

1 CITY AND COUNTY OF SAN FRANCISCO
2 DEPARTMENT OF PUBLIC WORKS
3 DIRECTOR'S HEARING ON PROPOSED REFUSE RATES
4 2017 REFUSE RATE APPLICATION

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7 CITY HALL
8 1 DR. CARLTON B. GOODLETT PLACE, ROOM 400
9 SAN FRANCISCO, CA 94102

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23 REPORTED BY:
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Wednesday, March 8, 2017 8:17 a.m.

P R O C E E D I N G S

DIRECTOR NURU: Let the hearing please come to order.

Good morning, ladies and gentlemen. I am Mohammed Nuru, the Director of Public Works for the City and County of San Francisco and I will be the hearing officer for these proceedings.

The date is March 8, 2017. This is the first in a series of hearings to discuss the City's residential refuse rates. On February 13th of this year, Recology Sunset Scavenger, Recology Golden Gate, and Recology San Francisco, which we refer to collectively as "Recology," filed an application to raise residential rates with the Chair of the San Francisco Refuse Collection and Disposal Rate Board. The application is for the year starting on July 1st, 2017 and includes a formula to change rates annually for cost-of-living adjustments. These COLA adjustments would continue until there is a new rate order.

After rebating surplus amounts collected in prior years, the application seeks an average increase in rates for residential and apartment customers of 16.4% in the first year, a 4.98% increase in the rate

1 year 2019, and another 0.62% increase in the rate year
2 of 2021. Without rebates, Recology's requested average
3 increase for rate year 2018 would be 22.96%. Public
4 Works conducts these hearings to discuss the costs and
5 services that result in the proposed refuse collection
6 and disposal rates.

7 The City is required to hold this series of
8 hearings under an ordinance enacted by the voters in
9 1932. In addition to the rules set forth in the
10 Ordinance, Public Works has adopted additional rules of
11 procedure for these hearings. Copies of the procedure
12 are available at the back of the room. The planned
13 agenda for today's hearing is also available. I will
14 briefly review how we plan to proceed today and in
15 subsequent hearings. We have this room only until noon
16 today, so I ask everyone to help me stay on schedule.

17 Before we go any further, I would like to
18 introduce Mr. Maximillian Contreras who will transcribe
19 our meeting today. I request that everyone who speaks
20 today, witnesses and others, please bear in mind that
21 Mr. Contreras has a very tough job, so please speak
22 clearly and into the microphone so that he can take your
23 entire testimony.

24 One more piece of housekeeping: I'd like the
25 Public Works clerk to make an announcement concerning

1 our efforts to comply with Title VI of the Civil Rights
2 Act, and ask your cooperation with a public
3 participation survey.

4 Mr. Jose Pujol -- oh, Nathan.

5 Nathan Rodis, please proceed with your
6 announcement.

7 MR. RODIS: Good morning, everyone.

8 Title VI of the Civil Rights Act requires
9 equal and equitable access to the Department of Public
10 Works program activities and services. To document that
11 the department is in compliance with Title VI, we ask
12 that everyone attending and participating in today's
13 hearing complete a participating survey. However, this
14 survey is optional and completing it is not required for
15 participation. The data that you provide will be
16 analyzed and used to ensure residents and stakeholders
17 in the community are involved in the refuse rate hearing
18 process. The information will not be used for any other
19 purposes.

20 You will find this survey on the sign-in table
21 here in the front. Please place completed survey forms
22 in the collection box.

23 Thank you.

24 DIRECTOR NURU: Thank you.

25 I'd like to introduce some of the other City

1 staff who are here and will be participating in the
2 proceedings.

3 Julia Dawson, Deputy Director for Finance
4 and Administration with the Public Works Department.

5 Robert Haley, head of the zero waste program
6 with the Department of the Environment.

7 Manu Pradhan, Deputy City Attorney who will
8 represent the City on legal matters in these
9 proceedings.

10 Mr. Dwayne Jones, the ratepayer advocate.
11 His job is to facilitate the participation of the
12 residential ratepayers and I hope you will consider him
13 as a resource in this process.

14 Mr. Jones, please stand up. Thank you.

15 So I'll talk a little bit about these
16 proceedings. I want to say a few things.

17 The 1932 Ordinance requires the Director of
18 Public Works to make the recommendation on the
19 residential refuse rates within 90 days of the
20 application being filed. For us, that day is May 15.
21 During the 90-day review period, there will be several
22 hearings which will allow Recology and the public to put
23 before me information, concerns and/or recommendations
24 regarding the issues raised by this application.
25 The Director has the duty to recommend just and

1 reasonable rates and to order studies and investigations
2 beyond Recology's assertions. I have requested that the
3 City staff review and evaluate the rate application and
4 make further necessary studies. The staff's findings
5 and recommendations will be presented in future
6 hearings.

7 Some of you may have attended our workshops on
8 the draft and final rate application, which we held on
9 October 18, 2016 and February 28 of this year. Public
10 Works organized these workshops as a way of offering the
11 public information about the rate increase request and
12 an opportunity to ask questions. These workshops were
13 not recorded and were much more informal than these
14 hearings.

15 These hearings will be "on the record."
16 Information will be transcribed and become evidence and
17 serve as the basis for my decision. Anything said at
18 these hearings and any document introduced as an exhibit
19 will become part of the hearing record. I will weigh
20 this information in making my decisions.

21 The purpose of today's hearing is to hear
22 testimony from Recology in support of their application,
23 to ask Recology about the application, and to hear
24 public comment on the application. Recology and the
25 City will be introducing exhibits that will become

1 evidence in these proceedings.

2 Let's go over today's agenda. In a few
3 minutes, Recology will be offered the opportunity
4 to make an opening statement. After this opening
5 statement, Recology will present its detailed case and
6 introduce exhibits and expert testimony in support of
7 the application. After Recology has presented its
8 application information, the City will begin
9 cross-examination with questions about the proposed
10 program changes and planned capital investments.
11 The Ratepayer Advocate will also be offered an
12 opportunity to ask questions during cross-examination.
13 Then we will hear from the Ratepayer Advocate about
14 their efforts to inform and engage the public about the
15 rate application and these proceedings. We will reserve
16 the last period of today's hearing and every day's
17 hearing for public comment.

18 This hearing will be continued to next
19 Wednesday, March 15, also beginning at 8:00 a.m. here in
20 room 400. The topics for next week's session are also
21 listed on the agenda, and if time permits, we will take
22 one or more of those items today. We will also have two
23 more hearings scheduled for Wednesday, March 22nd, and
24 Tuesday, March 28, at which time we will hear further
25 testimony from Recology. The City and the Ratepayer

1 Advocate will have a chance to ask questions. We will
2 take public comment each day before we adjourn. The
3 agenda for the other March hearings will be posted on
4 the Public Works website next week.

5 Members of the public are welcome to
6 participate in these proceedings in two ways. First,
7 members of the public may speak during the public
8 comment period and may offer materials to be included as
9 an exhibit in the hearing record. Members of the public
10 may also engage the Ratepayer Advocate, who will do his
11 best to represent the public's interest during
12 cross-examinations. Mr. Jones will be present at all of
13 the hearings. If you wish to speak during the public
14 comment periods, please fill out the speaker's cards,
15 which are available at rear of the room and give it to
16 the clerk, Nathan. I will apply time limits uniformly
17 to members of the public wishing to speak; therefore,
18 I must know in advance how many members of the public
19 wish to speak.

20 After this initial set of hearings in March,
21 City staff will prepare a draft report on the
22 application based on the testimony at the hearings and
23 any additional information that staff has gathered.
24 The staff report is scheduled to be released around
25 April 12th and will be the subject of additional

1 hearings scheduled for April 19 and 26 and May 3rd this
2 year. I believe that these hearings will allow enough
3 time for all of us -- for all issues to be raised and
4 commented on by various parties. However, if necessary,
5 additional hearings will be scheduled before I issue my
6 report and recommended order in May.

7 I would also note that we have an additional
8 regulatory requirement pursuant to Article XIII D,
9 Section 6, of the California Constitution, also known at
10 "Proposition 218" or the "Right to Vote on Taxes Act."
11 Under this provision, any residential customer or
12 property owner may submit a written protest against the
13 application. I will hold a separate hearing on May 4 at
14 9:00 a.m. to consider written protests received as of
15 that date. If more than half of the ratepayers file a
16 written protest against the application, the City will
17 not approve it.

18 The guidelines for submitting written protests
19 will be available on the Public Works website in three
20 languages -- English, Chinese, and Spanish. Please note
21 that while the public comment for and against the
22 application will be taken on every hearing day, protests
23 under Proposition 218 must be in writing and conform to
24 the protest guidelines to be valid. Written protest may
25 be submitted at any of these hearings, at the May 4

1 hearing, or be delivered to the Public Works' office in
2 room 348 in City Hall before the May 4 hearing.

3 If you want to be notified of future hearings,
4 receive a copy of the Director's Report and Recommended
5 Order, or want to be notified of the hearings before the
6 Rate Board, please make sure you've printed your mailing
7 address or e-mail address clearly on the sign-in sheet.

8 Let's talk a little bit about the Rate Board
9 proceedings.

10 As required by Ordinance, I will file my
11 report and recommended order no later than May 15th,
12 2017 with the Chair of the Rate Board. Any party
13 objecting to my recommendation must file an objection
14 within 15 days with the Chair of the Rate Board.

15 If no objections are filed, then my
16 recommended order will be considered final and will take
17 effect no later than July 1st. If any objections are
18 filed, then the Rate Board will hold a hearing on those
19 objections. Based on the record from the series of
20 Director's hearings, the Rate Board can grant or deny
21 the objections. As I noted, the Rate Board is not
22 permitted to consider any new evidence beyond what is
23 presented in the record of these hearings during the
24 90-day review period.

25 In the event that the Rate Board does not make

1 a decision within 60 days, my recommended order will be
2 considered final.

3 I would like to highlight an important aspect
4 of the review process that I just mentioned. If you
5 don't agree with the results of these hearings, you can
6 file an objection to the Rate Board, and the Rate Board
7 will make the final decision. The Rate Board is like an
8 appeals court and cannot hear new evidence. The Rate
9 Board will only consider arguments relating to the
10 evidence and recommendations that have been developed in
11 the Director's hearings. These hearings are the forum
12 where you can ensure that your views are on the record
13 and that any evidence you present is recorded.

14 Okay, let's get ready to begin.

15 We have these hearing rooms for a limited
16 time, as I said earlier. Please make sure that everyone
17 can speak and be heard at these hearings by arriving on
18 time and using your time effectively. If you don't get
19 a chance to speak, please come back to a later hearing
20 or submit your comments in writing. I also encourage
21 you to share your comments with the Ratepayer Advocate.

22 We are now ready to proceed.

23 Please remember that the use of cell phones,
24 pagers, and other sound-producing electronic devices is
25 not permitted during these hearings.

1 Is Recology ready to present its case?

2 Does Recology wish to make an opening
3 statement?

4 OPENING STATEMENT BY THE APPLICANT

5 MR. BAKER: Yes, Mr. Nuru. I do, thank you.

6 Mr. Nuru, Ms. Dawson, Mr. Haley, Mr. Jones,
7 my name is Mike Baker. I'm with the law firm of
8 Arnold & Porter Kaye Scholer in San Francisco and my
9 firm represents Recology Sunset Scavenger, Recology
10 Golden Gate, and Recology San Francisco, the applicants
11 in these hearings. With me today are my colleagues
12 John Hughes and Carolyn Pearce. I wonder if they can
13 stand so people know who they are.

14 The three of us will share responsibility for
15 presenting evidence and examining witnesses during these
16 hearings. And with us today also are a number of folks
17 from Recology I wanted to introduce you to who are
18 well-known to the panel above, Mark Arsenault
19 and John Porter. Mark is the Regional Vice President,
20 Group Manager in charge of San Francisco operations.
21 John Porter is the Group Controller in San Francisco.
22 Both of them will be testifying in these hearings along
23 with others.

24 On behalf of Recology, we appreciate the
25 opportunity to talk about Recology's collection and

1 recycling programs in the city. I'll spend the next few
2 minutes providing an overview of the rate increase
3 Recology requests. Recology seeks sufficient funding
4 both to sustain its existing programs and also to
5 provide new services and facilities that Recology and
6 the City have worked together to develop. As with other
7 applications over the past several years, this
8 application is submitted against the backdrop of the
9 City's drive toward zero waste. The City's Board of
10 Supervisors set that goal in 2002 when it adopted a
11 resolution committing the City to achieve 75% diversion
12 by the year 2010 and setting a further ambitious goal of
13 eventual zero waste.

14 The Board's 2002 resolution assigned a task of
15 determining a target date for zero waste to the
16 San Francisco Commission on the Environment. And a year
17 later in 2003, the Commission set a goal of zero waste
18 in San Francisco by 2020. The City met the target set
19 by the Board of Supervisors of 75% diversion by 2010,
20 a remarkable achievement in and of itself. Recology,
21 City officials, and city residents and businesses have
22 received international recognition for these efforts.
23 But there is obviously still more to do if the goal of
24 zero waste is to be achieved. This rate application
25 proposes changes and capital improvement to continue to

1 move the City towards that goal.

2 You'll be hearing about a pilot program to
3 recover more materials from the black trash bins.
4 You'll hear about programs to encourage greater use of
5 the blue and green bins. You'll hear about modified
6 truck configurations and truck routes to accommodate
7 more blue bin material. You'll hear about how
8 Recology's new responsibility for collecting abandoned
9 material in the city is succeeding. You'll hear about
10 recent upgrades to the recycling-processing equipment at
11 Pier 96, Recycle Central. And you'll hear about
12 proposed new facilities to more efficiently and
13 effectively capture recyclable and compostable material.

14 As for the new facilities, the application
15 proposes three. First, Recology requests funding for a
16 new facility to process green waste. The need is an
17 immediate one. The amount of green waste that Recology
18 collects in the city has climbed substantially since the
19 Board of Supervisors adopted the City's Mandatory
20 Recycling & Composting Ordinance in 2009. The principle
21 reason, of course, for that increase has been the
22 disposal of food scraps in the green bins, as the
23 Ordinance requires.

24 Recology 's transfer station for green waste
25 is a small building at Tunnel Beatty that has had many

1 uses since it was built almost 50 years ago. For many
2 years it was the location for the Artist in Residence
3 program. It's only 7,500 square feet in size. It lacks
4 a modern odor and liquid control system. It poses
5 numerous traffic challenges, numerous logistical
6 challenges. It is totally inadequate for its current
7 use.

8 The new facility that Recology proposes is
9 called the "West Wing." It will be almost twice as
10 large. We'll have a state-of-the-art odor and liquid
11 management system and will be designed for efficient and
12 safe traffic management. The two other proposed
13 facilities are both contingent, which means the final
14 design, permitting, and pricing are still to be
15 completed; therefore, Recology requests that contingent
16 rate schedules be approved that will provide funding for
17 these projects if and when final plans are presented to
18 and approved by the Director of Public Works.

19 The first contingent proposal is for a new
20 iMRF to process construction and demolition debris. The
21 current iMRF at Tunnel Beatty is inadequate for the
22 amount of construction and demolition debris now
23 generated in the city -- inadequate both in size and due
24 to outmoded equipment. It also needs to be replaced.

25 The second contingent proposal is to take

1 advantage of the move -- the anticipated move of the
2 iMRF for new programming. And so the second contingent
3 proposal is for a black bin processing facility to be
4 housed in the current iMRF once those operations are
5 moved to a new location. Recovering recyclable material
6 from the black bins is a critical next step toward zero
7 waste.

8 You'll hear about a pilot program that
9 Recology proposes to be approved in this application to
10 test ways to effectively recover recyclable material
11 from the black bin stream. This pilot program will
12 guide the development of the black bin processing
13 facility proposed in the contingent portion of the
14 application. You'll hear about the proposed new
15 facilities of both the West Wing and the two contingent
16 facilities from Maurice Quillen and Meghan Butler,
17 and you'll hear about the proposed changes to curbside
18 collection operations from Dan Negrón and Minna Tao.
19 And you'll hear from other witnesses as well.

20 Recology last sought and received a rate
21 increase in 2013. Since then there have been notable
22 and significant increases in costs that warrant this new
23 rate. First is the City's new landfill agreement which
24 began a little over a year ago. A Recology subsidiary,
25 Recology Hay Road in Solano County, won that contract in

1 a competitive bid. Hay Road's winning bid offered a tip
2 fee that was less than half of that offered by the
3 competing bidder, Waste Management. Still, the new
4 disposal costs at Hay Road are considerably higher than
5 they were under the old Altamont Landfill contract,
6 which dates back to 1987.

7 Further contributors to increased expenses are
8 higher labor costs under the Company's new collective
9 bargaining agreement, and due to requests in increases
10 in head count to staff-proposed program changes that
11 you'll hear about. Another contributor is increased
12 regulatory costs at Recology's composting facilities
13 near Vacaville and Vernalis, California. A further
14 contributor is a new lease with the Board of
15 San Francisco for Recycle Central at Pier 96 which is
16 more than double the rent at that facility.

17 John Porter, the Group Controller, will address the
18 specifics of these and other expense issues later in
19 the hearings.

20 As the Director indicated, the rate increase
21 that Recology seeks averages 16.4% per customer after
22 accounting for proposed rebates. For a typical
23 single-family residence, the increase would be from the
24 current rate of \$35.18 a month to \$40.88 a month,
25 a monthly increase of \$5.70. And as you'll hear,

1 Recology's collection rates continue to compare very
2 favorably to those in other Bay Area cities.

3 The Companies welcome the scrutiny. That is
4 an important of this process. As you will hear, the
5 Companies are enthusiastic about the many programs
6 Recology offers with the City's support and about how
7 those programs benefit the city's residents and our
8 environment. To sustain these programs, Recology now
9 seeks this rate adjustment which, apart from small
10 cost-of-living increases, will be its first in four
11 years.

12 So with that, let me now step down and let you
13 hear from the folks who run the programs, who have done
14 the number crunching and analysis that you'll hear more
15 about.

16 Thank you very much.

17 Shall we call our first witness?

18 DIRECTOR NURU: Yes, please.

19 MR. BAKER: Okay. Mark Arsenault, please.

20 DIRECTOR NURU: Okay. Our clerk will swear in
21 the witness as they introduce themselves.

22 MARK ARSENAULT,
23 having first been duly sworn, was
24 examined and testified as follows:

25 DIRECT EXAMINATION

1 BY MR. BAKER:

2 Q. Good morning, Mr. Arsenault.

3 A. Good morning.

4 Q. Can you state your full name, please.

5 A. Mark Arsenault.

6 Q. What is your position at Recology?

7 A. Vice President, Group Manager of Recology
8 San Francisco.

9 Q. When did you take on that responsibility?

10 A. Three years ago.

11 Approximately three years ago.

12 Q. And your predecessor was who?

13 A. John Legnitto.

14 Q. And he passed away and you took his place?

15 A. That's right.

16 Q. So in that position, what are your
17 responsibilities as they relate to why we're here today?

18 A. I oversee and am responsible for all the
19 operations in San Francisco, including collections and
20 processing, all the facilities' safety operations,
21 customer service, maintenance -- the entire operations
22 in the city.

23 Q. And there are Recology subsidiaries for which
24 you are responsible?

25 A. There are. Two collection subsidiaries,

1 Recology Sunset and Recology Golden Gate, as well as
2 the processing facility Recology San Francisco.

3 MR. BAKER: Mr. Clerk, would you put that
4 first slide up?

5 Thank you.

6 BY MR. BAKER:

7 Q. So those companies are depicted on the screen
8 that's displayed?

9 A. They are.

10 Q. So can you describe just -- I think most
11 people here are probably familiar with all this --

12 Your screen's not working?

13 A. No. But -- now it is. Got it.

14 So the circle to the right represents the
15 collection companies. They're geographically separated
16 in the city -- Sunset Scavenger as well as Golden Gate.

17 Q. It's actually to the left.

18 A. It's to the left.

19 Sorry, first circle to the left.

20 And then all of the materials that are
21 collected from those companies are processed initially
22 through Recology San Francisco, which would include
23 the circles further to the right. The organics
24 materials, those are transferred and go to the two
25 processing facilities that you mentioned earlier,

1 both Blossom Valley North as well as Jepson Prairie.
2 The recyclables, they are processed here in the city at
3 Recycle Central on Pier 96. And then all of the trash
4 is transferred to Hay Road in Vacaville.

5 Q. Now, when Recology San Francisco sends
6 organics to the two Recology composting facilities that
7 you described, Jepson and Blossom Valley, is Recology
8 San Francisco charged a tip fee?

9 A. They are.

10 Q. And is that tip fee incorporated into the
11 Recology San Francisco's costs for this rate
12 application?

13 A. That's correct.

14 Q. And when Recology San Francisco sends trash to
15 the landfill at Hay Road, does Hay Road charge Recology
16 San Francisco a tip fee for that?

17 A. They do.

18 Q. And is that tip fee also incorporated into the
19 costs that make up this application?

20 A. Yes.

21 Q. And then what about when Recology
22 San Francisco sends material from the transfer station
23 which is at Tunnel Beatty; is that right?

24 A. Yes.

25 Q. When it's sent over to the transfer station at

1 Pier 96 for processing, how is that handled?

2 A. Actually, most of the material goes directly
3 to that location in collection trucks. All the revenues
4 from that material flow back in through the rates. They
5 are an offset essentially to the cost. The tipping fees
6 for all three commodities have a single rate that is
7 essentially passed through the collection companies.

8 Q. So the collection companies -- Recology Sunset
9 Scavenger or Recology Golden Gate are charged a tip fee
10 by Recology San Francisco?

11 A. That's correct.

12 Q. And the tip fee that Recology San Francisco
13 charges the collection companies covers both the
14 collection of black bin material and also the collection
15 of the blue and green bin material?

16 A. Yes.

17 MR. BAKER: We're going to have a number of
18 exhibits, so I think -- let's start by marking the
19 application as Exhibit 1. And the application is very
20 thick. It's also available online. So I think we
21 worked out an agreement with Ms. Dawson that what we
22 would put in the binders and submit here as an exhibit
23 will be an abbreviated version of the application and
24 the full record will be reflected with the online
25 version.

1 Is that acceptable, Mr. Nuru?

2 DIRECTOR NURU: Yes.

3 We'll mark it and proceed.

4 MR. BAKER: The application is marked as
5 Exhibit 1.

6 BY MR. BAKER:

7 Q. Mr. Arsenault, why did three Recology
8 companies submit an application for rate adjustment at
9 this time?

10 A. We reached a point where our revenues needed
11 an adjustment to accommodate all of the not only
12 existing costs, but new programs that are anticipated
13 in this rate application.

14 Q. And the last rate hearing was in 2013?

15 A. That is correct.

16 Q. So it's been four years?

17 A. It has been.

18 Q. Now, part of the procedural rules for these
19 proceedings call for a workshop to be put on before the
20 hearings begin; is that right?

21 A. That's right.

22 Q. And you attended that workshop?

23 A. I did.

24 Q. Do you remember when that was?

25 February 27, wasn't it?

1 A. Yeah.

2 Q. February 28th?

3 A. Yes.

4 Q. Okay. And did you distribute a PowerPoint
5 presentation at that workshop?

6 A. I did.

7 MR. BAKER: Why don't we go ahead and put that
8 into evidence.

9 So a document entitled "Recology 2017 Rate
10 Application Technical Workshop, February 2017" will be
11 marked as Exhibit 2.

12 MR. PRADHAN: And just for the record,
13 Exhibit 1 was received in evidence, "2017 Refuse Rate
14 Application." There is 18 pages.

15 (Exhibit 1, "2017 Refuse Rate Application
16 [Recology]," was admitted into evidence.)

17 (Exhibit 2, "Recology 2017 Rate
18 Application Technical Workshop PowerPoint
19 [Recology]," was admitted into evidence.)

20 BY MR. BAKER:

21 Q. I'd like to show you one of the slides that
22 you used at the workshop. And this slide is more or
23 less a summary of some of the issues that you discussed
24 at the workshop?

25 A. It is.

1 Q. So could you -- using this as an aid if you
2 want -- describe to us in a little more detail what the
3 cost drivers are for this new rate application.

4 A. Certainly.

5 Q. Before you do that, I guess I should add that
6 the Group Controller, John Porter, will testify later
7 and will dig into the details of the expenses further.
8 But I wonder if you could just give us an overview.

9 A. I'll start over on the left with "Program
10 Changes." One of the first big cost drivers is actually
11 this program change which is designed to reduce the size
12 of the trash can and increase the size of the blue bin.
13 The current default service that most residents have is
14 a 32 gallon blue bin, a 32 gallon black bin, and a
15 32 gallon green bin. And what we're looking to do is
16 actually trying get to zero waste as to reduce the
17 amount of space that can be used to discard materials.

18 And so by reducing that black bin to
19 16 gallons, half the size of the 32, we think that will
20 more accurately represent materials that are remaining
21 that cannot be repurposed or recycled and then double
22 the capacity of the blue bin, the recyclable bin. With
23 the onset of Amazon and all the cardboard and all the
24 additional materials that we can now recycle, there is a
25 need for changing that service. It was initiated many,

1 many years ago when some of those commodities were sort
2 of at equal balance, if you will, with trash. That time
3 has changed, so we think it's time to change those
4 containers. And then to keep the compostable bins the
5 same. That seems to be adequate as well for the way
6 residents were using the service.

7 So in making those changes, it drives us to
8 look at our existing fleet of collection vehicles which
9 were designed many years ago with the good intent of
10 increasing productivity. By instead of having three
11 trucks go by every home, we were able to put two trucks
12 by every home. And the collection as it is today and as
13 it was started many years ago is to collect the
14 recyclables in one side of the truck and the trash on
15 the other side of the truck and the compostables are
16 collected in a separate truck. And the reason for that
17 is that not everyone sets out the green or compostable
18 materials every week, so we're able to take advantage of
19 that efficiency of adding more homes, if you will, to
20 that route because it doesn't stop at every home.

21 So in shifting to the smaller trash, upsizing
22 the blue, we need to reconfigure the way trucks are
23 collecting at the homes. We still want to stay with the
24 two trucks. Nobody wants any trucks going by their
25 home, but we certainly don't want three if we can help

1 it. And so what we'll do is -- or what we're proposing
2 to do is shift that green which is more imbalanced
3 weight-wise, volumetrically-wise with the trash in a
4 split-body truck and then repurpose and add trucks for
5 the single-chamber trucks to pick up recyclables. That
6 way, we can make sure that we're collecting all that
7 cardboard that seems to be in the stream as well as all
8 the other additional recyclables. So it will be a much
9 better fit for what we're trying accomplish.

10 Additionally, as I look down this list --

11 Q. Before you do that, let me ask a couple
12 questions to what you just said.

13 Are all customers going to be required to
14 reduce the size of their black bin from 32 gallons to
15 16 gallons?

16 A. No, they won't be required, but it will be the
17 default program. So the program is anticipated to roll
18 out over two-year period. It will be the new default
19 service, if you will. You will have the option to opt
20 out if you want to use that size and continue with the
21 configuration that you have or change that
22 configuration. But if we don't hear from you, we're
23 intending to deliver the two new carts, the 16 black and
24 the 64 blue.

25 Q. Will customers who have limited storage space

1 for their three cans, are they going to be upset by
2 these blue cans becoming twice as large? I mean, will
3 its profile be twice as wide or twice as tall? How will
4 that work?

5 A. That's good question. Its profile won't be
6 twice as wide or twice as tall, but it will be a little
7 wider, certainly a little higher. Those carts can be
8 seen. Several residents already have those 64-blue
9 carts. People with larger families already subscribe to
10 them. But in some cases it will be difficult and we
11 might have to make some accommodations for that.
12 We're hoping it will be limited.

13 Q. Have you had any experience under the current
14 program of customers filling the blue bins to the brim,
15 not having enough room for recyclables, and therefore
16 putting recyclables in the black bin where they have
17 more room?

18 A. Well, I can tell you one thing: The blue bins
19 are absolutely at capacity as you drive through the
20 city. You see the lids up quite a bit. You see
21 cardboard outside, so that tells me that that is overdue
22 in terms of changing the capacity of that bin for many
23 residents. If they are not able to fit cardboard in the
24 blue bin, we do encourage them to put them in the green
25 bin if they're compostable, but we are constantly

1 striving to achieve the highest and best use of these
2 materials and composting cardboard is not the best use
3 of that material.

4 Q. The best use is to recycle them?

5 A. Absolutely.

6 Q. You mentioned about the cardboard. And from
7 your perspective, you're seeing more cardboard in the
8 system?

9 A. Yes.

10 Q. And why do you think that's so?

11 A. Amazon is having a big influence on that.

12 Q. Can you explain what you mean by that?

13 A. A lot of people are shopping online, so
14 people's buying patterns have changed dramatically over
15 the years. More and more shopping is done online,
16 if you will. Unfortunately, it comes with a lot of
17 packaging. A lot of packaging. And so we need to
18 adjust the system to accommodate that.

19 Q. So continuing on your slide here regarding
20 what's driving this particular rate application, what's
21 the next item?

22 A. The next item is "Abandoned Material
23 Collection." We have a very robust program, the 311
24 program that's integrated into Public Works. We have a
25 service responsibility to pick up abandoned materials

1 that are dispatched through a central hub within four
2 hours' notice. And unfortunately, we continue to see a
3 lot of abandoned materials, and we want to make sure we
4 keep the city clean and get that material off the street
5 in a timely fashion. And so the projections really do
6 speak to the need to increase that service.

7 Q. This is an anecdotal question that will never
8 be permitted in court, but do you think that Recology's
9 practice and ability to respond to abandoned material
10 requests more quickly has had any impact on the behavior
11 of citizens of the city in terms of using that service?
12 Or is that not a problem, do you think?

13 A. I can't say one way or another with respect to
14 our quick response. But you know, the ease with which
15 people can use their cell phones to use the 311 app is
16 clearly, I think, an influencing factor.

17 Q. But in any event, this application seeks
18 additional funding to expand the abandoned materials
19 program?

20 A. It does.

21 Q. And the additional funding is for more trucks
22 and more people?

23 A. That's right.

24 Q. And again, we'll hear more about the specifics
25 of that later on.

1 A. I'll shift over to "Higher Costs."

2 "Composting regulations," it's a very
3 different application when you are composting what
4 people consider to be yard waste or green waste versus
5 food waste. And in San Francisco, the abundance of the
6 compostables that we manage are in fact food waste, both
7 commercial and residential. We have all sorts of food
8 waste. We are a Mecca for food waste here.

9 And so the water board and the air board and
10 other regulatory agencies in California have looked at
11 this issue. There's also new legislation that will be
12 expanding the collection and processing of food waste in
13 California. And so in anticipation of that, these
14 regulations are governing, if you will, improvements to
15 the sites and upgrades to the sites to make sure there's
16 protection for the environment. And it adds costs,
17 essentially, to managing and processing this material.
18 So that is one of the drivers. The other is the
19 landfill agreement that you spoke about.

20 Q. So as far as the organics -- so that means
21 that the tip fee you're charged by Jepson and by Blossom
22 Valley has gone up and that's also driving higher costs
23 for Recology San Francisco?

24 A. That's correct.

25 Q. And what about the landfill agreement?

1 A. The landfill agreement was -- I don't quite
2 know the age of the prior one, but I think it's 25-plus
3 years; so it was done at a negotiated very low rate.
4 It stayed in place for all those years and, as you
5 described, the new landfill tip fee is higher.
6 And so that's a big driver on the issue of costs.

7 Q. And so who has the contract now for the
8 landfill?

9 A. Recology Hay Road.

10 Q. And is that a contract between the City and
11 Recology Hay Road?

12 A. That's correct.

13 Q. When did the City begin -- or when did
14 Recology, at the direction of the City, begin sending
15 trash to Hay Road?

16 A. January of last year.

17 Q. And where did it go before?

18 A. Altamont Landfill.

19 Q. And Altamont is operated by whom?

20 A. Waste Management.

21 Q. Now, Recology got the contract for the
22 landfill in a competitive bid; is that right?

23 A. That's right.

24 Q. And who is the other bidder that steps along
25 the way to be qualified?

1 A. That predates me, but certainly Recology
2 Hay Road. I don't know who the other bidders were.

3 Q. Do you know if Waste Management was one of the
4 bidders?

5 A. Yes.

6 Q. Okay. But that was before you got -- you were
7 involved -- you were responsible for other Recology
8 matters. Actually, I should ask you: What did you for
9 Recology before you became the Group Manager here in
10 San Francisco?

11 A. I had a similar role for Recology South Bay,
12 so all the counties essentially on the west side and the
13 south side of San Francisco: San Mateo County,
14 Santa Clara County, San Benito County, all of those
15 counties.

16 Q. And how long have you worked for Recology
17 altogether?

18 A. Twelve years.

19 Q. And who did you work for before that?

20 A. I worked for Waste Management for a series of
21 years as well as a company called BFI, Browning-Ferris
22 Industries, for many years.

23 Q. So the landfill agreement is more expensive?

24 A. It is.

25 Q. What about labor?

1 A. I believe there is a -- you know, "the labor,"
2 you're talking labor related to the landfill?

3 Q. No, labor related to this rate application.

4 A. Labor related to this rate application?

5 Two components on the labor. One is a new
6 labor agreement, and the other is the additional head
7 count necessary for the expansion of these programs.

8 Q. And in terms of the narrative that is
9 submitted with the application identifies labor costs
10 as one of the drivers of the increased expenses.

11 Approximately how much of the increased labor
12 costs are attributable to the collective bargaining
13 agreement that was recently signed and how much is
14 attributable to new programs?

15 A. John could probably better speak to that,
16 but it's roughly half and half.

17 Q. Now, a new lease agreement with the Port is
18 not listed on your slide because it's fairly recent,
19 I think.

20 A. It is recent.

21 Q. Tell us about that.

22 A. Maurice will be the best person to describe
23 that lease. But it has a reset provision that has taken
24 effect or will be taking effect. I don't know that it's
25 more than double, but it's certainly if not close to

1 double, double the cost that we've been paying. And it
2 also has an escalating -- an encapsulated look at the
3 biggest increase is a rent reset that is predicated on
4 other lease arrangements that the Port has in the
5 southern part.

6 Q. And this is for Pier 96?

7 A. It is, yeah. Recycle Central at Pier 96.

8 Q. Now, further important feature of the
9 application are proposed facility improvements. So
10 let's start with the West Wing. What is driving that
11 part of the application?

12 A. You touched on it, but essentially the
13 facility is not only too small for the 600-plus tons of
14 compostables that we move through that little building
15 every day, but it is virtually rotting under the heavy
16 acidity of the nature of the compostables. It is not
17 able to adequately contain the moisture that is,
18 you know, very prevalent in organic material as well as
19 odor and actually can't be completely enclosed, so there
20 are a number of issues with that building.

21 We're in an area that, many years ago, didn't
22 really have any neighbors, but we have a large number of
23 new neighbors and existing neighbors that we meet with
24 and we want to make sure we are good neighbors. And
25 that program has grown to the point where we really have

1 to have a facility that better manages that. And so it
2 will be the West Wing, hopefully. That will be an
3 addition to extend out to the west side of the transfer
4 station. It will have a separate loadout. It will have
5 an air/odor control monitoring system as well as have
6 high-speed doors. So it will be a state-of-the-art
7 facility for that kind of transfer of material.

8 Q. And what is Recology's proposal as to when
9 they would like to start construction of that new
10 building?

11 A. As soon as it's approved.

12 Q. Now, the application also includes a pilot
13 program for black bin processing, which relates to these
14 other housed new facilities. So tell us a little bit --
15 we'll hear more detail about this from Mr. Quillen, but
16 tell us a little bit about what is proposed with regard
17 to this pilot program.

18 A. Certainly. We average approximately
19 1,100 tons of black bin or trash material that goes
20 right into what we call "the pit" and right to the
21 landfill. So this proposal is looking to separate
22 100 of the 1,100 tons a day in organic rich loads,
23 preferably, then run it through a series of screens
24 as well as a press, and we're looking for two
25 commodities as a result of that separation of

1 processing.

2 One is the what we call the "overs."
3 There are still plastics, bottles, cans, other
4 recyclables, paper, that remain in that trash. And
5 then the organic fraction will be pressed under high
6 pressure and extract the organic fraction that is then
7 going be sent over to East Bay MUD and converted through
8 digestion into electricity. Those overs, then we'll be
9 able to process them and recover those materials.
10 You have to have a mechanism to get them efficiently
11 into a transfer truck, get them over to Recycle Central,
12 and then set up some sort of screening systems that we
13 have anticipated to be put in place that will then
14 segregate those materials and ideally extract the
15 recyclables that remain.

16 Q. So you say this is a pilot program. So does
17 that mean that Recology is not yet convinced that this
18 is the way to go as far as collecting material?

19 A. Yeah, that's fair way to, I think,
20 characterize that. We wanted to make sure in the
21 contingent schedule that we really understand this
22 material very well. We have a series of vendor partners
23 that are working with us that have helped us through the
24 Recycle Central modifications, which have been
25 extraordinarily successful. Everyone has a different

1 view, frankly, of how to process trash, and we want to
2 make sure we get it as close as right before we launch
3 on 1,100 tons a day.

4 Q. Is processing trash kind of the last frontier
5 toward zero waste?

6 A. It is. In this environment, it is. Other
7 think you can burn it, but we're not subscribing to
8 that. So yes, it is last frontier.

9 Q. Is it fair to say that the technology of
10 dealing with that, those last few steps toward zero
11 waste, the black bins, has not yet been solved?

12 A. Absolutely. Not yet been solved and looking
13 at different possible technologies that actually,
14 you know, utilize that trash or set them up into many
15 different manufacturing scenarios. So we're looking at
16 everything.

17 Q. So that brings me back to the contingent
18 proposals of the new facilities. We'll return to the
19 black bin process in a moment, but tell us about the
20 thoughts regarding iMRF.

21 A. The iMRF is an approximately 40,000 square
22 foot building, which seems large but not when you're
23 managing the really bulky construction, demolition,
24 and other type of bulky materials. We handle, again,
25 600-plus tons a day of that material. It is running

1 through a line, a processing line that is entirely
2 manual. You can imagine the difficulty in capturing the
3 recyclables in that kind of scenario. The technology
4 has advanced substantially in the years since that
5 equipment was put in place. There's a lot of air
6 separation and other optical systems that are able to
7 assist with that separation.

8 So it too is very outdated, and so what we're
9 looking to do is relocate it and put in new equipment
10 that will move our ability to dramatically recover those
11 materials from approximately 50% to 70% or better.

12 And so significant improvements as well as the ability
13 to handle the volumes that are presently going who knows
14 where. But anyway, I think something would be good for
15 the future that in repurposing that building, we'll then
16 be able to --

17 Q. Before you get to repurposing, let me ask you
18 about regarding the iMRF.

19 A. Sure.

20 Q. Are there some occasions when Recology cannot
21 process all of the construction and demolition debris
22 that is presented to it and has to be sent to another
23 facility to be processed?

24 A. Yes, during peak seasons. That's accurate.
25 Those materials begin -- we just can't get through that

1 much material.

2 Q. And where do you send it?

3 A. Down to San Jose.

4 Q. To another company?

5 A. To another company.

6 Q. And why is this proposal for a new iMRF called
7 a "contingent schedule" as opposed to just being part of
8 the current application?

9 A. Because it's dependent upon a couple of
10 things. It's dependent upon permitting, permitting
11 approval, environmental approval, as well as final
12 construction drawings and final costs. So you know,
13 it's essentially shuffle-ready, if you will. Right now
14 it's on paper with a lot of work that engineers have
15 done to, you know, spec it out. But it's contingent
16 upon the final cost as well as the permits included.

17 Q. And again, we'll hear more about the details
18 of that later both in terms of the costs and plans.

19 But if you are successful in building a new
20 iMRF, that would leave the current facility empty;
21 correct?

22 A. That's correct. We still definitely use this
23 facility until the plan isn't actually contingent.
24 We'll be able to put the materials into what we call
25 "pits," and then transfer it across into what was the

1 iMRF, and set the processing operation up on that side
2 of the facility. It gives us more flexibility in terms
3 of transfer and processing.

4 Q. In terms of where the current iMRF is located?

5 A. Yes.

6 Q. But isn't that also a part of the proposal for
7 the new -- a new black bin processing facility?

8 A. Yes. If I confused you, once the iMRF is
9 moved, then that space, approximately 40,000 square feet
10 plus the existing space in the pit will all be utilized
11 to manage and process the trash.

12 Q. Again, using processes and technologies that
13 are still being worked on?

14 A. That's correct.

15 Q. All right. Let's move to the proposed rate
16 increase.

17 Again, is this another one of these slides
18 that you used at your workshop?

19 A. It is.

20 Q. So the slide has several columns. And we have
21 "Current Default Service" on the left, and then the
22 middle "Current Default Service Levels with New Rates,"
23 and then on the far right, "Proposed Default Service
24 Levels with New Rates."

25 So can you explain what's depicted here.

1 A. Yes. Starting, I guess, with the "Unit
2 Charge," the columns are all self-explanatory as you
3 described. You got the component, and then the volumes
4 in gallons, and then the charge across the board for
5 both the current default and new service levels and then
6 the proposed default service levels.

7 So the component, if you will, or rather the
8 unit charge, that is presently a \$5.16 per home charge.
9 I don't believe it was in place prior to the last rate
10 application. And essentially it's an effort to
11 restructure the economics to account for the fact that
12 as we shrink from black to zero, ideally there needs to
13 continue to be a source of revenue to be able to fund
14 the collection service. So that's one aspect of the
15 unit charge. The other is that there's a fixed amount
16 of cost in just getting these trucks to every home.
17 And so that's why it was introduced that way.

18 And then the trash is presently at \$25.90, and
19 the blue is at \$2.06 and the green is at \$2.06. None of
20 those fees, if you will, accurately reflect the cost of
21 providing those services. I am sure at one time the
22 blues probably had no cost and the green as well.
23 But in actuality, all these of those carts are
24 respectively the same costs to collect with the
25 exception of the processing fees and some other minor

1 modifications.

2 So the new default service level proposes to
3 change the fixed cost to \$20 dollars, which more
4 accurately reflects the cost of just getting these
5 trucks to the homes. And then the trash brought down
6 from \$25.90 to \$10.44. And then we used even increments
7 of that \$10.44 and replaced the blue with half the cost
8 and green as well. So that is the thought process in
9 developing this rate structure, if you will.

10 Q. So following up on this bid, as you mentioned,
11 the last rate hearing in 2013 was the first time that a
12 unit charge became part of the rate structure.

13 Is that your general --

14 A. That's my understanding.

15 MR. BAKER: And we will offer the 2013
16 Director's report as an exhibit a little bit later,
17 because I think that does provide important perspective.
18 BY MR. BAKER:

19 Q. But in 2013, with the introduction of the unit
20 charge, it was -- it's now \$5.16; is that right?

21 A. Yes.

22 Q. And this rate application proposes that go up
23 to \$20?

24 A. That's correct.

25 Q. But then it also proposes that the charge for

1 the black bin go down?

2 A. Yes.

3 Q. And it proposes that the charge for the black,
4 blue, and green bins all be in effect the same based on
5 volume?

6 A. Yes.

7 Q. And that is \$5.22 per 32 gallons?

8 A. Correct.

9 MR. BAKER: This is my assistant here.

10 MR. PILPEL: \$5.22 per 32 gallons.

11 MR. BAKER: Oh, thank you. I misspoke.

12 Mr. Nuru, everyone. Mr. Pilpel.

13 BY MR. BAKER:

14 Q. Now, if someone accepts the default service,
15 which is the far right-hand section, will they end up
16 with more overall capacity for the same price as the
17 current service?

18 A. They will. 16 gallons more capacity, that
19 obviously being with the larger blue bin.

20 Q. And that's because you add 16 gallons for
21 the black, 64 gallons for the blue, 32 gallons for
22 the green, and that comes up to a higher number than
23 32 times three?

24 A. Exactly.

25 Q. Okay. Now, this is the proposed rate for a

1 single-family home. And I think you've mentioned this,
2 but customers can choose different sizes if they want.
3 They can choose more volume, less volume?

4 A. The only thing that they will not be able to
5 select which they currently are able to is a 96 gallon
6 black service. We just feel that there is no logical
7 reason for someone to have a single-family home to have
8 that much black service; so that will be eliminated.

9 Q. Some customers today have a 20 gallon black
10 bin; is that right?

11 A. That's correct.

12 Q. Will people be able to keep that?

13 A. They will. They'll be able to keep the
14 20 gallon cart so long as the cart continues to be
15 functional and useful. We don't want to just go out and
16 replace those carts. They're close in capacity to the
17 16s, and so I think it would be a good use of the
18 existing carts.

19 Q. Okay. And then there are other rates for
20 apartment buildings; correct?

21 A. Yes.

22 Q. And we'll hear about the details of those from
23 other witnesses.

24 A. All right.

25 Q. So I'd now like to turn to another important

1 feature of this application, and that is the use of the
2 Zero Waste Incentive funds and Special Reserve funds.
3 And this again, is another one of the slides you used in
4 your workshop; is that right?

5 A. Yes.

6 Q. So can you generally describe to us what the
7 Zero Waste Funds are and how they factor into this
8 application?

9 A. The Zero Waste Funds are incentive
10 opportunities for the companies to earn more if we
11 achieve certain diversion goals. They are essentially
12 broken down into four tiers, 1 through 4. Each of the
13 tiers, if it is accomplished in terms of diversion, is
14 the equivalent of one-half of 1% of profit.

15 And so that's the Zero Waste Incentive. Tiers
16 1 and 2 of the four, if they're not achieved, they're
17 then rebated back to the customer to offset any
18 additional rate increases or rates, if you will.

19 Tiers 3 and 4, if they're not achieved, we're
20 able to apply to the Director of Public Works for use of
21 those funds to further our technology and our efforts to
22 recover that material. Recycle Central, Pier 96 was a
23 good example recently of how the Tier 3 and 4 funds were
24 applied to rebuilding that facility, which has had
25 phenomenal --

1 Q. Phenomenal what?

2 A. Very, very positive impact.

3 Q. Now, the Zero Waste Fund was established by
4 the 2013 Director's Report and Rate Order; is that
5 right?

6 A. That's my understanding.

7 MR. BAKER: And again, we'll offer the 2013
8 Director's Report later as an exhibit.

9 BY MR. BAKER:

10 Q. But you indicated that the Tier 3 and Tier 4
11 funds under the Zero Waste account could be used by the
12 Company with the approval of the City for certain
13 purposes to improve recycling and improve recovery,
14 improve the system; is that right?

15 A. That's right.

16 Q. And did Recology achieve the Tier 3 and Tier 4
17 levels --

18 A. No.

19 Q. -- in any of the years since the 2013 rate
20 order?

21 A. Not to my knowledge.

22 Q. And did Recology therefore make an application
23 to the City to use those funds?

24 A. We did.

25 MR. BAKER: I have some exhibits that I'll put

1 in that will appear on that question.

2 BY MR. BAKER:

3 Q. Exhibit 3 is a nine-page document entitled
4 "Recycle Central Material Recovery Facility Upgrade
5 Proposal, December 8, 2015," is that right?

6 A. Yes.

7 MR. PRADHAN: Exhibit 3 will be moved into
8 evidence.

9 (Exhibit 3, "Recycle Central Material Recovery
10 Facility Upgrade Proposal, December 8, 2015
11 [Recology]," was admitted into evidence.)

12 MR. BAKER: Thank you.

13 BY MR. BAKER:

14 Q. What is Exhibit 3?

15 A. Exhibit 3 is the proposal from the Company for
16 its improvements to Recycle Central in use of the
17 available Tier 3 and 4 funds that we cannot achieve in
18 terms of our current numbers.

19 Q. And this was a proposal that describes
20 specifically what Recology was proposing to be done with
21 those funds; is that right?

22 A. It is. It gets into some detail in terms of
23 the equipment, that the expectations -- or the outcome,
24 and largely describes the capital improvements we were
25 proposing and the costs associated with them.

1 Q. So Mr. Quillen, after you're done, describe
2 the improvements in more detail. But if you look at
3 page 8 at the bottom of Exhibit 3, does that set forth
4 the proposed project costs?

5 A. It does.

6 Q. And what's the total cost?

7 A. Approximately \$11.3 million.

8 Q. Exhibit 4 is a letter dated January 29th,
9 2016, two pages, from Mr. Nuru to you, Mr. Arsenault;
10 is that correct?

11 A. Yes.

12 MR. BAKER: So we offer this as Exhibit 4.

13 MR. PRADHAN: Exhibit 4 is moved into
14 evidence.

15 (Exhibit 4, "January 29, 2016 letter
16 [Recology]," was admitted into evidence.)

17 BY MR. BAKER:

18 Q. So is this letter, January 29, 2016, the
19 response that Recology received to its Pier 96 proposal?

20 A. Yes.

21 Q. And essentially the Director of Public Works
22 approved of the proposal; is that correct?

23 A. Yes.

24 Q. Now, was there -- were the funds available
25 under the zero waste program sufficient to cover the

1 entire \$11.3 million dollar cost as of the time of this
2 letter, early 2016?

3 A. No, there were not at that time.

4 Q. So what in particular did Recology seek
5 approval for as far as funding at this point,
6 January of 2016?

7 A. At this point it was for Tier 3 and 4 funds
8 from '13/'14 and '14/'15 in the amount of approximately
9 \$6 million dollars.

10 Q. And by the letter of January 29, 2016, the
11 Director of Public Works approved release of those funds
12 to Recology?

13 A. Yes.

14 Q. Exhibit 5 is a letter dated August 25th, 2016,
15 one page, again from you, Mr. Arsenault, to Mr. Nuru?

16 A. Yes.

17 Q. Is this a letter you sent to Mr. Nuru on that
18 date?

19 A. It is.

20 MR. BAKER: Okay. So we ask for the admission
21 of Exhibit 5.

22 MR. PRADHAN: Exhibit 5 will be moved into
23 evidence.

24 (Exhibit 5, "August 25, 2016 letter
25 [Recology]," was admitted into evidence.)

1 BY MR. BAKER:

2 Q. What is the purpose of this letter,
3 Mr. Arsenault?

4 A. The purpose of this letter was by August,
5 we had passed the July -- essentially the measurement
6 date of achieving or not achieving those diversion
7 goals. We did not achieve those diversion goals, so at
8 that time we were able to request those funds to
9 complete that project at Recycle Central. And that
10 amount was approximately \$3 million dollars.

11 Q. In particular, \$3,200,550.50?

12 A. That's right.

13 Q. And there's also reference to "Unused Textile
14 Program Funds." What was that about?

15 A. Yeah, that was a pilot program that we had
16 done sometime earlier to measure and determine the
17 viability and economics of collecting textiles from
18 single-family homes. So those were funds that had not
19 been used and we asked that they be repurposed for this
20 project.

21 Q. And again, those were also Tier 3 and Tier 4
22 funds?

23 A. They were.

24 MR. BAKER: Exhibit 6 is a letter dated
25 September 1, 2016, from Mr. Nuru to you, Mr. Arsenault,

1 one page.

2 I request the admission of Exhibit 6.

3 MR. PRADHAN: Exhibit 6 is moved into
4 evidence.

5 (Exhibit 6, "September 1, 2016 letter
6 [Recology]," was admitted into evidence.)

7 BY MR. BAKER:

8 Q. Mr. Arsenault, this is a letter you got from
9 Mr. Nuru?

10 A. Yes.

11 Q. And in this letter he approves the requests
12 that you had made in your August 25th letter, Exhibit 5?

13 A. Yes.

14 Q. So the letter indicates that he approves both
15 the \$3,200,550.50 and also the remaining balance in the
16 textile diversion program; correct?

17 A. Yes, that's correct.

18 Q. So with the approval of these Tier 3 and 4
19 funds, did that cover all the costs of the Pier 96
20 upgrades?

21 A. It did not. There was a remaining shortfall
22 of \$2.1 million dollars.

23 Q. And with the \$2.1 million, does that bring you
24 up to the initial proposal of \$11,299,920 dollars?

25 A. It does.

1 Q. And that's the original proposal we saw in the
2 December 2015 document, Exhibit 3; correct?

3 A. Yes.

4 Q. So where does Recology propose to -- how does
5 Recology propose to address that final shortfall?

6 A. We are seeking approval for the Tier 3 and 4
7 funding from '16/17. When it becomes available, it's
8 anticipated that it will not be achieved again by this
9 July; so we are anticipating that and looking to source
10 those funds to complete the payment of the project.

11 Q. If Recology fails to meet the Tier 3 and
12 Tier 4 targets for this current rate year, will that
13 final funding for the Pier 96 upgrades exhaust all of
14 those remaining Tier 3 and 4 funds?

15 A. It will not. There will be an anticipated
16 balance of approximately a million dollars that we're
17 also seeking in this rate application to be used for
18 some final improvements to Recycle Central that will be
19 important again for the facility to operate at peak
20 performance.

21 Q. And Mr. Quillen will describe those --

22 A. He will.

23 Q. -- next.

24 All right. Let's talk now about the Special
25 Reserve Fund and the new Reserve Fund. What is the

1 Special Reserve Fund? And how does that differ from
2 the new Reserve Fund?

3 A. The Special Reserve Fund is a fund that was
4 funded through the ratepayers with a 1% surcharge, if
5 you will, for environmental issues or other issues that
6 may have occurred throughout the life of the Altamont
7 Landfill agreement. And when that contract concluded,
8 there was a very large balance in that reserve fund that
9 was then -- that's the Special Reserve Fund. So that
10 came to an end with the end of that contract.

11 Q. Do you remember approximately how much was in
12 that Special Reserve Fund at the time?

13 A. Approximately \$30 million.

14 Q. So that was at the beginning of 2016, as
15 you indicated earlier, when the Altamont contract with
16 Waste Management concluded?

17 A. That's right.

18 Q. And what is the new Reserve Fund?

19 A. The new Reserve Fund is essentially a similar
20 reserve fund, if you will, for the new landfill
21 location, and it's been described through the hearing
22 process that it ultimately grow to a dollar amount --
23 approximately \$10 million dollars, but over time. So a
24 portion of the new Reserve Fund was funded through the
25 Special Reserve Fund, and then the other monies were set

1 aside continuing within the Special Reserve Fund.

2 MR. BAKER: So the new Reserve Fund is a
3 subject of the new landfill agreement between Recology
4 Hay Road and the City, and we will at another hearing
5 offer that into evidence because that should be part of
6 the record because it does establish the new Reserve
7 Fund.

8 The application of the moneys from the
9 Altamont Special Reserve Fund has been the subject of
10 two rate board proceedings, one in 2015 and one in 2016;
11 so I wanted to now just offer those into the record so
12 that we have that.

13 Ms. Pearce reminds me that I left out one
14 document going back to the Zero Waste Incentive
15 accounts, so let me offer that into evidence.

16 Exhibit 7 is a three-page letter dated
17 February 15th, 2017, from you, Mr. Arsenault, to
18 Mr. Nuru. And I'd like to offer that into evidence.

19 MR. PRADHAN: Moved into evidence.

20 (Exhibit 7, "February 15, 2017 letter
21 [Recology]," was admitted into evidence.)

22 BY MR. BAKER:

23 Q. You mentioned earlier, Mr. Arsenault, about
24 the approximately \$1.1 million that you anticipate will
25 be remaining in the Tier 3 and Tier 4 for the current

1 rate year after application of funds to complete payment
2 for Pier 96; is that right?

3 A. That's right.

4 Q. Is this letter the letter in which Recology
5 proposes uses for that fund -- for that remaining
6 \$1.1 million?

7 A. Yes. It describes in some detail additional
8 equipment.

9 MR. BAKER: So now let's go back to the
10 Special Reserve.

11 So Exhibit 8 is an order of the Rate Board
12 dated December 16, 2015, four pages long.

13 And then Exhibit 9 is a letter dated
14 October 30th, 2015, to the Rate Board with attachments
15 in the entire exhibit, which I think is fourteen pages
16 long.

17 So I'd ask that Exhibits 8 and 9 be admitted
18 into evidence.

19 MR. PRADHAN: Exhibits 8 and 9 will be moved
20 into evidence.

21 (Exhibit 8, "December 16, 2015 letter
22 [Recology]," was admitted into evidence.)

23 (Exhibit 9, "October 30, 2015 letter
24 [Recology]," was admitted into evidence.)

25 ///

1 BY MR. BAKER:

2 Q. Now, let's look at Exhibit 8. We'll look at
3 these documents just briefly, but let's look at this
4 exhibit for a second. This is the order of the Rate
5 Board. And if you look at page 3, at the bottom of the
6 page starting at line 17, it talks about the Rate Board
7 concurring with the Department of Environment's proposal
8 that \$1.25 million be transferred to the new Reserve
9 Fund that you mentioned earlier, resulting from the new
10 landfill agreement; and that \$12 million dollars be used
11 to cover the "incremental costs of hauling and disposing
12 of city waste under the Landfill Disposal Agreement.

13 Can you tell us a little bit about this
14 \$12 million dollars and what was the reason for that
15 request and that transfer as far as Recology was
16 concerned?

17 A. Yes. With the new landfill agreement there
18 were added expenses. And so -- and there was not an
19 opportunity at that time to go through the rate
20 application; so we had postponed that rate application
21 in lieu of being able to utilize these Reserve Funds to
22 offset the need for a rate increase at that time.

23 Q. So by June 30 of this year, those reserve
24 funds will have been used for the incremental costs of
25 the new landfill agreement?

1 A. Yes.

2 Q. And that's one of the reasons that you've
3 described earlier why Recology is asking for a rate
4 adjustment; correct?

5 A. Correct.

6 Q. And then Exhibit 9, is that the presentation
7 that the Department of Public Works and the Department
8 of the Environment made to the Rate Board for the
9 hearing and then the order that is marked as Exhibit 8?

10 A. Yes.

11 MR. PRADHAN: Counsel, it looks like there may
12 be some pages missing from Exhibit 9.

13 MR. BAKER: Really?

14 MR. PRADHAN: So you might at a later point --
15 we ask that you submit a full copy and then we can refer
16 to that as Exhibit No. 9.

17 MR. BAKER: Thank you. We will take care of
18 that. Sorry about that. There's really important stuff
19 that we have in there.

20 MR. PRADHAN: Thank you.

21 MS. DAWSON: Strike that.

22 MR. BAKER: Exhibit 10 is an order of the
23 Rate Board dated August 16, 2016, a three-page document.

24 And then Exhibit 11, a two-page document dated
25 June 24, 2016, from the San Francisco Environment to the

1 Rate Board.

2 So I ask that Exhibits 10 and 11 be admitted
3 into evidence.

4 MR. PRADHAN: Yes. Admitted into evidence,
5 Exhibits 10 and 11.

6 (Exhibit 10, "August 16, 2016 letter
7 [Recology]," was admitted into evidence.)

8 (Exhibit 11, "June 24, 2016 letter
9 [Recology]," was admitted into evidence.)

10 BY MR. BAKER:

11 Q. If you can look, Mr. Arsenault, at Exhibit 10,
12 and in particular on the third page. First there's
13 paragraph 3, starting on line 11, which says:

14 "The Rate Board concurs with the
15 Department of the Environment's proposed
16 distribution from the Special Reserve Fund
17 which the transfer of an additional
18 \$2.5 million from the Special Reserve Fund
19 into the new Reserve Fund."

20 But then going down to paragraph 4, it says:

21 "The Rate Board orders that the remaining
22 balance of \$13.85 million be retained in the
23 existing Special Reserve Fund until such time
24 as the Rate Board determines that there is no
25 need for the fund, at which time the remaining

1 monies must be used to the benefit of
2 ratepayers."

3 So my question is does this application
4 propose a use for the remaining balance which was then
5 \$13.85 million?

6 A. Yes.

7 Q. And what use has been proposed?

8 A. To help offset the rates.

9 Q. And how, in particular?

10 A. Over a series of years in this application,
11 starting with 2018, the \$2.5 million dollar use of those
12 funds.

13 Q. So is that depicted on one of the pages in
14 your workshop presentation?

15 A. It is.

16 Q. And it's the second to last page, I think,
17 of Exhibit 2; correct? Do you have that there?

18 A. Yes, it is. I have it, I have it.

19 Q. So tell us in particular what the proposal is
20 with regard to the Special Reserve.

21 A. With regard to the Special Reserve on the
22 proposal, it's to utilize the \$2.5 million dollars in
23 rate year 2018, which takes effect July of '17. And
24 then in subsequent years '19 and '20, another \$2 million
25 dollars again in each of those years.

1 Q. And that would still leave a balance remaining
2 in the Special Reserve Fund; correct?

3 A. It will.

4 Q. And what is the proposal with regard to those
5 monies?

6 A. I believe that's to be determined still.
7 I think there was a period of time that needed to elapse
8 before that system changed.

9 Q. But in any event, is the ultimate destination
10 for those funds proposed to be the New Reserve Fund?

11 A. Yes, I believe so.

12 MR. BAKER: Again, Mr. Porter will go into
13 those with a little more detail. That's an excellent
14 overview to get us started. That all the questions I
15 have for you.

16 THE WITNESS: Thank you.

17 MR. BAKER: And I understand you may want to
18 reserve cross-examination till later, but obviously he's
19 here now if anybody has any questions.

20 DIRECTOR NURU: We'll reserve questions.

21 MS. DAWSON: Actually, I have some questions.

22 Good morning, everyone.

23 CROSS-EXAMINATION

24 BY MS. DAWSON:

25 Q. Okay. Mr. Arsenault, I'd like to ask a few

1 followup questions first about the Special Reserve Fund,
2 since we were just talking about it, for the benefit of
3 making people understand since having two Special
4 Reserve Funds is a little bit confusing.

5 So the proposed use of the old Special Reserve
6 Fund, which in effect is going over to the new
7 Reserve Fund, can you give us a sense of what the
8 benefit is of using the old fund balance in this way or
9 some conditions in the new landfill agreement on the
10 creation of the new Special Reserve?

11 Can you speak more on that?

12 A. Certainly. So I'd like to say the naming
13 convention gets a little confusing, but the old reserve
14 fund for the Altamont Landfill is known as the "Special
15 Reserve Fund." It had a balance of \$30 million dollars.
16 So in closing down that contract, a portion of those
17 funds were to be retained for a period of the time to
18 make sure there weren't any claims against those funds.

19 A portion then of those funds, roughly --
20 I believe it ultimately at that point started at \$1.25
21 and I think it ultimately grew to \$4 million dollars --
22 was then placed into what is called the "Reserve Fund,"
23 which is a similar need and a use for those funds under
24 the new landfill agreement, the Hay Road landfill
25 agreement -- the conditions being that that reserve fund

1 would grow to approximately \$10 million dollars over a
2 period of time.

3 The need for those funds is to have
4 potentially as a rainy day fund. If some sort of an
5 environmental issue was to occur where those funds were
6 needed, it wouldn't have to go through a rate process;
7 those funds could be used to offset that kind of special
8 event.

9 And so then there's still a balance in that
10 fund. There is not an anticipated need for more than
11 what was approved, so those funds are anticipated to be
12 returned to the ratepayers.

13 Q. So in the new landfill agreement there's a
14 requirement for a surcharge, or at least the ability to
15 assess a surcharge. So under your proposal, are you
16 going be using that 1% surcharge that's specified in the
17 new landfill agreement?

18 A. No.

19 Q. And the proposal that you are doing where
20 you're transferring over time -- you were alluding to
21 it, but I just wanted you to clarify this for the
22 benefit of the public. As you use the new landfill
23 agreement, you have relatively low tonnage and over time
24 that tonnage increases. At the same time, the statute
25 of limitation is running on the potential risks involved

1 with the old landfill agreement.

2 So is it fair to say that your proposal
3 addresses those two balancing differences by leaving
4 funds in the old Special Reserve, and as the statute of
5 limitation approaches its end, the remaining balance of
6 the old reserve fund is going down while the balance of
7 the new reserve fund is going up?

8 A. You described it very accurately.

9 Q. Thank you.

10 And you've alluded to -- but just to be very
11 clear, so in effect what you're doing with the Special
12 Reserve Fund is offsetting your revenue requirement;
13 so you're using it to the benefit of the ratepayers?

14 A. That's correct.

15 MS. DAWSON: I don't have any further
16 questions about the Special Reserve.

17 THE WITNESS: Okay, thank you.

18 (Mr. Arsenault steps down from the
19 witness stand.)

20 DIRECTOR NURU: Do you have another?

21 MR. BAKER: We can.

22 What time were you going to take the morning
23 break?

24 DIRECTOR NURU: Probably now is a good time,
25 so 10:01. So can everyone be back at 10:15.

1 Oh, our Ratepayer Advocate wants to say
2 something.

3 MR. JONES: Sorry, Director. I just want to
4 get on public record that I too reserve the right to
5 cross-examine at a later date.

6 DIRECTOR NURU: Do you wish to --

7 MR. JONES: No. I wish to reserve the right
8 to do it a little later pursuant to the questions and
9 the feedback from the community.

10 DIRECTOR NURU: Okay, thank you.

11 So we will take a 15 minute break.

12 It's 10 o'clock now, so we'll resume at 10:15
13 and we'll continue our hearing.

14 (Off the record at 10:01 a.m.)

15 (On the record at 10:17 a.m.)

16 DIRECTOR NURU: Okay, if we can get back in
17 session. The City representatives would like to
18 continue cross-examination of Mr. Arsenault.

19 (Mr. Arsenault steps up to the witness stand.)

20 MS. DAWSON: So I've requested that
21 Mr. Arsenault stay up here a little while longer because
22 I have some questions on tonnage and I have the first
23 City exhibit, which is the tonnage overview. It is
24 actually similar but not, unfortunately, identical to
25 the presentation that has already been entered in --

1 I think it's Exhibit 2 from the technical workshop.

2 So just for the benefit of having all the
3 information here, I'm going to go ahead and ask that
4 this be entered into the record.

5 What number are we on, 12?

6 MR. PRADHAN: 12.

7 (Exhibit 12, "Tonnage Overview [City],"
8 was admitted into evidence.)

9 BY MS. DAWSON:

10 Q. So we have slightly different versions. So at
11 the technical workshop on the 28th, your presentation,
12 Mr. Arsenault, included a page entitled "Tonnage
13 Overview," which I've just entered into the record.

14 Can you confirm that this information provided
15 by Recology that the "Rate Year 2018" column is
16 consistent with the application?

17 A. I believe so. John Porter can speak to that
18 more accurately.

19 Q. Okay. And can you explain what type of
20 tonnage is included in the "Other" category?

21 A. Yes. The other categories would include
22 materials from the Abandoned Waste Program, from Public
23 Works. Essentially, other materials that are collected
24 outside of our regular collection.

25 Q. So looking at the total tonnage, there appears

1 to be a slow but steady growth from year to year with an
2 overall increase of about 6% over the five-year period.
3 In that same period, compostables, which we also call
4 the "green bin," have grown by about 7% while
5 recyclables, the "blue bin," has actually declined a
6 little bit since 2013. And each of these streams
7 represents about 20% of inbound tonnage.

8 So in Rate Year 2018, waste or the material in
9 the black bin represents about 32% of the total inbound
10 tonnage. And based on waste characterization studies,
11 Recology's determined that a significant portion of
12 these materials currently being discarded is either
13 recyclable or compostable, as you mentioned earlier.

14 Can you give me an estimate about how much of
15 that you think is recoverable?

16 A. Yes. Of the trash, we believe that
17 approximately 50% of it, first of all, there's
18 no possible useful purpose of it at this point.
19 And then the remaining 50%, it roughly breaks
20 down to 30% compostable, 10% plastic, and another
21 15-20% recyclables.

22 Q. Okay. About 30% organics, 10% recyclables,
23 10% percent film plastic?

24 A. Yes.

25 Q. Okay. So trash waste represents about

1 850 tons per day. I notice it's a six-day work week;
2 is that about correct?

3 A. So that's just the black material.

4 Q. Right.

5 A. That's not all the trash that goes through the
6 transfer station.

7 Q. So you mentioned earlier Recology's running a
8 test program to process black bin materials, and that
9 the OREX press is able to recover right now about 10%
10 of the processed material which kind of creates a paste
11 that you are sending to East Bay MUD.

12 A. Yes. We've had a fair amount of experience
13 with that equipment already. That's been proven now to
14 be the case.

15 Q. So the rate application extends the PUC's
16 program that you are currently doing to process about
17 100 tons per day through this OREX press?

18 A. That's correct.

19 Q. And then the remaining portion, like you were
20 mentioning the "overs" earlier, would be -- some portion
21 of it would be sent to Recycle Central where you had
22 estimated about 15 tons of those materials might be able
23 to recovered?

24 A. Correct.

25 Q. So in total you're proposing to process about

1 10% of the total waste stream?

2 A. Yes.

3 Q. And achieve 25% diversion?

4 A. Yes.

5 Q. So I'm jumping ahead a little bit because this
6 may be more appropriate for Mr. Maurice Quillen as it
7 relates to Contingent Schedule II, but I know we're
8 going to be talking about that later and there's the
9 assumption that it's going to handle a certain amount of
10 tonnage. And right now I have -- according to your
11 application -- that it's about 1,100 tons a day.

12 So am I correct that this new trash processing
13 facility is capable of handling -- trying to process all
14 of the inbound trash?

15 A. Yes.

16 Q. And it would capture about 25% of the waste
17 stream as recoverable material?

18 A. Yes. It's -- it's not anticipated to follow
19 the same exact process as the pilot program that's
20 within the schedule, so we don't anticipate scaling the
21 operation to produce the paste with this contingent
22 schedule. We do anticipate generating a large volume
23 or a similarly large volume of organic material, more of
24 a fraction that doesn't get compressed under high
25 pressure. But the final processing of that material has

1 not yet been determined. We would have to go through
2 again.

3 Q. And so when we look at that, how close does
4 that fit San Francisco to our goal of zero waste?

5 A. Well again, if there is a suitable solution
6 for that organic material. It still is anticipated to
7 recover more than 50% of the material. Meghan Butler
8 will be speaking to that. She has the details on the
9 waste characterization of that trash and she'll fill you
10 in on more of the detail in terms of what the
11 constituents and products of that waste are.

12 MS. DAWSON: Great. I reserve the right that
13 I may ask you additional questions later on. But for
14 now, that's the all the questions I have.

15 THE WITNESS: Thank you.

16 (Mr. Arsenault steps down from the
17 witness stand.)

18 DIRECTOR NURU: Did you want to bring up
19 another?

20 MR. BAKER: Yes. Maurice Quillen, please.

21 (Mr. Quillen steps up to the witness stand.)

22 MR. BAKER: Before Mr. Quillen begins his
23 testimony, I mentioned the landfill agreement and
24 the 2013 Director's report. And we have them here, so
25 why don't we go ahead and for housekeeping purposes get

1 these into the record.

2 MAURICE QUILLEN,
3 having first been duly sworn, was
4 examined and testified as follows:

5 MR. BAKER: We marked four exhibits, so I'll
6 just say what they are for the record.

7 Exhibit 13 is the Landfill Disposal Agreement
8 between the City and County of San Francisco and
9 Recology San Francisco. It is a 34-page agreement
10 with -- looks like four attachments.

11 Exhibit 14 is the first amendment to that
12 landfill agreement, which is dated may one, 2016. It is
13 three pages long.

14 15 is the Director's Report and Recommended
15 Orders for the 2013 rate application from Recology
16 San Francisco and Recology of Sunset Scavenger and
17 Recology Golden Gate dated June 7, 2013. 40 pages long.

18 And finally, Exhibit 16 is the order of the
19 Rate Board, the Refuse Collection and Disposal Rate
20 Board, dated July 23rd, 2013, which is seven pages long
21 and has one page attached at the end.

22 So we would ask that those four exhibits be
23 admitted into evidence.

24 MR. PRADHAN: Exhibits 13 through 16 have been
25 moved into evidence.

1 (Exhibit 13, "Landfill Disposal Agreement
2 [Recology]," was admitted into evidence.)

3 (Exhibit 14, "Landfill Disposal Agreement
4 First Amendment [Recology]," was admitted
5 into evidence.)

6 (Exhibit 15, "Director's Report and
7 Recommended Orders, 2013 Rate Application
8 [Recology]," was admitted into evidence.)

9 (Exhibit 16, "C&CSF Refuse Collection &
10 Disposal Rate Board 2013 Resolution and Order
11 [Recology]," was admitted into evidence.)

12 MR. BAKER: Thank you.

13 DIRECT EXAMINATION

14 BY MR. BAKER:

15 Q. Mr. Quillen, could you please state your full
16 name.

17 A. My name is Maurice Quillen.

18 Q. What's your job at Recology?

19 A. I'm the General Manager of Recology
20 San Francisco.

21 Q. How long have you had this job?

22 A. Approximately two-and-a-half years.

23 Q. What did you do for Recology before that?

24 A. I managed the collection company Golden Gate
25 Disposal and, for a short time, the combined operation

1 of Golden Gate Disposal and Sunset.

2 Q. When did you start work for the Company?

3 A. Started with Recology -- it was Cal Waste
4 Systems back in 1992.

5 Q. And how long were you General Manager for one
6 or more of the collection companies?

7 A. I've been the General Manager for Recology for
8 almost 18 years in some fashion.

9 Q. Now, let's focus on your current job,
10 Recology San Francisco General Manager, and the upgrades
11 to Pier 96. We've heard a little bit about that from
12 Ms. Arsenault. When was that work completed and when
13 did the new equipment start operating?

14 A. The work for the modifications of the Recycle
15 Central facility was completed in September 2016. The
16 facility became fully operational in October 2016.

17 Q. So as we've heard, most of the cost of that
18 project was covered by Tier 3/Tier 4 Zero Waste Fund;
19 is that right?

20 A. Correct.

21 Q. And this application seeks approval for the
22 final truncheon of money required to pay for that
23 facility completely; correct?

24 A. Yes, it does.

25 Q. So I don't want to go into a lot of detail on

1 this because it's in the application, but tell us why
2 Recology wanted to and needed to upgrade Pier 96.

3 A. The recycling facility on Pier 96 was issued
4 in operation in 2002. At that time it represented
5 state-of-the-art technology for singling the curbside
6 processing material. And over the years, technology
7 innovation has changed quite a bit of the industry.
8 The facility was initially designed to operate above the
9 30- to 35-ton-per-hour range, and that facility served
10 us well for many years.

11 As time progressed and the tonnage -- curbside
12 program increased, the facility became quite old and it
13 started to seek useful life. The decision was made to
14 pursue an option to rebuild or retrofit or replace the
15 facility. After exploring all the options, we
16 determined that it would be best to rely on some of the
17 existing processing equipment but place a new front-end
18 system on the old set of equipment in order to increase
19 the throughput of the facility and allows us to process
20 more material and keep up with the technology that's
21 present in the industry today.

22 Q. To what extent has the new equipment allowed
23 you to increase the throughput?

24 A. The new facility is designed for
25 45-ton-per-hour throughput. And in addition to higher

1 throughput, it also has a substantially better diversion
2 rate. The technology that was present in the first
3 iteration sorted down to about a two-inch size piece.
4 The new technology is actually fairly robust, and
5 through the use of optical systems and pneumatics,
6 we can sort tiny little bits of paper including shredded
7 paper.

8 Q. Are there materials that you can now capture
9 in the system that you could not capture before?

10 A. Yes. The old system relied on fairly small
11 presort. We had four sorting stations and a number of
12 commodities we could sort. The new system allows for a
13 14-person, 7-position re-sort, and we have the ability
14 to manually sort significantly more materials.
15 Specifically we can recover textiles, film plastic,
16 and aseptic packaging.

17 Q. "Aseptic" being A-S-E-P-T-I-C?

18 A. Correct.

19 Q. What is aseptic packaging?

20 A. Aseptic packaging are the Gable tops or
21 laminated food containers, milk containers, some of the
22 fruit juices, buy-in-the-box products, things of that
23 nature.

24 Q. That means that customers in San Francisco are
25 going to be able to put these sorts of materials in the

1 food bins now, which they were technically supposed to
2 do before?

3 A. Yes.

4 Q. And is that happening right away? Or is there
5 going to be some sort of education system first to get
6 it underway?

7 A. We need to educate the customers so that they
8 understand what products are going to be acceptable in
9 the curbside bins. The intention would be to perform
10 that education along with the rollout of the new
11 recycling program -- or the new cart program, actually.

12 Q. So is this film plastic, plastic bags, one of
13 the commodities that you're now going to be able to
14 capture?

15 A. Yes.

16 Q. Now, that's one of the big problems with
17 black bin/blue pin material -- has been, is the
18 prevalence of plastic bags; correct?

19 A. Yes.

20 Q. And the City actually has an ordinance to try
21 to address that issue, but you can't get rid of all them
22 altogether. Tell us a little bit about that, just for
23 educational purposes -- a clean plastic bag versus a
24 soiled plastic bag, and what you're going to try to do
25 in order to maximize the recyclability, if that's a

1 word, on that kind of material.

2 A. Recology has the ability to market mixed
3 MRF filling, provided it's clean. And the biggest
4 challenge presented to us in any waste environment is
5 sourcing clean film plastic; so we would like to request
6 that the program participants take the clean film and
7 place it into a plastic bag. The plastic bag would then
8 go into the blue bin. From there, it would come into
9 our facility and go across the sorting table and we'd
10 provide a pneumatic system to allow sorters to manually
11 sort clean film plastic into a recovery system which
12 would then allow us to segregate that material for
13 baling.

14 MR. BAKER: Can I get the computer up, please.

15 BY MR. BAKER:

16 Q. What's this a picture of?

17 A. This is a picture of the sorting table
18 in front of the MRF. You have the sorting belt, as we
19 call it, or the deck. The unsorted curbside material
20 goes across. The sorters are sitting on either side of
21 the belt. They have the ability to essentially sort
22 three commodities per person.

23 To the left, they have the ability to put
24 material into the chute which would then go into a
25 hopper and be sent to the market. At the center of the

1 sorting table are these green tubes; they represent the
2 plastic recycling system. The sorters simply have to
3 put the plastic bag up to the system to be packaged away
4 in the holding hopper for baling.

5 And to the right is another hopper that they
6 can put additional material into.

7 Q. Textile is another type of material that
8 you're now able to recover; is that right?

9 A. There are markets for textiles. But in a
10 similar fashion to the MRF film plastic, they need to be
11 dry and clean.

12 Q. And is this going to be part of the customer's
13 education system as part of this rollout?

14 A. It was our intention to be able to recover
15 textiles as part of this new program, and we provided
16 for multiple sorting locations on the line for the
17 sorters to pull textiles from for recycling.

18 Q. And how many -- you said there were four sort
19 locations with the prior equipment?

20 A. Yes, correct.

21 Q. And you say now there's seven stations,
22 fourteen locations?

23 A. Correct.

24 Q. So it's kind of obvious, but why don't you
25 explain a little bit the advantages of having more

1 sorter stations.

2 A. Well, in the initial system, the original
3 design in 2000 was really designed for a different type
4 of waste stream. Recyclables had quite a bit of waste
5 stream; so the four-sort prestation was acceptable.
6 They focused on pulling out moldy trash and things that
7 would damage the equipment. And as time progressed,
8 the sorters started to focus or began to focus on
9 pulling out cardboard because the cardboard was quite
10 problematic for the system.

11 The new sorter obviously gives us much more
12 flexibility. With the seven positions, every sorter has
13 the ability to sort a few commodities. So generally,
14 all of these units on the sort line can sort trash.
15 They can also sort the mixed MRF film. They'll also
16 have the ability to recover textiles, wood, metal, and
17 large rigid plastic items.

18 Q. Again, items that were not officially
19 recyclable before?

20 A. Correct.

21 Q. And Mr. Arsenault mentioned about the
22 increasing prevalence of cardboard. What is it about
23 the new equipment that improves the handling of the
24 cardboard?

25 A. The MRF rebuild contemplated the waste stream

1 and we installed a cardboard screen, which we call an
2 OCC screen. It's a purpose-built piece of equipment
3 designed to extract cardboard from the single-screen mix
4 prior to it running with the rest of it, eliminating the
5 requirement of the presorters to identify and sort
6 cardboard.

7 Q. And you also mentioned the ability to capture
8 and sort paper -- fiber material on a more efficient
9 basis in smaller pieces. Describe what equipment you
10 have that facilitates that work.

11 A. We have a series of optical sorters and
12 pneumatic sorters that essentially mechanically sort the
13 material through optical recognition or, in the case of
14 small bits of paper, a vacuum that literally sucks the
15 bits of paper off the sorting belt.

16 Q. Have you -- has any equipment been in
17 operation long enough for you to see any improvement in
18 the percentage of material recovered?

19 A. Yes, it has.

20 Q. And what have you found?

21 A. We initially put this proposal together,
22 submitted it to the Department of Public Works. On it,
23 we knew that the new equipment would be able to stick
24 with the diversion rates and we estimated that we would
25 see somewhere between 5% to 7% additional recovery.

1 Since we've been operating the system, we've exceeded
2 that number and we're seeing recovery in upwards of 10%
3 additional recovery.

4 Q. And what was it before and what is it now?

5 A. We were trying to get about 83.1% diversion
6 rate on average. And since the installation of the
7 equipment, we're at about 91%.

8 MR. BAKER: Congratulations.

9 That's all the questions that I have of
10 Mr. Quillen. I would like to put into evidence a few
11 photos that we have of the new equipment.

12 I'll just -- once it's marked, I'll have them
13 identify what the photos are for the record, and then
14 I'll have no further questions.

15 So we've marked four photos of Pier 96,
16 new equipment, as Exhibit 17.

17 I request that they be admitted into evidence.

18 MR. PRADHAN: Admitted.

19 (Exhibit 17, "Four photographs [Recology],"
20 was admitted into evidence.)

21 BY MR. BAKER:

22 Q. So Mr. Quillen, just for identification,
23 what's the first photo?

24 A. The first photo is a piece of equipment that's
25 referred to as the drum feeder. It's the modern way of

1 loading a new MRF. Essentially, it's a large hopper the
2 loader fills full of material. And then there's a
3 spinning drum with knobs on it that opens up the bags
4 and crushes the material, making it easier for the
5 sorters to sort and also gives us a very even burden
6 path on the sorting deck, which maximizes our
7 efficiency.

8 Q. The second picture is one that we looked at
9 earlier, and you've already described that as showing
10 the presort line with the several sorting stations,
11 hoppers, et cetera; correct?

12 A. Correct.

13 Q. And then the third photo is a -- is what?

14 A. Third photo is one of the pneumatic drops for
15 the film plastic conveyance.

16 Q. So in other words, if you put any material
17 under that tube, it's vacuumed up; correct?

18 A. Correct.

19 Q. And it's intended for film plastic?

20 A. Yes.

21 Q. And then the last photo.

22 A. The last photo represents another view of the
23 presort installation. It's the sorting table to the
24 upper-right cardboard screen. To the lower right, the
25 tubes overhead represent the pneumatic mix of plastic.

1 And on the left-hand side of the photo is one of our
2 fiber screens. Useful equipment. It's designed to
3 separate the cans and bottles, glass, from the paper.

4 Q. Actually, I did want to ask you one other
5 thing -- a couple of things I forgot.

6 First of all, the prior equipment -- that is,
7 the sorting equipment that existed before this new
8 equipment was put into operation -- is the prior
9 equipment still being used?

10 A. The prior equipment is still in place.
11 We're maintaining the equipment as a backup. At this
12 point we only rely on the old equipment when the new
13 equipment is down or being repaired.

14 Q. And Mr. Arsenault described that as part of
15 this application, there is a request to use funds
16 anticipated to be remaining from the Tier 3 and Tier 4
17 zero waste, approximately \$1.21 million, for some
18 additional improvements at Pier 96.

19 I don't know, do you have the exhibits up
20 there? Did Mr. Arsenault take them?

21 A. I do not have the exhibits.

22 Q. Here. This is Exhibit 7. Mr. Pilpel provided
23 his copy, so he won't be able to ask you questions.

24 What is -- is Exhibit 7 Recology's proposal
25 for the use of the remaining \$1.1 million?

1 A. Yes, it is.

2 Q. And describe for us briefly what the need is
3 for the application of those funds and how they will
4 relate to the existing equipment improvements.

5 A. Yes. So this proposal basically asks for four
6 additional pieces of equipment. It's probably best to
7 take them in order.

8 The first piece of equipment is the drum
9 feeder. And while the old lines are still operational,
10 we do rely on them as a backup. We have determined that
11 one of the lines that we currently maintain as a backup
12 is robust enough to actually serve as a primary backup
13 facility in the event of a failure. Given the new waste
14 stream we're proposing in the facility and our success
15 with the drum feeder, we were thinking that we could
16 retrofit the old hopper-style loading system associated
17 with that line to a new, more modern drum feeder-style
18 sorting system. So the first item, the drum feeder,
19 contemplates installing a drum feeder onto what we call
20 our "B-line" conveyor system.

21 Q. So basically that would allow the backup
22 system to work for more efficiently?

23 A. Correct.

24 Q. And what about a "cross belt magnet"?

25 What's that needed for?

1 A. So the cross belt magnet is an additional
2 piece of equipment that we do need to add to this
3 installation. Cross belt magnets are essentially an
4 electromagnet that sits across the sorting belt.
5 The new system utilizes what we call "head pulley
6 magnets," which is a magnet embedded in the pulley,
7 and we use those magnets to extract metal and other
8 items from the recyclables. They've proven to be very
9 effective in some situations, but we're starting
10 to learn that given the throughput of this facility,
11 the head pulley magnet is not doing a very good job
12 pulling some materials out of the glass and the paper.
13 And the items that we're specifically having issues with
14 now are C and D-size lead acid alkaline batteries. They
15 tend to be a little heavier than what the magnet will be
16 able to recover; so we are having some issues with those
17 materials ending up in our finished products.

18 The cross belt magnet will be a much more
19 robust magnet we would install to the system on a
20 retrofit basis that would function as a backup to the
21 pulley-driven magnets and get the larger batteries out
22 of the material.

23 Q. And then what about the next item on
24 Exhibit 7, "Container Silo Bypass System"?

25 A. One of the interesting things about our

1 recycling facility -- the design of our recycling
2 facility is the ability to operate various components of
3 the system independently of each other. Generally in
4 MRF, a piece of equipment is down, the whole MRF has to
5 the stop operating. And part of our nine expectations
6 for the facility was if something breaks, we wanted to
7 be able to operate the MRF on a limited basis to process
8 the tonnage.

9 And one of the things that was determined that
10 was being omitted from this was the ability for us to
11 bypass containers from the sorting belt into the silos
12 in the event that there was a problem with the
13 containers or in the system. So this proposes the
14 installation of being able to bypass mechanisms to allow
15 us a little bit of flexibility in the event that we have
16 an equipment malfunction.

17 Q. So again, that would give you more operating
18 time and less downtime?

19 A. It will give us -- it will take time to
20 generally what would be considered downtime and make it
21 "slightly less-productive operating time," effectively
22 allowing us to still maintain adequate throughput
23 numbers in the MRF.

24 Q. And then the last item here is the "Master
25 Control System Upgrade."

1 A. Yeah. The Master Control System Upgrade,
2 I think, is the most important part of the proposal.
3 All the recycling equipment is essentially a series of
4 electric motors that run off the Local Area Network,
5 similar to computers, and they have drives associated
6 with the motors. The drives work through a computer
7 system and they let the system start and stop in a
8 predetermined fashion.

9 Well, the new system and the old system
10 obviously are very similar, but very different
11 generations of what we call the "PLC," or control
12 system. And they don't talk to each other very well,
13 so what we have is the old system and the new system
14 working off of what we call an "electronic handshake."
15 Essentially the old system starts up and notifies the
16 new system that everything's running and functional, and
17 then the new system comes online.

18 And we determined that the time it takes
19 for the new system and the old system to perform this
20 handshake can be several minutes in some cases, such
21 as if there's a fault. So we would like to replace the
22 control system on the old system so that we would not
23 longer have to function off of a handshake, but instead
24 be able to bring the whole online at one time with one
25 computer control system.

1 Another issue that we're facing is a little
2 bit of obsolescence and that the frequency drives
3 associated with the older system are getting to be very
4 hard to get. It would make sense to upgrade the drives
5 to the most modern available technology.

6 Q. So on page 2 of Exhibit 7 is a breakdown of
7 the cost of each of these additional upgrades.

8 A. Yes.

9 Q. Totalling about \$1.1 million dollars.

10 A. Correct.

11 MR. BAKER: So I have nothing further.

12 DIRECTOR NURU: I believe the City would like
13 to cross-examine Mr. Quillen.

14 CROSS-EXAMINATION

15 BY MS. DAWSON:

16 Q. Good morning, Mr. Quillen.

17 So Recycle Central processes 25 tons per hour;
18 correct?

19 A. Recycle Central processes approximately 35 to
20 40 tons per hour.

21 Q. And how many hours does it run a day?

22 A. We run the system in two eight-hour shifts.
23 Generally the productive time on those shifts varies
24 from six to seven hours, depending upon whether or not
25 we've had any equipment malfunctions, breakdowns, things

1 of that sort.

2 Q. So if we kind of look at it, what would you
3 consider to be kind of the total average daily
4 processing tons -- tons per day that you manage given
5 all those potential limitations?

6 A. Right now, we process about 450 tons a day.

7 Q. And so how does that number compare to the
8 number of tons being delivered to Recycle Central right
9 now?

10 A. With the new equipment, we have the ability to
11 process all the tons that are delivered on a daily
12 basis, unless we have mechanical operation issues.

13 Q. Do you know how many tons you're currently
14 accepting per day on average?

15 A. It's currently about 450 to 500 tons a day
16 peak.

17 Q. Meaning that varies?

18 Seasonality, that sort of thing?

19 A. Seasonality. The weather has a lot to do with
20 it. It tends to be a bit heavier when it rains.

21 Q. So given what you just told me would suggest
22 that you don't have a lot of additional capacity in the
23 facility. Is that the case?

24 A. We have additional capacity with this
25 equipment. It's 45-ton-an-hour equipment and we're

1 running it lower than its capacity. So we do have the
2 ability to accept more tons in the facility.

3 Q. Okay, so it sounds like I might have asked
4 that question differently. It may be a little
5 difficult.

6 So if you were running this facility at its
7 full capacity, how much additional tonnage could you
8 process?

9 A. In excess of 75 to a 100 tons a day.
10 Probability closer to 75.

11 We also have the ability to operate the
12 equipment beyond the eight hours per day per shift.
13 With the old system, we were running a little bit
14 overtime, weekends, whatever we could to catch up.
15 We needed to perform in order to get on track.

16 Q. Okay. So if we considered what the maximum
17 would be in terms of both hours that you think would be
18 reasonable in the facility and the capacity of the
19 equipment, what's the total capacity that you think you
20 have given the investments you've made at that location?

21 A. We actually got that number. That number is
22 in our total. I'll refer to the rate application.

23 MR. BAKER: Maurice, make sure you speak into
24 the mic.

25 THE WITNESS: I'll refer to the rate

1 application. Assuming 45 tons per hour throughput with
2 a 14-hour operational day, just 7 tons. At 260 days per
3 year, that 163,800 tons per year.

4 BY MS. DAWSON:

5 Q. And you're currently -- so that difference
6 between what you're currently processing and what you
7 could do at its maximum is --

8 A. The difference right now, we're doing about 39
9 to 40 tons an our; so we're about a 150,000 -- or 143-
10 to 150,000 tons a year. So on an annual basis, nearly
11 90,000 tons of additional capacity.

12 Excuse me, 50,000 tons additional capacity.

13 MS. DAWSON: That's all the questions I have
14 for right now.

15 MR. BAKER: We recognize that the ratepayer
16 advocate wants to reserve questions. But to move things
17 along, we understand that Ms. Dawson and Mr. Haley and
18 Mr. Jones reserve the right to ask questions later.

19 MS. DAWSON: Thank you.

20 DIRECTOR NURU: So time-wise, we can bring
21 another witness up.

22 MR. BAKER: We can start the next witness.

23 I don't think we'll finish, but we might as
24 well get 15 minutes done, if you'd like.

25 DIRECTOR NURU: That would work, I think, for

1 us.

2 A show of hands, how many people want to make
3 a comment?

4 Okay. Let's bring up the next witness then.

5 MR. BAKER: So Dan Negron is the next witness.

6 And Carolyn Pearce will exam him.

7 (Mr. Quillen steps down from the witness
8 stand.)

9 DAN NEGRON,
10 having first been duly sworn, was
11 examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MS. PEARCE:

14 Q. Good morning, Mr. Negron.

15 A. Good morning.

16 Q. Could you please state your position with
17 Recology company.

18 A. General Manager for Recology Sunset Scavenger.

19 Q. And if you could just briefly describe what
20 the Sunset Scavenger company is and its relationship
21 with the rest of the San Francisco companies.

22 A. Our sister company, our collection company
23 Recology Golden Gate mainly services the downtown area
24 and Marina. Sunset Scavenger has the remaining parts of
25 the city and some neighbors.

1 Q. It's a collection company?

2 A. Yes.

3 Q. And how long have you been with Recology?

4 A. Sixteen years.

5 Q. How long have you been in the role as General
6 Manager of Sunset Scavenger?

7 A. Approximately two-and-a-half years.

8 Q. I understand as a part of Recology's 2017 rate
9 application, it is proposing some changes to the way
10 that collection companies conduct its residential
11 collections. Could you please briefly describe those
12 changes for me, if you could.

13 A. Yes. The system that exists today, as Mark
14 alluded to earlier, the fantastic three-bin system that
15 was rolled out in 2000. We're now proposing a new
16 default system as far as the black, blue and green bin
17 system as well as it, and that's more to capture what
18 Maurice was talking about with all the upgrades that
19 they've done at Recycle Central. We want the
20 opportunity for our customers to start bringing in those
21 materials in the blue bin and also encourage less
22 disposal, less use of the trash black bin.

23 Q. Let me just interrupt one second.

24 When you say "new default system," what do you
25 mean exactly by "default system"?

1 A. I'm sorry. For the bin sizes, we're going to
2 be looking at increasing the blue containers to
3 64 gallons at the curbside along with introducing the
4 16 gallon reduced black bin.

5 Q. Okay. Continue.

6 A. In addition to that, in order to accept the
7 more recyclables, the 64 gallon toter, we're going to be
8 proposing repurposing our vehicles that the
9 single-stream or single-chamber vehicles will now
10 service the blue containers. And as a result of that,
11 we're going to propose some rerouting of all of our
12 three system collection vehicles.

13 Q. And can you just explain how that's changed
14 from the current system.

15 A. So right the now collection vehicles are
16 displayed by the chambers collecting the black and the
17 blue bin. They've been doing that for 16-plus years.
18 The single-chamber collection vehicles are picking up
19 the organic materials.

20 And what we're proposing now is to move the
21 blue bin to the single-chamber, for reasons I'll explain
22 shortly, along with adding -- moving the organics
23 materials with the split-body split chamber vehicle
24 along with the black chamber.

25 Q. Let's start by discussing the bin changes

1 and sizes you mentioned and changes to some of the
2 recyclables that will be accepted now at Recycle
3 Central. What is the standard default service that's
4 currently offered for single-family homes right now?

5 A. So the standard default service 32 green,
6 32 black, and 32 blue.

7 Q. Is this also the most commonly chosen size for
8 residential customers?

9 A. Yes, it is the most common.

10 Q. Larger and smaller containers, though, are
11 available if they'd like to those chose those?

12 A. Yes, absolutely. Those customers can go up to
13 64 gallons if they choose.

14 Q. And what's the new proposed default level of
15 service for single-family homes?

16 A. So we're look at a 16 gallon trash,
17 a 64 gallon blue -- trash is black -- 64 gallon blue,
18 and a 32 gallon green.

19 Q. And why is it that Recology wants to offer or
20 encourage a larger blue bin at the default level of
21 service?

22 A. It was talked about earlier in Mark's
23 presentation. It's been a real challenge dealing with
24 the cardboard, as far as the residential and just
25 general in the city. They're bulky items. The bulky

1 cardboard has become a challenge not only with the
2 32 gallon bins, but also with our collection vehicles.
3 We're also -- to Maurice's point he's offered -- the
4 opportunity to process more materials at Recycle Central
5 at Pier 96. So adding those new materials including
6 film plastic, bags, textiles, small pieces of metal,
7 unpainted wood, those are things that we are proposing
8 to move into the single-chamber collection vehicles.

9 Q. Mr. Quillen mentioned some of these earlier,
10 but I wondered if you could just describe what are some
11 of the new materials that are going to be accepted in
12 the new bins?

13 A. We're looking at aseptic -- to Maurice's point
14 earlier -- Gable top, cartons, bags, textiles, bag from
15 plastics, and small pieces of metal, unpainted wood.

16 Q. How was it that Recology determined that a
17 smaller black bin as a default and a larger blue bin
18 would encourage more diversion from the landfill and be
19 an idea that it wanted to propose?

20 A. So we partnered with SF Environment and we did
21 some pilot programs, specifically three test programs
22 along with a control group, to really measure what was
23 out there, what type of behaviors we need to move to
24 folks to get them to do more recycling and more
25 diversion.

1 MS. PEARCE: I'm going to interrupt you for
2 one minute.

3 I'm going to mark as an exhibit a 12-page
4 document titled "Zero Waste Collection Test Summary
5 Results."

6 Correct me if I'm wrong, I believe this is
7 Exhibit 18.

8 MR. PRADHAN: Yes.

9 MS. PEARCE: And like I said, this is a
10 12-page exhibit entitled "Zero Waste Collection Test
11 Summary Results," and we move the admission of this
12 exhibit.

13 MR. PRADHAN: Admitted.

14 (Exhibit 18, "Zero Waste Collection Test
15 Summary Results [Recology]," was admitted into
16 evidence.)

17 BY MS. PEARCE:

18 Q. Mr. Negron, are you familiar with this
19 document?

20 A. Yes.

21 Q. And tell us a little bit about what this is.

22 A. So again, we were working closely with
23 SF Environment, and really, we brought in the Department
24 of Public Health as well as SF Public Works. We had
25 proposed and we ran three test pilots along with a

1 control group. We measured driving behavior towards
2 diversion.

3 Q. And this document describes the tests that you
4 conducted and the results from the tests; is that right?

5 A. Yes.

6 Q. And let's talk a little bit about the three
7 tests that you mentioned. What are those three tests
8 that you performed?

9 A. Initially, also with the one that has the
10 less-desirable results, if you're okay with that,
11 the control group was strictly just outreach -- constant
12 outreach to a set number of customers in different
13 neighborhoods to see if we can get them to just utilize
14 the system that is in place today -- 32 black, 32 blue,
15 32 green. And it resulted in a phenomenal 2% increase
16 in diversion.

17 Q. By "outreach," what do you mean by "outreach"?

18 A. An extensive amount of outreach. If you look
19 at the summary, we worked closely with SFE as far as
20 statement hangers. We sent outreach letters, we held
21 community meetings, we provided goodie bags -- just to
22 get the folks and encourage them to utilize the new
23 system.

24 Q. So that was the control group.

25 Tell us about the three tests.

1 A. And then we went into what they call the "pay
2 per setout." Because customers elect not to place their
3 trash outside at least once, twice, sometimes three
4 times a month, they also receive a weekly service for
5 the blue and the green bin. However, that also reduced
6 a phenomenal 2% increase in diversion. Again, with a
7 heavy emphasis on outreach.

8 Q. That's called the "pay per setout" test?

9 A. Yes.

10 Q. Okay. And what was another test that you did?

11 A. The third test was what we call the "every
12 other week collection," so biweekly service. And again,
13 we continued to provide weekly service for the greens
14 and the blues to encourage their usage. That was about
15 400 participants and that reduced about 11% diversion.

16 Q. All right. What was the final test?

17 A. The final test was the 10 gallon trash bin.
18 We also identified about 400 customers in ten different
19 parts of city neighborhoods. And they just basically
20 had a smaller bin, although they still maintained their
21 32 black -- excuse me, 32 blue and 32 green bin. And
22 that reduced not only a 14% diversion, but we're happy
23 to see the compost bins are starting to come out on the
24 curb.

25 So it's one thing when the customers have the

1 bin; it's another thing when they actually take the time
2 to put it out on the curb and get service.

3 Q. I just want to make it clear on the record.

4 You're referencing the result of those three
5 tests and the control group on page 6 that shows the
6 increase in diversion percentage by test; is that right?

7 A. Yes.

8 Q. Did you share the results of these tests with
9 the City?

10 A. Yes. Well, we partnered with them from the
11 beginning and did present the final results to
12 SF Environment to really strategize the next steps in
13 the process.

14 Q. And based on these results, how did you and
15 the City decide on using -- proposing 16 gallon bins
16 versus the 10 gallon bin, which I believe was used in
17 the test?

18 A. Yes, the 16 gallon was brought for a couple
19 reasons. Number one, we enjoyed the behavior and it
20 definitely made a difference as far as diversion, and
21 that was first and foremost. Operationally, as far as
22 our drivers differ, ergonomically it was a big challenge
23 because it's such a little container. Having it go up
24 and down, up and down 300 to 400 times day was a
25 challenge.

1 Also, it did hurt our equipment. They had to
2 lift onto the lifter. And so if we were to adopt the
3 10 gallon system, we would have to add a cost. We'd
4 have to retrofit the entire fleet, and it would be a
5 challenge trying to retrofit that and also support these
6 new bins in the inventory that's already sized 32/64/96.

7 Q. I'd like to discuss what the new bin sizes
8 you're proposing will look like compared to the old
9 size. So I'm going to try to show some pictures on
10 here.

11 Is this what the current -- the 32/32/32 blue,
12 green, and black looks like it's set out on the curb for
13 collection?

14 A. Yes.

15 Q. And the next --

16 MR. PRADHAN: Are these photos part of an
17 exhibit?

18 MS. PEARCE: I will -- I'll introduce them.
19 Maybe I'll do that right now.

20 I'd like to mark Exhibit 19 and Exhibit 20,
21 which will be pictures of the old setout and the new
22 setout.

23 BY MS. PEARCE:

24 Q. Let me just ask you about the next photo I'm
25 going to show.

1 Is that a picture of the new proposed default
2 setout of the 64 gallon blue bin, 32 gallon green bin,
3 and the 16 gallon black bin?

4 A. Yes.

5 MS. PEARCE: Move for the admission of
6 Exhibits 19 and 20.

7 MR. PRADHAN: Admitted.

8 (Exhibit 19, "Photograph, old setout
9 [Recology]," was admitted into evidence.)

10 (Exhibit 20, "Photograph, new setout
11 [Recology]," was admitted into evidence.)

12 BY MS. PEARCE:

13 Q. All right. I'm actually going to put up just
14 a comparison, side-by-side.

15 I'm sure you're aware that in San Francisco
16 many of your customers are concerned about the space
17 constraints and accessibility; so I'd like you to
18 discuss how the footprint of these new default bins will
19 be different from the old default.

20 A. So -- and I took the photo just as a reference
21 to the yellow lines, the parking lines. But basically
22 the 16 gallon trash bin is identical as far as the size
23 of the 32. And then the 64 gallon, it only grows
24 approximately 14 inches wide and a little bit taller.
25 But these --

1 Q. 14 inches?

2 A. Did I say fourteen? No, I mean four inches.

3 And so the 64 gallon, as you notice -- and
4 these are designed specifically for San Francisco. The
5 manufacturer, because of the narrow entryways and the
6 downhills that we have to service, it fits nicely here
7 in our service area.

8 Q. The 64 gallon blue, will that still fit
9 between gates and doorways?

10 A. Absolutely.

11 Q. What if a customer is not -- doesn't have the
12 space for a larger blue bin? Will a customer have the
13 option to choose a different size if they'd like?

14 A. Absolutely. If the 64 gallon blue does become
15 a problem as far as space, we'll be glad to return it
16 back to a 32 gallon blue.

17 Q. If a customer does go from the default --
18 the current default service which is the 32/32/32 and
19 chooses the 16 gallon black along with the 64 gallon
20 blue and the 32 gallon green, how will their volumetric
21 service change from the prior service?

22 A. So they're actually gaining 16 gallons in
23 volume. Although the trash is reduced by half of 32 to
24 16, the blue containers are going to double in size
25 volumetrically from 32 to 64, and then that effect is a

1 16-gallon increase in volume.

2 Q. Is it over all service?

3 A. Yes.

4 Q. You mentioned that this default change or
5 proposed change is to the default service for
6 single-family homes. What about multi-family homes,
7 apartments, commercial customers? Are there any
8 operational changes that Recology's proposing for those
9 customers?

10 A. Commercial changes we're not going to propose.
11 However, we are going to do an extensive outreach for
12 all three of those types of service. Paul Cesewski
13 who's in the back there will be handling all of the
14 outreach as far as reaching out to all of our customers.

15 Q. We'll hear from Mr. Cesewski next week.

16 Recology is also proposing -- and you
17 mentioned this earlier -- in its application some
18 changes to the way the vehicles -- the materials that
19 the vehicles collect. You said that, I think, the
20 split-chamber vehicles certainly collect the black and
21 the green bin together and -- I'm sorry, the black and
22 blue materials together, and the green bin is collected
23 separately in a single-chamber vehicle. Has this
24 approach posed any challenges for Recology?

25 A. It's become a big problem. We talked about it

1 in the past as far as the type of materials that we're
2 collecting today versus 16 years ago. So the nature of
3 the recyclables -- and one is them is Amazon.com -- has
4 just become a big challenge. And the big screen TVs,
5 there are no more small TVs. Everybody buys a minimum
6 60-inch or better and it always end up at the curb
7 wherever you're at. It's also a big challenge with our
8 apartments. Generally speaking, cardboard is a real
9 issue in San Francisco.

10 Q. You alluded to it earlier, but if you could
11 just explain what are the changes that Recology's
12 proposing as far as the collection trucks, to address
13 those issues.

14 A. So by moving, we're organizing to move all of
15 the blue material into single-chamber collection
16 vehicles. These are much larger in size, and this is
17 the existing equipment. And our crews will be able to
18 increase their payloads enough to make a difference as
19 far as any increases in tonnages that we're going to
20 realize not only on changing the behavior but also what
21 we're doing at Pier 96 and Recycle Central, the
22 additional items.

23 MS. PEARCE: I'm going to mark another
24 exhibit, 21.

25 This is a slide with two pictures showing a

1 split-chamber versus the single-chamber trucks.

2 BY MS. PEARCE:

3 Q. And if you could, just tell me what this slide
4 depicts.

5 A. This is a challenging problem that we face
6 every day. The picture on the left is what we call the
7 "split-chamber," so the hopper size the only 3 feet by
8 2 1/2 feet. And as you can see, the materials -- my
9 guys spent a considerable amount of time trying to cut
10 down and get this packed in the truck.

11 If you notice on the right, with the
12 single-chamber vehicles that currently exist today,
13 we can easily take on this material and get
14 containerized. We have some litter issues, as far as
15 loose litter around the city; so cardboard challenges
16 will definitely be dealt with by the single-chamber
17 vehicles.

18 MS. PEARCE: Let's move the admission of
19 Exhibit 21.

20 MR. PRADHAN: Admitted.

21 (Exhibit 21, "Photographs, split chamber
22 vs. single chamber [Recology],"
23 was admitted into evidence.)

24 BY MS. PEARCE:

25 Q. And just to make things clear, this is the

1 hopper on the left of the split-chamber collection
2 vehicles. A little hard to see, but the recycling is,
3 I guess, collected on the left side of that hopper;
4 is that right?

5 A. Based on -- it's a 50/50 body. So right now
6 the picture is just showing for picture purposes that we
7 would have to try to push that material in that small
8 hopper. It's kind of hard to see because on that wall
9 there's a flipper there, and so it doesn't allow the
10 garbage to go on the opposite side.

11 But again, it is a big problem. The way we
12 mitigate this today, and we talked it about it a little
13 earlier, on these types of customers we actually utilize
14 our compost routes to just kind of go through. It's not
15 best and high use for the materials. We still compost
16 it, but we prefer it be put in a single-chamber truck
17 and just send it over to Recycle Central.

18 Q. The cardboard can be picked up by a compost
19 truck?

20 A. Right. One way or the other, we're going get
21 the stuff off the streets. And we end up utilizing --
22 augmenting our collection fleet to have organic
23 materials picked up and send it to the organics
24 building. But that itself is a challenge.

25 Q. Did you do any tests to evaluate the

1 effectiveness of your new proposed approach to use the
2 single-chamber vehicles to collect recyclables?

3 A. Yes.

4 Q. Tell us about that.

5 A. You mean the --

6 Q. Tell us what you did to assess whether it
7 would work to have recyclables collected by a
8 single-chamber vehicle instead of a split-chamber
9 vehicle.

10 A. After our tests had completed, we identified
11 approximately 12 width-body collection routes in the
12 Sunset District, which is heavy residential; so that
13 would give us a good feel. We immediately started
14 pickup the materials in a split-body with the black and
15 the green. But we also had to add blue recycling routes
16 in order to augment what we described earlier was
17 significant more stops. Because on the blue side,
18 there's 95% participation from all of our customers.

19 Q. By "participation," you mean almost everybody
20 puts out their blue bins, but not everybody puts out
21 their green bins. Is that what you mean by
22 "participation"?

23 A. That is correct.

24 Q. And so currently the single-chamber vehicles
25 that are collecting green bin materials, they don't need

1 to stop at every home; is that right?

2 A. No. Right now the drivers are experiencing
3 every three homes, two homes, they're putting out sort
4 of a two-to-three ratio.

5 Q. -- are putting out the green bins?

6 A. Correct.

7 DIRECTOR NURU: We're close to the breaking
8 point. Now might be a good place to stop. Our
9 ratepayer advocate would like to do their presentation,
10 and it look like we might focus on --

11 MS. PEARCE: Absolutely. That sounds good.
12 Thank you.

13 DIRECTOR NURU: We may call the ratepayer
14 advocate to come up.

15 (Mr. Negron steps down from the
16 witness stand.)

17 STATEMENT BY THE RATEPAYER ADVOCATE

18 MR. JONES: Good morning. My name is
19 Dwayne Jones, the San Francisco ratepayer advocate.

20 Good morning, Director Nuru. Again, in the
21 essence of time, I will speed up this presentation.

22 MR. RODIS: Good morning, sir. Just mention
23 your name for the record and I'll swear you in.

24 MR. JONES: Dwayne Jones, ratepayer advocate.

25 MR. RODIS: Thank you, sir.

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DWAYNE JONES,

having first been duly sworn, testified as follows:

MR. JONES: All right, Mr. Nuru.

So again as I was indicating, I am the assigned ratepayer advocate. And what I want to do is kind of walk through kind of our role and responsibilities pursuant to the rate application moving forward.

So our primary role is to ensure that we're increasing the awareness about the refuse rate application that has been submitted by Recology and the approval process through a citywide outreach strategy. So for the past four months, we've been going through and developing an outreach and communication plan, and making sure that we actually had a strategy in identifying folks that represented the diversity of San Francisco; to ensure that we had cross-representation that every resident that has any questions or concerns in getting involved in this process and hearing about this process had an opportunity to do so.

Therefore, we have encouraged community members to voice their input at formal hearings -- for example, like this one here -- and contacting them. And so there's been a variety of ways that folks have been

1 contacting us over the last several months via e-mail,
2 via social media, and many of the community meetings
3 that we've had over the last several months.

4 The primary intent is to be here to represent
5 the public interest and ensuring their concerns are
6 addressed at these respective hearings. And so again,
7 as you indicated earlier, I will be in all of these
8 hearings making sure that their voices and interests and
9 concerns are heard.

10 The methods of outreach that we've engaged
11 thus far, we are continually open to new and creative
12 ideas about how to further that reach. But currently we
13 hope that the series of community presentations at
14 neighborhood and homeowner associations, community
15 advisory groups, neighborhood centers, community-based
16 organizations, police precincts, safe community
17 meetings, small-town equal advocacy, print media,
18 social media, community newsletters, and e-mail blasts
19 to various organizations and Listservs and things of
20 that nature.

21 What I'd like to do now is turn it over to --
22 my core staff is doing many of these meetings, Director,
23 to speak more to the detailed outreach plan and things
24 that we've been hearing thus far; so I'd like to start
25 with my staff, Rosie.

1 MS. DILGER: Hi. I'm Rosie Dilger.

2 ROSIE DILGER,

3 having first been duly sworn, testified as follows:

4 MS. DILGER: All right. For our outreach
5 update, so far we have reached out and done community
6 presentations throughout all 11 districts in
7 San Francisco. So far we've completed 36 at different
8 community groups -- community meetings, and we have an
9 additional 15 on the books and we're continuing to
10 schedule more as we go. And we notified and outreached
11 over 140 community organizations, neighborhood groups,
12 merchant associations, and other organized groups in the
13 city.

14 So far we're going to give just a brief
15 overview of the feedback we've gotten. I'd say the most
16 common things that we're hearing are binning size and
17 minimum pickup requirements. Additionally, a lot of
18 questions about district studies and pilot programs,
19 basically, which has been very helpful; the
20 disproportionate access coverage for seniors and people
21 with fixed income; enforcement of current policies and
22 those that are displeased with their current service;
23 the general increase to the cost of living; and the
24 frequency and amounts of the rate increases.

25 Additionally, we have a lot of questions as

1 to the profit and revenue versus the real labor cost,
2 prevention of theft and the loss of CRV funds, how
3 outreach will help particularly with multi-unit
4 residences and condos, questions of how the increase
5 will affect business, and questions about new types of
6 recycling as well as the infrastructure that provides
7 it.

8 As Dwayne mentioned, we have a lot of
9 opportunities for public input. We have a website,
10 e-mail, a phone number that has three languages on it;
11 so we are translating those responses as well, as well
12 as responses by mail. And as we are in the first of
13 seven hearings, we are actively promoting them and
14 encouraging our community members to attend or to send
15 their concerns through us.

16 DIRECTOR NURU: Okay. Thank you for --

17 MR. PRADHAN: Excuse me one second.

18 Mr. Jones, in the interest of having the
19 record complete, it looks like we were shown a visual
20 presentation. We would like to get a copy to mark as an
21 exhibit.

22 MR. JONES: Absolutely.

23 MR. PRADHAN: Thank you.

24 DIRECTOR NURU: Okay. I want to thank you for
25 your outreach. As you know, outreach to the public is a

1 very, very important part of this process; so we're
2 beginning to see public concerns coming up in our
3 proceedings in these discussions.

4 At this time, I will open it up for public
5 comment. And I asked earlier for a show of hands of how
6 many people would like to speak. I see one. Looks like
7 we have maybe two.

8 So we will begin public comment. I generally
9 allow three minutes, but since we don't have many
10 people, we can go up to five.

11 PUBLIC COMMENT

12 MS. YOUNG: Hi, my name is Mei Young; M-E-I,
13 Mei, Y-O-U-N-G. I have been a resident here for over
14 30 years, and I just keep hearing that a lot of the
15 living costs passing down to the residents, but then for
16 the homeowners who take the brunt of the costs will keep
17 bearing that. But then you know, we are strictly
18 restricted to increase rent. So I think we should have
19 a link between how much rent we can get increased to the
20 costs that are related to it and the control of the
21 city. We are only getting about 2% or 1-point-something
22 percent rent increase; so the other expenses related to
23 it should be linked to that. Thank you.

24 DIRECTOR NURU: Thank you.

25 MR. PILPEL: I guess I'm on.

1 Good morning, David Pilpel.

2 By the way, an introduction. Although I
3 think most people in the room know me, I am a native
4 San Franciscan, and my interest in garbage goes way
5 back. My parents told me a story that when my sister
6 was born in 1971 at Children's Hospital, they were
7 showing me her and said, "Look, baby sister," and I was
8 more interested in the red garbage truck. I said,
9 "Look, garbage truck." It was a Sunset Scavenger truck
10 at the time. So my interest goes way back there.

11 I have served in many capacities with the City
12 on and off the Sunshine Ordinance Task Force for the
13 last 20-plus years, served on the Municipal
14 Transportation Agency as advisory counsel, the Public
15 Utilities Commission's advisory committee and its
16 wastewater subcommittee, the Redistricting Task Force,
17 and other advisory and policy bodies.

18 And foremost, I'm an environmentalist. I've
19 been involved with the Sierra Club for many years, and
20 I'm a regularly-engaged ratepayer. I got my bill last
21 Friday like many people around town. And I've formally
22 received the variance rate as a low-use generator, and
23 I'll talk about that in a moment.

24 So that's my introduction. I generally
25 support the application of the Company. We'll get into

1 details over the next few weeks at other hearings.
2 I think it's important that we balance the Company's
3 interests and need to make a fair and reasonable profit
4 with the City's interests and goals in zero waste,
5 abandoned material collection and other issues, and the
6 interests of ratepayers to have a system that works and
7 one that is fair and reasonable in costs and services.

8 Just as you said earlier, in terms of
9 housekeeping, it would be great if we could have a
10 public exhibit binder so when new items are added by way
11 of exhibit, they're inserted into the binder and
12 everyone can have access to it, particularly as
13 questions are asked relative to exhibits.

14 Also, I've made comments about the website at
15 the workshop and at other times, and I hope those
16 comments will be taken to heart and have some things
17 updated there. In fact, the application itself, while
18 it is on the website, the cover letter, the narrative
19 summaries are there as PDFs. The actual schedules are
20 in the new Excel format, and not everyone has access to
21 that. So I haven't been able to open all the of the
22 tabs and then look at the schedules and interrelated
23 tables; so I've asked that an earlier version of Excel
24 be used to translate or, in the alternative, that the
25 application -- that portion of the application be

1 additionally uploaded as a PDF so it is accessible to
2 all because right now it is not in that way.

3 Again, there were a number of comments and
4 questions that I raised and that a couple of other
5 people raised at the workshop last week. It would be
6 great to get some response to some of those. Some of
7 them were just thought pieces, but there were some
8 specific questions and comments -- some of which I
9 assume will inform the testimony at the hearings moving
10 forward.

11 I just wanted to complete my time by just
12 ticking off a list of notes that I made today of issues
13 that I wanted to express further about in the future,
14 and then maybe others can touch on them as we go
15 forward.

16 The 16 gallon blue and green containers are
17 not currently being proposed. That's something that's
18 very important to me. I think that as we move towards
19 zero waste, we don't want to just move more materials to
20 recycling and composting, but actually encourage people
21 to generate less. And so people that have -- whether
22 it's a weekly or less-than-weekly setout, if we're able
23 to make a 16 gallon black container work operationally,
24 I think we can also make a 16 gallon blue and green
25 container work. And I recognize that it's not going

1 apply to all customers or apply to most customers, but I
2 believe that they showed at the workshop last week that
3 17% of current customers have a 20 gallon black,
4 32 gallon blue, 32 gallon green configuration; so I
5 believe some subset of that universe would subscribe to
6 a 16 gallon blue or green. Not enough of a customer
7 base to screw up the revenue projections, but enough of
8 a customer base to make that additional container type
9 available. And I would strongly encourage everyone to
10 incorporate that into the thinking, and if it can't be a
11 year one program, then perhaps it can be a year two or
12 year three rollout.

13 In addition, the idea that additional truck
14 routes and trucks will be needed to service the new
15 configuration suggests to me that there may be an
16 opportunity to create some additional night routes at
17 both Sunset and Golden Gate -- perhaps more so for
18 Sunset because Golden Gate already has a lot of night
19 routes. So if more trucks can operate at night and
20 collect materials primarily from businesses in the
21 Sunset area at night, that might be a truck that can be
22 repurposed during the day, reducing the need for trucks.
23 It will still require as much staff, but that's one less
24 truck and that's a cost avoided.

25 So those are just some top issues from me.

1 Some other things I wanted to tick off, I wanted to talk
2 in the future more about trucks and Alta Leasing which
3 is one of the other company's subsidiaries that handles
4 trucks.

5 Head count by program. There was a handout
6 that wasn't introduced as an exhibit yet that will
7 depict the head count program at RSF. I would hope that
8 there will be similar handouts that talk about the head
9 count by program at RSS and RGG.

10 An organization chart for all of the companies
11 so we understand where all these programs fit under
12 various managers.

13 The Port lease costs for Pier 96 was
14 discussed, but the Port lease costs for the Sustainable
15 Crushing Operation at Pier 94 weren't mentioned and may
16 or not become relevant to the iMRF move.

17 CEQA review. As to the rate process in
18 the past, the City Attorney has forwarded the rate
19 application as the City plans to get a categorical
20 exemption from that. I don't know if that's in the
21 works, and perhaps we should hear a little bit about the
22 CEQA process as it relates to these construction
23 projects that are contemplated.

24 The handling of debris box, sludge hauling,
25 and any other programs or services the companies operate

1 that are not subject to rate regulation.

2 There was discussion and narrative about
3 commercial customers and how commercial rates generally
4 work in the system, but I didn't see discussion about
5 those other sort of excluded business arrangements.
6 I'm sure we'll hear more about toxics programs and the
7 future expansion and all that.

8 The City's oversight of construction and
9 demolition, the debris as it relates to the iMRF, and
10 additional ways to monitor that program and achieve
11 better diversion and better participation in the city.
12 Again, construction schedules for these new facility
13 projects, which are incredibly important to diversion
14 and achieving zero waste.

15 The concept of ratepayer equity I've raised at
16 past hearings, and I think there should be some further
17 discussion of that and how ratepayers benefit and the
18 ratepayer interest in company investments over time,
19 how that's handled.

20 The operating ratio and which types of
21 expenses are subject to the raised amount of risk to the
22 company and should receive the full alarm, whether there
23 are other expenses that should be passed through or
24 whether there's an area in between of less risk where
25 slightly lower O.R. is applied is a concept that I

1 thought about.

2 Whether education and enforcement should
3 continue to exist both at the Companies and with the
4 City Environment and through other hearing processes, or
5 whether that education enforcement function should be
6 separated and handled differently.

7 The base and variable rates that were talked
8 about and sort of the rate structure and how much to
9 allocate to each of those.

10 The cost of service analysis, and if this
11 entire process were subject to Prop 218, where the
12 relative costs would be moving. I understand we're
13 moving more in that direction. It doesn't get all that
14 way, but what if we applied that?

15 The Zero Waste Incentive. Structure was
16 talked about as it relates to the rates, but the zero
17 waste account that I understand was created under the
18 new landfill agreement wasn't talked about and I'm --
19 I admit I'm a bit confused by this ZWI and ZWA and the
20 two components of the ZWA and whether those targets have
21 been met and how the structure works. I apologize that
22 I'm not quite understanding that, but maybe we'll learn
23 about that in the future.

24 The new upgrades to Recycle Central and the
25 effectiveness post and limitation. I think Maurice

1 talked about that a little bit. It would be great if
2 there was additional evidence, if they had information
3 on that they could introduce into evidence about the
4 diversion prior to the changes in October/November and
5 the diversions in the report they introduce.

6 Something else about the upgrades and costs --
7 the collection truck routing, the single-container
8 trucks, the 50/50 and the 60/40 trucks. And there's
9 more that I wanted to develop on that, so I'll have to
10 think about the issues that Dan Negron just touched on.

11 The additional capacity versus less
12 generation, moving to zero waste, poaching of
13 recyclables, and whether their disproportionate impact
14 were either intended or unintended with the proposed
15 rate structure.

16 So those are just the issues that I came upon
17 this morning. I hope that's helpful in terms of an
18 introduction.

19 DIRECTOR NURU: Thank you.

20 MR. PILPEL: Thank you very much.

21 DIRECTOR NURU: Any additional public comment?

22 No? Okay.

23 I want to thank everyone for their
24 participation. This is first meeting. At this time we
25 will be continuing the hearing, so the next one is on

1 Wednesday, March 15th in this same room, room 400. And
2 we will pick up with the agenda items that we started
3 today. Again, I want to thank you call for
4 participating in these proceedings.

5 The meeting is adjourned.

6 Thank you.

7 (Proceedings were adjourned at 11:47 a.m.)
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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 21st day of March, 2017.



MAXIMILLIAN A. CONTRERAS
CSR NO. 13876

