

EXHIBIT A
FRANCHISE AREA

EXHIBIT A
El Dorado Disposal Service Co., Inc.
DEFINITION OF FRANCHISE AREA

The area for which this franchise is granted and to which it shall apply is all that portion of the unincorporated territory of the County of El Dorado, State of California, described as follows: All of Township 10 North, Range 8 East; all of Townships 10 North, Range 9 East; Township 10 North, Range 10 East; Township 10 North, Range 11 East; and Township 10 North, Range 12 East, M.D.B. & M.

All of Sections 31, 32, 33, 34, 35 and 36 of Township 11 North, Range 9 East, M.D.B. & M.,

All of Sections 31, 32, 33, 34 and those portions of Section 35, 36 and 25 lying south of the South Fork of the American River, in Township 11 North, Range 10 East, M.D.B. & M.

All those portions of Township 11 North, Range 11 East, and Township 11 North, Range 12 East, M.D.B. & M., lying south of the South Fork of the American River.

All of Sections 30, 31 and that portion of Section 19 lying South of the South Fork of the American River, Township 11 North, Range 13 East, M.D.B. & M.

All of Sections 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31 and 32 of Township 10 North, Range 13 East, M.D.B. & M.

All of Sections 5, 6, 7, and 8 of Township 9 North, Range 12 East, M.D.B. & M. |

All of Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 17 and 18, and those portions of Sections 15, 16, 19 and 20 lying north of the North Fork of the Cosumnes River, Township 9 North, Range 11 East, M.D.B. & M.

All of Section 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and that part of Section 24 lying North of the North Fork of the Cosumnes River, Township 9 North, Range 11 East, M.D.B. & M.

All of Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24, Township 9 North, Range 9 East, M.D.B. & M.

EXCEPTING THEREFROM the following real property located in and near the City of Placerville, to wit:

All of Sections 5, 6, 7, 8, 9, 10, 16, 17, 18 and those portions of Sections 15, 19, 20, 21, and 22 lying north of Weber Creek, Township 10 North, Range 11 East, M.D.B. & M.

All of Sections 1, 12, those portions of Sections 13 and 24 lying north of Weber Creek, the South Half of the Southeast Quarter of Section 11, and the North Half of the Northeast Quarter of Section 14, Township 10 North, Range 10 East, M.D.B. & M.

Exhibit 2-1
 Areas Served by Six County Solid Waste Collection Franchise Companies

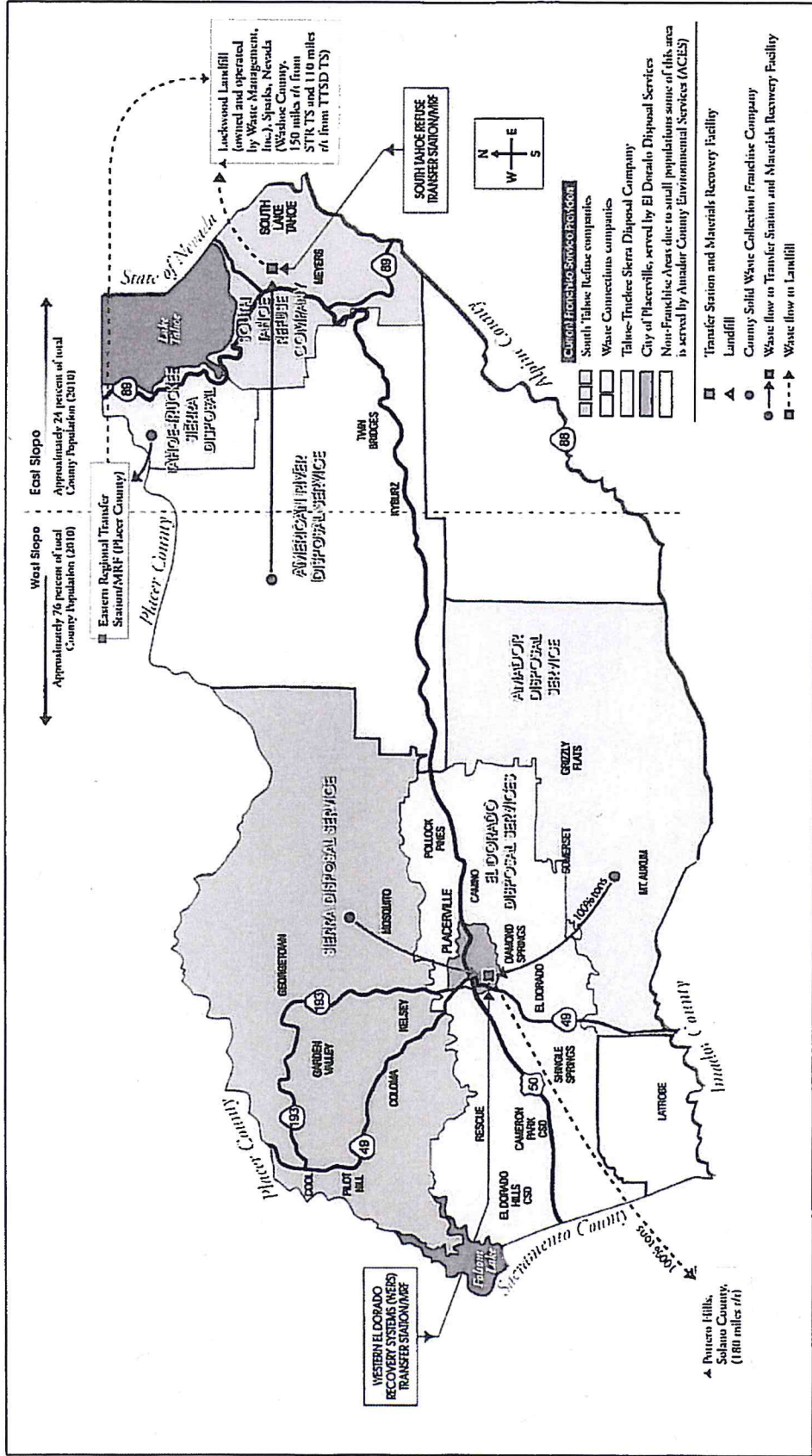


EXHIBIT B

**SOLID WASTE RATE SETTING POLICIES
AND PROCEDURES MANUAL FOR
UNINCORPORATED AREAS**



**Solid Waste Rate Setting
Policies and Procedures Manual
for Unincorporated Areas**

August 22, 2014



**Solid Waste Rate Setting
Policies and Procedures Manual
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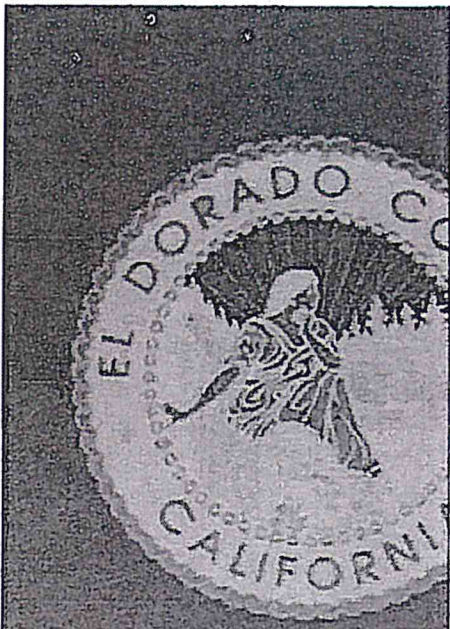


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Definitions



Definitions

For purposes of this Rate Manual, the terms identified in Table DF-1, below, shall have the respective definitions shown in Table DF-1.

Table DF-1
Definitions for Key Rate Manual Terms

| Term | Definition |
|----------------------------|--|
| Allowable Costs | When a cost is said to be "allowable," that cost, plus a profit component associated with that cost, is included in rates charged to the ratepayers. Allowable costs are often those costs that are integral to the hauler's operation and/or are associated with actual activity performed by the hauler. |
| Base Year | A rate year occurring every three (3) years. As part of the Base Year rate review, the franchise hauler shall submit a <i>Base Year Rate Application</i> . |
| Board | El Dorado County Board of Supervisors |
| Consumer Price Index (CPI) | For purposes of this Rate Manual, the applicable CPI used in Interim Year calculations is the U.S. City Average, Garbage and Trash Collection, Consumer Price Index, published by the U.S. Bureau of Labor Statistics. |
| Interim Year | The two rate years between Base Years. As part of the Interim Year rate review, the franchise hauler may submit an <i>Interim Year Rate Application</i> . |
| Non Allowable Costs | Non-allowable costs are not allowed in rates charged to ratepayers. These costs are disallowed because (1) they may not be associated with the business under the franchise agreement, (2) they may be included implicitly in the profit level allowed by the County, or (3) they may unnecessarily complicate rate regulation (e.g., income taxes). |
| Operating Ratio (OR) | The method for determining profit to the hauler. The operating ratio is defined as follows: $\text{Operating ratio} = \frac{\text{Allowable operating costs}}{\text{Allowable operating costs} + \text{Profit}}$ |
| Pass-Through Costs | Pass through costs are costs included in rates charged to customers, however these costs do not have an associated profit component. Pass through costs generally are transactional in nature and often are costs not associated with any significant effort performed by the franchise hauler. |

Definitions

Table DF-1
Definitions for Key Rate Manual Terms *(continued)*

| Term | Definition |
|--------------------------|---|
| Revenue Requirement | <p>The total amount of revenue projected for recovery in the base year. The revenue requirement equals the sum of:</p> <ul style="list-style-type: none"> (1) Allowable operating costs (2) Allowable profits (3) Pass-through costs. <p>As part of the base year process, new rates should be set to cover the projected County-approved revenue requirement. Whether rates ultimately cover the franchise hauler's revenue requirement in a base year is not however guaranteed as there is no balancing account for differences between the projected and actual revenue requirement.</p> |
| Unforeseen Circumstances | <p>Circumstances beyond a franchise hauler's control. Examples include changes in laws or regulations, newly required County-approved solid waste management programs, <i>Force Majeure</i> events, or other economic events that could not be reasonably avoided.</p> |



Section 1

Rate Setting Goals and Objectives



1. Rate Setting Goals and Objectives

This section of the Solid Waste Rate Setting Policies and Procedures Manual for West Slope Service Areas (Manual) provides an overview of the rate setting process, goals, and objectives. The section includes five (5) subsections:

- A. Introduction
- B. Rate Setting Goals
- C. Rate Setting Policies
- D. Rate Application Process
- E. Allowable and Non-Allowable Costs.

A. Introduction

This Manual is a step-by-step guide for El Dorado County (County), and its franchise haulers serving unincorporated areas of El Dorado County, with the exception of the franchise area served by South Tahoe Refuse Company, to prepare and approve changes to solid waste collection rates. The Manual establishes rate change policies, provides application forms, specifies reporting formats, identifies required supporting documentation, and describes the procedure for requesting, reviewing, and adopting rate changes.

The County has six (6) franchise haulers as shown in Table 1-1, below. A total of five (5) of the six (6) franchise haulers represent the current franchised companies covered by this Manual.

Table 1-1
El Dorado County
Franchise Haulers

| Region | Parent Company | Franchise Hauler | Covered by Manual |
|------------|------------------------------------|---|-------------------|
| West Slope | A. Waste Connections of California | A.1 Amador Disposal Service | Yes |
| | | A.2 El Dorado Disposal Services (including Western El Dorado Recovery Systems (WERS)) | Yes |
| | B. South Tahoe Refuse Company | B.3 Sierra Disposal Service | Yes |
| | | B.4 American River Disposal Service | Yes |
| East Slope | B. South Tahoe Refuse Company | B.5 South Tahoe Refuse Company | No |
| | C. Tahoe-Truckee Sierra Disposal | C.6 Tahoe-Truckee Sierra Disposal | Yes |

This Manual covers County rate setting for all unincorporated County franchise areas with the exception of the East Slope areas served by South Tahoe Refuse Company (STR). Rate setting for the STR franchise is covered by the South Lake Tahoe Basin Waste Management Authority's Solid Waste Rate Setting Policies and Procedures Manual, dated March 30, 2012.¹

In 1997, the County developed a "Solid Waste Rate Setting Policies and Procedures Manual" (1997 Manual) for El Dorado Disposal Services and the Western El Dorado Recovery Systems (WERS) Transfer Station/Materials Recovery Facility (MRF). However, this rate setting methodology is no longer in use by the County and franchise hauler. Historically, the County has not used a formal rate setting process and methodology for Amador Disposal Service, American River Disposal Service, Sierra Disposal Service, and Tahoe Truckee Sierra Disposal. This Manual represents the first, uniform rate setting policies and procedures manual intended for County unincorporated service areas.² The Manual applies to all of the work performed by the franchise hauler under its franchise agreement with the County.

This Manual is meant as a guide for setting rates for unincorporated County service areas, separately. The County will be responsible for reviewing a separate rate application submitted by each franchise hauler. The County Board of Supervisors (Board) will have the ultimate authority to approve rate change recommendations for each service area. This Manual may be amended as necessary to reflect changes in objectives or modifications to the franchise agreements.

¹ The City of Placerville, Cameron Park Community Services District, El Dorado Hills Community Services District also separately regulate refuse collection rates for their service areas.

² Recent rate setting practices and outcomes were based on CPI increases and/or fuel cost increases.

B. Rate Setting Goals

The primary goal of the rate setting process and methodology is to determine solid waste collection rates which are fair to customers and which provide a fair return to the franchise haulers. A total of six (6) rate setting process goals were considered in developing this rate setting methodology:

1. The County and franchise haulers shall start with a **strong and committed cooperative relationship**. The County and franchise haulers should view the franchise as a cooperative relationship where both parties commit to use the formal rate setting methodology, and plan continuous communication on rate setting throughout the franchise term.
2. Rates requested by a franchise hauler must be **justifiable and supportable**. A formal request to change rates, submitted by the franchise hauler, shall provide the basis for all rate changes, include only allowable and necessary costs, and provide accountability for expenditures. In determining rates, the County should consider both the need for fairness to ratepayers and the need to compensate the franchise hauler fairly and consistently with the methodology.
3. The estimated costs of service, and resulting solid waste rates, shall be **reasonable**. Revenues generated shall be adequate to fully meet reasonable costs of service.
4. The process shall be kept as **simple** as possible, while ensuring that any rate request is justifiable and reasonable. The process also shall minimize administrative efforts of the County.
5. The rate setting process shall **provide mechanisms for ongoing rate review and rate stability**. A periodic, formal, and thorough County review (every three years) of financial and operating data will set be performed for the protection of the ratepayers. These reviews shall be conducted consistently and in accordance with set schedules in the Manual. The process is intended to prevent large, unexpected

fluctuations in rates due to changes in costs or from the need to fund a broadening scope of waste management services.

6. The County and franchise haulers shall strive to **maximize opportunities to improve performance and service quality** while maintaining cost competitiveness in the marketplace. Ideally, the County, and a hauler, should set rates in a base year, and the hauler shall attempt to reduce its costs in subsequent years.

C. Rate Setting Policies

The County will use the following six (6) policies when setting rates:

1. **Use the Operating Ratio Method to Determine Profit** – The County will use the Operating Ratio (OR) method to establish revenue requirements for setting rates. The Operating Ratio is a method of determining the profit allowed to the franchise hauler based on allowable operating costs.
2. **Do Not Allow Retroactive Rate Adjustments** – There will be no allowance for retroactive adjustments in rates, except by special agreement, or by party default by the County. Retroactive reimbursements can move rates out of alignment with the actual costs of providing service. This Manual codifies strict rate review timelines and responsibilities. If the County and franchise haulers adhere to these timelines for submission and rate change approval, and no party defaults on these timelines, future rates shall be established such that there is no need for retroactive rate adjustments. The franchise hauler shall not be entitled to receive a rate increase if the franchise hauler defaults on the timelines and responsibilities specified in this Manual.
3. **Do Not Allow Balancing Accounts** – This rate setting process is based on projecting results during base years. Thus, actual base year results likely will differ from base year

projections. In some regulatory environments, these differences are “balanced” in subsequent years by using a balancing account.

Balancing accounts are occasionally used in the waste industry as an accounting-based approach to true up a previous year’s projections to actual financial results. A balancing account can then be used to address differences between actual and projected results. A balancing account requires substantial administration, reporting, and control measures which determine how funds in the account are invested and managed.

When a balancing account is established, terms and conditions related to these accounts are clearly documented as part of a rate setting process and methodology manual. Also, terms and conditions are specifically incorporated by reference into contractual agreements between the respective parties.

The problem with balancing accounts is that by funding surpluses and deficits using rate revenues, rates charged to customers ultimately do not reflect the true cost of providing service to customers because they include retroactive components. Over time, current ratepayers can end up ultimately subsidizing, or benefiting from, prior generations of ratepayers. For example, if rates are raised to pay off a balancing account, then current ratepayers bear the responsibility of what previous ratepayers should have paid for initially.

Municipal finance principles generally require a strong nexus between (1) cost-of-service and benefits and (2) cost-of-service and rates. Use of a balancing account generally breaks down this nexus and results in rate inequalities.

A balancing account also frequently is less useful when a long-term franchise exists. With a long-term franchise agreement, there is less need to recover variances between actual and projected results on a year-to-year basis. These variances can often be absorbed over the course of a long

term franchise, such as is the case between the County and franchise haulers.

Balancing accounts are not designed to account for differences between "rates asked for" and "rates received." They also are not designed to account for differences between "rates received" and "a fair rate of return."

Balancing accounts, by their very nature, result in retroactive rates, which do not reflect cost-of-service based rates.

4. **Do Not Allow Fuel Surcharges** – There will be no separate "fuel surcharges" added to rates to account for changes in fuel costs. Fuel surcharges create accounting problems (e.g., which fuel index to use, over what time period to use the index, and determining what portion of the rate that fuel costs represent). Fuel surcharges require separate accounting from allowable rate changes which may already reflect compensation to franchise hauler for changes in fuel costs (e.g., as part of a CPI-based rate change during interim years). Fuel surcharges lag actual changes in fuel prices (by as much as one year), so changes in the fuel surcharge are disconnected from current changes in fuel prices. Fuel costs typically represent a relatively small portion of the overall rate charged (less than ten (10) percent), minimizing the impact of fluctuating fuel prices on overall rates. Finally, once established, fuel surcharges can linger within rates during periods when fuel prices are stable and when a fuel surcharge is not necessary.

5. **Analyze Related Party Transactions** – The franchise haulers have certain related-party transactions with affiliates. The franchise haulers must disclose all related party transactions as part of the rate setting process. Related parties for STR and Waste Connections companies are identified in Tables 1-2 and 1-3, on the next page.

The County will allow only those transactions with these related parties which are "market based." The County will assess

whether related party transactions are conducted on an "arm's length" basis, equivalent to terms as with an unrelated party in the conditions of a competitive, free market, environment. The County will allow "market based" transactions in order to ensure reasonable rates for County ratepayers.

During its review of the franchised hauler's base year rate application, the County may request that a franchise hauler provide specific information in support of related party transactions. The County will consider the following factors in determining whether the related party transaction is an allowable cost and is charged at a reasonable amount:

- Allocation methods used, if applicable
- Nature, extent, and magnitude of the relationship
- Terms of the related party transaction (e.g., timing of payments, term length)
- Historical information (e.g., ownership)
- Date of acquisition (if applicable)
- Purchase price of item (if applicable)
- Financing terms for item (if applicable)
- Subject to signing confidentiality statements (if required), access to the financial statements and accounting records of the related party.

For related party company leases, the County may require a franchise hauler to identify financing charges, or profit components, within these lease rates. The franchise hauler shall be prepared to support the business purpose for each related party transaction.

The County will examine how related party transactions are treated for rate setting purposes in the *Base Year Rate Application*. The County will assess whether related party transactions already have a profit component on them, and if so, treat these related party transactions as

**Table 1-2
Related Parties and Transactions for STR
Companies**

| Related Company | Relationship/Transaction |
|-------------------------------------|--|
| Douglas Disposal, Inc. (DDI) | <ul style="list-style-type: none"> ■ Owned by same ownership group as STR ■ STR leases facility space to DDI ■ STR leases office space to DDI ■ STR leases computers to DDI ■ STR loans money to DDI |
| Tahoe Basin Container Service (TBC) | <ul style="list-style-type: none"> ■ Owned by same ownership group as STR ■ STR leases facility space and equipment to TBC ■ STR leases office space to TBC ■ STR rents computers to TBC ■ STR loans money to TBC |
| American River Disposal (ARD) | <ul style="list-style-type: none"> ■ Owned by same ownership group as STR ■ STR leases office space to ARD ■ STR leases computers to ARD ■ STR provides office contract labor to ARD |
| Sierra Disposal Service (SDS) | <ul style="list-style-type: none"> ■ Owned by same ownership group as STR ■ STR leases office space to SDS ■ STR leases computers to SDS |

**Table 1-3
Related Parties and Transactions for Waste
Connections (WCNX) Companies**

| Related Company | Relationship/Transaction |
|-----------------------------------|---|
| Amador Disposal Service (ADS) | <ul style="list-style-type: none"> ■ Owned by same corporation group as EDDS |
| El Dorado Disposal Service (EDDS) | <ul style="list-style-type: none"> ■ Owned by same corporation group as ADS |
| Potrero Hills Landfill | <ul style="list-style-type: none"> ■ Owned by same corporation group as EDDS and ADS ■ EDDS landfills County refuse at Potrero Hills Landfill |

pass-through costs (without a profit component) to avoid a “double counting” of profit.

6. **Unforeseen Circumstances** – 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.

D. Rate Application Process

1. Base Year Process

The County requires that each franchise hauler submit a *Base Year Rate Application* once every three (3) years. With the *Base Year Rate Application*, the franchise hauler provides detailed financial and operating information, for business done under the franchise agreement, which is carefully reviewed and analyzed by the County. These detailed reviews are referred to as “base year reviews” in the methodology.

With the *Base Year Rate Application*, the franchise hauler submits audited financial statements, for business done under the franchise agreement, for the previously completed fiscal year. These statements serve as the base documents for the application. The franchise hauler shall reconcile financial information contained in the *Base Year Rate Application* with the audited financial statements, for business done under the franchise agreement, to provide assurance that all of the hauler’s activities are accounted for.

The *Base Year Rate Application* requires three (3) years of data, including a year of actual data (based on audited information), a year of estimated data (based on year-to-date information available at the time the application is submitted), and the projection, or base year.

2. Interim Year Process

If the franchise hauler chooses to request a rate adjustment in an "interim year" between "base" years, the County requires that the franchise hauler submit an *Interim Year Rate Application* for an interim year rate change. The scope and content of the *Interim Year Rate Application* is much more limited than a base year request. The franchise hauler is not obligated to request an adjustment to rates and can instead request to leave rates unchanged. In each interim year, the franchise hauler must complete the top portion of the *Interim Year Rate Application*, indicating whether or not the franchise hauler is requesting a rate change for that interim year.

During the interim years, a franchise hauler shall be entitled to adjust its rates based upon the following formula:

One plus eighty-five (85) percent of the annual percentage change in the most recent actual, not forecasted, change in the Consumer Price Index, All Urban Consumers, U.S. City Average - Garbage and Trash Collection (December 1983=100, series CUUR0000SEHG02 ("CPI") multiplied by the current rate

Interim year rate adjustments are subject to a "floor" and a "cap." During interim years, rate adjustments shall not be greater than six (6) percent nor less than one (1) percent, regardless of the rate adjustment calculated using the interim year formula.

E. Allowable and Non-Allowable Costs

Rates are established for each Base Year based on a franchise hauler's projected Revenue Requirement in the Base Year. For purposes of

computing the Revenue Requirement, it is necessary to determine which of the franchise hauler's costs are: (1) Allowable Costs, (2) Pass-Through Costs, and (3) Non-Allowable Costs.

Cost Allocations and Methodologies

The franchise hauler shall provide supporting documentation and rationale for the allocation of expenses (1) between the franchised areas covered by this Manual and non-County areas serviced by the franchise hauler, and (2) between the franchised operations covered by this Manual and non-franchised operations. Examples of the types of expenses which may require allocations include:

- Disposal costs
- Equipment costs (trucks, bins, debris boxes)
- General and administrative costs (corporate and regional)
- Labor costs
- Loans to or from affiliates
- Loans to or from officers
- Management fees
- MRF processing costs
- Other staffing costs
- Sludge operations.

As each franchise hauler has slightly different circumstances, the specific timing and application requirements for each franchise hauler are provided in an appendix, organized as follows:

- B. Amador Disposal Service*
- C. American River Disposal Service*
- D. El Dorado Disposal Services*
- E. Sierra Disposal Service*
- F. Tahoe Truckee Sierra Disposal.*

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Section 2

Base Year Rate Setting Process



2. Base Year Rate Setting Process

This section describes each of the seven (7) steps of the base year rate setting process. Each step includes an overview of the step and a detailed description of the tasks required to complete the step. The section includes seven (7) subsections:

- A. *Step 1 – Prepare and Submit Rate Application*
- B. *Step 2 – Verify Completeness of Rate Application*
- C. *Step 3 – Review Rate Application and Prepare Response*
- D. *Step 4 – Prepare Draft Report and Final Report*
- E. *Step 5 – Notify Customers of Rate Hearing*
- F. *Step 6 – Seek Approval from County Board of Supervisors*
- G. *Step 7 – Implement New Rates.*

A. Step 1 – Prepare and Submit Rate Application

Responsibility: Franchise hauler

Timing: Completed seven (7) months prior to the date new rates become effective

- Tasks:**
- a. Prepare Cost Information
 - b. Prepare Revenue Information
 - c. Prepare Operating Information
 - d. Calculate Allowable Operating Profit
 - e. Determine Franchise Fee
 - f. Calculate Revenue Requirement
 - g. Calculate Net Surplus/Shortfall and Percent Change in Rates
 - h. Calculate New Percentage Rate Change and Rates
 - i. Prepare and Submit Rate Application.

Overview

During this step, the franchise hauler prepares the *Base Year Rate Application*. This three-page form includes detailed financial and operating information and is used to determine the actual costs and revenues of the franchise hauler. Blank copies of the *Base Year Rate Application* are provided in **Appendix A**.

Several lines in the application contain three columns. These columns are intended to show the relationship between the most recently completed year, the current year, and projections for the new "base" year. These columns are organized as follows:

- **Column one** includes actual audited information for the franchise hauler's prior fiscal year (for business under the franchise agreement). This is the most recent year that financial information is available and that actual costs and revenues can be verified.
- **Column two** is for estimating performance during the current fiscal year. The "current year" is the franchise hauler's fiscal year prior to the new base year. The *Base Year Rate Application* is prepared during the course of the current year. Data in this column shall include year-to-date performance plus estimated performance during the remaining months of the current fiscal year.
- **Column three** is used to report projected performance during the new base year. This information is entirely a projection and is utilized to determine any rate changes. Projected information shall be developed by estimating anticipated service levels during the base year, and determining the revenues and expenses which will be incurred to provide these services. Each cost element in the application shall be reviewed and any anticipated change in specific line items shall be included in the base year projection. For example, if labor rates are scheduled to change, or if landfill disposal costs are expected to change, these changes shall be included in projections for the base year.

The relationship between these three (3) columns for any given line item shall be consistent. Any substantial difference between each of the three (3) years shall be explained by the franchise hauler and considered by the County during the review process.

The franchise hauler shall provide a copy of audited financial statements, for business done under the franchise agreement, for the most recently completed fiscal year. Financial information from the audit, for business done under the franchise agreement, is consolidated into specific categories identified in the application. All financial information shall be in

accordance with generally accepted accounting principles. The franchise hauler shall prepare supplemental documentation which reconciles the financial audit, for business done under the franchise agreement, for the most recently completed fiscal year to information provided in the application. This documentation shall be included in the application package.

a. Prepare Cost Information

Cost information from the franchise hauler is provided in the *Base Year Rate Application*. Cost information is reported for the most recently completed fiscal year, the current fiscal year, and the new base year. Information reported in each line item represents the total combined costs for all franchised services, including residential, commercial, and industrial, business. Segregation of costs by service type (i.e., residential, commercial, and industrial services) is not required.

Cost information includes:

- **Allowable Costs**
 - Direct Labor
 - Truck, Equipment, and Facility Costs
 - Disposal Costs (Profit Allowed)
 - Office Salaries
 - Officer's Salaries
 - General and Administration Costs
- **Pass Through Costs**
 - Disposal Costs (Pass Through)
 - Franchise Fees.

Definitions and specific components of these cost categories are described in Appendices B through F for each hauler, respectively.

By aggregating costs into these line items, the County, and franchised hauler, can focus on major changes without becoming distracted by large changes in insignificant cost components. For example, if licenses and fees doubled from

\$10,000 in the current year to \$20,000 in the base year (i.e., a 100 percent increase), this might only cause General and Administrative Costs to increase by one percent, resulting in little impact on the overall rate. Minor components of General and Administrative Costs may decrease between the current year and the base year, while others may increase.

If one of the major cost line items in the application changes at an unusual rate, then the franchise hauler shall be required to explain the change. An unusual change in a cost is any change which is greater than the change in the U.S. City Average Garbage and Trash Collection CPI. The CPI used in the analysis shall be based on the most current actual information for the U.S. City Average Garbage and Trash Collection CPI. This information is available from the United States Department of Labor, Bureau of Labor Statistics.

Cost information for the current year, and base year, must account for any increases or decreases in the number of customers served, or tons of waste and recyclable material collected. Actual increases in costs also must be included. For example, if health benefit costs will increase in the base year as a result of increases in premiums, this additional cost shall be included.

Cost information provided in the application is added to profit to calculate the franchise hauler's Revenue Requirement. This Revenue Requirement is compared to anticipated revenues to determine whether a rate change is necessary.

b. Prepare Revenue Information

Revenue information is provided in this task. Similar to cost information, revenues are reported for the most recently completed fiscal year, the current fiscal year, and the projected base fiscal year. Revenues are reported in four (4) separate categories:

- Residential
- Commercial and industrial

- Transfer station
- Recycled material sales.

Revenues in the base year are projected without any changes in rates. Revenue projections are prepared based on existing rates and the number of customers which the franchise hauler anticipates serving in the base year.

1. Determine Residential Revenues.

To calculate projected residential revenues for the base year, enter the current monthly rates by service type page 2 of 3 of the *Base Year Rate Application*. Then enter the projected number of accounts by service type on page 2 of 3 of the *Base Year Rate Application*. Total revenues for each service type are calculated based on the following:

$$\frac{\text{Current rate per month}}{\text{Twelve months}} = \text{Rate per year}$$

$$\text{Projected residential accounts} \times \text{Rate per year} = \text{Revenues by service type.}$$

Revenues by service type then are entered on page 2 of 3 of the *Base Year Rate Application*. These values then are added together, entered, and totaled. Residential revenues shall reflect all revenues generated for providing curbside collection services of refuse, recyclables, and yardwaste, if applicable.

The number of accounts in each service category may change throughout the year. For example, some customers may request one can service part of the year and an additional can during the remainder of the year. The average number of accounts by service type shall be used in these calculations. In addition, the number of accounts identified for these calculations must agree with operating data provided in Section VIII (page 3) of the *Base Year Rate Application*.

Multi-family can, cart, and bin services, and mobile home park can, cart, and bin services, shall be included in residential revenues.

2. **Determine Commercial and Industrial Revenues.** Commercial and industrial (i.e., debris box) revenue information is entered on page 2 of 3 of the *Base Year Rate Application*. In the first column of this line, actual revenues generated by commercial and industrial accounts during the prior year are reported. This year amount must reconcile with the financial audit for that same year. Commercial and industrial revenues for the current year are based on actual revenue to-date plus an estimate of the revenues that will be received through the end of the fiscal year. Commercial and industrial revenues in the current year shall be comparable to revenues in the prior year, after taking into account changes in accounts and service levels.

Projected commercial and industrial revenues for the new base year are entered in the third column. The amount, net of any projected uncollectible accounts, is based on the estimated annual revenues received during the current fiscal year plus any additional revenues generated from additional accounts.

Operating data provided in Section VIII (page 3) of the *Base Year Rate Application* shall support any service level changes. In order to analyze changes in commercial and industrial rates, prior, current, and projected rate information must be provided for specific commercial and industrial services.¹

Depending on the company, these services generally include:

Bin Service

- 1 Yard Bin – once per week
- 2 Yard Bin – once per week
- 3 Yard Bin – once per week
- 4 Yard Bin – once per week
- 6 Yard Bin – once per week
- 1 Yard Bin – twice per week
- 2 Yard Bin – twice per week

- 3 Yard Bin – twice per week
- 4 Yard Bin – twice per week
- 6 Yard Bin – twice per week.

Debris Box Service

- 20 Yard Box – once per week
- 30 Yard Box – once per week.

The franchise hauler enters the rate for these services for the prior year, the current year, and the base year, respectively. Year to year percentage changes then are entered. This information substantiates previously approved changes in commercial and industrial rates.

The franchised hauler shall be prepared to provide a complete list of all services provided, and approved rates, following the base year review (and following all interim year reviews). The franchised hauler shall change services provided to customers only during base years (i.e., not interim years). In cases where there are situations where the County requires the franchise hauler to change services in interim years, the franchise hauler shall identify these new programs and rates in conjunction with an interim year rate application.

3. **Determine Allowance for Uncollectible Accounts.** The franchise hauler likely will not be paid by all customers served. While this amount is expected to be relatively small, it must be accounted for in the calculation of base year net revenues. These amounts are reported on the allowance for uncollectible residential accounts line, and the allowance for uncollectible commercial and industrial accounts line of the application.

The accounts shall be calculated using a formula based on actual experience, with a not-to-exceed amount of one percent (1%) of anticipated revenues. Assumptions related to the projection of uncollectible accounts must be documented and included as a supplement to the application.

4. **Determine Net Revenues from Recycled Material Sales.** In addition to revenues generated through residential, commercial,

¹ This list is not meant to be inclusive of all commercial and industrial rates.

and industrial services, additional revenues are generated by selling recyclable materials collected through the curbside recycling program and commercial recycling program. The amount of recycling revenues generated through the sale of these materials is dependent upon the quantity of material collected and the market price for these materials. Both of these factors are outside the direct control of the franchise hauler. Therefore, revenues generated by recycled material sales are not subject to an across-the-board rate change. Revenues generated from charging residential customers for curbside recycling services shall not be included here, but shall be included as part of residential revenues (#1 above).

5. **Calculate Total Revenues.** The calculation of total revenue is as follows:

| | | |
|---------------|--|-----------------|
| | Total residential revenues | |
| <i>Plus</i> | Total commercial & industrial revenues | |
| <i>Plus</i> | <u>Net recycled material sales</u> | |
| <i>Equals</i> | | Total revenues. |

c. Prepare Operating Information

During this task, non-financial operating information is compiled by the franchise hauler. Operating information, requested in the application, provides an important indicator of the franchise hauler's performance. If costs are changing at an unusual rate, operating data may provide some explanation of these changes. For example, cost increases could be attributed to the increased level of service provided (i.e., accounts served). The franchise hauler shall provide the following information:

- ☑ Number of accounts
- ☑ Quantity of refuse tonnage collected
- ☑ Quantity of recycling tonnage collected
- ☑ Quantity of yard waste tonnage collected.

Similar to cost data, the first year is "historical," the second year is the "current" year, and the third year

is the "base" year. Historical data are based on actual annual operating statistics during the most recently complete fiscal year and reflect the same year used in the financial sections of the application. Current year performance is based on performance to-date plus estimated performance for the remaining months of the current year. Projected base year data represents the franchise hauler's best projection of service levels during the new base year.

Year-to-year percentage changes then are determined for each set of operating metrics. The franchise hauler shall be required to explain any significant changes. A significant change in an operating characteristic is an increase or decrease of more than two (2) percent.

This information allows both the County, and the franchise hauler, to monitor changes in the service characteristics, estimate total revenues at existing rates, and compare these to changes in total costs. The franchise hauler shall clearly identify to the County any operating information submitted as part of the application that it considers confidential.

The base year rate application also shall clearly identify all vehicles and equipment in use by the franchised hauler, the date of purchase, and the purchase price of the vehicle or equipment. This list shall identify all vehicles and equipment in use by the franchised hauler, the date of purchase, and the purchase price of the equipment.

d. Calculate Allowable Operating Profit

For the historical year of actual data, the franchise hauler will calculate the actual Operating Ratio. The actual Operating Ratio will reveal how well past base year projections corresponded to actual results. Similarly, the franchise hauler calculates the Operating Ratio for the current year (Section II, column 2 of the *Base Year Rate Application*). The actual profit received by the franchise hauler in the most recently completed

fiscal year is in Section II, column 1 of the *Base Year Rate Application*. The estimated profit for the current fiscal year also is entered in Section II, column 2 of the *Base Year Rate Application*.

To calculate the allowable operating profit in the base year, the equation below is utilized:

$$\begin{array}{r} \text{Allowable operating costs} \\ \text{Divided by} \quad \text{Operating ratio} \\ \text{Equals} \quad \text{Allowable operating revenues} \\ \text{Minus} \quad \text{Allowable operating costs} \\ \text{Equals} \quad \text{Allowable operating profit.} \end{array}$$

The allowable operating profit is entered in Section II, column 3 of the *Base Year Rate Application*.

In each base year, the Operating Ratio can range from 88 to 92 percent, without a rate change, which will help stabilize the need for rate changes and afford the franchise hauler an incentive to reduce costs.

e. Determine Franchise Fee

The calculation of the franchise fee is not a straightforward exercise because as revenue is increased (e.g., via a rate change), so does the amount of franchise fees increase because franchise fees are based on a percent of gross revenues. To calculate the franchise fee for the base year requires the hauler to calculate the franchise fee to be paid to the County based on the revenues after a rate change is applied. Projected franchise fees shall be entered in Section VI, column 3 of the *Base Year Rate Application*.

f. Calculate Revenue Requirement

The Revenue Requirement establishes the level of revenues needed to meet the franchise hauler's Allowable Costs and Pass-Through Costs and profits. This includes residential, commercial, and industrial waste and recycling costs, and

assumes a reasonable profit margin based on the Operating Ratio calculation.

The Revenue Requirement (without franchise fees) is entered in Section IV of the *Base Year Rate Application*.

g. Calculate Net Surplus/Shortfall and Percent Change in Rates

In Sections VI and VII of the *Base Year Rate Application*, the net surplus/shortfall is determined based on the following calculation:

$$\begin{array}{r} \text{Revenue requirement without} \\ \text{franchise fees} \\ \text{Plus} \quad \text{Residential, commercial, and} \\ \text{industrial franchise fees} \\ \text{Less} \quad \text{Total revenues} \\ \text{Equals} \quad \text{Net surplus/shortfall.} \end{array}$$

The projected amount of revenue generated during the base year from the sale of recycled materials was calculated in Step 1, #4 of subsection b.; therefore, any increase or decrease in revenues required must come from an increase or decrease in rates.

If applicable, the percent change in existing rates is calculated as follows:

$$\begin{array}{r} \text{Net surplus/shortfall} \\ \text{Divided by} \quad \text{Total revenues without rate change} \\ \text{Equals} \quad \text{Percent change in rates.} \end{array}$$

The percent change in rates is entered in Section VII of the *Base Year Rate Application*.

h. Calculate New Percentage Rate Change and Rates

If applicable, the percentage rate change identified on page 2 of the *Base Year Rate Application* is transferred to page 1, line 1, of the *Base Year Rate Application*. Current residential rates for solid waste collection shall be entered on page 1 of the *Base Year Rate Application*. The

requested new rates for the County then are calculated by multiplying the current rate by one plus the rate change identified in line 1 of the *Base Year Rate Application*.

To determine requested new residential rates on page 1, column one of the *Base Year Rate Application* shall be added to column two and the result shall be entered in column three. This column provides the new rate schedule. Complete current and revised commercial and industrial rate schedules shall be provided by the hauler as an attachment to the *Base Year Rate Application*.

i. Prepare and Submit Rate Application

The franchise hauler submits the completed *Base Year Rate Application* to the County. The application shall include the following items:

Management Representation Letter.

The management representation letter transmits the application to the County, and shall provide a listing of included documents. The letter shall identify the requested adjustment in rates and include a discussion of specific issues which impact new rates (e.g., significant increases in labor costs). The letter shall state that:

- Management reviewed and accepts responsibility for the rate application
- The application is based upon management's judgment of the most likely set of conditions and course of action
- All significant relevant information is reflected the application
- Assumptions are reasonable and are accurate.

An authorized representative from the franchise hauler shall sign and date the application. This signature provides a certification by the franchise hauler that the application is complete, accurate, and consistent with the instructions provided in this Manual.

Base Year Rate Application. The franchise hauler shall provide a *Base Year Rate Application*, including the completed application forms and supporting documentation. Supporting documentation includes the current and proposed rate schedules for residential, commercial, and industrial customers.

Supplemental Audited Financial Information. Applications shall include audited financial statements, for business done under the franchise agreement, for the most recently completed fiscal year, as well as other documentation which support operating and financial data provided in the application. Because audited financial statements, for business done under the franchise agreement, serve as base documents for the application, statements of revenues, expenses, and other reports contained in the application shall be reconciled to the audited financial statements, for business done under the franchise agreement, to provide assurance that all activities are accounted for.

Once the application materials have been prepared, the franchise hauler submits three (3) reproducible hard copies and one electronic copy formatted to the County's specifications. The application is submitted directly to the County. The thirty (30) day review for completeness will begin upon receipt of the application.

B. Step 2 – Verify Completeness of Rate Application

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| Responsibility: County |
| Timing: Completed within thirty (30) days upon receipt of the rate application |
| Tasks: a. Verify Financial Data and Format b. Verify Supporting Documents and Schedules c. Notify Franchise Hauler. |

Overview

During this step, the County ensures that the application has been fully completed by the franchise hauler and that the data provided are consistent. During the 30-day period, the franchise hauler will provide all of the information necessary to complete the application.

a. Verify Financial Data and Format

The County staff reviews the application package to determine if it is complete and ready for analysis. Detailed analysis of the contents of the application occurs during Step 3.

The County reviewer should determine the following:

- Has the applicant included all required forms?
- Are all forms complete?
- Are audited financial statements, for business done under the franchise agreement, included?
- Are all financial calculations mathematically correct?

b. Verify Supporting Documents and Schedules

Various documents may be included in the application package to support the rate change. The purpose of these supporting documents shall be clearly identified by the franchise hauler.

c. Notify Franchise Hauler

If the application is complete, the County will notify the franchise hauler in writing that it will begin the process of evaluating the application. If incomplete, the hauler shall provide additional required information within the 30-day verification period. A revision of rates shall not be authorized until the 1st day of the first calendar month following a six (6) month period from the date that an application is verified to be complete.

C. Step 3 – Review Rate Application and Prepare Response

Responsibility: County

Timing: Completed within one and one half (1½) months after determining that the application package is complete

- Tasks:**
- a. Review Actual and Projected Revenue Requirements
 - b. Review Actual and Projected Revenues
 - c. Review and Verify Operating Ratio
 - d. Determine Components of Requested Change in Rates
 - e. Review Performance Data
 - f. Request Additional Data and Clarification, if Necessary
 - g. Document Staff Review.

Overview

During this step, County staff evaluates the entire rate application. This review includes examining significant changes in costs or operating performance and evaluating explanations of these changes provided by the franchise hauler.

a. Review Actual and Projected Revenue Requirements

In this task, costs and operating profits are reviewed and analyzed for reasonableness. Reconciliations of costs to audited financial statements, for business done under the franchise agreement, are checked for consistency. Explanations are sought from the franchise hauler for items significantly different than would otherwise normally be expected.

Percentage changes in costs for the three years identified in the application shall be calculated and reviewed. Projections prepared from previous years in prior *Base Year Rate Applications* are compared with results presented in the current application. Costs are correlated with operating collection

efficiency statistics provided by the franchise hauler.

Any unusual trends or variances in aggregate areas shall be explained by the franchise hauler. An unusual increase would be a change in cost which is greater than the change in the Trash and Garbage Collection CPI, published by the Bureau of Labor Statistics, and which cannot be attributed to changes in the number of customers serviced or tons of waste or recyclable materials collected. If these unusual changes are not adequately explained in the application, the County should request additional clarification from the franchise hauler.

The County should review the allocation methodology used by the franchise hauler to allocate costs between (1) franchise areas that are the subject of this Manual, and (2) non-County areas serviced by the franchise hauler. The County also shall review the allocation methodology used by the franchise hauler to allocate costs between (1) franchised operations that are the subject of this Manual, and (2) non-franchised operations that are not the subject of this Manual. At a minimum, the County should check that allocations used to assign costs to franchise area customers are reasonably consistent with other operating metrics such as average number of accounts and tons collected.

b. Review Actual and Projected Revenues

The County should review actual and projected revenues in this task. Current rates provided in the application are verified. Any changes in the number of customers serviced shall be identified and explained by the franchise hauler.

The application requires the franchise hauler to report three years of revenues: (1) actual prior year, (2) estimated current year, and (3) projected "base" year. The County should reconcile the most recent year revenues with audited financial statements. Revenues for the current year are compared with year-to-date un-audited financial

statements and documentation supplied by the franchise hauler. Projected revenues for the third, or "base" year, are evaluated by the County for reasonableness. Assumptions made by the hauler in preparing these projections are reviewed. Revenues reported by the franchise hauler shall not include any rate changes in the base year (year 3). Account information included in the application is reviewed to determine changes in the number of accounts served.

Allowances for uncollectible accounts also are reviewed. These figures shall be deducted from total revenue projections. These allowances may not exceed one percent (1%) of anticipated revenues. Assumptions related to allowances for uncollectible accounts shall be reviewed with the franchise hauler.

Revenues from recyclable material sales are provided in the application. Amounts identified in the prior (first) year provided shall reconcile with the financial audit. Amounts identified in the current (second) year, the base (third) year shall be documented by the franchise hauler. The County should review these projections to ensure they are consistent with trends in recycled material tonnages, diversion rates, and commodity prices.

c. Review and Verify Operating Ratio

The profit must be determined for the base year. The County should calculate the projected profit for the base year using the allowable profit calculation (shown in Exhibits B-1 through F-1, depending on the hauler). If there are any errors by the hauler in calculating the Operating Ratio, or operating profits, these deficiencies are noted.

d. Determine Components of Requested Change in Rates

The County should evaluate all costs, revenues, and operating profits provided in the application to

determine components of the requested adjustment in rates. This would include determining the proportion of the requested adjustment in rates which is due to changes in each of the following:

- Costs
- Residential revenues
- Commercial and industrial revenues
- Transfer station revenues
- Recyclable material sales revenues
- Operating profit (or loss).

e. Review Performance Data

The County reviews and analyzes performance data, which are included in the application (the number of accounts and tons collected). Operating statistics are reviewed to explain past historical trends and justify future expenses. Both actual and percentage changes are examined and any unusual changes in performance are investigated to determine their cause and effect on future cost performance. Changes in accounts served, the number of routes, tons collected, or direct labor hours generally shall correspond to changes in costs and revenues.

f. Request Additional Data and Clarification, if Necessary

Throughout the application review period, the County may request clarification and/or additional data from the franchise hauler to explain any unusual changes in costs or operating performance. The County may have identified missing information, or changes in the financial or operating data between the three years that require clarification or further explanation. The franchise hauler shall make best efforts to respond to the County's request for additional information within two weeks. Responses will vary depending on the specific requirements of the County.

g. Document Staff Review

During this task, the County prepares workpaper documentation of the review of the *Base Year Rate Application*.

D. Step 4 – Prepare Draft Report and Final Report

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| <p>Responsibility: County</p> <p>Timing: Completed approximately three (3) months after determining the application package is complete</p> <p>Tasks: a. Prepare Draft Report b. Provide Franchise Hauler with Copy of Draft Report and Receive Comments c. Prepare Final Report.</p> |
|--|

Overview

A draft report with recommendations from County staff is prepared and submitted to the franchise hauler for review. The franchise hauler will review the draft report. The franchise hauler will have an opportunity to provide written comments regarding the draft report. The County will address these comments and prepare a Final Report.

a. Prepare Draft Report

In this step, the County prepares a Draft Report including recommendations for a rate change. The draft report includes the following sections:

- **Executive Summary.** This is a one or two-page summary of the review process and may include a chart showing current and proposed rates, and the recommended rate change.
- **Introduction and Background.** The section identifies any proposed changes in services provided by the franchise hauler. The section also identifies the review goals,

objectives, scope, and other relevant background information. This section of the report may provide a brief overview of the rate change process and a discussion of significant historical rate issues. If applicable, this report will document the rate change proposed by the County.

- **Analysis and Discussion of Rate Application.** This section of the report will include a review of the analysis work completed by County staff. This section might include the following subsections:
 - *Review of Rate Changes*, including a discussion of interim year rate changes since the last base year, the relationship of these changes to changes in the Garbage and Trash Collection CPI, and an analysis of the significant components of the change in rates (e.g., changes in labor costs.)
 - *Analysis of Projected Costs*, including a discussion of any unusual changes in costs which were discovered and unresolved during the review process.
 - *Discussion of Service Issues*, including changes in the frequency or type of curbside service. If significant service issues are not involved with a rate change, this subsection would be omitted.
- **Recommendations.** County staff would present its recommendations regarding specific changes in rates in this section of the document.
- **Appendices.** Appendices to the report would include:
 - Rate application
 - Revised rate schedule
 - Audited financial statements of the franchise hauler, for business done under the agreement
 - Other relevant supporting materials provided by the franchise hauler.

b. Provide Franchise Hauler with Copy of Draft Report and Receive Comments

During this task, the franchise hauler will review the draft report. Each section of the report shall be reviewed to ensure that correct data are included, the County's analysis is consistent with the methodology, and if applicable the proposed rate change is determined accurately.

If any issues are identified during this step, the franchise hauler works with County staff to fully explore and resolve these outstanding issues. The franchise hauler then will prepare a written response to the draft report. The response may cover one or more of the following topics:

- If data discrepancies exist in any of the areas noted in the prior task, the County shall be notified of these discrepancies.
- If the analysis conducted by the County can be clarified or considered differently, this information shall be provided to the County.
- If the report is acceptable and no clarification or comments can be offered, this shall be relayed to the County.

The County will require a written response from the franchise hauler within two weeks of delivering the County's Draft Report. Until a written response is received, the County will not prepare the Final Report and take the matter to the Board of Supervisors.

c. Prepare Final Report

Any additional or outstanding comments or issues raised during the franchise hauler's review of the draft report are addressed. If necessary, meetings are conducted with representatives from the County and the franchise hauler. Final solutions to outstanding issues are included in the report. After final comments from the franchise hauler have been considered, the Final

Report package is prepared. A copy of the Final Report is submitted to the franchise hauler.

E. Step 5 – Notify Customers of Rate Hearing

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| Responsibility: County/Franchise Hauler |
| Timing: Completed 10 days prior to County Board of Supervisors meetings |
| Tasks: a. Prepare Notification of Public Hearing for Rate Change. |

Overview

During this step, the franchise hauler and County notify customers of the rate setting hearing.

a. Prepare Notification of Public Hearing for Rate Change

The franchise hauler shall notify each ratepayer of the time, date and place of each hearing set by the Board of Supervisors to set rates. The franchise hauler shall provide this written notice at least ten (10) but no more than sixty (60) days prior to the public hearing date. The County also will notify customers through a notice in the local newspaper that a rate hearing will occur, once each week, for two (2) consecutive weeks prior to the hearing. These notifications will occur prior to the County rate hearing(s) where the County Board of Supervisors will consider whether to approve the County recommended rates.

F. Step 6 – Seek Approval from County Board of Supervisors

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| Responsibility: County |
| Timing: Completed one (1) month prior to expected implementation of new rates |
| Tasks: a. Distribute Final Report to County Board of Supervisors b. Obtain County Board of Supervisors Approval. |

Overview

During this step, the County presents the Final Report for review and approval by the Board of Supervisors.

a. Distribute Final Report to County Board of Supervisors

In this task, the Final Report is provided to the County Board of Supervisors for review and approval. The report is included as an agenda item for consideration at a regular public meeting. The County Board should follow applicable public noticing requirements so affected customers can participate at the public meetings.

b. Obtain County Board of Supervisors Approval

The County Board of Supervisors reviews the report and proposed rate changes. If the County Board of Supervisors agrees with the recommendations of County staff, the County Board of Supervisors recommends the rate change and rates to the County. If the County Board of Supervisors does not agree with staff recommendations, the report is returned to County staff for additional analysis. If the County Board of Supervisors does not recommend approval of the report and rates, the County Board of Supervisors should specifically identify deficiencies.

If the rate changes are approved, they are implemented. If the rate changes are not, deficiencies are noted, and the report is returned to the County. Step 6 is then repeated.

G. Step 7 – Implement New Rates

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|---|
| <p>Responsibility: Franchise hauler</p> <p>Timing: Conducted following County Board of Supervisors approval of the new rates</p> <p>Tasks: a. Implement Rate Change.</p> |
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Overview

During this final step, the franchise hauler implements new rates, if applicable.

a. Implement Rate Change

During this final task, the new rates are entered into the franchise hauler's billing system and included in the billing cycle. If a rate change occurs during the middle of a billing cycle, unbilled or overbilled amounts are calculated and included in the next billing cycle.

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Section 3

Interim Year Rate Setting Process



3. Interim Year Rate Setting Process

This section describes each of the five (5) steps of the interim year rate setting process. Each step includes an overview of the step and a detailed description of the tasks required to complete the step. The section includes five (5) subsections:

- A. Step 1 – Prepare and Submit Rate Application
- B. Step 2 – Prepare Draft Report and Final Report
- C. Step 3 – Notify Customers of Rate Hearing
- D. Step 4 – Seek Approval from County Board of Supervisors
- E. Step 5 – Implement New Rates.

A. Step 1 – Prepare and Submit Rate Application

Responsibility: Franchise hauler

Timing: Completed four (4) months prior to the implementation of the new rates

- Tasks:**
- a. Prepare an Interim Year Rate Application
 - b. Submit Application to County.

Overview

During this first step, the franchise hauler prepares the *Interim Year Rate Application*. Blank application forms are provided in **Appendix A**. Similar to the base year, this form identifies all areas to be completed with double outlined boxes.

a. Prepare an Interim Year Rate Application

In this first task, the franchise hauler prepares the *Interim Year Rate Application* and submits it to the County for review and approval. There are four (4) steps for completing the Interim Year Rate Application as follows:

1. Provide Most Recent Twelve Month CPI Data

The franchise hauler identifies the most recent applicable twelve month CPI data. These data are obtained from the U.S. Department of Labor, Bureau of Labor Statistics. The data are "All Urban Consumers; Not Seasonally Adjusted; U.S. City Average; Garbage and Trash Collection; All Items; 1983=100 (CUUR0000SEHG02).

2. Calculate Percentage Change in CPI

The franchise hauler calculates the percentage change in CPI for the applicable 12-month period (this period may be different for each of the franchise haulers). The percentage change is determined as follows:

$$\frac{\text{CPI data in Line 2} - \text{CPI data in Line 1}}{\text{CPI data in Line 2}}$$

The product of this equation, rounded to the nearest two decimal places, is entered on line 3.

3. Calculate Eighty Five Percent Change in CPI, but Not to Fall Below One Percent or Exceed Six Percent

The franchise hauler calculates eighty five (85) percent of the change in the CPI. This change is determined as follows:

$$0.85 \times \text{Line 3}$$

The product of this equation, again rounded to the nearest two decimal places, is entered on Line 4 of the application, as long as it does not fall below one (1) percent or exceed six (6) percent. If this calculation falls below one (1) percent then one (1) percent is entered on Line 4. If this calculation exceeds six (6) percent then six (6) percent is entered on Line 4.

4. Certify Application. An authorized representative from the franchise hauler shall sign and date the application. This signature provides certification by the franchise hauler that the application is complete, accurate, and consistent with the instructions provided in this Manual.

At this point, the application shall be complete. The application is submitted to the County for review and calculation of the rate change, as described in the following subsection.

b. Submit Application to County

The completed application is sent to the County for review and calculation of new rates. The franchise hauler's application does not include any

new rates; these are determined by the County during Step 2.

B. Step 2 – Prepare Draft Report and Final Report

Responsibility: County

Timing: Completed within two (2) months of receiving a completed Interim Year Rate Application

- Tasks:**
- a. Review Calculation of Change in Consumer Price Index
 - b. Prepare Draft Report
 - c. Receive Comments from Franchise Hauler
 - d. Prepare Final Report.

Overview

The County reviews the *Interim Year Rate Application* to determine that the franchise hauler has performed the CPI calculation correctly.

a. Review Calculation of Change in Consumer Price Index

The annual change in the U.S. City Average, Garbage and Trash Collection, Consumer Price Index (CPI) provides the single factor for determining new rates during interim years. The County uses eighty-five (85) percent of the actual year over year change in this index for the twelve months prior to the date the *Interim Year Rate Application* is submitted (the actual applicable point to point index is identified in Appendix B through F for each hauler (e.g., either June to June or December to December). Because a projected change in the CPI is not available, eighty five (85) percent of the actual change in CPI for the prior twelve months is used as the CPI for the interim year. This information is available from the United States Department of Labor, Bureau of Labor Statistics.

b. Request Additional Data, and Clarification, if Necessary

If necessary, County staff requests clarification and/or additional data from the franchise hauler. The request is to clarify the franchise hauler's assumptions for the expected change in rates.

c. Prepare Draft Report

County staff prepares a draft report with recommendations of new rates for County Board of Supervisors consideration. This report should be brief and include the following sections:

- ☑ **Executive Summary.** This is a summary of the review process and includes a chart showing current and proposed rates, and the recommended rate change.
- ☑ **Background.** This section of the report provides a brief overview of the rate change process and discussion of any significant historical issues.
- ☑ **Analysis and Discussion of Issues.** This section includes a review of the analysis work completed by County staff. This section includes identification of the change in CPI assumed by the County.
- ☑ **Recommendation.** County staff presents its recommendation regarding any change in rates in this section.
- ☑ **Attachments.** Attachments to the report would include:
 - ☐ Rate application
 - ☐ Revised rate schedule(s)

After the draft report and recommendations have been prepared, the document should be submitted to the franchise hauler for comment and review.

d. Receive Comments from Franchise Hauler

The franchise hauler reviews the draft report to ensure that any calculations and analyses completed by County staff are fair, reasonable, and

justified. The franchise hauler reviews the draft report to ensure the following:

- ☑ Correct data are included
- ☑ County staff analysis is accurate and fair
- ☑ Rate changes are reasonable and acceptable.

If any issues are identified during this step, the franchise hauler works with County staff to fully explore and resolve these outstanding issues. A written response to the draft report is then prepared. The response may cover one or more of the following topics:

- ☑ Data discrepancies in any of the areas noted in the prior task
- ☑ Clarification for the County or alternative analysis of the application
- ☑ Responses to the County's request for additional information.

e. Prepare Final Report

The County prepares the Final Report incorporating comments from the franchise hauler, as appropriate. Any comments or issues raised during the franchise hauler's review of the draft report are addressed. If necessary, representatives from the County and the franchise hauler should meet to resolve issues. The report should reflect final solutions to outstanding issues.

After final comments from the franchise hauler have been considered, the County prepares the Final Report. The County should submit a copy of the Final Report to the franchise hauler.

C. Step 3 – Notify Customers of Rate Hearing

| |
|--|
| Responsibility: County/Franchise Hauler |
| Timing: Completed 10 days prior to County Board of Supervisors meetings |
| Tasks: a. Prepare Notification of Public Hearing for Rate Change. |

Overview

During this step, the franchise hauler and County notify customers of the rate setting hearing.

a. Prepare Notification of Public Hearing for Rate Change

The franchise hauler shall notify each ratepayer of the time, date and place of each hearing set by the Board of Supervisors to set rates. The franchise hauler shall provide this written notice at least ten (10) but no more than sixty (60) days prior to the public hearing date. The County also will notify customers through a notice in the local newspaper that a rate hearing will occur, once each week, for two (2) consecutive weeks prior to the hearing.. These notifications will occur prior to the County rate hearing(s) where the County Board of Supervisors will consider whether to approve the County recommended rates.

D. Step 4 – Seek Approval from County Board of Supervisors

Responsibility: County
Timing: Completed one month prior to expected implementation of new rates
Tasks: a. Distribute Final Report to County Board of Supervisors
b. Obtain County Board of Supervisors Approvals.

Overview

During this step, the County presents the Final Report for review and approval by its Board of Supervisors.

a. Distribute Final Report to County Board of Supervisors

In this task, the Final Report is provided to the County Board of Supervisors for review and approval. The report is included as an agenda item for consideration at a regular public meeting. The County should follow applicable public noticing requirements so affected customers can participate at the public meetings.

b. Obtain County Approvals

The County Board of Supervisors reviews the report and recommended rate changes. If the rate changes are approved, they are implemented. If the rate changes are not approved, deficiencies are noted, and the report is returned to the County to address the deficiencies. Step 3 is then repeated.

E. Step 5 – Implement New Rates

Responsibility: Franchise hauler
Timing: Conducted following the approval of the new rates by the County Board of Supervisors
Tasks: a. Implement Rate Change.

Overview

After new rates have been approved by the County Board of Supervisors, the final step in the process is to implement the new rates.

a. Implement Rate Change

During this final task, the franchise hauler enters the new rates into their billing system and includes the new rates on the next appropriate customer invoice. If a rate change occurs during the middle of a billing cycle, unbilled or overbilled amounts are calculated and included in the next billing cycle.



Appendix D

El Dorado Disposal Services



Appendix D. El Dorado Disposal Services

This appendix of the Manual applies to El Dorado Disposal Services (EDDS). The section includes four (4) subsections:

- A. *Rate Application Process and Timing*
- B. *Allowable and Non-Allowable Costs*
- C. *Rate Application Forms*
- D. *Comprehensive List of Services.*

A. Rate Application Process and Timing

1. Base Year Process

The County requires that EDDS submit a *Base Year Rate Application* once every three (3) years. With the *Base Year Rate Application*, EDDS provides detailed financial and operating information that is reviewed and analyzed by the County. These detailed reviews are referred to as "base year reviews."

With the *Base Year Rate Application*, EDDS shall submit audited financial statements, for business done under the franchise agreement, for the previously completed fiscal year. These statements serve as the base documents for the application. EDDS shall reconcile financial information contained in the *Base Year Rate Application* with the audited financial statements, for business done under the franchise agreement, to provide assurance that all of its activities are accounted for.

The timing of the base year process for EDDS is shown in **Figure D-1**, on the following page. The schedule is expected to start with EDDS's submission of the *Base Year Rate Application* on November 30th of the year proceeding each base year. The process targets a rate change implementation date of July 1st of the base year.

Figure D-1
Timing of Base Year Process

| Step | Description | Preparation | | 30-Day Review | Review Process | | | | | |
|------|--|-------------|------|---------------|----------------|------|-------|-------|-----|------|
| | | Oct. | Nov. | Dec. | Jan. | Feb. | March | April | May | June |
| 1 | Prepare and Submit Rate Application | | | | | | | | | |
| 2 | Verify Completeness of Rate Application | | | | | | | | | |
| 3 | Review Rate Application and Prepare Response | | | | | | | | | |
| 4 | Prepare Draft Report and Final Report | | | | | | | | | |
| 5 | Notify Customers of Rate Hearing | | | | | | | | | |
| 6 | Seek Approval from County Board of Supervisors | | | | | | | | | |
| 7 | Implement New Rates | | | | | | | | | |

The *Base Year Rate Application* requires three (3) years of data, including a year of actual data (based on audited information), a year of estimated data (based on year-to-date information available when the application is submitted), and the projection, or base year. The required years, and types, of data for upcoming base year reviews are displayed in Table D-1, below. For example, for the 2015 base year, EDDS would prepare the

Base Year Rate Application using audited 2013 data, estimated year-to-date 2014 data, and projected 2015 data.

EDDS operates on a calendar year ending December 31. Thus, for the current (estimated) year, EDDS shall have available the first two quarters of calendar year data to use for the current year estimate (i.e., data from January 1 through June 30 of the current year).

Table D-1
Base Year Financial Statement Requirements

| Base Year | Prior Year (Audited) | Current Year (Estimated) | Base Year (Projected) |
|-------------------|----------------------|--------------------------|-----------------------|
| 2015 ¹ | 2013 | 2014 | 2015 |
| 2018 | 2016 | 2017 | 2018 |
| 2021 | 2019 | 2020 | 2021 |
| 2024 | 2022 | 2023 | 2024 |
| 2027 | 2025 | 2026 | 2027 |
| 2030 | 2028 | 2029 | 2030 |

¹ Represents the fiscal year ending June 30, 2012.

2. Interim Year Process

In each of the “interim” two (2) years between “base” years, EDDS may request an increase in rates by submitting an *Interim Year Rate Application*. The scope and content of the *Interim Year Rate Application* is more limited than a base year request. EDDS is not obligated to request an increase in rates and can instead request to leave rates unchanged. In each interim year, the franchise hauler must complete the top portion of the *Interim Year Rate Application*, indicating whether or not the franchise hauler is requesting a rate change for that interim year.

Figure D-2
Timing of Interim Year Process

| Step | Description | Preparation | | Review Process | | |
|------|--|-------------|-------|----------------|-----|------|
| | | Feb. | March | April | May | June |
| 1 | Prepare and Submit Rate Application | | | | | |
| 2 | Prepare Draft Report and Final Report | | | | | |
| 3 | Seek Approval from County Board of Supervisors | | | | | |
| 4 | Implement New Rates | | | | | |

During interim years, EDDS may be entitled to an increase in rates based upon the following formula:

One plus eighty-five (85) percent of the annual percentage change in the most recent actual, not forecasted, change in the Consumer Price Index, All Urban Consumers, U.S. City Average - Garbage and Trash Collection (December 1983=100, series CUUR0000SEHG02) ("CPI") multiplied by the current rate

For this calculation, the County and EDDS shall use the percentage change in the CPI for the prior December to December twelve-month period. This December to December CPI data will be available at the time EDDS submits the *Interim Year Application* (i.e., by February 28).

Interim year rate adjustments are subject to a "floor" and a "cap." During interim years, rate adjustments shall not be greater than six (6) percent nor less than one (1) percent, regardless of the rate adjustment calculated using the interim year formula.

The timing of the interim year process is shown in Figure D-2, above. The schedule begins with submission of the *Interim Year Rate Application* on or before February 28th. The process targets a rate change implementation date of July 1st of the interim year.

B. Allowable and Non-Allowable Costs

Rates are established for each base year based on a franchise hauler's projected Revenue Requirement. For purposes of computing the revenue requirement in the base year, the County should determine which of the EDDS's costs are: (1) Allowable Costs, (2) Pass Through costs, and (3) Non-Allowable Costs. Each of these categories is described in more detail below.

1. Allowable Costs

EDDS earns a profit on Allowable Costs. The majority of Allowable Costs are direct labor costs; truck, equipment, and facility costs; office salaries; and general and administrative costs. These Allowable Costs are defined in Exhibit D-1. Exhibit D-2, following Exhibit D-1, is a chart of accounts for Allowable Costs, which further clarifies the categories of Allowable Costs. The following costs are clarified because of their special treatment for rate setting:

Table D-2
Allowable Depreciation Methods and Useful Lives
for Franchise Hauler Assets Purchased
After January 1, 2013

| Category | Method | Useful Life (Years) |
|--------------------------------------|-----------------|---------------------|
| Carts | SL ² | 5 |
| Office Equipment | SL | 5 |
| Vehicles and Equipment | SL | 8 |
| Buildings and Leasehold Improvements | SL | 20 |

- **Depreciation** – Table D-2, above, shows allowable depreciation methods and useful lives, by asset type, for rate setting purposes. Useful lives in Table D-2 are for new capital purchases (i.e., those made during and after 2013)
- **Corporate and Regional Overhead Cost Allocations** – Reasonable corporate and regional overhead cost allocations are considered an allowable cost when those costs are provided for services and functions, required by the franchise agreement, that the company does not provide on its own (e.g., certain accounting services, safety/compliance services, regional management, and information technology services). For those franchise haulers with corporate and regional overhead allocations from a parent company, the County shall set the total combined corporate and regional overhead allocation for the franchise hauler, at a reasonable level, during each base year. For purposes of establishing base year rates, a total cap (maximum amount) on corporate and regional overhead costs of three (3) percent of gross revenues for business conducted under the franchise agreement is deemed reasonable.
- **Programs Implemented in Response to County Solid Waste Management Plan Requirements** – The County completed

² Represents straight-line depreciation.

its *Solid Waste Management Plan* in early 2012. Franchise haulers are allowed profit on the costs associated with implementing and operating new County programs and services required by the Plan.

2. Pass Through Costs

The hauler does not earn a profit on the following pass through costs, but these costs are included in the revenue requirement:

- Transfer, transportation, and disposal costs.
 Note: tipping fee rates charged by ED DS at the WERS will be escalated each year from the initial base year by the same index used for interim rate setting (i.e., Eighty-five (85) percent of the annual percentage change in the most recent actual, not forecasted, change in the Consumer Price Index, All Urban Consumers, U.S. City Average - Garbage and Trash Collection (December 1983=100, series CUUR0000SEHG02). In conjunction with each Base Year Application, ED DS shall provide the County with a detailed schedule of material tonnages, and tipping fee rates for each material type, so that the County can determine the transfer, transportation, and disposal cost amount charged to its collection customers as part of the Base Year rate review. As part of the Base Year Application, ED DS also shall provide the County with audited financial statements for the WERS MRF/transfer station operations.
- Interest expenses
- Franchise fees.

3. Non-Allowable Costs

Costs shown in Exhibit H-1, in Appendix H, are not allowable for rate setting. As a result, these non-allowable costs shall not be included in the rates charged to County ratepayers.

4. Cost Allocations and Methodologies

EDDS shall provide supporting documentation and rationale for the allocation of expenses between franchised areas covered by this Manual and non-franchised areas. Examples of the types of expenses that could require allocations include:

- Equipment costs
- General and administrative costs
- Labor costs
- Loans to or from affiliates or officers
- Disposal costs.

Appendix I provides a description of the methods for how these costs shall be allocated.

C. Rate Application Forms

Exhibits D-3 and **D-4** include a sample of a blank EDDS base year rate application form, and an EDDS interim year rate application form (one page long).

D. Comprehensive List of Services

Exhibit D-5 provides a list of services provided by EDDS. EDDS shall provide a rate schedule, with each interim year and base year rate application submitted to the County, which shows current and proposed rates for all EDDS services. Following approval of a rate change by the Board, EDDS shall furnish the County with a complete schedule showing all approved EDDS rates.

**Exhibit D-1
Definition of Financial Terms**

| Item | Definition | | |
|---|---|---|--|
| Allowable Costs | | | |
| Direct Labor | Wages, and related benefits, paid to collection and hauling staff, including wages, overtime, payroll taxes, health and welfare benefits, workers compensation, and pension benefits. | | |
| Truck, Equipment, and Facility Costs | Includes costs of truck and equipment depreciation, leases, insurance, repair and maintenance, fuel, tires, and other miscellaneous equipment related expenses. Facilities expenses consist of building rent, building depreciation, and building repair /and maintenance used for collection operations. | | |
| Office Salaries | Wages, and related benefits, paid to office and administrative staff, including wages, overtime, payroll taxes, health and welfare benefits, workers compensation, and pension benefits for business conducted under the franchise agreement. | | |
| General and Administration Costs | General and administrative costs including: <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> ▣ Program advertising ▣ Collection fees ▣ Contract labor ▣ Corporate allocations ▣ Dues and subscriptions ▣ General insurance ▣ Licenses and fees ▣ Office expense ▣ Other administrative costs </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> ▣ Professional fees ▣ Property taxes ▣ Safety and training ▣ Security ▣ Supplies ▣ Travel ▣ Utilities ▣ Uniforms. </td> </tr> </table> | <ul style="list-style-type: none"> ▣ Program advertising ▣ Collection fees ▣ Contract labor ▣ Corporate allocations ▣ Dues and subscriptions ▣ General insurance ▣ Licenses and fees ▣ Office expense ▣ Other administrative costs | <ul style="list-style-type: none"> ▣ Professional fees ▣ Property taxes ▣ Safety and training ▣ Security ▣ Supplies ▣ Travel ▣ Utilities ▣ Uniforms. |
| <ul style="list-style-type: none"> ▣ Program advertising ▣ Collection fees ▣ Contract labor ▣ Corporate allocations ▣ Dues and subscriptions ▣ General insurance ▣ Licenses and fees ▣ Office expense ▣ Other administrative costs | <ul style="list-style-type: none"> ▣ Professional fees ▣ Property taxes ▣ Safety and training ▣ Security ▣ Supplies ▣ Travel ▣ Utilities ▣ Uniforms. | | |
| Allowable Profit | | | |
| Operating Ratio (OR) | A profit is allowed, based on a targeted operating ratio ranging between 88 and 92 percent. In the base year, if rates remain unchanged at an operating ratio within the range of 88 to 92 percent, and the franchise hauler actually realized an operating ratio within this range, then that same operating ratio resulting in no rate change is used, and no rate change occurs. Otherwise, a 90 percent operating ratio is used for the base year calculation. | | |
| Allowable Operating Profit | Established by the allowable operating ratio and equal to total allowable costs divided by the allowable OR, less total allowable costs. | | |
| Pass Through Costs | | | |
| Transfer, Transportation, and Disposal Costs | Costs charged by WERS to process and manage materials at the WERS MRF/transfer station, transload and transfer materials to material handling facilities and costs to landfill solid waste at Potrero Hills Landfill. | | |
| Franchise Fees | Equal to five (5) percent of gross residential, commercial, industrial, and recycling revenues. ³ | | |

³ This franchise fee amount is subject to change by County.

Exhibit D-2
 Chart of Accounts
 for Allowable Operating Costs

| Category | Description | Acceptable Cost Allocation Method (For Situations Where Pooled Costs Are Allocated to Business Under County Franchise) |
|--------------------------------------|---|--|
| Direct Labor | <ul style="list-style-type: none"> <input type="checkbox"/> Collection and Hauling Labor <input type="checkbox"/> Collection and Hauling Labor Benefits <input type="checkbox"/> Collection and Hauling Labor Insurance <input type="checkbox"/> Collection and Hauling Labor Workers Compensation <input type="checkbox"/> Collection and Hauling Labor Pension and Profit Sharing <input type="checkbox"/> Collection and Hauling Labor Payroll Taxes | <ul style="list-style-type: none"> <input type="checkbox"/> Direct labor hours |
| Truck, Equipment, and Facility Costs | <ul style="list-style-type: none"> <input type="checkbox"/> Equipment and Facility Depreciation <input type="checkbox"/> Equipment and Vehicle Rent <input type="checkbox"/> Fuel <input type="checkbox"/> Operating Supplies <input type="checkbox"/> Parts and Materials <input type="checkbox"/> Property Rent <input type="checkbox"/> Repairs and Maintenance | <ul style="list-style-type: none"> <input type="checkbox"/> For truck and equipment depreciation, rent, supplies, parts, and repair and maintenance use truck or equipment usage (over a representative period) <input type="checkbox"/> For fuel use gallons <input type="checkbox"/> For property rent use square footage |
| Office Salaries | <ul style="list-style-type: none"> <input type="checkbox"/> Office Staff Salaries <input type="checkbox"/> Office Staff Benefits <input type="checkbox"/> Office Staff Insurance <input type="checkbox"/> Office Staff Workers Compensation <input type="checkbox"/> Office Staff Pension and Profit Sharing <input type="checkbox"/> Office Staff Payroll Taxes | <ul style="list-style-type: none"> <input type="checkbox"/> Direct labor hours |
| General and Administrative Costs | <ul style="list-style-type: none"> <input type="checkbox"/> Program Advertising <input type="checkbox"/> Collection Fees <input type="checkbox"/> Contract Labor <input type="checkbox"/> Dues and Subscriptions <input type="checkbox"/> General Insurance <input type="checkbox"/> Office Expense <input type="checkbox"/> Other Administrative Costs <input type="checkbox"/> Professional Fees <input type="checkbox"/> Licenses and Fees <input type="checkbox"/> Office Rent <input type="checkbox"/> Property Taxes <input type="checkbox"/> Supplies <input type="checkbox"/> Travel <input type="checkbox"/> Utilities | <ul style="list-style-type: none"> <input type="checkbox"/> Direct labor hours |

Base Year Rate Application

Summary

Rate Change

1. Percent Rate Change Requested %
%

Residential Rate Schedule

| | Rate Schedule (per customer, per month) | Current Rate | Rate Adjustment | New Rate |
|----|--|--------------|-----------------|----------|
| 2. | 2.1. 1, 32-Gallon Can | \$ | \$ | \$ |
| | 2.2. 2, 32-Gallon Cans | | | |
| | 2.3. 3, 32-Gallon Cans | | | |
| | 2.4. 4, 32-Gallon Cans | | | |
| | 2.5. 1, 45-Gallon Can | | | |
| | 2.6. 1, 95-Gallon Cart | | | |
| | 2.7. 1-64-Gallon Cart | | | |
| | 2.8. 1-95-Gallon Cart | | | |
| | 2.8. 1, 64-Gallon Cart (senior) | | | |
| | 2.10. 1, 98-Gallon Cart (senior) | | | |
| | 2.11. Extra Can (32-Gallon) | | | |
| | 2.12. Residential - All other services | | | |

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by El Dorado County.

Name:

Title:

Signature:

Date:

Fiscal Year:

| Base Year Rate Application | | | |
|---|------------------------------|---------------------------|------------------------|
| Financial Information for Unincorporated County Area | | | |
| | Actual Audited Prior Year | Estimated Current Year | Projected Base Year |
| Section I--Allowable Costs | | | |
| 3. Direct Labor | \$ | \$ | \$ |
| 4. Truck, Equipment, and Facility Costs | | | |
| 5. Office Salaries | | | |
| 6. General and Administrative Costs | | | |
| 7. Total Allowable Operating Costs | \$ | \$ | \$ |
| Section II--Allowable Profit | | | |
| 8. Operating Ratio | % | % | % |
| 9. Allowable Operating Profit | \$ | \$ | \$ |
| Section III--Pass Through Costs without Franchise Fees | | | |
| 10. Transfer, Transportation, and Disposal Costs | | | |
| 11. Total Pass Through Costs | \$ | \$ | \$ |
| Section IV--Revenue Requirement without Franchise Fees | | | |
| 12. Total Allowable Operating Costs (Line 7) plus Allowable Operating Profit (Line 9) plus Total Pass Through Costs (Line 11) | \$ | \$ | \$ |
| Section V--Revenues without Rate Change in Base Year | | | |
| Residential Revenues | Current Rate/Month | Months | Projected Accounts |
| | | | Total |
| 13. 1, 32-Gallon Can | \$ | 12 | |
| 14. 2, 32-Gallon Cans | | 12 | |
| 15. 3, 32-Gallon Cans | | 12 | |
| 16. 4, 32-Gallon Cans | | 12 | |
| 17. 1, 45-Gallon Can | | 12 | |
| 18. 1, 98-Gallon Cart | | 12 | |
| 19. 1-84-Gallon Cart | | | |
| 20. 1-98-Gallon Cart | | | |
| 21. 1, 84-Gallon Cart (senior) | | 12 | |
| 22. 1, 98-Gallon Cart (senior) | | 12 | |
| 23. Extra Can (32-Gallon) | | 12 | |
| 24. Residential - All other services | | 12 | |
| 25. Residential Revenues Subtotal | | | \$ |
| 26. Less: Allowance for Uncollectible Residential Accounts | | | |
| 27. Total Residential Revenues (without Rate Change in Base Year) | \$ | | \$ |
| 28. Commercial and Industrial Revenues | | | \$ |
| 29. Less: Allowance for Uncollectible Commercial and Industrial Accounts | | | |
| 30. Total Commercial and Industrial Revenues (without Rate Change in Base Year) | \$ | | \$ |
| 31. Net Recycled Material Sales | | | |
| 32. Total Revenues (Lines 27 + 30 + 31) | \$ | | \$ |
| Section VI--Net Shortfall (Surplus) | | | |
| 33. Net Shortfall (Surplus) without Franchise Fees (Line 12 - Line 32) | \$ | \$ | \$ |
| 34. Residential, Commercial, and Industrial Franchise Fees | \$ | \$ | \$ |
| 35. Net Shortfall (Surplus) with Franchise Fees (Lines 33 + 34) | \$ | \$ | \$ |
| Section VII--Percent Change in Rates | | | |
| 36. Total Residential, Commercial, and Industrial Revenues Prior to Rate Change (Line 27 + 30) | | | \$ |
| 37. Percent Change in Existing Residential/Commercial/Industrial Rates (Line 35 - Line 36) | | | % |
| Fiscal Year: | | | Page 2 of 6 |

Base Year Rate Application

Operating Information

| | Prior Year Audited Information | Current Year Estimated Information | Percent Change | Base Year Projected Information | Percent Change |
|--|--------------------------------|------------------------------------|----------------|---------------------------------|----------------|
| Section VIII—Operating Data | | | | | |
| 39. Residential Accounts | | | % | | % |
| 40. Multi-family Accounts | | | % | | % |
| 41. Commercial Accounts | | | % | | % |
| 42. Industrial Accounts | | | % | | % |
| 43. Total Accounts | | | % | | % |
| 44. Residential Refuse Tons | | | % | | % |
| 45. Residential Recycling Tons | | | % | | % |
| 46. Residential Yard Waste Tons | | | % | | % |
| 47. Commercial Refuse Tons | | | % | | % |
| 48. Commercial Recycling Tons | | | % | | % |
| 49. Industrial Refuse Tons | | | % | | % |
| 50. Industrial Recycling Tons | | | % | | % |
| 51. "Free" Drop Boxes Provided (Monthly) | | | % | | % |
| 52. "Free" Bins Provided | | | % | | % |

| | Prior Year Audited Information | Current Year Estimated Information | Percent Change | Base Year Projected Information | Percent Change |
|--|--------------------------------|------------------------------------|----------------|---------------------------------|----------------|
| Section IX—Change in Commercial Rates | | | | | |
| 53. 1 Yard Bin—Once per Week | | | % | | % |
| 54. 2 Yard Bin—Once per Week | | | % | | % |
| 55. 3 Yard Bin—Once per Week | | | % | | % |
| 56. 4 Yard Bin—Once per Week | | | % | | % |
| 57. 5 Yard Bin—Once per Week | | | % | | % |
| 58. 6 Yard Bin—Once per Week | | | % | | % |
| 59. 8 Yard Bin—Once per Week | | | % | | % |
| 60. 1 Yard Bin—Twice per Week | | | % | | % |
| 61. 2 Yard Bin—Twice per Week | | | % | | % |
| 62. 3 Yard Bin—Twice per Week | | | % | | % |
| 63. 4 Yard Bin—Twice per Week | | | % | | % |
| 64. 5 Yard Bin—Twice per Week | | | % | | % |
| 65. 6 Yard Bin—Twice per Week | | | % | | % |
| 66. 8 Yard Bin—Twice per Week | | | % | | % |
| 67. 6 Yard Box per Pull | | | % | | % |
| 68. 10 Yard Box per Pull | | | % | | % |
| 69. 20 Yard Box per Pull | | | % | | % |
| 70. 30 Yard Box per Pull | | | % | | % |
| 71. 40 Yard Box per Pull | | | % | | % |

Fiscal Year:

Page 3 of 6

Base Year Rate Application

Allocations of Indirect Costs from Consolidated Level to Unincorporated County

| Actual Audited Year | Costs Allocated to Unincorporated County | Total Costs | Percent Allocation | Required Allocation Method |
|---|--|-------------|--------------------|----------------------------|
| Section X—Allocation of Indirect Costs to County | | | | |
| 72. Direct Labor | \$ | \$ | | Direct labor hours |
| 73. Truck, Equipment, and Facility Costs | | | | |
| Trucking | | | | Truck usage |
| Fuel | | | | Gallons |
| Repair and Maintenance | | | | Equipment usage |
| Property Rent | | | | Square footage |
| 74. Office Salaries | | | | Direct labor hours |
| 75. General and Administrative Costs | | | | Direct labor hours |

| Estimated Current Year | Costs Allocated to Unincorporated County | Total Costs | Percent Allocation | Required Allocation Method |
|--|--|-------------|--------------------|----------------------------|
| 76. Direct Labor | \$ | \$ | | Direct labor hours |
| 77. Truck, Equipment, and Facility Costs | | | | |
| Trucking | | | | Truck usage |
| Fuel | | | | Gallons |
| Repair and Maintenance | | | | Equipment usage |
| Property Rent | | | | Square footage |
| 78. Disposal Costs (Profit Allowed) | | | | Actual tons |
| 79. Office Salaries | | | | Direct labor hours |
| 80. General and Administrative Costs | | | | Direct labor hours |

Fiscal Year:

Page 4 of 4

Interim Year Rate Application

Are you applying for an interim rate change at this time? Yes No
If yes, complete Section 1 below, sign, and submit this application to the County.
If no, sign below, and submit this form to the County.

Section I—Consumer Price Index (CPI) Information

CPI - All Urban Consumers
Not Seasonally Adjusted
U.S. City Average
Garbage and Trash Collection (CUUR0000SEHG02)
All Items
December 1983 = 100
U.S. Department of Labor, Bureau of Labor Statistics

| | Month | Year | CPI Data |
|----|-------|------|----------|
| 1. | | | |
| 2. | | | |

Section II—% Change in CPI

3. % Change in CPI %

Section III—85% Change in CPI (But Not to Exceed 6% or Fall Below 1%)

4. 85% Change in CPI %

Section IV—Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by El Dorado County.

Name:

Title:

Signature:

Date:

Year:

Page 1 of 1

Exhibit D-5
 El Dorado Disposal Service
 List of Services

| Category | Description |
|---|---|
| Residential (weekly service) | <ul style="list-style-type: none"> ☐ 1, 32 gallon can ☐ 2, 32 gallon cans ☐ 3, 32 gallon cans ☐ 4, 32 gallon cans ☐ 1, 45 gallon can ☐ 2, 45 gallon cans ☐ 3, 45 gallon cans ☐ 1, 64 gallon cart ☐ 1, 96 gallon cart ☐ Yardwaste service rate ☐ 1, 64 gallon cart senior ☐ 1, 96 gallon cart senior |
| Commercial Bin (for 1 to 6 times per week service) | <ul style="list-style-type: none"> ☐ 1 cubic yard bin ☐ 2 cubic yard bin ☐ 3 cubic yard bin ☐ 4 cubic yard bin ☐ 5 cubic yard bin ☐ 6 cubic yard bin ☐ 8 cubic yard bin |
| Roll Off Service (include charge for haul, allowed tonnage, and overage charge per ton when amount exceeds allowed tonnage) | <ul style="list-style-type: none"> ☐ 6 cubic yard ☐ 10 cubic yard (concrete only) ☐ 20 cubic yard (yardwaste only) ☐ 20 cubic yard ☐ 30 cubic yard (yardwaste only) ☐ 30 cubic yard ☐ 40 cubic yard ☐ Storage container (monthly rate) |



Appendix G

CPI Calculation Example



Appendix G. CPI Calculation Example

The County uses the Consumer Price Index (U.S. City Average, Garbage and Trash Index) in the calculation of interim year rate changes. Exhibit G-1 provides an overview of the percentage change in the CPI calculation, used in the interim year rate change calculation. This example is for the change in the CPI from June 2010 to June 2011.

Exhibit G-1
Interim Year Rate Change Process
Example of the Consumer Price Index (CPI) Percent Change Calculation

| Consumer Price Index (CPI) Percent Change Calculation Example | | | | | | | | | | | | | | | |
|---|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|
| Interim Year: | 2012 | | | | | | | | | | | | | | |
| Application Submission by: | 07/1/2011 | | | | | | | | | | | | | | |
| Applicable CPI data Used: | June 2010 to June 2011 | | | | | | | | | | | | | | |
| Consumer Price Index - All Urban Consumers | | | | | | | | | | | | | | | |
| Series ID: CLASH0000000002 | | | | | | | | | | | | | | | |
| Not Seasonally Adjusted | | | | | | | | | | | | | | | |
| Area: U.S. city average | | | | | | | | | | | | | | | |
| Units: Garbage and trash included | | | | | | | | | | | | | | | |
| Base Period: 1982=100 | | | | | | | | | | | | | | | |
| Download | | | | | | | | | | | | | | | |
| to .xls | | | | | | | | | | | | | | | |
| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual | HALF1 | HALF2 |
| 2000 | 217.7 | 218.2 | 218.2 | 218.3 | 218.9 | 219.2 | 219.1 | 219.3 | 219.5 | 219.1 | 219.4 | 219.2 | 219.9 | | |
| 2001 | 219.1 | 219.6 | 219.3 | 219.3 | 219.4 | 219.2 | 219.4 | 219.8 | 219.7 | 219.7 | 219.6 | 219.6 | 219.5 | | |
| 2002 | 219.4 | 219.9 | 219.1 | 219.1 | 219.2 | 219.1 | 219.9 | 219.5 | 219.3 | 219.8 | 219.1 | 219.4 | 219.1 | | |
| 2003 | 219.2 | 219.3 | 219.4 | 219.3 | 219.1 | 219.1 | 219.4 | 219.8 | 219.8 | 219.8 | 219.7 | 219.4 | 219.9 | | |
| 2004 | 219.4 | 219.6 | 219.2 | 219.1 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | | |
| 2005 | 219.4 | 219.9 | 219.5 | 219.2 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | 219.7 | | |
| 2006 | 219.7 | 219.6 | 219.3 | 219.0 | 219.3 | 219.0 | 219.6 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | | |
| 2007 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | | |
| 2008 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | | |
| 2009 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | | |
| 2010 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | | |
| 2011 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | | |

| | |
|--|---------|
| Consumer Price Index as of June 2010 | 333.343 |
| Consumer Price Index as of June 2011 | 399.329 |
| Change in Consumer Price Index | 65.986 |
| Percent Change in Consumer Price Index | 19.79% |

← Enter the CPI percent change on Interim Year Rate Change Worksheet, page 2, line 8.

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Appendix H

Non-Allowable Costs



Appendix H. Non-Allowable Costs

Non-allowable costs are not allowed in rates charged to ratepayers. These costs are disallowed because (1) they may not be associated with the core business, (2) they may be included implicitly in the allowed profit level, or (3) they may unnecessarily complicate rate regulation (e.g., income taxes). Exhibit H-1 provides a description of each type of non-allowable cost.

Exhibit H-1
Non-Allowable Costs

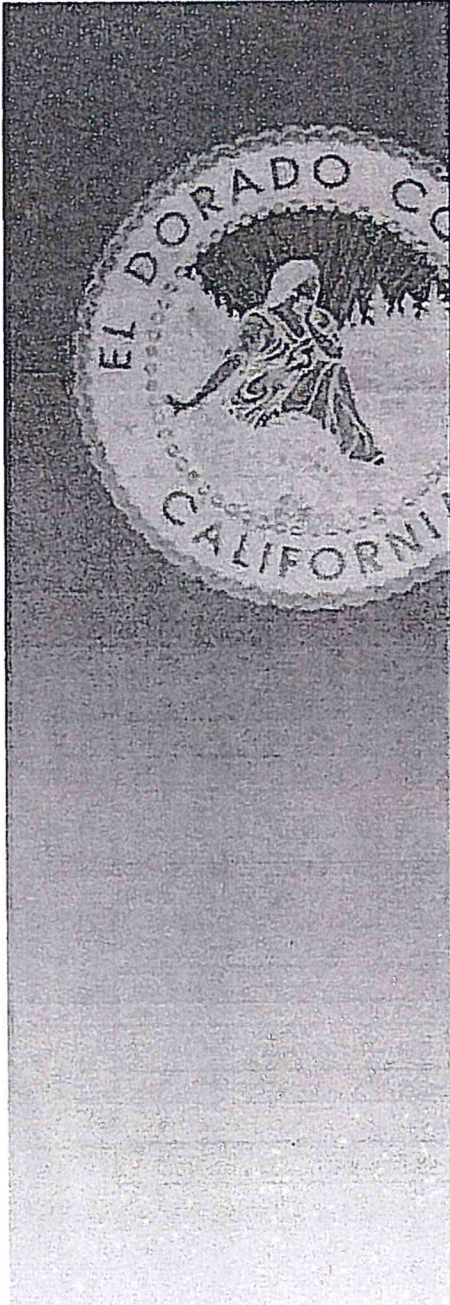
| Category | Description |
|---|---|
| Amortization of Franchise Purchases | Consistent with the waste management industry, the County disallows amortization of franchise purchases because the operating ratio is designed to provide a return to the hauler sufficient to compensate for the hauler's investment in the business. |
| Charitable and Political Donations | <ul style="list-style-type: none"> ■ Costs associated with attempting to influence the outcome of any federal, state, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activities. ■ Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purposes of influencing the outcomes of elections. |
| Entertainment Expenses | Costs incurred in hosting social events for clients or suppliers. Examples include costs of tickets, concerts, athletic events, or other performances; room rentals; cruises; and entertaining guests at athletic, social, or sporting clubs and on vacation or other similar trips. |
| Fines and Penalties | Costs associated with violations of, or failure of, the hauler to comply with federal, state, local, or foreign laws and regulations. This category of non-allowable costs can also include costs in connection with alteration or destruction of records, or other false or improper charging or recording of costs. |
| Gain / Loss on Sale of Assets | Gain or loss associated with sales of assets. |
| Income Taxes | The operating ratio is provided on a pre-tax basis. To allow income tax expense would unnecessarily add complexity to the rate review process. |
| Cost of Repairs Due to Operator Negligence | Costs of negligence on the part of the hauler which could include accidents or property damage. |
| Costs Incurred to Serve Other Jurisdictions (i.e., for non-County areas served by franchise hauler (e.g., Cameron Park CSD, City of Placerville, El Dorado Hill CSD)) | The franchise hauler will be compensated for only those costs that can be directly attributable to operations within the franchised boundaries. The franchise hauler shall have a clear basis for allocating shared costs to the franchise areas covered by this Manual, and those franchised areas not covered by this Manual. |
| Costs Incurred to Serve Non-Franchised Operations | The franchise hauler will be compensated for only those costs that can be directly attributable to operations within the scope of the franchise agreements. The franchise hauler shall have a clear basis for allocating shared costs to the franchise operations covered by this Manual, and those non-franchised operations not covered by this Manual. |

H-1



Appendix I

Cost Allocation Methods



Appendix I. Cost Allocation Methods

The franchise hauler shall provide a reasonable and supportable methodology for these cost allocations. Table I-4, below, provides recommended allocation methods for various costs which may be shared between franchised operations and non-franchised operations.

The County will assess the reasonableness of the revenue and cost projections provided by the franchise hauler in its *Base Year Rate Application*. Examples of types of factors the County will consider when assessing the reasonableness of projected revenues and costs are shown in Table I-5, on the next page.

Table I-4
Recommended Franchise Hauler Allocation Methods for Costs Shared with Other Non-County Jurisdictions

| Cost Category | Allocation Method |
|---|--|
| Billing costs | Number of bills processed |
| Tipping fees | Actual tonnage |
| Equipment costs (e.g., rental, leases, parts, fuel, supplies, tires, repair and maintenance, licenses, permits) | Truck usage (over representative period) |
| General and administrative costs, management fees | Direct labor hours |
| Labor costs | Direct labor hours |
| Loans | Revenues |

Table I-5
Base Year Rate Review
Revenue and Cost Projection Factors

| Description | Factors to Consider in Developing Revenue and Cost Projections |
|---|--|
| Revenues | |
| Residential, commercial, and industrial revenues | <ul style="list-style-type: none"> ■ Projected account growth based on historical account trends, or population trends ■ Historical changes in tonnage (particularly for the industrial sector) |
| Recycled materials sales revenues | <ul style="list-style-type: none"> ■ Historical changes in recycled materials volumes ■ Recycled commodity pricing trends (may be highly volatile) |
| Costs | |
| Direct labor | <ul style="list-style-type: none"> ■ Projected increases in wage rates ■ Planned changes in insurance rates ■ Planned changes in benefit rates |
| Truck, equipment, and facility costs | <ul style="list-style-type: none"> ■ Historical average trends in costs ■ Inflation rates ■ Fuel price history ■ Depreciation schedules ■ Equipment replacement plans |
| Tipping fees | <ul style="list-style-type: none"> ■ Historical changes in refuse tonnage ■ Tipping fee rate increases |
| Office salaries | <ul style="list-style-type: none"> ■ Projected increases in wage rates ■ Planned changes in insurance rates ■ Planned changes in benefit rates |
| Officer's salaries | <ul style="list-style-type: none"> ■ Projected increases in salaries ■ Planned changes in insurance rates ■ Planned changes in benefit rates |
| General and administrative costs | <ul style="list-style-type: none"> ■ Historical average trends in costs (last three years) ■ Inflation rates |
| Franchise fees | <ul style="list-style-type: none"> ■ Projected changes in revenues multiplied by the fee amount |

**EXHIBIT C - PROPOSED DRAFT
RESIDENTIAL AND COMMERCIAL RATES
AND CHARGES**

El Dorado County Unincorporated July 2015
 El Dorado Disposal Hauling Rates (New Contract)

Residential

| WCI Provided Carts | July 2015 Rate Incr | |
|--------------------|---------------------|------------|
| | Rate | BI Monthly |
| 1 35g Cart | \$ 22.50 | \$45.00 |
| 1 64g Cart | \$ 29.00 | \$58.00 |
| 1 96g Cart | \$ 34.00 | \$68.00 |

Senior Discount: 10% off residential rate

WCI Provided Extra Services

| | |
|--|----------------------------------|
| Extra trash per 30 gal bag or container on scheduled service day | \$ 3.85 |
| Cart exchange Charges If used less than 6 months | \$ 15.17 |
| Extra Trash NOT on Same Day of Service | \$ 9.79 |
| Extra Recycling NOT on Same Day of Service | \$ 7.58 |
| Additional Recycling/GW Carts | \$ 5.00 |
| Finance Charge | 1.5% |
| Reinstatement Fee | \$ 25.00 |
| Cart Pickup Fee | \$ 75.00 |
| Metal Lid/Lockbar Fee | \$ 15.00 (per month) |
| HHW Handling Fee | \$ 75.00 (excludes per item fee) |

Roll Off Debris Boxes

| | July 2015 Rate Incr | |
|--------------------------|---------------------|---------------------|
| | Rate | Disposal OW Per Ton |
| 6 Yard | \$ 162.87 | Gate Rate |
| 6 Yard Green Waste | \$ 120.00 | Gate Rate |
| 10 Yard Clean Concrete | \$ 219.30 | Gate Rate |
| 20 Yard (GW) Green Waste | \$ 263.68 | Gate Rate |
| 20 | \$ 418.72 | Gate Rate |
| 30 Yard (GW) Green Waste | \$ 395.54 | Gate Rate |
| 30 | \$ 527.42 | Gate Rate |
| 40 Yard | \$ 625.85 | Gate Rate |
| 50 Yard | \$ 745.03 | Gate Rate |

Commercial Frontload and Rearload Bins

| | Per Yard | July 2015 Rate Incr | | | | | |
|--------|----------|---------------------|-------------|-------------|-------------|-------------|-------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 |
| 1 Yard | \$ 21.74 | \$ 94.18 | \$ 188.36 | \$ 282.56 | \$ 376.74 | \$ 470.92 | \$ 565.11 |
| 2 Yard | \$ 18.84 | \$ 163.08 | \$ 326.16 | \$ 489.26 | \$ 652.34 | \$ 815.44 | \$ 978.53 |
| 3 Yard | \$ 18.76 | \$ 243.57 | \$ 487.12 | \$ 730.88 | \$ 974.25 | \$ 1,217.82 | \$ 1,461.38 |
| 4 Yard | \$ 18.51 | \$ 320.49 | \$ 640.94 | \$ 961.43 | \$ 1,281.92 | \$ 1,602.39 | \$ 1,922.87 |
| 5 Yard | \$ 18.51 | \$ 400.59 | \$ 801.19 | \$ 1,201.80 | \$ 1,602.39 | \$ 2,002.99 | \$ 2,403.60 |
| 6 Yard | \$ 18.51 | \$ 480.74 | \$ 961.43 | \$ 1,442.15 | \$ 1,922.87 | \$ 2,403.60 | \$ 2,884.30 |
| 8 Yard | \$ 17.68 | \$ 613.42 | \$ 1,226.85 | \$ 1,840.25 | \$ 2,453.66 | \$ 3,067.10 | \$ 3,680.52 |

EXHIBIT D

AUGUST 13, 2014 LETTER "EL DORADO
DISPOSAL LONG TERM HAULING
CONTRACT AND IMPROVEMENTS TO
WESTERN EL DORADO RECOVERY
SYSTEM'S MATERIAL RECOVERY AND
TRANSFER FACILITY



WASTE CONNECTIONS INC.

Connect with the Future™

Waste Connections of California, Inc.
dba El Dorado Disposal
P.O. Box 1270
Diamond Springs, CA 95619
(530) 626-4141

Ms. Gerri Silva
Director, Environmental Services
County of El Dorado
2850 Fairlane Court, Bldg. C
Placerville, CA 95667

Re: El Dorado Disposal Long Term Hauling Contract and Improvements to Western El Dorado Recovery System's Material Recovery and Transfer Facility

August 13, 2014

Dear Ms. Silva,

This letter is to serve as El Dorado Disposal's proposal and commitment to El Dorado County for the provision of continued hauling services to the County and its residents, as well as a commitment for the development and operation of a new transfer station/material recovery facility to be built on the existing site at 4100 Throwita Way.

Hauling Contract

Two years ago, the Board of Supervisors voted unanimously to negotiate, with Waste Connections of California, Inc, dba El Dorado Disposal, a new long term agreement for the continued provision of hauling services to the County. Together with County staff, we have successfully collaborated on creating a new agreement. We are committed to the Solid Waste Management Plan ("SWMP") that the County has adopted and the many programs outlined in this letter support the SWMP.

We are an active, vital part of this community as we committed to be back in June of 2006 when Waste Connections came into El Dorado County. As you may recall, we made many changes back in 2006. I've listed a few of our accomplishments below:

- All Customer Service, Billing and Accounting will be moved back to El Dorado County and be handled locally – currently your calls go to Rancho Cordova. - Done
- New and reconditioned vehicles and containers bearing the new El Dorado Disposal color and logos. - Done
- Faster residential and commercial container delivery and repairs. These functions will also be brought back to the local area, which were previously handled from Rancho Cordova. - Done
- Upgrades to the Recycling and Transfer facility, including adding an additional gate house and increasing public disposal areas all designed to reduce wait times with better circulation of public traffic and efficiencies at the site. - Done

- A major focus on customer and community service and performing consistently in a professional manner. - Done

We intend to accomplish the many goals of the SWMP in just the same way. In addition to the new facility and new state of the art equipment where all material is handled under roof (as discussed in detail below), we are proposing many other SWMP programs as well.

New Programs (Timeline):

2014

- Backyard Composting Program Support and Data Collection
- Expanded Free Business Recycling Services through programmatic outreach as defined in the new franchise agreement along with planned waste audits through a new Sustainability Coordinator position
- Expanded Free Multi Family Recycling Services through programmatic outreach as defined in the new franchise agreement along with planned waste audits through a new Sustainability Coordinator position
- Full time Sustainability Coordinator Position
- Conduct waste audits for businesses and multi-family units
- Assistance with the County's Litter/Illegal Disposal Abatement Program
- Pilot Commercial Food Waste Collection Program

2015

- Material Recovery Facility (MRF) Greenwaste Voucher
- Curbside Voucher for Household Paint and Fluorescent Tubes/Bulbs
- Residential Cart Program
- Variable Cart Rate – Pay as you Throw rate structure
- Discounted green waste clean-up larger containers
- MRF/Bulky Item Vouchers to Multi Family Complexes
- Enhanced School Recycling
- Enhanced/New Government Office Recycling
- Four community clean up events
- One green waste specific community event
- Spring/Fall curbside green waste special pick up program

2017

- Commercial Food/Organic Waste Program

All of these new and improved county programs will continue to allow us to provide first-class service to the residents of El Dorado County.

New Transfer Station / Material Recover Facility

In order to accomplish all of the goals listed above and to continue to provide first-class service to the residents of El Dorado County, El Dorado Disposal and Waste Connections, Inc. hereby commits and guarantees to El Dorado County to build a new transfer station/material recovery facility with a state of the art construction and demolition sort line. This facility will be built on the site of the existing transfer station located at 4100 Throwita Way. As we've discussed, El Dorado Disposal anticipates the cost to build this new transfer station/material recovery facility to be approximately \$8 - \$12 million. In appreciation of our need to secure a long term agreement in order to fund this facility, El Dorado Disposal (EDD) is prepared to hold the transfer station and material recovery facility rates flat, only adjusting those rates annually using the calculation specified in the County's Solid Waste Rate Setting Policies and Procedures Manual. At no time will El Dorado Disposal Service request an increase in refuse collection rates or transfer station/material recovery facility rates to compensate El Dorado Disposal Service for any costs of the new transfer station/material recovery facility improvements at 4100 Throwita Way planned to be completed by October 31, 2017 (currently estimated at \$8-\$12 million).

Additionally, in light of new storm water regulations adopted this year and coming in to effect July 2015, this new facility will be built according to those specifications to ensure its compliance with such new regulations. Many of the industrial activities at the current facility are conducted outside which creates certain storm water discharge challenges. The new facility will be configured such that all industrial activities will either be under roof or within a building which eliminates contact of industrial activities with storm water. In addition, existing storm water basins will be re-configured as part of the new facility construction to enhance storm water discharge control.

Attached hereto is a detailed summary of the plans for the new transfer station / material recovery facility; however, some of the key highlights of our plan are as follows:

2014

- Complete Design of New Facility and Site Improvements
- Begin Permitting Process
- Continued Free tipping for the County Litter Program
- Partner with retailers for battery take back and light bulb take back at point of sale
- Continue to operate Buy Back Center at the Truck Street location
- Donate gently used items to a non profit thrift store

2015/2016

- Continue permitting process if necessary
- Build a new Material Recovery Facility/Transfer Station
- Provide for better throughput of self haul customers inside facility
- Self haul tip area for recyclables
- Extended Household Hazardous Waste Hours
- New state of the art construction and demolition sorting equipment – sort line, conveyor, screen, magnet
- Specialized heavy equipment to support additional utilization of all construction and demolition material – Excavator, Low Speed Grinder/Shredder
- Ability to grind wood on site
- Ability to meet all new storm water regulations, providing for cover of all material
- New Public Education Center
- New HHW Facility

2017

- Finish (if needed) any remaining construction of the new Material Recovery Facility/Transfer Station

2014 and Beyond

- EDD will continue to partner with the County to pursue additional locations for green waste processing and composting along with alternative technology solutions. EDD is committed and eager to find the best solution for green waste in the County, understanding that it must be economically feasible for the residents
- Consider Public-Private Partnership of the ownership of future facilities such as an anaerobic digester or other waste to energy projects
- Provide for a mobile chipping program if requested by the County
- Operate rural transfer stations throughout the County if requested by the County

El Dorado Disposal is committed to construct the new MRF/Transfer Station and have facilities operational by the end of 2017. Planning and permitting will commence after the new franchise agreement becomes effective. We are allowing a total of 24 months to complete the planning, design and permitting stages of the project. The current schedule calls for construction to commence in the spring of 2016 if permitting allows and for the facility to become fully operational before the end of calendar year 2017. This schedule is dependent upon the permitting process. The final in-service date could change, either sooner or later, based upon the level of effort required to permit the facility.

El Dorado Disposal's commitment to renovate and build this new facility and to complete the facility by the end of calendar year 2017 is contingent on obtaining a new long term hauling franchise agreement from El Dorado County, obtaining all necessary permits, approvals, and consents from all appropriate parties, and

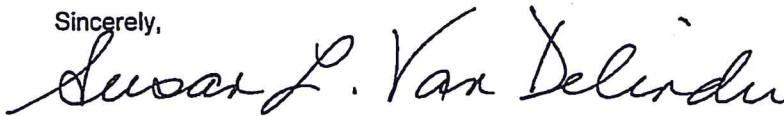
any timeline put forth at this time assumes that we are not going to face any third-party opposition to our development of the new facility. This may come in the form of environmental groups challenging the issuance of permits, etc., or adjacent landowners challenging the expansion of the existing facility, or competitors desiring to limit our ability to expand our footprint. The general contingency is that our ability to complete the new facility is dependent on not being delayed by third parties challenging the development and construction of such new facility.

In light of our commitment to build this new facility and to limit the financial impact to County residents and businesses that will utilize such facility, we are formally requesting a fifteen year contract term for our new hauling franchise agreement. We request your support to move forward with a new fifteen year contract. We have been and continue to be an engaged and supportive partner to the County and to its citizens doing the right thing at the right time for the right reason.

We are involved in the community. We put time, talent and treasure back into the community one employee, one hour at a time. We are local and, as committed back in 2006, we've brought the local service back to the local community. We are El Dorado Disposal.

Thank you for your consideration. As always, I'm here to answer any questions that you have. I can be reached at (916) 801-0200.

Sincerely,



Susan L. (Farris) VanDelinder
Divisional Vice President
Waste Connections of California, Inc.
dba El Dorado Disposal Services

Safety In All We Do, Service Second to None

Cc: Ron Mittelstaedt
John Perkey
Brent Ditton

Encl: Summary of WERS Proposed Improvements to Material Recovery & Transfer Facility

Western El Dorado Recovery Systems Proposed Improvements to Material Recovery & Transfer Facility

Following is a summary of the planned changes for the Western El Dorado Recovery Systems (WERS) Facility in Placerville, CA. A primary goal of the project will be to keep the existing facilities operational while the new improvements are being constructed.

New Transfer Station & Material Recovery Facility

A new building will be constructed on the north side of the property. The area between the existing scale house and the C&D processing area will be filled to create a uniform grade over the entire property. The new building, which will be constructed over the fill area, is currently planned to cover 36,000 square feet (SF). The primary activities that will be performed inside the new building will be the receiving and reloading of municipal solid waste (MSW), co-mingled recyclable materials, and green waste. The building will also house a new processing line for the receiving and processing of construction and demolition (C&D) materials. A new C&D processing line will include the necessary equipment to break up demolition material on the front end and allow for fines to be captured for alternative daily cover (ADC). New heavy equipment (rolling stock) will be purchased to enhance the processing of C&D and allow for grinding of C&D to be used as ADC, as well as grinding of Green Waste. The new building will be a clear span metal building with sufficient height to allow for commercial vehicles to fully tip under cover. The facility will have capacity to manage current tonnages of solid waste and recyclable materials plus allowance for future growth. The following elements are included in the proposed building:

- Separate tipping areas for commercial and public traffic.
- Separate inbound scale for commercial vehicles to separate public and commercial traffic. Commercial vehicles will be established with a tare weight so the weighing of empty outbound vehicles will not be necessary.
- A drive-through transfer loadout tunnel to improve traffic flow and loading efficiency.
- Both public and commercial vehicles will unload directly onto the floor, eliminating vertical drop-offs.
- The proposed door arrangement in the building will allow for the public to use two sides of the building on weekends, which typically have a large number of public transactions but little to no commercial traffic.

This new building will improve efficiency and ensure all waste handling operations occur under cover. The final configuration of the building will be established once existing site topography and soil conditions are better understood.

Site Improvements

By creating a new building to handle commercial traffic, the existing operations can be modified to better serve the public. A new public drop-off area will be created by demolishing part of the existing building, just south of the current office space. It is proposed to construct a new canopy over this area to provide sufficient height to allow for safe material management. The public drop off area will be designed to handle materials that can be disposed of at no charge and therefore do

not require traveling through the gate/scale house. It is anticipated that the public drop-off area will handle recyclables, household hazardous waste (HHW) with a new facility, white goods, etc. Public traffic will be routed along the east side of the property. Vehicles with recyclables will enter the public drop-off to dispose of materials. If they have additional waste to tip at the transfer station, they will enter the queue to be processed. If not, they can leave the campus on the same route they entered. This approach will reduce the number of vehicles queuing to use the scales or pay booth at the transfer station/Material Recovery Facility. A Public Education Center will also be installed to facilitate tours. The MSW sort line will remain in place and will be used to sort recyclables out of the MSW for as long as required by the County.

The scales and scale house will be relocated to the southern side of the property, after the public drop-off area. By placing the scales in this location, long queuing lanes can be created both before and after the scales to manage peak traffic periods. This arrangement will be possible since major material management activities will be relocated into the new building. Some of the new site improvements will include:

- Decommissioning and reclamation of the current C&D processing area. This will most likely be converted into parking for transfer trailers.
- Decommissioning and reclamation of the white goods and metal storage area west of the existing building. This area will most likely be used for storm water management.
- Paving and striping of all new access roadways throughout the property.
- Installation of additional signage to assist with better traffic flow.
- Demolition and removal of the existing HHW and recyclable storage areas.
- Screening and landscape improvements.
- Installation of additional lighting and utilities, as needed, to improve safety.

These improvements will allow for shorter wait times for customers and improved traffic flow and access to the facility.

No Change to Land Use

Waste Connections and WERS do not believe that any of the proposed improvements planned for the facility rise to a level that warrants either a revision to our existing Special Use Permit or our current Solid Waste Facility Permits. The proposed improvements do not constitute a change in use, rather an enhancement to existing operations.

Timeline

Waste Connections and WERS will begin permitting the modifications and new facility effective immediately upon the signing on the new agreement. Permitting and construction will be completed as soon as possible. Updates will be provided to the County on a schedule based on permit requirements. Construction will begin as soon as permits are issued weather permitting. Construction should be completed by the end of calendar year 2017.

EXHIBIT E

CONTINGENCY PLAN

Disaster Waste Management Contingency Plan

The following is an outline that Waste Connections of California, Inc, dba El Dorado Disposal (EDD) will follow in the case of force majeure where practical given the specific circumstances of the event:

Pre -planning activities: As part of this contingency plan, EDD will put together a comprehensive list of emergency contacts to include government officials as well as Waste Connections officials who would need to be included in planning for waste removal. In addition, a complete printed list of all customers by route will be updated annually as a hard copy backup to be kept in EDD's library in the event of a loss of electronic data. Landfill information, Material Processing Facility information as well as Composting Facility information to include names, addresses, phone numbers and principal contacts will be printed and retained in the Contingency Plan binder. A list of Waste Connections "Blue Team" contacts will also be kept on record in the Contingency Plan binder.

Resources: In the event of a disaster or labor interruption, EDD has access to equipment and manpower from other Waste Connection's sites across the country. "Blue Teams" are formed to provide support in such an event. Various managers, supervisors, drivers, heavy equipment operators and office staff are assembled and dispatched to the site in need. Depending on the type of disaster, Divisional, Regional or Corporate personnel are also dispatched to manage the work. Equipment is at the ready within three hours of EDD at Waste Connections sites in San Jose, Tehama County and Suisun County. Additional equipment is within six hours of EDD stationed at the Waste Connections locations of San Luis Obispo and the Town of Mammoth Lakes. Both equipment and manpower are deployed quickly to ensure that all contractual provisions provided for in the Force Majeure clause are met.

Ensuring governmental coordination: The Divisional Vice President or counterpart identified in the Waste Connections emergency contacts, will make contact within 24 hours of the event where practical with the appropriate governmental counterparts to identify the specific action plan associated with the event and waste removal. The EDD appointed lead will set up daily briefings with the County appointed lead to include likely waste and debris types, forecasting amounts where possible of waste and debris, process for collecting and disposing of debris to include landfill sites, material processing sites and green waste processing sites to be utilized. Tracking of waste and debris to include recycling tonnages will be completed by EDD personnel. Harmful or hazardous materials will be identified by EDD personnel and information provided to the County.



RESOLUTION NO.

OF THE BOARD OF SUPERVISORS OF THE COUNTY OF EL DORADO

RESOLUTION AUTHORIZING A SOLID WASTE SERVICES AGREEMENT BETWEEN THE COUNTY OF EL DORADO AND WASTE CONNECTIONS OF CALIFORNIA, INC., CALIFORNIA CORPORATION, DBA EL DORADO DISPOSAL SERVICES

WHEREAS, the Legislature of the State of California, by enactment of the California Integrated Waste Management Act of 1989 (AB 939), has declared that it is within the public interest to authorize and require local agencies to make adequate provision for solid waste handling within their jurisdictions; and

WHEREAS, pursuant to California Public Resources Code Section 40059(a) (1) and (2), the Board of Supervisors has determined that the public health, safety, and well-being require an exclusive franchise be awarded to a qualified solid waste enterprise (Contractor) for the collection and recovery of solid waste from certain residential, industrial, and commercial areas in the County of El Dorado ("County"); and

WHEREAS, County and Contractor are mindful of the provisions of the laws governing the safe collection, transport, recycling, and disposal of solid waste, including AB 939, the Resource Conservation and Recovery Act ("RCRA"), and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"); and

WHEREAS, effective June 6, 2006, the County consented to the assignment of the Agreement by USA Waste to Waste Connections of California, Inc., California Corporation, dba El Dorado Disposal Services Service, and Waste Connections has agreed to accept said assignment and to assume all duties and obligations of USA Waste under the Agreement from and after the effective date of the assignment until December 31, 2012; and

WHEREAS, effective January 12, 2010, the County approved the First Amendment of the Agreement which amended the renewal options under the term of the Agreement to allow for up to two (2) one (1) year extensions ; and

WHEREAS, on May 8, 2012 the Board of Supervisors provided direction to staff to engage in good faith negotiations with the current franchisee, El Dorado Disposal, and return to the Board with a proposed new Agreement prior to December 31, 2014; and

WHEREAS, effective September 11, 2012, the County exercised its option to extend the term of the Agreement for an additional one (1) year period to December 31, 2013; and

WHEREAS, effective November 5, 2013, the County exercised its option to extend the term of the Agreement for a second one (1) year period to December 31, 2014; and

WHEREAS, the County and El Dorado Disposal have concluded negotiations and Contractor has represented and warranted to County that it has substantial experience, responsibility, and qualifications to arrange with residents, commercial, industrial, institutional and other entities in the Franchise Area for the collection, processing, and safe transport to disposal facilities of municipal solid waste, green waste, and the

recycling of recyclable materials, and is committed to assisting with meeting the County's goal of seventy-five percent (75%) diversion of solid waste from landfilling by the year 2020; and

WHEREAS, the Board of Supervisors determines and finds that the public interest, health, safety, and well-being would be best served if Contractor were to make arrangements with residents and other entities to perform these services; and

WHEREAS, County has not, and by this Agreement, does not, instruct Contractor on its collection methods, nor supervise the collection of Solid Waste; and

WHEREAS, the Agreement cannot be transferred or assigned by Waste Connections of California, Inc., California Corporation, dba El Dorado Disposal Services without the prior written consent of the County; and

WHEREAS, the Board of Supervisors declares its intention of maintaining reasonable rates for collection, transportation and disposal of Solid Waste within the area covered by the granting of this Agreement.

NOW, THEREFORE, be it resolved, the Board of Supervisors of the County of El Dorado, approves the Solid Waste Services Agreement between the County and Waste Connections of California, Inc., California Corporation, dba El Dorado Disposal Services attached hereto, and authorizes the chairman of the Board to execute the agreement to become effective the date signed below on behalf of the County.

PASSED AND ADOPTED by the Board of Supervisors of the County of El Dorado at a regular meeting of said Board, held the ____ day of _____, 20__, by the following vote of said Board:

Attest:
James S. Mitrisin
Clerk of the Board of Supervisors

Ayes:
Noes:
Absent:

By: _____
Deputy Clerk

Chair, Board of Supervisors