



COMMUNITY DEVELOPMENT SERVICES

ENVIRONMENTAL MANAGEMENT DEPARTMENT

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January 2, 2019

SENT VIA EMAIL

Ms. Sue VanDelinder
Division Vice President
El Dorado Disposal Service

Re: Response to Unforeseen Circumstances Rate Adjustment Request

Ms. VanDelinder,

I am in receipt of your letter dated December 20, 2018, requesting that the County consider a rate increase for solid waste collection services outside of the annual routine rate making procedures detailed in the Rate Setting Policies and Procedures Manual (Rate Manual) incorporated into the El Dorado Disposal Franchise Agreement, which was approved by the Board of Supervisors on October 21, 2014. Specifically, you have requested that the County consider a rate increase under section 1, C, 6, Unforeseen Circumstances, of the Rate Manual, which states,

"The County should consider a proposed revision in a franchise hauler's rates whenever the franchise hauler can establish to the satisfaction of the County that Unforeseen Circumstances have arisen that have or will materially affect the franchise hauler's revenues or costs under this Manual."

Your letter details significant, long-term changes in recycling commodity markets that have resulted in a 241% increase in El Dorado Disposal's net processing costs since January 2015 as the reason for the rate increase request.

On December 26, 2018, you provided two rate increase options for the County to consider:

- Option 1 – a flat increase of \$1.09 per month for residential customers and a 9.8% increase to commercial rates; or
- Option 2 – a flat increase of \$1.56 per month for residential customers and a 7.54% increase to commercial rates.

In order for the County to determine whether or not the requested rate increase is warranted and the amount of increase appropriate, an independent financial evaluation will be required.

As you are aware, Crowe LLP performs this type of service on behalf of the County as well as the South Lake Tahoe Basin Waste Management Authority (a Joint Powers Authority comprised of representatives from El Dorado County, the City of South Lake Tahoe, and Douglas County, NV). Therefore, since this rate increase request falls outside of the routine rate making process detailed in the Rate Manual, El Dorado Disposal, at its own expense, will be required to retain the services of Crowe LLP to perform the analysis. The results of the analysis will be provided by Crowe LLP directly to the County. Once the County receives this information from Crowe LLP, an item will be prepared for consideration by the Board of Supervisors.

Please let me know if you have any questions.

Respectfully,



Greg Stanton, REHS, Director
Environmental Management Department

C: Erik Nylund, Crowe LLP