

## ATTACHMENT 12-A

### ADJUSTMENT OF CONTRACTOR'S COMPENSATION FOR RATE YEAR ONE

The per Ton and per Ton/mile amounts shown in Section 7.03 are expressed in "2008 Dollars". In order for them to reflect corresponding values for Rate Year One, they will be adjusted through the following process. The procedure is illustrated, using hypothetical index levels, in Attachment 12-B.

The three elements of compensation described in Section 7.03 (the Transfer Station Receipt and Handling Fee, the MRF Recyclables Processing Fee, and the Transportation Fee) each comprise three distinct cost components (and associated profit):

- Labor costs
- Fuel and power costs
- Other operating and maintenance costs

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

The initial step in this process is to determine Adjustment Factors for labor costs, fuel and power costs, and other operating and maintenance costs. Each of these components, in turn, has sub-components as follows:

##### Labor

- Wages for represented employees;
- Benefits for represented employees;
- Workers' compensation insurance;
- Payroll taxes.

##### Fuel and Power

- PG&E charges for electricity;
- Diesel fuel.

##### Other Operating and Maintenance

- Wages and benefits for non-represented employees plus associated workers' compensation insurance and payroll taxes;
- Repairs and maintenance to vehicles and stationary equipment;
- Lease/rental expenses for vehicles;
- Depreciation on vehicles and stationary equipment;
- Insurance, safety and claims;
- General and administrative.

The Adjustment Factor for labor will be determined separately for the Transfer Station, for the MRF and for Transportation. In each case, the 2008 wages for represented employees ("direct" labor) will be based on the amounts shown in Contractor's Proposal (Form 3-G). Updated wages will be prepared by revising Form 3-G to input 2011 wage rates payable under the collective bargaining agreements then in effect. There will be no increase in the number of standard or overtime hours used in the calculation. The 2008 benefits will be based on the pension, health and welfare, and vacation/sick leave and holiday costs in Form 3-G monetized to an hourly dollar

amount. The 2011 benefits, similarly expressed, will be based on the collective bargaining agreements then in place.

Workers' compensation insurance adjustment factor will be based on changes in the Consumer Price Index (CPI-W). The Percentage Change in the Consumer Price Index shall be calculated using the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index - Urban Wage Earners and Clerical Workers, San Francisco-Oakland-San Jose, CA (not seasonally adjusted, all items, base period: 1982-84=100, Series No. CWURA422SA0).

The payroll taxes Adjustment Factor will be equal to the adjustment factor for wages.

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

The Adjustment Factor for Other Operating and Maintenance Costs will be based on changes in the Consumer Price Index (CPI-U). The Percentage Change in the Consumer Price Index shall be calculated using 75% of the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers, San Francisco-Oakland-San Jose, CA (not seasonally adjusted, all items, base period: 1982-84=100, Series No. CUURA422SA0).

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

The adjusted Labor component will be calculated by applying the adjustment factors for wages, benefits, workers' compensation insurance, and payroll taxes (determined in Step 1) to the 2008 costs on Form 3-G to generate total labor costs for 2011 by converting that amount to a per Ton cost based on 434,251 Tons delivered per year.

The Fuel and Power component will be calculated by applying the Adjustment Factor (determined in Step 1) to the cost per Ton shown on Form 3-G for fuel and power used at the Transfer Station.

The Other Operating and Maintenance Costs component will be calculated by applying the Adjustment Factor (determined in Step 1) to the cost per Ton shown on Form 3-G for Other Operating and Maintenance costs at the Transfer Station.

## **3. Adjust MRF Processing Fee**

The Labor component will be calculated by applying the same factors used to adjust wages, benefits, workers' compensation insurance, and payroll taxes for the Transfer Station Fee to the corresponding costs for Form 3-G for 2008 wages for the MRF and converting that total 2011 labor cost to a per Ton cost based on 85,581 Tons per year delivered to the MRF.

The Fuel and Power component will be calculated by applying the same Adjustment Factor as that used in the Transfer Station Fee Fuel adjustment.

The Other Operating and Maintenance component will be calculated by applying the same factor used in the Transfer Station Fee O&M adjustment.

#### **4. Adjust Transport Fee**

A separate 2011 cost per Ton/mile will be calculated for each of the five materials categories (solid waste, inerts [bunker program materials], C&D, plant materials and organic materials).

The Labor component for each of the materials types will be adjusted using the same factor. The factor will itself be calculated based on the Labor component of the Solid Waste Transfer Fee. The same Adjustment Factors used in adjusting the elements of wages for the Transfer Station Fee will be used. That cost will be converted to a cost per Ton based on 318,170 Tons per year.

The Fuel component will be calculated by applying the same Adjustment Factor as that used in the Transfer Station Fee Fuel adjustment.

The Other Operating and Maintenance component will be calculated by applying the same factor used in the Transfer Station Fee O&M adjustment.

#### **5. Profit**

The amount of profit in 2008 dollars shown on Form 3-G as distributed among the cost components in each of the three fees described above will be adjusted by the same factors as the cost components on which a profit allowance is applied are adjusted. The allowance for profit is not a guarantee that Contractor will earn a particular amount, or any, profit. Actual costs may change at rates different from the adjustment process provided in the Agreement and Contractor may therefore earn more or less profit than the dollar amounts shown in Attachments 12 and 13.