

ATTACHMENT 13-A
ADJUSTMENT OF CONTRACTOR'S COMPENSATION
FOR RATE YEAR TWO AND THEREAFTER

The per Ton and per Ton/mile amounts shown in Section 7.03 will be adjusted to reflect corresponding values for Rate Year One as provided in Attachment 12-A and illustrated in Attachment 12-B. Those adjusted values will themselves be further adjusted for Rate Year Two (2012) through the following process. This procedure, which is illustrated, using hypothetical index levels, in Attachment 13-B will also be applied in Rate Year Three and thereafter through the end of the Term.

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, comprises 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 nonrepresented 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 2011 wages for represented employees ("direct" labor) will be updated by inputting 2012 wage rates payable under the collective bargaining agreements that were in effect in 2009 and are still in effect. The 2012 benefits [pension, health and welfare, and vacation/sick leave benefits

monetized to an hourly dollar amount] will be based on the collective bargaining agreements that were in effect in 2009 and are still in effect. Once the initial expiration date in the collective bargaining agreements that were in effect in 2009 has occurred, wages and benefits for represented employees will subsequently be adjusted 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). There will be no increase in the number of standard or overtime hours.

The workers' compensation insurance adjustment factor will be based the same factor used to adjust Other Operating and Maintenance Costs as described below.

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 2011 per Ton cost, which was based on 434,253 Tons delivered per year.

The Fuel and Power component will be calculated by applying the Adjustment Factor (determined in Step 1) to the 2011 cost per Ton 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 2011 cost per Ton shown 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 2011 per Ton cost for the MRF, which was 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 2012 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 2012 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 2011 dollars, 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.