



**SBWMA FINAL REPORT**

**REVIEW OF**

**SOUTH BAY RECYCLING**

**2014 COMPENSATION APPLICATION**

August 16, 2013

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## **SECTION 3 BACKGROUND**

### ***3.A Contractor Procurement Process***

In 2005, the SBWMA and its Member Agencies initiated a five and a half year contractor selection process for new Collection Services and Facility Operations Services. South Bay Recycling, LLC (SBR) was selected as the new facility operator on April 23, 2009 and a final Shoreway Operations Agreement (“Agreement”) was approved by the Board on July 23, 2009. SBR commenced operations on January 1, 2011. This rate application provides the basis for adjusting SBR’s approved 2013 costs for the rate year of 2014. SBR is paid on a per ton basis at the approved rates each year.

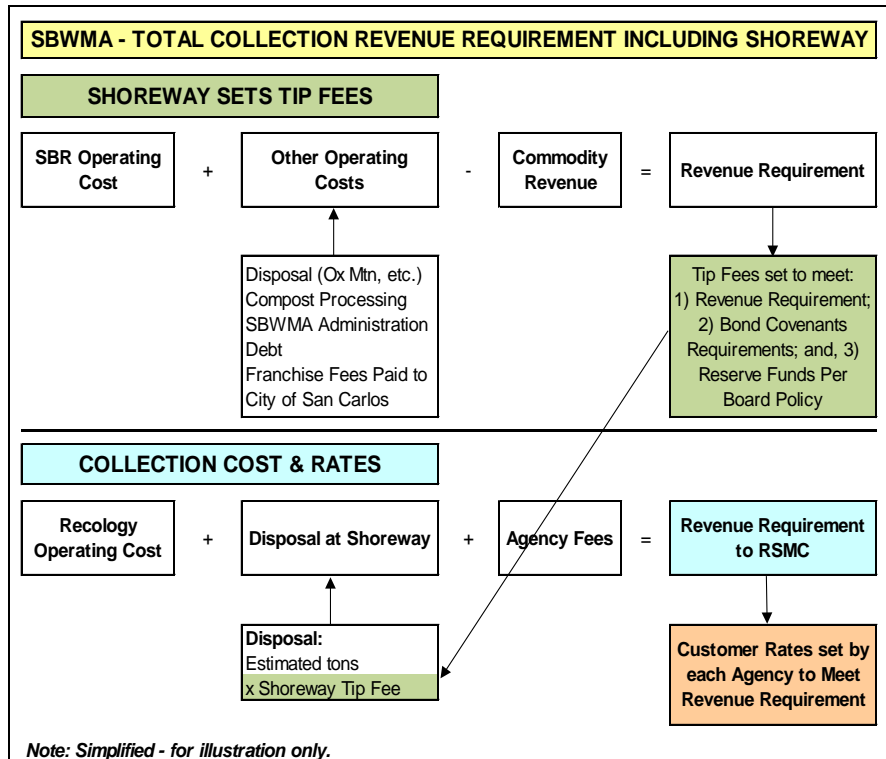
### ***3.B Shoreway Operations Agreement Terms***

Article 7 and Attachments 13-A (see **Appendix A**) of the Agreement prescribe that the SBWMA is responsible for conducting the annual review and analysis of SBR’s compensation application due by July 1<sup>st</sup> each year. The SBWMA is charged with performing a preliminary and final review to ensure the application is complete and follows the proscribed compensation adjustment methodology in the Operations Agreement to arrive at the recommended 2014 rates contained in this report.

### ***3.C Calculation of Pass-Through Expenses in the Total Collection Revenue Requirement***

The approved 2014 compensation for SBR will be bundled with all other SBWMA operating budget expenses (e.g., disposal expense, franchise fees paid to the City of San Carlos, debt service, Agency program budget, etc.) to set the 2014 Shoreway Tip Fees which are typically considered at the November SBWMA Board meeting each year.

The 2014 Shoreway Tip Fees are the basis for setting Disposal Pass-Through Expenses in the Total Collection expense which becomes part of the total Revenue Requirement for each Member Agency upon which it sets its garbage rates for 2014. These costs are described in detail in “Other Pass-Through Costs” in the 2014 Recology Draft Rate Report and are the result of the actual tipping fees charged on projected tonnage delivered to the Shoreway facility. The figure on the following page captures graphically how the Shoreway tipping fees are related to the calculation of the Member Agency revenue requirements. (Note that the projected disposal and processing expenses shown in the SBWMA Report Reviewing the Recology San Mateo County 2014 Compensation Application are estimates and will be finalized based on Member Agency feedback, if any, for inclusion in the final Recology report for the September 26<sup>th</sup> Board meeting).



### 3.D Description of Cost Components

As described in Article 7.03 of the Agreement, SBR’s basic compensation includes three fee categories:

- **Transfer Station Fee.** The 2014 Transfer Station Fee is \$12.39 per Ton.
- **Recyclable Materials Processing Fee.** The 2014 MRF Processing Fee is \$76.74 per ton (note the Contractor pays for MRF residue transportation and disposal which is deducted from MRF Processing Fee).
- **Transportation Fee.** There are multiple transportation fees for each material type (i.e., Solid Waste, Inerts, Construction and Demolition Debris, Plant Materials, and Organics) and for each destination. The average 2014 Transportation Fees is \$1.00 based on a per ton mile. The Transportation Fees for the individual material types for 2014 base costs are:
  - \$1.77 per ton/mile for Solid Waste delivered to Ox Mountain landfill.
  - \$1.21 per ton/mile for Inerts
  - \$0.80 per ton/mile for C&D debris
  - \$0.71 per ton/mile for Plant Materials to Newby Island and \$0.45 to Recology /Grover
  - \$0.87 per ton/mile for Organics to Newby Island and \$0.50 to Recology/Grover

As described in Attachment 13-A (see Appendix A), the above Fee categories for **Transfer Station Processing, Recyclable Materials Processing, and Transportation** are comprised of four distinct cost components:

#### Fee Cost Components

1. Labor Costs
2. Fuel and Power Costs
3. Depreciation Cost
4. Other Operating and Maintenance Costs

There are subcomponents for the Cost Components that are based on actual items to which compensation adjustment factors are applied (see *parenthetical reference to whether the cost items are index or non-index based*).

## Subcomponents

1. Labor Costs
  - a. Wages for CBA labor (*non-index and index*)
  - b. Benefits for CBA labor (*non-index and index*)
  - c. Workers' compensation insurance (CBA labor) (*index*)
  - d. Payroll taxes (CBA labor) (*non-index*)
  - e. Outside contracted workers from third-party sources (VRS) (*index*)
  
2. Fuel and Power Costs
  - a. Electricity (*non-index*)
  - b. Fuel (*index*)
  
3. Depreciation Cost (*no adjustment*)
  
4. Other Operating and Maintenance Costs (*index*)
  - a. Wages and Benefits for non-CBA employees plus associated workers' compensation insurance and payroll taxes
  - b. Wages and benefits for CBA clerical
  - c. Repair and maintenance expenses
  - d. Equipment rental expenses
  - e. Other vehicle-related expenses (e.g. licensing, taxes)
  - f. Insurance, safety and claims
  - g. Other general & administrative expense

### **3.E Cost Adjustment Process**

Article 7.05 and Attachment 13-A of the Agreement prescribes a detailed cost adjustment methodology. A major goal for the Contractor selection process that was initiated in 2005 was to make the contractor cost adjustment process more predictable and transparent. As a result, in the Agreement, most of the cost item adjustments were tied to standard indexes (i.e., CPI). Others adjustments are based on actual costs (i.e., CBA wage and benefit rates until the applicable CBAs expire). This cost adjustment methodology is the basis for SBR's Rate Application submittal and the SBWMA staff's subsequent review for completeness, accuracy, and consistency with the requirements of the Agreement.

The cost adjustment process uses the approved SBR's 2013 Fees as the basis for adjustment to the new 2014 Fees. As detailed in the Agreement, the adjustment process for the 2014 Fees structure is illustrated in the chart on the following page.

<b>SBWMA - CONTRACTOR COST ADJUSTMENT PROCESS</b>		
<b>Shoreway Operations Contract - SBR</b>		
<b>BASE COST</b>	<b>ADJUSTMENT</b>	<b>2014 CONTRACTORS COMPENSATION</b>
CBA: TS & MRF Operators (wages and benefits)	+ Actual CBA contract terms	= Base plus Adjustment
CBA: Mechanics, Drivers, & Clerical (wages and benefits)	+ Index	= Base plus Adjustment
Other Cost	+ Index	= Base plus Adjustment
Power	+ Blend of actual PG&E rate & ISH Solar rate	= Base plus Adjustment
Depreciation	+ No Change	= Last Year's Depreciation
<b>Profit</b>	+ Profit calculated on total adjustments at Operating Ratio in Proposal	= Base plus Adjustment
<b>Contractor Pass-Through Cost</b>		
Interest	Interest is fixed on sliding scale based on final capital cost	Annual Interest Expense per Interest Schedule
Other	Actual cost reimbursed (i.e., Buyback payments, new regulatory fees, etc.)	Actual Cost
<b>TOTAL BASE CONTRACTOR COMPENSATION</b>	+ <b>Total of Above</b>	= <b>Total of Above</b>

*Note: Simplified - for illustration only.*

### 3.F Commodity Revenue Sharing

Per Article 7.07 of the Agreement, SBR receives a share of the MRF commodity revenues as an incentive to maintain high recovery. The 2013 Commodity Revenue Share was twenty-eight (28%) percent of the total commodity revenue after the Revenue Guarantee is met. The Revenue Guarantee is \$5.5 million (lowered from the \$6.5 million in the Agreement due to less recyclable materials received in 2011 than forecast in the RFP). As a result of the MRF's high recovery in 2014, SBR is again eligible for an Increase Share of commodity revenue based on a residue-reduction incentive program (see Article 7.07 of the Agreement). In 2013, the residue rate remained at 7% and subsequently the revenue share remains at 28% in 2014.

(Note: the actual cost of the revenue share is not shown in this report, since it is based on all of 2013 actual tonnage and commodity revenue. It is estimated in the SBWMA annual budget and calendar year projections. The actual amount paid in Revenue Share in 2012 was \$1,424,641).

## **SECTION 4 SOUTH BAY RECYCLING 2014 COMPENSATION APPLICATION**

### **4.A Analysis of SBR 2014 Compensation Application**

The SBWMA staff conducted the review of the SBR Compensation Application and worked closely with the company to ensure that questions and concerns were answered and the final application was complete. Staff has verified that the SBR Rate Application is complete and meets the requirements of the Agreement. The results of our review and our recommended rate adjustment are summarized in **Table 1** below.

<b>Table 1</b>					
<b>2013 Year Payment/Ton vs. 2014 Adjusted Payment/Ton</b>					
<b>South Bay Recycling</b>	<b>2013</b>		<b>Rate Adjustment</b>	<b>2014</b>	
<b>Operating Cost</b>	<b>Total Cost</b>	<b>Payment/Ton</b>	<b>%</b>	<b>Payment/Ton</b>	<b>Total Costs</b>
Transfer Station	\$ 4,208,489	\$ 11.76	5.3%	\$ 12.39	\$ 4,430,873
Recyclable Materials Processing, net of Residue	\$ 5,477,303	\$ 74.00	3.7%	\$ 76.74	\$ 5,680,286
Transport (cost/ton-mile)	\$ 6,300,946	\$ 0.98	1.9%	\$ 1.002	\$ 6,421,734
Transport (cost/ton)	\$ -	\$ 17.61	1.9%	\$ 17.95	-
<b>Total Operating Cost</b>	<b>\$ 15,986,738</b>		<b>3.4%</b>		<b>\$ 16,532,892</b>
<b>Contractor Pass-Through Costs</b>					
Total Interest	\$ 255,077		-11.2%		\$ 226,505
Buyback Payments Est.	\$ 1,322,230		0.0%		\$ 1,322,230
<b>Total Contractor Pass-Through Cost</b>	<b>\$ 1,577,307</b>		<b>-1.8%</b>		<b>\$ 1,548,735</b>
<b>Total Compensation</b>	<b>\$ 17,564,045</b>		<b>2.9%</b>		<b>\$ 18,081,627</b>

In aggregate, the recommended compensation adjustment for SBR is 3.4%, as compared to 5.3% in 2013. The lower percentage increase is largely due to the expiration of two of the CBA's and the subsequent change in the Labor Cost adjustment switching from a non-indexed to indexed adjustment.

(Note: the total costs shown in the above table are for illustration purposes only and are based on the original tons as presented in the RFP. These tons do not vary in this report so that only the price impact is shown. If the tons were changed from year to year, the true price change could not be calculated. SBR is paid the approved rate per ton on the **actual** tons received at the Shoreway facility).

### **4.B Description of Cost Adjustments**

Two types of cost adjustments are used in the 2014 SBR Compensation Application as required in the Agreement. These cost adjustments include:

1. Non-Index adjustments (i.e., Labor Cost for MRF & TS Operators - actual CBA wages and benefit rates)
2. Index related adjustments (discussed below)

Index related adjustments are based on the following criteria:

- Labor Cost (CBA for Mechanics, Drivers, and Clerical) – adjusted by index
- Power Cost - adjusted based on the change in power rates
- Fuel Cost – adjusted by an index
- Other Operating Costs - various indices such as CPI
- Depreciation Cost- is not adjusted

The results of the index-based cost adjustments for the 2014 rates are summarized in **Table 2** below (See **Appendix B** for the detailed cost adjustment sheets for each of the cost categories).

<b>Table 2</b>				
<b>Cost Adjustment for Index Changes</b>				
<b>COST CATEGORY</b>				
<b>LABOR COSTS: Workers Comp. and Outside Contracted Workers from Third Party</b>				
<b>1</b>	<i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. CIU2030000000000A).</i>			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Avg. Index - April	118.07	115.90	112.08	109.08
% Change	1.87%	3.41%	2.75%	1.37%
<b>FUEL COSTS: Fuel</b>				
<b>2</b>	<i>Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. wpu057303).</i>			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Index	323.28	325.80	259.5	204.4
% Change	-0.775%	25.57%	26.93%	-24.04%
<b>OTHER OPERATING AND MAINTENANCE COSTS</b>				
<b>3</b>	<i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. cuur0000sa).</i>			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Index (Annual)	230.76	226.93	219.79	216.19
% Change	1.69%	3.25%	1.67%	0.49%
<b>DEPRECIATION - there is no adjustment to depreciation expense in 2014.</b>				



A summary of the cost adjustments for 2014 by all cost categories are summarized in **Table 3**.

<b>Table 3 Results of Cost Adjustments</b>			
The 2013 cost components are adjusted to arrive at 2014 costs. Wages and benefits, Operators CBA, only, are adjusted by the actual CBA rates. For three other CBA contracts and non-CBA costs, various indexes are used to adjust cost. Contractor compensation is based on 2014 cost per ton. Payment is based on the calculated cost per ton and the actual monthly tons.			
Cost Category	Adjustment %	Basis for Adjustment	Explanation
<b>Direct Labor - (TS &amp; MRF Operator CBA only)</b>			
Wages	7.6%	<b>CBA Agreement</b>	CBA wage adjustment based on 2014 rates in CBA agreements for MRF & TS Operators. Partial increase due to grievance filings.
Benefits	5.1%	<b>CBA Agreement</b>	CBA benefit adjustment based on estimated 2014 rates in CBA Agreements for MRF Operators.
Worker's Comp Insurance	1.9%	<b>Index</b>	Workers compensation adjustment based on index change.
Payroll Tax	7.6%	<b>Tax rate &amp; change in wages</b>	The payroll tax rate changes with any changes in federal or state payroll tax rates. The payroll tax expense changed due to higher base wages. The tax rate did not change.
<b>Direct Labor - CBA &amp; non-CBA (VRS)</b>	1.9%	<b>Index</b>	CBA wage & benefits for Drivers, Mechanics, & Clerical and Non-CBA (VRS) compensation adjustment based on index change.
<b>Power</b>	4.5%	<b>PG&amp;E Rates</b>	Power is adjusted by the blend of actual PG&E electricity rates and the Solar Power rate.
<b>Fuel</b>	-0.8%	<b>Index</b>	Fuel expense is adjusted by the actual change in the fuel index.
<b>Depreciation</b>	0.0%	<b>n/a</b>	There is no adjustment to depreciation.
<b>Other Operations &amp; Maintenance</b>	1.3%	<b>Index</b>	Other O&M expense includes non-CBA personnel, maintenance parts, insurance, general office expense, safety, etc. Other O&M expense is adjusted by an index.
Note: Based on Transfer Station Cost adjustment except VRS. Each section is slightly different due to mix of costs and headcount by each of three CBA agreements.			

### Changes to Annual Labor Costs

CBA wage and benefits are adjusted based on index and non-indexed changes.

The 2014 Compensation Application is the first one whereby the Labor Cost component is adjusted based on a predetermined CPI index for the Drivers and Clerical CBA wages and benefits (The Operations Agreement prescribes that when the CBA's in effect at the start of the contract expire, the annual adjustments are thereafter tied to a CPI index and not subject to the terms in the CBA). Approximately 46% of CBA wages and benefits are adjusted by index in 2014. The Transfer Station/MRF worker's wages and benefits are adjusted based on actual CBA rates for one more year.

The table on the next page details the three CBAs held by SBR and their expiration dates. There are two CBA workgroups that will change from non-indexed to indexed based adjustments starting in rate year 2014 and a third workgroup that will change from non-indexed to indexed starting in 2015.

<b>CBA Expiration Dates By Job Classification</b>			
<b>Contractor</b>	<b>Job Classification</b>	<b>Local 350 CBA Expiration Date</b>	<b>Start of Labor Indexed Compensation</b>
SBR	Transfer Truck Drivers	October 23, 2013	October 24, 2013
SBR	Clerical & Mechanics	October 23, 2013	October 24, 2013
SBR	TS/MRF Operators, Spotters	December 31, 2014	January 1, 2015

It is important to restate the fact that under the terms of the Agreement between the SBWMA and SBR, at the expiration of the CBA agreements, the rate of increase for the Labor Cost component of SBR's compensation is indexed to CPI (prior to the CBA expiration, the Labor Cost component is tied to the actual CBA increases). **Since the Labor Cost component is the largest cost component in SBR's compensation the modest rate increase projected for 2014 can be attributed to a portion of the Labor Cost switching from a non-index to an index adjustment.**

#### **4.C Pass-Through Costs**

Pass-through costs are not subject to profit but are reimbursed to the contractor at actual cost.

The Pass-Through costs in the Facility Operations Agreement (Article 7.09) are as follows:

- Interest expense on allowed capital is paid to SBR monthly at one-twelfth of the annual interest expense denoted in Attachment 13A, Interest Cost Form 3-M which schedules-out interest expense for the ten year life of the contract on a sliding scale. The annual interest expense for 2014 is **\$226,505**, an 11% reduction from 2013.
- Payments to Buyback customers for purchase of recyclables are also a Pass-through expense. Actual Buyback payments to customers will be reimbursed monthly in arrears.
- Additionally, any changes to Regulatory Fees would be a Pass-through cost.

#### **4.D Recommended Adjustment to SBR Compensation for 2014**

As shown in **Table 4**, Staff recommends that the Board approve the following Fees per ton for 2014:

<b>Table 4</b>			
<b>SBR - 2014 Fee Adjustments to Basic Compensation</b>			
	<b>2013</b>	<b>Fee Adjustment</b>	<b>2014</b>
<b>Cost Components</b>	<b>Payment/Ton</b>	<b>%</b>	<b>Payment/Ton</b>
Transfer Station	\$ 11.76	5.3%	\$ 12.39
Recyclable Materials Processing, gross	\$ 78.55	3.6%	\$ 81.37
Transport (cost/ton-mile)	\$ 0.983	1.9%	\$ 1.002
<i>Transport (cost/ton)</i>	\$ 17.61	1.9%	\$ 17.95
<b>Total Adjustment</b>		<b>3.4%</b>	

**Table 5** shows the MRF Processing Fee breakout of: the gross fee for MRF operations, the residue per ton, and the fee net of residue. SBR is paid the gross fee for operating the MRF and then the residue fee is deducted from their payment based on actual residue tons.

Table 5 Recyclables Materials Processing Fee Breakout			
	2013	Fee Adjustment	2014
COST COMPONENTS	Payment/Ton	%	Payment/Ton
Recyclable Materials Processing, gross	\$ 78.55	3.6%	\$ 81.37
MRF residue (estimate)	\$ 4.55	1.9%	\$ 4.63
<b>Net MRF Estimate Cost</b>	<b>\$ 74.00</b>	<b>2.7%</b>	<b>\$ 76.74</b>

Note: Actual MRF residue is deducted from the gross MRF rate shown above.

## **SECTION 5 TOTAL SBWMA FINANCIAL PROJECTIONS FOR 2014**

An important step in calculating each Member Agency's total Revenue Requirement is to determine tipping fees to be charged to franchised customers at the Shoreway Facility. In addition to SBR's approved annual compensation, the tipping fees must cover the annual cost of the following:

- Disposal at Ox Mountain Landfill and other processors
- Debt service payments for SBWMA bonds issued for the renovation of Shoreway
- Costs for the administration of the SBWMA
- Franchise fees paid to the City of San Carlos
- Other miscellaneous expenses and capital projects
- Board approved funding of cash reserves

Net commodity revenue (gross commodity revenue minus the processing costs, the revenue share with SBR, and the buyback customer payments) is used to offset these above costs and to determine appropriate tip fees based on projected tonnage. Also of note in setting the tip fees are the debt service covenants that the SBWMA must abide by.

The resulting calculated tipping fees at the Shoreway Facility become the basis for estimating the disposal expense for the franchised tonnage collected by Recology in 2014. Disposal expense is a pass-through expense in the Recology Rate Report (see "**Disposal and Processing Fees**" in **Table 6** of the **SBWMA Report Reviewing the Recology San Mateo County 2014 Compensation Application** ) and it is a major factor in the calculation of each Member Agency's total Revenue Requirement for setting solid waste collection rates. The estimated tipping fees for 2014 shown in **Table 6** match the tipping fees assumed in the Board adopted FY 2014 Budget. The Board separately considers any tipping fee adjustments for each calendar year.

<b>Table 6 Proposed Tipping 2014 Fees Per Ton or Cubic Yard</b>			
<b>Transfer Station Tip Fee Increases</b>	<b>Current Rates 1/1/13</b>	<b>Proposed Rates (1/1/14)</b>	<b>% Increase</b>
SBWMA Solid Waste, <i>Franchise</i>	\$91.00 per ton	\$94.00 per ton	3.30%
SBWMA Residential Organics, <i>Franchise</i>	\$92.00 per ton	\$95.00 per ton	3.30%
Non-SBWMA Weighed Tons (Dirt, concrete, asphalt, roofing), <i>Non-Franchise</i>	\$91.00 per ton	\$94.00 per ton	3.30%
Public Solid Waste Yards, <i>Non-Franchise</i>	\$34.00 per yard	\$35.00 per yard	2.90%
C& D Yards, <i>Non-Franchise</i>	\$23.00 per yard	\$24.00 per yard	4.20%
Public Green Waste Yards, <i>Non-Franchise</i>	\$30.00 per yard	\$31.00 per yard	3.30%

**Table 7** shows projected 2014 tonnage, tip fees, and revenue:

<b>Table 7 2014 Projected Tons and Revenue</b>				
<b>Transfer Station:</b>	<b>Tonnage/ Yards</b>	<b>Proposed Rates 1/1/14</b>	<b>Revenue</b>	<b>% Revenue</b>
SBWMA Solid Waste, <i>Franchise (tons)</i>	178,586	\$94.00 per ton	\$ 16,787,084	51%
SBWMA Organics, <i>Franchise, (tons)</i>	98,527	\$95.00 per ton	\$ 9,360,065	29%
SBWMA Commercial Food Waste, <i>Franchise</i>	614	\$107.00 per ton	\$ 65,698	0%
Non-SBWMA Weighed Tons (Dirt, concrete, asphalt, roofing),	2,995	\$94.00 per ton	\$ 283,147	1%
<b>FRANCHISE SUB-TOTAL</b>	<b>280,722</b>	<b>\$94.39 avg / ton</b>	<b>\$ 26,495,994</b>	<b>81%</b>
Public Solid Waste Yards, <i>Non-Franchise</i>	63,120	\$35.00 per yard	\$ 2,209,200	7%
C& D Yards, <i>Non-Franchise</i>	55,754	\$31.00 per yard	\$ 1,728,374	5%
Public Green Waste Yards, <i>Non-Franchise</i>	68,337	\$24.00 per yard	\$ 1,640,088	5%
Public Dirt (TONS)	4,014	\$94.00 per ton	\$ 377,316	1%
Other (appliances, mattresses, tires, etc)		various	\$ 162,107	0%
<b>TOTAL</b>			<b>\$ 32,613,079</b>	<b>100%</b>

The result of these projections (including SBR costs, solid waste and recycling volume, disposal and processing expense, commodity pricing, and SBWMA program and debt expense) result in the preliminary financial results for 2014 as shown in **Table 8** on the following page.

<b>Table 8</b>	
<b>SBWMA -- 2014 Calendar Year Financial Projection</b>	
	<b>2014 Rate Projection (000s)</b>
<b>Operating Revenue</b>	
Tip Fee Revenue - Franchise	\$26,496
Tip Fee Revenue - Public	\$6,117
Net Commodity Material Sales	\$8,154
Other Revenue	\$669
<b>Total Operating Revenue</b>	<b>\$41,436</b>
<b>Operating Expenses</b>	
Shoreway Operating Cost	\$16,439
Disposal & Processing Expense	\$14,370
SBWMA Operating Budget	\$2,812
Franchise Fee to City of San Carlos	\$1,553
Miscellaneous	\$953
<b>Total Operating Expense</b>	<b>\$36,127</b>
<b>Operating Income</b>	<b>\$5,309</b>
Net Interest Expense	\$2,856
<b>Net Income</b>	<b>\$2,454</b>
% of Revenue	5.9%
<b>Non-Operating Payments</b>	
Capital Expenditures	\$450
Bond Principal Payments	\$1,205
<b>Net Cash Flow</b>	<b>\$799</b>

SBR COMPENSATION APPLICATION REPORT  
APPENDIX A

**ATTACHMENT 13-A**

**ADJUSTMENT OF CONTRACTOR'S COMPENSATION FOR RATE YEAR TWO AND THEREAFTER**

**PART I. INTRODUCTION**

This Attachment describes how the Contractor's fees will be adjusted for Rate Year Two and all subsequent years.

The fees shown in Section 7.03 for Basic Compensation are expressed in dollars per Ton or dollars per Ton/Mile and will be adjusted to reflect corresponding values for Rate Year One as provided in Attachment 12-A and illustrated in Attachment 12-B. These adjusted fees will then be further adjusted as described in this Attachment for Rate Year Two and each Rate Year thereafter through the end of the Term. The adjustments are illustrated, using hypothetical adjustment factors for Rate Year Two in Attachment 13-B.

**PART II. BASIC COMPENSATION**

The three elements of Basic Compensation described in Section 7.03 are calculated by multiplying (1) the Transfer Station Fee, (2) the MRF Fee, and (3) the Transportation Fees by the number of Tons processed or Ton/Miles operated, as applicable. Each fee comprises four distinct cost components (and associated profit):

- A. Labor costs
- B. Fuel and Power costs
- C. Depreciation
- D. Other Operating and Maintenance costs.

**Section 1. Determine Percentage Change in Costs**

Cost Components

The initial step in this process is to determine adjustments or adjustment factors for labor costs, fuel and power costs, depreciation, and other operating and maintenance costs. Three of these components, in turn, have sub-components as follows:

- A. Labor
  - 1. Wages for CBA labor\*;
  - 2. Benefits for CBA labor;
  - 3. Workers' compensation insurance (CBA labor);
  - 4. Payroll taxes (CBA labor); and
  - 5. Outside contracted workers from third party sources
  
- B. Fuel and Power
  - 1. PG&E charges for electricity; and
  - 2. Fuel.

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\* "CBA labor" means employees represented by a union and covered by a collective bargaining agreement (CBA).

C. Depreciation

D. Other Operating and Maintenance Costs

1. Wages and benefits for non-CBA employees plus associated workers' compensation insurance and payroll taxes;
2. Repairs and maintenance expenses;
3. Equipment rental expenses;
4. Other vehicle-related expenses (e.g. licensing, taxes);
5. Insurance, safety and claims; and
6. Other general and administrative expense (including wages and benefits for general & administrative employees).

There is one adjustment factor for this (O&M) cost component.

Adjustment to Costs

A. Labor

1. Wages: the adjustment to CBA wages will be determined separately for the Transfer Station, for the MRF, and for Transportation. In each case, wages will be prepared on the Wage and Benefits Worksheet by inputting the wage rates for the applicable Rate Year payable under the collective bargaining agreements that were in place in 2010 and are still in effect. There will be no increase in the number of standard or overtime hours used in the calculation.
2. (a) Benefits: the CBA benefits cost will be based on the CBA rates for pension and other benefit costs monetized to an hourly dollar amount for the applicable Rate Year. Updated benefits, similarly expressed, will be prepared on the Wage and Benefits Worksheet to input the benefit rates per person for the Rate Year provided by the collective bargaining agreements that were in place in 2010 and are still in effect.  
  
(b) Once the initial expiration date in the collective bargaining agreements that were in place in 2010 has occurred, wages and benefits for all CBA employees will subsequently be adjusted based on annual average changes in the Consumer Price Index using the U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. ecs12102i).
3. Workers' compensation insurance: the adjustment factor will be based on the average annual change to the U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. CIU2030000000000A).
4. Payroll taxes: an effective payroll tax rate will be established in Rate Year One calculated from Contractor's Cost Forms and applied to CBA wages to calculate payroll tax expense (Payroll Taxes divided by CBA wages). The payroll taxes adjustment factor will be based on changes in federal Social Security, Medicare, and state payroll tax rates effective in the Rate Year. Contractor will submit to SBWMA for approval of any adjustment to the effective payroll tax rate by July 1. If approved, the

adjustment factor will be applied to the effective tax rate and the adjusted effective tax rate will then be used to calculate payroll tax expense.

5. Outside contracted workers from third party sources: the adjustment factor for non-CBA direct contract labor will be based on the average index change\* in the U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. CIU2030000000000A).

Base costs in categories described in paragraphs 3 and 5 above will be adjusted as follows: (1) For Rate Year Two, the base costs will be multiplied by the average index change between May 2010 and April 2011; (2) For all subsequent years, the current costs will be multiplied by the average index change between May of the prior year and April of the current year. The appropriate index for each cost component is described in paragraphs 3 and 5. Once the collective bargaining agreements in place in 2010 have expired, the wage and benefit costs will also be adjusted by the average index change between May of the prior year and April of the current year. The index to be used for both adjustments is described in paragraph 2(b) on the prior page under "Adjustment to Costs."

#### B. Fuel and Power

1. The adjustment factor for power will be based on the average change in PG&E rates for electricity (cents per kwhr).
2. The Adjustment Factor for fuel will be based on the average per cent change in the Producer Price Index #2 Diesel Fuel (PPI) using the U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, base date = 8200, Series No. WPU057303).

Base cost per Ton or Ton/mile in categories described in paragraphs 1 and 2 above will be adjusted as follows: (1) For Rate Year Two, the base cost per Ton or Ton/mile will be multiplied by the average change in unit prices of electricity or the average index change for fuel between May 2010 and April 2011; (2) For all subsequent Years, the current cost per Ton or Ton/mile will be multiplied by the average change in unit price of electricity or the average index change between May of the prior year and April of the current year. The appropriate index is described in paragraph 2.

#### C. Depreciation

There is no price adjustment for depreciation after Rate Year One.

#### D. Other Operating and Maintenance Costs

The Adjustment Factor for Other Operating and Maintenance Costs, including all sub-components, will be based on eighty percent (80%) of the average index change in the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban

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\* The term "average index change" in this Attachment 13-A means the percentage change between the simple average of all twelve (or fewer) monthly index levels for one year and the same average for a following year.



Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. cuur0000sa). The costs per Ton or Ton/mile in this category will be adjusted in the same manner as those in other categories that employ an index-based adjustment.

## **Section 2. Adjust Transfer Station Fee**

The Transfer Station Fee for 2012 and thereafter is determined as follows:

- A. Labor: The CBA labor cost component for Rate Year Two and each subsequent year will be determined as described in Section 1.A.1 and 2. The CBA workers' compensation for Rate Year Two and each subsequent year will be determined as described in Section 1.A.3. The CBA payroll taxes for Rate Year Two for each subsequent year will be determined as described in Section 1.A.4. The sum equals each year's Transfer Station labor component. It is converted to a Cost per Ton based on the fixed factor of 357,725 Tons per year.
- B. Fuel and Power: The Fuel and Power cost component will be calculated by applying the adjustment factors (determined in Section 1.B) to the cost per Ton for fuel and power at the Transfer Station.
- C. Depreciation: There is no price adjustment for depreciation after Rate Year One.
- D. Other Operating and Maintenance: The Other Operating and Maintenance Cost component will be calculated by applying the adjustment factor (determined in Section 1.D) to the cost per Ton for Other Operating and Maintenance Cost at the Transfer Station.

The Total Transfer Station Operating Cost per Ton is the sum of the costs per ton of the Labor, Fuel and Power, Depreciation, and Other Operation and Maintenance expense categories.

The amount of Transfer Station Profit is based on an operating ratio of 93.52%. This operating ratio will be applied to total Transfer Station Operating Costs per Ton to arrive at the Transfer Station profit per Ton. The calculation is:  $(\text{Total Operating Cost per Ton} \div 93.52\%)$  minus Total Operating Cost per Ton = Profit.

The allowance for profit is not a guarantee that Contractor will earn a particular amount, or any, profit. Actual costs may change at rates different from the adjustment process provided in the provided in the Agreement and Contractor may therefore earn more, or less, profit than the dollar amounts shown in Attachment 13-B.

The Total Transfer Station Fee expressed on a per Ton basis for each year is the sum of the Total Transfer Station Operating Cost per Ton plus Profit per Ton.

### **Section 3. Adjust MRF Fee**

The MRF Fee for 2012 and thereafter is determined as follows:

A. Labor:

1. The CBA labor cost component for Rate Year Two and each subsequent year will be determined as described in Section 1.A.1 and 2. The CBA workers' compensation for Rate Year Two and for each subsequent year will be determined as described in Section 1.A.3. The CBA payroll taxes for Rate Year Two and each subsequent year will be determined as described in Section 1.A.4. The sum equals each year's MRF labor cost. It is converted to a cost per Ton based on the fixed factor of 74,022 Tons per year.
2. The outside contracted workers cost component for Rate Year Two and each subsequent year will be determined as described in Section 1.A.5. It is converted to a cost per Ton based on the fixed factor of 74,022 Tons per year.

B. Fuel and Power: The Fuel and Power cost component will be calculated by applying the same adjustment factors as those used in the Transfer Station Fee Fuel and Power adjustment to the current year's cost per Ton for fuel and power.

C. Depreciation: there is no price adjustment for depreciation after Rate Year One.

D. Other Operating and Maintenance: the Other Operating and Maintenance Cost component will be calculated by applying the same factor used in the Transfer Station Other O&M cost adjustment to the current year's cost per Ton for other operating and maintenance costs.

The Total MRF Operating Cost per Ton is the sum of the costs per Ton of all the Labor, Fuel and Power, Depreciation, and Other Operation and Maintenance expense components.

The amount of MRF Profit is based on an operating ratio of 92.87%. This operating ratio will be applied to Total MRF Operating Costs per Ton to arrive at the MRF profit per Ton.

The allowance for profit is not a guarantee that Contractor will earn a particular amount, or any, profit. Actual costs may change at rates different from the adjustment process provided in the Agreement and Contractor may therefore earn more, or less, profit than the dollar amounts derived from this calculation.

E. MRF Residue Cost: the MRF residue cost component is the cost of transporting and disposing of residue from MRF operations and is adjusted annually. The disposal portion is adjusted by the per cent change in disposal rates charged at the Designated Disposal Site. The transportation portion is adjusted by the adjustment to the Solid Waste Transportation Fee per Ton/Mile as described in Section 4 below.

The actual MRF residue costs based on actual number of tons of residue will be deducted from Contractor's monthly compensation, as incurred, as described in Section 7.08.

The Total MRF Fee expressed on a per Ton basis for each year is the sum of the Total MRF Operating Costs per Ton plus MRF Profit per Ton plus MRF Residue Cost per Ton.

#### **Section 4. Adjust Transportation Fees**

The five Transportation Fees for 2012 and thereafter are determined as follows:

A separate cost per Ton/mile will be calculated for each of the five materials categories (solid waste, inerts, C&D, plant materials and organic materials). The cost components for each of the material types will be adjusted using the same factor. The cost per Ton/Mile is calculated by adjusting the prior year's cost components by the adjustment factors described below:

- A. Labor: The CBA labor cost component for Rate Year Two and each subsequent year will be determined as described in Section 1.A.1 and 2. The CBA workers' compensation for Rate Year Two and each subsequent year will be determined as described in Section 1.A.3. The CBA payroll taxes for Rate Year Two and each subsequent year will be determined as described in Section 1.A.4. The sum of these four components equals each year's Transportation labor costs. It is converted to a Cost per Ton based on the fixed factor of 357,725 Tons per year.
- B. Fuel: The Fuel cost component will be calculated by applying the same adjustment factors as those used in the Transfer Station Fee Fuel adjustment to the current year's cost per Ton/mile for fuel.
- C. Depreciation: There is no price adjustment for depreciation after Rate Year One.
- D. Other Operating and Maintenance: the Other Operating and Maintenance Cost per Ton/mile component will be calculated by applying the same factor used in the Transfer Station Other O&M cost adjustment to the current year's cost per Ton/mile for other operating and maintenance costs.

The Total Transportation Operating Cost per Ton/mile for each material type is the sum of the costs per Ton/mile of Labor, Fuel and Power, Depreciation, and Other Operation and Maintenance expense components.

The average amount of Transportation Profit is based on an operating ratio of 91.9%. This operating ratio will be applied to Total Transportation Costs per Ton/mile to arrive at the Transportation profit per Ton/mile.

The allowance for profit is not a guarantee that Contractor will earn a particular amount, or any, profit. Actual costs may change at rates different from the adjustment process provided in the Agreement and Contractor may therefore earn more, or less, profit than the dollar amounts derived from this calculation.

The total Transportation Fee for each material type is the sum of the Total Transportation Cost per Ton/mile plus Profit per Ton/mile for each material type.

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

**SUMMARY OF FEES - 2013 to 2014**

	2013	2014	% Increase
<b>Cost per Ton</b>			
Transfer Station	\$ 11.76	\$ 12.39	5.3%
MRF (net residue)	\$ 74.00	\$ 76.74	3.7%
Transportation (cost / ton-mile)	\$ 0.983	\$ 1.002	1.9%
Transportation (cost / ton)	\$ 17.614	\$ 17.952	1.9%
<b>Cost Estimate by LOB</b>			
Transfer Station	\$ 4,208,489	\$ 4,430,873	5.3%
MRF (net residue)	\$ 5,477,303	\$ 5,680,286	3.7%
Transportation	\$ 6,300,946	\$ 6,421,734	1.9%
<b>Total Operating Cost</b>	<b>\$ 15,986,738</b>	<b>\$ 16,532,892</b>	<b>3.4%</b>
<b>Pass-Through Costs</b>			
Total Interest	\$ 255,077	\$ 226,505	-11.2%
Construction Management Cost			
Interim Ops			
Buyback Payment (estimate)	\$ 1,322,230	\$ 1,322,230	
<b>Total Pass-Through Cost</b>	<b>\$ 1,577,307</b>	<b>\$ 1,548,735</b>	<b>-1.8%</b>
<b>Total Compensation</b>	<b>\$ 17,564,045</b>	<b>\$ 18,081,627</b>	<b>2.9%</b>

**Adjusted Transportation Fees  
Cost/Ton-Mile**

	Year 3 2013	Year 4 2014	% Increase
MSW to OX	\$ 1.177	\$ 1.194	1.5%
Inert to OX	\$ 1.212	\$ 1.230	1.4%
C&D to Zanker Road	\$ 0.801	\$ 0.894	11.6%
Plant Materials to Newby	\$ 0.713	\$ 0.723	1.4%
Plant Materials to Grover	\$ 0.445	\$ 0.451	1.3%
Organics to Newby	\$ 0.870	\$ 0.883	1.5%
Organics to Grover	\$ 0.498	\$ 0.504	1.3%
Biofuel to Livermore	\$ 0.580	\$ 0.589	1.5%
Plant Materials to Zanker	\$ 0.713	\$ 0.723	1.5%

## SOUTH BAY RECYCLING, LLC

### COST DETAIL - 2014

#### 1. TRANSFER STATION

357,725		2013	%	2014
		Cost / Ton	Adjustment	Cost / Ton
1.	Direct Labor - CBA			
	Wages	\$ 4.34	8.6%	\$ 4.71
	Benefits	\$ 2.25	5.1%	\$ 2.37
	W/C	\$ 0.63	1.9%	\$ 0.64
	PR Tax	\$ 0.38	8.6%	\$ 0.41
	<b>Total CBA Labor Cost</b>	<b>\$ 7.60</b>	<b>7.0%</b>	<b>\$ 8.13</b>
2.	Power	\$ 0.65	4.5%	\$ 0.68
3.	Fuel	\$ 0.40	-0.8%	\$ 0.40
4.	Depreciation	\$ 0.29	0.0%	\$ 0.29
5.	Other O&M	\$ 1.70	1.3%	\$ 1.72
6.	Clerical CBA Wages & Benefits	\$ 0.36	1.0%	\$ 0.36
	<b>Total Operating</b>	<b>\$ 11.00</b>	<b>5.3%</b>	<b>\$ 11.58</b>
	Profit	\$ 0.76	5.3%	\$ 0.80
	<b>Total Operating Cost</b>	<b>\$ 11.76</b>	<b>5.3%</b>	<b>\$ 12.39</b>

#### 2. MATERIAL RECOVERY FACILITY (MRF)

74,022		2013	%	2014
		Cost / Ton	Adjustment	Cost / Ton
1.	Direct Labor - CBA			
	Wages	\$ 16.48	7.6%	\$ 17.73
	Benefits	\$ 8.86	5.0%	\$ 9.30
	W/C	\$ 2.49	1.9%	\$ 2.53
	PR Tax	\$ 1.58	7.7%	\$ 1.70
	<b>Total CBA Labor Cost</b>	<b>\$ 29.40</b>	<b>6.3%</b>	<b>\$ 31.27</b>
2.	Non-CBA Wages	\$ 14.84	1.9%	\$ 15.11
3.	Power	\$ 3.80	4.5%	\$ 3.97
4.	Fuel	\$ 0.87	-0.8%	\$ 0.86
5.	Depreciation	\$ 1.91	0.0%	\$ 1.91
6.	Other O&M	\$ 16.19	1.3%	\$ 16.41
7.	Clerical CBA Wages & Benefits	\$ 1.72	1.0%	\$ 1.74
	<b>Total Operating</b>	<b>\$ 68.72</b>	<b>3.7%</b>	<b>\$ 71.26</b>

**SOUTH BAY RECYCLING, LLC**

**COST DETAIL - 2014**

Profit	\$ 5.28	3.7%	\$ 5.47
<b>Total Operating Cost</b>	<b>\$ 74.00</b>	<b>3.7%</b>	<b>\$ 76.74</b>

## SOUTH BAY RECYCLING, LLC

### COST DETAIL - 2014

#### TRANSPORTATION

	2013	%	2014
	Cost / Ton Mile	Adjustment	Cost / Ton Mile
Solid Waste Transport Fee	\$ 1.177	1.5%	\$ 1.194
Inert Transport Fee	\$ 1.212	1.4%	\$ 1.230
C&D Transport Fee	\$ 0.801	11.6%	\$ 0.894
Plant Matls Trans Fee - Newby	\$ 0.713	1.4%	\$ 0.723
Plant Matls Trans Fee - Grover	\$ 0.445	1.3%	\$ 0.451
Organic Matl Trans Fee - Newby	\$ 0.870	1.5%	\$ 0.883
Organic Matl Trans Fee - Grover	\$ 0.498	1.3%	\$ 0.504
Organic Matl Trans Fee - BioFuel	\$ 0.580	1.5%	\$ 0.589
Plant Matls Trans Fee-Zanker	\$ 0.713	1.5%	\$ 0.723
Blended Total	\$ 0.983	1.9%	\$ 1.002
<b>Total Operating Cost</b>	<b>\$ 6,300,946</b>		<b>\$ 6,421,734</b>
Cost / Ton	\$ 17.61		\$ 17.95
Total Cost Increase %	5.4%		1.9%

## SOUTH BAY RECYCLING, LLC

### Annual Compensation Adjustment Schedule for 2014

		Transfer Station	
SUMMARY OF ANNUAL FEE ADJUSTMENTS		Year 3	Year 4
		2013	2014
		Cost / Ton	Cost / Ton
<b>1. Direct Labor - CBA</b>			
	Wages	\$ 4.34	\$ 4.71
	Benefits	\$ 2.25	\$ 2.37
	W/C	\$ 0.63	\$ 0.64
	PR Tax	\$ 0.38	\$ 0.41
	<b>Total CBA Labor Cost</b>	<b>\$ 7.60</b>	<b>\$ 8.13</b>
2.	Power	\$ 0.65	\$ 0.68
3.	Fuel	\$ 0.40	\$ 0.40
4.	Depreciation	\$ 0.29	\$ 0.29
5.	Other O&M	\$ 1.70	\$ 1.72
6.	Clerical CBA Wages & Benefits	\$ 0.36	\$ 0.36
	<b>Total Operating</b>	<b>\$ 11.00</b>	<b>\$ 11.58</b>
	Profit	\$ 0.76	\$ 0.80
	Profit %	6.9%	6.9%
	<b>Total Operating Cost</b>	<b>\$ 11.76</b>	<b>\$ 12.39</b>
	% Increase	5.75%	5.31%
	<b>Total Cost</b>	<b>\$ 4,208,489</b>	<b>\$ 4,430,873</b>

*Note: cost / ton is fixed; change in tonnage changes total cost*

#### DETERMINE PERCENTAGE CHANGE IN COSTS (Attachment 13-A, Section 1)

#### Labor Cost Component Adjustment Factors (if collective bargaining agreements in effect in 2010 are still in effect)

1.

##### Wages for Direct Labor

Updated direct labor cost per ton	\$ 4.34	\$ 4.71
Adjustment Factor for Wages Direct Labor	1.035	1.086
% Increase	3.5%	8.6%

##### Benefits for Direct Labor

Updated annual benefit cost per ton	\$ 2.25	\$ 2.37
Adjustment Factor for Benefits	1.080	1.051
% Increase	7.96%	5.14%
	8.00%	5.1%

##### Workers Compensation Insurance for Direct Labor

Updated annual benefit cost per ton	\$ 0.63	\$ 0.64
Adjustment Factor	1.034	1.019



**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

**Transfer Station**

**SUMMARY OF ANNUAL FEE ADJUSTMENTS**

	Year 3	Year 4
	2013	2014
	Cost / Ton	Cost / Ton

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. CIU2030000000000A).*

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

**SUMMARY OF ANNUAL FEE ADJUSTMENTS**

	Transfer Station	
	Year 3	Year 4
	2013	2014
	Cost / Ton	Cost / Ton

**Payroll Taxes for Direct Labor**

Updated Payroll Tax cost per Ton	\$ 0.38	\$ 0.41
Adjustment Factor for payroll taxes shall equal the change in Federal Social Security & Medicare Tax Cost	8.70%	8.70%
Adjustment Factor	7.65%	7.65%
	1.000	1.000

**2. Fuel and Power Cost Component Adjustment Factors**

**Power Adjustment**

Updated Power cost per ton	\$ 0.65	\$ 0.68
Adjustment Factor	1.197	1.045

**Fuel Adjustment**

Updated Fuel cost per ton	\$ 0.40	\$ 0.40
Adjustment Factor	1.256	0.992

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. wpu057303).*

**3. Depreciation**

Updated Depr cost per ton	\$ 0.29	\$ 0.29
Adjustment Factor (No adjustment after Year 1)	1.000	1.000

**There is no adjustment to depreciation cost after Year 1**

**4. Other Other Operating & Maintenance**

Updated Other cost per ton	\$ 1.70	\$ 1.72
Adjustment Factor @ 80% of Index	1.026	1.013

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

SUMMARY OF ANNUAL FEE ADJUSTMENTS	MRF	
	Year 3	Year 4
	2013	2014
	Cost / Ton	Cost / Ton
<b>1. Direct Labor - CBA</b>		
Wages	\$ 16.48	\$ 17.73
Benefits	\$ 8.86	\$ 9.30
Workers Comp	\$ 2.49	\$ 2.53
PR Tax	\$ 1.58	\$ 1.70
<b>Total CBA Labor Cost</b>	<b>\$ 29.40</b>	<b>\$ 31.27</b>
2. Third Party Wages & Benefits (VRS)	\$ 14.84	\$ 15.11
3. Power	\$ 3.80	\$ 3.97
4. Fuel	\$ 0.87	\$ 0.86
5. Depreciation	\$ 1.91	\$ 1.91
6. Other O&M	\$ 16.19	\$ 16.41
7. Clerical CBA Wages & Benefits	\$ 1.72	\$ 1.74
<b>Total Operating</b>	<b>\$ 68.72</b>	<b>\$ 71.26</b>
Profit	\$ 5.28	\$ 5.47
Profit %	7.7%	7.7%
<b>Total Operating Cost Per Ton (excluding residue)</b>	<b>\$ 74.00</b>	<b>\$ 76.74</b>
% Increase	4.92%	3.70%
<b>Total Operator Cost (excluding residue)</b>	<b>\$ 5,477,303</b>	<b>\$ 5,680,286</b>
<b>MRF Residue Tons</b>	6,800	6,800
Disposal Tip Fee	\$ 38.73	\$ 39.50
Disposal Fees	\$ 3.56	\$ 3.63
Transfer & Haul	\$ 0.99	\$ 1.01
Total MRF Residue expense	\$ 4.55	\$ 4.63
<b>Total Cost with MRF Residue</b>	<b>\$ 78.55</b>	<b>\$ 81.37</b>

Note: cost / ton is fixed; change in tonnage changes total cost

**Determine Percentage Change in Costs (Attachment 13-A, Section 1)**

**1. Labor Cost Component Adjustment Factors (if collective bargaining agreements in effect in 2010 are still in effect)**

Wages for direct labor - When collective bargaining agreements in effect in 2010 are still in effect, use CBA Wages & Benefits form

	2013	2014
	Cost / Ton	Cost / Ton
Updated annual labor for direct labor	\$ 16.48	\$ 17.73
Adjustment Factor	1.039	1.076
% Increase	3.9%	7.6%

Benefits for Direct Labor

Updated annual benefit cost per ton	\$ 8.845	\$ 9.30
Adjustment Factor	1.080	1.051
% Increase	7.96%	5.14%

Workers Compensation Insurance for Direct Labor

Updated annual benefit Costs	\$ 2.49	\$ 2.53
Adjustment Factor	1.034	1.019

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

**SUMMARY OF ANNUAL FEE ADJUSTMENTS**

MRF	
Year 3	Year 4
2013	2014
Cost / Ton	Cost / Ton

Payroll Taxes for Direct Labor		
Updated Payroll Tax cost per ton	\$ 1.58	\$ 1.70
Total Payroll Tax Rate %	9.6%	9.6%
Federal Social Security & Medicare tax rates	9.61%	9.61%
Adjustment Factor	1.000	1.000

**2. Labor & Benefits Component Adjustment Factor - non-CBA labor (VRS)**

Updated annual costs	\$ 14.84	\$ 15.11
Adjustment Factor	1.034	1.019

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. Ecs12102i replaced with cis201s0000000000i)*

**3. Fuel and Power Cost Component Adjustment Factors**

Power Adjustment		
Updated Power cost per ton	\$ 3.80	\$ 3.97
Adjustment Factor	1.197	1.045

Fuel Adjustment		
Updated Fuel Costs	\$ 0.87	\$ 0.86
Adjustment Factor	1.256	0.992

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. wpu057303).*

**4. Depreciation**

Updated Depr cost per ton	\$ 1.91	\$ 1.91
Adjustment Factor (No adjustment after Year 1)	1.000	1.000

**5. Other Operating & Maintenance**

Updated Other cost per ton	\$ 16.19	\$ 16.41
Adjustment factor for Other O&M Component = 1 + 0.80 x [(Average CPI-U for 12-month period for then-current Rate		
	1.026	1.013
% Change	3.25%	1.69%

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

TRANSPORTATION COST SUMMARY	Year 3		Year 4	
	2013		2014	
	Cost/Ton-Mile	Adjustment	Cost/Ton-Mile	
Solid Waste Transport Fee	\$ 1.18	1.5%	\$ 1.19	
Inert Transport Fee	\$ 1.21	1.4%	\$ 1.23	
C&D Transport Fee	\$ 0.80	11.6%	\$ 0.89	
Plant Matls Trans Fee - Newby	\$ 0.71	1.4%	\$ 0.72	
Plant Matls Trans Fee - Grover	\$ 0.45	1.3%	\$ 0.45	
Organic Matl Trans Fee - Newby	\$ 0.87	1.5%	\$ 0.88	
Organic Matl Trans Fee - Grover	\$ 0.50	1.3%	\$ 0.50	
Biofuel - Livermore	\$ 0.58	1.5%	\$ 0.59	
Plant Matls Trans Fee-Zanker	\$ 0.71	1.5%	\$ 0.72	
Blended Total	\$ 0.98	1.9%	\$ 1.00	
<b>Total Cost</b>	<b>\$ 6,300,946</b>	<b>1.9%</b>	<b>\$ 6,421,734</b>	
<b>Cost / Ton</b>	<b>\$ 17.61</b>		<b>\$ 17.95</b>	
<b>Total Cost Increase %</b>		<b>5.4%</b>		<b>1.9%</b>

**Adjust Transportation Fees (Attached 12-A, Section 4)**

	2013		2014
<b>Note: The labor components for each of the six transport fees shall be adjusted using the</b>	<b>Adjusted Cost</b>	<b>Adjustment Factor</b>	<b>Adjusted Cost</b>
<b>Direct Labor Component for Solid Waste Transport Fee</b>			
Wages for CBA Labor	\$ 1,541,123	1.019	\$ 1,570,856
Benefits for CBA Labor	\$ 658,363	1.019	\$ 670,662
WC Insurance	\$ 164,988	1.019	\$ 168,070
Payroll Taxes	\$ 130,336	1.000	\$ 132,898
<b>Total</b>	<b>\$ 2,494,810</b>	<b>1.019</b>	<b>\$ 2,542,486</b>
Tons/Year			
Cost/Ton	\$ 9.57	\$ 0.00	\$ 9.75
Adjusted Labor for MSW Transport Fee (cost/ton-r	\$ 0.736	1.019	\$ 0.750

**MSW Transport Fee (OX)**

Labor component	\$ 0.736	1.019	\$ 0.750
Fuel	\$ 0.067	0.992	\$ 0.067
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.085	1.000	\$ 0.085
Other O&M Component	\$ 0.171	1.013	\$ 0.173
Clerical CBA wages & benefits	\$ 0.024	1.010	\$ 0.025
<b>Total Operating Cost</b>	<b>\$ 1.084</b>		<b>\$ 1.100</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.093		\$ 0.094
<b>Total SW Transportation Fee</b>	<b>\$ 1.177</b>	<b>1.5%</b>	<b>\$ 1.194</b>

**Inert Transport Fee (OX)**

Labor component	\$ 0.702	1.019	\$ 0.715
Fuel	\$ 0.074	0.992	\$ 0.074
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.085	1.000	\$ 0.085

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

Other O&M Component	\$	0.215	1.013	\$	0.218
Clerical CBA wages & benefits	\$	0.031	1.010	\$	0.031
<b>Total Operating Cost</b>	<b>\$</b>	<b>1.107</b>		<b>\$</b>	<b>1.123</b>
Profit per Operating Ratio (Form 3-G)	\$	0.105		\$	0.107
<b>Total Inert Transportation Fee</b>	<b>\$</b>	<b>1.212</b>	<b>1.4%</b>	<b>\$</b>	<b>1.230</b>

**C&D Transport Fee (Zanker Road)**

Labor component	\$	0.502	1.019	\$	0.563
Fuel	\$	0.062	0.992	\$	0.068
Depreciation (Att. 8-B / Form 3-C Equipment)	\$	0.048	1.000	\$	0.053
Other O&M Component	\$	0.107	1.013	\$	0.119
Clerical CBA wages & benefits	\$	0.015	1.010	\$	0.017
<b>Total Operating Cost</b>	<b>\$</b>	<b>0.734</b>		<b>\$</b>	<b>0.819</b>
Profit per Operating Ratio (Form 3-G)	\$	0.067		\$	0.075
<b>Total C&amp;D Transportation Fee</b>	<b>\$</b>	<b>0.801</b>	<b>11.6%</b>	<b>\$</b>	<b>0.894</b>

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

<b>Plant Materials Transport Fee - Newby Is</b>	<b>2013</b>		<b>2014</b>
Labor component	\$ 0.434	1.019	\$ 0.442
Fuel	\$ 0.057	0.992	\$ 0.057
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.044	1.000	\$ 0.044
Other O&M Component	\$ 0.104	1.013	\$ 0.106
Clerical CBA wages & benefits	\$ 0.015	1.010	\$ 0.015
<b>Total Operating Cost</b>	<b>\$ 0.655</b>		<b>\$ 0.664</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.058		\$ 0.059
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.713</b>	<b>1.4%</b>	<b>\$ 0.723</b>

<b>Plant Materials Transport Fee - Grover</b>			
Labor component	\$ 0.258	1.019	\$ 0.263
Fuel	\$ 0.057	0.992	\$ 0.056
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.029	1.000	\$ 0.029
Other O&M Component	\$ 0.057	1.013	\$ 0.058
Clerical CBA wages & benefits	\$ 0.008	1.010	\$ 0.008
<b>Total Operating Cost</b>	<b>\$ 0.409</b>		<b>\$ 0.414</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.037		\$ 0.037
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.445</b>	<b>1.3%</b>	<b>\$ 0.451</b>

<b>Organic Material Transport Fee - Newby Is</b>			
Labor component	\$ 0.543	1.019	\$ 0.553
Fuel	\$ 0.063	0.992	\$ 0.062
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.044	1.000	\$ 0.044
Other O&M Component	\$ 0.113	1.013	\$ 0.115
Clerical CBA wages & benefits	\$ 0.016	1.010	\$ 0.016
<b>Total Operating Cost</b>	<b>\$ 0.779</b>		<b>\$ 0.790</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.091		\$ 0.093
<b>Total Organic Material Transportation Fee</b>	<b>\$ 0.870</b>	<b>1.5%</b>	<b>\$ 0.883</b>

<b>Organic Material Transport Fee - Grover</b>			
Labor component	\$ 0.281	1.019	\$ 0.286
Fuel	\$ 0.062	0.992	\$ 0.062
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.031	1.000	\$ 0.031
Other O&M Component	\$ 0.062	1.013	\$ 0.063
Clerical CBA wages & benefits	\$ 0.009	1.010	\$ 0.009
<b>Total Operating Cost</b>	<b>\$ 0.446</b>		<b>\$ 0.451</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.052		\$ 0.053
<b>Total Organic Material Transportation Fee</b>	<b>\$ 0.498</b>	<b>1.3%</b>	<b>\$ 0.504</b>

<b>Self-Haul Biomass to Biofuel (Livermore)</b>			
Labor component			
Fuel			
Depreciation (Att. 8-B / Form 3-C Equipment)			
Other O&M Component			
Clerical CBA wages & benefits			
<b>Total Operating Cost</b>	<b>\$ 0.519</b>		<b>\$ 0.527</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.061		\$ 0.062

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

<b>Total Biofuel Material Transportation Fee</b>	<b>\$ 0.580</b>	<b>1.5%</b>	<b>\$ 0.589</b>
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**Plant Materials Transport Fee - Zanker Road**

Labor component	\$ 0.434	1.019	\$ 0.442
Fuel	\$ 0.057	0.992	\$ 0.057
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.044	1.000	\$ 0.044
Other O&M Component	\$ 0.104	1.013	\$ 0.106
Clerical CBA wages & benefits	\$ 0.015	1.010	\$ 0.015
<b>Total Operating Cost</b>	<b>\$ 0.654</b>		<b>\$ 0.664</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.058		\$ 0.059
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.713</b>	<b>1.5%</b>	<b>\$ 0.723</b>



**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

TRANSPORTATION COST SUMMARY	Year 3		Year 4	
	2013		2014	
	Cost/Ton-Mile	Adjustment	Cost/Ton-Mile	
Solid Waste Transport Fee	\$ 1.18	1.5%	\$ 1.19	
Inert Transport Fee	\$ 1.21	1.4%	\$ 1.23	
C&D Transport Fee	\$ 0.80	11.6%	\$ 0.89	
Plant Matls Trans Fee - Newby	\$ 0.71	1.4%	\$ 0.72	
Plant Matls Trans Fee - Grover	\$ 0.45	1.3%	\$ 0.45	
Organic Matl Trans Fee - Newby	\$ 0.87	1.5%	\$ 0.88	
Organic Matl Trans Fee - Grover	\$ 0.50	1.3%	\$ 0.50	
Biofuel - Livermore	\$ 0.58	1.5%	\$ 0.59	
Plant Matls Trans Fee-Zanker	\$ 0.71	1.5%	\$ 0.72	
Blended Total	\$ 0.98	1.9%	\$ 1.00	
<b>Total Cost</b>	<b>\$ 6,300,946</b>	<b>1.9%</b>	<b>\$ 6,421,734</b>	
<b>Cost / Ton</b>	<b>\$ 17.61</b>		<b>\$ 17.95</b>	
<b>Total Cost Increase %</b>		<b>5.4%</b>		<b>1.9%</b>

**Adjust Transportation Fees (Attached 12-A, Section 4)**

	2013		2014
<b>Note: The labor components for each of the six transport fees shall be adjusted using the</b>	<b>Adjusted Cost</b>	<b>Adjustment Factor</b>	<b>Adjusted Cost</b>
<b>Direct Labor Component for Solid Waste Transport Fee</b>			
Wages for CBA Labor	\$ 1,541,123	1.019	\$ 1,570,856
Benefits for CBA Labor	\$ 658,363	1.019	\$ 670,662
WC Insurance	\$ 164,988	1.019	\$ 168,070
Payroll Taxes	\$ 130,336	1.000	\$ 132,898
<b>Total</b>	<b>\$ 2,494,810</b>	<b>1.019</b>	<b>\$ 2,542,486</b>
Tons/Year			
Cost/Ton	\$ 9.57	\$ 0.00	\$ 9.75
Adjusted Labor for MSW Transport Fee (cost/ton-r)	\$ 0.736	1.019	\$ 0.750

**MSW Transport Fee (OX)**

Labor component	\$ 0.736	1.019	\$ 0.750
Fuel	\$ 0.067	0.992	\$ 0.067
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.085	1.000	\$ 0.085
Other O&M Component	\$ 0.171	1.013	\$ 0.173
Clerical CBA wages & benefits	\$ 0.024	1.010	\$ 0.025
<b>Total Operating Cost</b>	<b>\$ 1.084</b>		<b>\$ 1.100</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.093		\$ 0.094
<b>Total SW Transportation Fee</b>	<b>\$ 1.177</b>	<b>1.5%</b>	<b>\$ 1.194</b>

**Inert Transport Fee (OX)**

Labor component	\$ 0.702	1.019	\$ 0.715
Fuel	\$ 0.074	0.992	\$ 0.074
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.085	1.000	\$ 0.085

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

Other O&M Component	\$	0.215	1.013	\$	0.218
Clerical CBA wages & benefits	\$	0.031	1.010	\$	0.031
<b>Total Operating Cost</b>	<b>\$</b>	<b>1.107</b>		<b>\$</b>	<b>1.123</b>
Profit per Operating Ratio (Form 3-G)	\$	0.105		\$	0.107
<b>Total Inert Transportation Fee</b>	<b>\$</b>	<b>1.212</b>	<b>1.4%</b>	<b>\$</b>	<b>1.230</b>

**C&D Transport Fee (Zanker Road)**

Labor component	\$	0.502	1.019	\$	0.563
Fuel	\$	0.062	0.992	\$	0.068
Depreciation (Att. 8-B / Form 3-C Equipment)	\$	0.048	1.000	\$	0.053
Other O&M Component	\$	0.107	1.013	\$	0.119
Clerical CBA wages & benefits	\$	0.015	1.010	\$	0.017
<b>Total Operating Cost</b>	<b>\$</b>	<b>0.734</b>		<b>\$</b>	<b>0.819</b>
Profit per Operating Ratio (Form 3-G)	\$	0.067		\$	0.075
<b>Total C&amp;D Transportation Fee</b>	<b>\$</b>	<b>0.801</b>	<b>11.6%</b>	<b>\$</b>	<b>0.894</b>

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

<b>Plant Materials Transport Fee - Newby Is</b>	<b>2013</b>	<b>Adjustment Factor</b>	<b>2014</b>
Labor component	\$ 0.434	1.019	\$ 0.442
Fuel	\$ 0.057	0.992	\$ 0.057
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.044	1.000	\$ 0.044
Other O&M Component	\$ 0.104	1.013	\$ 0.106
Clerical CBA wages & benefits	\$ 0.015	1.010	\$ 0.015
<b>Total Operating Cost</b>	<b>\$ 0.655</b>		<b>\$ 0.664</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.058		\$ 0.059
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.713</b>	<b>1.4%</b>	<b>\$ 0.723</b>

<b>Plant Materials Transport Fee - Grover</b>			
Labor component	\$ 0.258	1.019	\$ 0.263
Fuel	\$ 0.057	0.992	\$ 0.056
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.029	1.000	\$ 0.029
Other O&M Component	\$ 0.057	1.013	\$ 0.058
Clerical CBA wages & benefits	\$ 0.008	1.010	\$ 0.008
<b>Total Operating Cost</b>	<b>\$ 0.409</b>		<b>\$ 0.414</b>
Profit per Operating Ratio (Form 3-G)	\$ 0.037		\$ 0.037
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.445</b>	<b>1.3%</b>	<b>\$ 0.451</b>

<b>Organic Material Transport Fee - Newby Is</b>			
Labor component	\$ 0.543	1.019	\$ 0.553
Fuel	\$ 0.063	0.992	\$ 0.062
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<b>Organic Material Transport Fee - Grover</b>			
Labor component	\$ 0.281	1.019	\$ 0.286
Fuel	\$ 0.062	0.992	\$ 0.062
Depreciation (Att. 8-B / Form 3-C Equipment)	\$ 0.031	1.000	\$ 0.031
Other O&M Component	\$ 0.062	1.013	\$ 0.063
Clerical CBA wages & benefits	\$ 0.009	1.010	\$ 0.009
<b>Total Operating Cost</b>	<b>\$ 0.446</b>		<b>\$ 0.451</b>
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<b>Self-Haul Biomass to Biofuel (Livermore)</b>			
Labor component			
Fuel			
Depreciation (Att. 8-B / Form 3-C Equipment)			
Other O&M Component			
Clerical CBA wages & benefits			
<b>Total Operating Cost</b>	<b>\$ 0.519</b>		<b>\$ 0.527</b>

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

Profit per Operating Ratio (Form 3-G)	\$	0.061		\$	0.062
<b>Total Biofuel Material Transportation Fee</b>	<b>\$</b>	<b>0.580</b>	<b>1.5%</b>	<b>\$</b>	<b>0.589</b>

**Plant Materials Transport Fee - Zanker Road**

Labor component	\$	0.434	1.019	\$	0.442
Fuel	\$	0.057	0.992	\$	0.057
Depreciation (Att. 8-B / Form 3-C Equipment)	\$	0.044	1.000	\$	0.044
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Clerical CBA wages & benefits	\$	0.015	1.010	\$	0.015
<b>Total Operating Cost</b>	<b>\$</b>	<b>0.654</b>		<b>\$</b>	<b>0.664</b>
Profit per Operating Ratio (Form 3-G)	\$	0.058		\$	0.059
<b>Total Plant Material Transportation Fee</b>	<b>\$</b>	<b>0.713</b>	<b>1.5%</b>	<b>\$</b>	<b>0.723</b>

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2014**

**Indexes**

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Private*

- 1** *Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. (CIU2030000000000i)).*

**Workers Compensation & Outside Contracted Workers (VRS)**

	<b>2013</b>	<b>2014</b>
Use- Factor	1.034	1.019

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Private*

- 2** *Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. (cis201s0000000000i))*

**Direct Labor (after CBAs expire)**

	<b>2013</b>	<b>2014</b>
Use- Factor	1.022	1.019

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer*

- 3** *Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. (wpu057303)).*

**Fuel**

	<b>2013</b>	<b>2014</b>
Use- Factor	1.256	0.992

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Consumer*

- 4** *Price Index – All Urban Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. (cuur0000sa0)).*

**Other O&M**

	<b>2013</b>	<b>2014</b>
Use- Factor	1.032	1.017