

**Solid Waste Rate Setting  
Policies and Procedures Manual  
for  
South Lake Tahoe Basin**

**May 24, 2011**

# Agenda

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1. Rate Manual Update Overview
2. Rate Setting Goals
3. Rate Setting Policies
4. Rate Application Process
5. Base Year Cost Treatment

# 1. Rate Manual Update Overview

- Represents an update to the 1996 South Lake Tahoe Basin Rate Manual
- Completed for the South Lake Tahoe Basin Waste Management Authority (JPA), a JPA including El Dorado County, Douglas County, and the City of South Lake Tahoe
- Version 2.0 of the Rate Manual
- Complimentary to franchise agreements between each JPA jurisdiction and South Tahoe Refuse (STR)
- The Rate Manual includes:
  - Rate change policies
  - Rate application forms
  - Reporting formats
  - Procedures for requesting, reviewing, and adopting rate changes
- The Rate Manual provides a step-by-step guide for setting rates

## 2. Rate Setting Goals

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- Strong and committed partnership with JPA jurisdictions and franchised hauler
- Justifiable and supportable rates
- Reasonable cost-of-service and rates
- Simple process
- Provide mechanism for ongoing rate review and rate stability
- Maximize opportunity for improving performance and service quality

## 3. Rate Setting Policies

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- Use operating ratio method for determining profit
- Do not allow retroactive rate increases
- Do not allow balancing accounts
- Do not allow fuel surcharges
- Analyze related party transactions
- Account for prior Resource Recovery Facility (RRF) funding (a future credit to be paid back to JPA jurisdiction ratepayers of \$3.7 million, with payback period determined by JPA Board)

### 3. Rate Setting Policies *(continued)*

- Use recycled materials sales revenue sharing with STR based on the schedule as follows:

Years	Minimum Diversion Rate to Achieve 25% of Recycling Revenue Share	Minimum Diversion Rate to Achieve 50% of Recycling Revenue Share
2012 to 2014	38%	44%
2015 to 2016	40%	47%
2017 to 2018	43%	50%

- Note: Diversion percentages above represent STR facility diversion as opposed to jurisdictional diversion percentages for AB 939 reporting purposes

## 4. Rate Application Process

- Base years every three (3) years
  - Begin in 2011 for rates to be set in 2012
  - Detailed review of company revenues and expenses
  - Requires audited financial statements
  - Uses *Base Year Rate Application*
- Interim years in each of the two years between base years
  - Rates based on a simple formula:
    - 85 percent of the Garbage and Trash Consumer Price Index (CPI) applied to non-landfill disposal costs, plus
    - Projected changes in landfill disposal costs
  - Subject to cap of six (6) percent and floor of one (1) percent
  - Uses *Interim Year Rate Application*
- The Rate Manual provides required application submission timing and review schedules

## 5. Base Year Cost Treatment

- The Rate Manual identifies allowable costs, pass-through costs, and non-allowable costs. Examples include:
  - Officer's salaries capped at six (6) percent of gross revenues
  - Blue and green bag program costs are allowable
  - Depreciation methods and useful lives are defined
  - MRF and RRF facility principal and interest cost treatment is specified
- The Rate Manual provides a chart of accounts identifying allowable operating costs
- Pass-through costs are generally transactional in nature (e.g., franchise fees)
- Non-allowable costs are described (e.g., fines, penalties, charitable contributions)
- The Rate Manual identifies allocation methods for shared JPA/non-JPA costs