



**SBWMA FINAL REPORT**

**REVIEW OF**

**SOUTH BAY RECYCLING**

**2015 COMPENSATION APPLICATION**

September 25, 2014

# **TABLE OF CONTENTS**

## **SECTION 1. BACKGROUND**

<b>A. Shoreway Operations Agreement Terms .....</b>	<b>1</b>
<b>B. Calculation of Total Collection Revenue Requirement .....</b>	<b>1</b>
<b>C. Description of Cost Components .....</b>	<b>2</b>
<b>D. Cost Adjustment Process .....</b>	<b>2</b>
<b>E. Commodity Revenue Sharing .....</b>	<b>3</b>

## **SECTION 2. SOUTH BAY RECYCLING 2015 COMPENSATION APPLICATION**

<b>A. Analysis of SBR 2015 Compensation Application .....</b>	<b>4</b>
<b>B. Description of 2015 Compensation Adjustments .....</b>	<b>4</b>
<b>C. Changes to Annual Labor Costs .....</b>	<b>6</b>
<b>D. Pass-Through Costs .....</b>	<b>6</b>

## **SECTION 3. RECOMMENDED SBR FEES / TON FOR 2015**

### **APPENDICES**

#### **APPENDIX A – SBR COST ADJUSTMENT WORKSHEETS**

**SECTION 1. Background**

**A. Shoreway Operations Agreement Terms**

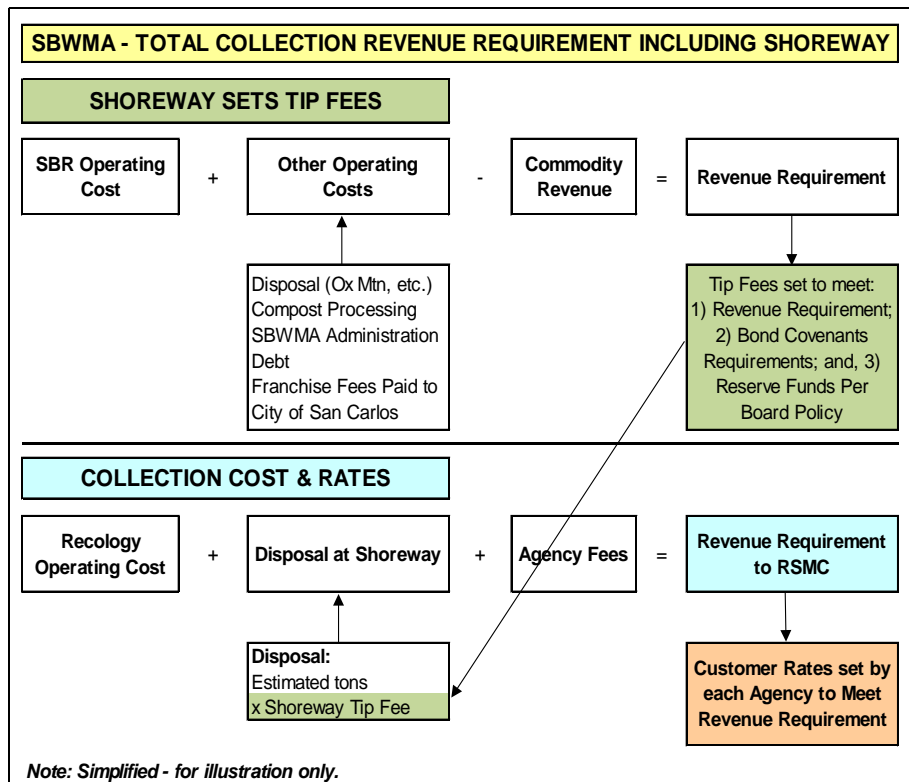
South Bay Recycling, LLC (SBR) was selected as the facility operator on April 23, 2009, and a final Shoreway Operations Agreement (“Agreement”) was approved by the Board on July 23, 2009. Article 7 and Attachments 13-A and B of the Agreement prescribe that the SBWMA is responsible for conducting the 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 thorough review to ensure the application is complete and follows the proscribed compensation adjustment methodology in the Operations Agreement to arrive at the recommended 2015 fees contained in this report. This rate application provides the basis for adjusting SBR’s approved 2014 fees per ton for the rate year of 2015. SBR is paid monthly based on the approved fees per ton times the actual number of tons processed and transported.

**B. Calculation of Total Collection Revenue Requirement**

The approved 2015 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 2015 Shoreway Tip Fees which are considered at the November SBWMA Board meeting each year. No tip fee increases are planned at this time for 2015.

The 2015 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 solid waste rates for 2015. These costs are described in detail in “Other Pass-Through Costs” in the 2015 Recology Draft Rate Report and are the result of the estimated tipping fees charged on projected tonnage delivered to the Shoreway facility.

The figure below graphically shows how the Shoreway tipping fees are related to the calculation of the Member Agency revenue requirements.



## C. Description of Cost Components

As described in Article 7.03 of the Agreement, SBR's basic compensation includes fees per ton for the three core services provided:

- Transfer Station Processing
- Recyclable Materials Processing
- Transportation

As described in Attachment 13-A of the Agreement, the above fee categories are each comprised of four distinct cost components:

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

Three of these cost components (i.e., labor, fuel and power, and other operating and maintenance costs), in turn, have subcomponents as follows:

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

## D. 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 adjustments were tied to standard indexes (i.e., CPI). 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 2014 Fees as the basis for adjustment to the new 2015 Fees. As detailed in the Agreement, the adjustment process for the 2015 Fees structure is illustrated in the chart on the next page.

SBWMA - CONTRACTOR COST ADJUSTMENT PROCESS			
Shoreway Operations Contract - SBR			
BASE COST - 2014		ADJUSTMENT	2015 CONTRACTORS COMPENSATION
CBA: TS/MRF, 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.*

## E. Commodity Revenue Sharing

The commodity revenues from the recyclable materials processed at the Shoreway MRF are split between SBWMA and SBR; SBR receives a share of the MRF commodity revenues as an incentive to maintain high recovery and obtain the best commodity sales prices. SBR receives this Commodity Revenue Share only after paying 100% of the commodity revenue to the SBWMA to fulfill the contractual obligation of the \$5.5 million Revenue Guarantee.

In year 2014, the Commodity Revenue Share to SBR was twenty-eight (28%) percent of the total commodity revenue above the guarantee. As a result of the MRF's high recovery in 2015, 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 2014, the residue rate remained at 7% and subsequently the revenue share remains at 28% in 2015. (Note: the actual value of the revenue share is not shown in this report, since it is based on all of 2014 actual tonnage and commodity revenue. It is estimated in the SBWMA annual budget and calendar year projections). The revenue share to SBR for 2013 was \$1,422,795.

## **SECTION 2. South Bay Recycling 2015 Compensation Application**

### **A. Analysis of SBR 2015 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 approved. Staff has verified that the SBR Rate Application is complete and meets the requirements of the Agreement. The results of the review and recommended rate adjustment are summarized in **Table 1** below.

Table 1 2014 Year Payment/Ton vs. 2015 Adjusted Payment/Ton					
South Bay Recycling	2014		Rate Adjustment	2015	
Operating Cost	Total Cost	Payment/Ton	%	Total Costs	Payment/Ton
Transfer Station	\$ 4,430,873	\$ 12.39	1.6%	\$ 4,502,919	\$ 12.59
Recyclable Materials Processing, net of Residue	\$ 5,680,286	\$ 76.74	1.7%	\$ 5,778,311	\$ 78.06
Transport ( <i>cost/ton-mile</i> )	\$ 6,421,734	\$ 1.06	1.3%	\$ 6,508,106	\$ 1.07
<i>Transport (cost/ton)</i>	-	\$ 17.95	1.3%	-	\$ 18.19
<b>Total Operating Cost</b>	<b>\$ 16,532,892</b>		<b>1.6%</b>	<b>\$ 16,789,336</b>	
<b>Contractor Pass-Through Costs</b>					
Total Interest	\$ 226,505		-13.3%	\$ 196,470	
Buyback Payments Estimate	\$ 1,322,230		0.0%	\$ 1,322,230	
<b>Total Contractor Pass-Through Cost</b>	<b>\$ 1,548,735</b>		<b>-1.9%</b>	<b>\$ 1,518,700</b>	
<b>Total Compensation</b>	<b>\$ 18,081,627</b>		<b>1.3%</b>	<b>\$ 18,308,036</b>	

*Note: The transportation Operating Cost line is shown as a cost/ton-mile*

In aggregate, the recommended compensation adjustment for SBR is 1.3%, as compared to 2.9% in 2014. The lower percentage increase is largely due to the expiration of one of the CBA's (MRF and Transfer Station Operators CBA expires 12/31/14) and the subsequent change in the Labor Cost adjustment switching from a non-indexed to indexed adjustment. The other CBAs had expired in 2013 and reverted to index adjustment for 2014. (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 total cost change due to price only could not be calculated. SBR is paid the approved fee per ton on the **actual** tons received at the Shoreway facility).

### **B. Description of 2015 Compensation Adjustments**

Costs in the current compensation application are adjusted primarily based on changes in indexes.

Cost categories are adjusted based on the following criteria:

- Labor Cost (CBA for Operators, 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 2015 rates are summarized in **Table 2** on the following page. A summary of the cost adjustments for 2015 by all cost categories are summarized in **Table 3** on page 6 of this report.

Table 2 Cost Adjustment for Index Changes				
<b>COST CATEGORY</b>				
<b>LABOR COSTS: CBAs Wages &amp; Benefits</b>				
1	<i>Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. (cis201s000000000i))</i>			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Avg. Index - April	119.78	117.55	115.33	112.88
% Change	1.89%	1.93%	2.17%	3.22%
<b>LABOR COSTS: Workers Comp. and Outside Contracted Workers from Third Party (VRS)</b>				
2	<i>Index for Total All workers (not seasonally adjusted, total benefits, series no. CIU2030000000000A).</i>			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Avg. Index - April	120.50	118.07	115.90	112.08
% Change	2.06%	1.87%	3.41%	2.75%
<b>FUEL COSTS: Fuel</b>				
3	<i>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. cuur0000sa).</i>			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Index	314.87	323.28	325.80	259.5
% Change	-2.601%	-0.78%	25.57%	26.93%
<b>OTHER OPERATING AND MAINTENANCE COSTS</b>				
4	<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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Index (Annual)	234.15	230.76	226.93	219.79
% Change	1.47%	1.69%	3.25%	1.67%
<b>DEPRECIATION - there is no adjustment to depreciation expense in 2015.</b>				

**Table 3  
Results of Cost Adjustments**

*The 2014 cost components are adjusted to arrive at 2015 costs. For all four CBA contracts indexes are used to adjust cost. Contractor compensation is based on 2015 cost per ton. Payment is based on the calculated cost per ton and the actual monthly tons.*

<u>Cost Category</u>	<u>Adjustment</u>	<u>Basis for Adjustment</u>	<u>Explanation</u>
Direct Labor - (all CBAs)			
Wages	1.9%	Index	CBA wages compensation adjustment based on index change.
Benefits	1.9%	Index	CBA benefits compensation adjustment based on index change.
Worker's Comp Insurance	2.1%	Index	Workers compensation adjustment based on index change.
Payroll Tax	1.9%	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. The tax rate did not change.
Direct Labor - non-CBA (VRS)	2.1%	Index	Non-CBA (VRS) compensation adjustment based on index change.
Power	3.8%	PG&E & Solar Rates	Power is adjusted by the blend of actual PG&E electricity rates and the Solar Power rate.
Fuel	-2.6%	Index	Fuel expense is adjusted by the actual change in the fuel index.
Depreciation	0.0%	n/a	There is no adjustment to depreciation.
Other Operations & Maintenance	1.5%	Index	Other O&M expense includes non-CBA personnel, maintenance parts, insurance, general office expense, safety, etc. Other O&M expense is adjusted by 80% of 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 four CBA agreements.*

### C. Changes to Annual Labor Costs

CBA wage and benefits are adjusted based on index changes. Since the labor cost component is the largest cost component in SBR's compensation the modest rate increase for 2015 can be attributed to all of the labor cost switching from a non-index to an index adjustment.

<u>CBA Expiration Dates By Job Classification</u>			
<u>Contractor</u>	<u>Job Classification</u>	<u>Local 350 CBA Expiration Date</u>	<u>Start of Labor Indexed Compensation</u>
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, 2014

### D. 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 2015 is \$196,470, a 13% reduction from 2014.
- Payments to buyback customers for purchase of recyclables are also a pass-through expense. Actual buyback payments to public customers will be reimbursed monthly in arrears.
- Additionally, any changes to regulatory fees would be a pass-through cost.



**SECTION 3. Recommended SBR Fees / Ton for 2015**

Staff recommends that the Board approve the following fees per ton for 2015:

- **Transfer Station Processing Fee.** The 2015 Transfer Station fee is \$12.59 per Ton.

Table 4 SBR - 2015 Fee Adjustments to Basic Compensation			
	2014	Fee Adjustment	2015
<u>Cost Components</u>	<u>Payment/Ton</u>	<u>%</u>	<u>Payment/Ton</u>
Transfer Station	\$ 12.39	1.6%	\$ 12.59
Recyclable Materials Processing, gross	\$ 81.32	1.7%	\$ 82.73
Transport (cost/ton-mile)	\$ 1.060	1.3%	\$ 1.075
<i>Transport (cost/ton)</i>	<i>\$ 17.95</i>	<i>0.0%</i>	<i>\$ 17.95</i>
<b>Total Adjustment</b>		<b>1.6%</b>	

- **Recyclable Materials Processing Fee.** The 2015 MRF Processing fee is \$82.73 per ton (note the Contractor pays for MRF residue transportation and disposal which is deducted from MRF Processing Fee resulting in a Net MRF Estimated Cost shown in **Table 5**).

Table 5 Recyclable Materials Processing Fee Breakout			
	2014	Fee Adjustment	2015
<u>COST COMPONENTS</u>	<u>Payment/Ton</u>	<u>%</u>	<u>Payment/Ton</u>
Recyclable Materials Processing, gross	\$ 81.32	1.7%	\$ 82.73
MRF residue (estimate)	\$ 4.58	1.9%	\$ 4.66
<b>Net MRF Estimate Cost</b>	<b>\$ 76.74</b>	<b>1.8%</b>	<b>\$ 78.06</b>
<i>Note: Actual MRF residue is deducted from the gross MRF rate shown above.</i>			

- **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 2015 Transportation fee is \$1.075 per ton mile or approximately \$17.95 per ton.

APPENDIX A

<b>SOUTH BAY RECYCLING, LLC</b>			
<b>Annual Compensation Adjustment Schedule for 2015</b>			
<b>SUMMARY OF FEES - 2014 to 2015</b>			
	<b>2014</b>	<b>2015</b>	<b>% Increase</b>
<b>Cost per Ton Fees</b>			
Transfer Station	\$ 12.39	\$ 12.59	1.6%
MRF (net residue)	\$ 76.74	\$ 78.06	1.7%
Transportation (cost / ton-mile)	\$ 1.060	\$ 1.075	1.3%
Transportation (cost / ton)	\$ 17.952	\$ 18.193	1.3%
<b>Total Cost Estimate by LOB</b>			
Transfer Station	\$ 4,430,873	\$ 4,502,919	1.6%
MRF (net residue)	\$ 5,680,286	\$ 5,778,311	1.7%
Transportation	\$ 6,421,734	\$ 6,508,106	1.3%
<b>Total Operating Cost</b>	<b>\$ 16,532,893</b>	<b>\$ 16,789,336</b>	<b>1.6%</b>
<b>Pass-Through Costs</b>			
Total Interest	\$ 226,505	\$ 196,470	-13.3%
Buyback Payment (estimate)	\$ 1,322,230	\$ 1,322,230	
<b>Total Pass-Through Cost</b>	<b>\$ 1,548,735</b>	<b>\$ 1,518,700</b>	<b>-1.9%</b>
<b>Total Estimated Compensation</b>	<b>\$ 18,081,628</b>	<b>\$ 18,308,036</b>	<b>1.3%</b>

*note: the blended 2014 cost / ton-mile above has been recalculated based on the full list of destinations. This does not affect the actual individual rates or payment to SBR.*

<b>Detail Transportation Fees</b>	<b>2014</b>	<b>2015</b>	<b>% Increase</b>
<b>Cost/Ton-Mile</b>			
MSW to OX Mtn.	\$ 1.194	\$ 1.210	1.4%
Inert to OX Mtn.	\$ 1.230	\$ 1.246	1.3%
C&D to Zanker Road	\$ 0.894	\$ 0.906	1.3%
Plant Materials to Newby	\$ 0.723	\$ 0.733	1.3%
Plant Materials to Grover	\$ 0.451	\$ 0.456	1.1%
Organics to Newby	\$ 0.883	\$ 0.895	1.3%
Organics to Grover	\$ 0.504	\$ 0.510	1.1%
Self-haul Biomass to Biofuel	\$ 0.589	\$ 0.596	1.2%
Plant Materials to Zanker	\$ 0.723	\$ 0.732	1.3%

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2015**

	Transfer Station	
	2014 Cost / Ton	2015 Cost / Ton
<b>SUMMARY OF ANNUAL FEE ADJUSTMENTS</b>		
<b>1. Direct Labor - CBA</b>		
Wages	\$ 4.71	\$ 4.80
Benefits	\$ 2.37	\$ 2.40
W/C	\$ 0.64	\$ 0.65
PR Tax	\$ 0.41	\$ 0.42
<b>Total CBA Labor Cost</b>	<b>\$ 8.13</b>	<b>\$ 8.28</b>
2. Power	\$ 0.68	\$ 0.71
3. Fuel	\$ 0.40	\$ 0.39
4. Depreciation	\$ 0.29	\$ 0.29
5. Other O&M	\$ 1.72	\$ 1.74
6. Clerical CBA Wages & Benefits	\$ 0.36	\$ 0.37
<b>Total Operating</b>	<b>\$ 11.58</b>	<b>\$ 11.77</b>
Profit	\$ 0.80	\$ 0.82
Profit %	6.9%	6.9%
<b>Total Operating Cost</b>	<b>\$ 12.39</b>	<b>\$ 12.59</b>
% Increase	5.32%	1.58%
<b>Total Cost Estimate</b>	<b>\$ 4,430,873</b>	<b>\$ 4,502,919</b>

Note: cost / ton is fixed; total cost varies based on tonnage

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

**1. Labor Cost Component Adjustment Factors**

Wages for Direct Labor		
Updated direct labor cost per ton	\$ 4.71	\$ 4.80
Adjustment Factor for Wages Direct Labor	1.086	1.019
% Increase	8.6%	1.9%
Benefits for Direct Labor		
Updated annual benefit cost per ton	\$ 2.37	\$ 2.44
Adjustment Factor for Benefits	1.051	1.029
% Increase	5.14%	2.93%
One Time True Up (Rate Year 2015)		\$ (0.03)
Workers Compensation Insurance for Direct Labor		
Updated annual benefit cost per ton	\$ 0.64	\$ 0.65
Adjustment Factor	1.019	1.021
<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. CIU203000000000A).</i>		
Payroll Taxes for Direct Labor		
Updated Paryoll Tax cost per Ton	\$ 0.41	\$ 0.42
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%
Adjustment Factor	1.000	1.000

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2015**

Transfer Station	
2014	2015
Cost / Ton	Cost / Ton

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

Power Adjustment

Updated Power cost per ton	\$ 0.68	\$ 0.71
Adjustment Factor	1.045	1.038

Fuel Adjustment

Updated Fuel cost per ton	\$ 0.40	\$ 0.39
Adjustment Factor	0.992	0.974

*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**

**4. Other Operating & Maintenance**

Updated Other cost per ton	\$ 1.72	\$ 1.74
Adjustment Factor @ 80% of Index	1.013	1.012

<b>SOUTH BAY RECYCLING, LLC</b>		
<b>Annual Compensation Adjustment Schedule for 2015</b>		
	<b>MRF</b>	
	<b>2014</b>	<b>2015</b>
	<b>Cost / Ton</b>	<b>Cost / Ton</b>
<b>SUMMARY OF ANNUAL FEE ADJUSTMENTS</b>		
<b>1. Direct Labor - CBA</b>		
Wages	\$ 17.73	\$ 18.07
Benefits	\$ 9.30	\$ 9.44
Workers Comp	\$ 2.53	\$ 2.59
PR Tax	\$ 1.70	\$ 1.74
<b>Total CBA Labor Cost</b>	<b>\$ 31.27</b>	<b>\$ 31.84</b>
2. Third Party Wages & Benefits (VRS)	\$ 15.11	\$ 15.43
3. Power	\$ 3.97	\$ 4.12
4. Fuel	\$ 0.86	\$ 0.84
5. Depreciation	\$ 1.91	\$ 1.91
6. Other O&M	\$ 16.41	\$ 16.60
7. Clerical CBA Wages & Benefits	\$ 1.74	\$ 1.77
<b>Total Operating</b>	<b>\$ 71.26</b>	<b>\$ 72.49</b>
Profit	\$ 5.47	\$ 5.57
Profit %	7.7%	7.7%
<b>Total Operating Cost Per Ton (excluding residue)</b>	<b>\$ 76.74</b>	<b>\$ 78.06</b>
% Increase	3.70%	1.73%
<b>Total Estimated Operator Cost (excluding residue)</b>	<b>\$ 5,680,286</b>	<b>\$ 5,778,311</b>
<b><u>MRF Residue Paid by SBR</u></b>		
Disposal Fees	\$ 3.57	\$ 3.65
Transfer & Haul	\$ 1.01	\$ 1.02
Total MRF Residue expense	\$ 4.58	\$ 4.66
<b>Total Cost with MRF Residue</b>	<b>\$ 81.32</b>	<b>\$ 82.73</b>

Note: cost / ton is fixed; total cost varies based on tonnage

Ox Mtn. disposal tip fee adjusted to actual rate for 2014

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

	<b>2014</b>	<b>2015</b>
	<b>Cost / Ton</b>	<b>Cost / Ton</b>
<b>1. Labor Cost Component Adjustment Factors</b>		
Updated annual labor for direct labor	\$ 17.73	\$ 18.07
Adjustment Factor	1.076	1.019
% Increase	7.6%	1.9%
One Time True Up (Rate Year 2015)		\$ 0.00
Benefits for Direct Labor		
Updated annual benefit cost per ton	\$ 9.30	\$ 9.57
Adjustment Factor	1.051	1.029
% Increase	5.14%	2.93%
One Time True Up (Rate Year 2015)		\$ (0.13)

**SOUTH BAY RECYCLING, LLC**  
**Annual Compensation Adjustment Schedule for 2015**

MRF	
2014	2015
Cost / Ton	Cost / Ton

Workers Compensation Insurance for Direct Labor

Updated annual benefit Costs	\$ 2.53	\$ 2.59
Adjustment Factor	1.019	1.021

Payroll Taxes for Direct Labor

Updated Payroll Tax cost per ton	\$ 1.70	\$ 1.74
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	\$ 15.11	\$ 15.43
Adjustment Factor	1.019	1.021

*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	\$ 3.97	\$ 4.12
Adjustment Factor	1.045	1.038

*blend of PGE rate and solar rate*

Fuel Adjustment

Updated Fuel Costs	\$ 0.86	\$ 0.84
Adjustment Factor	0.992	0.974

*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	\$ 16.41	\$ 16.60
Adjustment factor for Other O&M Component = 1 + 0.80 x [(Average CPI-U for 12-month period for then-current Rate % Change in underlying index	1.013	1.012
	1.69%	1.47%

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2015**

TRANSPORTATION COST SUMMARY	2014	Adjustment	2015
	Cost/Ton-Mile		Cost/Ton-Mile
Solid Waste Transport Fee - Ox Mtn.	\$ 1.19	1.4%	\$ 1.21
Inert Transport Fee - Ox Mtn.	\$ 1.23	1.3%	\$ 1.25
C&D Transport Fee - Zanker	\$ 0.89	1.3%	\$ 0.91
Plant Matls Trans Fee - Newby	\$ 0.72	1.3%	\$ 0.73
Plant Matls Trans Fee - Grover	\$ 0.45	1.1%	\$ 0.46
Organic Matl Trans Fee - Newby	\$ 0.88	1.3%	\$ 0.89
Organic Matl Trans Fee - Grover	\$ 0.50	1.1%	\$ 0.51
Biomass Trans Fee - Biofuel	\$ 0.59	1.2%	\$ 0.60
Plant Matls Trans Fee - Zanker	\$ 0.72	1.3%	\$ 0.73
Blended Total	\$ 1.06	1.3%	\$ 1.07
<b>Total Cost Estimate</b>	<b>\$ 6,421,734</b>	1.3%	<b>\$ 6,508,106</b>
Cost / Ton	\$ 17.95	1.3%	\$ 18.19
Total Cost Increase %	1.9%		1.3%

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

	2014	Adjustment Factor	2015
	Adjusted Cost		Adjusted Cost
<b>Direct Labor Component for All Transport Fees</b>			
Wages for CBA Labor	\$ 1,570,856	1.0189	\$ 1,600,589
Benefits for CBA Labor	\$ 670,662	1.0189	\$ 683,357
WC Insurance	\$ 168,070	1.0206	\$ 171,536
Payroll Taxes	\$ 132,898	1.0000	\$ 135,414
<b>Total Cost Estimate (SW to Ox)</b>	<b>\$ 2,542,486</b>	<b>1.0190</b>	<b>\$ 2,590,896</b>
Cost/Ton	\$ 9.75		\$ 9.93
Adjusted Labor for MSW Transport Fee (cost/ton-mile)	\$ 0.750	<b>1.0190</b>	\$ 0.764

**Solid Waste Transport Fee (OX)**

Labor component	\$ 0.750	1.019	\$ 0.7641
Fuel	\$ 0.067	0.974	\$ 0.0651
Depreciation	\$ 0.085	1.000	\$ 0.0851
Other O&M Component	\$ 0.173	1.012	\$ 0.1754
Clerical CBA wages & benefits	\$ 0.025	1.019	\$ 0.0251
<b>Total Operating Cost</b>	<b>\$ 1.100</b>	<b>1.4%</b>	<b>\$ 1.1148</b>
Profit per Operating Ratio	\$ 0.094		\$ 0.0956
<b>Total SW Transportation Fee</b>	<b>\$ 1.194</b>	<b>1.4%</b>	<b>\$ 1.21047</b>

**Inert Transport Fee - OX Mtn.**

Labor component	\$ 0.715	1.019	\$ 0.729
Fuel	\$ 0.074	0.974	\$ 0.072
Depreciation	\$ 0.085	1.000	\$ 0.085
Other O&M Component	\$ 0.218	1.012	\$ 0.220
Clerical CBA wages & benefits	\$ 0.031	1.019	\$ 0.032
<b>Total Operating Cost</b>	<b>\$ 1.123</b>	<b>1.3%</b>	<b>\$ 1.138</b>
Profit per Operating Ratio	\$ 0.107		\$ 0.108
<b>Total Inert Transportation Fee</b>	<b>\$ 1.230</b>	<b>1.3%</b>	<b>\$ 1.246</b>

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2015**

TRANSPORTATION COST SUMMARY	2014		2015
	Cost/Ton-Mile	Adjustment	Cost/Ton-Mile
<b>C&amp;D Transport Fee - Zanker Road</b>			
Labor component	\$ 0.563	1.019	\$ 0.5733
Fuel	\$ 0.068	0.974	\$ 0.0660
Depreciation	\$ 0.053	1.000	\$ 0.0530
Other O&M Component	\$ 0.119	1.012	\$ 0.1202
Clerical CBA wages & benefits	\$ 0.017	1.019	\$ 0.0172
<b>Total Operating Cost</b>	<b>\$ 0.819</b>	<b>1.3%</b>	<b>\$ 0.8296</b>
Profit per Operating Ratio	\$ 0.075		\$ 0.0761
<b>Total C&amp;D Transportation Fee</b>	<b>\$ 0.894</b>	<b>1.3%</b>	<b>\$ 0.90571</b>
<b>Plant Materials Transport Fee - Newby Is</b>			
Labor component	\$ 0.442	1.019	\$ 0.4508
Fuel	\$ 0.057	0.974	\$ 0.0551
Depreciation	\$ 0.044	1.000	\$ 0.0442
Other O&M Component	\$ 0.106	1.012	\$ 0.1071
Clerical CBA wages & benefits	\$ 0.015	1.019	\$ 0.0153
<b>Total Operating Cost</b>	<b>\$ 0.664</b>	<b>1.3%</b>	<b>\$ 0.6726</b>
Profit per Operating Ratio	\$ 0.059		\$ 0.0601
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.723</b>	<b>1.3%</b>	<b>\$ 0.73267</b>
<b>Plant Materials Transport Fee - Grover</b>			
Labor component	\$ 0.263	1.019	\$ 0.2677
Fuel	\$ 0.056	0.974	\$ 0.0550
Depreciation	\$ 0.029	1.000	\$ 0.0286
Other O&M Component	\$ 0.058	1.012	\$ 0.0587
Clerical CBA wages & benefits	\$ 0.008	1.019	\$ 0.0084
<b>Total Operating Cost</b>	<b>\$ 0.414</b>	<b>1.1%</b>	<b>\$ 0.4185</b>
Profit per Operating Ratio	\$ 0.037		\$ 0.0374
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.451</b>	<b>1.1%</b>	<b>\$ 0.45584</b>
<b>Organic Material Transport Fee - Newby Is</b>			
Labor component	\$ 0.553	1.019	\$ 0.5635
Fuel	\$ 0.062	0.974	\$ 0.0604
Depreciation	\$ 0.044	1.000	\$ 0.0442
Other O&M Component	\$ 0.115	1.012	\$ 0.1160
Clerical CBA wages & benefits	\$ 0.016	1.019	\$ 0.0166
<b>Total Operating Cost</b>	<b>\$ 0.790</b>	<b>1.3%</b>	<b>\$ 0.8008</b>
Profit per Operating Ratio	\$ 0.093		\$ 0.0939
<b>Total Organic Material Transportation Fee</b>	<b>\$ 0.883</b>	<b>1.3%</b>	<b>\$ 0.89474</b>
<b>Organic Material Transport Fee - Grover</b>			
Labor component	\$ 0.286	1.019	\$ 0.2917
Fuel	\$ 0.062	0.974	\$ 0.0600
Depreciation	\$ 0.031	1.000	\$ 0.0313
Other O&M Component	\$ 0.063	1.012	\$ 0.0640
Clerical CBA wages & benefits	\$ 0.009	1.019	\$ 0.0092
<b>Total Operating Cost</b>	<b>\$ 0.451</b>	<b>1.1%</b>	<b>\$ 0.4561</b>
Profit per Operating Ratio	\$ 0.053		\$ 0.0535
<b>Total Organic Material Transportation Fee</b>	<b>\$ 0.504</b>	<b>1.1%</b>	<b>\$ 0.50961</b>



<b>SOUTH BAY RECYCLING, LLC</b>			
<b>Annual Compensation Adjustment Schedule for 2015</b>			
<b>TRANSPORTATION COST SUMMARY</b>	<b>2014</b>		<b>2015</b>
	<b>Cost/Ton-Mile</b>	<b>Adjustment</b>	<b>Cost/Ton-Mile</b>
<b>Self-Haul Biomass - Biofuel</b>			
<b>Total Operating Cost</b>	<b>\$ 0.527</b>	<b>1.2%</b>	<b>\$ 0.534</b>
Profit per Operating Ratio	\$ 0.062		\$ 0.063
<b>Total Biofuel Material Transportation Fee</b>	<b>\$ 0.589</b>	<b>1.2%</b>	<b>\$ 0.596</b>
<b>Plant Materials Transport Fee - Zanker Road</b>			
Labor component	\$ 0.442	1.019	\$ 0.4508
Fuel	\$ 0.057	0.974	\$ 0.0551
Depreciation	\$ 0.044	1.000	\$ 0.0440
Other O&M Component	\$ 0.106	1.012	\$ 0.1071
Clerical CBA wages & benefits	\$ 0.015	1.019	\$ 0.0153
<b>Total Operating Cost</b>	<b>\$ 0.664</b>	<b>1.3%</b>	<b>\$ 0.6724</b>
Profit per Operating Ratio	\$ 0.059		\$ 0.0601
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.723</b>	<b>1.3%</b>	<b>\$ 0.732</b>

<b>SOUTH BAY RECYCLING, LLC</b>		
<b>Annual Compensation Adjustment Schedule for 2015</b>		
<b>Indexes</b>		
	<b>2014</b>	<b>2015</b>
<i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry</i>		
<b>1</b>	<i>Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. (CIU203000000000i)).</i>	
<b>Workers Compensation &amp; Outside Contracted Workers (VRS)</b>		
Use- Factor	1.019	1.021
<i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry</i>		
<b>2</b>	<i>Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. (cis201s000000000i)).</i>	
<b>Direct Labor (after CBAs expire)</b>		
Use- Factor	1.019	1.019
<i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price</i>		
<b>3</b>	<i>Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. (wpu057303)).</i>	
<b>Fuel</b>		
Use- Factor	0.992	0.974
<i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price</i>		
<b>4</b>	<i>Index – All Urban Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. (cuur0000sa0)).</i>	
<b>Other O&amp;M</b>		
Use- Factor	1.017	1.015

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment Schedule for 2015**

**Department of Labor, Bureau of Statistics Cost Index Detail**

*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. (CIU2030000000000)).*

**Workers Compensation & Third Party Labor (VRS)**

	2012	2013	2014
Average Index	115.90	118.07	120.50
% Change	3.41%	1.87%	2.06%
Q1	116.90	118.16	121.40
Q2	117.60	119.80	
Q3	118.10	120.30	
Q4	118.40	120.50	

*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. (cis201s000000000)).*

**Direct Labor (After CBA)**

	2012	2013	2014
Index 1ST QTR	115.33	117.55	119.78
% Change	2.17%	1.93%	1.89%
Q1	116.30	118.10	120.40
Q2	116.90	119.00	
Q3	117.40	119.50	
Q4	117.80	120.20	

*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**

	2012	2013	2014
Avg Index Apr	325.80	323.28	314.87
% Change	25.55%	-0.78%	-2.6%
Jan	321.60	318.80	308.40
Feb	331.30	341.70	322.00
Mar	343.00	321.20	317.90
Apr	340.00	319.00	318.60
May	325.80	307.70	
Jun	295.40	304.80	
Jul	298.70	311.60	
Aug	324.10	319.30	
Sep	342.40	328.00	
Oct	351.00	318.40	
Nov	323.80	307.00	
Dec	317.40	314.70	

*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. (cuur0000sa0)).*

**Other O&M**

	2012	2013	2014
Avg Index April	226.93	230.76	234.15
% Change	3.25%	1.69%	1.5%
Jan	226.67	230.28	233.92
Feb	227.66	232.17	234.78
Mar	229.39	232.77	236.29
Apr	230.09	232.53	237.07
May	229.82	232.95	
Jun	229.48	233.50	
Jul	229.10	233.60	
Aug	230.38	233.88	
Sep	231.41	234.15	
Oct	231.32	233.55	
Nov	230.22	233.07	
Dec	229.60	233.05	

<b>SOUTH BAY RECYCLING, LLC</b>
<b>Annual Compensation Adjustment Schedule for 2015</b>
<b>Electric and Solar Power Cost Adjustment</b>

PG&E		
	Apr-13	Apr-14
Year		
Total Bill	\$ 17,468	\$ 18,349
KWH	\$ 102,600	102,600
Rate / KWH	\$ 0.170	\$ 0.179
% increase vs. Prior Yr.	4.88%	5.04%
Adjustment Factor	1.049	1.050

ISH (Solar)		
	Apr-13	Apr-14
Year		
Total Bill	\$ 24,014	\$ 23,823
KWH	\$ 122,708	118,171
Rate / KWH	\$ 0.196	\$ 0.202
% increase vs. Prior Yr.	3.0%	3.0%
Adjustment Factor	1.03	1.03

Blended		
	Apr-13	Apr-14
Year		
Total Bill	\$ 41,482	\$ 42,173
KWH	\$ 225,308	220,771
Rate / KWH	\$ 0.184	\$ 0.191
% increase vs. Prior Yr.	4.48%	3.75%
Adjustment Factor	1.045	1.038

SBR 2015 Compensation Adjustment Application Final.xlsx  
 I. Electric Power Cost