



**Director's Report and
Recommended Orders**

on the

2017 Rate Application of

**Recology San Francisco,
Recology Sunset Scavenger, and
Recology Golden Gate**

May 12, 2017

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Attachment A: Refuse Rate Director’s Hearings 2017 Exhibit List

Attachment B: Recommended Orders and Rate Schedule

1. INTRODUCTION

The Chair of the Refuse Collection and Disposal Rate Board received an Application from Recology San Francisco, Recology Sunset Scavenger, and Recology Golden Gate (collectively referred to as “Recology”) requesting changes to residential refuse collection and disposal rates. The Application is dated February 10, 2017, and was filed with the Chair on February 13, 2017. Upon filing, the Chair referred the Application to me as the Director of Public Works (the “Director”) for hearings, reports and recommendations as required by the Refuse Collection and Disposal Ordinance, as amended (the “Refuse Ordinance”). This report summarizes the public process for reviewing the Application and the results and recommendations of my review.

2. PROCEDURES AND STAFF REVIEW

In this rate process, Recology has the burden of proof to demonstrate through evidence on the record that the rate increase it is requesting is "just and reasonable." Pursuant to the Refuse Ordinance, Public Works Order No. 185078 (“Rules of Procedure”), and Public Works Order No. 173617 (“Rate Adjustment Standardized Format”), and in response to Recology’s filing an Application, Public Works held a series of workshops and public hearings. Public Works offered an informational workshop on the draft Application on October 18, 2016, and offered a technical workshop on the final Application on February 28, 2017. I held public hearings on March 8, 15, 22, and 28, 2017 on the Application. After the publication of the Staff Report, I held additional hearings on April 19 and 26, and May 3, 2017. All Director’s hearings have been transcribed by a court reporter and these transcriptions have been posted on the Public Works website.

At the Director’s hearings, Recology and City staff were given the opportunity to present testimony and cross-examine witnesses. The independent Ratepayer Advocate conducted cross-examinations and public comment was taken at each hearing. The hearing record consists of the documents filed by Recology, City staff, the Ratepayer Advocate, and the public in support of their positions in marked exhibits, as well as in the hearing transcripts. Exhibits are referred to by number in this report. Attachment A contains the list of exhibits that have been entered in the record.

Staff from the Department of Public Works and the Department of the Environment (SFE), who have considerable expertise in rate-setting and financial analysis, municipal solid waste management, zero waste, and planning, with assistance from the City Attorney’s office and outside advisors and consultants, were tasked with reviewing the Application. Staff completed an initial review of the draft Application submitted by Recology on December 13, 2016, and concluded that the draft Application was substantially complete. Staff then proceeded with a thorough review of the final Application and supporting documentation submitted as exhibits during the public hearings. Collectively, the hearing process and information gathered over that period informed the staff recommendations, which were presented in the Staff Report on April 14, 2017 (Ex. 78).

3. SUMMARY OF THE RECOLOGY 2017 RATE APPLICATION

Recology submitted an Application with supporting analyses prepared by independent experts, proposed rate schedules, descriptions of program and costs, historical information, revenue and expenditure forecasts, and the assumptions underlying these forecasts. In addition, Recology submitted audited financial statements for Recology San Francisco (RSF), Recology Sunset Scavenger (RSS), and Recology Golden Gate (RGG).

Consistent with the Director's 2006 Rate Order, Recology has followed a "combined approach" that aggregates the revenues and expenses of the two collection companies (RSS and RGG) to calculate the proposed rate increase. I continue to support this approach. Recology calculates rates based on a 91% operating ratio, resulting in an allowed 9.9% profit, with an additional 2% operating ratio available for achieving Zero Waste Incentives (i.e., an 89% operating ratio). Recology's Application also contains "pass-through" items. Recology is not allowed to calculate any profit on those items, nor is it allowed to calculate profit on inter-company charges between RSF and RSS/RGG, so its effective profit margin is lower. I consider the proposed operating ratio reasonable and consistent with my previous rate orders.

Recology requested a 22.96% average increase in residential refuse collection rates and an increase in the tip charge of 19.16%, from \$156.62 to \$186.63 per ton¹. The proposed rate increase would be partially offset with rebates of amounts paid by ratepayers in prior years. With the proposed rebates, rates would increase 16.4% on average as of July 1, 2017 (or about \$5.70 a month for an average single-family home); 4.25% as of July 1, 2018 (after most of the proposed rebates have been returned to ratepayers); and 0.78% beginning July 1, 2020 (after the rebates have been completed).

Recology has also proposed two contingent schedules that could increase collection rates; the first contingent schedule would fund a replacement Integrated Materials Recovery Facility (iMRF) to process construction and demolition (C&D) debris and other materials, resulting in an additional 1.85% increase in collection charges measured by the base rate year. The second contingent schedule, which would install trash processing equipment at the Transfer Station, would result in a 2.60% increase in collection charges measured by the base rate year. The Application also seeks annual cost-of-living adjustments using a formula that combines various government indices, which is similar what was approved in prior rate orders. Recology anticipates it will submit a new rate application within three years, although it could be longer.

4. COST DRIVERS FOR THE 2017 PROPOSED RATE INCREASE

To analyze the drivers behind Recology's proposed rate increase, staff assessed the relative magnitude of operating expense changes presented by Recology in its Application and additional supporting documentation. This high-level assessment considers normal, expected changes to the cost of doing business ("business as usual") in comparison with the impacts of operational changes from implementing new programs (e.g., 16-gallon black/64-gallon blue bin roll-out and associated collection

¹ Reflects Recology's post-filing changes as presented in Exhibit 58.

route changes), growth of existing programs in response to increased participation, the cost of new capital infrastructure (e.g., West Wing), and costs attributable to the new landfill contract.

The table below shows the major contributors to the rate increase, totaling to \$60,683,521. This total is shown as Recology’s new revenue requirement (over and above revenues generated at existing rates) and is used to calculate the percentage increase in rates. As shown in the table below, the largest cost driver is an increase in what is can be characterized as the regular cost of doing business, followed by the maintenance and expansion of existing programs in response to greater public participation, and the implementation of new programs in support of the City’s zero waste goal. Costs related to the new landfill agreement are also a substantial contributor. Finally, the increase in regulatory-related costs for the composting operations and capital investment in the new West Wing facility to transfer compostables are also contributing costs.

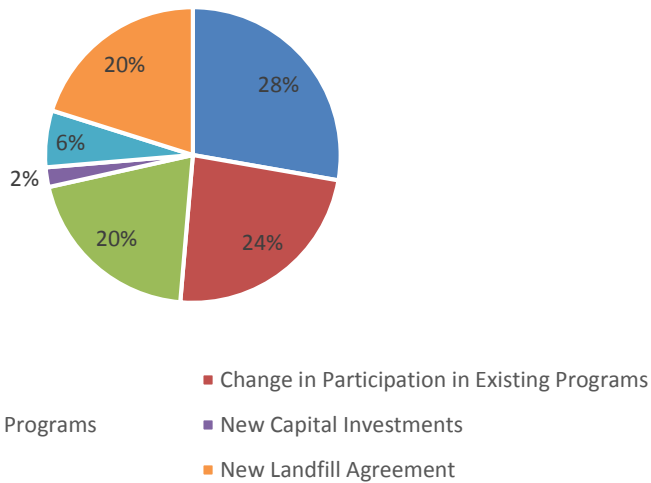
Cost Drivers as a Percentage of Proposed Rate Increase ¹

| Type of Change | \$ | % |
|--|---------------------|---------------|
| Business as Usual | \$16,838,070 | 6.37% |
| Change in Participation in Existing Programs | \$14,331,386 | 5.42% |
| Implementation of New Programs | \$12,231,003 | 4.63% |
| New Landfill Agreement | \$12,214,293 | 4.62% |
| New Composting Costs | \$3,766,309 | 1.43% |
| New Capital Investments | \$1,302,460 | 0.49% |
| Total | \$60,683,521 | 22.96% |

¹ The numbers in this table are from the Application as submitted and have not been updated to reflect post-filing adjustments, such as the changes submitted in Exhibit 58.

Another way to look at cost drivers is as a percentage of their share of the total increase in the revenue requirement, as illustrated in the figure below. When reviewing the information, the focus should be on the approximate magnitude of the costs and not the exact dollar values. This high-level view of increased operating costs provides a way to assess the relative impact on rates. Timing differences will influence when Recology will incur these costs.

Drivers of Proposed Rate Increase



At the workshops and in public comment, ratepayers expressed their concern about the size of this year’s rate increase. As was described in testimony and cross examination, balances from the Special Reserve and Zero Waste Incentives (ZWI) have been used to offset rate increases, which had the effect of deferring the rising costs into future years. In 2015, the Rate Board approved the use of \$12 million to cover the incremental cost of the new landfill agreement from January 2016 through June 2017. In addition, a portion of the unearned ZWI was used to offset the cost-of-living adjustment (COLA) that would have gone into effect on July 1, 2016. By combining these offsets together, the City deferred a 5.70% annual rate increase, but these costs must be added back to future rate years, resulting in a higher rate increase in the first year than would otherwise have occurred (Ex. 69).

In its Application, Recology is proposing a variety of programs that have the potential to reduce disposal. The zero waste programs in San Francisco are among the most robust and mature of all jurisdictions in the Bay Area and California, which puts them among the best in the country. In the proposed rate application, all of San Francisco’s discards will be subject to diversion programs, combining the best practice of source separation with the use of new advanced technologies to process all streams. Very few cities in California and elsewhere engage in the level of the current and proposed diversion programs enjoyed by San Franciscans; the City is a leader in material recovery innovation on a national scale. It also means that there are few if any programs that can be meaningfully compared to San Francisco.

Being innovative and striving to reduce disposal further comes with increasing costs for lower diversion returns. San Francisco’s initial diversion programs were strategically chosen for their cost effectiveness. To achieve greater recovery will take more resources. This is reflected in Recology’s Application, which proposes new infrastructure projects, such as the West Wing to accommodate increasing amounts of organics (compostables), more staffing for material processing facilities at Tunnel Avenue and Recycle Central, and contingent schedules for a new iMRF and expanded trash processing. To advance further

toward zero waste, the City will need to find additional innovative techniques that are not available today.

5. DIRECTOR’S RECOMMENDED ADJUSTMENTS

I have given careful consideration to Recology’s Application, staff recommendations, and public comment in formulating my report and recommended order. I generally agree with the staff recommendations, as they were based on an abundance of evidence in the record and on experience from prior rate applications. My adjustments to estimated revenues and expenditures are summarized in the table below and have been documented in the Staff Report and/or testimony and exhibits introduced during the hearings, which are also referenced in the table.

Director’s Recommended Financial Adjustments

| Schedule(s) | Recommended Adjustment | Reference |
|----------------------------|---|------------------------------|
| Revenue Adjustments | | |
| RSS/RGG B.3 | Add \$10 premium for >32 gallons of trash service per dwelling unit | Ex. 97 |
| RSS/RGG B.3 | Extend \$5 transition credit to two years (RY18 & RY19) | Ex. 98 |
| RSS/RGG B.3 | Increase baseline apartment revenue to reflect new buildings | Ex. 78 p. 15 |
| RSS/RGG B.3 | Reduce apartment migration to 0.75% | Ex. 78 p. 15 |
| Expense Adjustments | | |
| RSF J.1, D | Exclude all intercompany processing charges from operating ratio | Ex. 78 pp. 16-17 |
| RSF H.1, H.3 | Defer West Wing lease costs to begin RY19 | Ex. 78 p. 22 |
| RSS/RGG G.1 | Combine BIR/AMC programs - reduce by 1 route (2 drivers), delete 1 Sunday route | Ex. 28, 29, 50, 78 pp. 25-26 |
| RSF H.1 | Amortize Recycle Central lease with Port over 3 years | Ex. 78 pp. 20-21 |
| RSS/RGG L.3 | Reduce CNG fuel price to \$1.84/gallon | Ex. 78 p. 20 |
| RSF & RSS/RGG | Reduce inflation factors between RY17 & RY18 to 2.67% for inflated cost items | Ex. 78 p. 17 |

5.1 Revenue Adjustments

5.1.1 High-Volume Trash Premium

While I understand that Recology’s proposal moves the rate structure closer to the cost-of-service, I believe that we need to mitigate the unintended consequence of high-volume trash generators receiving a reduction in their monthly service charge without any change in behavior. Imposing a premium rate on trash service above 32 gallons per dwelling unit would continue to provide an incentive for customers to downsize their trash service and migrate to lower-cost recycling and composting services. Tiered rate structures, where additional units of service cost more, are common for utility services like water or electricity.

Consistent with this approach, I recommend a \$10 premium on every 32 gallons of trash service above the first 32 gallons per unit. Based on customer data from Recology, staff estimated the surcharge would

generate nearly \$750,000 per year, taking into account potential migration to lower service levels and the corresponding reduction in volumetric charges. I believe the premium charge supports the City's goal of zero waste.

5.1.2 Small Quantity Generator Transition Credit

A review of Recology's customer database identified more than 24,000 small quantity generators who already have minimum service levels, and would experience an above-average rate increase (40% in the first year). Recology proposes to mitigate that impact with a \$5 transition credit, reducing their effective rate increase closer to 20% in the first year. I agree with Recology's assessment that these customers have benefitted in the past from relatively low charges for recycling and composting services, as well as from a low fixed charge that does not reflect the company's cost structure. Nevertheless, given the magnitude of the rate increase they face, I recommend that the \$5 transition credit be offered for two years. This extension is consistent with the timeframe for Recology to roll out new service levels to all customers. At that time, I agree it is appropriate that 20-gallon trash customers be brought in line with other residential customers. Since existing 20-gallon customers would keep their bins, they would get an extra four (4) gallons of capacity at no additional charge.

5.1.3 Apartment Customer and Migration Assumptions

Staff recommended adding 25 more apartment customers and \$165,072 in revenue (Ex. 78 p. 15, Transcript p. 572). Recology questioned the staff's methodology and testified primarily about associated expenses (Tr. pp. 590-600, 694-698). Staff countered that most of the additional costs would already be captured in the fixed cost categories, increased collection and processing capacity would be created by operational changes proposed in the Application, and requested expense detail (Tr. pp. 701-704). Recology did not provide that detail. I therefore agree with the staff recommendation to add \$165,072 in revenue.

Staff recommended using the annual COLA adjustment process for apartment migration revenue (Ex. 78 p. 15). Recology proposed using this adjustment process for bottle bill changes, but provided no specific proposal (Ex. 78 p. 4). Using this type of adjustment mechanism for bottle bill changes or apartment migration was incomplete, and Recology withdrew its bottle bill request (Tr. pp. 789-791). I believe using such an adjustment mechanism or reserve funds to cover for these types of uncertain changes to revenues is not appropriate.

In its testimony, Recology presented a targeted approach to achieve its proposed 1% apartment migration (Tr. pp. 684-694, Ex. 92-93). Staff questioned the information presented and testified that 0.75% apartment migration was more reasonable (Tr. pp. 700-701, 735-737). Recology did not provide further testimony or information. I concur with the staff recommendation to increase revenue by \$160,431.

A member of the public encouraged migration reporting and expressed concern about apartment buildings migrating to the increased composting service minimum (Tr. pp. 609, 721-722). As apartments

migrate to the new composting service minimum, net revenue as a result of migration is not likely to increase significantly, as buildings are likely to adjust trash service as well.

5.2 Expense Adjustments

5.2.1 Exclude All Intercompany Processing Charges from Operating Ratio

Recology's allowable operating ratio is set at 91 percent for the purposes of calculating rates, and is further reduced to 89 percent with the 2 percent value set aside in the ZWI account to encourage Recology to reduce disposal. RSS/RGG costs include disposal and processing costs from RSF as a non-operating ratio expense. RSF has disposal costs for the Recology Hay Road landfill as a non-operating ratio expenses. Recology has stated that treating these costs as pass through expenses is consistent with historical treatment and reflects the risk associated with these costs under a long-term landfill disposal agreement. However, RSF included processing expenses from Recology-affiliated composting facilities as operating ratio expenses, again stating that this is consistent with historical treatment of these expenses and reflects the risk associated with this evolving industry. Recology cited regulatory changes and increased environmental compliance costs for Recology's composting operations at Jepson Prairie Organics and Blossom Valley Organics North to support its position that intercompany processing expenses should be included in operating ratio expenses.

In the review of the Application, staff determined that RSS/RGG appropriately excluded costs, including intercompany processing expenses (both for RY18 and for the Contingent Schedules), and that these expenses should not be subject to the operating ratio. However, RSF included \$14,181,155 in intercompany processing expenses related to compostables, brush, processed fines, sheetrock, wood and concrete, and "out-of-county" as eligible expenses. Staff believes these costs should be excluded from operating ratio expenses.

I concur that intercompany processing of compostables, brush, processed fines, sheetrock, wood and concrete and "out-of-county" (totaling \$14,181,155) should be removed from the calculation of the RSF operating ratio. This change results in a reduction in the proposed tip charge, which would also flow through to the collection service charges of RSS/RGG.

5.2.2 Defer West Wing Lease Costs

Recology has proposed to build a new West Wing as a 14,500 square foot organics transfer facility with 1,000 tons per day capacity (Ex. 1A RSF Summary of Assumptions pp. 4-6, Schedule H.3, Ex. 32, 38, Tr. pp. 195-211). Per the facilities timeline included in the Application, construction of the new West Wing would be completed on August 30, 2018, dependent on Recology receiving the required building permits. In post-filing changes (Ex. 58), Recology modified their proposal to treat construction costs as a lease expense rather than as a depreciation cost to allow them to pass through the cost of financing this capital investment and avoid a loss in a potentially increasing interest rate environment. Given the change in treatment of the financing costs, and the proposed construction schedule, staff recommended that lease costs not be included in rates until RY19 when the facility is expected to be put into service to the benefit of ratepayers.

I concur with the staff recommendation and have removed the West Wing lease costs from the RY18 rate base in RSF. I have included a full year of the projected lease expenses in the incremental rate increase for RY19, but will require Recology to demonstrate that the facility has been completed and placed into service before those costs can be recovered through an increase in the tipping charge and passed through to the collection rates.

5.2.3 Reduce Staffing for Combined Bulky Item Recycling and Abandoned Materials Collection

Recology originally proposed to add one additional route (two staff each) for Bulky Item Recycling (BIR) and for Abandoned Materials Collection (AMC), for an increase of four staff (Ex. 27). In the Director's hearings, Recology suggested that the two programs could run more efficiently and effectively if they were combined, eliminating the need for additional staff to support both programs (Ex. 50). Staff and Recology evaluated the benefits of combining these two programs and reached agreement on the operating parameters and performance standards for a combined program, as detailed in Section 10.2 of this report. The result of this change is to reduce the number of additional staff requested from four to two, for annual labor and benefits savings of about \$300,000.

5.2.4 Revise Pier 96 Lease Expense

I concur with staff's recommendation to amortize Recycle Central's monthly rent adjustment to the Port of San Francisco over 36 months, versus Recology's proposed 24 months, which reduces the proposed rental expense by \$159,984 per year (Ex. 78 pp. 20-21, Ex. 81, Tr. pp. 571-572). Recology did not provide any contrary information or testimony.

5.2.5 Reduce Natural Gas Fuel Price

I concur with staff's recommendation to decrease Recology's projected compressed natural gas fuel cost from \$2.02 to \$1.84/gallon, reducing expenses by \$48,878 (Ex. 78 p. 20, Tr. p. 572). Recology did not present any new information. Staff recommended and I have determined that the COLA formula matches actual fuel types that Recology uses as closely as possible.

5.2.6 Reduce Inflation Factor

In developing its Application, Recology used a Consumer Price Index (CPI) inflation factor of 3.00% to escalate some of its operational expenses from RY17 to RY18, used 3 and 5-year index calculations for different costs, used month-to-month comparisons in the index calculation period (e.g., October to October), and rounded the percentage values to the nearest quartile. Staff recommended that the index calculation period should be based on a 12-month rolling average, that Recology should use the average between the 3-year and 5-year index calculations to determine the CPI adjustment factor, and that the percentage values should be rounded to the closest two decimal points. This revised methodology would result in greater consistency in calculations and reduce variability in the data. I concur with this recommendation, which reduces the inflation factor to 2.67%.

6. DIRECTOR'S RECOMMENDED RATES

When my recommended adjustments to revenues and expenses are included in the rate calculation, the resulting RSF tip charge is \$181.20/ton.

For residential customers, the total average increase in RSS/RGG collection rates is 20.98%. With the application of surplus revenues and offsets, the effective change in each rate year is as follows:

Schedule of Proposed Average Rate Increases

| | RY18 | RY19 | RY20 | RY21 |
|--------------------------|-------------|-------------|-------------|-------------|
| Application ¹ | 16.40% | 4.25% | 0.00% | 0.78% |
| Director's Order | 14.42% | 5.46% | -0.55% | 0.79% |

¹ Reflects post-filing changes to the total rate increase.

The table below shows the calculation of the effective average rate increase per year.

| | RY18 | RY19 | RY20 | RY21 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Revenue at current rates | \$263,698,872 | \$302,585,286 | \$319,116,953 | \$319,116,953 |
| High volume trash premium | 746,818 | | | |
| Sunset of 20-gallon trash credit | | | 1,750,980 | |
| Total revenues before rate adjustment | 264,445,690 | 302,585,286 | 320,867,933 | 319,116,953 |
| Revenue requirement | 319,920,752 | 319,920,752 | 319,920,752 | 319,920,752 |
| West Wing lease | | 1,696,201 | 1,696,201 | 1,696,201 |
| ZWI rebate | (11,587,896) | | | |
| Special Reserve rebate | (2,500,000) | (2,500,000) | (2,500,000) | |
| RY17 ZWI for Recycle Central | (3,247,569) | | | |
| Net revenue requirement | \$302,585,286 | \$319,116,953 | \$319,116,953 | \$321,616,953 |
| Change (\$) | \$38,139,596 | \$16,531,667 | (\$1,750,980) | \$2,500,000 |
| Increase (%) | 14.42% | 5.46% | -0.55% | 0.79% |

6.1 Residential Rates

Residential rates have a fixed monthly charge per dwelling unit and volumetric charges for collection of trash (black bins), recyclables (blue bins), and compostables (green bins). While I agree that the rate structure needs to be adjusted so that it matches more closely the cost of service of collecting all streams, I am recommending changes to Recology's proposal.

After careful consideration of the evidence and testimony, I have determined that the base charge for single family and 2-5 unit residential buildings should be reduced to \$15.00 per dwelling unit from the original \$20.00 per unit proposed by Recology. I believe that this rate structure is more consistent with my prior rate order, which directed Recology to move gradually to rates based on cost-of-service and reduces disproportionate impact for various ratepayers and in particular the 2 to 5-unit buildings. I have also increased the volumetric charge for trash, recycling and composting to meet Recology's revenue requirement. With this structure, ratepayers will have a greater ability to reduce their costs by right-sizing their service levels.

I recommend the following rates:

| Rate Components | Monthly Charge |
|---|----------------|
| Base Charge per dwelling unit | \$15.00 |
| Trash per 16-gallon bin | \$6.26 |
| Recycling or composting per 32-gallon bin | \$6.26 |
| Premium for trash above 32 gallons per unit | \$10.00 |

The following tables show examples of rate changes in RY 2018 for various residential ratepayers:

| 1-Unit Buildings | | | | | | | | |
|---|----------------------|------------------|-----------|----------|------------------|--------------|--------------------|----------|
| | Current Monthly Rate | New Monthly Rate | \$ Change | % Change | | | | |
| Bin Size | | | | | | | | |
| 20-gal Trash, 32-gal Recycling, 32-gal Composting | \$ 25.47 | \$ 28.78 | \$ 3.31 | 13% | | | | |
| 32-gal Trash, 32-gal Recycling, 32-gal Composting | \$ 35.19 | \$ 40.04 | \$ 4.85 | 14% | | | | |
| 32-gal Trash, 64-gal Recycling, 32-gal Composting | \$ 37.24 | \$ 46.30 | \$ 9.06 | 24% | | | | |
| 64-gal Trash, 64-gal Recycling, 32-gal Composting | \$ 63.14 | \$ 68.82 | \$ 5.68 | 9% | | | | |
| 2- Unit Buildings | | | | | | | | |
| | Current Monthly Rate | New Monthly Rate | \$ Change | % Change | Current Per Unit | New Per Unit | \$ Change per Unit | % Change |
| Bin Size | | | | | | | | |
| 32-gal Trash, 32-gal Recycling, 32-gal Composting | 40.34 | 55.04 | 14.7 | 36% | \$ 20.17 | \$ 27.52 | \$ 7.35 | 36% |
| 32-gal Trash, 64-gal Recycling, 32-gal Composting | 42.4 | 61.3 | 18.9 | 45% | \$ 21.20 | \$ 30.65 | \$ 9.45 | 45% |
| 64-gal Trash, 64-gal Recycling, 32-gal Composting | 68.3 | 73.82 | 1.92 | 3% | \$ 34.15 | \$ 36.91 | \$ 2.76 | 8% |
| 3-Unit Buildings | | | | | | | | |
| | Current Monthly Rate | New Monthly Rate | \$ Change | % Change | Current Per Unit | New Per Unit | \$ Change per Unit | % Change |
| Bin Size | | | | | | | | |
| 64-gal Trash, 64-gal Recycling, 32-gal Composting | 73.46 | 88.82 | 15.36 | 21% | \$ 24.49 | \$ 29.61 | \$ 5.12 | 21% |

6.2 Apartment Rates

Recology proposes to maintain the way apartment customer service charges are currently calculated, which is like the discounted-volumetric structure used for the commercial sector. Apartment customers are charged for all bins (i.e., trash, recycling, and composting) based on volume; these charges are then discounted based on the volume of diversion service (i.e., recycling and composting) that is provided. Recology has proposed to shift the balance between base and volume charges to move the rates closer to the actual cost of providing services. The rate structures are also designed to mitigate against the impact of declining trash volumes on total revenues, as the City moves towards its goal of zero waste.

I concur with the following rates:

| Component | Monthly Charge |
|--|----------------|
| Base per dwelling unit | \$5.00 |
| Diversion discount floor | 25% |
| Trash, recycling or composting per 32-gallon bin | \$24.03 |

The following table shows the impacts in RY18 for a 6-unit apartment building:

**6 Units ~65% of Accounts
54% Diversion by Volume
Discount: 44% (Current) to 29% (Proposed)**

| | Bin Size | Current | Proposed | Change |
|-------------------------------|-----------------|-----------------|-----------------|----------------|
| Base Charge per dwelling unit | | \$30.96 | \$30.00 | \$(0.96) |
| Trash | 192 gallons | \$155.40 | \$144.18 | \$(11.22) |
| Recycling | 192 gallons | \$155.40 | \$144.18 | \$(11.22) |
| Composting | 32 gallons | \$25.90 | \$24.03 | \$(1.87) |
| Diversion discount | | \$(148.15) | \$(99.29) | \$48.86 |
| Total monthly charge | | \$219.51 | \$243.10 | \$23.59 |
| % Change | | | | 10.75% |
| Per unit charge | | \$36.59 | \$40.52 | |

More detailed rate schedules can be found in Attachment B, Recommended Orders and Rate Schedule.

7. USE OF SURPLUS REVENUES

7.1 Recycle Central Investments

I concur with Recology’s proposal to use \$3,247,569 of RY17 ZWI Tiers 3 and 4 to reimburse the remaining balance of \$2,104,598 for previous upgrades to Recycle Central, and approve funding \$1,142,971 of additional improvements to further increase recovery, backup ability and efficiency at Recycle Central (Ex. 78 pp. 21). I approve Recology’s request to withdraw these funds.

7.2 Rebate of Surplus Revenues

In the Application, Recology proposed to use surplus revenues from the old Special Reserve Fund (SRF) and unearned ZWI to offset a portion of the rate increase through rebates and to fund a new Reserve Fund required under the new landfill agreement. Specifically, Recology proposes to apply surplus revenues as follows:

Application of Surplus Revenues

| Source/Use | RY18 | RY19 | RY20 |
|------------------------------------|---------|--------|--------|
| SRF transfer to new Reserve Fund | \$2.0M | \$2.0M | \$2.0M |
| SRF rebate to offset rate increase | \$2.5M | \$2.5M | \$2.5M |
| ZWI rebate to offset rate increase | \$11.6M | - | - |

I agree with Recology’s proposal for the application of surplus revenues, as it results in the most efficient and equitable way to rebate to customers according to the procedures governing these funds. To facilitate the use of these funds, I direct the application of surplus revenues as follows:

- \$2 million annually shall be transferred from old SRF to new Reserve Fund on July 1, 2017 (RY18); July 1, 2018 (RY19), and July 1, 2019 (RY20);
- \$625,000 shall be transferred from the old SRF to Recology to offset revenues at the beginning of each quarter during RY18, RY19, and RY20;
- \$2.9 million shall be transferred from the ZWI to Recology to offset revenues at the beginning of each quarter of RY18 (up to a total of \$11,587,896); and
- Any remaining funds in the old SRF shall be transferred to the new Reserve Fund at the end of RY20 (June 30, 2020).

Procedures for the Special Reserve Fund were approved as Attachment D to the 2013 Director’s Report (Ex. 15), and shall remain in effect for this rate period. Procedures for the new Reserve Fund were established pursuant to the new landfill agreement (Ex. 13).

8. COST-OF-LIVING ADJUSTMENTS

The City established the current COLA mechanism to allow Recology to adjust its rates using a weighted formula tied to either known (fixed) cost increases, or published indices such as the Consumer Price Index (CPI), the Producer Price Index (PPI), and a fuel index. The COLA mechanism benefits ratepayers because it allows rates to adjust over time with established economic trends. The COLA mechanism also helps to reduce the size of future increases and extends the time between rate applications. Because this rate application includes various capital improvement projects, such as the West Wing and two Contingent Schedules, the COLA mechanism may encourage a longer period of time before a new rate application is submitted.

I am recommending that the City establish different weightings of the COLA factors for RSF and RSS/RGG, which reflects the different cost structures between the processing and collection operations. The table below summarizes the factors, index or source, and the weighted value of each factor.

| COLA Factor | Source/Index | RSF Weight | RSS/RGG Weight |
|--------------------|---|-------------|----------------|
| Fixed labor | As per Collective Bargaining Agreements | 40.8% | 52.5% |
| Variable labor | SF-CPI (U) | 13.3% | 6.7% |
| Health and welfare | Mercer Analysis or equivalent | 10.4% | 12.1% |
| Pension | City pension factor or rate from actuarial report | 4.8% | 6.8% |
| Renewable diesel | Weekly California No. 2 Diesel Retail Prices | 1.4% | 0.85% |
| Natural gas fuel | PG&E Series G-NGV1 | 0.9% | 0.15% |
| Materials | PPI | 23.6% | 14.3% |
| Capital | No inflation | 4.8% | 6.6% |
| Total | | 100% | 100% |

I believe that ratepayers are adequately protected from extraordinary adjustments because the biggest COLA factors (such as fixed labor) have set values or caps. Since 2013, the average annual COLA has been 2.0 percent or less per year. If the COLA mechanism resulted in an extraordinary increase, the City, Recology, or interested parties could file a new rate application in response.

9. CONTINGENT RATE SCHEDULES

Recology's Application includes future expenditures for two capital projects:

- (1) *i*MRF – a \$63.4 million investment for a new facility capable of improving recovery of construction and demolition (C&D) debris and other materials, to be located on industrial property in or about San Francisco; and
- (2) Trash Processing – a \$19 million investment in black bin processing, to be located at the site of the old *i*MRF.

These two projects are proposed as contingent schedules, so the value of these projects would not be included in the rate base until Recology achieves some certainty that the project will proceed (which is generally permit issuance). In their review, staff agreed that these projects are important to improving recovery rates. However, staff expressed concerns with the two contingent schedules given the uncertainties in technologies, effectiveness, timing, and costs. As such, staff proposed changes in how each of these projects is reviewed prior to approval for inclusion in the rates. I concur with the staff recommendation and propose the following conditions on each of the contingent schedules.

9.1 Integrated Materials Recovery Facility (Contingent Schedule 1)

Recology is proposing to build a new, larger state-of-the-art *i*MRF to process C&D debris and other material delivered to the facility. The new facility is projected to cost \$63.4 million; annual operating expenses will also rise to reflect an increase in staffing levels, a new lease, and fuel and equipment. If it proceeds, the *i*MRF would increase the tip fee by 5.01% and collection rates by 1.90%.

Staff concluded that the new *i*MRF is needed to meet existing and future demand for processing C&D debris, can be used to process additional materials currently being processed using old equipment, and will improve recovery. Staff determined that the estimated construction and operating costs are reasonable for the scale and benefit of the project.

I agree with the staff recommendation that the following conditions be placed on approval of the *i*MRF contingent schedule:

- (1) The final capital and operating costs cannot exceed the amounts included in the Application;
- (2) Recology must provide supporting documentation to substantiate its estimate that the investment will result in the ability to achieve a 70% recovery rate on C&D debris and significantly increased recovery for other materials currently processed at Tunnel Avenue;
- (3) To trigger the contingent schedule, Recology must provide documentation, including construction specifications, cost estimates, project schedules, and appropriate permit documents;

- (4) This request from Recology will be posted on the Public Works website and subject to a 30-day review period;
- (5) The terms of the new lease are consistent with the depreciation and/or lease schedules for the facility; and
- (6) The annualized expense would not be added to the rate base until the facility goes into service.

If the Director finds that the projected costs and resulting rate impact are greater than originally proposed in Recology's Application, the contingent schedule will not be approved. Recology may apply for rate review and consideration under streamlined procedures, as described in Section 14.1 of this report.

9.2 Trash Processing (Contingent Schedule 2)

Recology is proposing to repurpose space currently occupied by the iMRF for full-scale trash processing, if Recology completes the proposed relocated iMRF (Contingent Schedule 1) and demonstrates from the trash processing pilot program, or other programs or reference facilities, it can recover materials from the trash. With this facility, all materials handled by Recology would be subject to some level of processing, reducing disposal. The new trash processing equipment, including facility improvements, is projected to cost \$19.0 million; annual operating expenses will also increase to reflect the addition of 50 new positions for manual processing, materials and supplies, and repairs and maintenance. The incremental impact of trash processing on the tip fee is 7.13% and the impact on collection rates is 2.70%.

Recology projects a 15% minimum recovery from processing all trash, which they consider a conservative estimate based on recovering primarily recyclables from the trash. The facility will also separate out organics for potential recovery through additional processing such as anaerobic digestion. Since the proposed facility does not include anaerobic digestion or other additional organics processing for end market use, that diversion is not counted in Recology's Application for projection purposes. Recology stated that if organics diversion were included and additional markets developed, the decrease in landfill tonnage could be up to 50% of the processed material.

Recology's proposed engineering fees include preliminary engineering design and permitting for an anaerobic digestion facility at Tunnel Avenue to process and divert recovered organics from trash. Recology also indicated that they are currently pursuing permitting for an anaerobic digestion facility at the Hay Road landfill location that could also be used to process organics recovered from trash. Staff evaluated the cost estimates for full scale trash processing and determined that the estimated construction and operational costs are reasonable for the scale and benefit of this project.

I agree with the staff recommendation that the following conditions be placed on approval of the trash processing contingent schedule:

- (1) The final capital and operating costs cannot exceed the amount included in the Application;
- (2) Recology submits a report describing the selected technologies for trash processing and the anticipated recovery rates;

- (3) Recology provide supporting documentation to substantiate its estimate that the improvement will be capable of achieving a 15% recovery rate from processing trash and the feasibility of increasing to a minimum 30% diversion within three years of operation;
- (4) To trigger the contingent schedule, Recology must provide the project documentation, including the construction specifications, cost estimates, project schedules, and relevant permit documents;
- (5) Recology provides an update on the availability of anaerobic digestion capacity to handle processed organics, or other potential end markets; and
- (6) The annualized expense would not be added to the rate base until the facility and equipment goes into service.

If the Director finds that the projected costs and resulting rate impact are greater than originally proposed in Recology's Application, the contingent schedule will not be approved. Recology may apply for rate review and consideration under streamlined procedures, as described in Section 14.1 of this report.

10. RECOMMENDED PROGRAM CHANGES

10.1 Collection Routes and Proposed New Routes

Recology has stated that the volume of recyclables exceeds the capacity of the current routing configuration where trash and recyclables are collected using split-chamber trucks and compostables are collected in single-chamber trucks. Recology proposes to repurpose single-chamber trucks for recyclables and use split-chamber trucks for compostables and trash.

I concur with the staff's recommendation to add 23 collection routes, which will create additional capacity for residential, apartment and small business recyclables and compostables. Residential recyclables alone are projected to increase by 7% and compostables by 9%, while trash is projected to decrease by 10% (Ex. 1A Narrative Summary pp. 8-9, RSS/RGG Summary of Assumptions p. 2, Ex. 2 p. 11, Ex. 21, 25-26, 58 pp. 1, 7). In its testimony, Recology demonstrated that its workers' compensation and overtime trend together (Ex. 60), so staff concluded that adding the routes are the most cost-effective way to provide the increased level of service.

10.2 Combine Bulky Item Recycling and Abandoned Materials Collection

I support Recology's proposal to combine BIR and AMC. The new combined service would run from 8 am to 4:30 pm, Monday through Friday so that it would be able to respond to a higher percentage of AMC calls during the operational day (Ex. 95). After analyzing service demands for AMC, Saturday service for AMC would remain at its current level of four crews, Sunday service will be reduced to two crews, and Recology will add one additional crew Monday through Friday on a staggered schedule to focus on more affected areas (Ex. 96, 99). Calls for service received after 4:30 pm will continue to be routed for collection the next day, but may be addressed by the additional crew if the call falls within their service area for that shift. Recology has a response time goal of 4 business hours; on weekend days, Recology has a response time goal of 8 business hours.

Recology would continue to manage BIR as a scheduled pick-up service, with the goal of offering appointments within 24 hours if requested. Appointments must be scheduled within 48 hours if requested, except during peak times such as the end of a month or holidays (Ex. 50).

Recology expressed reservations about meeting the response time goals for AMC during the transition period. While I understand Recology's reservations, I am not willing to waive the response time goal. It is Recology's responsibility to manage the merger of both programs while maintaining the performance standard.

10.3 Trash Processing Pilot

I concur with staff's recommendation to support Recology's proposed program and expenses for a trash processing test to recover and market materials from a portion of the trash stream and determine viability of expanded future trash processing to help the City advance toward zero waste (Ex. 78 pp. 10-11).

10.4 Hazardous Waste Programs

I concur with staff determinations and recommendations (Ex. 78 pp. 26-27) and note the following corrections to the first paragraph of Section 9.2 of the Staff Report:

The first two sentences should read: Household Hazardous Waste (HHW) encompasses a wide variety of consumer products which contain toxic and other dangerous materials, and cannot be collected in our three-stream collection system. Current estimates indicate that less than 50% of these products are being captured through the City's existing Hazardous Waste Programs.

The sixth sentence should read: The Department of the Environment has determined that a more robust outreach and communications effort on HHW and HHW programs needs to be implemented on an ongoing basis to increase the rate of proper disposal of HHW to aid the City in progress toward its zero waste goal.

11. Impound Account

The Impound Account includes funding for City departments that support refuse-related programs that benefit ratepayers. Recology does not earn a profit on these amounts. The expenditure of any monies from the Impound Account for City costs is subject to the City's annual budgeting process and management review. Procedures for the Impound Account were approved as Attachment D to the 2013 Director's Report (Ex. 15) and shall remain in effect for this rate period.

11.1 Department of the Environment

For SFE, the \$11.2 million in funding is broken down as follows:

- \$3.2 million for the zero waste program; this program is designed to decrease the amount of materials going to landfill consistent with the City's goal of zero waste by 2020. Zero waste projects include assistance to residential and commercial customers to comply with mandatory recycling and composting requirements, neighborhood composting campaigns, curbside

auditing, materials processing, education and outreach and grants to non-profits to increase diversion.

- \$1.8 million for the toxics reduction program; the goal of this program is to develop convenient and safe recycling and disposal options for common hazardous wastes generated by businesses and residents to reduce landfill costs and contamination.
- \$400,000 for the green building program, which is designed to provide policy support, program development, technical assistance and training, and monitor compliance with the City's green buildings standards.
- \$400,000 for the environmental justice program, which aims to mitigate environmental disparities associated with the collection and processing of refuse in the City.
- \$5 million for expanded outreach programs
- \$400,000 for climate programs, which support the City's Climate Action Strategy to reduce community-wide and municipal emissions.

SFE provided a detailed description of the projects and programs that are supported by Impound Account funding in each of these areas (Ex. 52).

11.2 Public Works

For Public Works, the \$8.5 million in funding is broken down as follows:

- \$3.5 million for existing programs to remove refuse from City streets and public properties (including litter patrol and block sweeping);
- \$2.5 million for the Outreach and Enforcement Team for education, compliance and outreach to combat illegal dumping;
- \$1.5 million to implement a new program to provide cleaning of City trash cans;
- \$840,000 to replace public litter cans; and
- \$150,000 to cover costs for future rate reviews.

Public Works provided a detailed description of programs that are supported by impound account funding in each of these areas (Ex. 55).

12. ZERO WASTE INCENTIVES

I concur with staff's determination that Recology has proposed ZWI targets that are ambitious but achievable and will provide additional incentives for Recology to reduce disposal tonnage. The tonnage targets have been adjusted to match the projected diversion from program changes (RSF Schedule E) for Tier 1 and set more ambitious targets for subsequent tiers and subsequent rate years. The table below shows Recology's proposed ZWI and corrects the information provided in the staff report (Ex. 58 pp. 1, 4, Ex. 78 pp. 27-29, Tr. pp. 724-725, 801).

Recology’s Proposed ZWI Disposal Tonnage Targets

| Rate Year | Tier 1 | Tier 2 | Tier 3 | Tier 4 |
|------------------|---------------|---------------|---------------|---------------|
| 2018 | 389,072 | 386,072 | 380,072 | 370,000 |
| 2019 | 380,372 | 376,232 | 369,232 | 360,000 |
| 2020 | 376,561 | 371,561 | 362,561 | 350,000 |
| 2021 | 371,561 | 363,561 | 347,561 | 325,000 |
| 2022 | 363,561 | 352,561 | 331,561 | 300,000 |

For rate years beyond 2022, Tier 2 of the previous year will become Tier 1 of the next year. Tier 4 will drop 25,000 tons each year, retaining the same percent proportion between the tiers as Recology has proposed.

I concur with the staff’s recommendation on “Revised ZWI Disposal Tonnage Targets including Contingent Schedules 1 and 2 in RY21 and RY22” as shown in the table below under the scenario if both contingent schedule facilities were operational on Recology’s projected timeline (Ex. 39).

Revised ZWI Disposal Tonnage Targets including Contingent Schedules 1 and 2 in RY21 and RY22

| Rate Year | Tier 1 | Tier 2 | Tier 3 | Tier 4 |
|------------------|---------------|---------------|---------------|---------------|
| 2021 | 371,561 | 362,090 | 342,555 | 312,365 |
| 2022 | 362,090 | 341,897 | 300,250 | 235,885 |

I agree with staff’s recommendation that Tiers 1 and 2 are not eligible for reinvestment, as Recology requested. If not achieved, these amounts will be rebated to the ratepayers and used to offset rate increases and COLA adjustments, consistent with my previous orders.

Tiers 3 and 4 targets are much more challenging to achieve and, as such, can be proposed to fund new programs that reduce disposal. If Recology can document that it will not meet Tier 3 or Tier 4 targets before the end of any rate year, it can propose to rebate ratepayers through the next COLA adjustment or submit a request for reinvestment of funds for diversion projects. Any proposal submitted by Recology must include a detailed budget, timeline, and the annual disposal tons reduced because of the project. Any proposals being considered for approval will be posted on the Public Works website to allow for a 30-day public review period. SFE will perform the initial evaluation of the proposal. If SFE recommends the proposal, Public Works may grant approval or reject it.

If Recology’s rebate of ZWI funds in a given rate year exceeds the value of the COLA adjustments and scheduled rate increases, Recology could propose to use these funds in the next rate year. If not used, these remaining funds must be rebated to ratepayers in the next annual COLA adjustment.

13. ADMINISTRATIVE PROVISIONS OF THE RATE SCHEDULE

During the Director’s hearings, members of the public expressed concerns with several administrative provisions of Recology’s rate schedule and billing procedures. Staff reviewed these concerns and

determined that changes (now or in the future) may be appropriate for several items in particular – the low-income discount and split bill provisions in Schedule A, and minimum service levels. In the case of the low-income discount, staff concluded that the potential revenue loss associated with increasing the household income threshold was immaterial to the rate calculation. With respect to split bills, staff recommended that Recology develop a more equitable formula to be considered in a future rate proceeding. I agree with the staff assessment and recommend changes to each of these provisions, as described below.

13.1 Low-Income Discounts

Recology's rate schedule includes a provision for discounts on collection services for low-income households. Per Schedule A in the Application, "Households with income less than or equal to 150% of the poverty level may qualify for 25% base and volume discounts." The Staff Report compared these provisions to similar programs offered by the San Francisco Public Utilities Commission (SFPUC) for water and sewer service, and Pacific Gas and Electric (PG&E) for electricity. Both of those programs use household income thresholds equal to 200% of the federal poverty guidelines established annually by the Federal Department of Health and Human Services.

In the Director's hearings, Recology agreed to use the higher household income threshold of 200% of the poverty level. Recology proposed that new requests for the low-income discount be based on evidence that a customer meets the qualifications for the PG&E lifeline discount. I agree with Recology's request, as it establishes consistency between programs and standardizes and simplifies the procedures for determining eligibility.

Recology also offers a discount of 10% to qualifying non-profit housing organizations, which is like programs offered by the SFPUC and PG&E for electricity bills. I urge Recology to work with the Mayor's Office of Housing and Community Development to publicize this program more broadly.

13.2 Split Bills

Several ratepayers suggested that the split bill premium (i.e., a premium to split bills, as is sometimes done with shared service) is excessive and unfair. Staff looked at the issue, which impacts a small number of ratepayers and generates limited revenue, and found that there is no simple solution to this complicated issue (e.g., situations where a combined residential and commercial property has service based on multiple rate schedules). I agree that the current methodology of applying a 50% premium for split bills appears excessive, but recognize that a fair and equitable solution cannot be determined based on the evidence before me in these proceedings (Tr. pp. 719, 775-776, 778-784, 799-800). Therefore, I direct Recology to work with staff to assess alternatives to the current methodology, and to include a proposal in their next rate application, perhaps along the lines of an administrative charge. I would also note that the amounts specified in Schedule A are maximum charges, and would encourage Recology to consider reducing the premium charge to the extent possible in the interim.

13.3 Minimum Service

During the detailed review of the Application, staff noted that there were several configurations of customer services that no longer meet the minimum service levels specified in Schedule A. Instances of insufficient service tended to occur in multi-unit (2-5 unit) buildings where customers share bins. While bin-sharing is allowable and encouraged, customers still must meet the minimum requirements for each type of service. As Recology transitions residential customers to the new 16-gallon trash bins, I direct them also to review all customer service configurations to ensure that every customer is being provided with minimum service levels specified in the rate schedule.

Some ratepayers suggested that the minimum service requirements and/or bin sizes exceed what they use (Ex. 82 p. 3, Ex. 102 p. 6, Ex. 103). Making 16-gallon trash bins the new default for single family is a step in the right direction. To go further, I request that Recology work with staff to test 16-gallon composting and recycling bins and, upon successful results, offer service at a rate not to exceed half of the applicable trash bin rate before the end of RY18. I also request Recology work with staff to test collection from kitchen composting pails as is done in parts of Europe.

Some property owners with duplexes or in-law units say they are required by law to have service for both residences, even if these buildings are being used as single family units and do not need a second bin or scheduled pick-up. Such buildings can share bins, but they will be charged for the number of family dwelling units per the San Francisco Planning Department (<http://propertymap.sfplanning.org/>) and Department of Public Health, and must adhere to the minimum service levels for that many units.

14. CHANGES IN FUTURE RATE-MAKING PROCEDURES

In 2005, the Director instituted new procedures to improve the rate review process. The rules of procedure for the 2017 Application are consistent with the improvements instituted in 2005, with only modest revisions to provide clarity on the requirements for submission (Public Works Order No. 185078). Among other things, the procedures require Recology to submit a notice of intent to file a rate application at least 120 days (four months) in advance of the application itself. This pre-application period allows for greater review by staff to determine the completeness of the application, and more meaningful participation by the public via workshops. Once a final rate application has been filed, the Director must adhere to the 150-day (five-month) schedule specified in the Refuse Ordinance (90 days for the Director to issue a final report and recommended order, and another 60 days for potential appeals and consideration by the Rate Board).

14.1 Streamlined Proceedings

As in prior proceedings, I find that the procedures have served the interests of the City reasonably well, and have provided opportunity for meaningful public input, as aided by the Ratepayer Advocate. Nevertheless, Recology has expressed concern that the nine-month process does not allow for timely consideration in the event of unanticipated changes in the projected costs of future capital investments.

This year, Recology is proposing two contingent schedules to go into effect when these capital projects are ready to proceed: the iMRF and trash processing. Staff proposed conditions under which the

contingent schedules, and the resulting adjustments in rates, would be approved, and I agree with those conditions, as described in Sections 9.1 and 9.2. However, I cannot approve either contingent schedule if the capital and operating costs exceed the amounts included in the Application. While Recology is confident in their estimated costs for the two contingent projects, nevertheless, they have also requested that the City adopt a streamlined process for considering one or both contingent schedules, should the final costs turn out to be higher than estimated.

I agree that streamlining the process for consideration of a single rate issue, such as either of the two contingent schedules, is in the interest of all parties as it will advance these projects that are vital to helping the City toward its zero-waste goal. Recology must notify me in writing of their request for a streamlined process to consider a change in either of the two contingent schedules. I will then direct staff to specify procedures that reduce the pre-application period from the current requirement of 120 days, depending on the issue and the magnitude of the change in the project and estimated costs. As part of the procedures, I also direct staff to specify any revisions to the format of the application. The revised procedures must continue to provide opportunity for public review and input, including engagement of a Ratepayer Advocate. While I can modify the pre-application period, the final application would still be subject to the 150-day review period specified in the Refuse Ordinance (90 days for the Director's hearings, followed by 60 days for the Rate Board).

14.2 Standardized Format

In 2002, the Director issued Public Works Order No. 173617, "Rate Adjustment Standardized Format," which specified a series of schedules to be included in any future application for a rate adjustment. The form and content of those schedules was intended to aid the City's review of Recology's increasingly complicated revenue and expenditure projections. While the standardized format has served the City well, it is clear from this year's rate proceedings that some of the schedules are no longer consistent with Recology's cost structure or rate-setting methodology.

Both Recology and staff have expressed concerns with the schedules specified in the standardized format, and the lack of flexibility in changing the format prevents a clear and transparent rate application. I agree that the 15-year-old standardized format is due for an overhaul: some schedules could be combined and/or eliminated; terminology should be standardized and simplified; assumptions and calculations of revenue and expenditure projections need to be more explicit and traceable; and narratives could be more cogent and coherent. I ask staff from Public Works and SFE to work with Recology to revise the standardized format and underlying rate model. I will issue a new order on the new format prior to the next rate application.

15. ADDITIONAL REPORTING REQUIREMENTS

In accordance with prior Director's orders, Recology submits quarterly and annual reports to the City. These reports include information on the amount of materials diverted and disposed, commercial recycling and composting accounts, toxics collection, revenues and expenses, and the balances of various accounts (e.g., the Special Reserve, Impound, ZWI). The City uses this information to monitor

Recology's efforts to reduce disposal, its financial position, and other goals established during the rate proceedings.

During these proceedings, staff noted that some of the financial information provided in the quarterly and annual reports does not reconcile to the information provided in the Application, making it difficult to measure Recology's financial performance against projections. Staff also noted that some of the information in various tables is confusing and no longer relevant to monitoring performance. Given some of the structural changes in routes, programs, and other operations, additional information may also be needed to measure progress.

I direct staff and Recology to work together to modify the information provided in the quarterly and annual reports, identify missing or unnecessary data, and revise the tables and format. These changes should be made to be consistent with changes to the standardized format. Changes to the reports should be reflected in the first quarterly report submitted for RY18. Recology's quarterly reports must still be submitted within 60 days of the end of each quarter, while the annual report must be submitted within 60 days of the end of each rate year.

16. RESPONSE TO PUBLIC COMMENTS

I have listened to the public comment given at each of the hearings, read the letters sent to me by ratepayers, and reviewed the comments presented on behalf of members of the public by the Ratepayer Advocate (Ex. 22, 82, 102). In this section, I would like to address some of the broader public concerns with the Application.

16.1 Magnitude of the Rate Increase

Many ratepayers believe that the rate increase is simply too high, especially with the City becoming a more and more expensive place to live. In the hearings, I examined all the evidence in the record, and set rates based on the evidence. I believe that the costs submitted by Recology and adjusted by the City, accurately reflect the cost of providing refuse collection and disposal services to San Francisco ratepayers. As I noted elsewhere in this report, the costs are driven by changes that can be evaluated and measured. I understand that any increase in expenses for low-income families and those living on a fixed income is challenging. Therefore, I request that Recology actively publicize its low-income discount program, which can help offset the impact of the rate increase for eligible customers. Finally, I would note that some ratepayers have control over the rates they pay through changing the configuration of their service; by adopting the right level of service, some ratepayers can reduce their refuse bills.

16.2 Disproportionate Impact

Ratepayers raised the concern that the increase in the fixed charge had a disproportionate impact on low waste generators and individuals living in 2 to 5-unit buildings. While I understand that the increase will affect some ratepayers more than others, the rates I have recommended keep the majority of customers closest to the average increase. The refuse industry has a high percentage of fixed to variable cost, and is similar but not identical to other utilities, which rely less on labor to deliver service. This reliance on labor is especially pronounced in San Francisco because of the inability to automate

collection because of the density, on-street parking, terrain, and other characteristics of an urban environment. Even in a city that reduces disposal, fixed costs of collection and processing remain. As such, fixed costs and those associated with recycling and composting need to be covered.

16.3 Recycling Revenue

I would like to clarify the perception that Recology makes sufficient revenue on the selling of recyclables that it should mitigate its need to request a rate increase. Recology's net recycling revenues in RY18 are projected to be \$20.6 million, or about 15.5% of RSF's total operating costs. Recycling revenues are shown in more detail in RSF Schedule F.3, which shows that about 60% of that revenue comes from mixed paper and cardboard. Aluminum and certain plastics (PET) account for another 20% of recycling revenues. These revenues are applied to the benefit of ratepayers.

16.4 Recycling Pilfering and Enforcement

Members of the public expressed considerable frustration about pilfering from recycling bins and the loss of material revenue that could help mitigate the rate increase. I understand and share the public's frustration with poaching from residential recycling bins.

Some ratepayers suggested deterrent measures, such as tamper-resistant bins or anti-theft stickers. Staff has looked extensively at bin designs and concluded that no design is theft-proof and some tamper proof designs are cost prohibitive, can lead to more expensive bin damage or even theft of the bin itself, as well as collection costs that are larger than the resulting revenue. Recology testified to the complexities of preventing pilfering and estimated it would cost at least \$6 to \$7 million to save about \$1.2 to \$3.5 million annually (Ex. 82 p. 4, Ex. 74, 84, Ex. 102 pp. 6-7, Tr. pp. 509- 523, 613).

Stickers, and even language molded into bins, have been tried in the past with little deterrent effect. Nevertheless, I request that Recology remain open to considering any proposal that it believes would be both successful and cost-effective to reduce poaching.

16.5 Grouping Bins for Efficiency of Collection

One ratepayer suggested that placing bins next to neighbors' bins or consolidating them at corners could improve collection efficiency and reduce cost. Grouping bins is difficult to coordinate, but is an acceptable practice as long as it doesn't create any negative impact, such as upsetting neighbors, blocking corners, preventing people from keeping their bins straight or retrieving them in a timely manner, inhibiting Recology from providing feedback to individual households, or increasing bin loss, cross contamination or poaching.

16.6 Education on Diversion for Multi-Unit Buildings

Some ratepayers expressed the need for more outreach to residents about improving diversion, especially in multi-unit buildings (Ex. 82 pp. 4-5, Ex. 102 pp.7-8). Landlords have outreach responsibilities under the mandatory recycling and composting ordinance. Recology and SFE conduct general and targeted outreach and additional resources for an Apartment Diversion Program are included in the rates.

16.7 Improved Outreach on the Rate Application

Many ratepayers expressed concern that Recology's proposed rate increase was not widely known, limiting the ability of the public to express their concerns. In addition to the notices issued by Public Works, a press release on the rates, information provided to the Public Library and documents posted on the Public Works website, the Ratepayer Advocate put together and implemented an extensive outreach program, attended meetings with more than 50 community groups and at every neighborhood Police Station, placed advertisements on the Director's hearings in 13 local and multilingual newspapers, created a website, responded to letters and emails, and promoted the information on social media, such as Facebook and Twitter. Following the requirements of Proposition 218, every ratepayer and service address was sent a notice about the proposed rate increase. Even with these expanded and extensive efforts, I acknowledge that it is almost impossible to communicate information on the rate increase to every interested ratepayer. And I realize that the timeline of the Refuse Ordinance, which sets a firm timeline for refuse rates, runs in parallel to the Proposition 218 hearing, which confuses ratepayers. I will consider these comments and strive to improve outreach and notification in future rate proceedings.

16.8 Ratepayer Advocate

Finally, I received a number of compliments on the performance of the Ratepayer Advocate and I want to acknowledge the value of the services provided by this position. The primary function of the Ratepayer Advocate is to perform outreach to the public, to help the public understand the information in the Application and participate in the rate hearings. I believe that the Ratepayer Advocate has been effective in representing the public's concerns and has brought an independent perspective to the review of this Application. I recommend that a Ratepayer Advocate be retained in future rate proceedings and request that the Ratepayer Advocate provide suggestions for how to improve this function going forward.

16.9 Solid Waste Management and Zero Waste

I appreciate the interest members of the public have taken in the Application and their participation in the hearings. Some of the issues that have been raised, such as minimum service requirements and the zero waste goal, are beyond the scope of the rate proceedings as defined by the Refuse Ordinance. While policy decisions may have a bearing on the program and operating costs that Recology included in its Application, they are considered far in advance of the rate process. Concerns about policy should be evaluated by the responsible City departments. To facilitate greater public input earlier in the decision-making process, I encourage Public Works and SFE to explore other forums to accommodate the public's interest in decisions about the design and execution of the City's programs and solid waste management issues, including the collection and processing operations of Recology.

17. COMPLIANCE WITH CALIFORNIA ENVIRONMENTAL QUALITY ACT

The Environmental Planning Division of the San Francisco Planning Department has evaluated Recology's Application under the requirements of the California Environmental Quality Act (CEQA). The Environmental Planning Division has determined that the actions contemplated in the Application are

statutorily exempt under California Public Resources Code Section 21080(b)(8) and State CEQA Guidelines §15273 (Ex. 73).

As part of my Report and Recommended Order, I make the following related findings, required by Public Resources Code Section 21080(b)(8) and State CEQA Guidelines Section 15273:

- (1) Planning has determined that the Application is statutorily exempt from environmental review under California Public Resources Code Section 21080(b)(8), which provides that CEQA does not apply to the establishment, modification, structuring, restructuring or approval of certain rates, tolls, fares and charges by public agencies which the public agency finds are for the purpose of (A) meeting operating expenses, including employee wage rates and fringe benefits, (B) purchasing or leasing supplies, equipment, or materials, (C) meeting financial reserve needs and requirements, (D) obtaining funds for capital projects necessary to maintain service within existing service areas, or (E) obtaining funds necessary to maintain those intracity transfers as are authorized by City charter. If Recology proposes physical improvements following the proposed rate increase, those proposed improvements may be subject to a separate environmental review.
- (2) The City has closely reviewed the Application and supporting schedules and the testimony at the Director's hearings. Based on this information, the City finds that the purpose of the rates approved herein is to help Recology (a) meet operating expenses, including employee wage rates and fringe benefits, (b) purchase or lease supplies, equipment, or materials, (c) meet financial reserve needs and requirements, and (d) obtain funds for capital projects necessary to maintain service within existing service areas.

Attachment A
Refuse Rate Director's Hearings 2017
Exhibit List

| <u>#</u> | <u>Description</u> | <u>Introduced by</u> | <u>Hearing Date</u> |
|-----------------|--|-----------------------------|----------------------------|
| 1 | 2017 Refuse Rate Application (Narrative Summary only) | Recology | 3/8/2017 |
| 1A | 2017 Refuse Rate Application (complete, on CD) | Recology | 3/15/2017 |
| 2 | 2017 Rate Application Technical Workshop Presentation (corrected) | Recology | 3/15/2017 |
| 3 | Recycle Central Material Recovery Facility Upgrade Proposal (12/8/15) | Recology | 3/8/2017 |
| 4 | DPW Director letter to Recology (1/29/16) re ZWI Funds | Recology | 3/8/2017 |
| 5 | Recology letter to DPW Director (8/25/16) re ZWI Funds | Recology | 3/8/2017 |
| 6 | DPW Director letter to Recology (9/1/16) re ZWI Funds | Recology | 3/8/2017 |
| 7 | Recology letter to DPW Director (2/15/17) re ZWI Funds | Recology | 3/8/2017 |
| 8 | Rate Board Resolution (12/16/15) | Recology | 3/8/2017 |
| 9 | Letter to Rate Board (10/30/15) (corrected) | Recology | 3/15/2017 |
| 10 | Rate Board Resolution (8/17/16) | Recology | 3/8/2017 |
| 11 | Memo from Dept of Env. to Rate Board (6/24/16) re Status of Claims on Special Reserve | Recology | 3/8/2017 |
| 12 | Tonnage overview | Public Works | 3/8/2017 |
| 13 | Hay Road Landfill Agreement (7/22/15) | Recology | 3/8/2017 |
| 14 | Hay Road Landfill Agreement - First Amendment (5/1/16) | Recology | 3/8/2017 |
| 15 | 2013 Director's Report | Recology | 3/8/2017 |
| 16 | Rate Board Resolution (7/23/13) | Recology | 3/8/2017 |
| 17 | Photos of recyclables sorting | Recology | 3/8/2017 |
| 18 | Zero Waste Collection Tests Summary Results (12/31/15) | Recology | 3/8/2017 |
| 19 | Photo of bins (current) | Recology | 3/8/2017 |
| 20 | Photo of bins (proposed) | Recology | 3/8/2017 |
| 21 | Photos of split/single chamber vehicles | Recology | 3/8/2017 |
| 22 | Ratepayer Advocate Powerpoint Presentation | Ratepayer Advocate | 3/15/2017 |
| 23 | Recology San Francisco Historical and Projected Headcount | Public Works | 3/15/2017 |
| 24 | Route Modeling Methodology | Recology | 3/15/2017 |
| 25 | Routes/Accounts/Tonnages Slide | Recology | 3/15/2017 |
| 26 | Weight Migration Slide | Recology | 3/15/2017 |

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| 27 | Abandoned Materials Collection Table | Recology | 3/15/2017 |
| 28 | Bulky Item Recycling | Recology | 3/15/2017 |
| 29 | Recology Sunset Scavenger/Golden Gate Historical and Projected Headcount | Public Works | 3/15/2017 |
| 30 | Photograph of driver materials | Recology | 3/15/2017 |
| 31 | Photograph of Routesmart tablet | Recology | 3/15/2017 |
| 32 | West Wing rendering | Recology | 3/15/2017 |
| 33 | Trash processing equipment rendering | Recology | 3/15/2017 |
| 34 | Anti-theft warning | Mark Christensen | 3/22/2017 |
| 35 | iMRF facility rendering | Recology | 3/22/2017 |
| 36 | iMRF equipment rendering | Recology | 3/22/2017 |
| 37 | Trash processing equipment rendering | Recology | 3/22/2017 |
| 38 | West Wing Project Costs Estimate | Recology | 3/22/2017 |
| 39 | San Francisco Facilities Timeline | Recology | 3/22/2017 |
| 40 | iMRF facility cost estimate | Recology | 3/22/2017 |
| 41 | Trash processing facility cost estimate | Recology | 3/22/2017 |
| 42 | Cost estimates for contingent schedule equipment | Recology | 3/22/2017 |
| 43 | Fixed Versus Variable Cost Analysis | Recology | 3/22/2017 |
| 44 | Average Apartment Increase (v1) | Recology | 3/22/2017 |
| 45 | Average Apartment Increase (v2) | Recology | 3/22/2017 |
| 46 | Historical COLA Trend | Recology | 3/22/2017 |
| 47 | COLA Mechanism (3/8/17) | Recology | 3/22/2017 |
| 48 | Sample Changes in Single Family Residential Monthly Service Charges | Recology | 3/22/2017 |
| 49 | Distribution of Zero Waste Incentive Funds | Recology | 3/22/2017 |
| 50 | Abandoned Material Collection / Bulky Item Recycling | Recology | 3/22/2017 |
| 51 | Department of the Environment Impound Expenses | Department of the Environment | 3/22/2017 |
| 52 | Department of the Environment Impound Account Funded Projects Summary | Department of the Environment | 3/22/2017 |
| 53 | Memo from Port Exec Director to Port Commission (3/10/17) re iMRF | David Pilpel | 3/22/2017 |
| 54 | Recology Presentation to Port Commission (3/14/17) re Pier 96 | David Pilpel | 3/22/2017 |
| 55 | Memo from DPW Staff to DPW Director (3/21/17) re Impound Account | Public Works | 3/28/2017 |
| 56 | City Attorney letter to Planning Department (3/10/17) re CEQA | City Attorney | 3/28/2017 |
| 57 | Staff Report re 2013 Refuse Rate Application (5/10/13) | Recology | 3/28/2017 |

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| 58 | Post-Filing Modifications to Final Application | Recology | 3/28/2017 |
| 59 | Comparison of Final Application and Post-Filing Changes | Public Works | 3/28/2017 |
| 60 | Chart re Workers Comp and Overtime Trend | Recology | 3/28/2017 |
| 61 | Table re COLA Increases | Recology | 3/28/2017 |
| 62 | Recology screenshot re Lifeline Rates | Recology | 3/28/2017 |
| 63 | Lifeline rate application | Recology | 3/28/2017 |
| 64 | Estimated Disposal Tons & Percentage of Tons Processed | Recology | 3/28/2017 |
| 65 | Board of Supervisors Resolution for 75% Waste Diversion Goal (No. 679-02) | Recology | 3/28/2017 |
| 66 | Environment Commission Resolution re Zero Waste Goal (No. 002-03-COE) | Recology | 3/28/2017 |
| 67 | Organic Waste Processing Capacity Study (Dec 2016) | Recology | 3/28/2017 |
| 68 | Number of Accounts by Percentage Change in Monthly Rates | Public Works | 3/28/2017 |
| 69 | Impact of Adjusted and Projected Revenues and Application of Surplus | Public Works | 3/28/2017 |
| 70 | Tipping Fee Methodology | Public Works | 3/28/2017 |
| 71 | Refuse Projected Tons Diverted and Disposed | Public Works | 3/28/2017 |
| 72 | Rate Survey Select Cities | Recology | 3/28/2017 |
| 73 | Proposition 218 Notice | Recology | 3/28/2017 |
| 74 | Pilfering Analysis | Recology | 3/28/2017 |
| 75 | PG&E Energy Statement | Recology | 3/28/2017 |
| 76 | Emails with Recology (2/28/17) re rates | Department of the Environment | 3/28/2017 |
| 77 | Emails with Recology (3/23/17) re Pipeline Report & Business Tlme excerpt | Department of the Environment | 3/28/2017 |
| 78 | Staff Report | Public Works | 4/19/2017 |
| 79 | R3 Consulting Group Task Order 2 | Public Works | 4/19/2017 |
| 80 | Rate Application Request For Information No. 1 | Public Works | 4/19/2017 |
| 81 | Port letter to Recology (3/10/17) re Pier 96 Lease | Department of the Environment | 4/19/2017 |
| 82 | Memo from Ratepayer Advocate to DPW Director (4/19/17) re Rate Proposal | Ratepayer Advocate | 4/19/2017 |
| 83 | Recology letter to DPW Director (4/7/17) re Leasing | Recology | 4/19/2017 |
| 84 | Christensen letter to DPW Director (4/10/17) | Ratepayer Advocate | 4/19/2017 |

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| 85 | Sommer memo to Waste Mgmt Authority Board (3/22/17) | David Pilpel | 4/26/2017 |
| 86 | Drivers of Proposed Increase | Public Works | 4/26/2017 |
| 87 | Percentage Change in Monthly Rate (Range) | Public Works | 4/26/2017 |
| 88 | Summary of Rate Impacts by Account Type | Public Works | 4/26/2017 |
| 89 | Comparison of Major Service Mixes by Numbers of Units | Public Works | 4/26/2017 |
| 90 | Tables re Rate Impacts and Structures | Public Works | 4/26/2017 |
| 91 | GG/Sunset Customer Communication Tracking Report | Recology | 4/26/2017 |
| 92 | Photo of recycling chute | Recology | 4/26/2017 |
| 93 | Photo of bins | Recology | 4/26/2017 |
| 94 | Abandoned Waste Volume of Service Orders by Day of Week | Public Works | 4/26/2017 |
| 95 | Abandoned Waste Volume of Service Orders by Hour of Day | Public Works | 4/26/2017 |
| 96 | Analysis re Service Orders for Abandoned Materials / Bulky Items Recycling | Public Works | 4/26/2017 |
| 97 | Sample Changes in Single Family Residential Monthly Service Charges (5/3/17) | Public Works | 5/3/2017 |
| 98 | 2017 Rate Calculation - Impact of Trash Premium | Public Works | 5/3/2017 |
| 99 | Map of Abandoned Waste (AMC) Service Orders | Public Works | 5/3/2017 |
| 100 | Depreciation versus lease treatment | Recology | 5/3/2017 |
| 101 | Bullet Points re Lease Financing and Depreciation | Recology | 5/3/2017 |
| 102 | Memo from Ratepayer Advocate to DPW Director (5/3/17) re Rate Proposal | Ratepayer Advocate | 5/3/2017 |
| 103 | Letter from Maximilienne Ewalt to DPW Director (5/3/17) re Rate Payer Increase | Maximilienne Ewalt | 5/3/2017 |
| 104 | Memo from Dept of Env to Environment Commission (7/28/15) re Impound Account Funds | David Pilpel | 5/3/2017 |
| 105 | Letter from Maurice Bizzarri to DPW Director (5/3/17) re Rates | Maurice Bizzarri | 5/3/2017 |



Edwin M. Lee, Mayor
Mohammed Nuru, Director

Public Works Order No: 185970

CITY AND COUNTY OF SAN FRANCISCO
DEPARTMENT OF PUBLIC WORKS

Whereas on February 14, 2017, Recology San Francisco applied for an increase in the maximum rate to be charged for the disposal of refuse collected by licensed refuse collectors in the City and County of San Francisco; and

Whereas, the Director of Public Works has reviewed this application and has conducted public hearings as required by law; and

Whereas, the Director of Public Works has found in his Report dated May 12, 2017, that an increase of 15.69% has been justified and is reasonable; and

Whereas, the Director of Public Works has also found in his Report that it is just and reasonable to approve further increases in the maximum rate contingent on Recology's future investments in capital improvements for an Integrated Materials Recovery Facility (*i*MRF) and Trash Processing Facility; and

Whereas, the Director of Public Works has found in his Report that it is just and reasonable to increase these base rates each year by a cost-of-living adjustment (COLA), and will issue rate schedules for subsequent rate years after applying the COLA factor as appropriate; now therefore,

Be it ordered, that the maximum rate per ton for the disposal of refuse to be charged any person, firm, or corporation authorized by the Board of Supervisors to dispose of refuse, shall be \$181.20, effective July 1, 2017; and

Be it ordered, that the maximum rate per ton may be increased by an additional 5.01% as measured from the Rate Year 2018 base rate for the *i*MRF subject to the requirements specified in the Director's Report; and

Be it ordered, that the maximum rate per ton may be increased by an additional 7.13% as measured from the Rate Year 2018 base rate for Trash Processing subject to the requirements specified in the Director's Report; and



Be it ordered, that the maximum rate per ton for the disposal of refuse may be adjusted by a COLA mechanism in subsequent rate years as set forth in said Report; and

Be it ordered, that the procedures governing the use of funds from the Special Reserve Fund, as set forth in the 2013 Director's Report, remain in effect.

5/12/2017

X Mohammed Nuru

Nuru, Mohammed

Director, Public Works

Signed by: Nuru, Mohammed





GENERAL - DIRECTOR'S OFFICE
City Hall, Room 348
1 Dr. Carlton B. Goodlett Place, S.F., CA 94102
(415) 554-6920 ■ www.SFPublicWorks.org



Edwin M. Lee, Mayor
Mohammed Nuru, Director

Public Works Order No: 185968

DEPARTMENT OF PUBLIC WORKS
CITY AND COUNTY OF SAN FRANCISCO

Whereas on February 13, 2017, Recology Sunset Scavenger and Recology Golden Gate applied for increases in the rates to be charged for refuse collection service rendered to residential and apartment buildings; and

Whereas, the Director of Public Works has reviewed this application and has conducted public hearings as required by law; and

Whereas, the Director of Public Works has reviewed this application and has reported in his Report dated May 12, 2017, that an average increase of 20.98% in rates to be charged for refuse collection from residential and apartment buildings is justified and reasonable at this time; and

Whereas, the Director of Public Works has approved rebating revenues paid by rate payers in prior years to reduce the average rate increase in the base year and subsequent rate years; and

Whereas, as a result of the rebated revenues, the Director has determined that rates will be adjusted by 14.42% in Rate Year 2018, 5.46% in Rate Year 2019, -0.55% in Rate Year 2020, and 0.79% in Rate Year 2021; and

Whereas, the Director of Public Works has also found in his Report that it is just and reasonable to approve further increases in collection rates contingent on Recology's future investments in capital improvements for an Integrated Materials Recovery Facility (iMRF) and Trash Processing Facility; and

Whereas, the Director of Public Works has found in his Report that it is just and reasonable to increase these base rates each year by a cost-of-living adjustment (COLA) and will issue rate schedules for subsequent rate years after applying the COLA factor as appropriate; now therefore,

Be it ordered, that the procedures governing the use of funds from the Impound Account and the Special Reserve Fund and Reserve Fund, as set forth in the Report, are in effect; and

Be it ordered that the following schedule of refuse collection rates shall be charged, effective July 1, 2017, by Recology Sunset Scavenger and Recology Golden Gate in the City and County of



San Francisco, and that the procedures governing the rates as put forth in the said Report are in effect:

| Description of Monthly Charge | Charge |
|---|----------|
| Rates for 1-5 Unit Residential Buildings | |
| Base Charge for Service | |
| Per dwelling unit | \$15.00 |
| Trash Volume Charge for Weekly Collection | |
| 16-gallon bin | \$6.26 |
| 20-gallon bin (current customers only) | \$6.26 |
| Premium for service above 32-gallons per dwelling unit | \$10.00 |
| Recycling or Composting Volume Charge for Weekly Collection | |
| 32-gallon bin | \$6.26 |
| Distance, Elevation and Key Charges | |
| No extra charge for collection less than 25 feet from curb. Distance charge per bin for collection each 25-foot increment thereafter. | \$10.72 |
| No extra charge for collection less than 4 feet elevation change from street level. Elevation charge per bin for collection from each 8 foot increment thereafter. | \$11.63 |
| Weekly access charge. | \$6.74 |
| Rates for 6 Unit and Larger Apartment Buildings | |
| Base Charge for Service | |
| Per dwelling unit | \$5.00 |
| Volume Charges for Weekly Collection | |
| Collection volume is charged equally for trash, recycling and composting. A landfill diversion discount equal to the diversion volume percentage less 25% is then subtracted. Diversion volume percentage equals recycling and composting volume divided by total volume. | |
| 32-gallon bin | \$24.03 |
| 1-cubic yard bin | \$151.67 |
| Distance, Elevation, Key and Special Service Charges | |
| No extra charge for collection less than 50 feet from curb. Distance charge is 12.5% times volume charge (before diversion discount) for weekly collection from within each 50-foot increment thereafter. Distance is from curb to farthest bin. | |
| No extra charge for collection less than 4 feet elevation change from street level. Elevation charge is 25% times volume charge (before diversion discount) for weekly collection from elevation changes within each 8-foot increment thereafter. Elevation is from street level to farthest bin. | |



| Description of Monthly Charge | Charge |
|---|--------|
| Weekly access charge. | \$6.74 |
| An extra charge of 50% times volume charge (before diversion discount) applies for each trap door (collector must lift a cover and pull bins up to street level), clearing of a disposal chute, rake-out (disposal chute without a bin) or bin located on a ledge one foot or more above floor. | |

| Additional Provisions and Requirements for all Customers |
|--|
| Households with income less than or equal to 200% of the poverty level may qualify for 25% base and volume discounts. Nonprofit housing organizations may qualify for 10% discounts. |
| Distance, elevation and access charges are waived for customers with a permanent disability that pay for individual service and certify they are physically unable to place bins at the curb and no able-bodied persons live in their building. Customer must place bins in a location as accessible as possible for collection. |
| Residential and apartment rates apply to single and multi-family homes, flats, apartments, condominiums, tenancies in common, in-law units, lofts, live/work spaces (unless clearly commercial), single room occupancy hotels (with an apartment license) and low income housing. Buildings with more than 600 rooms (not counting kitchens and bathrooms) or with bins 3-yards or larger or compacted service, mixed use buildings without dedicated residential bins and all other buildings are charged commercial rates. Customer must provide accurate unit and room counts, subject to verification by Recology. |
| City law mandates everyone must have adequate refuse service, pay for service on time and properly separate recyclables, compostables and trash. Minimum weekly service per unit is 16 gallons for trash, 16 gallons for recycling and 8 gallons for composting, unless there is no contamination in any bin. Bins may be shared by dwelling units within one building if refuse service minimums are met. Apartment rates are for shared bins only. |
| Recycling, composting and trash bins should be at the same location. Bins shall be unobstructed and placed for easy access so they can be used and serviced in a normal and safe manner, as determined by Recology. |
| Refuse is to be in standard bins. Loose material, overflow (lid must be closed), overweight (more than 2 pounds per gallon) or non-standard bins may be charged the next highest standard bin rate. Cardboard must be placed in a recycling bin, cardboard box or paper bags not exceeding 2 feet in any dimension (8 cubic feet). Customers with excess cardboard not in a bin on service day may be charged \$5 per 8 cubic feet. |
| Additional frequency charges are linear (weekly service charges are multiplied by the number of collections per week). 16 and 20-gallon bins are not serviced more frequently than once per week. Customers must exceed minimums for more than once weekly service. |
| Saturday service is 75% more than the applicable rate (including volume, distance, elevation, access and other special service charges) for weekday service. For Saturday collection, at least 3 days per week service is required. |
| Sunday service is 175% more than the applicable rate (including volume, distance, elevation, access and other special service charges) for weekday service. For Sunday |



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| Additional Provisions and Requirements for all Customers |
| collection, daily service is required. |
| Street level and curb is where vehicle must park to service customer's bins. Distance is measured from vehicle along service path to bins. Elevation is determined by adding all distances up and down along service path. |
| Volume, distance, elevation, access and other charges are per location. Charges may be split among customers at the same location at 150% of the otherwise applicable rate. If two or more customers split service charges, they will be applied to each bill payer equally or as designated by the customers, subject to approval by Recology. |
| An access charge will be applied for each bin at a location when a key, padlock, combination lock, key pad, entry code, electronic door opener, transmitter or other similar entry mechanism is required to enter or leave/secure premises. An access charge will be applied for each occurrence of unlocking a bin. An additional access charge will be applied for relocking each bin serviced should a front-loader driver be required to get out of the vehicle again. A charge will not be applied for re-securing rear load or side load bins at the curb. |
| Contaminated recycling, composting and trash bins may have diversion discount removed and be assessed a 100% contamination charge. |
| It is the customer's responsibility to monitor all services and charges and notify Recology of any possible discrepancies. Service credits will not exceed 30 days or one billing cycle, whichever is greater, from the time of notification by the customer. Recology performs periodic audits and will correct charges and recommend service changes. |
| Recology is responsible for normal wear of bins provided to customers. Customers are responsible for damaged bins beyond normal wear, reporting missing bins, excessive missing bins, and may be responsible for replacement cost. Bin cleaning service is available at an extra charge. |
| \$20 will be charged to open a service account. Closing an account is only allowed for residency changes. Credit will be given for suspension of service (e.g., vacations) for one to three months. Customers must notify Recology of the suspension and restart dates before start of suspension. Base charges are not credited and an administrative fee of \$10 is charged to restart service after suspension. |
| Electronic bill payers receive a \$1 credit on each bill. |
| \$25 will be charged for each check returned for insufficient funds. |

5/12/2017

X Mohammed Nuru

Nuru, Mohammed
 Director, Public Works
 Signed by: Nuru, Mohammed

