

**EXHIBIT A**



**SBWMA FINAL REPORT  
ON  
REVIEW OF  
SOUTH BAY RECYCLING  
2013 COMPENSATION APPLICATION**

September 20, 2012

September 20, 2012

**Subject: Final Review of South Bay Recycling 2013 Compensation Application**

Dear SBWMA Board Members:

This Report documents findings and recommendations from the SBWMA staff review of the South Bay Recycling (SBR) 2013 Compensation Application for completeness, accuracy and consistency with the requirements of the Shoreway Operations Agreement (“Agreement”). The Agreement Article 7.12 prescribes the process by which this application is reviewed and the company’s compensation is approved. The SBWMA staff is required to submit this Report to the Board on or before September 1<sup>st</sup> of each year although the Board is not required to take action on this Report until October 31<sup>st</sup>.

Each year, the SBR Rate Report is brought forward to the Board simultaneously with the Recology San Mateo County (RSMC) Rate Report. Thus, as with the Recology report, we request that Board Members submit their questions, comments, and concerns to Staff in writing by September 11<sup>th</sup>. The Final SBR Report is expected to be approved by the Board of Directors at its September 27, 2012 meeting.

It is important to note that the approved compensation for SBR will be added to the SBWMA operating costs (composed of SBWMA program budget, disposal and processing expense, franchise fees to City of San Carlos, and debt service payments) in calculating the tipping fees to be charged at the Shoreway Facility. Disposal and processing expense based on Shoreway tipping fees are included as a pass-through expense in the calculation of each Member Agency’s total Revenue Requirement (shown as “**Disposal and Processing Fees Expense**” in **Table 8 of the Recology Rate Report**) for setting solid waste collection rates. The final disposal and processing fees at Shoreway will become part of the final rate report submitted to the Board at the September 27<sup>th</sup> Board meeting.

We look forward to answering any questions you may have regarding this rate report.

Sincerely,

Hilary Gans  
Operations Manager

Marshall Moran  
Finance Manager

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## **SECTION 1 BACKGROUND**

### **1.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. The Board approved 2012 compensation fees last year. This rate application provides the basis for adjusting SBR’s approved 2012 costs for rate year 2013. SBR is paid on a per ton basis at the approved rates each year.

### **1.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 review to ensure the application is complete, follows the proscribed methodology and a final review of the calculations made to arrive at the recommended 2013 rates contained in this report.

### **1.C Calculation of Pass-Through Expenses**

The approved 2013 compensation for SBR will be bundled with all other SBWMA operating budget expenses (e.g., disposal expense, franchise fees, debt service, Agency program budget, etc.) to set the 2013 Shoreway Tip Fees which is typically considered at the November SBWMA Board meeting each year. The 2013 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 customer garbage rates for 2013. These costs are described in detail in “Other Pass-Through Costs” in the 2013 Recology Rate Report and are the result of the actual tipping fees charged on projected tonnage delivered to the Shoreway facility.

Projected disposal and processing expenses are estimates and will be finalized based on Agency feedback, if any, for inclusion in the final rate report for the September 27<sup>th</sup> Board meeting.

### **1.D Description of Cost Components**

As described in Article 7.03 of the Agreement, SBR’s basic compensation includes three categories as follows (fees shown are base year 2012 figures):

- 1. Transfer Station Payment.** The amount of this payment is calculated by multiplying the number of tons of material delivered to and processed at the Transfer Station by the per ton Transfer Station Fee then in effect. The 2012 Transfer Station Fee is \$11.12 per Ton.
- 2. Recyclable Materials Processing Payment.** The amount of this payment is calculated by multiplying the number of tons of Recyclable Materials delivered to and processed at the MRF by the per ton MRF Processing Fee then in effect. The 2012

MRF Processing Fee is \$74.97 per ton (note the Contractor pays for MRF residue transportation and disposal which is deducted from MRF Processing Fee).

- 3. Transportation Payment.** The amount of this payment is calculated by multiplying the number of tons of material transported from the Shoreway Facility to the Designated Disposal Site, and the Designated Processing Facilities for each material type (i.e., Solid Waste, Inerts, Construction and Demolition Debris, Plant Materials, and Organics). The Transportation Fee is calculated by multiplying the number of one-way standard miles from the Shoreway Facility by the number of tons and by the applicable Transportation Fee by destination and material type. The Transportation Fees for the five types of materials for 2012 base costs are:
- \$1.117 per ton/mile for Solid Waste
  - \$1.151 per ton/mile for Inerts
  - \$0.757 per ton/mile for C&D debris
  - \$0.545 per ton/mile for Plant Materials (\$0.674 to Newby Island and \$0.417 to Recology Grover)
  - \$0.644 per ton/mile for Organics (\$0.822 to Newby Island and \$0.466 to Recology Grover)

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

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

The subcomponents of the above costs are based on actual items to which compensation adjustment factors (*see parenthetical reference to whether index or non-index cost adjustments*) are applied. The subcomponents are as follows:

- A. Labor Costs
  - 1. Wages for CBA labor (*non-index and index*)
  - 2. Benefits for CBA labor (*non-index and index*)
  - 3. Workers' compensation insurance (CBA labor) (*index*)
  - 4. Payroll taxes (CBA labor) (*non-index*)
  - 5. Outside contracted workers from third-party sources (*index*)
  
- B. Fuel and Power Costs
  - 1. Electricity (*non-index*)
  - 2. Fuel (*index*)
  
- C. Depreciation (*no adjustment*)
  
- D. Other Operating and Maintenance Costs (*index*)
  - 1. Wages and Benefits for non-CBA employees plus associated workers' compensation insurance and payroll taxes
  - 2. Wages and benefits for CBA clerical (*non-index and index*)
  - 3. Repair and maintenance expenses
  - 4. Equipment rental expenses

5. Other vehicle-related expenses (e.g. licensing, taxes)
6. Insurance, safety and claims
7. Other general & administrative expense

### 1.E Cost Adjustment Process

Article 7.05 and Attachment 13-A of the Agreement prescribe a detailed cost adjustment methodology based predominantly on various cost indices while some cost adjustments are based on actual CBA wage and benefit rates. This methodology in the Agreement was the basis for SBR's Rate Application submittal on July 1<sup>st</sup> and the SBWMA staff's subsequent review for completeness, accuracy, and consistency with the requirements of the Agreement. The methodology is used to adjust SBR's 2012 fees, as detailed in the approved Agreement, to 2013 fees.

### 1.F Commodity Revenue Sharing

Per Article 7.07 of the Agreement, SBR receives twenty five (25%) percent of the commodity revenue after the Revenue Guarantee is met. The Revenue Guarantee is \$5.5 million which has been adjusted from \$6.5 million by the lower tons in 2011 than forecast in the RFP. As a result of the MRF's high diversion, SBR is also eligible for an Increase Share of commodity revenue based on a residue-reduction incentive program (see Article 7.07 of the Agreement). In 2012, the actual MRF residue was 7% which entitles SBR to a 3% increase share of commodity revenues in 2013, (an increase from 25% in 2012, to 28% in 2013).

## SECTION 2 SOUTH BAY RECYCLING 2013 COMPENSATION APPLICATION

### 2.A Analysis of SBR 2013 Compensation Application

The SBWMA staff conducted the review of the SBR 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.

| Table 1<br>2012 Year Payment/ton vs. 2013 Adjusted Payment/Ton |                      |             |                 |             |                      |
|--|----------------------|-------------|-----------------|-------------|----------------------|
| South Bay Recycling  | 2012                 |             | Rate Adjustment | 2013        |                      |
| Operating Cost   | Total Cost           | Payment/ton | %               | Payment/ton | Total Costs          |
| Transfer Station   | \$ 3,978,881         | \$ 11.12    | 5.8%            | \$ 11.76    | \$ 4,208,489         |
| Recyclable Materials Processing, net of Residue                | \$ 5,220,996         | \$ 70.53    | 4.9%            | \$ 74.00    | \$ 5,477,303         |
| Transport (cost/ton-mile)                                      | \$ 5,980,895         | \$ 0.93     | 5.4%            | \$ 0.983    | \$ 6,300,946         |
| <i>Transport (cost/ton)</i>                                    |                      | \$ 16.72    | 5.4%            | \$ 17.61    |                      |
| <b>Total Operating Cost</b>                                    | <b>\$ 15,180,772</b> |             | 5.3%            |             | <b>\$ 15,986,738</b> |
| <b>Contractor Pass-Through Costs</b>                           |                      |             |                 |             |                      |
| Total Interest   | \$ 282,260           |             |                 |             | \$ 255,077           |
| Buyback Payments   | \$ 1,322,230         |             |                 |             | \$ 1,322,230         |
| <b>Total Contractor Pass-Through Cost</b>                      | <b>\$ 1,604,490</b>  |             |                 |             | <b>\$ 1,577,307</b>  |
| <b>Total Compensation</b>                                      | <b>\$ 16,785,262</b> |             | <b>4.6%</b>     |             | <b>\$ 17,564,045</b> |

## 2.B Description of Cost Adjustments

Two types of cost adjustments are used in the 2013 SBR Compensation Application as required in the Agreement. These cost adjustments include:

- CBA (i.e., non-index)
- Index related adjustments (discussed below)

Costs are adjusted based on the following criteria:

- Labor Cost - actual or estimated CBA wages and benefit rates
- 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 index based adjustments for the period of 2012 to 2013 are summarized in **Table 2** below (See **Appendix B** for the detailed cost adjustment sheets for each of the cost categories). For rate year 2013, the actual 2012 rates will be adjusted to determine the 2013 rates (essentially the next rate year is adjusted by the index adjustment from the prior year).

CBA wage and benefits are adjusted based on actual rates in place in preexisting CBAs, but will change to index changes once the respective CBAs expire or are amended.

| <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>  |                    |             |             |             |             |
| <i>1 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>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|  | Avg. Index - April | 115.90      | 112.08      | 109.08      | 107.60      |
|  | % Change           | 3.41%       | 2.75%       | 1.37%       | 2.14%       |
| <b>FUEL COSTS: Fuel</b>  |                    |             |             |             |             |
| <i>2 Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. wpu057303).</i>   |                    |             |             |             |             |
|  |                    | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|  | Index              | 325.80      | 259.5       | 204.4       | 269.1       |
|  | % Change           | 25.57%      | 26.93%      | -24.04%     | -1.47%      |
| <b>OTHER OPERATING AND MAINTENANCE COSTS</b>   |                    |             |             |             |             |
| <i>3 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>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|  | Index (Annual)     | 226.93      | 219.79      | 216.19      | 215.14      |
|  | % Change           | 3.25%       | 1.67%       | 0.49%       | 2.39%       |
| <b>DEPRECIATION - there is no adjustment to depreciation expense in 2013.</b>  |                    |             |             |             |             |

The Agreement prescribes a process for calculating the rate adjustment for Power as a combination of the adjustment for both diesel and for electricity. As a result of adding solar power to the Shoreway Facility, the methodology for determining the electricity portion of the Power adjustment cannot be precisely known until the completion of a calendar year. For the purposes of completing the SBR Compensation Application, an estimated electricity (combined from PG&E and solar) cost of \$.19 per kWhr has been used. There will be an electricity cost true-up after the actual cost for 2013 is known.

The results of all cost adjustments are summarized in **Table 3**. Some costs are estimated for the rate year and then trued-up to the actual cost in the subsequent year because they are unknown. For 2013, the following should be noted:

- The payment per ton was adjusted in 2013 retroactively for 2012 final CBA agreements benefit costs which are not known until December. The adjustment from the estimates used for **2012 are \$<13,793> or \$<0.03> per ton.**

| <b>Table 3<br/>Results of Cost Adjustments</b>  |              |                            |  |
|---|--------------|----------------------------|--|
| The 2012 cost components are adjusted to arrive at 2013 costs. CBA wages and benefits are adjusted by the actual CBA rates. For non-CBA costs, various indexes are used to adjust cost. Contractor compensation is based on 2013 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 - CBA</b>   |              |                            |  |
| Wages   | 3.9%         | CBA Agreement              | CBA wage adjustment based on 2013 rates in CBA agreements for MRF/TS Workers, Drivers and Mechanics.   |
| Benefits  | 8.1%         | CBA Agreement              | CBA benefit adjustment based on estimated 2013 rates in CBA Agreements for MRF/TS Workers, Drivers and Mechanics.  |
| Worker's Compensation Insurance   | 3.4%         | Index                      | Workers compensation adjustment based on index change.   |
| Payroll Tax   | 0.0%         | Tax rate & change in wages | 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 but the tax rate did not change. |
| <b>Direct Labor - non-CBA (VRS)</b>   |              |                            |  |
|   | 3.4%         | Index                      | Non-CBA (VRS) compensation adjustment based on index change.   |
| <b>Power</b>  |              |                            |  |
|   | 19.7%        | PG&E Rates                 | Power is adjusted by the actual PG&E electricity rates.  |
| <b>Fuel</b>   |              |                            |  |
|   | 25.6%        | Index                      | Fuel expense is adjusted by the actual change in the fuel index.   |
| <b>Depreciation</b>   |              |                            |  |
|   | 0.0%         | n/a                        | There is no adjustment to depreciation.  |
| <b>Other Operations &amp; Maintenance</b>   |              |                            |  |
|   | 2.6%         | Index                      | 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.                    |
| <b>Clerical CBA Wage &amp; Benefits</b>   |              |                            |  |
|   | 5.2%         | CBA Agreement              | CBA wage adjustment based on 2012 rates in CBA agreements for Office Clerical.   |
| 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.   |              |                            |  |



## 2.C Pass-Through Costs

Pass-through costs are not subject to profit but 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 2013 is **\$255,077**, a **9.6%** reduction from 2012.
- 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 new or changes to Regulatory Fees would be a Pass-through cost.

## 2.D Recommended Adjustment to SBR Compensation for 2013

As shown in **Table 4**, Staff recommends that the Board approve the following Fee adjustments reflected as payments per ton:

| <b>Table 4</b>  |                    |                       |                    |
|---|--------------------|-----------------------|--------------------|
| <b>SBR - 2013 Fee Adjustments to Basic Compensation</b> |                    |                       |                    |
|   | <b>2012</b>        | <b>Fee Adjustment</b> | <b>2013</b>        |
| <b>Cost Components</b>                                  | <b>Payment/ton</b> | <b>%</b>              | <b>Payment/ton</b> |
| Transfer Station  | \$ 11.12           | 5.8%                  | \$ 11.76           |
| Recyclable Materials Processing, gross                  | \$ 74.96           | 4.8%                  | \$ 78.54           |
| Transport (cost/ton-mile)                               | \$ 0.933           | 5.4%                  | \$ 0.983           |
| <i>Transport (cost/ton)</i>                             | <i>\$ 16.72</i>    | <i>5.4%</i>           | <i>\$ 17.61</i>    |
| <b>Total Adjustment</b>                                 |                    | <b>5.3%</b>           |                    |

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

| <b>Table 5</b>                                       |                    |                       |                    |
|--|--------------------|-----------------------|--------------------|
| <b>Recyclables Materials Processing Fee Breakout</b> |                    |                       |                    |
|  | <b>2012</b>        | <b>Fee Adjustment</b> | <b>2013</b>        |
| <b>COST COMPONENTS</b>                               | <b>Payment/ton</b> | <b>%</b>              | <b>Payment/ton</b> |
| Recyclable Materials Processing, gross               | \$ 74.96           | 4.8%                  | \$ 78.54           |
| MRF residue (estimate)                               | \$ 4.43            | 2.7%                  | \$ 4.55            |
| <b>Net MRF Estimate Cost</b>                         | <b>\$ 70.53</b>    | <b>3.7%</b>           | <b>\$ 74.00</b>    |

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

### **SECTION 3 TOTAL SBWMA FINANCIAL PROJECTIONS FOR 2013**

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 Agency bonds issued for the renovation of Shoreway
- the costs for the administration of the SBWMA
- franchise fees paid to the City of San Carlos

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

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 2013. Disposal expense is a pass-through expense in the Recology Rate Report (see “**Disposal and Processing Fees**” in **Table 8 of the Recology Rate Report**) 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 2013 shown in **Table 6** match the fees in the FY 2013 Budget.

| <b>Table 6<br/>Proposed Tipping Fees Per Ton or Cubic Yard</b>                  |                             |                                |                   |
|---|-----------------------------|--------------------------------|-------------------|
| <b>Transfer Station Tip Fee Increases</b>                                       | <b>Current Rates 1/1/12</b> | <b>Proposed Rates (1/1/13)</b> | <b>% Increase</b> |
| SBWMA Solid Waste, <i>Franchise</i>   | \$88.00 per ton             | \$91.00 per ton                | 3.40%             |
| SBWMA Residential Organics, <i>Franchise</i>                                    | \$89.00 per ton             | \$92.00 per ton                | 3.40%             |
| SBWMA Commercial Food Waste, <i>Franchise</i>                                   | \$101.00 per ton            | \$104.00 per ton               | 3.00%             |
| Non-SBWMA Weighed Tons (Dirt, concrete, asphalt, roofing), <i>Non-Franchise</i> | \$88.00 per ton             | \$91.00 per ton                | 3.40%             |
| Public Solid Waste Yards, <i>Non-Franchise</i>                                  | \$33.00 per yard            | \$34.00 per yard               | 3.00%             |
| C& D Yards, <i>Non-Franchise</i>  | \$29.00 per yard            | \$30.00 per yard               | 3.40%             |
| Public Green Waste Yards, <i>Non-Franchise</i>                                  | \$22.00 per yard            | \$23.00 per yard               | 4.50%             |

**Table 7** shows projected 2013 tonnage and revenue by the same tipping fee categories in Table 6.

| <b>Table 7<br/>2013 Projected Tons and Revenue</b>         |                           |                                  |                      |                  |
|--|---------------------------|----------------------------------|----------------------|------------------|
| <b>Transfer Station:</b>                                   | <b>Tonnage/<br/>Yards</b> | <b>Proposed Rates<br/>1/1/13</b> | <b>Revenue</b>       | <b>% Revenue</b> |
| SBWMA Solid Waste, <i>Franchise (tons)</i>                 | 182,980                   | \$91.00 per ton                  | \$ 16,651,200        | 53%              |
| SBWMA Organics, <i>Franchise, (tons)</i>                   | 76,999                    | \$92.00 per ton                  | \$ 7,083,900         | 23%              |
| SBWMA Commercial Food Waste, <i>Franchise</i>              | 19,964                    | \$104.00 per ton                 | \$ 2,076,200         | 7%               |
| Non-SBWMA Weighed Tons (Dirt, concrete, asphalt, roofing), | 9,454                     | \$90.00 per ton                  | \$ 856,000           | 3%               |
| Public Solid Waste Yards, <i>Non-Franchise</i>             | 31,381                    | \$34.00 per yard                 | \$ 1,067,000         | 3%               |
| C& D Yards, Non-Franchise                                  | 66,975                    | \$30.00 per yard                 | \$ 2,009,300         | 6%               |
| Public Green Waste Yards, Non-Franchise                    | 54,062                    | \$23.00 per yard                 | \$ 1,243,400         | 4%               |
| Other (appliances, mattresses, tires, etc)                 |                           | various                          | \$ 138,200           | 0%               |
| <b>TOTAL</b>   |                           |                                  | <b>\$ 31,125,200</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 2013 as shown in **Table 8** below.

| <b>Table 8<br/>SBWMA -- 2013 Calendar Year Financial Projection</b> |  |
|---|--|
|   | <b>2013 Rate Projection<br/>(000s)</b> |
| <b>Operating Revenue</b>  |  |
| Tip Fee Revenue - Franchise   | \$ 26,206                              |
| Tip Fee Revenue - Public  | \$ 4,919                               |
| Net Commodity Material Sales  | \$ 8,590                               |
| Other Revenue   | \$ 487                                 |
| <b>Total Operating Revenue</b>                                      | <b>\$ 40,202</b>                       |
| <b>Operating Expenses</b>   |  |
| Total Operating Cost  | \$ 15,675                              |
| Disposal & Buyback Expense  | \$ 14,856                              |
| SBWMA Operating Budget  | \$ 2,740                               |
| Allied Balancing Account  | \$ -                                   |
| Franchise Fee to City of San Carlos                                 | \$ 1,482                               |
| Miscellaneous   | \$ 709                                 |
| <b>Total Operating Expense</b>                                      | <b>\$ 35,463</b>                       |
| <b>Non-Operating</b>  |  |
| Debt Net of Interest Income   | \$ 2,966                               |
| <b>Net income / Shortfall</b>                                       | <b>\$1,773</b>                         |
| % of Revenue  | 4.4%                                   |

**APPENDIX A –  
ATTACHMENTS 13-A AND 13-B FROM SHOREWAY OPERATIONS AGREEMENT**

**APPENDIX B-  
SBR COST ADJUSTMENT WORKSHEET**

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: (Total Operating Cost per Ton ÷ 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.

SBR COMPENSATION APPLICATION REPORT  
APPENDIX B

**SOUTH BAY RECYCLING, LLC**  
**Annual Compensation Adjustment Schedule for 2013**

| SUMMARY OF FEES - to 2013        |                 |                      |                      |             |
|----------------------------------|-----------------|----------------------|----------------------|-------------|
|                                  | Base<br>Tonnage | 2012                 | 2013                 | % Increase  |
| <b>Cost per Ton</b>              |                 |                      |                      |             |
| Transfer Station                 | 357,725         | \$ 11.12             | \$ 11.76             | 5.8%        |
| MRF (net residue)                | 74,022          | \$ 70.53             | \$ 74.00             | 4.9%        |
| Transportation (cost / ton-mile) | 357,725         | \$ 0.933             | \$ 0.983             | 5.4%        |
| Transportation (cost / ton)      |                 | \$ 16.72             | \$ 17.614            | 5.4%        |
| <b>Cost Estimate by LOB</b>      |                 |                      |                      |             |
| Transfer Station                 | 357,725         | \$ 3,978,881         | \$ 4,208,489         | 5.8%        |
| MRF (net residue)                | 74,022          | \$ 5,220,996         | \$ 5,477,303         | 4.9%        |
| Transportation                   | 357,725         | \$ 5,980,895         | \$ 6,300,946         | 5.4%        |
| <b>Total Operating Cost</b>      |                 | <b>\$ 15,180,772</b> | <b>\$ 15,986,738</b> | <b>5.3%</b> |
| <b>Pass-Through Costs</b>        |                 |                      |                      |             |
| Total Interest                   |                 | \$ 282,260           | \$ 255,077           | -9.6%       |
| Construction Management Cost     |                 |                      |                      |             |
| Interim Ops                      |                 |                      |                      |             |
| Buyback Payment (estimate)       |                 | \$ 1,322,230         | \$ 1,322,230         |             |
| <b>Total Pass-Through Cost</b>   |                 | <b>\$ 1,322,230</b>  | <b>\$ 1,322,230</b>  | <b>0.0%</b> |
| <b>Total Compensation</b>        |                 | <b>\$ 16,785,262</b> | <b>\$ 17,564,045</b> | <b>4.6%</b> |

| <b>Adjusted Transportation Fees</b> | Year 2   |          | Year 3 |      |
|-------------------------------------|----------|----------|--------|------|
|                                     | 2012     | 2013     | 2012   | 2013 |
| <b>Cost/Ton-Mile</b>                |          |          |        |      |
| MSW to OX                           | \$ 1.117 | \$ 1.177 |        | 5.3% |
| Inert to OX                         | \$ 1.151 | \$ 1.212 |        | 5.3% |
| C&D to Zanker Road                  | \$ 0.757 | \$ 0.801 |        | 5.8% |
| Plant Materials to Newby            | \$ 0.674 | \$ 0.713 |        | 5.8% |
| Plant Materials to Grover           | \$ 0.417 | \$ 0.445 |        | 6.8% |
| Organics to Newby                   | \$ 0.822 | \$ 0.870 |        | 5.8% |
| Organics to Grover                  | \$ 0.466 | \$ 0.498 |        | 6.8% |
| Biofuel to Livermore                |          | \$ 0.580 |        |      |
| Plant Materials to Zanker           |          | \$ 0.713 |        |      |

## SOUTH BAY RECYCLING, LLC

### COST DETAIL - 2013

#### 1. TRANSFER STATION

|                                  | <u>2012</u>       | <u>%</u>          | <u>2013</u>       |
|----------------------------------|-------------------|-------------------|-------------------|
|                                  | <b>Cost / Ton</b> | <b>Adjustment</b> | <b>Cost / Ton</b> |
| 1. Direct Labor - CBA            |                   |                   |                   |
| Wages                            | \$ 4.19           | 3.5%              | \$ 4.34           |
| Benefits                         | \$ 2.09           | 8.1%              | \$ 2.25           |
| W/C                              | \$ 0.61           | 3.4%              | \$ 0.63           |
| PR Tax                           | \$ 0.36           | 3.5%              | \$ 0.38           |
| <b>Total CBA Labor Cost</b>      | <b>\$ 7.25</b>    | <b>4.8%</b>       | <b>\$ 7.60</b>    |
| 2. Power                         | \$ 0.54           | 19.7%             | \$ 0.65           |
| 3. Fuel                          | \$ 0.32           | 25.6%             | \$ 0.40           |
| 4. Depreciation                  | \$ 0.29           | 0.0%              | \$ 0.29           |
| 5. Other O&M                     | \$ 1.66           | 2.6%              | \$ 1.70           |
| 6. Clerical CBA Wages & Benefits | \$ 0.34           | 5.2%              | \$ 0.36           |
| <b>Total Operating</b>           | <b>\$ 10.40</b>   | <b>5.8%</b>       | <b>\$ 11.00</b>   |
| Profit                           | \$ 0.72           | 5.8%              | \$ 0.76           |
| <b>Total Operating Cost</b>      | <b>\$ 11.12</b>   | <b>5.8%</b>       | <b>\$ 11.76</b>   |

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

|                                  | <u>2012</u>       | <u>%</u>          | <u>2013</u>       |
|----------------------------------|-------------------|-------------------|-------------------|
|                                  | <b>Cost / Ton</b> | <b>Adjustment</b> | <b>Cost / Ton</b> |
| 1. Direct Labor - CBA            |                   |                   |                   |
| Wages                            | \$ 15.86          | 3.9%              | \$ 16.48          |
| Benefits                         | \$ 8.19           | 8.1%              | \$ 8.86           |
| W/C                              | \$ 2.40           | 3.4%              | \$ 2.49           |
| PR Tax                           | \$ 1.52           | 3.9%              | \$ 1.58           |
| <b>Total CBA Labor Cost</b>      | <b>\$ 27.98</b>   | <b>5.1%</b>       | <b>\$ 29.40</b>   |
| 2. Non-CBA Wages                 | \$ 14.35          |                   | \$ 14.84          |
| 3. Power                         | \$ 3.18           | 19.7%             | \$ 3.80           |
| 4. Fuel                          | \$ 0.69           | 25.6%             | \$ 0.87           |
| 5. Depreciation                  | \$ 1.91           | 0.0%              | \$ 1.91           |
| 6. Other O&M                     | \$ 15.78          | 2.6%              | \$ 16.19          |
| 7. Clerical CBA Wages & Benefits | \$ 1.63           | 5.2%              | \$ 1.72           |
| <b>Total Operating</b>           | <b>\$ 65.50</b>   | <b>4.9%</b>       | <b>\$ 68.72</b>   |
| Profit                           | \$ 5.03           | 4.9%              | \$ 5.28           |
| <b>Total Operating Cost</b>      | <b>\$ 70.53</b>   | <b>4.9%</b>       | <b>\$ 74.00</b>   |

## SOUTH BAY RECYCLING, LLC

### COST DETAIL - 2013

#### TRANSPORTATION

|                                  | 2012                | %          | 2013                |
|----------------------------------|---------------------|------------|---------------------|
|                                  | Cost / Ton Mile     | Adjustment | Cost / Ton Mile     |
| Solid Waste Transport Fee        | \$ 1.117            | 5.3%       | \$ 1.177            |
| Inert Transport Fee              | \$ 1.151            | 5.3%       | \$ 1.212            |
| C&D Transport Fee                | \$ 0.757            | 5.8%       | \$ 0.801            |
| Plant Matls Trans Fee - Newby    | \$ 0.674            | 5.8%       | \$ 0.713            |
| Plant Matls Trans Fee - Grover   | \$ 0.417            | 6.8%       | \$ 0.445            |
| Organic Matl Trans Fee - Newby   | \$ 0.822            | 5.8%       | \$ 0.870            |
| Organic Matl Trans Fee - Grover  | \$ 0.466            | 6.8%       | \$ 0.498            |
| Organic Matl Trans Fee - BioFuel | \$ -                | 0.0%       | \$ 0.580            |
| Plant Matls Trans Fee-Zanker     | \$ -                | 0.0%       | \$ 0.713            |
| Blended Total                    | \$ 0.933            | 5.4%       | \$ 0.983            |
| <b>Total Operating Cost</b>      | <b>\$ 5,980,895</b> |            | <b>\$ 6,300,946</b> |
| Cost / Ton                       | \$ 16.72            |            | \$ 17.61            |

**Annual Compensation Adjustment Schedule for 2013**

**Transfer Station**

**SUMMARY OF ANNUAL FEE ADJUSTMENTS**

**1. Direct Labor - CBA**

- Wages
- Benefits
- W/C
- PR Tax
- Total CBA Labor Cost**
- 2. Labor & Benefits (CBA Expires)
- 3. Power
- 4. Fuel
- 5. Depreciation
- 6. Other O&M
- 7. Clerical CBA Wages & Benefits

**Total Operating**

Profit

*Profit %*

**Total Operating Cost**

*% Increase*

**Total Cost**

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

|           | Year 2           | Year 3              |
|-----------|------------------|---------------------|
|           | 2012             | 2013                |
|           | Cost / Ton       | Cost / Ton          |
| \$        | 4.19             | \$ 4.34             |
| \$        | 2.09             | \$ 2.25             |
| \$        | 0.61             | \$ 0.63             |
| \$        | 0.36             | \$ 0.38             |
| <b>\$</b> | <b>7.25</b>      | <b>\$ 7.60</b>      |
| \$        | -                | \$ -                |
| \$        | 0.54             | \$ 0.65             |
| \$        | 0.32             | \$ 0.40             |
| \$        | 0.29             | \$ 0.29             |
| \$        | 1.66             | \$ 1.70             |
| \$        | 0.34             | \$ 0.36             |
| <b>\$</b> | <b>10.40</b>     | <b>\$ 11.00</b>     |
| \$        | 0.72             | \$ 0.76             |
|           | 6.9%             | 6.9%                |
| <b>\$</b> | <b>11.12</b>     | <b>\$ 11.76</b>     |
|           | 7.1%             | 5.77%               |
| <b>\$</b> | <b>3,978,881</b> | <b>\$ 4,208,489</b> |

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

**Labor Cost Component Adjustment Factors (if collective bargaining agreements in effect in 2010 are**

**1. still in effect)**

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

Wages for Direct Labor

- Updated direct labor cost per ton
- Adjustment Factor for Wages Direct Labor
- % Increase

|    | 2012       | 2013       |
|----|------------|------------|
|    | Cost / Ton | Cost / Ton |
| \$ | 4.19       | \$ 4.34    |
|    | 1.056      | 1.035      |
|    | 5.6%       | 3.5%       |

Benefits for Direct Labor

- Updated annual benefit cost per ton
- Adjustment Factor for Benefits
- % Increase

|    |       |         |
|----|-------|---------|
| \$ | 2.09  | \$ 2.25 |
|    | 1.101 | 1.081   |
|    | 10.1% | 8.09%   |

Workers Compensation Insurance for Direct Labor

- Updated annual benefit cost per ton
- Adjustment Factor
- 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)*

|    |       |         |
|----|-------|---------|
| \$ | 0.61  | \$ 0.63 |
|    | 1.028 | 1.034   |

**Annual Compensation Adjustment Schedule for 2013**

| Transfer Station |            |
|------------------|------------|
| Year 2           | Year 3     |
| 2012             | 2013       |
| Cost / Ton       | Cost / Ton |

**SUMMARY OF ANNUAL FEE ADJUSTMENTS**

Payroll Taxes for Direct Labor

|   |         |         |
|---|---------|---------|
| Updated Payroll Tax cost per ton  | \$ 0.36 | \$ 0.38 |
| 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 | \$ 0.54 | \$ 0.65 |
| Adjustment Factor          | 1.300   | 1.197   |

Fuel Adjustment

|                           |         |         |
|---------------------------|---------|---------|
| Updated Fuel cost per ton | \$ 0.32 | \$ 0.40 |
| Adjustment Factor         | 1.269   | 1.256   |

*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 Operating & Maintenance**

|                            |         |         |
|----------------------------|---------|---------|
| Updated Other cost per ton | \$ 1.66 | \$ 1.70 |
| Adjustment Factor          | 1.013   | 1.026   |



**Annual Compensation Adjustment Schedule for 2013**

**SUMMARY OF ANNUAL FEE ADJUSTMENTS**

|   | MRF          |              |
|---|--------------|--------------|
|   | Year 2       | Year 3       |
|   | 2012         | 2013         |
|   | Cost / Ton   | Cost / Ton   |
| <b>1. Direct Labor - CBA</b>                            |              |              |
| Wages   | \$ 15.86     | \$ 16.48     |
| Benefits  | \$ 8.19      | \$ 8.86      |
| W/C   | \$ 2.40      | \$ 2.49      |
| PR Tax  | \$ 1.52      | \$ 1.58      |
| <b>Total CBA Labor Cost</b>                             | \$ 27.98     | \$ 29.40     |
| 2. Labor & Benefits- non-CBA (incl Indirect)            | \$ 14.35     | \$ 14.84     |
| 3. Power  | \$ 3.18      | \$ 3.80      |
| 4. Fuel   | \$ 0.69      | \$ 0.87      |
| 5. Depreciation   | \$ 1.91      | \$ 1.91      |
| 6. Other O&M  | \$ 15.78     | \$ 16.19     |
| 7. Clerical CBA Wages & Benefits                        | \$ 1.63      | \$ 1.72      |
| <b>Total Operating</b>                                  | \$ 65.50     | \$ 68.72     |
| Profit  | \$ 5.03      | \$ 5.28      |
| <i>Profit %</i>   | 7.7%         | 7.7%         |
| <b>Total Operating Cost Per Ton (excluding residue)</b> | \$ 70.53     | \$ 74.00     |
| <i>% Increase</i>                                       | 6.15%        | 4.91%        |
| <b>Total Operator Cost (excluding residue)</b>          | \$ 5,220,996 | \$ 5,477,303 |
| <b><u>MRF Residue</u></b>                               |              |              |
| # Tons  | 6,800        | 6,800        |
| Disposal Tip Fee  | \$ 37.97     | \$ 38.73     |
| Disposal Fees   | \$ 3.49      | \$ 3.56      |
| Transfer & Haul   | \$ 0.94      | \$ 0.99      |
| Total MRF Residue expense                               | \$ 4.43      | \$ 4.55      |
| <b>TOTAL COST WITH MRF RESIDUE</b>                      | \$ 74.96     | \$ 78.54     |

*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

|                                       | 2012       | 2013       |
|---------------------------------------|------------|------------|
|                                       | Cost / Ton | Cost / Ton |
| Updated annual wages for direct labor | \$ 15.86   | \$ 16.48   |
| Adjustment Factor                     | 1.018      | 1.039      |
| % Increase                            | 1.8%       | 3.9%       |

Benefits for Direct Labor

|                                     |         |         |
|-------------------------------------|---------|---------|
| Updated annual benefit cost per ton | \$ 8.19 | \$ 8.86 |
| Adjustment Factor                   | 1.101   | 1.081   |
| % Increase                          | 10.1%   | 8.09%   |

Workers Compensation Insurance for Direct Labor

|                              |         |         |
|------------------------------|---------|---------|
| Updated annual benefit Costs | \$ 2.40 | \$ 2.49 |
|------------------------------|---------|---------|

## Annual Compensation Adjustment Schedule for 2013

## SUMMARY OF ANNUAL FEE ADJUSTMENTS

| MRF        |            |
|------------|------------|
| Year 2     | Year 3     |
| 2012       | 2013       |
| Cost / Ton | Cost / Ton |
| 1.028      | 1.034      |

Adjustment Factor

## Payroll Taxes for Direct Labor

|  |         |         |
|--|---------|---------|
| Updated annual benefit Costs                 | \$ 1.52 | \$ 1.58 |
| % Change                                     | 9.6%    | 9.6%    |
| Federal Social Security & Medicare tax rates | 9.61%   | 9.61%   |
| Adjustment Factor                            | 1.000   | 1.000   |

## 2. Labor &amp; Benefits Component Adjustment Factor - non-CBA labor (VRS)

|                            |          |          |
|----------------------------|----------|----------|
| Updated annual costs       | \$ 14.35 | \$ 14.84 |
| One Time Adjustment (2011) |          |          |
| Adjustment Factor          | 1.028    | 1.034    |

*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 | \$ 3.18 | \$ 3.80 |
| Adjustment Factor          | 1.300   | 1.197   |

## Fuel Adjustment

|                    |         |         |
|--------------------|---------|---------|
| Updated Fuel Costs | \$ 0.69 | \$ 0.87 |
| Adjustment Factor  | 1.269   | 1.256   |

*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 &amp; Maintenance

|  |          |          |
|--|----------|----------|
| Updated Other cost per ton   | \$ 15.78 | \$ 16.19 |
| Adjustment factor for Other O&M Component = $1 + 0.80 \times$<br>[(Average CPI-U for 12-month period for then-current Rate<br>% Change | 1.013    | 1.026    |
|  | 1.67%    | 3.25%    |

Annual Compensation Adjustment Schedule for 2013

| TRANSPORTATION COST SUMMARY     | # Hauls | Avg Pyld | Tonnage | Year 2              |            | Year 3              |  |
|---------------------------------|---------|----------|---------|---------------------|------------|---------------------|--|
|                                 |         |          |         | 2012                |            | 2013                |  |
|                                 |         |          |         | Cost/Ton-Mile       | Adjustment | Cost/Ton-Mile       |  |
| Solid Waste Transport Fee       | 10,864  | 24.0     | 260,801 | \$ 1.117            | 5.3%       | \$ 1.18             |  |
| Inerts Transport Fee            | 288     | 22.0     | 6,317   | \$ 1.151            | 5.3%       | \$ 1.21             |  |
| C&D Transport Fee               | 860     | 22.0     | 18,918  | \$ 0.757            | 5.8%       | \$ 0.80             |  |
| Plant Matls Trans Fee - Newby   | 1,281   | 24.0     | 30,747  | \$ 0.674            | 5.8%       | \$ 0.71             |  |
| Plant Matls Trans Fee - Grover  | 1,282   | 24.0     | 30,747  | \$ 0.417            | 6.8%       | \$ 0.45             |  |
| Organic Matl Trans Fee - Newby  | 232     | 22.0     | 5,098   | \$ 0.822            | 5.8%       | \$ 0.87             |  |
| Organic Matl Trans Fee - Grover | 232     | 22.0     | 5,098   | \$ 0.466            | 6.8%       | \$ 0.50             |  |
| BioFuel - Livermore             | -       | 24.0     |         | \$ -                |            | \$ 0.58             |  |
| Plant Matls Trans Fee-Zanker    |         |          |         | \$ -                |            | \$ 0.71             |  |
| Blended Total                   |         |          | 357,725 | \$ 0.933            | 5.4%       | \$ 0.98             |  |
| <b>Total Cost</b>               |         |          |         | <b>\$ 5,980,895</b> |            | <b>\$ 6,300,946</b> |  |
| <b>Cost / Ton</b>               |         |          |         | <b>\$ 16.72</b>     |            | <b>\$ 17.61</b>     |  |
| <b>Total Cost Increase %</b>    |         |          |         | <b>5.2%</b>         |            | <b>5.4%</b>         |  |

Adjust Transportation Fees (Attachment 12-A, Section 4)

|   | 2012                  |                          | 2013                  |
|---|-----------------------|--------------------------|-----------------------|
| <b>Note: The labor components for each of the six transport fees shall be adjusted using the same factor from the SW Fee.</b> | <b>Adjstuted Cost</b> | <b>Adjustment Factor</b> | <b>Adjstuted Cost</b> |

Direct Labor Component for Solid Waste Transport Fee

|   |                     |              |                     |
|---|---------------------|--------------|---------------------|
| Wages for CBA Labor                                   | \$ 1,480,049        | 1.041        | \$ 1,541,123        |
| Benefits for CBA Labor                                | \$ 609,109          | 1.081        | \$ 658,363          |
| WC Insurance  | \$ 159,543          | 1.034        | \$ 164,988          |
| Payroll Taxes   | \$ 125,171          | 1.000        | \$ 130,336          |
| <b>Total</b>  | <b>\$ 2,373,872</b> | <b>1.051</b> | <b>\$ 2,494,810</b> |
| Tons/Year   |                     |              |                     |
| Cost/Ton  | \$ 9.10             |              | \$ 9.57             |
| Adjstuted Labor for MSW Transport Fee (cost/ton/mile) | \$ 0.700            | 1.051        | \$ 0.736            |

| Operating Ratio                              | 2012              |                   | 2013                       |  |
|--|-------------------|-------------------|----------------------------|--|
|  | Cost per Ton-Mile | Adjustment Factor | Adjusted Cost per Ton-Mile |  |
| <b>MSW Transport Fee (OX)</b>                |                   |                   |                            |  |
| Labor component                              | \$ 0.700          | 1.05              | \$ 0.7358                  |  |
| Fuel   | \$ 0.054          | 1.26              | \$ 0.0673                  |  |
| Depreciation (Att. 8-B / Form 3-C Equipment) | \$ 0.085          | 1.00              | \$ 0.0851235               |  |
| Other O&M Component \$ 588,524               | \$ 0.167          | 1.03              | \$ 0.17110                 |  |
| Clerical CBA wages & benefits \$ 73,875      | \$ 0.023          | 1.05              | \$ 0.0244                  |  |
| <b>Total Operating Cost</b>                  | <b>\$ 1.029</b>   |                   | <b>\$ 1.0837</b>           |  |
| Profit per Operating Ratio (Form 3-G) 92.1%  | \$ 0.088          |                   | \$ 0.0930                  |  |
| <b>Total SW Transportation Fee</b>           | <b>\$ 1.117</b>   | <b>5.3%</b>       | <b>\$ 1.17667</b>          |  |

Inert Transport Fee (OX)

|  |                 |             |                 |
|--|-----------------|-------------|-----------------|
| Labor component                              | \$ 0.668        | 1.051       | \$ 0.702        |
| Fuel   | \$ 0.059        | 1.256       | \$ 0.074        |
| Depreciation (Att. 8-B / Form 3-C Equipment) | \$ 0.085        | 1.000       | \$ 0.085        |
| Other O&M Component \$ 17,976                | \$ 0.210        | 1.026       | \$ 0.215        |
| Clerical CBA wages & benefits \$ 2,256       | \$ 0.029        | 1.052       | \$ 0.031        |
| <b>Total Operating Cost</b>                  | <b>\$ 1.051</b> |             | <b>\$ 1.107</b> |
| Profit per Operating Ratio (Form 3-G) 91.3%  | \$ 0.100        |             | \$ 0.105        |
| <b>Total Inert Transportation Fee</b>        | <b>\$ 1.151</b> | <b>5.3%</b> | <b>\$ 1.212</b> |

C&D Transport Fee (Zanker Road)

|  |                 |             |                 |
|--|-----------------|-------------|-----------------|
| Labor component                              | \$ 0.477        | 1.051       | \$ 0.502        |
| Fuel   | \$ 0.050        | 1.256       | \$ 0.062        |
| Depreciation (Att. 8-B / Form 3-C Equipment) | \$ 0.048        | 1.000       | \$ 0.048        |
| Other O&M Component \$ 47,028                | \$ 0.104        | 1.026       | \$ 0.107        |
| Clerical CBA wages & benefits \$ 5,903       | \$ 0.014        | 1.052       | \$ 0.015        |
| <b>Total Operating Cost</b>                  | <b>\$ 0.693</b> |             | <b>\$ 0.734</b> |
| Profit per Operating Ratio (Form 3-G) 91.6%  | \$ 0.064        |             | \$ 0.067        |
| <b>Total C&amp;D Transportation Fee</b>      | <b>\$ 0.757</b> | <b>5.8%</b> | <b>\$ 0.801</b> |

## Annual Compensation Adjustment Schedule for 2013

|  | Year 2                |             | Year 3                |  |
|--|-----------------------|-------------|-----------------------|--|
|  | 2012<br>Cost/Ton-Mile | Adjustment  | 2013<br>Cost/Ton-Mile |  |
| <b>TRANSPORTATION COST SUMMARY</b>                 |                       |             |                       |  |
| <b>Plant Materials Transport Fee - Newby Is</b>    |                       |             |                       |  |
| Labor component                                    | \$ 0.413              | 1.051       | \$ 0.434              |  |
| Fuel   | \$ 0.045              | 1.256       | \$ 0.057              |  |
| Depreciation (Att. 8-B / Form 3-C Equipment)       | \$ 0.044              | 1.000       | \$ 0.044              |  |
| Other O&M Component                                | \$ 0.102              | 1.026       | \$ 0.104              |  |
| Clerical CBA wages & benefits                      | \$ 0.014              | 1.052       | \$ 0.015              |  |
| <b>Total Operating Cost</b>                        | <b>\$ 0.619</b>       |             | <b>\$ 0.655</b>       |  |
| Profit per Operating Ratio (Form 3-G)              | 91.8%                 |             | \$ 0.058              |  |
| <b>Total Plant Material Transportation Fee</b>     | <b>\$ 0.674</b>       | <b>5.8%</b> | <b>\$ 0.713</b>       |  |
| <b>Plant Materials Transport Fee - Grover</b>      |                       |             |                       |  |
| Labor component                                    | \$ 0.245              | 1.051       | \$ 0.258              |  |
| Fuel   | \$ 0.045              | 1.256       | \$ 0.057              |  |
| Depreciation (Att. 8-B / Form 3-C Equipment)       | \$ 0.029              | 1.000       | \$ 0.029              |  |
| Other O&M Component                                | \$ 0.056              | 1.026       | \$ 0.057              |  |
| Clerical CBA wages & benefits                      | \$ 0.008              | 1.052       | \$ 0.008              |  |
| <b>Total Operating Cost</b>                        | <b>\$ 0.383</b>       |             | <b>\$ 0.409</b>       |  |
| Profit per Operating Ratio (Form 3-G)              | 91.8%                 |             | \$ 0.037              |  |
| <b>Total Plant Material Transportation Fee</b>     | <b>\$ 0.417</b>       | <b>6.8%</b> | <b>\$ 0.445</b>       |  |
| <b>Organic Material Transport Fee - Newby Is</b>   |                       |             |                       |  |
| Labor component                                    | \$ 0.516              | 1.051       | \$ 0.543              |  |
| Fuel   | \$ 0.050              | 1.256       | \$ 0.063              |  |
| Depreciation (Att. 8-B / Form 3-C Equipment)       | \$ 0.044              | 1.000       | \$ 0.044              |  |
| Other O&M Component                                | \$ 0.110              | 1.026       | \$ 0.113              |  |
| Clerical CBA wages & benefits                      | \$ 0.015              | 1.052       | \$ 0.016              |  |
| <b>Total Operating Cost</b>                        | <b>\$ 0.736</b>       |             | <b>\$ 0.779</b>       |  |
| Profit per Operating Ratio (Form 3-G)              | 89.5%                 |             | \$ 0.091              |  |
| <b>Total Organic Material Transportation Fee</b>   | <b>\$ 0.822</b>       | <b>5.8%</b> | <b>\$ 0.870</b>       |  |
| <b>Organic Material Transport Fee - Grover</b>     |                       |             |                       |  |
| Labor component                                    | \$ 0.267              | 1.051       | \$ 0.281              |  |
| Fuel   | \$ 0.049              | 1.256       | \$ 0.062              |  |
| Depreciation (Att. 8-B / Form 3-C Equipment)       | \$ 0.031              | 1.000       | \$ 0.031              |  |
| Other O&M Component                                | \$ 0.061              | 1.026       | \$ 0.062              |  |
| Clerical CBA wages & benefits                      | \$ 0.008              | 1.052       | \$ 0.009              |  |
| <b>Total Operating Cost</b>                        | <b>\$ 0.417</b>       |             | <b>\$ 0.446</b>       |  |
| Profit per Operating Ratio (Form 3-G)              | 89.5%                 |             | \$ 0.052              |  |
| <b>Total Organic Material Transportation Fee</b>   | <b>\$ 0.466</b>       | <b>6.8%</b> | <b>\$ 0.498</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>\$ 0.489</b>       |             | <b>\$ 0.519</b>       |  |
| Profit per Operating Ratio (Form 3-G)              | 89.5%                 |             | \$ 0.061              |  |
| <b>Total BioFuel Material Transportation Fee</b>   | <b>\$ 0.546</b>       | <b>6.3%</b> | <b>\$ 0.58034</b>     |  |
| <b>Plant Materials Transport Fee - Zanker Road</b> |                       |             |                       |  |
| Labor component                                    | \$ 0.413              | 1.051       | \$ 0.434              |  |
| Fuel   | \$ 0.045              | 1.256       | \$ 0.057              |  |
| Depreciation (Att. 8-B / Form 3-C Equipment)       | \$ 0.044              | 1.000       | \$ 0.044              |  |
| Other O&M Component                                | \$ 0.102              | 1.026       | \$ 0.104              |  |
| Clerical CBA wages & benefits                      | \$ 0.014              | 1.052       | \$ 0.015              |  |
| <b>Total Operating Cost</b>                        | <b>\$ 0.619</b>       |             | <b>\$ 0.654</b>       |  |
| Profit per Operating Ratio (Form 3-G)              | 91.8%                 |             | \$ 0.058              |  |
| <b>Total Plant Material Transportation Fee</b>     | <b>\$ 0.674</b>       | <b>5.7%</b> | <b>\$ 0.713</b>       |  |

**Annual Compensation Adjustment Schedule for 2013**

**Indices**

- 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. CIU203000000000A).*

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

|             | 2009  | 2010  | 2011  | 2012  | 2013  |
|-------------|-------|-------|-------|-------|-------|
| Use- Factor | 1.027 | 1.021 | 1.014 | 1.028 | 1.034 |

- 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 ended 2005)*

**Direct Labor (after CBAs expire)**

|             | 2009  | 2010  | 2011  | 2012  | 2013  |
|-------------|-------|-------|-------|-------|-------|
| Use- Factor | 1.027 | 1.021 | 1.016 | 1.032 | 1.022 |

- 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).*

**Fuel**

|             | 2009  | 2010  | 2011  | 2012  | 2013  |
|-------------|-------|-------|-------|-------|-------|
| Use- Factor | 1.258 | 0.985 | 0.760 | 1.269 | 1.256 |

- 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).*

**Other O&M**

|             | 2009  | 2010  | 2011  | 2012  | 2013  |
|-------------|-------|-------|-------|-------|-------|
| Use- Factor | 1.034 | 1.024 | 1.005 | 1.017 | 1.032 |

**Annual Compensation Adjustment Schedule for 2013**

**Electric Power Cost Adjustment**

**PG&E**

| Year                   | Apr-11    | Apr-12    | Apr-13 |
|------------------------|-----------|-----------|--------|
| Total Bill             | \$ 22,973 | \$ 19,966 |        |
| KWH                    | 156,051   | 122,995   |        |
| Rate / KWH             | \$ 0.1472 | \$ 0.162  |        |
| % increase vs Prior Yr | 30.03%    | 10.27%    |        |
| Adjustment Factor      | 1.300     | 1.103     |        |

**ISH (Solar)**

| Year                   | Apr-11 | Apr-12    | Apr-13 |
|------------------------|--------|-----------|--------|
| Total Bill             |        | \$ 23,562 |        |
| KWH                    |        | 124,011   |        |
| Rate / KWH             |        | \$ 0.190  |        |
| % increase vs Prior Yr |        |           |        |
| Adjustment Factor      |        |           |        |

**Blended**

| Year                   | Apr-11    | Apr-12        | Apr-13 |
|------------------------|-----------|---------------|--------|
| Total Bill             | \$ 22,973 | \$ 43,528     |        |
| KWH                    | 156,051   | \$ 247,006    |        |
| Rate / KWH             | \$ 0.1472 | \$ 0.176      |        |
| % increase vs Prior Yr | 30.03%    | <b>19.70%</b> |        |
| Adjustment Factor      | 1.300     | 1.197         |        |