital expenditures between $200 million and $210 million in 2015 in connection with our existing business. We intend to fund our planned 2015 capital expenditures principally through cash on hand, internally generated funds and borrowings under our credit agreement. In addition, we may make substantial additional capital expenditures in acquiring MSW and E&P waste businesses. If we acquire additional landfill disposal facilities, we may also have to make significant expenditures to bring them into compliance with applicable regulatory requirements, obtain permits or expand our available disposal capacity. We cannot currently determine the amount of these expenditures because they will depend on the number, nature, condition and permitted status of any acquired landfill disposal facilities. We believe that our cash and equivalents, credit agreement and the funds we expect to generate from operations will provide adequate cash to fund our working capital and other cash needs for the foreseeable future. However, disruptions in the capital and credit markets could adversely affect our ability to draw on our credit agreement or raise other capital. Our access to funds under the credit agreement is dependent on the ability of the banks that are parties to the agreement to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

We are a well-known seasoned issuer with an effective shelf registration statement on Form S-3 filed in February 2012, which registers an unspecified amount of debt and equity securities, including preferred securities, warrants, stockholder rights and units. In connection with the mandatory expiration of this registration statement, we intend to file a new shelf registration statement to replace the existing registration statement during the first quarter of 2015. We may in the future issue debt or equity securities under our shelf registration statement or in private placements from time to time on an opportunistic basis, dependent upon market conditions and available pricing. We expect to use the proceeds from any such offerings for general corporate purposes, including repaying, redeeming or repurchasing debt, acquisitions of additional assets or businesses, capital expenditures and increasing our working capital.

On October 25, 2012, we completed the acquisition of the business of R360, through the acquisition of all of R360's principal operating subsidiaries, for total cash consideration of approximately $1.34 billion. Additionally, we assumed approximately $9.3 million of outstanding R360 debt and $37.3 million of contingent consideration. The R360 acquisition was funded with available cash and with borrowings of $475 million under our prior credit agreement and $800 million under our uncollateralized term loan agreement, or the prior term loan agreement, with Bank of America, N.A. and the other banks and lending institutions party thereto, as lenders, Bank of America, N.A., as administrative agent, and JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as co-syndication agents. The prior term loan agreement, as amended, required the aggregate outstanding principal amount to be paid at the maturity of the agreement on October 25, 2017.

Outstanding amounts on the prior term loan agreement could be either base rate loans or LIBOR loans. At December 31, 2014 and 2013, all amounts outstanding under the prior term loan agreement were in LIBOR loans which bore interest at the LIBOR rate plus the applicable LIBOR margin (approximately 1.66% and 2.04% at December 31, 2014 and 2013, respectively). The LIBOR rate was determined by the administrative agent in a customary manner as described in the prior term loan agreement. The applicable margins under the prior term loan agreement varied depending on our leverage ratio, as defined in the prior term loan agreement, and ranged from 1.250% per annum to 2.000% per annum for LIBOR loans. As of December 31, 2014 and 2013, the margin was 1.500% and 1.875%, respectively, for LIBOR loans. Borrowings under the prior term loan agreement were not collateralized.

On May 16, 2013, we entered into a second amended and restated credit agreement for a $1.2 billion senior revolving credit facility, or the prior credit agreement, with a syndicate of banks for which Bank of America, N.A. acted as administrative agent. As of December 31, 2014, $680.0 million was outstanding under the prior credit agreement, exclusive of outstanding standby letters of credit of $73.0 million. As of December 31, 2013, $727.1 million was outstanding under the prior credit agreement, exclusive of outstanding standby letters of credit of $75.2 million.

The prior credit agreement required us to pay a commitment fee ranging from 0.150% per annum to 0.275% per annum of the unused portion of the facility. The borrowings under the prior credit agreement bore interest, at our option, at either the base rate plus the applicable base rate margin on base rate loans and swing line loans, or the LIBOR rate plus the applicable LIBOR margin on LIBOR loans. The applicable margins under the prior credit agreement varied depending on our leverage ratio, as defined in the prior credit agreement, and ranged from 1.125% per annum to 1.750% per annum for LIBOR loans and 0.125% per annum to 0.750% per annum for swing line loans. The borrowings under the prior credit agreement were not collateralized.

On January 26, 2015, both the prior term loan agreement and the prior credit agreement were refinanced and replaced with a new revolving credit and term loan agreement, or the credit agreement, with Bank of America, N.A. as administrative agent, which consists of a $1.2 billion revolving credit facility and an $800 million term loan. Under the credit agreement, we may request increases in the aggregate commitments under the revolving credit facility and one or more additional term loans, provided that the aggregate principal amount of commitments and term loans never exceeds $2.3 billion. Under the credit agreement, swing line loans may be issued at our request in an aggregate amount not to exceed a $35 million sublimit and letters of credit may be issued at our request in an aggregate amount not to exceed a $250 million sublimit; however, the issuance of swing line loans and letters of credit both reduce the amount of total borrowings available. The credit agreement requires us to pay a commitment fee ranging from 0.090% per annum to 0.200% per annum of the unused portion of the facility. The borrowings under the credit agreement bear interest, at our option, at either the base rate plus the applicable base rate margin on base rate loans and swing line loans, or the LIBOR rate plus the applicable LIBOR margin on LIBOR loans. The base rate for any day is a fluctuating rate per annum equal to the highest of: (1) the federal funds rate plus one half of one percent (0.500%); (2) the LIBOR rate plus one percent (1.000%), and (3) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate.” The LIBOR rate is determined by the administrative agent pursuant to a formula in the credit agreement. The applicable margins under the credit agreement vary depending on our leverage ratio, as defined in the credit agreement, and range from 1.000% per annum to 1.500% per annum for LIBOR loans and 0.000% per annum to 0.500% per annum for base rate and swing line loans. The borrowings under the credit agreement are not collateralized.

The credit agreement contains representations, warranties, covenants and events of default, including a change of control event of default and limitations on incurrence of indebtedness and liens, new lines of business, mergers, transactions with affiliates and restrictive payments. During the continuance of an event of default, the lenders may take a number of actions, including declaring the entire amount then outstanding under the credit agreement due and payable. The credit agreement contains cross-defaults if we default on the master note purchase agreement or certain other debt. The credit agreement requires that we maintain specified quarterly leverage and interest coverage ratios. The required leverage ratio cannot exceed 3.50x total debt to EBITDA (or 3.75x during material acquisition periods, subject to certain limitations). The required interest coverage ratio must be at least 2.75x total interest expense to EBIT. As of December 31, 2014 and 2013, our leverage ratio was 2.67x and 3.08x, respectively. As of December 31, 2014 and 2013, our interest coverage ratio was 7.94x and 6.33x, respectively. We expect to be in compliance with all applicable covenants under the credit agreement for the next 12 months. We use the credit agreement for acquisitions, capital expenditures, working capital, standby letters of credit and general corporate purposes

On July 15, 2008, we entered into a master note purchase agreement with certain accredited institutional investors pursuant to which we issued and sold to the investors at a closing on October 1, 2008, $175 million of senior uncollateralized notes due October 1, 2015, or the 2015 Notes, in a private placement. The 2015 Notes bear interest at the fixed rate of 6.22% per annum with interest payable in arrears semi-annually on April 1 and October 1 beginning on April 1, 2009, and with principal payable at the maturity of the 2015 Notes on October 1, 2015. We have the intent and ability to redeem the 2015 Notes on October 1, 2015 using borrowings under our credit agreement.

On October 26, 2009, we entered into a first supplement to the master note purchase agreement with certain accredited institutional investors pursuant to which we issued and sold to the investors on that date $175 million of senior uncollateralized notes due November 1, 2019, or the 2019 Notes, in a private placement. The 2019 Notes bear interest at the fixed rate of 5.25% per annum with interest payable in arrears semi-annually on May 1 and November 1 beginning on May 1, 2010, and with principal payable at the maturity of the 2019 Notes on November 1, 2019.

On April 1, 2011, we entered into a second supplement to the master note purchase agreement with certain accredited institutional investors, pursuant to which we issued and sold to the investors on that date $250 million of senior uncollateralized notes at fixed interest rates with interest payable in arrears semi-annually on October 1 and April 1 beginning on October 1, 2011 in a private placement. Of these notes, $100 million will mature on April 1, 2016 with an annual interest rate of 3.30% (the “2016 Notes”), $50 million will mature on April 1, 2018 with an annual interest rate of 4.00% (the “2018 Notes”), and $100 million will mature on April 1, 2021 with an annual interest rate of 4.64% (the “2021 Notes”).

The 2015 Notes, 2016 Notes, 2018 Notes, 2019 Notes, and 2021 Notes (collectively, the "Senior Notes") are uncollateralized obligations and rank equally in right of payment with each of the Senior Notes and the obligations under our credit agreement. The Senior Notes are subject to representations, warranties, covenants and events of default. The master note purchase agreement contains cross-defaults if we default on the credit agreement or certain other debt. The master note purchase agreement requires that we maintain specified quarterly leverage and interest coverage ratios. The required leverage ratio cannot exceed 3.75x total debt to EBITDA. The required interest coverage ratio must be at least 2.75x total interest expense to EBIT. As of December 31, 2014 and 2013, our leverage ratio was 2.67x and 3.08x, respectively. As of December 31, 2014 and 2013, our interest coverage ratio was 7.94x and 6.33x, respectively. We expect to be in compliance with all applicable covenants under the Senior Notes for the next 12 months.

Upon the occurrence of an event of default, payment of the Senior Notes may be accelerated by the holders of the respective notes. The Senior Notes may also be prepaid at any time in whole or from time to time in any part (not less than 5% of the then-outstanding principal amount) by us at par plus a make-whole amount determined in respect of the remaining scheduled interest payments on the Senior Notes, using a discount rate of the then current market standard for United States treasury bills plus 0.50%. In addition, we will be required to offer to prepay the Senior Notes upon certain changes in control.

We may issue additional series of senior uncollateralized notes, including floating rate notes, pursuant to the terms and conditions of the master note purchase agreement, as amended, provided that the purchasers of the Senior Notes shall not have any obligation to purchase any additional notes issued pursuant to the master note purchase agreement and the aggregate principal amount of the outstanding notes and any additional notes issued pursuant to the master note purchase agreement shall not exceed $1.25 billion. We currently have $600 million of notes outstanding under the master note purchase agreement.

As of December 31, 2014, we had the following contractual obligations:

	Payments Due by Period (amounts in thousands)				
Recorded Obligations	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Long-term debt	$1,979,565	$ 3,649	$761,974	$ 1,096,329	$117,613
Cash interest payments	197,233	59,601	93,491	35,409	8,732
Contingent consideration	94,411	21,791	16,802	21,415	34,403
Final capping, closure and post-closure	687,516	2,843	562	2,782	681,329

Long-term debt payments include:

1) $680.0 million in principal payments due May 2018 related to our prior credit agreement. We could elect to draw amounts on our prior credit agreement in either base rate loans or LIBOR loans. At December 31, 2014, $677.0 million of the borrowings outstanding under the prior credit agreement were in LIBOR loans, which bore interest at the LIBOR rate plus the applicable LIBOR margin (approximately 1.54% at December 31, 2014), and $3.0 million of the borrowings outstanding under the prior credit agreement were in swing line loans, which bore interest at the base rate plus the applicable base rate margin (approximately 3.63% at December 31, 2014). As of December 31, 2014, our prior credit agreement allowed us to borrow up to $1.2 billion. On January 26, 2015, the prior credit agreement was refinanced and replaced with the credit agreement, which consists of a $1.2 billion revolving credit facility and an $800 million term loan.

2) $660.0 million in principal payments related to our prior term loan agreement. Outstanding amounts on the prior term loan agreement could be either base rate loans or LIBOR loans. At December 31, 2014, all amounts outstanding under the prior term loan agreement were in LIBOR loans, which bore interest at the LIBOR rate plus the applicable LIBOR margin (approximately 1.66% at December 31, 2014). Our prior term loan agreement was scheduled to mature on October 25, 2017. On January 26, 2015, the prior term loan agreement was refinanced and replaced with the credit agreement, which consists of a $1.2 billion revolving credit facility and an $800 million term loan.

3) $175.0 million in principal payments due October 1, 2015 related to our 2015 Notes. Holders of the 2015 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2015 Notes plus accrued and unpaid interest, if any, upon a change in control, as defined in the master note purchase agreement. The 2015 Notes bear interest at a rate of 6.22%. We have recorded this obligation in the payments due in 3 to 5 years category in the table above as we have the intent and ability to redeem the 2015 Notes on October 1, 2015 using borrowings under our credit agreement.

4) $100.0 million in principal payments due 2016 related to our 2016 Notes. Holders of the 2016 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2016 Notes plus accrued and unpaid interest, if any, upon a change in control, as defined in the master note purchase agreement. The 2016 Notes bear interest at a rate of 3.30%.

5) $50.0 million in principal payments due 2018 related to our 2018 Notes. Holders of the 2018 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2018 Notes plus accrued and unpaid interest, if any, upon a change in control, as defined in the master note purchase agreement. The 2018 Notes bear interest at a rate of 4.00%.

6) $175.0 million in principal payments due 2019 related to our 2019 Notes. Holders of the 2019 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2019 Notes plus accrued and unpaid interest, if any, upon a change in control, as defined in the master note purchase agreement. The 2019 Notes bear interest at a rate of 5.25%.

7) $100.0 million in principal payments due 2021 related to our 2021 Notes. Holders of the 2021 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2021 Notes plus accrued and unpaid interest, if any, upon a change in control, as defined in the master note purchase agreement. The 2021 Notes bear interest at a rate of 4.64%.

8) $31.4 million in principal payments related to our tax-exempt bonds, which bear interest at variable rates (between 0.07% and 0.09%) at December 31, 2014. The tax-exempt bonds have maturity dates ranging from 2018 to 2033.

9) $8.1 million in principal payments related to our notes payable to sellers and other third parties. Our notes payable to sellers and other third parties bear interest at rates between 2.5% and 10.9% at December 31, 2014, and have maturity dates ranging from 2015 to 2036.

The following assumptions were made in calculating cash interest payments:

1) We calculated cash interest payments on the prior credit agreement using the LIBOR rate plus the applicable LIBOR margin at December 31, 2014. We assumed the prior credit agreement would be paid off when it was scheduled to mature in May 2018.

2) We calculated cash interest payments on the prior term loan agreement using the LIBOR rate plus the applicable LIBOR margin at December 31, 2014.

3) We calculated cash interest payments on our interest rate swaps using the stated interest rate in the swap agreement less the LIBOR rate through the earlier expiration of the term of the swaps or the term of the prior credit agreement.

Contingent consideration payments include $70.2 million recorded as liabilities in our consolidated financial statements at December 31, 2014, and $24.2 million of future interest accretion on the recorded obligations.

The estimated final capping, closure and post-closure expenditures presented above are in current dollars.

	Amount of Commitment Expiration Per Period (amounts in thousands)				
Unrecorded Obligations[(1)]	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Operating leases	$132,253	$ 17,187	$29,574	$19,948	$65,544
Unconditional purchase obligations	29,024	29,024	-	-	-

(1) We are party to operating lease agreements and unconditional purchase obligations as discussed in Note 11 to the consolidated financial statements. These lease agreements and purchase obligations are established in the ordinary course of our business and are designed to provide us with access to facilities and products at competitive, market-driven prices. At December 31, 2014, our unconditional purchase obligations consisted of multiple fixed-price fuel purchase contracts under which we have 8.7 million gallons remaining to be purchased for a total of $29.0 million. The current fuel purchase contracts expire on or before December 31, 2015. These arrangements have not materially affected our financial position, results of operations or liquidity during the year ended December 31, 2014, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

We have obtained standby letters of credit as discussed in Note 7 to the consolidated financial statements and financial surety bonds as discussed in Note 11 to the consolidated financial statements. These standby letters of credit and financial surety bonds are generally obtained to support our financial assurance needs and landfill and E&P operations. These arrangements have not materially affected our financial position, results of operations or liquidity during the year ended December 31, 2014, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

From time to time, we evaluate our existing operations and their strategic importance to us. If we determine that a given operating unit does not have future strategic importance, we may sell or otherwise dispose of those operations. Although we believe our reporting units would not be impaired by such dispositions, we could incur losses on them.

New Accounting Pronouncements

See Note 1 to the consolidated financial statements for a description of the new accounting standards that are applicable to us.

Non-GAAP Financial Measures

Adjusted Free Cash Flow

We present adjusted free cash flow, a non-GAAP financial measure, supplementally because it is widely used by investors as a valuation and liquidity measure in the solid waste industry. Management uses adjusted free cash flow as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted free cash flow as net cash provided by operating activities, plus proceeds from disposal of assets, plus or minus change in book overdraft, plus excess tax benefit associated with equity-based compensation, less capital expenditures for property and equipment and distributions to noncontrolling interests. We further adjust this calculation to exclude the effects of items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP liquidity or financial measures. Other companies may calculate adjusted free cash flow differently. Our adjusted free cash flow for the years ended December 31, 2014, 2013 and 2012, are calculated as follows (amounts in thousands):

	Years Ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	$545,220	$484,061	$416,327

Plus/less: Change in book overdraft	(11)	(110)	398
Plus: Proceeds from disposal of assets	9,421	11,019	2,741
Plus: Excess tax benefit associated with equity-based compensation	7,518	3,765	5,033
Less: Capital expenditures for property and equipment	(241,277)	(209,874)	(153,517)
Less: Distributions to noncontrolling interests	(371)	(198)	(198)
Adjustments:			
Payment of contingent consideration recorded in earnings [(a)]	1,074	5,059	-
Payment for termination of corporate lease [(b)]	-	9,690	-
Corporate office relocation [(c)]	-	2,159	8,031
Tax effect [(d)]	-	(3,992)	(3,056)
Adjusted free cash flow	$321,574	$301,579	$275,759

(a) Reflects the addback of acquisition-related payments for contingent consideration that were recorded as expenses in earnings and a component of cash flow from operating activities as the amounts paid exceeded the fair value of the contingent consideration recorded at the acquisition date.

(b) Reflects the addback for the payment to terminate the remaining lease obligations of our former headquarters in Folsom, California.

(c) Reflects the addback of third-party expenses and reimbursable advances to employees associated with the relocation of our corporate headquarters from California to Texas.

(d) The aggregate tax effect of the adjustments in footnotes (b) and (c) is calculated based on the applied tax rates for the respective periods.

Adjusted EBITDA

We present adjusted EBITDA, a non-GAAP financial measure, supplementally because it is widely used by investors as a performance and valuation measure in the solid waste industry. Management uses adjusted EBITDA as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted EBITDA as net income, plus income tax provision, plus interest expense, plus depreciation and amortization expense, plus closure and post-closure accretion expense, plus or minus any impairments and other operating charges or gains, plus other expense, less other income. We further adjust this calculation to exclude the effects of other items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate adjusted EBITDA differently. Our adjusted EBITDA for the years ended December 31, 2014, 2013 and 2012, are calculated as follows (amounts in thousands):

	Years Ended December 31,		
	2014	2013	2012
Net income	$233,327	$196,005	$159,660
Plus: Income tax provision	152,335	124,916	105,443
Plus: Interest expense	64,674	73,579	53,037
Plus: Depreciation and amortization	257,944	243,864	193,584
Plus: Closure and post-closure accretion	3,627	2,967	2,581
Plus: Impairments and other operating charges [a]	4,091	4,129	1,627
Less: Other income, net	(1,067)	(1,056)	(1,993)
Adjustments:			
Plus: Loss on prior office leases [b]	-	9,902	-
Plus: Acquisition-related costs [c]	2,147	1,946	6,415
Plus: Corporate relocation expenses [d]	-	750	8,031
Plus: Named executive officers' equity grants[e]	-	-	3,585
Less: Gain from litigation settlement [f]	-	-	(3,551)
Adjusted EBITDA	$717,078	$657,002	$528,419

(a) Reflects the addback of impairments and other operating charges.

(b) Reflects the addback of the loss on prior office leases resulting primarily from the relocation of our corporate headquarters from California to Texas.

(c) Reflects the addback of acquisition-related transaction and severance costs.

(d) Reflects the addback of costs associated with the relocation of our corporate headquarters from California to Texas.

(e) Reflects the addback of equity compensation expense incurred at the time our named executive officers' employment contracts were modified.

(f) Reflects the elimination of a gain from an arbitration award.

Adjusted Net Income and Adjusted Net Income per Diluted Share

We present adjusted net income and adjusted net income per diluted share, both non-GAAP financial measures, supplementally because they are widely used by investors as a valuation measure in the solid waste industry. Management uses adjusted net income and adjusted net income per diluted share as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We provide adjusted net income to exclude the effects of items management believes impact the comparability of operating results between periods. Adjusted net income has limitations due to the fact that it excludes items that have an impact on our financial condition and results of operations. Adjusted net income and adjusted net income per diluted share are not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate adjusted net income and adjusted net income per diluted share differently. Our adjusted net income and adjusted net income per diluted share for the years ended December 31, 2014, 2013 and 2012, are calculated as follows (amounts in thousands, except per share amounts):

	Years Ended December 31,		
	2014	2013	2012
Reported net income attributable to Waste Connections	$232,525	$195,655	$159,093
Adjustments:			
Amortization of intangibles [(a)]	27,000	25,410	24,557
Acquisition-related expenses [(b)]	2,147	1,946	6,415
Impairments and other operating charges [(c)]	4,091	4,129	1,627
Loss on prior office leases [(d)]	-	9,902	-
Corporate relocation expenses [(e)]	-	750	8,031
Named executive officers' equity grants[(f)]	-	-	3,585
Gain from litigation settlement [(g)]	-	-	(3,551)
Tax effect [(h)]	(12,747)	(16,117)	(14,309)
Impact of deferred tax adjustment [(i)]	1,220	-	2,602
Adjusted net income attributable to Waste Connections	$254,236	$221,675	$188,050
Diluted earnings per common share attributable to Waste Connections common stockholders:			
Reported net income	$1.86	$1.58	$1.31
Adjusted net income	$2.04	$1.79	$1.54

(a) Reflects the elimination of the non-cash amortization of acquisition-related intangible assets.
(b) Reflects the elimination of acquisition-related expenses, including transaction costs and severance costs.
(c) Reflects the addback of impairments and other operating charges.
(d) Reflects the addback of the loss on prior office leases resulting primarily from the relocation of our corporate headquarters from California to Texas.
(e) Reflects the addback of costs associated with the relocation of our corporate headquarters from California to Texas.
(f) Reflects the addback of equity compensation expense incurred at the time our named executive officers' employment contracts were modified.

(g) Reflects the elimination of a gain from an arbitration award.

(h) The aggregate tax effect of the adjustments in footnotes (a) through (g) is calculated based on the applied tax rates for the respective periods.

(i) Reflects (1) the elimination in 2014 of an increase to the income tax provision associated with an increase in our deferred tax liabilities resulting from the enactment of New York State’s 2014-2015 Budget Act on March 31, 2014 and (2) the elimination in 2012 of an increase to the income tax provision associated with an increase in our deferred tax liabilities primarily resulting from the R360 acquisition.

Inflation

Other than volatility in fuel prices and labor costs in certain markets, inflation has not materially affected our operations in recent years. Consistent with industry practice, many of our contracts allow us to pass through certain costs to our customers, including increases in landfill tipping fees and, in some cases, fuel costs. Therefore, we believe that we should be able to increase prices to offset many cost increases that result from inflation in the ordinary course of business. However, competitive pressures or delays in the timing of rate increases under our contracts may require us to absorb at least part of these cost increases, especially if cost increases exceed the average rate of inflation. Management's estimates associated with inflation have an impact on our accounting for landfill liabilities.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to market risk, including changes in interest rates and prices of certain commodities. We use hedge agreements to manage a portion of our risks related to interest rates and fuel prices. While we are exposed to credit risk in the event of non-performance by counterparties to our hedge agreements, in all cases such counterparties are highly rated financial institutions and we do not anticipate non-performance. We do not hold or issue derivative financial instruments for trading purposes. We monitor our hedge positions by regularly evaluating the positions at market and by performing sensitivity analyses over the unhedged fuel and variable rate debt positions.

At December 31, 2014, our derivative instruments included seven interest rate swap agreements that effectively fix the interest rate on the applicable notional amounts of our variable rate debt as follows (dollars in thousands):

Date Entered	Notional Amount	Fixed Interest Rate Paid*		Variable Interest Rate Received	Effective Date	Expiration Date
August 2011	$150,000	0.798	%	1-month LIBOR	April 2012	January 2015
December 2011	$175,000	1.600	%	1-month LIBOR	February 2014	February 2017
April 2014	$100,000	1.800	%	1-month LIBOR	July 2014	July 2019
May 2014	$50,000	2.344	%	1-month LIBOR	October 2015	October 2020
May 2014	$25,000	2.326	%	1-month LIBOR	October 2015	October 2020
May 2014	$50,000	2.350	%	1-month LIBOR	October 2015	October 2020
May 2014	$50,000	2.350	%	1-month LIBOR	October 2015	October 2020

* Plus applicable margin.

Under derivatives and hedging guidance, the interest rate swap agreements are considered cash flow hedges for a portion of our variable rate debt, and we apply hedge accounting to account for these instruments. The notional amounts and all other significant terms of the swap agreements are matched to the provisions and terms of the variable rate debt being hedged.

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged floating rate debt. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. We are exposed to cash flow risk due to changes in interest rates with respect to the unhedged floating rate balances owed at December 31, 2014 and 2013, of $946.4 million and $1.128 billion, respectively, including floating rate debt under our prior credit agreement and term loan agreement and floating rate municipal bond obligations. A one percentage point increase in interest rates on our variable-rate debt as of December 31, 2014 and 2013, would decrease our annual pre-tax income by approximately $9.5 million and $11.3 million, respectively. All of our remaining debt instruments are at fixed rates, or effectively fixed under the interest rate swap agreements described above; therefore, changes in market interest rates under these instruments would not significantly impact our cash flows or results of operations, subject to counterparty default risk.

The market price of diesel fuel is unpredictable and can fluctuate significantly. We purchase approximately 32.3 million gallons of fuel per year; therefore, a significant increase in the price of fuel could adversely affect our business and reduce our operating margins. To manage a portion of this risk, we periodically enter into fuel hedge agreements related to forecasted diesel fuel purchases.

At December 31, 2014, our derivative instruments included one fuel hedge agreement as follows:

Date Entered	Notional Amount (in gallons per month)	Diesel Rate Paid Fixed (per gallon)	Diesel Rate Received Variable	Effective Date	Expiration Date
June 2012	300,000	$ 3.60	DOE Diesel Fuel Index*	January 2014	December 2015

*If the national U.S. on-highway average price for a gallon of diesel fuel ("average price"), as published by the Department of Energy, exceeds the contract price per gallon, we receive the difference between the average price and the contract price (multiplied by the notional number of gallons) from the counterparty. If the average price is less than the contract price per gallon, we pay the difference to the counterparty.

Under derivatives and hedging guidance, the fuel hedge is considered a cash flow hedge for a portion of our forecasted diesel fuel purchases, and we apply hedge accounting to account for this instrument.

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged diesel fuel purchases. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. For the year ending December 31, 2015, we expect to purchase approximately 32.3 million gallons of fuel, of which 19.8 million gallons will be purchased at market prices, 8.9 million gallons will be purchased under our fixed price fuel purchase contracts and 3.6 million gallons are hedged at a fixed price under our fuel hedge agreement. With respect to the approximately 19.8 million gallons of unhedged fuel we expect to purchase in 2015 at market prices, a $0.10 per gallon increase in the price of fuel over the year would decrease our pre-tax income during this period by approximately $2.0 million.

We market a variety of recyclable materials, including cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals. We own and operate 35 recycling processing operations and sell other collected recyclable materials to third parties for processing before resale. To reduce our exposure to commodity price risk with respect to recycled materials, we have adopted a pricing strategy of charging collection and processing fees for recycling volume collected from third parties. In the event of a decline in recycled commodity prices, a 10% decrease in average recycled commodity prices from the average prices that were in effect during the year ended December 31, 2014 and 2013, would have had a $5.6 million and $6.6 million impact on revenues for the year ended December 31, 2014 and 2013, respectively.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

WASTE CONNECTIONS, INC.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Waste Connections, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Waste Connections, Inc. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Houston, TX

February 10, 2015

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WASTE CONNECTIONS, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	December 31, 2014	2013
ASSETS		
Current assets:		
Cash and equivalents	$14,353	$13,591
Accounts receivable, net of allowance for doubtful accounts of $9,175 and $7,348 at December 31, 2014 and 2013, respectively	259,969	234,001
Deferred income taxes	49,508	41,275
Prepaid expenses and other current assets	42,314	39,638
Total current assets	366,144	328,505
Property and equipment, net	2,594,205	2,450,649
Goodwill	1,693,789	1,675,154
Intangible assets, net	509,995	527,871
Restricted assets	40,841	35,921
Other assets, net	45,057	46,152
	$5,250,031	$5,064,252
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$120,717	$105,394
Book overdraft	12,446	12,456
Accrued liabilities	120,947	119,026
Deferred revenue	80,915	71,917
Current portion of contingent consideration	21,637	30,840
Current portion of long-term debt and notes payable	3,649	5,385
Total current liabilities	360,311	345,018
Long-term debt and notes payable	1,975,916	2,067,590
Long-term portion of contingent consideration	48,528	24,710
Other long-term liabilities	92,900	77,035
Deferred income taxes	538,635	501,692
Total liabilities	3,016,290	3,016,045
Commitments and contingencies (Note 11)		
Equity:		
Preferred stock: $0.01 par value per share; 7,500,000 shares authorized; none issued and outstanding	-	-
Common stock: $0.01 par value per share; 250,000,000 shares authorized; 123,984,527 and 123,566,487 shares issued and outstanding at December 31, 2014 and 2013,	1,240	1,236

respectively		
Additional paid-in capital	811,289	796,085
Accumulated other comprehensive loss	(5,593)	(1,869)
Retained earnings	1,421,249	1,247,630
Total Waste Connections' equity	2,228,185	2,043,082
Noncontrolling interest in subsidiaries	5,556	5,125
Total equity	2,233,741	2,048,207
	$5,250,031	$5,064,252

The accompanying notes are an integral part of these consolidated financial statements.

WASTE CONNECTIONS, INC.

CONSOLIDATED STATEMENTS OF NET INCOME

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Years Ended December 31,		
	2014	2013	2012
Revenues	$2,079,166	$1,928,795	$1,661,618
Operating expenses:			
Cost of operations	1,138,388	1,064,819	956,357
Selling, general and administrative	229,474	212,637	197,454
Depreciation	230,944	218,454	169,027
Amortization of intangibles	27,000	25,410	24,557
Loss on prior office leases	-	9,902	-
Gain from litigation settlement	-	-	(3,551)
Impairments and other operating charges	4,091	4,129	1,627
Operating income	449,269	393,444	316,147
Interest expense	(64,674)	(73,579)	(53,037)
Other income, net	1,067	1,056	1,993
Income before income tax provision	385,662	320,921	265,103
Income tax provision	(152,335)	(124,916)	(105,443)
Net income	233,327	196,005	159,660
Less: Net income attributable to noncontrolling interests	(802)	(350)	(567)
Net income attributable to Waste Connections	$232,525	$195,655	$159,093
Earnings per common share attributable to Waste Connections' common stockholders:			
Basic	$1.87	$1.58	$1.31
Diluted	$1.86	$1.58	$1.31
Shares used in the per share calculations:			
Basic	124,215,346	123,597,540	121,172,381
Diluted	124,787,421	124,165,052	121,824,349
Cash dividends per common share	$0.475	$0.415	$0.37

The accompanying notes are an integral part of these consolidated financial statements.

WASTE CONNECTIONS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Years Ended December 31,		
	2014	2013	2012
Net income	$233,327	$196,005	$159,660
Other comprehensive income (loss), before tax:			
Interest rate swap amounts reclassified into interest expense	4,581	5,641	5,289
Fuel hedge amounts reclassified into cost of operations	(823)	-	(4,513)
Changes in fair value of interest rate swaps	(6,448)	296	(7,333)
Changes in fair value of the fuel hedge	(3,355)	1,012	2,194
Other comprehensive income (loss) before tax	(6,045)	6,949	(4,363)
Income tax (expense) benefit related to items of other comprehensive income (loss)	2,321	(2,653)	1,678
Other comprehensive income (loss), net of tax	(3,724)	4,296	(2,685)
Comprehensive income	229,603	200,301	156,975
Less: Comprehensive income attributable to noncontrolling interests	(802)	(350)	(567)
Comprehensive income attributable to Waste Connections	$228,801	$199,951	$156,408

The accompanying notes are an integral part of these consolidated financial statements.

WASTE CONNECTIONS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	WASTE CONNECTIONS' EQUITY						
	COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED	NONCONTROLLING	
	SHARES	AMOUNT	CAPITAL	(LOSS)	EARNINGS	INTERESTS	TOTAL
Balances at December 31, 2011	110,907,782	$ 1,109	$ 408,721	$ (3,480)	$ 988,560	$ 4,777	$ 1,399,687
Vesting of restricted stock units	591,165	6	(6)	-	-	-	-
Tax withholdings related to net share settlements of restricted stock units	(189,939)	(2)	(6,060)	-	-	-	(6,062)
Equity-based compensation	-	-	17,289	-	-	-	17,289
Exercise of stock options and warrants	329,933	3	4,054	-	-	-	4,057
Issuance of common stock, net of issuance costs of $376	12,000,000	120	369,464	-	-	-	369,584
Excess tax benefit associated with equity-based compensation	-	-	5,033	-	-	-	5,033
Repurchase of common stock	(619,447)	(6)	(18,591)	-	-	-	(18,597)
Cash dividends on common stock	-	-	-	-	(44,465)	-	(44,465)
Amounts reclassified into earnings, net of taxes	-	-	-	481	-	-	481
Changes in fair value of cash flow hedges, net of taxes	-	-	-	(3,166)	-	-	(3,166)
Distributions to noncontrolling interests	-	-	-	-	-	(198)	(198)

Divestiture of noncontrolling interest	-	-	-	-	-	(173)	(173)
Net income	-	-	-	-	159,093	567	159,660
Balances at December 31, 2012	123,019,494	1,230	779,904	(6,165)	1,103,188	4,973	1,883,130
Vesting of restricted stock units	482,403	5	(5)	-	-	-	-
Tax withholdings related to net share settlements of restricted stock units	(152,191)	(1)	(5,438)	-	-	-	(5,439)
Equity-based compensation	-	-	15,397	-	-	-	15,397
Exercise of stock options and warrants	216,781	2	2,462	-	-	-	2,464
Excess tax benefit associated with equity-based compensation	-	-	3,765	-	-	-	3,765
Cash dividends on common stock	-	-	-	-	(51,213)	-	(51,213)
Amounts reclassified into earnings, net of taxes	-	-	-	3,483	-	-	3,483
Changes in fair value of cash flow hedges, net of taxes	-	-	-	813	-	-	813
Distributions to noncontrolling interests	-	-	-	-	-	(198)	(198)
Net income	-	-	-	-	195,655	350	196,005
Balances at December 31, 2013	123,566,487	1,236	796,085	(1,869)	1,247,630	5,125	2,048,207
Vesting of restricted stock units	492,695	5	(5)	-	-	-	-
Restricted stock units released from deferred compensation plan	10,665	-	-	-	-	-	-
Tax withholdings related to net share settlements of restricted stock units	(159,936)	(1)	(6,813)	-	-	-	(6,814)
Equity-based compensation	-	-	18,446	-	-	-	18,446
Exercise of stock options and warrants	241,716	2	3,373	-	-	-	3,375
Excess tax benefit associated with equity-based	-	-	7,518	-	-	-	7,518

compensation							
Repurchase of common stock	(167,100)	(2)	(7,315)	-	-	-	(7,317)
Cash dividends on common stock	-	-	-	-	(58,906)	-	(58,906)
Amounts reclassified into earnings, net of taxes	-	-	-	2,317	-	-	2,317
Changes in fair value of cash flow hedges, net of taxes	-	-	-	(6,041)	-	-	(6,041)