



WASTE CONNECTIONS INC.
Connect with the Future™

County of El Dorado
Community Development Services
Environmental Management Department
2850 Fairlane Court
Placerville, CA 95667
(530) 621-6658
Greg Stanton, REHS
Director
greg.stanton@edcgov.us

Date: 12/20/18

Re: Adjustment for Unforeseen Circumstances Request

Mr. Stanton,

We have enjoyed a wonderful partnership with El Dorado County for many years and over thirteen years as a Waste Connections company. We have worked very hard to keep rates low, price changes small and services robust to continue to march toward the state-wide ever increasing recycling goals. Throughout all of these years we have not asked to initiate the extraordinary circumstances clause.

Most recently, the cost of recycling and the limited markets for the materials hit us all across the U.S. Locally we have always done a good job cushioning our communities from the fluctuating marketplace. In the past, we had some years up and some down with regard to commodity pricing. These ups and downs always leveled off making each year on average palatable. With China, the largest importer of U.S. recyclable materials changing its environmental laws forever, the marketplace has changed. Standards for materials have increased and prices have decreased. This new marketplace we believe as do experts across the U.S. is our "new norm".

This major change in recycling creates the need to initiate an adjustment in rates based on the "Unforeseen Circumstances" clause in the Solid Waste Rate Setting Policies and Procedures Manual, Section C 6, page 1-5—the well-documented global catastrophic recycling market disruption initiated by the Chinese government in late 2016 is something we cannot absorb. Even though we are faced with declining commodity markets and cost increases while commodity values continue to decline, the State continues to march ahead to a 75% diversion mandate from the landfills by the year 2020.

Recycle Markets

The Chinese ban on mixed recycled material has forced the recovered materials industry to slow down its sort lines and add labor to remove contamination that had crept into the mix over the past two decades. Even with the slowed lines, the reduced demand in China has pushed prices of our commodity revenue per ton dramatically downward. Furthermore, there has been a steep increase in improper recycling since 2013, with contamination rising from 9% to 25% of delivered tons. This triple punch of higher costs, lower material pricing, and increased contamination have resulted in a 241% increase in our net processing costs (includes trucking, processing, commodity values) since January 2015. This phenomenon has played out throughout the western U.S. However, we know that our cost to deliver to the Cal Waste Facility is still significantly lower than any other delivery options.

Impact to El Dorado Disposal

\$ 48.54 Per Ton Revenue from Commingle Recycle Material - 2015

\$ (68.53) Per Ton Expense from Commingle Recycle Material - Current

\$(117.07) Rev (Exp) difference between 2015 and current

*Processing costs have gone from \$85/ton to \$135/ton

Proposed Changes to Rates

As you know, we have always maintained that customers can recycle for "free". Commercial customers have been afforded any size recycle container at no extra charge. Residential customers have been able to get up to two 96 gallon carts for recycling. El Dorado Disposal is now paying for the processing and transportation of recyclable materials with no associated revenue to cover the costs.

We look forward to discussing with you further how best to handle this rate request. We are open to different ideas as to how to apply this rate change. Thank you sincerely for partnering with us as we navigate through this uncharted territory while maintaining our recycling efforts in order to reach the state's diversion goals.

Sincerely,



Sue VanDelinder

Division Vice President

El Dorado Disposal Service