

SIERRA DISPOSAL SERVICE

541-6414 • 2140 Ruth Ave. • South Lake Tahoe, California 96150-4357

August 18, 2010

Gerri Silva, Director
Environmental Management Department
Solid Waste and Hazardous Materials Division
2850 Fairlane Court, Building C
Placerville, CA 95667

Dear Ms. Silva:

Sierra Disposal Service respectfully requests your consideration of our attached rate application for the forecasted fiscal years ending June 30, 2011 and 2012 and actual results for the fiscal year ended June 30, 2010.

Sierra Disposal Service is a family owned business that has been providing collection services to its franchise area for over 35 years, and we look forward to continuing to provide excellent service to our customers and El Dorado County. Sierra Disposal Service was granted a general rate increase of 10.74% for fiscal year beginning July 1, 2007, a tip fee pass-through rate increase of 2.57% for the calendar year beginning January 1, 2009, and a tip fee pass-through rate increase of .71% for the fiscal year beginning July 1, 2010.

Unfortunately, the severe economic recession that the United States, and particularly California, has been in for the last two years has dramatically reduced our commercial collections revenue. This reduction coupled with continually rising insurance costs has eroded the Company's previously forecasted revenue requirements to the point where we are operating at a deficit. Please reference the table below which illustrates the percentage decreases and increases realized for commercial collection revenue and direct labor health insurance.

	<u>FYE 2008</u>	<u>FYE 2009</u>	<u>FYE 2010</u>
Commercial collections	-1.4%	0.0%	-26.1%
Direct labor health insurance	-9.7%	10.4%	19.5%

We're optimistic that the worst of the recession has passed, and as such have forecasted that commercial revenue will remain flat for the next two years. In reality, we very well could lose an additional 5% to 15% of revenue. Additionally, we have recently renewed our workman's compensation insurance and rates have dramatically increased by 39.3%.

We have taken steps and made sacrifices to try to mitigate our loss of revenue. Our employees have not had a performance raise or cost of living adjustment in two years and we have reduced the Company's pension contributions from 10% of wages to 30%. Also, due to California Air Resource Board (CARB) regulations, we are required to replace one of our trucks this year. This comes at a cost of \$250,000 and we do not have the funds to purchase one outright. We will

have to finance the truck and without a rate increase, it will be extremely difficult to obtain financing.

For 4 of the last 5 years, we have operated at a deficit. In the one year we did not incur a loss, our profit was only 1.1% of gross revenue and yet we have not asked for a general rate increase in 4 years.

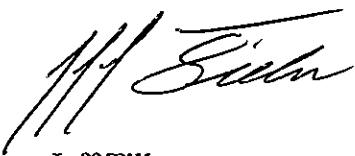
The calculations in the attached rate application show that for the fiscal year just ended, a 10.88% rate increase would have been required for that year. For the next two years, we are forecasting that an adjustment of 13.61% is required on July 1, 2010 with an additional adjustment of 2.59% required on July 1, 2011.

Since we have passed July 1, 2010, time is of the essence as the sooner the rate adjustment occurs; the lower the rate adjustment will be to the rate payers. If the rate adjustment occurs at January 1, 2011, an adjustment of 17.82% is required with an additional 2.59% adjustment required 6 months later on July 1, 2011. If the rate adjustment occurs at October 1, 2010, the adjustment lowers to 15.32% with an additional 2.59% adjustment required 9 months later on July 1, 2011.

Alternatively, we feel that a multi-year adjustment may be mutually beneficial. If the two rate adjustments were evenly split, the rate adjustments on both January 1, 2011 and July 1, 2011 would be 11.38%. If the first rate adjustment occurs on October 1, 2010 the rate adjustments on both this date and July 1, 2011 falls to 10.43%.

We thank you for your consideration of our rate application. I will follow up with you within the next week to discuss the application and explore a reasonable course of action which will be mutually beneficial to all parties concerned including the Board of Supervisors, your office, the rate payers and Sierra Disposal Service.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Tillman". The signature is stylized with a large, sweeping initial "J" and "T".

Jeff Tillman
President

SIERRA DISPOSAL SERVICES
RATE APPLICATION

	<u>6/30/2010 Actual</u>	<u>6/30/2011 Forecast</u>	<u>6/30/2012 Forecast</u>
REVENUE			
Collection revenue	\$ 2,016,791	\$ 2,031,098	\$ 2,045,533
Interest and other income	87	-	-
TOTAL REGULATED REVENUE	<u>2,016,878</u>	<u>2,031,098</u>	<u>2,045,533</u>
EXPENSES			
Operating costs	1,602,996	1,623,398	1,663,582
General and administrative costs	420,584	450,783	471,026
Less: Pass-through costs			
Interest	(411)	(9,550)	(11,998)
Franchise fees	(79,947)	(96,719)	(97,406)
Less: Unallowable costs			
Charitable contributions	(874)	(879)	(887)
TOTAL ALLOWED OPERATING EXPENSES	<u>1,942,348</u>	<u>1,967,034</u>	<u>2,024,318</u>
ALLOWED RETURN			
Operating ratio %	90.00	90.00	90.00
Provision for profit	213,658	216,374	222,675
ADDITIONAL EXPENSES (PASS-THROUGHS ALLOWED IN RATES)			
Pass-through interest	411	9,550	11,998
Franchise fees	79,947	96,719	97,406
Franchise fees on rate increase	-	17,764	20,417
TOTAL ADDITIONAL EXPENSES	<u>80,358</u>	<u>124,033</u>	<u>129,821</u>
TOTAL REVENUE REQUIREMENT	<u>2,236,364</u>	<u>2,307,440</u>	<u>2,376,813</u>
REVENUE SURPLUS (DEFICIENCY)	<u>\$ (219,486)</u>	<u>\$ (276,342)</u>	<u>\$ (331,280)</u>
REQUIRED RATE INCREASE (DECREASE)	<u>10.88%</u>	<u>13.61%</u>	<u>16.20%</u>

SIERRA DISPOSAL SERVICES
RATE APPLICATION

Account	Description	6/30/2010 Actual	6/30/2011 Forecast	6/30/2012 Forecast
OPERATING EXPENSES				
5100-30-10	Labor	\$ 452,547	\$ 459,335	\$ 473,115
5110-30-10	Payroll taxes	45,890	46,578	47,976
5112-30-10	Employee benefits	619	628	647
5114-30-10	Insurance - health	153,286	145,928	145,928
5115-30-10	Insurance - Workers' comp.	34,060	47,432	47,432
5116-30-10	Pension plan - qualified	17,004	13,780	30,752
5200-30-10	Advertising	100	101	101
5240-30-10	Contract labor	2,120	2,132	2,151
5280-30-10	Depreciation	66,124	65,216	65,474
5280-30-30	Depreciation	2,407	-	-
5320-30-10	Dump fees	486,444	496,659	496,659
5520-30-10	Fuel	95,733	91,904	93,742
5520-30-30	Fuel	113	108	111
5600-30-10	Insurance - general	17,281	16,788	16,788
5640-30-10	Interest	(13)	9,550	11,998
5680-30-10	Licenses & fees	14,548	14,632	14,758
5700-30-10	Meals <i>MISC.</i>	94	95	95
5760-30-10	Professional fees <i>MISC.</i>	28	28	28
5800-30-10	Rent - property	84,117	84,602	85,333
5805-30-10	Rent - equipment	15,301	15,389	15,522
5805-30-30	Rent - equipment	196	197	199
5840-30-10	Repairs & maintenance	68,687	66,045	67,948
5840-30-30	Repairs & maintenance	629	326	482
5920-30-10	Supplies	36,294	36,503	36,819
5920-30-30	Supplies	1,461	1,469	1,482
5990-30-10	Utilities	7,926	7,972	8,041
		<u>\$ 1,602,996</u>	<u>\$ 1,623,398</u>	<u>\$ 1,663,582</u>

GENERAL AND ADMINISTRATIVE EXPENSES

6102-30-00	Officer salaries	\$ 169,117	\$ 171,654	\$ 176,803
6103-30-00	Office salaries	107,346	108,956	112,225
6110-30-00	Payroll taxes	15,696	15,931	16,409
6112-30-00	Employee benefits	240	244	251
6114-30-00	Insurance - health	(3,401)	-	-
6115-30-00	Insurance - Workers' comp.	8,515	11,858	11,858
6116-30-00	Pension plan - qualified	4,250	8,418	18,787
6220-30-00	Collection fees <i>MISC.</i>	216	217	219
6280-30-00	Depreciation	1,512	-	-
6291-30-00	Donation/NonDed-CRRC/POL	99	100	100
6295-30-00	Contribution-LOCAL	775	779	786
6300-30-00	Dues & subscriptions	86	86	87
6420-30-00	Franchise fees	79,947	96,719	97,406
6600-30-00	Insurance - general	4,320	4,197	4,197
6640-30-00	Interest	424	-	-
6680-30-00	Licenses & fees	57	57	58
6700-30-00	Meals	63	63	64
6720-30-00	Miscellaneous	1,020	1,026	1,035
6730-30-00	Office expense	7,817	7,862	7,930
6750-30-00	Postage - <i>office</i>	1,839	1,850	1,866
6760-30-00	Professional fees	822	827	834
6800-30-00	Rent - property	11,124	11,188	11,285
6805-30-00	Rent - equipment	154	155	156
6920-30-00	Supplies <i>MISC.</i>	770	774	781
6960-30-00	Travel	95	96	96
6990-30-00	Utilities	7,681	7,725	7,792
		<u>\$ 420,584</u>	<u>\$ 450,783</u>	<u>\$ 471,026</u>

\$ 2,023,580 \$ 2,074,181 \$ 2,134,608
 11-0370.B.4

SIERRA DISPOSAL SERVICES
RATE APPLICATION

	Effective 7/1/10	Scenario 1		Scenario 2		Alternative to scenario 1		Alternative to scenario 2		
		Effective 1/1/11	Effective 7/1/11	Effective 10/1/10	Effective 7/1/11	Effective 1/1/11	Effective 7/1/11	Effective 10/1/10	Effective 7/1/11	
	Current Rate	17.82%	2.59%	15.32%	2.59%	11.38%	11.38%	10.43%	10.43%	
		New Rate	New Rate	New Rate	New Rate	New Rate	New Rate	New Rate	New Rate	
RESIDENTIAL										
Road Service										
1 (32-gallon) can	Monthly	19.02	22.41	22.99	21.93	22.50	21.18	23.60	21.00	23.19
2 (32-gallon) cans	Monthly	27.18	32.02	32.85	31.34	32.16	30.27	33.72	30.01	33.15
3 (32-gallon) cans	Monthly	30.88	36.38	37.33	35.61	36.53	34.39	38.31	34.10	37.66
4 (32-gallon) cans	Monthly	36.30	42.77	43.88	41.86	42.95	40.43	45.03	40.09	44.27
5 (32-gallon) cans	Monthly	41.55	49.07	50.34	48.03	49.27	46.39	51.67	45.99	50.79
6 (32-gallon) cans	Monthly	47.00	55.38	56.81	54.20	55.60	52.35	58.31	51.90	57.32
7 (32-gallon) cans	Monthly	52.44	61.78	63.39	60.47	62.04	58.41	65.05	57.91	63.95
8 (32-gallon) cans	Monthly	56.07	66.06	67.77	64.66	66.33	62.45	69.56	61.92	68.38
1 (45-gallon) can	Monthly	23.07	27.18	27.89	26.60	27.29	25.70	28.62	25.48	28.13
2 (45-gallon) cans	Monthly	29.07	34.25	35.14	33.52	34.39	32.38	36.06	32.10	35.45
3 (45-gallon) cans	Monthly	35.01	41.25	42.32	40.37	41.42	38.99	43.43	38.66	42.69
4 (45-gallon) cans	Monthly	40.94	48.24	49.48	47.21	48.43	45.60	50.79	45.21	49.93
House Service										
1 (32-gallon) can	Monthly	25.89	30.50	31.29	29.86	30.63	28.84	32.12	28.59	31.57
2 (32-gallon) cans	Monthly	34.58	40.74	41.80	39.88	40.91	38.52	42.90	38.19	42.17
3 (32-gallon) cans	Monthly	37.83	44.57	45.73	43.63	44.76	42.14	46.93	41.78	46.13
4 (32-gallon) cans	Monthly	43.24	50.95	52.26	49.86	51.16	48.16	53.64	47.75	52.73
1 (45-gallon) can	Monthly	30.15	35.52	36.44	34.77	35.67	33.58	37.40	33.29	36.77
2 (45-gallon) cans	Monthly	36.15	42.59	43.70	41.69	42.77	40.26	44.85	39.92	44.08
3 (45-gallon) cans	Monthly	42.18	49.70	50.98	48.64	49.90	46.98	52.33	46.58	51.44
Other Services										
Extra can (32 or 45-gallon)	Per pickup	5.35	6.30	6.47	6.17	6.33	5.96	6.64	5.91	6.52
On-call (seasonal 32 or 45-gallon)	Per pickup	5.35	6.30	6.47	6.17	6.33	5.96	6.64	5.91	6.52
Voucher (32 or 45-gallon)	Per voucher	5.35	6.30	6.47	6.17	6.33	5.96	6.64	5.91	6.52
COMMERCIAL										
Cans										
32-gallon can/bag	Per pickup	6.01	7.08	7.26	6.93	7.11	6.69	7.46	6.64	7.33
Extra 32-gallon can/bag	Per pickup	6.01	7.08	7.26	6.93	7.11	6.69	7.46	6.64	7.33
45-gallon can	Per pickup	7.65	9.01	9.25	8.82	9.05	8.52	9.49	8.45	9.33
Extra 45-gallon can	Per pickup	7.65	9.01	9.25	8.82	9.05	8.52	9.49	8.45	9.33
Per Cubic Yd										
1-yard	Per pickup	20.88	24.60	25.24	24.08	24.70	23.26	25.90	23.06	25.46
Extra yard	Per pickup	20.88	24.60	25.24	24.08	24.70	23.26	25.90	23.06	25.46
Compacted rate per yard	Per pickup	51.33	60.48	62.04	59.19	60.73	57.17	63.68	56.68	62.60

SIERRA DISPOSAL SERVICES
RATE APPLICATION

	Effective 7/1/10	Effective 7/1/11		Effective 10/1/10	Effective 7/1/11		Effective 10/1/10	Effective 7/1/11		Effective 10/1/10	Effective 7/1/11	
		Current Rate	New Rate		New Rate	New Rate		New Rate	New Rate		New Rate	New Rate
Drop Boxes												
6-yard area 1	228.95	269.75	276.74	264.03	270.86	255.00	284.02	252.83	279.20	220.85	243.88	243.88
6-yard area 2	199.99	235.63	241.73	230.63	236.60	222.75	248.10	193.24	213.40	193.24	213.40	213.40
6-yard area 3	174.99	206.17	211.51	201.80	207.03	194.90	217.08	488.21	539.13	488.21	539.13	539.13
20-yard stump box	442.10	520.88	534.37	509.83	523.03	492.41	548.45	623.66	688.71	623.66	688.71	688.71
20-yard stump box	564.76	665.40	682.63	651.28	668.15	629.03	700.61	727.95	803.88	727.95	803.88	803.88
30-yard stump box	659.20	776.67	796.79	760.19	779.88	734.22	817.77	916.48	1012.07	916.48	1012.07	1012.07
30-yard stump box	829.92	977.81	1003.14	957.06	981.85	924.36	1029.56					