CITY AND COUNTY OF SAN FRANCISCO

DEPARTMENT OF PUBLIC WORKS

DIRECTOR'S HEARING ON PROPOSED REFUSE RATES

2017 REFUSE RATE APPLICATION

CITY HALL

1 DR. CARLTON B. GOODLETT PLACE, ROOM 416

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Tuesday, March 28, 2017

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Hearing - Volume IV
March 28, 2017
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Tuesday, March 28, 2017 8:09 a.m.

PROCEDINGS

DIRECTOR NURU: I'd like to call this hearing to order.

Good morning, everyone. I am Mohammed Nuru, Director of the Department of Public Works for the City and County of San Francisco. This is a continuation of the Director's Hearing on Recology's Application for an Increase in Residential Refuse Collection and Disposal Rates. Today is Tuesday, March 28. The agenda for today is on the table. The order of business for this morning will be as follows:

We will finish the City's presentation on the impound account. We will then resume cross-examination of the Company's controller on the proposed rate structure and revenue projections. I understand that the Company would like to introduce some additional information and may have other witnesses they would like to call. In the interest of time, I ask the Company's witness to be as brief as possible in your presentations. The Ratepayer Advocate will have an opportunity to ask questions of any witnesses as well. As always, I will reserve the last period for public comment. You may also convey your comments to the Ratepayer Advocate.
One more piece of housekeeping. I'd like the Public Works clerk to make an announcement concerning our efforts to comply with Title VI of the Civil Rights Act and ask your cooperation with a public participation survey.

Mr. Nathan Rodis, please proceed with your announcement.

MR. RODIS: Thank you.

Title VI of the Civil Rights Act requires equal and equitable access to San Francisco Public Works program activities and services. To document that the Department is in compliance with Title VI, we ask that everyone attending and participating in today's hearing complete a public participation survey. However, this survey is optional and completing it is not a requirement for participation, the data that you provide will be analyzed and used to ensure residents and stakeholders in the community are involved in the refuse rate hearing process. The information will not be used for any other purposes. You will find this survey on the sign-in table. Please place your completed survey forms in the collection box.

Thank you.

DIRECTOR NURU: Thank you, Nathan.

Okay. I believe Ms. Dawson is ready to start
with the Public Works item funded through the impound account.

MS. DAWSON: So first I'm going to ask the City Attorney to reflect some exhibits that were submitted at the end of the last hearing, and then we're going move on to the Public Works testimony.

MR. PRADHAN: Good morning, everyone. Following up with Mr. Pilpel's testimony at the last hearing, Exhibit 53 will be a March 10, 2017 memo from Elaine Forbes to the members of the Port Commission, 13 pages. That will be Exhibit 53.

And Exhibit 54 will be a presentation to the Port Commission dated March 14th, 2017. Title is "Pier 96 C&D Recycling Facility Proposal," and this document is 15 pages.

And so those will be marked as Exhibits 53 and 54.

(Exhibit 53, "Port of SF Memorandum [Public]," was admitted into evidence.)

(Exhibit 54, "Pier 96 C&D Recycling Facility Proposal [Public]," was admitted into evidence.)

DIRECTOR NURU: Okay.

MS. DAWSON: So can we ask Mr. Larry Stringer to come up on behalf of Public Works.
(Mr. Stringer steps up to the witness stand.)

LARRY STRINGER,

having first been duly sworn,

was examined and testified as follows:

DIRECT EXAMINATION

BY MR. PRADHAN:

Q. Good morning.

Could you state your name please, sir.

A. Larry Stringer.

Q. And what is your title with the City?

A. Deputy Director of Operations for the

Department of Public Works.

Q. And what are your duties in that role?

A. I run all operations, which includes street

cleaning, urban forestry, street and civil repair, and

building repair.

Q. Are you familiar with the impound account?

A. Yes.

Q. Could you tell us what are the different

Public Works services that are funded through the

impound account?

A. Litter patrol and block sweeping, and as well

as some abandoned waste, mostly homeless debris-related.

MR. PRADHAN: I'm going distribute an exhibit, and I'm going to ask you to walk us through it. This
exhibit is a March 21st, 2017 memo from Julia Dawson
to Mohammed Nuru, subject is "Public Works Funding
Included in Recology's 2017 Refuse Rate Application."
The document is 8 pages. I'll distribute that now.

MS. DAWSON: So that's 55.

MR. PRADHAN: Yes, this memo is 55.

(Exhibit 55, "SFPW Memorandum [City],"
was admitted into evidence.)

BY MR. PRADHAN:

Q. Mr. Stringer, you have Exhibit 55 in front of
you?

A. Yes, I do.

Q. Have you seen this document before?

A. Yes, I have.

Q. Could you walk me through, please.

A. Okay. I guess we have several activities that
are related or partially from the Bureau through the
impound account. As I stated, that's litter patrol's
picking up debris and refuse. It's also the abandoned
materials related to homeless, as well as funding our
Outreach and Enforcement team.

I think it says, "$18.6 million on these
activities directly related to disposal of refuse and
collectables for San Francisco city streets and
properties."
Q. That's the total budget, not the amount from the --
A. That's not from the impound account, no. That's the amount related to the type of activities from the impound account. Just funds a portion of it.
Q. Thank you.
A. As you can see, we've done over 60,000 service requests related to that in 2015-16, and it's a 24/7/365 operation. I guess the proposed funding is for $3.5 million for the refuse-related cleaning services, which is less than 20% of the $18.6 million in annual expenditures. And the rest of the funding for the Bureau comes from the general fund and also from the cigarette tax.
Q. And then I think it's stated here the impound account funds also help pay for the Outreach and Enforcement team, public litter can replacement, and the other items described here.
A. That is correct.
Q. And Mr. Stringer, are you familiar with the processes of Public Works to make sure that the impound account funds are spent on these intended items, the approval process for those expenditures?
A. I am. It's built into the basic budget of the Bureau, so yes.
Q. So through the standard budgeting process, that's how you make sure that impound account funds are spent correctly?
   A. Correct.

Q. And is there also oversight at your level and at the project manager level regarding expenditures?
   A. There is, as well as the finance as well.

MR. PRADHAN: Okay. I have no further questions.

DIRECTOR NURU: Does anybody want to cross-examine? No? Okay.

MS. DAWSON: Just very briefly.

Could you describe -- there is one new program that is being proposed that relates to a sort of training around cleanliness and public litter cans; so if you could just briefly describe what that is.

THE WITNESS: So over the last few years, we've had a serious increase in the amount of service requests related to steaming activities because of behavior -- bad behavior on the streets. That volume of increase has caused us to decrease the level of service in actually cleaning the cans because public health and safety is first before the actual city cans; so they are not getting the necessary attention that they need.

So we have put in this rate to supplement
those services and use it also as a training program as well as make sure that the city cans are getting the attention that they should get on a weekly and a monthly and a yearly basis. We currently do not have the resources to maintain the city cans as we did four or five years ago, just based on the sheer volume of service requests related to steamers.

MR. PRADHAN: Thank you.

THE WITNESS: Okay.

MR. PRADHAN: And one final --

You can step down, sir. You're done.

(Mr. Stringer steps down from the witness stand.)

MR. PRADHAN: I just had one final item.

I wanted to mark a new exhibit. This will be Exhibit 56.

DIRECTOR NURU: Mr. Stringer, we'll need you back up at the stand.

MR. PRADHAN: We'll mark Exhibit 56 in a moment after we finish this.

(Mr. Stringer steps up to the witness stand.)

MS. DAWSON: I was going to ask Ian Schneider to come and join Mr. Stringer to talk briefly about the OnE team.

Mr. Rodis, if you could swear in.
IAN SCHNEIDER,

having first been duly sworn,

was examined and testified as follows:

DIRECT EXAMINATION

BY MS. DAWSON:

Q. Good morning.

A. Good morning.

Q. I'm wondering if you could tell us a little bit about the accomplishments of the OnE team since it was created in 2013. And for the record, in the back of the Public Works exhibit there is a report written by the OnE team that describes a lot of the work that they've done. But if you would please just kind of run us through, since you are a member of the OnE team, a little bit about what the team's been doing and maybe a little bit about what's being proposed as a change to the OnE team in this rate process.

A. Sure. The Outreach and Enforcement, or OnE team, is composed of six public information officers who perform both outreach and education as well as enforcement of litter-related codes citywide.

We started about three years ago through the funding from the impound account, and we have gotten into compliance well over a thousand properties that had insufficient or no refuse collection service and have
issued nearly 20,000 -- or logged nearly 20,000 outreach incidents relating to educating people on code compliance regarding illegal dumping, overflowing garbage bins, garbage bin placement and setout time, obstruction of the sidewalks, sidewalk cleanliness, and property cleanliness relating to refuse. We've also issued over 15,000 notices of violation and 3,500 citations relating to those kinds of code violations.

This is an effort that kind of bridges the gap between the operation-side of things and the Recology-side of things in terms of a dedicated staff to educate residents and the customers on how to dispose of the refuse correctly.

In the coming refuse rate process, we're hoping for two additional public information officers, because our findings have found that a lot of the issues are happening at night when refuse is put out for collection. There's additional refuse being set out, there's scavenging issues, there's overflowing bins. And we have performed quite a few night inspections with our current daytime team, but we'd like dedicated public information officers, two additional citywide, in order to address the nighttime issues that we've been seeing.

Q. And I apologize. Just for the record, if you could please state your name and your title.
A. Sure. Ian Schneider, Manager, Outreach and Enforcement Team, San Francisco Public Works.

Q. Great. So in terms of just the benefits you see going forward, what do you think these new people will do? Because you have a couple of proposed changes based on your experience in the field.

A. Well, ideally the new employees will be able to dive deeper into the issues that we are seeing at night. I have created a deeper partnership with both the operational supervisors at Recology who work during those hours as well as the Public Works operations folks who work during those hours.

We found that there's a rich knowledge of what's happening on the street that can be addressed by someone who is a public information officer who is able to do code enforcement as well as outreach and engagement. And if they're able to deepen the engagement with the operations folks on both sides who work during the evening, they can help keep our streets cleaner through their efforts of outreach and enforcement.

MS. DAWSON: Thank you. I don't have any more questions.

Does the Ratepayer Advocate have some questions?
MS. DILGER: Good morning.

Just a couple of brief questions.

EXAMINATION

BY MS. DILGER:

Q. We've heard testimony from the Department of Environment and DPW about the programs funded by the impound account. But other than a spreadsheet, there's very little about this funding mechanism and the program themselves in the rate proposal?

My question is are the programs and subsequent funding written into the proposal? Or could the funding be used at the discretion of DPW, SF Environment or Recology?

A. (STRINGER) I think they're exactly what we're proposing. So as part of this rate application, yes.

Q. What is the increase from the last rate proposal to what it is now, and how much of that is being put on the ratepayer?

A. That, I don't know.

Q. We can come back to it when the right person is up there.

You may not have this answer, but you mentioned there were, I think, 3,500 citations. Do you know how much money that is approximately, and where does it go?
A. (SCHNEIDER) Sure. We’ve collected over $450,000 dollars in citation payments, and that goes back into the impound account.

MS. DILGER: Thank you.

DIRECTOR NURU: Any other cross-examination?

Okay, thank you.

MR. PRADHAN: So I’ve distributed a document that will be marked Exhibit 56. Exhibit 56 is a two-page letter from myself, Manu Pradhan, to Joy Navarette at the Planning Department, dated March 10th, 2017, concerning the CEQA approval for this rate process. That will be Exhibit 56.

(Exhibit 56, "Letter from M. Pradhan to SF Planning [City]," was admitted into evidence.)

(Mr. Stringer and Mr. Schneider step down from the witness stand.)

DIRECTOR NURU: Okay. So the Recology controller, please come to the stand.

(Mr. Porter steps up to the witness stand.)

Exhibit 56 should be the "Environmental Review and Modification Refuse Rates."

You may proceed, Mr. Baker.

MR. BAKER: Good morning, Mr. Nuru and staff.

Before we get started, I want to deal with a
couple of housekeeping matters. First, we introduced Exhibit 46 at a previous hearing, I think it was last week, showing COLA trends and there was certain identifying information left out on the graph showing what the numbers meant. So in any event, we're submitting an amended Exhibit 46 with that additional information.

Also, reference was made last week to the 2013 staff report, and we are offering that as an exhibit as well. So that would be Exhibit 57.

MR. PRADHAN: 57.

(Exhibit 57, "2013 Staff Report [Recology]," was admitted into evidence.)

JOHN PORTER, having been previously duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BAKER:

Q. Good morning, Mr. Porter.
A. Good morning.

Q. Do you understand you're still under oath?
A. Yes.

Q. At the last hearing, you mentioned that there would be some revised schedules submitted to the City to account for some changes that you described in
testimony; is that right?
   A. Correct.
   Q. And have you provided those revised schedules
to the City?
   A. Yes.
   MR. BAKER: Why don't we mark those as
Exhibit 58.
   MR. PRADHAN: 57.
   MR. BAKER: Or 57, even better.
   THE WITNESS: No, it's 58, because --
   DIRECTOR NURU: The amended one was --
   MS. DAWSON: Staff reports.
   MR. PRADHAN: Oh, I didn't get that.
   I'm sorry.
   MS. DAWSON: And staff reports is 57.
   MR. BAKER: Staff reports is 57, so this is
58. Okay. I'll wait a minute to allow the paper to
catch up.
   MR. PRADHAN: I think we're all a little slow
on the uptake this morning.
   (Exhibit 58, "Post-filing Modifications
[Recology]," was admitted into evidence.)
BY MR. BAKER:
   Q. All right. Mr. Porter, while Exhibit 58 is
being handed out, can you give us an overview of the
changes that have been made to the schedules?

A. Sure. There are 17 total changes. But as a lot of the schedules within the application are interconnected, it does require an updating of multiple schedules; so one individual change can impact maybe five schedules.

So some of the changes are just related to how things are worded or certain tables needed to be updated to reflect the words in the narrative to correct, for example, the ZWI tonnage goals. And some of these changes were the result of working with staff from the City, kind of talking through narrative as we've gone through this rate process.

And then the largest changes are a result of the changing and treatment from our capital investment associated with the west wing, and then the two contingent schedules from a depreciation treatment to a leasing transaction treatment, as well as one update to a contingent schedule to correct a payroll number.

And lastly, to update the CNG fueling price at Sunset Golden Gate for the experience we've seen over the past two years -- or past two months, excuse me, for a new fueling station that went online in December.

So I guess cumulatively, there is no impact to the rate increase that's proposed. It still remains
16.4% after the rebates in the first Rate Year 2018.

Q. So that's what I was going to ask you. The bottom line is that once all these changes are made, the rate increase requested for this coming rate year is unchanged; is that right?

A. Right, yes.

Q. And what about the rate increases that would be occasioned by triggering of the contingent schedules? Are they changed at all?

A. Yes, those have changed. In one case, the rate increase has gone down and in one case, the rate increase has gone up. So for example, the iMRF, the first Contingent Schedule 1 has gone up from 1.47% to 1.85%, and 2 has gone down from 2.78% to 2.6%.

MS. DAWSON: Mr. Baker, if I may, the City has prepared a summary of the changes as it relates to the rates that Mr. Porter's describing. So perhaps if it would be okay with you, we could come down and at least display that for the benefit of those who might be interested in what the overall impact is.

MR. BAKER: That would be helpful, thank you. And should we mark this then as Exhibit 59?

MR. PRADHAN: Yes, 59.
(Exhibit 59, "Comparison of Final Application and Post-Filing Changes [Recology],"
was admitted into evidence.)

MR. BAKER: Could you switch the overhead on, please.

MR. RODIS: Yes.

(Exhibit 59 is displayed.)

BY MR. BAKER:

Q. Mr. Porter, have you had a chance to look at the City's 59 to check it for accuracy?

A. Yes.

Q. And what did you conclude?

A. It is accurate.

Q. So I think this is a helpful aid. Why don't we take a look at that. In what way does this document summarize the changes?

A. It just shows the rate increases that were included in the final application and then compares that against the rate increases that are in the post-filing changes that were submitted in Exhibit 58.

Q. So for example, if we look down at the bottom section.

A. Correct.

Q. The second line says "RSS/RGG Increase Rate Year '18 (with offsets): 16.4%."
A. Mm-hmm.

Q. Is that what you just testified about that is unchanged?

A. Yes.

Q. And what do the four lines below that tell us?

A. Those detail -- one is the Rate Year '19 increase with offsets. That has decreased 4.42% to 4.25%. And then the Rate Year 2021 has increased from 0.62% to 0.68%. And then there's the two contingent schedule increases that I mentioned earlier.

Q. I'm sorry, what did you say?

A. The two contingent schedule increases that I mentioned earlier. One increased, one decreased.

Q. One increased and what?

A. Decreased. So Contingent Schedule 1 went from 1.47% to 1.85%, and Contingent Schedule 2 went down from 2.78% to 2.6%.

Q. And then the top section shows the changes with regard to the tip fee that Recology San Francisco charges to the collection companies?

A. Yes.

Q. All right. And am I right that your schedule -- I mean, that Exhibit 58 has as its first two pages a schedule-by-schedule narrative description of what the changes are?
A. Correct.

Q. And the rest of the exhibit provides the changed schedules themselves?

A. Yes. Changes highlighted in yellow.

Q. All right, thank you.

Let's move on to an issue that was also discussed last week. Last week, Ms. Dawson asked questions about whether the number of collection routes might be reduced if route drivers lengthened their work day, I believe, was the thrust of the question.

A. Mm-hmm.

Q. In his testimony, Mr. Negron provided several reasons why he believed that was not a good idea. Have you done a further analysis of that issue?

A. Yes.

Q. What did you do?

A. As a result of that line of questioning, we went back and did an analysis that compared workers' comp hours or the number of hours that our employees are unable to work due to injury or a workers' comp claim, and compared that to the number of overtime hours worked by our collection drivers.

Q. And how did you do that?

What data did you use to do that comparison?

A. We downloaded all the payroll data since,
I believe, 7/1/2012 and to 6/30/2016; so several rate years, four rate years' of information, and just put them in a line graph to show the comparison.

(Exhibit 60 is displayed.)

MR. BAKER: We'll mark this graph as Exhibit 59.

THE WITNESS: I see 60.

MR. BAKER: 60. That's right, 60.

(Exhibit 60, "Workers' Comp vs. Overtime Trend [Recology]," was admitted into evidence.)

BY MR. BAKER:

Q. But as we pass it out, it's on the overhead, Mr. Porter. Tell us what this graph depicts.

A. Sure. In the red line is overtime hours worked by collection drivers, and the black line is workers' compensation hours claimed by drivers as well during the period from July 1st, 2012 through June 30th, 2016.

Q. What conclusions have you drawn from analysis of this data?

A. Well, I would say that workers' comp hours trend well with overtime hours. And so the more employees -- either the more overtime being worked resulted in more workers' compensation claims, or more workers' compensation claims results in more overtime
hours being worked. There's definitely a tight trend between those two.

Q. Just for clarity, this is called a "dual axis graph"?

A. Yes.

Q. And what do you mean by that?

A. So on the left side you'll see overtime hours and then on the right side you'll see workers' compensation hours. I find this actually interesting because you’ll see that while these things trend very closely, injured workers are not very efficient in the sense that the amount of overtime that results from these workers' compensation hours exceeds the workers' comp hours that are being claimed.

So had these individuals worked their eight-hour days, it would have been more efficient because the overtime is a little less sufficient. The employees at the end of the routes may be working a little more slowly since they're tired or they just don't know the routes as well as the regular drivers.

MR. BAKER: Okay, thank you. I'd now like to turn to address a number of other issues that came up in prior hearings, and I think it might be efficient if we have Mr. Arsenault come and up join Mr. Porter.

(Mr. Arsenault steps up to the witness stand.)
MARK ARSENAULT,

having been previously duly sworn,

was examined and testified as follows:

(Exhibit 61 is displayed.)

BY MR. BAKER:

Q. Mr. Porter, I've put a chart up on the overhead. Is this a chart that you prepared?

A. Yes.

MR. BAKER: I'd like to mark it as Exhibit 61, please.

MR. PRADHAN: Admitted as 61.

(Exhibit 61, "Rates Since 2013 [Recology]," was admitted into evidence.)

BY MR. BAKER:

Q. Can you tell us what this shows us?

A. Sure. This just shows the rate increases from the COLA mechanism over the last three years since the 2014 rate increase resulting from the 2013 rate application.

Q. So this is a rate for what customer?

A. This is a 32/32/32 gallon customer within a single-dwelling unit; so our most common service configuration for residential customers.

Q. So the rate in Rate Year 2014, $34.08, going up to $34.83, going up another 1% in 2016, and in this
current rate year, not going up at all; is that right?
   A. Yes. It should be worth noting that Rate Year 2017 did not increase because we used the Zero Waste Incentive funds from prior years to offset that increase to the ratepayers. I believe it would have been 1.6% resulting from the COLA.

Q. 1.6% what?
   A. The COLA calculation was a 1.6% increase. And because we used Zero Waste Incentive funds to offset that increase, the ratepayers did not see an increase for Rate Year 2017.

Q. And then the Rate Board also approved the use of certain Special Reserve funds since the opening of the Hay Road landfill; correct?
   A. That is correct.

Q. And how has that impacted the rates that ratepayers have paid since the new landfill went into operation?
   A. Approximately, the rate -- if we had increased rates for this change, it would have been approximately a 3.5% rate increase.

Q. And that rate increase was avoided because the Rate Board approved application of some Special Reserve funds to cover the increased landfill cost; is that right?
MS. DAWSON: Mr. Baker?

MR. BAKER: Yes, ma'am?

MS. DAWSON: I have a later exhibit that's going to trace that through for the benefit of the public.

MR. BAKER: Okay, that'd be great. Thanks.

Another item that was discussed -- and I guess I should add that I'm going go through a laundry list of things to kind of make sure everything's in the record, and I'm happy to pause if anybody has questions.

Actually, if Ms. Dawson, let's not make it a free-for-all. But if you have any questions, I'm happy to pause or we can wait to the end, whatever your preference is.

BY MR. BAKER:

Q. Also last week, you mentioned different ways that ratepayers might mitigate the impact of the increase and one thing you mentioned was the low-income program that Recology currently has and has had for many years; is that right?

A. Yes.

Q. It used to be called the "Lifeline Program"?

A. Correct.

Q. And a question was asked as to how one
qualifies for a low-income rate, and I think you've
pulled together some materials that explain that.

So can you walk us through that?

A. Our low-income credit is very similar to the
low-income credit that's used by other organizations
like the San Francisco Municipal Transit Agency, and
it's dependent on certain income thresholds that are set
and it depends on the number of individuals in the
household. And if you qualify at those levels, then you
receive a 25% discount.

Q. And how might a resident learn about the
criteria for qualifying?

A. That information is available on our website.

Q. Which we will mark as exhibit in a minute.

You may have answered this last week, but how
many customers currently take advantage of this program?

A. Approximately 7,000.

MR. BAKER: So we will now mark two exhibits.

The first one, Exhibit 62, is a screenshot
from Recology's website showing the criteria for
qualification under the low-income program.

And Exhibit 63, also available on Recology's
website, is the one-page application that customers must
prepare in order to qualify for this program.

///
BY MR. BAKER:

Q. Is that correct, Mr. Porter, of my description of exhibits 62 and 63?

A. Yes.

MR. PRADHAN: Admitted.

(Exhibit 62, "Lifeline Website Information [Recology]," was admitted into evidence.)

(Exhibit 63, "Lifeline Application [Recology]," was admitted into evidence.)

BY MR. BAKER:

Q. So Mr. Porter, I'm going to jump around a little bit, but I'd to ask you a question about COLA.

A. Okay.

Q. You explained last week why Recology is proposing that the pension component of the COLA formula be integrated into the fixed labor component; is that right?

A. Yes.

Q. And you may have done this last week, but can you explain again how it is that the fixed labor component is calculated each year?

A. Sure. It is based on the -- it's actually based on the contractual language in our CBA agreement with Local 350.

Q. "CBA" being --
And so that has a band of increases with a
floor and a ceiling. It cannot exceed a certain amount,
it cannot be less than a certain amount, and that amount
is determined by Bay Area Consumer Price Index.
Q. So the Collective Bargaining Agreement itself
has a band of permissible wage increase?
A. Yes.
Q. And what is that band?
A. It is 2.25% to 3.25%.
Q. And the fixed labor component then is
calculated based upon whatever wage increase goes into
effect within the limits of that band; is that right?
A. Correct. And it's worth noting that Local 350
Teamsters is the largest subset of employees. These are
drivers and other groups of employees; so it's very
representative of the Company's workforce overall.
Q. Thank you. Skipping to another topic,
Abandoned Materials/Bulky Item Collection.
A. Mm-hmm.
Q. There's been some testimony on that subject
and some questions asked by both Ms. Dawson and
Mr. Nuru, as I recall. And the question that I think
was discussed was whether or not both Abandoned Material
and Bulky Item, whether run separately or combined,
could operate over the weekend.

A. Mm-hmm.

Q. Have you taken a look at that in terms of the financial impacts?

A. Not in great detail yet. There is discussion internally about doing a little more rigorous analysis. But at a high level, yes.

Q. All right. Has there been an analysis sufficient -- maybe Mr. Arsenault can weigh in on this -- sufficient to determine whether any additional trucks, drivers would be required in order to provide both Saturday and Sunday service for these two programs?

A. (ARSENAULT) Yes. Mark Arsenault, Group Manager.

We looked at this. I should let you know that going back, if you recall, there are five collection crews presently that collect abandoned waste Monday through Friday and five that collect bulky items Monday through Friday; so combining, there would be 10 crews with 20 drivers. Additionally, the Abandoned Waste presently has four crews that collect on Saturday and three crews that collect on Sunday.

So in an effort to make this more efficient, we're looking at the possibility of combining these services so that they would pick up either one with a
parameter that establishes the collection called in by
12:00, the same day/after 12:00, the following day, for
the bulk of these materials.

In looking at our labor force in trying to
determine a solution that would expand this service with
the bulky item collection and still be cost-efficient,
we are considering two additional routes on Saturday;
so expanding the Bulky Item to Saturday, but not to
Sunday. In expanding it to seven days a week, it just
creates other, essentially, labor issues Monday through
Friday; so I want to make sure we have a full contingent
of workers that are collecting normally Monday through
Friday.

So it seemed to us that expanding the Bulky
Item into Saturday and having those then six crews
collect all materials on Saturday would expand that
service into Bulky Item and not be prohibitively
expensive. It would effectively be four additional
drivers. There is no need for the trucks; we have the
trucks, but four additional drivers on overtime. Our
labor agreement proscribes that Saturday service is
provided at time-and-a-half, so that would be the
additional cost.

Q. And what about if workers work on Sunday?
What does the Collective Bargaining Agreement say on
Q. And does that apply even if you assign a driver to a workweek that's Wednesday through Sunday, for example?

A. It does, it does. The agreement proscribes the normal workweek as Monday through Friday.

Q. So if you're already picking up abandoned waste on Saturday, you're also picking up bulky items on Saturday, am I right?

A. We are presently not.

Q. Ah, okay. So the reason that there would be a need for additional drivers is because of this additional service that you would provide, namely to include bulky item pickups on Saturday?

A. That's correct. It's a very popular program. It's now on a mobile app and it's just growing exponentially; so it would give residents one more opportunity to get in. I'm sure Saturday will be very popular.

Q. The current application calls for what for Bulky Item and Abandoned Materials?

A. The current application keeps the separation between the two collections and it adds two routes, Monday through Friday, to both of those
Q. So if Abandoned Materials and Bulky Item service were combined with the service parameters that you've described in terms of a noon call and that sort of thing, and if Bulky Item was added as a Saturday service, would that result in an additional expense that's not accounted for in the current application?

A. No, it would be a reduction in the expense.

Q. And why would it be a reduction?

A. Because instead of adding the four additional routes and trucks and employees, we would keep the existing contingent of trucks and employees, but there would be the four additional employees working overtime on Saturday.

Q. So there would be a savings of combining if you limited to it Saturday, but extra expense if you add Sunday?

A. That's correct.

Q. All right. Let me move to another topic.

Ms. Dawson asked a question, I think, a couple weeks ago as to whether Recology could talk about what impact the capital investments might have on diversion, on landfill disposal, et cetera. And I think you've taken a look at that; is that right, Mr. Porter?

A. (PORTER) Yes.
Q. And you've provided a copy of your analysis to the City?
A. Yes.
Q. Let's take a look at that.
(Exhibit 64 is displayed.)
BY MR. BAKER:
Q. Is this the chart that describes the work that you did?
A. Yes.
MR. BAKER: May we mark this as Exhibit 64?
MR. PRADHAN: Yes. Exhibit 64.
(Exhibit 64, "Estimated Disposal Tons & Percentage of Tons Processed [Recology]," was admitted into evidence.)
BY MR. BAKER:
Q. So can you walk us through a little bit of the gray bars, the red lines, the yellow bars, all that, which would be very helpful.
What does this chart depict?
A. So the gray bars reflect the number of disposal tons in a given month, with the axis on the left showing number of tons per month that are landfilled. And the --
Q. So let me interrupt you just a second.
So in terms of the horizontal axis along the
bottom, this is a timeline?
   A. Correct.
Q. And we start with what month?
   A. We're starting with July 1st, 2016; so
Rate Year 2017.
Q. And carrying you to what on the right?
   A. The end of Rate Year 2021.
Q. All right. And the gray bars show tons disposed at the landfill?
   A. Correct.
   Q. All right.
   A. The colored bars indicate facility improvements that are either completed or planned as part of this rate application. "Pier 96" represents the Pier 96 enhancements that were already completed to improve the recycling equipment at that facility.
   And then the black line indicates the trash processing pilot and the 16 gallon cart rollout. And that 16 gallon cart rollout, the tonnage impacts of the amount of processed tons are, you know, impact the period of 24 months after that date. There's the --
   Q. So again, the black bar would be July of 2017?
   A. Correct. And then you have Rate Year 2018, which is what this rate application is for.
   Q. Okay.
A. The orange line indicates the iMRF facility that is Contingent Schedule 1. And then lastly, the green bar is the Contingent Schedule 2, which is trash processing -- processing every ton of trash that Recology receives.

And you'll see the dotted trend line. This is just to indicate the amount of disposal tons and how they decrease over this period. It's a little more difficult to see it on a month-to-month basis, so the trend line was added for ease of digestion or interpretation.

Q. Now before we move to the red line, let me ask you about the gray bars, because they vary quite a bit in length, not only for past months, but also for projected future months. Am I right?

A. Yes.

Q. So why do the gray bars vary so much in length?

A. There's two things happening here. One is number of workdays in a given month. So for example, a short month like February has less opportunity for our collection drivers to pick up material and therefore we pick up less material during that month. And then there is also an element of seasonality. We do see increased tonnage at the end of December and early January, which
can be influencing these numbers as well.

Q. And --

A. And then lastly, it's worth noting that there are instances where we have challenges at our processing facilities and our processing equipment may not be operating at 100%, which may impact our ability to reduce disposal.

Q. And you mentioned the number of days in a month that can cause the tons disposed in a given month to vary. Did you also mention the number of workdays in a month?

A. Yes.

Q. All right. So what is the red line going from left to right tell us?

A. Sure. The red line is added to signify the amount of tonnage that Recology will be processing as part of this rate application. And you'll see that number -- that red line will steadily increase over time, and this is the result of two things.

One is the increase on July 1 is the trash processing pilot, and then the steady increase is the result of the 16 gallon rollout. So the underlying assumption here is that as consumers are using less black cart capacity, that material will find its way into the blue and green bin and therefore become
processed.
And then lastly, the --

Q. Let me interrupt you just a second.
A. Sure.

Q. The red line showing "Tons Processed," that is tons processed at the iMRF? At the --
A. Pier 96.

Q. Pier 96 composting?
A. Composting, correct.

Q. Okay.
A. And so -- and then the last large jump is the Contingent Schedule 2, which contemplates processing the remaining residual.

Q. And that is projected to go into effect when?
A. This was created consistent with the capital timeline that's included in the narrative, Appendix A.

And so that would be coming online on -- I used September 1st. The construction completion date is August 18th on the appendix.

Q. August 18th of what year?
A. 2020.

Q. And so that is Contingent Schedule 2?
A. Correct.

Q. And that's the green bar?
A. Yes.
Q. And then the yellow bar reflects the changes that would occur if Contingent Schedule 1 was implemented; is that right?
A. Yes.
Q. The red line shows that the amount of trash -- or amount of material processed, once Contingent Schedule 2 goes into effect, would be 100%?
A. Yes.
Q. So that means recyclables, trash, green can, blue can, black can would all be processed under that --
A. Public drop-off, C&D, self-haul.
So everything, yes.
Q. But the tonnage going to the landfill has not dropped to zero at that same time; correct?
A. That is correct.
Q. And why is that?
A. Well, this is just based on the technology available to us and the waste stream that we have today, what we believe we can recover from the waste stream, the black cart, and what can be commoditized and reused. And so this kind of reflects what the best available options are today. And so even with the best available options, in processing 100% of the black cart material does not get us to zero tons to the landfill.
Q. Does public education also play a role in
this?

   A.  Well, it definitely plays a role in getting to zero. But this graph does not reflect any assumptions associated with public education.

   Q.   And lastly, in terms of projecting the tons processed in future years, what have you assumed in relation to current tonnage?

   A.   So the Rate Year 2017 tonnage reflects the tonnage that's included in the rate application, but has also been slightly adjusted for actual history that we've seen since this application was submitted. And then moving forward, it's consistent with this application. Rate Year '18 is consistent with Schedule E within this application, and then future rate periods are expected to remain consistent in terms of gross tonnage.

   Q.   So you've -- for the future, you've projected that the number of tons handled per year will be the same as currently?

   A.   Well, number of tons handled will be -- for Rate Year '18, are the tons that are reflected in the rate application Schedule E. And then from that point forward, it's expected to remain consistent.

   Q.   So I think you've kind of stated it, but broadly, what conclusions do you or Mr. Arsenault draw
from this analysis?

    A. Well, from my perspective, this is just showing the level of effort that Recology has committed as part of this rate application, showing that we're committed to doing everything we can to achieve zero waste, and that's implementing the best technology available to us in order to help get the City of San Francisco to achieve its goal, and so that's what that red line represents. But the shortfall here, just maybe technology and then maybe increased outreach can help make up some of the difference. But that's my interpretation.

    A. (ARSENAULT) Yeah, I'll just add to it.

    In terms of as John stated, it really is dependent upon existing technology. We know additional technology is coming. I should also say that the orange bar which represents the implementation of the new iMRF, if you recall, that is projected to take our recovery of that material from approximately 50% to 70%; so it has a significant impact.

    The reason the trash processing has less of an impact, because approximately 50% of that trash there has no known use for it presently, and then breakdown of the remaining 50% is approximately -- and these are done through waste characterization studies that have been
quite extensive -- 10% is anticipated to be recyclables
that remain in the material, another 10% is anticipated
to be film plastic, and the remaining 30% is anticipated
to be organic material.

And so the recovery on that material for this
projection is estimated at 15%, capturing all the
recyclables and some of the film. The additional larger
percent, the 30%, is not reflected as diversion from the
landfill in this chart because it would depend, we
believe, on digestion of that organic material, which
would be a next phase to getting to zero waste. But
it's not included in this projection.

Q. Are the percentages that you've just recounted
for us based upon the pilot program that you're
proposing and that you've already started in some ways?

A. They are. If you recall the pilot program, it
anticipates a 25% diversion that's made up effectively
of 10% recovery for the organic material, the paste, and
then 15% of the recyclables and film, which is
consistent with this projection. The reason that 10% is
not also added to this projection when we process all
the trash is the Orex Press, which we're using for the
pilot.

Unless additional changes are made to that
technology, we don't believe it will be the end solution
for the processing of all trash that we handle. But of
that material that's going through that pilot, the press
is capturing a portion of the organic material. There
are other technologies that are out there that we
believe will be more efficient in capturing more of the
organic material and we're talking to some of those
vendors presently, but it's not in this application.

Q. The Contingent Schedule 2 is for conversion of
the existing iMRF into a black bin processing facility;
correct?

A. Yes. And in doing so, it will separate the
organic material from the other constituents.

Q. Will the converted iMRF facility contemplated
under Contingent Schedule 2 be suitable for new
technologies should they come online?

A. It won't be adequate in terms of size, but it
will be suitable in terms of being able to move those
materials to their final destination.

MR. BAKER: If I didn't already --

MR. PORTER: Before we move on, there's just
another piece of pertinent information that Mr. Nuru
requested at the bottom of the graph that I wanted to
highlight, and that's just the number of trips to the
landfill and the reduction over the term. And so it is
worth noting that these are year-over-year changes, and
so to get the cumulative reduction in changes, you'd need to add up the numbers.

And so the same thing as with the percentages, those are year-over-year changes; so to get the cumulative change over the term of this graph, you'd need to add those together. Just a point of clarification.

BY MR. BAKER:

Q. Just by way of example, the chart shows this coming rate year, Rate Year 2018, the changes that are proposed in the application would result in 716 fewer truck trips to the landfill?

A. (PORTER) Correct.

MR. BAKER: If I didn't already, I want to mark this as Exhibit 64.

MR. PRADHAN: You did. Admitted as 64.

I think we've done that, yeah.

MR. BAKER: While we're on this subject, another housekeeping matter. I'd like to introduce two additional exhibits.

The first one, which we'll mark as Exhibit 65, is a resolution adopted by the San Francisco Board of Supervisors on September 30, 2002, which is the resolution adopting a goal of 75% landfill diversion by the year 2010 and the long-term goal of zero waste with
the date for reaching that goal to be set by the
San Francisco Commission on the Environment, according
to the resolution. So that would be Exhibit 65.

Exhibit 66 is the resolution adopted by the
San Francisco Commission on the Environment as directed
by the Board of Supervisors' resolution of the prior
year. Exhibit 66, the resolution from the San Francisco
Commission on the Environment is dated March 6th, 2003,
and it adopts a date of 2020 for San Francisco to
achieve the goal of zero waste to landfill.

So if you could have those admitted as
Exhibits 65 and 66.

MR. PRADHAN: Admitted. Thank you.

(Exhibit 65, "Zero Waste Board of Supervisors
Resolution [Recology]," was admitted into
evidence.)

(Exhibit 66, "Zero Waste 2020 COE Resolution
[Recology]," was admitted into evidence.)

BY MR. BAKER:

Q. All right. We're going to move now to a new
topic, organics. Mr. Arsenault may take center stage on
this subject.

Where does Recology currently send the organic
material that's collected in the green bins in
San Francisco?
A. (ARSENAULT) We take it presently to two locations. A fractional amount goes to a location called Jepson Prairie Organics in the Vacaville area, and the bulk of the material goes to a facility called Blossom Valley North Organics, or otherwise known as "BVON," and that's down in Vernalis.

Q. "BVON" being the acronym for that title?

A. Yes.

Q. And are both of these facilities owned by subsidiaries of Recology?

A. They are.

Q. The application includes a tip fee at the organics facilities of, I believe, $75 dollars a ton; is that right?

A. That's right.

Q. What are the principal drivers of that proposed tip fee?

A. By far, the principle drivers are regulatory changes that the State has imposed as part of the push to getting organic material out of the landfill and the anticipation of a lot more of this material essentially being removed from landfill and being processed as organics.

So some of the changes are coming from the water board and the air board, specifically, related to
controlling the water. The process involves a lot of water in the process, creating essentially impermeable surfaces for this process to occur on as well as air board regulations that also affect the equipment that is being used to process the material.

So over 50% is being driven by these regulatory changes. The other big change is related to labor costs that have gone up under a labor agreement for that facility.

Q. So when you say "over 50%," you mean over 50% of the increase from the tip fee that was approved in 2013?

A. That's correct.

Q. And these regulatory changes that you've described, you say they were imposed by which agencies?

A. It's the water board and the air board primarily.

Q. Different regulations by the air board and the water board -- different sets of regulations?

A. Yes.

Q. And are these regulations that took effect since the 2013 rate proceeding?

A. That's my understanding, yes.

Q. Have you done an analysis to see what the per-ton cost of complying with these regulations is?
A. We have. We engaged a third party to do a comprehensive analysis of these regulatory changes and their effect on rates in general to comply with these orders.

MR. BAKER: Exhibit 67 is a thick document, can't count the pages, entitled "Organic Waste Processing Capacity Study for the San Francisco Bay Area Region," prepared for Recology by Total Compliance Management, dated December 2016.

I'd like to have Exhibit 67 admitted.

MR. PRADHAN: Admitted.

(Exhibit 67, "Organic Waste Processing Capacity Study [Recology]," was admitted into evidence.)

BY MR. BAKER:

Q. Can you tell us, is this the document you were referring to, Mr. Arsenault?
A. It is.

Q. And what information is in this document that bears on the increased tip fees at the organics facilities?
A. It does a review of some of the cost elements related to regulatory changes and how these facilities need to be capitalized to meet these conditions.

Q. So is there a specific analysis of the per-ton
dollar impact from the air board and the water board regulations that you talked about?

A. Yes, they do analyze what those capital costs might be. It's been a while since I looked at this, so I'm not --

Q. How about page 15?

A. Page 15, thank you.

Yes.

Q. And there's a chart at the bottom on this point, is there?

A. There is.

Q. And what does that tell us?

A. It's essentially got the water board regulatory cost to compost facilities and a cost-per-ton estimated -- estimate of costs and related to pad area size. So it's got the food waste, tons per year, total tons per year, estimated area to process the material on, and associated regulatory costs.

Q. So this report indicates that the impact of the new water board regulations is almost $13 dollars a ton; is that right?

A. That's right.

Q. And on the next page, page 16, it shows that the impact of the new air board regulations is a little less than $4 dollars a ton; is that right?
A. Yes.

Q. And you also mentioned that the tip fee is driven in part by a Collective Bargaining Agreement at these facilities; is that right?

A. Yes. This facility went through a bargaining negotiation during this time period. It had previously not been represented by a labor, but it is presently. And it also had an impact on --

Q. Impact what?

A. It also had a cost impact on the cost-per-ton tip fee.

Q. In terms of the tip fee that is included in this rate application for the organics, do these facilities also accept organic waste from other customers?

A. They do.

Q. And has Recology made a commitment to the City and County of San Francisco with regard to contracts that might be negotiated in the future with other customers for tip fees?

A. We have.

Q. And what is that?

A. We've agreed that no contract would be entered into at a rate that would be below the San Francisco contract. So if you look at many of our contracts that
have been negotiated in the recent years, and obviously anticipating compliance with these regulatory changes, the tip fee is very competitive, if not, lower than some of the other tip fees. The material that we handle for San Francisco has a substantial amount of other materials in it -- plastics and materials we have screen from this material because it's largely commercial in nature. So with other like-sources of material, that rate that we have proposed in this application at $75 dollars per ton is competitive with those other rates, if not lower.

There are some old legacy rates that were put in place well before these regulatory changes -- a few that are outside of that range, but they will be negotiated at the appropriate time.

Q. So going forward, the tip fee charged to the City will not be higher than the tip fee charged to other customers with regard to contracts negotiated in the future?

A. Correct.

Q. Now, under the 2013 Rate Order which is governing rates currently, does Recology recover operating ratio or "OR" on the organics tip fee?

A. We do.

Q. And were the facilities that processed
organics in 2013 when that particular rate was approved, were those organics facilities also owned by Recology as they are today?

A. John, if you can throw me a lifeline. I believe they were. We purchased the BVON facility several years back. It was, I believe, before 2013, yes.

Q. John -- Mr. Porter, do you have an answer to that?

A. (PORTER) Well, yeah, I do know that it was before the last rate application, so we had owned the BVON facility prior to the 2013 rate application of Rate Year 2014.

Q. So the organics processing facilities in 2013 were Recology-owned?

A. Right, yes.

Q. And does this rate application propose any different treatment with regard to OR on tip fees than was approved in 2013?

A. No.

Q. Moving onto another subject, which actually is the last item I have to discuss with the two of you right now, and that's the contingent schedules.

Ms. Dawson asked a question of Ms. Butler, I believe, a couple weeks ago that focused on Recology's
projections of cost for the two contingent schedules --
$64 million for Contingent Schedule No. 1, $19 million
for Contingent Schedule No. 2.

And the question that was asked was what if
you get to the time of permitting and final construction
contract negotiation and the costs turn out to be more
than what is currently projected? What would Recology
do? And Ms. Butler properly deferred that to her boss,
Mr. Arsenault, so what is that answer, sir?

A. (ARSENAULT) We're very sensitive to that
issue as well, and we would propose that if the final
cost exceeded what is in the those two contingent
schedules, 1 and 2, that we would return for an
abbreviated hearing process that's already been
described and used for other situations that are like
this.

Q. And when you say an "abbreviated procedure,"
what do you mean by that?

A. Not essentially a nine-month hearing process,
but a hearing process nonetheless that would evaluate
any change that was greater than what was projected and
determine whether or not that was still a worthwhile
project.

Q. Now, you recognize that the 1932 Ordinance has
certain deadline requirements in terms of how many days
before a hearing and application has to be submitted, et cetera. Are you proposing that this abbreviated procedure, as you've described it, would nonetheless comply with the Ordinance guidelines?

A. Yes.

Q. And this is something Recology is proposing, obviously.

A. Yes.

Q. It's something that you're asking the City to approve; is that correct?

A. That's correct.

Q. And what would be the benefits of having a more streamlined procedure for considering any possibility that the cost might exceed what you're currently estimating?

A. Well first and foremost, we would not be able to meet our timelines without a more streamlined process. Because these projects are very tightly -- they have very tight primers on them now in terms of completion. And so we believe that if, conceptually, if the projects are evaluated during this process and determined to be something important in terms of our goal to getting to zero waste, that they would continue to be. So the only variance would be if they were outside the range of what was reasonable in terms of the
cost adjustments that would be made. So it would really
be an evaluation of getting to that cost differential,
if there was one, was still worthwhile in having us move
forward with the project.

Q. This streamlined procedure that you have in
mind, would this allow for a searching and careful
examination of the proposed project and the cost?

A. It would. It would. We would have the
definitive contracts at that point.

Q. And you and others in the Company would make
yourself available as your are now to testify and
explain everything that is part of that project?

A. Yes, we would.

Q. And I take it that if the contingent schedules
are approved, it would be your hope that that
streamlined process for additional cost would not be
necessary?

A. That's right.

MR. BAKER: That's all we have on direct for
Mr. Porter and Mr. Arsenault.

DIRECTOR NURU: Okay. I believe we do have
cross-examination.

MS. DAWSON: We do. I have a lot of exhibits,
so I'm going to go ahead and come up to the front.

CROSS-EXAMINATION
BY MS. DAWSON:

Q. Okay. Good morning.

So I'm just going to start quickly with a clarifying question for Mr. Porter that came up in our last hearing.

So in your testimony last week, you had indicated that customers with the 20 gallon black bin would be allowed to keep those bins --

A. (PORTER) Yes.

Q. -- until they need to be replaced, and that they would be charged the same rate as the 16 gallon bin, $5.22, or whatever if there's an adjustment.

Close to that.

A. Yes.

Q. And is that shown in the rate application, or have you made that assumption in your revenue projections?

A. It is not displayed clearly in the rate application. It is contemplated in our revenue models when we determine the prices that we need to charge.

Q. Okay. So I want to talk a little bit about the distribution of the rate impact on customers for both residential and apartment.

A. Mm-hmm.

MS. DAWSON: And I have an exhibit to
introduce, which is two-sided. One side shows kind of a
graph, for those more visual among us.

(Exhibit 68 is displayed.)

MS. DAWSON: So running along the bottom axis
is the percentage -- anticipated percentage change from
current for customers. And along the vertical axis is
the number of accounts. And the blue line represents
the residential -- the forecasted impact on different
types of service for residential customers, and the
orange line shows the same impact for apartment
customers based on the rates that you had presented.

MR. PRADHAN: Ms. Dawson, let me just jump in.
This will be marked as Exhibit 68.

MS. DAWSON: Okay. Thank you.
(Exhibit 68, "Number of Accounts by Percentage
Change in Monthly Rates [City]," was admitted
into evidence.)

BY MS. DAWSON:

Q. So you characterize in your last testimony of
the proposed rate structure as kind of hitting the sweet
spot in terms of the distribution of the actual rate
increases, which would be an average of around 16.4%.
Using the information from your rate model, we've
produced with the help of our consultant R3 an exhibit
that actually shows the number of customers that fall
into various range of increases. And so in a few case
studies it increases the rate, and then for some
grouping of customers, there's what I would kind of call
a "double bump."

So for residential accounts, can you please
describe for us what's driving the increases of more
than 16.4%. And just for the benefit, this second bump,
that's about 35% of your residential accounts; so it's
not an insignificant number of people.

A. Sure. And I did not prepare this analysis.
I believe -- if it's coming from my models, one thing
that I do know the is that this does not reflect the
$5 dollar credit that will be given to 20 gallon
customers, which would shift this second bump further to
the left.

Q. For one year?
A. For one year; correct.

Q. And then what happens after that year?
A. That would reflect it; correct.
Q. Maybe one thing that would help would be if we
turned the exhibit over and looked at the tabular data.
A. Yeah, this is easier.
Q. It might be more in line with -- I apologize.
This might be more in line the what you're
looking at. It's just a little harder to see.
So what this shows is the same information but in table format, which I think is more similar to what you're used to looking at.

A. Yes. Agreed.

Q. And then it shows the same distribution. What you see is the green. Are those customer accounts for residential and apartment that would actually see a reduction?

A. Mm-hmm.

Q. Then the blue is from 0 to the 16.4, which is what you've stated is kind of the middle point or the average?

A. Mm-hmm.

Q. And then the yellow is showing what I would kind of call the second -- the "double-bump."

And then red is the remaining.

But you'll notice there's a significant number of people up between, you know, 21% and 30% and 31% to 40%.

A. Yes.

Q. On the residential side, the apartment rates are a lot tighter.

A. Correct.

Q. Okay. That's really all I wanted to say on that for the moment.
A. Sure.

Q. Okay. So we've talked a lot about the sizes of rate increases on the various applications of surplus. And so to try to help walk through this in a more holistic way, I've prepared an exhibit called "Impact of Adjusted and Projected Revenues and the Application of Surplus Revenues on Refuse Rates," which I'd like to introduce.

MR. PRADHAN: That will be Exhibit 69.

(Exhibit 69, "Impact of Adjusted and Projected Revenues and the Application of Surplus Revenues on Refuse Rates [City]," was admitted into evidence.)

(Exhibit 69 is displayed.)

BY MS. DAWSON:

Q. So at our workshops and in public comment, we've heard a number of people complain the size of the rate increase; so I'd just like to kind of run through with you how the balances in the Special Reserve and Zero Waste Incentive funds have actually been used to offset rate increases that would have occurred in the last couple of years and then push out the proposed rated increases to future years. And this kind of gets to some of the public comment we've asked about why are we seeing these sudden increases.
So if you look at the table, I've created a column called "Adjusted vs. Proposed," and you had mentioned this, Mr. Porter in your testimony just a few moments ago about how you actually used revenues collected from the Zero Waste -- well, you collected money from the Zero Waste Incentive fund that you didn't earn, and so as a result, that ended up being applied and there was no COLA increase --

A. Correct.

Q. -- passed through to customers. But that doesn't mean those expenses went away.

A. No.

Q. In effect, it was just a years' worth of cost relief?

A. Correct.

Q. By the same token, you've had an increase in landfill disposal costs. And what I've done here just for the sake of making it easier for the public to understand is I've annualized them to $8.5 million. I know that in the case of the approval you got, it was an 18-month period?

A. Right, yes.

Q. So what I wanted to show is had you actually passed those costs through to the public in the rates, you would have actually had a smaller proposed increase
today?
   A. Right.
   Q. And that amount is worth about 5.7%. So if you look at the number here, "17.26" is what would have happened if those would have been in the rate base, and this "22.96" is what we've actually got, and the difference between those two is 5.7%.
   A. Correct.
   Q. Does that look consistent with what you would understand?
   A. Yes.
   Q. Okay. So then one of the other questions that we've been getting from the public is just about how many increases are there? And in what years are these increases happening, and what's driving the various increases. And at the end of all this, where are we going to be potentially if everything that you've proposed actually comes to pass in the rates.
           And so what this exhibit does is shows over time what's happened. So in Rate Year '18 as proposed, you're using the various surpluses we've talked about. You can see 16.4% increase. Then you go forward Rate Year '19, and some of that surplus that you have been able to apply in prior years goes away; so you have an additional 4.42% increase in the rates. So now we're
looking at a cumulative change of 20.82.

   Go forward to Rate Year 2020, and if you
actually trigger the iMRF improvement amount, that
is going to increase rates again by 1.47%. And I
understand that these are adjusted a little bit for the
changes you just made, but I think that the principle
still holds true here.
   A. Correct.
   Q. Then when you come forward to 2021, you
actually see two adjustments. One is that the last
amount of the surplus from the Special Reserve goes
away, and in addition, you have the removal -- so you
can see that there's just a reflection continuing of
that sunsetting of the credit, which I didn't call out
but we talked about a minute ago where the $5 dollars is
only given to the customers for one year.
   A. Right.
   Q. So adding that 0.62% with the potential
trash processing capital improvement of 2.78%, at the
end of all this in 2021, rates would go up by 25.69%.
Does that look accurate based on your rate application?
   A. Yes. Based on the final rate application,
yes.
   Q. Give or take some adjustments?
   A. Correct.
Q. I do want to note here because it did come up as a question in public comment that these numbers do not reflect whatever COLA increases would also be potentially applied annually, which you already had an exhibit on that today. And it's anywhere maybe between 1.6% and 2% on top of these numbers, though it does compound year over year.

A. Correct.

Q. I didn't show that just because it's yet another variable. But I do want to make it clear that those COLA increases, whatever they are according to the schedules, the public labor department schedules would be applied on top of these numbers; correct?

A. Yes.

(Exhibit 70 is displayed.)

MS. DAWSON: So we've received a lot of questions from the public of how recycling revenues and maybe even the sale of compostables are used to offset the cost of collection and processing of those materials. So I'd like to introduce this exhibit to run through, in the case of Recology San Francisco, what the rate looks like.

MR. PRADHAN: This will be admitted as Exhibit 70.

(Exhibit 70, "Tipping Fee Methodology [City],")
BY MS. DAWSON:

Q. So what I've done is I've taken the Recology San Francisco Schedule B and I've kind of put into the boxes that go step-by-step to explain exactly how the rates work and to give some sense of the public about what happens to those recycling revenues and how they're factored into the rates.

So on the top here, "A," we start with all the OR-eligible expenses, and then we apply the allowed profit on top of them, which is "B." The non-OR-eligible expenses are reflected in "C," so $15.8.

And then the Zero Waste Incentives. I know you look at them as a negative revenue and I look at them as an expense, so that's a little difference in our schedules.

A. Okay.

Q. So the sum of all those is what we end up calling total expenses here. Then we look at what your projected revenues are, and I do want to call out that there's $20.7 million roughly assumed in the rate application for the sale of recyclable materials, and there's another $2.3 million called "Other Commercial Revenues." I don't know if you'd be able to comment a little bit on what makes up "Other Commercial Revenues" briefly.
A. I believe "Other Commercial Revenues" is primarily self-haul customers. So anecdotally, talking about landscapers who bring green waste to our facility at the end of their day. Also, you know, other commercial businesses that self-haul material to our facility.

Q. Okay. Thanks.

So then we come up with our "H," our total revenue, and the next step in the rate process essentially is you take the expenses, none of the revenue; so you essentially reduce your costs by the revenues you're collecting and you come up $136.7. And then you divide that by the number of revenue tons and you come up with the tipping charge.

A. That's correct.

Q. So would you agree that what this shows is that recycling revenues that Recology collects are used to the benefit of the ratepayers and are essentially folded into the tipping fee?

A. Yes, absolutely. We reduce the tipping -- or the revenue requirement by the recycling revenues we receive.

Q. Right. So whatever you collect from the costumers is used for their benefit?

A. Correct.
Q. All right. You did talk a little bit -- and this may be Mr. Arsenault rather than Mr. Porter -- but you talked a little bit about composting. And I know that there probably is a similar question about how revenues from composting are factored into the composting operations and how that results in the tip fee, and I'm wondering if you can touch on that a little bit.

A. (ARSENAULT) Yes. It's very similar to the recycling. There is a fee that is charged to the end-users for the finished product of compost. My understanding, it's somewhere in the neighborhood of $9 dollars a cubic yard, so that's not calculated on a per-ton basis. But whatever those revenues are, are applied against the profit requirement for that facility; so it's very similar. The material goes to offset the expense.

Q. Right. So in effect, the tipping fee that the City is receiving from compostables is benefitting from whatever revenues Recology is able to generate from those operations?

A. That's correct.

MS. DAWSON: Okay. Let's talk about tonnage.

I have another exhibit.

MR. PRADHAN: This will be Exhibit 71.
(Exhibit 71, "Projected Tons Diverted and Disposed [City]," was admitted into evidence.)

BY MS. DAWSON:

Q. So this exhibit is sort of similar to the one that Recology introduced, maybe a little bit simpler. And I think this exhibit may be a little bit optimistic in terms of where we are in 2020. It was a little bit challenging, but I think that our numbers are close enough that this is a good place to start the conversation.

So similar to the Recology exhibit, what I'm showing here in this stacked column graph here is Rate Years '17, '18, '19 and '20 and exactly what the tonnages. So what you notice there in Rate Year '17, the tonnage is a little higher. And like Mr. Baker was describing when he was asking you questions, the tonnage actually is for Rate Years '18, '19 and '20 stay flat. Is this consistent with the numbers that are in your application, at a general level?

A. (PORTER) Yes.

Q. We checked our numbers against yours. They're pretty close.

A. Okay. I can do it quickly, if you like.

Q. Really what I want to draw your attention to is the difference between "diverted" and "disposed."
So what you noise here is that in Rate Year '19, we do take a bit -- I guess really every year we're stepping in the right direction in terms of improving our diversion and reducing our disposal, but it's a pretty gradual difference. So we have a diversion rate of 55.5% that kind of stair-steps up to 57.2% in Rate Year 2018. And so we're roughly thinking that this change is attributable to some of the changes in collection service in the trash pilot program.

A. Trash pilot program -- it also includes the 16 gallon rollout as well.

Q. Right, what I would call the collection changes.

A. Okay. Sorry, just for clarifying.

Q. So then according -- we expanded the exhibit to kind of look at the contingent schedules, just like you did; so the iMRF and the full-scale trash processing. According to the application, the iMRF increases its capability diversion from 51% to 70%; so that moves total diversion up to 58.7%, so it's a pretty small bump up here.

A. I would need to look at the math on our line in this analysis to comment on that, because I would be interested to know whether or not you included other material that comes to our facility that is not C&D or
considered quote, unquote, "iMRF material" that's on Schedule E.

The presumption that we've used is that we would process those other types of material at this new facility, and so it may or may not change your analysis depending on how you treated that material.

Q. Okay. Well, we'll take a look at that.

This is just to give people a sense of how we're moving to zero waste.

So when we move forward to Rate Year 2020, there's an assumption, as you pointed out on your red line there, that there's an additional investment in trash processing that allows Recology to process 100% of the trash that's currently being generated, which is about 1,100 tons a day and achieve -- the assumption was maybe it'd be about 25% diversion. And I think I heard you say it might be a little less than.

A. Yeah.

Q. So my numbers here at the end are a little bit more optimistic than what you actually testified to this morning?

A. They are.

Q. Okay. So I'm going to move on to the back side of this graph.

So what this graph shows is the remaining
tonnage that is being disposed of and what the
categorization is of the remaining tonnage. So what
you see here in the gray area, 61% of that remaining
tonnage is considered trash that we would describe as
the "black bin." Even though we're processing 100%,
still of the remaining stream that's being disposed of,
61% of it is trash.

Then kind of you move along and I have roughly
what we call "Other Tonnages," this 24% which consists
of abandoned materials and Public Works-related refuse
that's collected and disposed. Construction debris
remaining that's not able to be diverted is 8%, 5% of
the recyclables, and 2% of compostables.

What this means, if you want to look at just
these numbers and relate them to how many trucks we've
got going to the landfill. So as of the beginning of
this rate application, we have 406,656 tons. And if
you're assuming that 25 tons per truck, you're doing
16,266 truck trips to the landfill.

If we look that this final number, really what
I was showing on the other side which was optimistic
about diversion according to earlier testimony, we'd be
down to 315,663 truck trips at 25 a ton, which is 12,626
truck trips that we're still doing ever year to the
landfill in 2020. And all of the investments that we're
making now has only resulted in a change of 3,640 tons.

A. (ARSENAULT) 3,640 tons --

Q. Per this sort of -- excuse me, trips. 3,640 trips. So we've not -- we've made some progress, but there's still a way to go till zero waste. And I know that you commented on it a little bit already, but I think that we have some real concerns about this level of investment and what we're achieving for it.

A. I would just make two comments briefly.

I can't speak to your graphs, but I think they try to illustrate a very similar goal from the one I presented in Exhibit 64. The cumulative increase in landfill truck trips is 25%; so I want to at least get some acknowledgement that that is what I would consider a significant move in the right direction from our perspective.

And then lastly, these numbers don't contemplate behavioral changes that we would anticipate from our customers in the sense that as we increase the Diversion Discount, a percentage for our commercial and apartment customers, it incentivizes those customers to move towards blue and green services; so that is not included in this, as well as the apartment outreach program we've discussed.

Q. Aren't some of your migration assumptions
built into your rate application?

A. Only for the 16 gallon rollout. The revenue offset is included in Schedule B.3, B.2, and also B.1, but it is not included in the tonnage for that period.

Q. But what has your experience been on this migration question? I think that it's proved to be a very difficult thing to incentivize and move customers' behavior from putting things in the black bin.

A. We're seeing 1% per year in the commercial sector which, you know, isn't insignificant on 900,000 tons. Again, that's the gross tonnage for the city, but still that's -- this is 1%. We'd obviously love to see more, but that's not a small number either.

Q. To me at least, what this pie chart does show is that we aren't really not going to be able to get to zero waste until we do something about what's going into the black bin. And I think there's two potential ways of looking at that. One is what exactly do we do with the source of things that are coming in? To your point, you talk a little bit about characterization of what is in the trash.

And then other is being able to process more trash than what we currently can do. And I don't know if you all are experts in this industry. I don't know if you have any other comments about that.
A. (PORTER) I think, really, getting to zero waste is about producing responsibility in changing the upstream materials that we collect. That's number one and that's going to be significant in getting to that goal. The other big piece of that trash is the organic fraction that we will be able to separate with the black can or trash progressing. But unfortunately, another investment in anaerobic digestion to actually be able to take that material and digest it and convert it to energy.

Q. And that would be something that would be above and beyond the contingent schedule that you've proposed today?

A. That's correct.

A. (ARSENAULT) It's worth noting there are engineering costs associated with permitting an anaerobic digestion facility. Obviously we did not include it as a contingent schedule in this application because it likely would be required after the black cart processing facility was completed; so it would be past the period that we kind of have laid out as part of this rate application.

Q. So would you end up in a situation where you'd actually be producing materials that you wouldn't be processing on site and be handing it elsewhere in the
mean time? I mean, if you have this delay, what do you
do if you're producing something that you can't manage?
   A. (PORTER) Unless we could find a home for it
as it's depicted in this chart, it would have to be
landfilled.
   A. (ARSENAULT) And we currently have an option
for some of our material at East Bay MUD. So there are
anaerobic digestion facilities in the region that would
potentially have capacity that they could make available
for this waste stream.

   And then to address one of your comments on
what goes in the black bin and reducing the types of
material that go into the black bin, I think this
application also contemplates that as well in the sense
that we've expanded the blue cart -- what we'll accept
in the blue cart in the form of small pieces of wood,
small pieces of metal, film plastic, and textiles.

   So we are shrinking that sticker, if you will,
that goes on the black bin what should goes in this bin
is also kind of a priority that has been part of this
application.

   A. (PORTER) I'll just note one thing.
Unfortunately when we look at diversion, we measure only
based on tons as opposed to volumetric measurements.
So as I believe Maurice expanded on earlier in earlier
testimony, what we see in terms of what we're collecting, the vast majority of the material is lighter in weight. So if you look at the volumetric diversion of what we're doing, it's quite significant. But if you then measure it based on weight, it changes the results.

Q. I guess at the end of the day even if we reduce the volumetric dimension, we still have to truck something to the landfill?

A. That's right.

MS. DAWSON: Thank you.

DIRECTOR NURU: Any cross-examination from the Department? No?

So I probably should just reinforce from what Julia said.

Exhibit 65 is the resolution of the goal to get to 2020, and maybe someone can help me answer at that time what the thinking is. Because looking at Exhibit 71 and 64, it shows that we're having a hard time getting there. And I know as we get closer to zero, it's harder. But I still feel -- I mean, what kind of research are we doing? Or who are we working with? Or why are we having a harder time getting there?

We're putting quite a bit of investments into trying to get to zero waste, but the more we put in, whether it's the new machines or iMRFs, I mean, are we going to get
there?

MR. PORTER: So I'll answer that.

I think the solution to making the biggest movement is going to be the anaerobic digestion. And I don't have any current costs on that, and that's a technology that's employed and probably the Office of Environment could give more detail on that. They as well explore these options. But if that material was actually digested, it would then take that trash component to 50%. So we still, though, have 50% of material that we don't have a home for.

There are some technologies that we're looking at in terms of how that material could possibly be ground, processed, and incorporated into maybe some asphalt or concrete surfaces. It's being done elsewhere, but we didn't want to propose anything that was not proven; so this application really relies solely upon existing, proven technology.

DIRECTOR NURU: Can I ask the Department of the Environment the same question.

MR. HALEY: We've been looking at all available technology for the last 20-plus years. And we look all around the world, a lot at Europe, up in Canada, and I hate to say it. There's no kind of magic bullet. As you get further and further towards zero
waste, it gets harder and harder. I mean, we have perhaps the best program in the world, one of the best, but we still want to do better and get as close to zero waste as we can. But frankly, it just gets more challenging and each increment gets more expensive.

One thing I will say is that Recology's looking to site a digestor at Hay Road, and maybe you can talk about that and what the timeline on that is.

MR. ARSENAULT: Yes, that's accurate.

As John indicated, we have included in this application permitting costs and looking at actually two locations for a digestor. One would be essentially at our existing location, Tunnel Beatty, in an expansion of the that facility; and the other is Hay Road. I don't have -- I don't see Paul in the audience. I don't have current updated cost estimates on that, but it's several million dollars as well to build a digestion facility.

DIRECTOR NURU: Okay. The Ratepayer Advocate, do you have anything?

EXAMINATION

BY MS. DILGER:

Q. Speaking of the landfill. So we're talking with ratepayers about a zero waste goal for 2020, but what we see now is that that's not really realistic, with 65% diversion being very optimistic.
So what's the justification for a 15-year landfill agreement, and what happens after those 15 years?

A. (PORTER) Yeah. Even though we have a goal of zero waste, the California Public Resources Code under 8939, it requires a plan, a 15-year plan for landfills. The contract that we have has an initial period of nine years with an option for six. Unlike many landfill contracts, there is no minimum; so the City pays only for the material that goes in as opposed to a pre-described set amount. But that planning is essentially required under code.

Q. Thank you. Moving around a little bit, you've stated that some of the infrastructure improvements are being proposed in order to comply with statewide composting regulations. It's my understanding that CalRecycle has already awarded grants throughout the state to fund some of these improvements. Has Recology received any of them? And what did they fund?

A. Yeah, CalRecycle did release some organic grants fiscal '16 and '17 from the Greenhouse Gas Reduction Fund. They were roughly in the neighborhood of $3 million dollars, but Recology did not submit the application for the BVON site which is where we primarily compost the material because scoring was
weighted towards projects that would divert
currently-landfilled material. And San Francisco's
program is already very mature, and so the
infrastructure improvement at BVON would not divert
additional material from landfill.

Q. Have you considered working with other
facilities that were not Recology-owned?
A. We have. And we actually look at that all the
time, yeah.

Q. Okay. Back to the rate structure scenarios,
based on the graph that Ms. Dawson showed, we've
consistently heard from ratepayers who may be
disproportionately impacted by the proposed rates
including small and multi-unit buildings, low-waste
producers, and seniors and people on fixed incomes.
Will you be offering any incentives to mitigate this
increase?
A. Well, there's an inherent built-in incentive,
and that's really to reduce the volume. So under the
new proposed plan, if someone does not need that
64 gallon recycling cart, they can go down the -- keep
the remaining 32 and have a very small nominal increase
to their rates. We also, as we discussed earlier, have
a low-income discount as well; so there are
opportunities for that.
Q. Have you considered increasing the rate on large apartments to create more diversion as opposed to putting the weight on the multi-unit buildings under five units?

A. The current effort is to try to have an increase that treats everyone equally, at least in theory. So they're targeted to result in that 16.4% increase regardless of customer type.

Q. And then my last question is about the rebates, whether it is Zero Waste Incentives or the landfill set aside, a lot of ratepayers don't really understand the formula for them being built back into rates and want to know why they can't just have a check or a rebate issued directly to them.

A. Yeah. Really, applying the rebate across the board is the most practical and reasonable way to address the rebate. Trying to determine what everybody paid and sending individual checks based on what they paid would just be absolutely cost-prohibitive. So just an across-the-board application of that rebate is the way we handled it.

MS. DILGER: Thank you.

DIRECTOR NURU: Okay. At this time I think we should take a 15-minute break. We will begin back at 10:25 promptly. Thank you.
DIRECTOR NURU: Okay. Do you have a new witness?

MS. PEARCE: Yes. Recology calls Bill Brause.

(Mr. Brause steps up to the witness stand.)

DIRECTOR NURU: Can he be sworn in, please.

BILL BRAUSE,

having first been duly sworn,

was examined and testified as follows:

DIRECT EXAMINATION

BY MS. PEARCE:

Q. Good morning, Mr. Brause. Would you please state and spell your name for the record.

A. Sure. My name Herman William Brause, B-R-A-U-S-E. I go by Bill.

Q. Mr. Brause, what is your occupation?

A. I'm a CPA with the accounting firm of Armanino LLP.

Q. Do you have an area of specialty at Armanino?

A. Yeah. I've been with Armanino almost 25 years. And through that entire time, I've worked almost exclusively in solid waste. Now it still makes up close to 50% of my practice. I'm one of two partners that are in charge of solid waste practice.
Q. Mr. Brause, were you retained by Recology to do some work for this rate application?

A. Yes, I was.

Q. Could you describe the work that you've done?

A. Sure. I did an update to the cost of living, the COLA mechanism. I also did an update to the fixed variable cost report that we had done in the previous submission, as well as we provided our rate survey.

MS. PEARCE: Mr. Brause, we've already introduced your cost of living mechanism -- the updated cost of living mechanism and the fixed variable reports into evidence. Those are Exhibits 43 and 47.

This morning, I'd like to talk about the rate survey you just described. And first I'd like to introduce a copy of that as Exhibit 72.

MR. PRADHAN: Yes, 72.

(Exhibit 72, "Armanino Rate Survey Narrative [Recology]," was admitted into evidence.)

BY MS. PEARCE:

Q. All right. In the summary after the cover page, you describe a comprehensive survey of solid waste rates for various service lines. Could you describe that comprehensive survey?

A. Sure. So this was something that we have completed. We try do it annually, but we're really
driven by the demand from either cities or companies. We do it at least every two years. It is a survey of now close to 300 cities where we get standard rates for residential service, commercial service, and industrial roll-off service as well.

Q. Specifically for this rate application and what we have here, you have been asked to survey a subset or focus on a subset of cities around the Bay Area; is that correct?

A. Yes.

Q. And those cities are listed on the third page of this exhibit in a table, Table 1; is that right?

A. Correct.

Q. Could you please tell us a little bit about the information included in Table 1?

A. Sure. So Table 1 includes a representative sample of cities in the greater Bay Area.

The first column is a list of those cities.

The second column is the rates that were in effect as of January of 2017.

The third column includes when those rates either were changed or are expected to change in 2017.

The fourth column includes a breakout of whether the green can includes organics or was just green waste.
The fifth column is a summary of the different volumes for the -- as an example, a three-can service. And then going onto the sixth are all three cans collected or included in this price. And then finally, is there a franchise fee associated with that jurisdiction.

Q. So looking at the third column, some of the cities have changed their rates as of January 1st, 2017. That new rate is reflected the second column?
A. That's correct.

Q. And some of those other cities have not yet changed their rates and will either change them in May of 2017 or mostly in July of 2017. So what's reflected in the second column is their current rates, but may change in a couple months?
A. Correct. We expect those to change, yes.

Q. Why would you want to look at some of the bin -- the volume service and whether the three-bin collection was included in the price?
A. When we first started doing the survey, it was actually very easy. Everybody had one can. And it was easy to gather that information; it was easy to compare city to city. As recycling was introduced and then green waste and now with organic waste, it gets more difficult to capture the rates on an apples-to-apples
basis. So we included that information now in our
survey just so that a reader can get a better
understanding of what services are actually provided and
how those are being provided, which I believe is very
important when you're looking at the rates.

Q. And just so everyone understands, can you just
tell us what the difference is between organic waste and
green waste?
A. So organic waste can include food product,
food waste. And green waste is your lawn clippings.

Q. Yard waste?
A. Yeah, yard waste.

Q. And you have a column -- the last column is
"Franchise Fee." What's a franchise fee?
A. So franchise fees, when you have a
jurisdictional contract, the City has a contract,
an exclusive contract with a company for collection of
solid waste, recycling, what have you. Most of those
contracts will include a franchise fee, which is 8% of
either cash receipts or gross billings that the company
pays to the City for the exclusive right to provide that
service.

Q. And I notice for San Francisco you have
"Impound Account." So is it your understanding that
San Francisco does not have a franchise fee and has an
impound account instead?

A. That's correct.

Q. And have you reached any conclusions as to where San Francisco falls among these other Bay Area cities with similar volumes and service levels, where the rates fall?

A. Yeah, they're in the subset that we included there in the lower quadrant.

Q. You understand or have been told that Recology is applying for a rate increase to take effect in Rate Year 2018, would be approximately 16.4% on average for the Rate Year 2018 increase. That would bring the average rate up to $40.88 for the default level of service. Have you reached any conclusions about how that new rate, if it took effect on July 1st, would stack up against these other selected jurisdictions?

A. It will put them kind of the middle of the cities. Many in this subset will not have a rate increase until July. And so the rates that you see for those July, I would anticipate that they'll go up in some fashion either by a CPI or an RRI-type index, or if they're going through a full rate application, even more predicated on that rate process.

Q. You talked a little bit about an index increase. Do you have any idea about what those rates
might increase if there was just an index increase?

   A. Yeah, so each contract can be different predicated on what their language is. Many are moving to a Rate Refuse Index very similar to the COLA. Some still are tied directly to a CPI. My expectation is if it's not a full rate submission where they're going through a process similar to this, it's going to be somewhere between 2% and 5% for that CPI/RRI.

   Q. So is it fair to say that for the jurisdictions that are planning a rate increase for July 2017, we could expect at least a 2% to 5% increase of those rates?

   A. That would be my expectation, yes.

MS. PEARCE: I don't have any further questions of Mr. Brause. He's available for cross-examination on this report as well as his other two reports, if anyone would like to.

MS. DAWSON: I have some questions.

CROSS-EXAMINATION

BY MS. DAWSON:

   Q. Thank you for the comparison information. I'm wondering if you have any sense of how the rates in these different jurisdictions were set.

   A. Previous rates?

   Q. Well, all these different jurisdictions have
different rate processes. Like in the case of many of
the East Bay cities, they have these competitive bid
arrangements. And so depending on what the companies
submit, that's what the jurisdictions end up paying.

And in addition, you've mentioned there's
these franchise fees which, essentially, the city gets
to then spend, I believe, in whichever way they wish to,
which is a little different from the way rate setting is
here. So I'm just wondering if you had any kind of
knowledge about that.

A. Yeah. We work with several companies that
provide service to different jurisdictions. It's
generally driven by the contract. What you see common
now is there may be every four years there will be a
full rate submission where the company goes through
and -- it's a very similar to what's happening in
San Francisco where they estimate their costs and come
up with a rate. And then in the interim, there will be
annual adjustments predicated on some agreed-upon
component, either CPI or RRI, something to that effect.

Q. But are those more like competitive bid
arrangements? Or it varies?

A. It varies. Generally you're going to see
seven- to ten-year contracts, some are evergreen
contracts, and then at the end of that contract period,
the city can decide to go out to bid. Or if they're
happy with the service, they'll negotiate and extend the
contracts.

Q. And can you speak to the kinds of additional
services that some of these jurisdictions provide? One
of the things that I noticed in our rate application
is Recology has a true diversity of programs that, in
effect, benefit the ratepayers whether it's household
hazardous waste or other things which we haven't
two really had the chance to address today but are very
well-described in the rate application.

And I'm wondering whether other jurisdictions
have such a rich amount of supported programs for
reducing waste and handling it responsibility relative
to what San Francisco does.

A. Again, so that will vary by jurisdiction or by
contract. Typically for large bulky items there will be
either a one- or two-time-a-year set date where they'll
do a cleanup as an example. Some jurisdictions also
have kind of a card system where each customer has a
couple times a year where they can call can pick and
have a pickup. Christmas trees is another example of
kind of a special service where they'll pull certain
dates where you can put your Christmas tree out at the
curb and they'll come pick it up.
And then the other thing that you see now as well is the garbage companies get involved with -- not garbage, so to speak, but if you have things that you're just getting rid of, they'll have a day where they'll put that out and then they'll have trucks come by and try to reuse it, recycle it, what have you.

MS. DAWSON: Thank you.

THE WITNESS: Sure.

(Mr. Brause steps down from the witness stand.)

DIRECTOR NURU: Another witness?

MR. BAKER: Our next witness is Paul Giusti. And I'm going to ask Mr. Porter to join him.

(Mr. Giusti and Mr. Porter step up to the witness stand.)

DIRECTOR NURU: Swear in Mr. Juste, please.

PAUL GIUSTI,

having first been duly sworn,

was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BAKER:

Q. Mr. Giusti, would you please state and spell your name for the reporter.

A. (GIUSTI) G-I-U-S-T-I.

Q. And your first name is Paul?
A. Paul.

Q. And what do you do for Recology?

A. I'm the Regional Government Community Affairs Manager.

Q. What are your responsibilities in that position?

A. I'm responsible for outreach, also responsible for liaising between elected officials, city agencies, also going out into the community, doing communications around our recycling and composting programs.

Q. How long have you worked for a Recology company?

A. 40 years.

Q. And you started on a truck?

A. I did.

Q. So you've seen the company from all sides?

A. I have, yes.

Q. And this business from all sides as well?

A. Yes.

Q. Let's talk about outreach here that you've mentioned and start with the proposal on the application to convert the standard bin configuration.

And again, what's the proposed change there?

A. So the proposed change is to go from 32 gallon bins -- today, the standard customer or typical customer
has 32 gallon black, green and blue bins. In order to more accurately reflect what people are doing today, we want to go with a smaller black bin and a larger blue bin as the standard-sized service.

Q. And this is for the typical single-family customer?
A. Correct. And also smaller multi-families will be able to take advantage of that also.

Q. What does the Company propose to do in terms of outreach to educate alert the public about these changes?
A. So on a route-by-route basis, as we convert these customers to the different size bins, we'll probably be sending out a letter -- and we're going to model this on how we did when we rolled out the carts in the first Fantastic Three program back in 2000-2001. So we're going to start it off with a letter to the customer letting them know this is coming and why it's coming and what their options are. Then maybe a week before we go to that particular route, we'll send out another notice. We'll have an outreach team on the ground the week of the conversion that allows folks to come out, talk to them. We'll probably put on a cart hanger on the cart to let folks know what we did and the changes we made, and we'll be able to make modifications
on-the-fly to meet whatever the customer's needs are. And then of course, once the carts are all delivered and folks start using them, they may want to make changes, and we'll go back over and make those changes also.

Q. So you said "people on the ground." They'll actually be employees in the neighborhood to talk to residents?

A. That's correct, yes.

Q. Now what if a customer doesn't want to change to the new default service and wants to keep their current service? How will they be advised of that option and what do they need to do?

A. So we'll advise them of that option every step of the way starting with the first letter we send that does offer that option. We want to encourage folks to take advantage of the new program. But if they feel they can't for whatever reason, they're free to either keep the same size carts they have today, or if they just want a bigger blue cart, they can have a bigger blue cart. If they just want the smaller black cart and keep the same size blue and green that they have today, that's also an option and also would be the most economical option for them.

Q. And how are you going encourage people to
change their service?

   A. I think the financial incentive is going to be one. But I think the -- we'll let folks know in our outreach why we're doing this. But I really think a major part of this new program with the smaller black carts and the bigger blue ones is really going to true up the type of service that people have today. We see people with so much cardboard from online shopping and just consuming at big-box retail stores. Just this amount of recyclable material is much more than fits in the smaller blue carts.

   And we'll have -- in my community meetings, time after time folks ask us for a smaller option for their black carts. Because with the amount of blue and green, they just don't need the size black carts they have today. And also by adding new materials to the blue cart program, things like textiles, things like small pieces of wood and metal, just plastic bags in plastic bags kind-of-thing, we think we're going to also increase the amount of blue cart material and decrease the size of the black bin material.

   Q. Are there plans to put any stickers on the blue carts to advise customers that these new materials are now acceptable?

   A. Yes. We're actually going to start meeting as
soon as tomorrow with the Department of the Environment outreach staff and start design new cart stickers for the blue and the black bins.

Q. You've anticipated my next question, which is how are you working together with the folks at the City in designing the outreach programs?

A. We have meetings. We work together on design. We'll gin something up with the graphic artist. We'll look at it, share it with folks. We'll even share with folks outside of our industry to make sure it makes sense to somebody that's not as close to it as we can be; so we'll do that. We try to use graphics more than text to get around language issues. This time, in discussions with the Department of Environment, we may have to use some text, but we're going to try to keep that limited.

Q. A feature of this application that we've hard about is an effort to get greater compliance from tenants in apartment buildings. And I know you've spent a lot of time thinking about that. What does the Company propose in terms of outreach for apartments?

A. So we've actually in the rate proposal added additional staffing to just folks on apartment buildings and to build an apartment house team. And once again,
I think we get the biggest bang for our buck working work with Department of Environment staff and actually going out to these multi-family units.

We can look through our customer service system at who has a lower diversion rate than another building, and we can really concentrate our efforts on buildings that need the most help. And to be able to put together a plan to go out and target those buildings, contact building owners, managers, making sure that they've got the right signage in place, the right amount of bins, that the green bins maybe aren't just locked in storage room somewhere but actually available for the tenants to use -- those kinds of things that really will end up saving apartment building owners money and allowing the tenants to recycle and compost.

Q. Now, I think as Ms. Dawson noted earlier, getting apartment-dwellers to comply has been a challenge; is that true?

A. That's true.

Q. So why do you think what the Companies are now proposing will be better?

A. I think just from my being out in the community and talking to folks, I think apartment tenants are no different than the folks that live in
single-family homes or smaller residential, that they want to do the right thing for the environment -- for environmental reasons, for protecting the planet reasons, and I think education and just information is a big part of that.

So I think while there may be a small contingency of folks that just don't really care and just throw the material in whatever bin, I think a larger percent of people that live in apartment buildings and multi-family buildings want to do the right thing. They just need the education and the knowledge on how do that.

Q. This is a question, I think, both for you and Mr. Porter.

Mr. Porter testified earlier, I believe, about changes in the design of the apartment pricing and diversion incentives. So maybe one or both of you can talk about that and how you hope that might also improve compliance at the apartment level.

A. (PORTER) Sure. As we talked about during the last hearing, we are changing the -- or decreasing, actually, the volumetric charges for service. But we are increasing the diversion expectations. So right now if your diversion rate is 67%, there is a floor of 10%. You only receive a 57% discount on your bill.
We are now increasing that floor to 25%.

So the level of expectation for you to receive a discount, looking at the bar, it's in essence rising. And therefore you are required to divert more material in order to receive that discount. So the customers that are sitting between 11% and 25% will see their discount go away. And you know, the customers at the higher end of the spectrum that were capped out at 75% will no longer be capped out because we're raising the ceiling to 100%.

Q. So under this modified design, apartment owners and managers will get a larger discount if they can get their tenants to recycle more?

A. Some customers will, yes.

Q. And you say "some customers," just one or two? Or are we talking about most of them?

A. Well, your question was, you know, some customers will receive a higher discount. Only those customers that have been capped will receive a higher discount, which I will acknowledge that being a minimal number of customers because there is no incentive to be above 75%, so why would you have that level of service? So now we're raising that ceiling to kind of incentivize those customers who maybe are sitting at 75% and not seeing the benefit of being any higher.
Q. But also, if customers now have to divert at least 25% in order to get a discount whereas it used to be 10%, am I right that they'll need to get their tenants to divert more in order to be eligible for the discount?

A. Correct. Yes.

Q. Returning to you see, Mr. Giusti -- Actually, sticking with Mr. Porter for a second. These additional outreach efforts that Mr. Giusti has described, does that result in the application asking for additional head count?

A. Yes. I believe Dan Negron covered this during the last hearing, but there are two Zero Waste specialists in the Rate Year 2017 budget, and then two Zero Waste specialists -- one of which is related to the program that Paul mentioned which is the apartment outreach program.

Q. And in terms of the outreach to educate the public on the new bins, the new routes, et cetera, that would be done by this new Zero Waste specialist?

A. Partly. We've also contemplated having some additional resources during the rollout to assist with customers with questions as well as just managing the rollout. It's a massive undertaking, but it's also a temporary one, so we've got some costs associated with
that as well.

Q. Okay. Do either of you have any estimate as to how many employees will be helping in one way or the other in terms of advising the public about the rollout and how it's going to work?

A. I would probably want to get back to you on a precise number. I could off memory give you several. I know we've got two temporary supervisors and two key specialists just for managing all the keys for all the buildings since we'll have to reroute the entire city. But you know, there's more to the effort than just that.

Q. And somebody from the audience said "everybody," but the point -- am I correct in saying that it's not just these additional Zero Waste specialists, but there's going be lots of people in the Company focusing on making sure that the public knows what's going on, knows what their options are, et cetera?

A. That's correct.

Q. Mr. Giusti, during this application process, what outreach has there been by the Company?

A. (GIUSTI) So we have worked closely with the Ratepayer Advocate's office and attended 40 or 50 community meetings. We've responded to e-mail questions from customers. We've also gone and met with the 10 out
of the 11 supervisors and let them know what's going on, in case they get constituent questions or concerns, who to direct them to. We gave them that information also.

Q. Now as part of these proceedings, there's going to be what's called a Prop 218 hearing. Were you involved in sending out the notice for that?

A. Yes, I was.

Q. And the notice is from the City, but Recology aided in that?

A. Yes. We prepared the initial draft of the notice and we based it on what we did during the last rate application in 2013, and then we shared it with the City agencies involved -- Public Works, Department of the Environment, and Public Health to get their input on it. And we took all those drafts back, prepared a final, everybody signed off on the final, and then we mailed it at that point and we created a mailing list.

So we mailed it to every bill-paying address, but we also mailed it to every service address where the service address and billing address might be different, just to make sure that all the customers and bill-payers got that 218 notice.

Q. And the final decision on the wording of the Prop 218 notice was the City's?

A. Yes.
MR. BAKER: Let's mark that as an exhibit then, please.

MR. PRADHAN: This will be admitted as 73.
(Exhibit 73, "Prop 218 Notice [Recology]," was admitted into evidence.)

BY MR. BAKER:

Q. Mr. Giusti, let's turn to another subject. And that is people stealing recyclables from curbside blue bins.

A. I didn't know that was happening.

That's not true.

Q. The record will reflect that he smiled and everybody else laughed.

This is an aggravating problem. It's a problem that's come up in prior rate proceedings.

A. Yes.

Q. Has Recology made efforts to confront this problem?

A. Yes, we have. Multiple efforts since the inception of the first curbside recycling program in the late '80s, even.

Q. In the past ten years or so, what has Recology done to try to confront this?

A. So I think probably one of our largest efforts was in 2008. We really said, "Let's put some resources
to this issue and see if we can have an effect on it." And not going after the actual folks that were going into the bins, but rather to try and take action against the organized illegal buybacks that were operating out of pickup trucks and in many times exchanging cash, taking advantage of the people going through the bins by giving them pennies on the dollar for what the actual value of the material was, dealing in cash, sometimes even trading drugs for the recyclable materials. And it generated noise complaints because they'd this in the middle of the night in back alleys.

So to do that, we hired an investigation firm to kind of put a strategy together on what the best way to go after this issue would be. We also hired an attorney -- a law firm to look into the legal ways we might go after this. And we worked with the police department utilizing overtime 10B, police overtime on going after the problem and working with us also. So we also assigned a senior manager who has since retired, Bob Besso, who was one of the originators of the recycling program in this city, and that was a pet issue of his, was recycling theft.

So to make a long story short -- and Bob would go out at night with the police on the overtime and chase the trucks around, get license plates. In fact,
one of our most engaged ratepayers would often accompany Bob Besso -- Mr. Pilpel -- during his nighttime forays out into the streets. So what the culmination of all this was, was we literally spent hundreds of thousands of dollars and the best effect we could get out of it is a judge one time issued a $125-dollar fine for a violation of a temporary restraining order against one of the pickup trucks picking up material.

Q. So when you say the "police 10B program," what is that?

A. It's an overtime program that the police have so you can actually hire off-duty police officers to work with you on an approved project. And I guess that's a designation the police department uses, is "10B overtime" for that.

Q. And why do you think it was that despite this expenditure and despite this effort and the involvement of the police, that so few of these folks involved were identified or prosecuted?

A. I think we just couldn't get the attention or the courts or the prosecutors to really take notice of it or to realize it as a problem large enough to overshadow the other things that they were working on.

Q. So has Recology endeavored to do other things to try to address this problem?
A. Yes. So around this same time that we were working on this project, we actually organized a meeting up in Sacramento. And at that meeting, we had the Board of Equalization member there, we had the Department of Motor Vehicles there, we had the Internal Revenue Service there, we had CalRecycle there. And we thought, "Let's get the enforcement agencies for all of these bodies together and see if together we could come up with some interest from one of the bodies or multiple bodies to go after the problem," and in that way look at it more on a macro level like statewide, but using San Francisco as an example of what was happening.

And I think we kind of ran into the same thing where the other agencies just had larger issues that they were tackling. Motor Vehicles thought it was an interesting issue about trucks not having registrations or using them commercially without proper insurance, but they told us as that time they were really fighting a multimillion-dollar effort on registered illegal registered vehicles in the LA area and just didn't have the enforcement to put to it.

CalRecycle had a large enforcement effort underway to stop the importation of CRV-value containers from other states that were hurting our program. Very worthwhile endeavor on their part, but that meant there
wasn't extra enforcement for this smaller -- enforcement in the activity.

And the Internal Revenue Service said, "Thank you very much for the information. We find it very interesting, but we will either conduct an investigation or not. But we're not going to tell you if we're going to conduct an investigation or not and we won't work with any other law enforcement bureau on that investigation or share information with them."

So we don't know what happened with the IRS.

Q. So is the Company continuing to support legislation that might deal with this issue?

A. We are. In fact, at this time we are supporting a bill, AB1147, put forward by Rudy Salas. And what this will do is increase the amount of civil penalties that these illegal buyback consortiums can be subject to including recouping attorney fees. And that would really be a huge incentive for us and ability for us to use attorneys to go after them, in a way, knowing we could recoup those fees.

Q. Mr. Porter, let's turn to the economics of this. Have you and others in the Company done kind of an economic analysis of what the cost benefit would -- well actually, before you do that, I have another question for Mr. Giusti. I'm sorry.
Have you also considered measures on the ground in curbside, such as putting locks on the blue bins?

A. Yes, we have.

Q. And tell us about that?

A. So at the very beginning, some of the things we would do is we would put a hasp on the cart and then weld a lock to a chain. And the idea is you could then lock the container when you put it out. And that didn't work out so well because when the drivers would tip the carts, the locks on the chain would fly around. It was kind of dangerous.

We then tried just locking -- making a hasp and locking the lid straight to the container, and that didn't work so well because the containers are just made out of plastic. So what people would do -- and they would lock in the middle of. They'd just peel the lid back and reach in the container or, worse yet, cut the lids off or unscrew the lid from the container, and now you've got a more expensive proposition of fixing that container.

We also did things like we tested some gravity locks, which was an interesting concept that once the lid was shut on the container, the only way to unlock it was to tip it into the truck and then the lid would
release, the material would come out.

And the problem with that was as the drivers would tip it in, sometimes the material would try and come out too quickly and jam the lock to where the mechanism then couldn't release. And then finally it occurred to us that that once the first pilferer found out that all he had to do was tip the container upside-down on the street to get the lid to release, then we'd be dealing with upside-down containers down the street instead of just containers with lids lifted up and the materials taken tout.

Q. Have you found any sort of lock or latch that you think would actually work reliably?

A. No. We keep waiting for the better mousetrap, but we haven't seen it. We haven't been able to devise it. Even things like locking our metal containers, you would think they're not plastic. They have a bar that comes across. You put a padlock on there and lock it.

But you, many of our locks are master-keyed, and then the pilferers will pay a janitor to get a copy of the key and now they've got keys to every recycling bin in the neighborhood. So we just have not found a good solution yet.

Q. Even though you haven't found a good solution, have you done a financial analysis of what it would cost
to put locks on tall curbside blue bins --
   A. Yes, we did.
   Q. -- and service them?
   A. Yes, we have. And in addition to just the
cost of purchasing and installing locks, then you have
the extra time that it takes for the drivers to unlock
and relock a container. And so you know, that alone,
it's about 30 seconds additional time for each
container. So maybe Ms. Porter can give us the actual
financial, if you want to do it that way.
   Q. Sure. So have you done an analysis of what
the cost would be of fitting all the curbside blue bins
with locks and then servicing them?
   A. (PORTER) Yes, there has been analysis done.
I would say that is' probably light in terms of the
actual costs that would be included. And so this would
be the lower end of the spectrum in terms of the actual
cost, but in excess of $6 million to $7 million dollars.
   Q. And what would be the components of that?
   A. Paul mentioned the physical purchasing of
the locks, fitting the locks on the containers, the
30 seconds it takes to unlock and relock the container.
And then, you know, costs not contemplated would also
include overtime that this would cause for -- or
additional routes that may be necessary, additional
trucks that may be necessary, maintaining and servicing these locks since they continuously have issues. 

So just to give you an idea.

Q. So a rough estimate is $6 million to $7 million, and you think that's probably low?

A. Yes.

Q. Have you also done an analysis of how much revenue Recology loses because of the pilfering?

A. Yes, we have.

Q. And how did you perform that analysis? I mean, do you actually know how much is stolen?

A. No. There's no way of knowing exactly what's taken out of the blue carts, and so we kind of came up with ranges. One range was let's presume that 100% of the material that we receive at our buyback facilities at Pier 96 and the Bayshore buyback facility on Tunnel Beatty, 100% of that material were to be taken from our blue carts, and that's the amount that we lost in commodity revenue. And that's a little above $1 million, I believe, close to $1.2 million dollars a year.

The second analysis we did, let's say all the CRV-related commodities that we receive in the blue cart, half of them are missing. In essence, half of our carts are being pilfered for all the plastic and
aluminum. And that analysis came up with a number
that's around, I think, $3.5 million dollars.

So your range is $1.2 million to $3.5 million
dollars in terms of quote, unquote, "lost revenue" which
Ms. Dawson mentioned earlier is a reduction to our tip
fee, which in essence gets passed to the customer.

Q. So by doing this sort of rough analysis, first
assuming that 100% of all the material brought to the
buyback center is stolen, do you think that's a
realistic assumption?

A. Frankly, I don't know what a realistic
assumption is. I think the ranges really do capture the
risk that we're trying to measure, and so I'd probably
like to talk about them using them as bookends, the 1.2
to the 3.5 is kind of our range. And as you can see, it
doesn't come close to the potential costs associated
with prevention.

A. (GIUSTI) If I could add too.

So even figuring 50% of the material in the
blue bin currently is what we're missing. What we get
in the blue bin, what we're talking about being pilfered
is carts that are out on the street. At least half of
the material, if not more blue bin material, is behind a
locked door in an apartment building; so that material
is not being pilfered. So I think it's a pretty
generous amount to say even half of the blue bin
material is missing.
   A. (PORTER) Right. And that's why I feel like
that's a good range.
   Q. So the analysis that you did of kind of the
extreme cases of what may be lost is reflected in a
document you put together?
   A. Correct.
MR. BAKER: Why don't we mark that as
Exhibit 74.
MR. PRADHAN: This will be admitted as
Exhibit 74.
(Exhibit 74, "Pilfering Analysis [Recology],"
was admitted into evidence.)
BY MR. BAKER:
   Q. And before we move on, the estimate that you
provided, Mr. Porter, of $7 million dollars or so in
terms of cost of possible prevention, even assuming you
could come up with technology that would work, I know
that has various components to it in terms of additional
overtime and additional equipment and et cetera which is
not yet on the record. So I just wondered, one of you
had a piece of paper that spelled all that out.
   A. (PORTER) I don't have it with me. Maybe
introduce it next round?
Q. If you could just put on the record what the components of that analysis are.

A. Sure. We've got the number of recycling bins, the amount of time it takes to unlock and relock the bins, then it estimates a total cost in hours that this would take, the number of trucks that would be needed as a result of the additional time necessary to service all these carts, and the number of drivers that it needed, the cost of a locking bin and the lock, and then the cost of a truck and the driver, with the total cost of $6.8 million dollars roughly.

MR. BAKER: The staff would find that helpful. We could provide that later as an exhibit to supplement the record, or is the testimony sufficient?

MS. DAWSON: I'll take the testimony for now and let you know. The testimony, I think, is enough for now, but we'll let you know if we'd like more.

MR. BAKER: That's all we have. Thank you.

DIRECTOR NURU: Okay. Cross-examination?

CROSS-EXAMINATION

BY MS. DAWSON:

Q. So just to make it clear in terms of the costs and benefits in some of the commodities on recycling, just because I know it's a passionate subject for the public, in your Recology San Francisco Schedule F.3 --
A. (PORTER) Yes.

Q. -- it kind of shows a large line-by-line
detail about just how many of these different
commodities you had. And the pilfering component, of
course, is only that you're getting the CRV for, but
there's an awful lot of other commodities going on and
in fact, the bulk of the revenue you're making is from
those other commodities.

A. Fiber, correct.

Q. So when you say "fiber," we're talking about
cardboard, paper?

A. Correct.

Q. So mixed paper is $8.5 million and cardboard
right now is $4.9 million.

A. Right.

Q. So to Mr. Giusti's point, a lot of this stuff
is behind a locked door. So you certainly have
shrinkage, but if we look at kind of aluminum and the
PET, maybe that's $3 million or, you know, it's a
relatively small amount of your revenue base to begin
with.

A. Right.

Q. Just to give the ratepayers a sense that they
are actually getting a lot of the benefit of what you're
collecting.
A. Right. So approximately $14 million dollars is mixed paper and cardboard of the $22 million, which in all likelihood is not being pilfered in residential blue carts. Then also glass is another significant portion, and glass is a less-desirable pilfered commodity because of the difficult of, you know, its weight and managing it and its ability to break, et cetera.

A. (GIUSTI) And a lot of glass isn't CRV-value -- liquor bottles, wine bottles aren't covered under the CRV value.

Q. Right. So they're less likely will be pulled out of the can. So you really think that the pilfering issue is really driven by whether they can make money off of the commodity that they're pulling out?

A. Yes. And just after years of watching what they take, it's plastic CRV bottles and aluminum is the number 1 thing they want. It's easy to carry and has the highest value.

Q. And Mr. Giusti, I know you're out in the community a lot. Do you get this question a lot about pilfering?

A. Every single meeting I go to. Actually, last night we were in the Forest Hill/West Portal area, and when we explained it, one guy kind of got it. And when
we explained to him about the issue and what it would
cost to try and prevent it against what was lost, he
said, "Oh, so it's basically a rounding error on the
rates." And I said, "Yeah, that's probably a pretty
good description."

Q. Do you think as you try to, you know, you're
specialized with outreach in the community. Are there
things that you think you've learned that you can really
apply as we roll out and try to increase diversion?
Like you've said, people want to be good actors.

You're speaking to the common questions.
You've been out there a while, you know what that are.
Are there the ways in which you're trying to use what
you've learned to, you know, either give the public
assurance that it's worth the effort to divert?

I'm trying to understand how you might take
what you've learned and focus that backs to the, you
know, to the benefit of the public and give the
ratepayers some positive sense of what you're doing.

A. I really think constant communication is the
best tool we can use. There's nothing that beats
face-to-face community meetings, tabling at events,
tabling at an apartment building in the evening, and
talking to tenants as they come in and residents as they
come in. There's nothing that beats the face-to-face.
Next to that, I would say that things like trying to be savvy using social media to reach as many people for as low a cost as possible. But really, it's just communication, education, just getting out there and talking to folks and letting them know what the programs are and how to participate. And it really is amazing the amount of folks that just -- they think that trash is sorted; so they think the city cans are all collected and taken somewhere and magically sorted, "So why do I have to do it at home? Extra work when you're just going to sort it anyway."

So just dispelling myths and rumors, things like that, I think, go a long way in letting folks know what the benefits are of the program, why they should do it, what the long-term benefits are. It's pretty rare I've had someone come away from one of those discussions and say, "I still don't care." People are really receptive and they want to learn and they want to know. So I think the more outreach we can do, the better. I really think it's a big payoff for us to do that.

Q. So the City has shifted its emphasis in terms of some of the outreach it's done through the ratepayer advocate. Are there ways in which you see that you might be able to benefit from some of the information that they've collected in the community?
A. Yes, very much. Even just from what we've been working on for the last few months, there's ratepayer questions that come up just still astound me, "They didn't know that?" So it just really reinforces with me the amount of communication and the amount of outreach that really still needs to be done.

MR. HALEY: I believe Kevin Drew has a couple questions.

MR. DREW: Good morning. I'm not sworn in, I don't think, if i have to be as a questioner.

DIRECTOR NURU: Yes. You're not testifying. Swear him in.

MR. DREW: Let's see. I have some questions for Mr. Porter, and perhaps for Mr. Giusti as well on a couple of different topics here.

I have a couple of exhibits to include as well. I'm going to start with CNG, and I'll distribute these to you guys.

So this exhibit is the PG&E bill from Sunset Scavenger --

DIRECTOR NURU: I think we will swear you in, since you're adding to the record.

KEVIN DREW, having first been duly sworn,

was examined and testified as follows:
EXAMINATION

BY MR. DREW:

Q. So this exhibit is the PG&E bill I received from your, Mr. Porter, for Sunset Scavenger's Tunnel Avenue CNG station.

MR. PRADHAN: This will be marked as Exhibit 75.

(Exhibit 75, "PG&E Energy Statement [City]," was admitted into evidence.)

BY MR. DREW:

Q. What I'm going to start with is a page that's the back page, which is actually called the "Pacific Gas & Electric Small Commercial Gas Bundle and Average Rate," but I'm going to preface that with a couple questions.

You recently changed your -- actually, let me go back to the exhibit in the rate application. Scheduled L.3 shows the fuel history and type by type of fuel and year; is that right?

A. (PORTER) Yes.

Q. And in the case of CNG, it shows about 247,658 gallons in Rate Year '16 going to 271,543 in Rate Year '17, which is about a 9.5% increase. Is there any reason for that particular increase?

A. You're saying '16 to '17?
Q. Yes.
A. That '17 usage is based on actual year-to-date. So when the application was prepared, I believe we had six months of actual volume; so that would be 7/1/16 through 12/31/16. And that's -- yeah, based on actual volume.
Q. That was a slight increase. Are you adding more CNG vehicles to the fleet at this time?
A. I will need to defer that question to someone more familiar with the fleet configuration.
Q. Okay. And have you used that number, the 217,543 for Rate Year '18; you just followed that forward to the next year?
A. Correct.
Q. And the price per gallon is 278 in Rate Year '17 and 288 in Rate Year '18.
A. Prior to the post-filing changes; correct.
Q. And I haven't seen those post-filing changes.
A. They were in an exhibit today, I believe Exhibit 58.
Q. Right. I think you mentioned that to me. Was there a change in the fueling system that led to a change in the post-filing change into a change in that dollars-per-gallon?
A. Yes, that's correct. And yeah, this was a
question originally raised by you, Kevin, to me. We did install a new CNG station that I believe went online in December, and so with had no experience with that CNG fueling system prior to the application being submitted. And so I continued utilizing the quote, unquote "status quo" for the purposes of determining the price and a consistent methodology that been used in a prior application which uses a three-year average of fuel prices.

We did not know the cost associated with -- that we get off the line from PG&E and we didn't know the other utilities like electricity that would be associated with running the compressors that are part of that CNG station. So I just went the conservative route and you continued to use the numbers that we had seen.

Q. And so now we're going to use this information going forward to establish a price going forward, and you've done that in the revisions that you provided to us?

A. Correct, yes.

Q. The one thing I wanted to add to that to your -- what you've already given us in the bill itself is this final page called the "Pacific Gas & Electric Small Commercial Bundle Average Gas Rate," which is both the historical example for the last three years and a
projection year going forward by PG&E for the fuel
portion of the natural gas CNG facility. I just wanted
to get that into the record.

Have you seen this before?

A. You had sent this to me, and I have looked at
this. I did not incorporate this particular schedule in
developing the updated cost-per-gallon. I'm open to
having discussions about whether or not there's a more
accurate way of measuring these costs than what I've
used. I think it would require maybe some further
discussions surrounding how we're actually charged,
because the price per BTU does change dependent on
volume used. And so I don't know that this particular
schedule reflects that change, but maybe this is close
enough and we can maybe have a discussion about
incorporating.

Q. Okay, I think we can work with that. Let's
shift over to two things, on the low-income program that
ratepayers could take advantage of. I wanted to see if
there was -- there's not a specific proposal that you
have other than the existing program; is that true?

A. That is correct.

Q. Would you be open to a proposal utilizing
perhaps another company's or agency's methodology?

A. I would probably defer that decisionmaking to
Mark Arsenault, but there have been discussions about this in the past.

Q. Maybe we can get Mark back up here at some point, but let's finish with you guys.

A. Correct.

Q. Is there -- can you describe a little more about why -- where that costs come from, the additional cost?

A. Frankly, I don't know the history on how that particular charge was developed. I can only speak to the administrative challenges of managing split charges. Since the billing group does report to me, customers --

every time a service change is made, it does result in twice the amount of administrative work that we're required to do, in addition to the fact that we have to issue twice as many invoices and frankly have to do a lot more back-end auditing.

So for example, if one customers calls and requests a change from a 32 gallon blue to a 64 gallon blue and it's a two-unit building, we have to go and find that corresponding other account and update that record as well. And oftentimes it gets even more
complicated with access, distance and elevation and
several other types of charges; so that charge is meant
to reflect the difficulty of administering that process.

Q. Has that gotten any easier as bills have
become electronic and some of the administrative work
has gone less pencil-intensive?

A. I can't speak to how things were before. I've
only been with the Company for almost four years. I can
speak to how it is today, and I would say that there's a
disproportionate number of challenges that arise from
customers with split charges.

A. (GIUSTI) If I could also -- for a little
history too. And still even today, let's just say it's
just two units splitting a key charge, if one of those
customers moves which happens quite often, now the
customer service rep has to notice that when that
customer stops their service, make sure that they go in
and change the key charge on the other one to reflect
the 100% now instead of 75% or whatever it would have
been on their charge. Then somebody else moves back in,
now they're going to split the key charge again.

So there is a lot of administration, and I
think what we really want to do is encourage folks to
either go with one bill and do it that way, and it makes
it easier and more consistent.
Q. Yes, there's an efficiency there and there's also an efficiency to have them share containers rather than having separate -- two sets of containers at the two-to-five-unit buildings is the ones I'm particularly thinking of. Thanks.

MR. DREW: And then on apartment migration -- Let me see. I've got another exhibit here as well. This is Exhibit --

MR. PRADHAN: This will be Exhibit 76.

(Exhibit 76, "E-mail from Porter to Drew [City]," was admitted into evidence.)

BY MR. DREW:

Q. And this consists of an e-mail that you sent to me. On the back side of it is rather very small type, but it's the Apartment Migration Analysis that we had talked about. So you're familiar with this?

A. (PORTER) Yes.

Q. What this migration chart ends up doing is flowing over to Revenue Schedule B.3 and adding about $641,000 dollars to the rate requirement. Is that what you see from this?

A. Well, these are connected somewhat in that way. I think the B.3 schedule does include an assumption associated apartment migration, and then this graph here on the back side of the e-mail illustrates
our history with apartment migration.

Q. I guess that's what I'm trying to get at.

A. Okay.

Q. This shows -- what does this show? Can you point out to me, for instance, what we're seeing in justifying the migration?

A. Sure. Well, again, I don't want to --

DIRECTOR NURU: Put the chart on the screen.

(Exhibit 76 is displayed.)

MR. PORTER: I don't want to tie Schedule B.3 and B.2 and also B.1, the B schedules to this particular schedule. But I can describe this schedule and then probably will defer to someone with more industry experience about how we bridge the differences in our history to what we're expecting.

So to start with, the schedule and what has been prepared here, I would focus on the top section of the schedule. We broke these down by accounts for just, you know, to get an understanding of the different makeup of customers. And so these are apartment customers only, which for those in the audience aren't familiar, is buildings with six or more units and less than 600 rooms. And it breaks those customers down by ranges of 1 to 25, 25 to 50, 50 to 75, and so on. And then it takes a look at their service gallons in trash,
which is indicated by a "T," "R," which is recycling, and then "C" for composting over the last three years, which are the term of the current rate.

And it shows that at the beginning of the rate, July 1, 2014, the diversion rate on a gallon basis was 52.2%, and then by July 30th of this last rate year, Rate Year 2016, it was at 52.6%. We did the same analysis on a gallons-per-unit basis and a gallons-per-account basis as well. And those are the columns further to the right.

BY MR. DREW:

Q. It's kind of hard to see. I'm sorry it's so small, but it shows an increase across the board, year after year, of about 2/10ths of a percent.

A. (PORTER) Correct.

Q. And in the revenue table, you've assumed a 1% fivefold over that migration. In other words, people moving, rightsizing, changing their service level, and reducing the rate that you would receive. Tell me about how you came from -- moved from 0.2% to 1%.

A. Again, I'd probably defer this particular question to someone who has more experience with rollouts and migration. But I can kind of give some background logic on this that we are -- as Paul mentioned earlier -- implementing a dedicated apartment
outreach program with dedicated staff to that. And so I believe the hope is that those efforts will result in the anticipated 1% migration.

Q. And that's what Paul was describing a little earlier as part of the apartment program. Do you know -- well, maybe you know this, how many buildings you're anticipating reaching as a part of reaching this migration goal?

A. (GIUSTI) Yeah, I don't know that we've directly determined how many yet. I think we want to look at the data and see what are the current diversion rates for those buildings -- what number of buildings fall into each of the tiers on the diversion rates, and that will give us a better idea of what our target will be.

Q. Okay. Do you watch any idea how many buildings you've worked with in the last year? Is that number you know?

A. I wouldn't even want to guess.

Q. That's all right. That might be something we'll follow up on.

And then just to be clear on this, there's about 8,331 apartments, I believe, under -- which year is that --

A. (PORTER) That's close.
Q. The apartments that you have currently that are not commercial but are bigger than six units, six units and above; right?
   A. Yes.
   Q. And are there -- there are another set of buildings that are commercial. Do you have a number on that?
   A. A number of commercial apartment buildings?
   Q. Yes.
   A. Apartments that fall into the commercial structure? I don't have that number in front of me. We can get that, though.
   Q. Okay. I'm moving over into another issue in the pipeline, which is those larger buildings that are coming online. But that number is something that changes on a regular basis, and you are bringing those in as they -- as the buildings are built and they set up an account with you whether it's commercial or an apartment building; is that correct?
   A. That's correct.
   Q. So let's move to -- we'll ask you for some more information on this issue for the justification in the staff report.
   A. Okay.
   A. (GIUSTI) You know, Kevin, if I can jump in.
So it occurred to me while you were talking on the apartments and also on residential, we did a big push last year in making sure that all the buildings in San Francisco were compliant. In other words, that they had all three streams -- the black, green and blue. So I think we touched over 2,200 residential buildings and, if I remember correctly, 800 or 900 apartment buildings just to ensure, and we're now at 100% compliance or pretty darn close to 100% compliance.

Q. Thank you, yes.

And our staff is working with you on that.

A. Yeah, exactly.

Q. Actually, the next is on what's called the pipeline, which is the apartment buildings that are coming into occupation in the near future. This is just a summary of the material -- information from the Planning Department that's also been put together by the Business Times. I'll put this -- give this to you as well.

DIRECTOR NURU: Mr. Drew, can you give us an idea of how much longer you're going to be?

This is it? Okay, because we have public comment and ratepayer cross-examination.

MR. PRADHAN: Do you have a copy of that?

MR. DREW: I do.
MR. PRADHAN: Thanks.

MR. DREW: One of these exhibits is just a page from the Business Times that summarizes the Planning Department information. The other is an e-mail from Paula Chiu at Planning and a spreadsheet that she presented me with and that I've made some edits to that are an outline of the amount of building that's going on in the city right now. I'm looking at the spreadsheet; it's actually the easiest thing to look at first.

MR. PRADHAN: Excuse me, Mr. Drew.

Are these two separate exhibits or just one?

MR. DREW: They're both together as one.

MR. PRADHAN: So together as one, these will be marked as Exhibit 77.

(Exhibit 77, "E-mail from P. Chiu to K. Drew [City]," was admitted into evidence.)

(Exhibit 77 is displayed.)

BY MR. DREW:

Q. And in the spreadsheet from Paula, the sum in the lower right-hand corner of this sheet that's up on the display and that you have in front of you, there's a total of 63,663 new units that are in the pipeline over the next -- it could be anywhere from 20 years, because it includes Treasure Island, it includes Parkmerced, the Lennar development down in Bayview.
So what we're trying to do is take a look at what's happening right now, and in the most recent numbers that they have, that represents almost 1,400 projects. But in the last three years, there's about 6,000 units that are under construction right now. And actually, a good chunk of the ones that are in the pipeline are actually already open. I did a survey of them and found that of the 20 most recent ones, 10 of them are already open. And so they're already online.

And I just wanted to ask you, Mr. Porter, about how buildings come online. So these have come online, I think, this rate year. They opened. They're probably not full, but they become an account. So you would start to have a -- you would an account with them. They have a service level that would then change as people move in. What's your practice around the expansion that we're seeing in San Francisco and how that affects both the income and expense side of your business?


It's difficult to translate these two different schedules. I'm looking at this report that was given to you by Paula Chiu. It's difficult to translate this schedule to our rate application, but in Schedule F.1 of the collection company application, we
have included assumptions about the number of additional customers that will come online.

Now, a customer may include multiple units. So this says "units," this is "customers." So single-family home, if we're using this, under "construction" is 111, and we've included 200 additional customers for the coming rate year. So you know, maybe we were a little aggressive on that. It doesn't look like there's enough under "construction" to fill out that 200 need. Now it's dependent on how many of these entitled buildings will actually get built.

And as you work your way down the line of apartments, you know, we've got 25 customers. What does that mean? That's buildings with 6 units to 600 rooms, so it could run the gamut on how many units that that would include. And then we've got also 200 additional commercial customers which, again, can be in excess of 600 hundred rooms, some very large buildings.

So to answer your question directly, we do have growth assumptions built into the rate application associated with the cranes that you see on the horizon.

MR. DREW: Okay. I think I'll leave it there because I know we have time constraints. I just wanted to get these in the record for us to take a look at further. Thank you.
DIRECTOR NURU: Okay, thank you.
Any cross-examination from the City? No?
From the Ratepayer Advocate?
MS. DILGER: I'll try to keep it brief.
I know we have public comment still to go.

EXAMINATION

BY MS. DILGER:

Q. Mr. Giusti, in regards to rolling out the new bins and the outreach to accompany that, I have a couple of questions. One is how are you going to deal with renters who don't a landlord living on site, but they only go to the landlord? What if they want a smaller or larger bin, but the landlord wants something else?

A. (GIUSTI) What we traditionally do in that case is contact the landlord or the bill-payer and say that you have a tenant that wants to use smaller bins. If the tenants agree to it and, in fact, what we've even had is some tenants will step and say, "You know, my landlord's worried that the bins will get contaminated, but I'll sign up and be a monitor for the building," and they've actually done that, and then we'll be able to work with the landlord or the building manager and try to convince him to go with more recycling and composting and cut back the amount of trash. And if it works, it's going to save you money, and that's usually a pretty
good motivator.

Q. Great, thank you. In regards to the black bins, many will be replaced with 16 gallons. What about larger bins that are shared among multiple tenants?
Will they be cut in half or what will the size be automatically?

A. I don't believe -- go ahead, John.

A. (PORTER) The plan is to leave those bins in place. Obviously, those customers are always available to have the option to downsize their service to the extent it meets the service minimum requirements.

A. (GIUSTI) And I have to say for most buildings six units and under, they are more cost-conscious; so they know what the minimums are for their units. For the most part, I think those owners are managers. And most of buildings are pretty close to the minimums as they sit today. And because there's less people in the building, I think there's more comradery around using the bins correctly. It's not as anonymous. If there's a contaminated bin, they know who's contaminating. So I think they tend to be like the single-family homes in that respect.

MS. DILGER: Okay, thank you.

Ms. Dawson, did you want me to come back to the impound account now or take that next time?
MS. DAWSON: That's fine, if you want to repeat your question now.

MS. DILGER: Sure. The question was what were the funds attributed to the impound account in the last rate proposal, and what are they now, and what is the cost to ratepayers?

MS. DAWSON: Okay. So in the Recology application, on Sunset Scavenger and Recology Golden Gate, there's a Schedule F.2. And that shows both the current costs in the impound account that are attributed to San Francisco Environment and San Francisco Public Works. So in the case of the Environment, it's about $9.3 million and Public Works, $6 million, for a total of $15.3. In the proposed, those costs are increasing for both San Francisco Environment and Public Works, and it's proposed to be $11.2 million for Environment and $8.5, roughly, for Public Works for a total of $19.7.

You had asked before and I think we had said -- I know Environment said in its testimony and Mr. Stringer also that we're heavily controlled in terms of they way our budgets are developed and presented, so the funds that are in here are scrutinized and we only spend those funds on programs that are clearly tied refuse-rate work. And in our case, the reason that
those funds are changing is kind of threefold.

One is there's always an adjustment kind of
above and beyond COLA for changes to negotiate wages and
benefits for City employees, some of whom are covered
in this cost. We are increasing the number of FTEs
in the OnE team. We're increasing by two in order to
improve our nighttime work and collaboration with both
Environment and Recology to try to encourage people to
do the right thing.

And in addition, and Mr. Stringer mentioned it
briefly, we are proposing a new program which is kind of
a training program to clean city cans on a regularly-
scheduled basis.

MS. DILGER: Thank you.

DIRECTOR NURU: Thank you. So at this time I
think we'll go to public comment. Can I see a show of
hands of how many people?

Okay, that's good. So the clerk will keep
time and notify speakers when it's getting close or when
their time is expired. We'll allow for three minutes.

Make sure you get your cards. Go ahead.

PUBLIC COMMENT BY TRACY THOMPSON

MS. THOMPSON: Okay. So my name is Tracy.
I've been talking with around 300 hundred people in the
cross-section of Inner Sunset and Outer Sunset and
Parkside as well. A lot of people don't know about this rate proposal increase, so the form in which we are being notified is through this Prop 18, which is your Exhibit 73. So it looks like junk mail and people are throwing it out and they don't know about the rate proposal.

So they don't know about rate increase proposed by Recology when there could be an e-mail from Sunset Scavenger or Recology. There also could be other notices on our bills. There's many other avenues to let people know, and there's only one way to protest according to this paper, and that is to write a written protest and deliver it to City Hall. So because a lot of people don't know, it's possible that you won't get a lot of protest letters even though I'm happy to hear that a lot of people are protesting or you've heard back from a lot of people.

I also believe that the rate increase is not an accurate reflection of what's actually happened. $5 dollars to $20 dollars is 300%. $2 dollars to $10 is 500%. And then you can subtract the 16% or 25% down to 10%, but it's still a lot more than 16%, okay?

People are saying in a lot of neighborhoods they don't even use the black bin anymore. I know that from my own experience, I put black bin out one time per
month. I was rewarded with rebates and credits back from 2012 to 2015, and then my bill in 2016 went up from 25% to 35% increase without any change in this rate proposal.

People are also saying that we are encouraged, and we're almost down to zero recycling or zero waste, but yet these rate increases, they penalize us. They're penalizing us. This outreach program where I hear about Recology assuming that the CRV recyclables belong to them, they belong to the people who purchased those products at the store. They belong to us to be able to recycle them at a redemption center own our own.

I just think this residential per-unit charge is a new way of charging us, and it's a lot higher than your apartment charges per-unit, and I think that's very disturbing. It's a 300% increase and I really am protesting this per-unit charge to be that much.

So I think it's important to incentive people to go to zero waste instead of penalizing.

DIRECTOR NURU: Thank you. Next speaker, please.

If you intend to speak, please fill out the cards so we have the information.

PUBLIC COMMENT BY TOM WILLIAMS

MR. WILLIAMS: Good morning. My name is
Tom Williams. A couple weeks ago I described the splitting of charges with customers at the same location at the 150% rate as being arbitrary and not justified.

Today we heard that of the administrative challenges that Recology faces in splitting the bills, what we did not hear about is that if this is happening, we're sharing trash cans, Recology then only has to empty one set of receptacles, not two. So that more than offsets what any cost of their administrative challenges is. So I ask you to do away with this 150% charge. Thank you.

DIRECTOR NURU: Thank you. Next speaker, please.

PUBLIC COMMENT BY ED DONALDSON

MR. DONALDSON: Good morning, Commissioners. My name is Ed Donaldson. I am a homeowner here in San Francisco and I did receive the notice in regards to the proposed rate hike. When I first saw it, of course I had concerns, but then I began to look at it through the lenses of my current employment. I work as a supervisor with a workforce development training program here in San Francisco where we have about 40 men and women that are on the ground every day here in San Francisco that's dealing with the refuse and the debris and the garbage and whatnot that's on the street.
And when I began to look at it through that lens, I recognized that there's an increasing level of debris and garbage, dumping and whatnot, and so my thinking began to drift to there must be an increased cost associated with this. Being a businessperson and whatnot or finance person, I instinctively understood that.

The other thing that's unique about this workforce training program is that we deal with ex-offenders. We have sort of kind of identified a number of employers here in San Francisco who will work with our population of people, and we identify Recology as one of those organizations that has a strong commitment to underserved communities, communities of color, people with felony convictions. I have a number of friends having grown up in Bayview-Hunters Point and still live there that do work for Recology and the recycle program and also are truck drivers and just about every other occupation that's there.

So I do speak in support of the proposed rate hike and I trust that you will take it into consideration my testimony. Thank you.

DIRECTOR NURU: Next speaker.

PUBLIC COMMENT BY SHAUNDRÉ ODOMS

MR. ODOMS: Hi name is Shaundre Odoms. I'm an
ex-felon, and I'm in a program right now where I have been afforded opportunities to work and change my life, and I recognize Recology as one of the institutes that will hire ex-felons to change their life. And it's hard out there for a person that has never worked before or never even had the opportunity to work.

And because of -- I will speak to what he just said, because of the increased amount of trash that I see from the job that I have currently -- and I work with trash every day on a daily basis -- it is really needed for the increase of workers out there to keep this city clean.

Because of the homeless people and just people just don't care, they just walk by and throw trash on the street. You know, people come out of Burger King or whatnot and they just take their trash and just throw it. They throw big things that people can't even carry out on the street. And then it calls for other people to come out and pick them things up, like trees that's fallen or luggage. They leave luggage on the street. I mean, as workers, there's only so much we can do. We walk around with a small garbage can.

So I definitely support it and thank you for your time.

DIRECTOR NURU: Thank you.
Next speaker.

PUBLIC COMMENT BY FRANCISCO DA COSTA

MR. DA COSTA: My name is Francisco da Costa and I'm the director of Environmental Justice Advocacy. I've been monitoring quality-of-life issues in this city for the last 40 years.

When it comes to Recology, we have to see if they fulfill a mandate that most citizens in San Francisco embrace. So we are used to the collection of how they want to reduce waste, and they do a very good job. There's no doubt about that.

But as you have heard today from some of the workers who are in the field, we are dealing with more and more people coming from outside San Francisco, dumping garbage, which Recology takes upon themselves this burden and does a great job. So you're not going to get anything for free. And even if you use the type of trucks, we want to see that less particulates go into the air, which Recology maintains a pretty good record.

Now, among you all sitting over there, I have a good friend who I call "Mr. Clean." And the reason why he is known as Mr. Clean is because as the director of the Department of Public Works, he personally monitors these points all over the City and County of San Francisco. We are privileged to have a person like
him. But we are also privileged to have certain of our
leaders in Recology. Some of them have passed away like
John Legnitto, but we have Sangiacomo and others who
maintain a very high standard, and that's good for us
advocates.

Because what we advocates do is we interact
with the Department of Environment, we interact with
Barbara Garcia, the Health Department, we interact with
DPW, we interact with a lot of our youth who our city
has taken and embraced who do the cleanup. And at one
time, I offered HealthRIGHT 360 my entire office so that
these young people could get the best facilities to
better serve this great city and county of
San Francisco.

I also represent the first people of this
area, the Muwekma Ohlone, and we believe in recycling.
We also believe in maintaining a very healthy standard
when it comes to anything to do with our waters, with
our land, and with our air. Thank you very much.

DIRECTOR NURU: Thank you. Next speaker,
please.

PUBLIC COMMENT BY DAVID PILPEL

MR. PILPEL: David Pilpel. I'll touch on a
number of points and then follow up with a comment
letter.
I've referenced the transcripts. This is our fourth hearing and we haven't seen the transcripts for the previous ones yet. I mentioned the DPW website last time -- I'm wearing t-shirt from 2012 from the campaign.

Interesting that today is the day that President Trump intends to roll back EPA regulations on coal, because I guess he thinks clean air is overrated. But in this city, we don't believe that, and I think getting towards zero waste in effective and cost-effective ways still makes sense to help all of us in the room.

On some quick points, the website currently has Recology quarterly reports through the first quarter of this current rate year. I'm wondering when the second quarter report will be available because there will be tonnage information on there that's the most current, and that may be helpful. If that's been provided to the City, I'm wondering if that could be posted and available.

There was discussion both at the least hearing and today about combining the AMC and BIR programs, but we didn't hear what the rate impact would be of leaving it at 10 drivers rather than 20 -- or 10 routes rather than 20 -- even with the additional weekend service.

I understand that the Companies are proposing
that both the Tier 1 and 2 and Tier 3 and 4 ZWI incentives, if they're not achieved, be able to be reprogrammed for additional programs and diversion rather than current structure where the Tier 1 and 2 amounts, if not achieved, go back to the customers. I support the current structure. I think rebating that amount to the customers helps minimize rate increases and tends to work against COLA increases as we saw in the last year, and I think having some flexibility on the Tier 3 and 4 funds allows for progress on programs and other things that are unanticipated.

We've talked before about estimated diversion versus ZWI targets; I'll have to explain that in greater detail. I think I now understand TRCU -- Trash, Recycling, Composting, and the Unit charge, but that took me a bit.

The Exhibit 76, in the small print shows that the gallons per unit, particularly in July of '16, in some cases is less than 16 trash, 16 recycling, and definitely in all cases, less than 8 gallons per unit for composting; so the entire apartment sector appears that it's getting less service than is required under Schedule A and the minimum service requirement; so there's that. I'll have to follow up more on the impound account, again, in a detailed comment letter.
I think we'll do some housekeeping. Maybe if you can indicate when either the record is going close or when you need comments in order to influence the staff report. Thank you.

DIRECTOR NURU: Any other speakers?

Okay.

MS. DAWSON: So the record remains open, but at the end of this hearing we will start to write the staff report, which Mr. Nuru will address in his closing comments.

DIRECTOR NURU: Okay. Thank you all for being here today. We have completed the fourth scheduled hearing on Recology's rate application. It is my understanding that the Company has introduced all of the information it wishes to get into the record at this time; is that correct?

MR. BAKER: Yes, it is.

DIRECTOR NURU: Okay. If so, I direct City staff to begin preparing the staff report, which we are aiming to publish by April 14th. The first hearing on the staff report is scheduled for Wednesday, April 19, at 8:00 a.m. in Room 400. An agenda will be posted prior to the hearing date, and again, I want to thank everyone for participating in these proceedings.

Our meeting is adjourned. Thank you.
(Ending time: 12:07 p.m.)
REPORTER'S CERTIFICATE

I, MAXIMILLIAN A. CONTRERAS, CSR No. 13876, Certified Shorthand Reporter, certify:

That the foregoing proceedings were stenographically reported by me at the time and place therein set forth and were thereafter transcribed;

That the foregoing is a true and correct transcript of my shorthand notes so taken.

I further certify that I am not a relative or employee of any attorney or any of the parties nor financially interested in the action.

I declare under penalty of perjury under the laws of California that the foregoing is true and correct.

Dated this 10th day of April, 2017.

___________________________________
MAXIMILLIAN A. CONTRERAS
CSR NO. 13876