

REFUSE COLLECTION AND DISPOSAL RATE BOARD HEARING
CITY AND COUNTY OF SAN FRANCISCO
SPECIAL MEETING

TRANSCRIPT OF PROCEEDINGS

JUNE 19, 2017

9:02 A.M.

VOLUME II

One Dr. Carlton B. Goodlett Place, Room 416
San Francisco, California

REPORTED BY:

Dawn A. Stark

CSR No. 7847

1 APPEARANCES:

2

RATE BOARD:

3

JENNIFER JOHNSTON, Chair, Deputy City Administrator

4

TED EGAN, Chief Economist, Office of the Controller

5

MICHAEL P. CARLIN, Deputy General Manager, City Public
Utilities Commission

6

7

8 ALSO PRESENT:

9

BRADLEY A. RUSSI, ESQ., Office of the City Attorney,
Rate Board Counsel

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JACK GALLAGHER, Policy Aide to the Office of the City
Administrator, Clerk

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12

MOHAMMED NURU, Director of Public Works

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JULIA DAWSON, Deputy Director for Finance and
Administration for Public Works

14

ANNE CAREY, Project Manager for Public Works

15

MANU PRADHAN, Deputy City Attorney

16

JACK MACY, Senior Coordinator for Zero Waste, Department
of the Environment

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ROBERT HALEY, Zero Waste Manager, Department of the
Environment

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ROSIE DILGER, San Francisco Rate Payer

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SAN FRANCISCO, CALIFORNIA;

MONDAY, JUNE 19, 2017; 9:02 A.M.

THE CHAIR: Good morning.

I would like to resume the Special Meeting of the Refuse Collection and Disposal Rate Board.

For the record, it is Monday, June 19th, 2017.

It is approximately 9:02.

And we are in City Hall, Room 416.

Just by way of background, we recessed the Special Meeting at approximately 3:34 p.m. on Friday, June 16th, and we are now resuming the meeting.

The purpose of the meeting is to hear and consider Objections to the Report and Recommend Orders issued by the Public Works Director on May 12th, 2017, that would increase residential refuse collection and disposal rates.

I am Jennifer Johnston, Deputy City Administrator and Chair of this Rate Board.

Joining me are the other two Members of the Rate Board.

That's Ted Egan, Chief Economist of the City and County of San Francisco, and Michael Carlin, here to my left, Deputy General Manager of the Public Utilities Commission (indicating).

Also present are Bradley Russi from the City

1 Attorney's Government Team, who serves as counsel to the Rate
2 Board.

3 We also have Jack Gallagher, Policy Aide to the
4 Office of the City Administrator. He'll be serving as clerk
5 today.

6 We have Mohammed Nuru joining us again, Director of
7 Public Works.

8 Julia Dawson, Deputy Director for Finance
9 Administrator for Public Works.

10 Anne Carey, Project Manager for Public Works, pardon
11 me.

12 I don't see Manu here.

13 MS. DAWSON: He said he'd be running late.

14 THE CHAIR: Okay. Robert Haley, Zero Waste Manager
15 in the Department of the Environment.

16 And San Francisco Rate Payer Advocate Rosie Dilger.

17 Our hearing is being transcribed today by a
18 stenographer, Dawn Stark.

19 We are also recording this hearing. So I ask that
20 you speak one at a time and use the microphone so you can be
21 heard clearly.

22 Please also make sure to turn off your cell phones,
23 pagers, and other sound-producing electronic devices so that
24 our hearing does not get interrupted.

25 And just a quick overview of these proceedings.

1 So we began -- as I indicated, we began the Special
2 Meeting at approximately 1:00 p.m. on Friday, June 16th.

3 During the meeting, we covered Agenda Items I
4 through VIII.

5 In the course of hearing those Agenda Items, we
6 heard testimony from three of the Objectors and took public
7 comment from a number of individuals.

8 Before proceeding, additional reminders.

9 Copies of the Agenda of this hearing are available
10 on the side table of the room for you to pick up, along with
11 copies of the written Objections that were heard by the Rate
12 Board.

13 There are also binders of materials that you may
14 review, but which -- please make sure to keep them in the
15 room.

16 And these materials are also available on the Public
17 Works' and Rate Payer Advocate's websites.

18 Additionally, on the side table is a shell of an
19 order that the Deputy City Attorney, Brad Russi, put together
20 for us to kind of help us in structuring our conversation
21 today.

22 So if you want a copy of that, it's available for
23 you.

24 Regarding the procedures for this meeting, we will
25 continue to move on through the Agenda Items. Once they are

1 completed, we will not go back to Agenda Items that have been
2 concluded unless otherwise agreed to by a majority of the
3 Rate Board.

4 We will continue with the hearing until all Agenda
5 Items are concluded.

6 However, if my colleagues agree, I would like to
7 open the meeting with additional public comment under Agenda
8 Item VIII, if that's amenable -- if you're amenable to that,
9 which is General Public Comment on Any Other Matters Within
10 the Jurisdiction of the Rate Board.

11 And actually, before proceeding on to Agenda Item
12 No. VIII, I understand that one of the Objectors is here that
13 was not able to join on Monday -- or Friday.

14 Is that correct?

15 MS. RICHEN: Yes.

16 THE CHAIR: Yes.

17 So I'm -- I'm actually okay with opening up that
18 Agenda Item to allow for comment under that particular item,
19 if you are also amenable.

20 Okay. If you could please approach the dais.

21 And you have up to 10 minutes to provide -- or
22 present on your Objections.

23 MS. RICHEN: Thank you.

24 I don't need that much time.

25 Hello. My name is Noni Richen.

1 I have submitted a letter, and I just want to
2 reiterate a few of the points that I made.

3 The technical details of -- of the organization that
4 I represent, the Small Property Owners of San Francisco, have
5 been presented by other of our members.

6 So I just wanted to perhaps give a human perspective
7 to what the rate increases might do since we're being singled
8 out.

9 We are owners of two- to small -- two- to five-unit
10 buildings, and we are facing a far greater increase than
11 seems to be justified by the amount of work that we produce
12 for the Recology.

13 Many -- for instance, the single-family house is
14 receiving an increase of 16.5 percent.

15 I live in a two-unit building, renting out the lower
16 unit. We have a 20-gallon black can, a 32-gallon green can,
17 and a 64-gallon blue can, because we're trying to recycle.

18 Suddenly, we are faced with being charged as if
19 we're suddenly producing more -- more waste. We're being
20 charged with two new \$20 unit fees, \$40, and we're not
21 producing any more trash.

22 We carefully take everything -- separate everything.

23 We take it to the street.

24 We are typical small property owners.

25 We're not corporate landlords.

1 We don't have staffs.

2 We don't have attorneys to turn to.

3 We are on our own.

4 Tomorrow at this time, I will be repairing the
5 wallpaper on one of my tenant's units.

6 This is the type of people we are.

7 We do not feel that we should be singled out.

8 I also have a four-unit building across the street,
9 which we bought in 1984. It produces gross income, for a
10 total year, of only \$57,000 a year.

11 If I were to have a roof and a paint job in the same
12 year, that would totally wipe out my gross income.

13 You can see how every little increase would put --
14 push me closer to the edge, push me closer to just going out
15 of business, which is a polite word for the Ellis Act.

16 I -- I really don't want to do it because my tenants
17 are nice people, but I can't -- even though we don't have a
18 mortgage, we are going to be on the losing side.

19 This is not fair.

20 It's not fair to me.

21 It's not fair to the tenants.

22 It's not fair to the City because these people will
23 be out of a place to live. I don't want to do that.

24 All of my tenants in the four-unit building are
25 either disabled or low income. I couldn't even pass through

1 this small amount.

2 And I realize you didn't make up the rent increase
3 laws, but they severely affect us.

4 We cannot pass these things through very easily. We
5 can only give direct pass-throughs on bond issues, is my
6 understanding.

7 So I ask you, please, to think about the rate
8 structure, and think about spreading it more evenly over the
9 total -- total numbers of units.

10 We're the smallest -- we're the largest producer of
11 housing for the City. We're a necessary element of the City.

12 And to ask us to do our businesses in an
13 unsustainable manner just doesn't make good business sense.

14 I appreciate the opportunity to talk to you, and I
15 think that I've said enough.

16 Do you have any questions for me?

17 THE CHAIR: I do not.

18 MS. RICHEN: Thank you very much.

19 THE CHAIR: Thank you for your time.

20 Okay. That will close -- conclude Agenda Item
21 No. IV, which was Presentations by the Objectors who Filed
22 Timely Written Objections.

23 Okay. I will move on to Agenda Item -- sorry. One
24 moment.

25 (Reviewing document.)

1 Okay. Moving on to Agenda Item No. VIII, which is
2 General Public Comment on any Matters within the Jurisdiction
3 of the Rate Board.

4 Speakers will have a minimum (sic) of 3 minutes
5 each.

6 MR. RUSSI: Also, public comment on IV again, since
7 you opened it up a second time.

8 THE CHAIR: Okay. Why don't we go ahead, then, and
9 go back to Agenda Item No. V, which is Public Comment on Any
10 or All of the Objections Nos. 1 through 53.

11 Speakers will have a minimum (sic) of 3 minutes
12 each.

13 And while I'm on -- just explaining public comment.

14 In order to ensure that the public comment of -- the
15 portion of the hearing is conducted fairly and efficiently,
16 we request that anyone who wishes to speak, please complete a
17 speaker card.

18 There are speaker cards available on the table with
19 Mr. Gallagher (indicating).

20 I also suggest that any group of persons with
21 similar interests designate a representative to act as
22 spokesperson.

23 Each person will be given the same amount of time,
24 which is a maximum of 3 minutes.

25 And please be advised that although the Board will

1 listen to all general public comment on matters within the
2 Board's jurisdiction, no new or additional Objections can be
3 raised, orally or filed in writing, at this hearing for
4 action by the Rate Board.

5 Only evidence previously placed in the
6 Administrative Record through testimony or documents at the
7 Public Works Director's 2017 Rate Reviews -- Rate Hearings
8 may be used to support the Objections.

9 And we are not permitted to consider new evidence.

10 And then the Rate Board acts by majority vote.

11 If, for any reason, the Rate Board does not act
12 within 60 days of the Public Works Director's Recommended
13 Order, which was May 12th, the Public Works Director's Order
14 will be deemed the Order of the Board.

15 Also, please note that in my capacity as Chair, I
16 may modify these procedures as the hearing progresses as may
17 be needed in order to ensure a fair and efficient proceeding.

18 All right. With that, we'll go ahead and move on to
19 Agenda Item No. V, which is the -- Any Public Comment on the
20 Objections 1 through 53.

21 Anybody like to provide public comment on those
22 matters?

23 Okay. Seeing none, we'll now move on to Agenda Item
24 No. VIII, which is General Public Comment on Any Matters
25 Within the Jurisdiction of the Rate Board.

1 If you did complete a speaker card, please proceed,
2 and Mr. Gallagher will call out your name.

3 MR. GALLAGHER: I'm going to read a couple cards.

4 Kathleen Soper.

5 Peter Reitz.

6 Thomas Soper.

7 Gideon Kramer.

8 THE CHAIR: Thank you.

9 MS. SOPER: Thank you.

10 Good morning.

11 My name is Kathleen Soper, and I live at
12 2202 Kirkham. We are in a two-family house.

13 I have not heard yet a clear explanation of the
14 obvious inequity of the rate hike to the two to five
15 building.

16 And testimony Friday that those buildings, two to
17 fives, have not been paying their fair share. I haven't
18 heard a clear explanation as to how that happened.

19 We don't set the rates.

20 We've been paying our bills.

21 The rates are and have been what they are. Suddenly
22 we're being told we haven't been paying our fair share.

23 Now, this -- I haven't heard a clear explanation as
24 to how that happened or why suddenly we are paying more and
25 this inequity is somehow going to, as it looks, be approved.

1 So I would just ask you to please shine a light on
2 that very specific question and reconsider.

3 MR. REITZ: Good morning.

4 My name is Peter Reitz, and I'm the Executive
5 Director of Small Property Owners of San Francisco.

6 I just wanted to add a couple of thoughts that -- we
7 have roughly 2,000 members.

8 They're owners of two- to five-unit buildings, and
9 most of them are -- have mortgages.

10 A lot of immigrants are in that group. As a matter
11 of fact, in our monthly meetings, we provide Cantonese
12 translation.

13 And these rate hikes that have been reworked from
14 the 51 percent to, I think, 31 percent, as were my
15 calculations -- maybe they're a little off.

16 But you're offering a lower rate from the \$20 flat
17 fee. But still, that adds up to 31 percent, and yet we can
18 only increase rents 1 percent.

19 Now, granted, the scales are different.

20 But still, the principle is that a lot of our people
21 are really struggling to make their mortgages, and I think
22 that the -- we can find a way to continue the recycling
23 program in San Francisco without extortion of these small
24 property owners that often provide rents of \$300 to \$500 a
25 month.

1 It's the sector you want to maintain in this City.

2 Thank you.

3 THE CHAIR: Next speaker?

4 Mr. Gallagher, do you have additional cards?

5 MR. GALLAGHER: I read them all off.

6 THE CHAIR: Okay. Does anybody -- Ms. Dawson, would
7 you like to comment?

8 MS. DAWSON: Yes.

9 Julia Dawson from Public Works.

10 Over the recess of the meeting, I wanted to provide
11 you with a little more information on the Reserve Fund, which
12 might help in your deliberation process.

13 So the City is really trying to balance two
14 objectives, which is to protect the City from unanticipated
15 claims that might arise under the now-expired Landfill
16 Agreement until the Statute of Limitation expires in 2020,
17 which we talked a little bit about in the last meeting.

18 But also, to be able to use some of the balance to
19 the benefit of Rate Payers.

20 And that is being done in two ways, within both
21 Recology's Application and then the Recommended Orders, which
22 is to build up a new Reserve Fund with annual transfers of
23 \$2 million until the target funding of \$10 million is
24 reached.

25 And that would be in lieu of additional 1 percent

1 surcharge that would be assessed to Rate Payers. So in
2 effect, it's preventing an otherwise higher rate.

3 And in addition, we're also applying \$2.5 million
4 per year to meet some portion of Recology's revenue
5 requirement, which also has the benefit of returning these
6 funds, which were collected from Rate Payers, to Rate Payers.

7 And it leaves a declining balance, which you can see
8 in Recology's Application, Exhibit 1.

9 So we know that the Rate Board is concerned about
10 unanticipated claims exceeding the available funding in the
11 old fund.

12 And I'd like to offer a couple of observations that
13 might make the Board a little more comfortable with the
14 transfers that are proposed.

15 So Exhibit 9 was evaluated in the hearings as a
16 report from the Department of the Environment to the Rate
17 Board in previous proceedings that describes the historic
18 uses of the Special Reserve Fund that was tied to the old
19 Facilitation Agreement.

20 And since its inception, which was 1997, a total
21 of --

22 MR. CARLIN: '87.

23 MS. DAWSON: '87 -- a total of \$8.6 million has been
24 distributed from the fund, which, given the time frame, is a
25 pretty small value.

1 And it was mostly to cover regulatory costs that was
2 unanticipated in the existing Landfill Agreement as we were
3 using it for disposal.

4 The report also describes an amendment that was made
5 to the Facilitation Agreement under which Waste Management,
6 who was the operator of that Landfill, agreed to release the
7 City from any claims for reimbursement on closure and
8 post-closure of that Landfill in exchange for an additional
9 .27 cents per ton disposed.

10 So what I -- so the point I'm really just trying to
11 make is the fund has been used historically to cover
12 unanticipated regulatory costs that happen during the life of
13 the agreement.

14 And going forward, the amendment that was made to
15 the agreement, with the additional disposal costs, covers the
16 City from post-closure/closure costs that might occur.

17 So, you know, our view was trying to balance the
18 Rate Payers with leaving money that had been collected, but
19 not used, that leaving a declining balance, would be
20 sufficient to protect against unanticipated claims.

21 And we were trying to balance that with our feeling
22 of obligation to apply those funds to the benefit of Rate
23 Payers as soon as was reasonable.

24 So we believe that this decision was consistent with
25 the directions that the Rate Board had given us when it

1 approved the distributions from the Special Reserve in 2015
2 and '16.

3 THE CHAIR: Thank you.

4 MR. PILPEL: Further public comment?

5 THE CHAIR: Yes.

6 MR. PILPEL: David Pilpel.

7 A couple of items today.

8 This morning's Mercury News has, on the cover, a
9 story called, "The Decline of Recycling." The value of
10 returned bottles, cans, plastic, keeps dropping and stores,
11 homeless people, and the environment pay the price about
12 problems with the State's Bottle Bill.

13 And the resulting impact on the entire recycling
14 sector continues to be a challenge to operate in this
15 environment.

16 I encourage you to read that and -- the staff and
17 the companies.

18 As relates to some of the reporting requirements
19 that are covered in the Director's Report, without
20 necessarily changing the report, I think you could ask that
21 the Quarterly Reports provided to the City include, among the
22 various elements, some additional narrative about the status
23 of implementing the changes to containers to customers.

24 The upsizing and downsizing of the blue and black
25 containers; the status of the changes in routing and truck

1 configuration; any significant issues with recycling
2 commodity revenue, as I just referenced, and particularly as
3 to the major capital items to the Contingent Schedules; and
4 any obstacles or significant milestones in implementing those
5 major capital projects.

6 Not a lot of narrative, but just a little bit in the
7 Quarterly Reports as to those items until they're completed,
8 so that the City and the public -- to the extent that anyone
9 besides me actually reads the Quarterly Reports -- might know
10 what's happening on those issues.

11 And just finally, on the 30-day notice that's --
12 that's suggested by the Public Works Director as to those
13 triggers for the Contingent Schedules, if Public Works could
14 also figure a way to provide notice to those interested
15 persons of that.

16 Otherwise, it's difficult to have to go back to the
17 website every week or so just to see if there's anything new
18 there.

19 I'm sure they could accommodate that, given that
20 there are not a lot of people, like myself, who are
21 interested in these issues.

22 But thank you for your good work, and I'll have
23 comments later on the draft Resolution.

24 Thanks.

25 THE CHAIR: Thank you, Mr. Pilpel.

1 Anyone else wish to provide public comment?

2 MR. KRAMER: Good afternoon -- excuse me, good
3 morning, Board Members.

4 My name is Gideon Kramer. I spoke on Friday.

5 I would just like to reiterate again the issue of
6 the disproportionate rate hike for owners of two to five
7 units; owners that are, as a class, called "small property
8 owners," for a good reason.

9 They're small landlords that provide actually the
10 majority of the housing in San Francisco.

11 The second point I'd like to make is that I do not
12 believe Recology has made a compelling case for those rent --
13 for those rate increases.

14 In my case, a four-unit building, the rate will be
15 up by 36.5 percent.

16 This is after it was originally -- the original
17 proposal was 51 -- or 48 percent by Recology. The Director
18 amended it down to 36.5 percent.

19 But I still think that's way, way out of line.

20 The third comment I'd like to make -- and I would
21 love to get an answer from Recology about this -- is the City
22 mandate is to basically get rid of the black trash by 2020.

23 If you look at the Rate Schedule, it's -- it's --
24 it's exactly the opposite of what you'd expect. If you want
25 to incentivize people to eliminate or minimize black trash,

1 you want to increase the rate for black trash, and you want
2 to incentivize people to put more into the black -- into
3 the -- excuse me, into the green and blue bins.

4 And instead, Recology is proposing to triple their
5 rate for blue and green trash and -- and cut the black trash
6 from about \$25 down to \$12.

7 That seems to me exactly the opposite of what -- it
8 may -- it may look good from a marketing standpoint, but in
9 terms of achieving the goal that the City has, it seems to me
10 completely the opposite.

11 It makes no sense to me, and I would love to hear
12 the logic behind that.

13 Thank you.

14 THE CHAIR: Thank you.

15 MR. SOPER: Good morning.

16 My name is Thomas Soper, and I wanted to respond to
17 what the Director testified to on Friday in his attempt to
18 communicate the rigorous study that DPW and Recology went
19 through, describing the certain consultants they hired to
20 assist them in coming up with this new pricing structure.

21 There were also other non-Objectors on Friday that
22 testified on Friday that they believe that -- and I'm
23 paraphrasing here -- that DPW looked at all the
24 possibilities.

25 I am here to say that I don't believe that.

1 With regard to necessary consultants, I don't
2 believe that they had an independent License Sustainability
3 architect involved with this rate structuring.

4 The reason I believe this is that I personally have
5 conducted very complicated sustainability projects, involving
6 many consultants, including fiscal experts who do very
7 rigorous cost analysis with a number of variables.

8 But I can tell from my experience that this pricing
9 proposal has been conducted, from a very -- from the very
10 beginning, with a preconceived strategy.

11 This is why, in great part, that they have ended up
12 with an unfair and unjust price structure.

13 They have left out what sustainability experts do to
14 also examine all the alternatives of this complex equation.
15 They're easy to get lost in the shuffle. So many figures
16 that they can't see -- it ends up not being able to see the
17 forest through the trees.

18 While I appreciate the -- the enormous effort that
19 they've made, it's a very complicated thing.

20 But this is my professional opinion as an architect,
21 licensed by the State of California.

22 But so that you know, it's not just my professional
23 opinion that DPW and Recology have not done their due
24 diligence in investigating operating methods leading to price
25 structures that are truly fair and just and effective.

1 There are other alternatives I want to state for
2 that -- for the record.

3 It is public knowledge that an entire country
4 recently had the same debate that we're having today. They
5 came to a very different conclusion than DPW has come to.

6 They -- this -- this community released a summary
7 statement, issued by their -- the recycling company, and why
8 all parties came to the conclusion very differently.

9 They said that -- that this -- their conclusion was
10 to allow more accurate record of collection and proper
11 disposing of waste.

12 Two, to hit targets for diverting blue and green
13 refuse from landfills.

14 Three, to promote better segregation of waste types
15 and decrease waste to landfills.

16 And four, other methods, such as based on container
17 size, etc., are not as sustainable and effective.

18 So I'd just like to conclude that an entire
19 community had meaningful public participation in healthy, and
20 most importantly, comprehensive debate in this alternative.

21 And they concluded, quote -- and I quote, "In our
22 pricing system, you therefore only pay for the amount of
23 waste you generate."

24 No distinction is made between single-family,
25 apartment blocks, or management companies in their solution.

1 So what I'm trying to establish here, without
2 speculation or my personal opinion, is that DPW didn't -- did
3 leave something out that's very important in its due
4 diligence.

5 It's just not my opinion, but the opinion of an
6 entire nation on this example. And this is public
7 information on the Internet.

8 Thank you.

9 THE CHAIR: Thank you, Mr. Soper.

10 Any additional public comment?

11 Seeing none, we'll go ahead and move on to Agenda
12 No. IX, which is the Rate Board Consideration of Proposed
13 Order and Objections to Proposed Order; Approve or Deny the
14 Application, in Whole or in Part, Including the Proposed Uses
15 of the Special Reserve Fund Under the 1987 Waste Disposal
16 Agreement and Whether There is a Continuing Need for the
17 Fund, or Some Portion of It.

18 So I will defer to my colleagues on how you would
19 like to proceed. But I -- I do believe that we are required
20 to address each of the Objections.

21 It would make sense to me, to the extent that
22 they -- many of them kind of have the same theme or they're
23 the same basis, to group some of those.

24 And the grouping that the Public Works Director --
25 the approach taken, I think, makes a lot of sense.

1 So I guess I'll open it up for discussion.

2 Actually, before proceeding on to that, I'm
3 wondering if you have any questions for the representatives
4 of the departments that are here.

5 MR. EGAN: I think I will as we go through the
6 Objections.

7 THE CHAIR: Okay. So with that, we agree that that
8 is -- makes sense to proceed that way.

9 And as I've indicated, I've also asked the City
10 Attorney to prepare a shell of the order for our review to
11 help us structure the -- our discussion today.

12 And again, the copies of that are available for
13 members of the public over on the table (indicating).

14 So proceeding on, we have the first grouping, which
15 is, "The rate increase is too high." And that covers
16 Objections 1, 2, 3, 16, 17, and 18.

17 I'll start off by saying that I -- I mean, I -- I
18 agree that a 20 percent increase is significant, and -- and
19 it is not lost on me that will have an impact on
20 single-family homes and smaller apartment buildings, and to
21 the extent that they're able to be passed down to our
22 tenants.

23 And of course, we can see an increase in that if the
24 contingencies are also triggered.

25 And while I say that, I do believe the Public Works

1 and Department of the Environment really did do a very
2 excellent, due-diligent job of going through the Rate
3 Application and ensuring that, you know, it appropriately
4 considered operating costs, did not include pass-throughs.

5 So to that extent, I do -- although it is a
6 significant increase, I do feel that it's merited.

7 I also think it's important to note that
8 5.7 percent of that is due to the COLA that was postponed by
9 virtue of reallocating the old Special Reserve Fund to the
10 new Special Reserve Fund.

11 To the extent that we could put off some of those
12 additional costs, you know, we'd not be seeing such a
13 significant increase if that had hit us sooner.

14 So I do think that should be noted.

15 MR. CARLIN: So I'll add that having read the
16 material, much of the costs are fixed. And it's really hard
17 to develop a rate structure when you have such a high fixed
18 cost; 65 percent is labor and associated costs with trucks
19 and things of that nature.

20 So you're paying for a service.

21 And if you try to base it on a volumetric-only sort
22 of rate, you may come up short.

23 And I think that the rate structure that has been
24 developed to push more towards the cost service is
25 appropriate.

1 I think that it is being phased in over time, and as
2 we kind of move to Zero Waste, I think that creates a new
3 business plan that has be developed by the Department of the
4 Environment to the Department of Public Works, and looking at
5 what that means for the future.

6 Maybe we're not doing as much collection as we are
7 today, but rather, there's much more diversion going on and
8 such, and there could be higher revenues.

9 But given the fact that there's sort of an equity
10 issue here, I think that the rate structure that has been
11 proposed is fair.

12 And I think that's -- moving forward, it will be
13 more along the lines that you're paying for the cost of
14 service.

15 MR. EGAN: I tend to break down what we've heard
16 over the last two days into concerns about the overall costs
17 and what are the different drivers of those costs, and also
18 the question of equity.

19 I think I want to discuss equity as we go through
20 some of the other Objections, because I think that there are
21 certain questions I still have about that.

22 So the first question, though, is: Is the overall
23 expense high?

24 I would agree with Chair Johnston that the
25 Department has done an extremely thorough job, and there has

1 been a great deal of review that the required revenue that
2 Recology has here is reasonable.

3 It does make sense that if the landfill costs go up,
4 the rates have to go up; if more people are participating in
5 programs, that has to be paid for; and that overall costs of
6 doing business in the City are rising, including Recology's
7 costs.

8 We have not heard yet -- but we may as we go through
9 the discussion -- deal with the additional rates associated
10 with the cost of expanding new programs.

11 But in terms of the overall rates being too high,
12 irrespective of the new programs and irrespective of who pays
13 how much, I don't find any reason to object to that.

14 I think that the rationale for Recology's required
15 revenue is reasonable.

16 And so while I understand the Objection, I
17 understand the -- particularly the first-year jump, I -- I do
18 not agree with the "rate increase overall is too high."

19 THE CHAIR: Okay. Do I have a motion on the -- on a
20 decision with respect to the first grouping of Objections?

21 And if I understand it correctly, Mr. Russi, it's --
22 we vote to concur or deny.

23 Is that correct?

24 MR. RUSSI: Or modify the order --

25 THE CHAIR: Or modify.

1 MR. RUSSI: -- in some way to account for the
2 Objection.

3 THE CHAIR: Okay.

4 MR. EGAN: Do we have to move on each of the --

5 UNKNOWN SPEAKER: We can't hear you.

6 MR. EGAN: I'm sorry.

7 Do we need to make motions on each of the --

8 THE CHAIR: Well, I think we can agree to -- if we
9 want to group them as one group and kind of discuss them -- I
10 was thinking for an orderly discussion, a structured
11 discussion would make sense.

12 But I'm not -- I'm amenable to considering another
13 way of proceeding on this.

14 MR. EGAN: I think doing them as a group is fine.

15 THE CHAIR: Okay.

16 MR. CARLIN: So I make a motion to deny the
17 Objection.

18 MR. EGAN: Okay. And I second that.

19 UNKNOWN SPEAKER: We can't hear you.

20 What did you say?

21 MR. CARLIN: I made a motion to deny the Objection.

22 MR. EGAN: And I seconded it.

23 THE CHAIR: The first grouping.

24 Okay. So all in favor, aye?

25 ALL MEMBERS: Aye.

1 MR. RUSSI: Just to be clear, that's Objections 1,
2 2, 3, 16, 17, and 18?

3 THE CHAIR: Right.

4 The Rate Board has voted to reject those Objections;
5 thank you.

6 As for the second grouping: Rate increases higher
7 for apartment owners with two- to five- unit buildings.

8 And that's Objections No. 52 and 53.

9 MR. EGAN: We had discussions about the equity
10 surrounding single-family versus two- to five-unit buildings
11 on Friday.

12 I don't believe we had discussions about the
13 differences between the one -- single family and two to five
14 and then apartment buildings, or at least I have further
15 questions on that.

16 I'm wondering if Ms. Dawson or someone from Public
17 Works could help me walk -- walk me through some of the
18 equity considerations involved there.

19 THE CHAIR: And it also may make sense to kind of --
20 yeah, also, to the single-family dwelling units, I think
21 maybe just to expand on -- and, again using the term "not
22 paying their fair share," but if you could expand on that a
23 little bit.

24 MS. DAWSON: Sure.

25 So -- Julia Dawson, Public Works.

1 So we had provided this table for the Rate Board
2 Members at the last hearing (indicating).

3 And what it does is kind of walk you through three
4 different scenarios of a sample rate structure in the case of
5 the residential rates, which starts at the one unit and then
6 the two unit and eventually the apartment rates.

7 The reason it's a little tricky to look at apartment
8 rates -- and that's actually true for all service -- is it's
9 really driven by what your service is.

10 So depending on how many bins you have and how many
11 residential units you have, that's going to result in
12 slightly different costs.

13 But what I did, in the apartment rates, is just show
14 you one sample scenario for a six-unit building.

15 And basically, what happens is there is a fixed
16 charge that's smaller, but there are resulting volumetric
17 changes that are identical.

18 And then there's a diversion discount that's
19 applied.

20 When we looked at the rate structures and compared
21 one unit, two to five, and then six-plus, the tricky part is
22 because they don't have exactly the same rate pattern, the
23 distribution of the effective increase varied, meaning in the
24 six-plus units, the distribution was a lot tighter to the
25 average rate increase, around 16.4.

1 So for the apartment buildings, you see less
2 variation.

3 For the one units and then the two to fives, you saw
4 a greater impact to the fixed charge because of the shift,
5 which is why, when the Director, in the Recommending Reports,
6 he moderated the increase to the fixed charge to try to
7 equalize more, between all three rate structures, what the
8 impact would be.

9 And to also allow customers to be able to control
10 their costs more by putting a little more cost on the
11 volumetric and a little less on the fixed charge.

12 MR. EGAN: What's the rationale -- if I'm reading
13 this correctly -- for a one-unit building, their \$15 fixed
14 charge -- sorry -- yes, that's correct, and the same for a
15 two to five -- it's also \$15 per unit --

16 MS. DAWSON: Uh-huh.

17 MR. EGAN: -- and it's \$5 per unit for apartments.
18 What -- what is the rationale for that?

19 MS. DAWSON: I think it's just a question of
20 different structures.

21 The six-plus units mimic the commercial structure
22 more and there's a lot more volume.

23 MR. EGAN: Okay.

24 MS. DAWSON: And so what essentially happened in the
25 six-plus is the diversion discount changed. So it used to

1 be the floor with which you would receive a discount was
2 15 percent.

3 What's happened is that floor has been raised to 25.
4 But there also used to be a cap on how much you could
5 achieve.

6 And so the cap was lifted, but the floor was raised.

7 So that ended up in achieving a rate increase that
8 was quite comparable to the average for both the one unit and
9 the two to five.

10 So it's not -- I think you have to be careful not to
11 be too keyed on the amount of the unit charge. You need to
12 look at the entire rate structure holistically, because
13 they're not computed the same and they -- they were changed
14 in different ways.

15 But the goal was to achieve as many Rate Payers as
16 possible to be as close to the average increase as possible.

17 That was the principle that we looked at in
18 evaluating Recology's proposal and then recommending the
19 rates that we did.

20 MR. EGAN: Is it fair to conclude, though, that the
21 average apartment increase is lower than the lower increase
22 for a single-family and two- to five-unit buildings?

23 MS. DAWSON: No, because the majority of the Rate
24 Payers are in the one unit, and the one units are a very
25 close distribution to the average.

1 Where you're seeing the greater impact is in the two
2 to five units, which we spoke to a little bit, because the
3 reality of having a smaller fixed charge -- again, John
4 Porter can come up and talk about the rate structure, as
5 well.

6 But the reality of that fixed charge, which reflects
7 cost of service, is that with such a small fixed charge and
8 higher volumetric charges on trash, in effect, the two to
9 five units were a lot less expensive on a per-unit basis than
10 the other Rate Payers.

11 So when Mr. Haley, in the last hearing, was talking
12 about distributions, in effect, any rate structure can't
13 achieve a perfect distribution. You try to be as close as
14 you can, with as many Rate Payers as possible in the average,
15 but you're going to end up with some outlier distributions.

16 MR. PORTER: John Porter, Group Controller for
17 Recology.

18 One thing I'd like to add -- and I think what
19 Ms. Dawson said was completely accurate, but also worth
20 noting, that the apartment structure, which is the six units
21 to 600 rooms, has two fixed costs for recovery mechanisms.

22 One is the diversion discount floor. So the first
23 25 percent of your costs are being recovered through that
24 diversion discount floor.

25 And so that's one element of our fixed-costs

1 recovering mechanism for apartments, whereas a residential
2 rate structure does not have that diversion discount floor.
3 And therefore, all of our fixed costs must be recovered
4 through that unit charge.

5 And therefore, since we have two mechanisms, one
6 being the unit charge on the apartment side and the diversion
7 discount floor -- we have those two mechanisms, and
8 therefore, our unit charge on a per-unit basis is lower on
9 the apartment side.

10 The key is to get our fixed-costs recovery as close
11 as possible to that, you know, 50 to 60 percent that we saw
12 on Exhibit 43, prepared by Harmony & McKenna.

13 MR. EGAN: Okay. Thank you.

14 MR. CARLIN: Ms. Dawson?

15 MS. DAWSON: Sure.

16 MR. CARLIN: So we've heard a lot of testimony about
17 the two- to five-unit buildings and the one-unit buildings.

18 I'm just looking at your chart, and it looks like
19 the one-unit building, besides the fixed charge, mimics
20 exactly, sort of on the volumetric side, what a one-unit
21 building would pay.

22 Can you shine a little bit more light on the fixed
23 charge for the multi -- the two- to five-unit building?

24 MS. DAWSON: Meaning that -- so why we would have
25 such a higher fixed charge?

1 MR. CARLIN: Yes.

2 MS. DAWSON: Because it's on a per-customer basis.

3 So if you think about it in the single-family home,
4 you have a customer in a home. On a multi-unit, you have
5 multiple customers all producing a waste stream.

6 And Recology has fixed costs of collection and
7 processing that are addressed really by customer, not -- not
8 so much by building.

9 So we're really trying to move towards cost of
10 service by having all customers support that roughly
11 60 percent of expense for the entire system of collection and
12 processing, not -- not just on a structural basis -- a
13 structure basis.

14 MR. CARLIN: Okay.

15 THE CHAIR: Any other questions for Ms. Dawson?

16 So with respect to the second grouping -- I
17 apologize.

18 MS. DAWSON: Just one other thing, which Mr. Haley
19 was interested in me mentioning, is there is still an
20 efficiency advantage to being in a multi-unit building -- and
21 we talked a little bit about this, in terms of bin sharing.

22 And the rate process is allowing customers to go
23 down to lower minimum costs of service for trash. So it's
24 moving from 32 gallons to 16.

25 And so that also provides the greater ability for

1 multi-unit buildings to share bins and thus reduce their
2 overall costs even with the higher unit charge.

3 MR. CARLIN: So what you're saying is basically a
4 two-unit building could have one single set of bins?

5 MS. DAWSON: Yes.

6 MR. CARLIN: Okay.

7 THE CHAIR: Did the Department want to anything or
8 -- okay.

9 Then do I have a motion with respect to the second
10 grouping, which is Objections No. 52 and --

11 MR. CARLIN: Were you going to say something?

12 THE CHAIR: Yes.

13 So then do I have a motion with respect to the
14 second grouping, which is: Rate increase is higher for
15 apartment owners with two- to five-unit buildings?

16 Again, that's Objections No. 52 and 53.

17 MR. EGAN: I believe, based on what we've heard,
18 that the -- while the rate increase does appear to be higher
19 for some two- to five-unit buildings, it is moving towards an
20 equitable distribution between single family and two to five.

21 And as we've just heard, although at first glance,
22 it may look like apartments are paying less, that's not
23 necessarily true.

24 So therefore, in terms of the equity of two- to
25 five-unit buildings versus others, I -- I agree with the

1 Objection, but I don't think it's unfair or unjust.

2 And therefore, I would move to reject it.

3 MR. CARLIN: And I will second that.

4 THE CHAIR: All in favor?

5 ALL MEMBERS: Aye.

6 THE CHAIR: Okay. It's three to zero, denying the
7 second grouping of Objections, 52 and 53.

8 The third grouping of Objections: That the base
9 service charge is too high.

10 That's Objections 4, 5, 22, 24, 31, 38, and 45.

11 And Ms. Stark, I'll say that for your benefit again.

12 Objections 4, 5, 22, 24, 31, 38, and 45.

13 And I think -- with this, also, by incrementally
14 increasing the unit charge, I do think the City is
15 appropriately moving towards better aligning the rates with
16 fixed-cost components of residential apartment services.

17 And you know, the proposed rate structure with a
18 higher unit charge also mitigates the impact of the declining
19 trash volumes on Recology's total revenues.

20 And you know, as we move toward -- move closer to
21 our goal of Zero Waste and continue to incentivize recycling
22 and composting, this does -- I -- this does make sense to me.

23 So for that reason, I do not think that the base
24 service charge is too high or that it's unjust or
25 unreasonable.

1 MR. CARLIN: I find that to be true, as well.

2 MR. EGAN: I agree.

3 THE CHAIR: So do I have a motion?

4 MR. CARLIN: I will make the motion to reject the
5 Objection.

6 THE CHAIR: I second.

7 All -- all in favor?

8 ALL MEMBERS: Aye.

9 THE CHAIR: Okay. Moving on to the fourth grouping:
10 Rate increase is unfair to single-family residences and two-
11 to five-unit buildings.

12 And this is Objections 6, 7, 11, 19, 25, 32, 39, and
13 46.

14 MR. CARLIN: So if I understand this correctly,
15 we've already denied for the two- to five-unit buildings, and
16 now we're asking for a combination of the two.

17 And I don't find them to be out of line at this
18 point.

19 So I would make a motion to deny the Objection.

20 MR. EGAN: I would second.

21 THE CHAIR: All in favor?

22 ALL MEMBERS: Aye.

23 THE CHAIR: Those Objections are denied three to
24 zero.

25 Fifth grouping: Cost-of-living adjustment not

1 justified.

2 And that's Objections No. 8 and 20.

3 And I -- you know, I agree that using COLA,
4 cost-of-living increases, in utility rate making is a
5 standard practice, and I do find that reasonable.

6 So I would be inclined to also reject these
7 Objections.

8 MR. EGAN: I agree.

9 I think there's documented, extensive study in this
10 process, and it's very reasonable.

11 So I would move to reject it, as well.

12 MR. CARLIN: I'll second.

13 THE CHAIR: All in favor?

14 ALL MEMBERS: Aye.

15 THE CHAIR: Those Objections are denied three to
16 zero.

17 The sixth grouping: Abandoned Materials Program
18 should not be in the rates.

19 That's Objections 13, 30, 37, 44, and 51.

20 And that's 13, 30, 37, 44, and 51.

21 I -- I feel that this program is to the benefit of
22 all Rate Payers. I think we all have a shared interest in
23 continuing the program.

24 And I think it's wholly appropriate to include them
25 in the rates, this -- the cost of this program in the rates.

1 MR. CARLIN: And this was something that we
2 discussed last time rates came up.

3 And we sent some metrics associated with that, and I
4 think they met the metrics. And I think it's a service that
5 people are expecting now.

6 So I would deny this Objection.

7 THE CHAIR: Second -- or I'm sorry.

8 Is that a motion?

9 MR. CARLIN: It's a motion to deny the Objection.

10 THE CHAIR: I second.

11 All in favor?

12 ALL MEMBERS: Aye.

13 THE CHAIR: Moving on to the eighth grouping: More
14 information is needed on Recology's costs.

15 And this is Objections 14 --

16 (Remarks outside the record.)

17 THE CHAIR: Oh, I'm sorry; forgive me.

18 The seventh grouping -- thank you -- Zero Waste
19 incentive rebates -- fund rebates have been misapplied.

20 And this is Objections 20, 30, 37, 44, and 51.

21 And I -- I didn't quite understand the basis of this
22 argument; I -- I don't find it compelling.

23 MR. EGAN: I think we've heard from Public Works
24 staff that the rebates are being applied for the benefit of
25 Rate Payers.

1 That's appropriate, and I would move to reject this.

2 MR. CARLIN: I'll second that.

3 THE CHAIR: All in favor?

4 ALL MEMBERS: Aye.

5 THE CHAIR: The Objection is denied three to zero.

6 The eighth grouping: More information needed on
7 Recology's costs.

8 And this is Objections 14, 21, 28, 35, 42, and 49.

9 And I think that the record reflects quite the
10 opposite, that this really was extensively reviewed by Public
11 Works staff, Department of the Environment staff.

12 As I indicated earlier, I do feel like -- the Rate
13 Application and Recology's costs were also audited. And I
14 feel like it was done through a very careful review.

15 MR. EGAN: I agree.

16 And I believe if we rejected the first set, which
17 dealt with the overall costs being too high, this is --

18 (Remarks outside the record.)

19 MR. EGAN: I think this is very closely associated
20 with that.

21 So I would agree with that.

22 MR. CARLIN: I'll make the motion to deny the
23 Objection.

24 MR. EGAN: Second.

25 THE CHAIR: All those in favor?

1 ALL MEMBERS: Aye.

2 THE CHAIR: The proposal fails -- oh, I'm sorry.

3 We reject those Objections three to zero.

4 On the issue of costs, though, I will say: The
5 labor costs -- and I'm all in favor of, you know, making sure
6 that people have a living wage.

7 And I -- I appreciate that Recology does make, you
8 know, tremendous effort to hire locally.

9 I'll just say: The next time you go to the
10 bargaining table, you can say that the Rate Board expressed
11 concerns about the significant costs that Rate Payers are
12 bearing.

13 And that's all I'll say.

14 The 10th grouping: Blue and green bin charges
15 generate revenue to cover costs --

16 (Remarks outside the record.)

17 THE CHAIR: Okay. The ninth grouping: Impact of
18 Zero Waste incentives on trash pickup.

19 This is Objection No. 21.

20 (Remarks outside the record.)

21 THE CHAIR: Yeah, I didn't understand what -- the
22 argument based on the Department of Public Health and
23 Planning.

24 MR. CARLIN: So if I read this correctly, there's no
25 ruling that trash must be picked up each week if residents

1 have no trash to pick up.

2 In other words, they -- they're paying if they have
3 no trash.

4 MR. EGAN: Well, this is something we talked about
5 on Friday, as to how delivery might change in the future --

6 MR. CARLIN: Right.

7 MR. EGAN: -- as more -- less and less trash is
8 generated.

9 But I think we had a thorough discussion, and it
10 doesn't make sense to do this.

11 MR. CARLIN: I agree, and I make a motion to deny
12 the Objection.

13 MR. EGAN: Second.

14 THE CHAIR: And I would just like to say -- and I
15 will also vote to reject it, just contingent on Recology
16 committing and the Department of the Environment committing
17 to continue to look at a program where you do take into
18 consideration those individuals with less trash.

19 MR. PILPEL: "Generation."

20 THE CHAIR: I'm sorry?

21 MR. CARLIN: Less trash generation.

22 THE CHAIR: "Less trash generation."

23 So I'm sorry.

24 All those in favor?

25 ALL MEMBERS: Aye.

1 THE CHAIR: Okay. The 10th grouping: Blue and
2 green bin charges generate revenue to cover costs.

3 And that's Objections 28, 35, 42, and 49.

4 And we also discussed this on Friday, just
5 confirming with the Department, they did, in fact, take into
6 consideration revenues that are generated from recycling.

7 And that that was considered in determining what
8 that appropriate increase would be.

9 MR. CARLIN: I would concur that in part of the rate
10 model they presented in their application is that revenue
11 that is generated is actually applied back to the benefit of
12 the residents.

13 MR. EGAN: I actually wouldn't mind another round on
14 this discussion, perhaps with Ms. Dawson or someone else from
15 the Department, just about the question of the change in the
16 black bin rates versus the change in the blue and green
17 rates, and what was the thinking behind it.

18 MS. DAWSON: Okay. Let's see if I can try to answer
19 the question.

20 MR. EGAN: I'm looking at your statements, so --

21 MS. DAWSON: Right.

22 You know, what we have done -- so there's a cost to
23 processing all the waste streams. And as Mr. Carlin pointed
24 out, they're -- they do apply all the revenues for recycling
25 to the benefit of Rate Payers.

1 But what we did do in the structure is still try to
2 maintain an incentive to not completely reduce recycling and
3 composting.

4 So there's that 2-to-1 ratio between trash and
5 recyclables and compostables.

6 MR. EGAN: Right.

7 MS. DAWSON: And that is so that the rate structure
8 still does give an incentive to move away from trash and
9 towards, you know, more sustainable methods of -- of
10 disposal.

11 MR. EGAN: Right.

12 So when we talk about moving towards rates
13 reflecting costs, that's why those -- you know, there isn't a
14 12-to-1 ratio as there was previously, in fact?

15 MS. DAWSON: Right.

16 I mean, what we're really trying to recognize in
17 increasing the cost of recyclables and compostables is
18 there's a cost of collection and a cost of processing.

19 And in fact, some of the programmatic changes that
20 we talked about briefly on the collection side are really
21 being driven by consumer behavior in greater volumes in
22 recycling as people shift away from trash.

23 So they're -- these increase in costs reflect the
24 reality that those streams have a cost, as well.

25 And it also kind of equalizes the revenue streams

1 for Recology, recognizing that there's a significant cost to
2 collect and process these streams.

3 MR. EGAN: Okay. Thank you.

4 THE CHAIR: Do I have a motion on the 10th grouping,
5 which is Objections 28, 35, 42, and 49?

6 MR. EGAN: I will move to reject it.

7 MR. CARLIN: I'll second.

8 THE CHAIR: All those in favor?

9 ALL MEMBERS: Aye.

10 THE CHAIR: And those Objections are rejected three
11 to zero.

12 The 11th grouping: Landfill Agreement is too long.

13 And that's Objection No. 10.

14 So as noted in Mr. Nuru's Response, California law
15 requires each county to have and provide a strategy for
16 obtaining 15 years of disposal.

17 I think to the extent that -- it should be a
18 contract agreement of a longer term. So I think that's
19 wholly appropriate.

20 So I would move to reject this Objection No. 10.

21 MR. EGAN: Second.

22 THE CHAIR: All those in favor?

23 ALL MEMBERS: Aye.

24 THE CHAIR: Three to zero.

25 The 12th grouping: Recology's use of routing

1 equipment for enforcement.

2 That's Objection No. 15.

3 MR. CARLIN: This -- this one covered lots of
4 things.

5 (Remarks outside the record.)

6 MR. CARLIN: I'm sorry.

7 We talked about this on Friday: How do you catch
8 people that are taking things that should go in the black bin
9 and putting them in the blue bin, contaminating the recycling
10 material?

11 There's also -- we talked about that.

12 And there's a whole process of program in place to
13 -- to educate the customer about how properly to put things
14 into the right bin. But also, it takes into account that
15 some people may, you know, put things in and contaminate the
16 recycled material.

17 So I was happy with the answer on Friday.

18 I reject this Objection -- I make a motion to reject
19 the Objection.

20 THE CHAIR: Okay. I do have just one question --
21 and I agree it makes sense to me to have -- you know, to
22 ensure that we're auditing bins.

23 So I notice, though, it said, "Customers causing
24 egregious contamination have also received financial
25 penalties for many years."

1 Can you help me understand -- is this like big
2 corporations or --

3 MR. HALEY: Good morning.

4 Robert Haley, Department of the Environment.

5 Yes, it's been primarily very large commercial
6 accounts; in some cases, very large apartment accounts. It's
7 really a way to get the management's attention.

8 So if there's a lot of contamination, they get a
9 letter saying that there's a lot of contamination, and they
10 will face a higher rate if they don't help clean it up.

11 And usually, they respond appropriately and contact
12 us in Recology and work to improve the building performance.

13 THE CHAIR: And then just to speak clear and to
14 confirm: So with respect to those smaller residential,
15 where, you know, it's just -- maybe just a matter of
16 education, that's the approach you'll be taking?

17 It's not like you're going out and auditing bins and
18 slapping them with huge penalties; it's a more measured,
19 reasonable approach?

20 Right?

21 MR. HALEY: That's correct.

22 And I would say, you know, probably as far as we go
23 with the small generators, like the single family, is if
24 they're consistently contaminating the recycling or compost,
25 then they we would charge that as trash.

1 So it would be twice the price, because it really is
2 trash at that point and needs to be landfilled.

3 THE CHAIR: Okay. Thank you.

4 So I'm in support of rejecting -- I propose we
5 reject this Objection, which is Item No. 15.

6 MR. CARLIN: I'll second.

7 THE CHAIR: All those in favor?

8 ALL MEMBERS: Aye.

9 THE CHAIR: The Objection is rejected three to zero.

10 The 13th grouping: Lack of outreach.

11 That's Objection No. 23.

12 And this one, I also disagree with.

13 I think -- the Rate Payer Advocate, Ms. Dilger, I
14 think did a tremendous job of making sure that the public was
15 adequately notified of the proposed rate increase and the
16 application.

17 And I agree with that Ms. Dawson, that to the extent
18 they had such a significant turnout, I think that does speak
19 to their outreach efforts.

20 And I do appreciate that this particular round,
21 individuals who, you know, don't -- whose language is other
22 than English were also notified, and they did take that into
23 consideration.

24 So I would be inclined to reject this Objection.

25 MR. EGAN: Second.

1 THE CHAIR: All those in favor?

2 ALL MEMBERS: Aye.

3 THE CHAIR: The Objection is rejected three to zero.

4 The 14th grouping, and that is: Landlords cannot
5 pass through the rate increases.

6 And that's Objections No. 18, 26, 33, 40, and 47.

7 MR. EGAN: It's true; we've heard testimony that
8 that's correct.

9 Unfortunately, it's not something that we can
10 control; it's the Rate Board.

11 THE CHAIR: Right, depending on when the building
12 was constructed.

13 MR. EGAN: Right, depending on when the building was
14 constructed.

15 So I don't view this as something that we can
16 affect, and I would move to reject it.

17 THE CHAIR: I second.

18 All those in favor?

19 ALL MEMBERS: Aye.

20 THE CHAIR: Objection -- those Objections's are
21 rejected three to zero.

22 The 15th grouping: Recology is a monopoly.

23 That's Objections 29, 36, 43, and 50.

24 And I --

25 MR. EGAN: Does everyone agree with --

1 MR. CARLIN: Yeah.

2 Well, they're a monopoly that operates under a
3 Franchise Agreement, since 1932.

4 So until that Franchise Agreement is changed and
5 competition is brought in, they operate as they do.

6 MR. EGAN: Again, I don't -- I don't think this
7 affects the rates or our decision.

8 So I would move to reject it.

9 MR. CARLIN: Second.

10 THE CHAIR: All those in favor?

11 ALL MEMBERS: Aye.

12 THE CHAIR: Those Objections are rejected three to
13 zero.

14 Grouping 16: No senior discount.

15 That's Objection No. 9.

16 And I -- as noted, I think in Mr. Nuru's -- Director
17 Nuru's Response, there's no age-based discount, but there is
18 one based on income.

19 And I don't think it would be appropriate
20 necessarily to make -- I don't think it would be appropriate
21 to base rates based on age.

22 So I would be inclined to reject that.

23 MR. CARLIN: In most utility practice, there is an
24 income-based discount.

25 And so I would agree with you on that factor and not

1 an age discount.

2 MR. EGAN: I would agree.

3 THE CHAIR: Okay. So do I have a motion?

4 MR. CARLIN: I'll make the motion to reject.

5 MR. EGAN: Second.

6 THE CHAIR: All those in favor?

7 ALL MEMBERS: Aye.

8 THE CHAIR: That Objection is rejected three to
9 zero.

10 The 17th grouping: Variable charges are too high.
11 That's Objections 27, 34, 41, and 48.

12 MR. EGAN: Again, I think this is another one where,
13 if we don't believe the costs are too high, we'd -- the
14 variable costs are too high, we'd reject on the same basis.

15 So I move to reject.

16 THE CHAIR: I second.

17 All those in favor?

18 ALL MEMBERS: Aye.

19 THE CHAIR: And again, Objections 27, 34, 41 and 48
20 are rejected.

21 The 18th grouping: Minimum service and frequency of
22 collection.

23 That's Objections 12, 27, 34, 41, and 48.

24 MR. EGAN: Well, this is one we also discussed at
25 length on Friday.

1 And you know, this is something that they're looking
2 at, and things are moving, obviously, with the reduced bin
3 size. And I think we would like people to consider how this
4 can be adjusted in the future, particularly around -- well,
5 both of the issues of minimum service and frequency of
6 collection.

7 But I think, based on what we heard on Friday, I'm
8 comfortable with the decisions that have been made this time
9 around.

10 And I would -- I would make a motion to reject
11 these.

12 MR. CARLIN: I second.

13 THE CHAIR: All those in favor?

14 ALL MEMBERS: Aye.

15 THE CHAIR: Those Objections are rejected three to
16 zero.

17 Okay. So now we found ourselves moving on.

18 So in summary, I'd just like to -- it looks like
19 the Rate Board has voted three to zero to reject all of the
20 53 Objections.

21 Moving on now to the matter of the order -- and
22 again, Mr. Russi was kind enough to prepare a shell document
23 to help us structure our discussions.

24 Ms. Dawson, could I ask you: So the contingent --
25 the contingencies, the two, that's not included in the

1 20 percent; correct?

2 So it could be actually -- the contingent increases
3 would be on top of the proposed increases of the -- am I
4 correct on that?

5 MS. DAWSON: That is correct, if they come to be
6 submitted, which is an "if."

7 In the last rate process, we had a Contingent
8 Schedule that didn't occur. So there is some uncertainty
9 around whether they will be triggered, in terms of timing, in
10 the next Rate Application, and the viability of some of the
11 pilots.

12 So there's a trash-processing pilot. So depending
13 on how that works, that will have bearing on whether or not
14 one of the two Contingent Schedules would move forward, for
15 example.

16 MR. EGAN: I have a question on that, and I don't
17 know if it's for you or for the City attorney.

18 In the second order, "Whereas the Director of Public
19 Works has also found in his report that it is just and
20 reasonable to approve further increases in collection rates,
21 contingent on Recology's future investments in capital
22 improvements for an Integrated Materials Recovery
23 Facility" --

24 (Remarks outside the record.)

25 MR. EGAN: -- "capital improvements for an

1 Integrated Materials Recovery Facility, IMRF, and
2 trash-processing facility."

3 So my question is: Are we -- if -- were we to
4 approve this order, would that authorize these increases if
5 the conditions in your report are met?

6 MS. DAWSON: Yes.

7 If -- if they meet the conditions -- if they submit
8 the Contingent Schedule request and they meet all the
9 conditions within it.

10 But remember, they are capped at what they've
11 already proposed in -- and that has been extensively
12 reviewed -- in the Rate Application, with a lot of other
13 conditions placed upon them, in terms of having to verify
14 that they will achieve their diversion objectives for the
15 amount of money that would be able to invest and then assess
16 back to the Rate Payers.

17 MR. EGAN: And just for the record, could you tell
18 us what those additional rate increases would be for each
19 one?

20 MS. DAWSON: I have to go -- I do have that. I have
21 to go pull it up.

22 MR. EGAN: Sure.

23 MS. DAWSON: Hang on.

24 (Remarks outside the record.)

25 THE CHAIR: And then -- so maybe, then, it would be

1 helpful for the record, as well, just to have Ms. Dawson kind
2 of go through the two contingent -- you do cover it very
3 extensively in the Staff Report.

4 But I'm thinking, just for a matter of record and to
5 educate the members of the public here today, help us
6 understand what those two --

7 MR. CARLIN: "Contingent Schedules."

8 THE CHAIR: -- Contingent Schedules.

9 And Mr. Pilpel, is this the notice that you were
10 asking -- because I know that the notice is required to be
11 posted on the website.

12 But is this what you're asking to be informatively
13 noticed about?

14 MR. PILPEL: Yes, for both.

15 THE CHAIR: Okay.

16 MS. DAWSON: Okay. So the increases are actually
17 described in the Public Works Order 185970, which is at the
18 end of the Director's report.

19 And what, in effect, happens is they adjust the tip
20 fee, and then that tip fee flows through to the cost of
21 collection.

22 So you can see that the IMRF would result in an
23 additional 5 percent, and the trash processing, 7.13 percent.

24 (Remarks outside the record.)

25 MS. DAWSON: Right, at Recology San Francisco.

1 And then that cost flows through to the cost of
2 collection. It's a cascading structure.

3 MR. EGAN: Right.

4 But it doesn't flow through as an additional
5 12 percent to the Rate --

6 MS. DAWSON: No, no; right.

7 But it's -- it's calculated at our -- at Recology
8 San Francisco --

9 MR. EGAN: Sure, sure.

10 MS. DAWSON: -- which is what makes it a little
11 confusing.

12 MR. EGAN: Okay. Could you tell us how much it
13 would flow through to the Rate Payer?

14 MS. DAWSON: Okay. So we have -- it's 1.9 percent
15 at the IMRF, and 2.7 for the trash processing.

16 MR. CARLIN: But there's also an increase in the tip
17 fee?

18 MS. DAWSON: The increase in the tip fee is implicit
19 in those percentages.

20 So the -- the order has to -- had to validate the
21 tip fee because that's where the costs come in.

22 MR. CARLIN: Right.

23 MS. DAWSON: But in terms of the ultimate effect to
24 the Rate Payer, it's seen in the collection rates themselves.

25 So if you look at the Director's Report on

1 page 13 --

2 MR. CARLIN: Right.

3 MS. DAWSON: -- it describes that the tip fee
4 increases by 5.01 percent. And then there's a corresponding
5 flow-through to the collection rates of 1.9.

6 And then this same material is on page 14 for trash
7 processing.

8 MR. EGAN: And that is 1.9 percent each year?

9 MS. DAWSON: Yes.

10 And once it's triggered, then it continues from that
11 point forward.

12 But it depends on when it's triggered; so it's
13 timing question.

14 MR. EGAN: Right.

15 THE CHAIR: Sorry.

16 So in the Staff Report, on the second page, just so
17 I'm clear on the members, it says the IMRF would be an
18 increase of 1.85 percent.

19 And then the processing equipment at the transfer
20 station would be 2.6 percent; right?

21 So that's the amount that would be felt by the Rate
22 Payer?

23 MS. DAWSON: Right.

24 I have 1.9 and 2.7; likely rounding.

25 MR. CARLIN: Yes.

1 MS. DAWSON: So just to speak to -- part of the
2 reason you're seeing the difference is because when -- every
3 time we had adjusted the rate structure, say between the
4 Staff Report and the Director's Recommendation, all those
5 percentages shift around a little bit.

6 THE CHAIR: Okay. So could you -- I'm sorry.

7 If you could -- so the two contingencies, if you
8 could just, I guess, educate them to the public here on when
9 those get triggered.

10 I do -- I do have concerns about the notice, the
11 transparency of it, so people are aware.

12 So if you could -- if you could help --

13 MS. DAWSON: Sure.

14 THE CHAIR: -- us understand what the two -- you
15 know, when they get triggered and what the mechanisms are and
16 the notice.

17 MS. DAWSON: So the triggering process depends on
18 whether Recology is ready or not, which is why there's a
19 certain amount of uncertainty on the timing.

20 They have a projected schedule, but we're not sure
21 whether -- there are a variety of things that go into that,
22 whether there's costs.

23 And one of these requires them to move from one
24 location to the other.

25 But once Recology submits a proposal, then our

1 proposal is to go ahead and post that information, which
2 would then be subject to a 30-day review.

3 And the -- we'd be perfectly happy noticing that in
4 any way that the Rate Board would want to see.

5 And then -- so that allows at least the public to
6 look more detailed at -- because a lot of the Contingent
7 Schedules are based on well-developed projects, but they're
8 still developing.

9 And there will be things that are likely a little
10 different, in terms of the detail, even though they're held
11 to the financial maximum that they submitted.

12 MR. EGAN: I guess I have one more question on this
13 for Ms. Dawson.

14 As we think about what -- how we consider our move
15 on it, is there -- is there a particular advantage to, let's
16 say, the Rate Payers -- and let's assume that we love these
17 projects, we want to do them, and it works out.

18 Does it make sense to approve these now -- or why
19 does it make sense to approve these now rather than when
20 these things are no longer publicly contingent?

21 MS. DAWSON: Well, part of the advantage is they are
22 projects that have already been well considered and vetted
23 and do support the City's goal of Zero Waste.

24 And so if they're in sufficient-enough development
25 to be put in as a contingent, it means they could be

1 triggered without having to come back for a full-blown Rate
2 Application.

3 Really, that's the, I guess, advantage of doing that
4 rather than --

5 MR. EGAN: And is that the only alternative?

6 MS. DAWSON: It would be.

7 It's either put it in the application now or trigger
8 a new application later with those costs included as being
9 proposed.

10 THE CHAIR: Which takes about nine months to a year,
11 as we have seen.

12 MS. DAWSON: That's -- yes, that is correct.

13 So, you know, in terms of advantage to the Rate
14 Payers, these facilities would achieve much better diversion
15 with the materials.

16 And so if they had been not well thought out and we
17 thought that they were not ready, we would not have proposed
18 them to move forward.

19 So there has been an extensive amount of
20 conversation and vetting of what the proposal is, and
21 acknowledgment that some of them may not go forward,
22 depending on whether they do make sense for the Rate Payers
23 and for diversion.

24 Anne has put together the potential schedule, which
25 might be helpful (indicating).

1 One of the other things for the Rate Payer benefit
2 is they are sequenced. So you cannot really -- once you
3 trigger one, you really can't do the next one because they --
4 in order to do the next one, they have to free up the space
5 that the IMRF is currently occupying.

6 So there is kind of a need to do these in a
7 particular order.

8 MR. CARLIN: Can I ask another question?

9 So these are capped.

10 So one of the key components in this is if it
11 exceeds the cap, then Recology could decide not to do it.

12 And how much contingency is based -- or is in the
13 contingency?

14 MS. DAWSON: I would say that they are developed
15 in -- more than conceptual, but fully blown construction.

16 MR. CARLIN: Right.

17 MS. DAWSON: And so there certainly is a risk, and
18 Recology can decide it's comfortable with that and proceed
19 and try to descope or value engineer the project, or they can
20 hold it, or they can submit a new Rate Application if it's so
21 material.

22 And that -- if they also feel it's important for
23 their operations, then I think they would trigger a Rate
24 Application process at that time.

25 MR. CARLIN: And I would assume that when you've

1 shown the schedule that they've actually escalated this to
2 the midpoint of construction?

3 MS. DAWSON: I would hope so.

4 They could speak to their -- to their costing
5 estimates better than I can.

6 MR. CARLIN: Okay.

7 MS. DAWSON: Can we please show the -- yeah.

8 I mean, I think it's -- it's their -- their risk.

9 They have actually -- I would say that they've been
10 very successful at developing projects that have stayed on
11 time and on budget.

12 So we have some reason to think that they did a good
13 job at due diligence and project management, and they can be
14 successful, at least with the projects in the nearer term.

15 I would say as you go out in time, there's always a
16 lot more uncertainty about whether or not the project values
17 are going to hold, I think especially because the second
18 Contingent Schedule is still very new technology that they're
19 exploring in a pilot that would -- if it is actually
20 supported in the base application.

21 THE CHAIR: And I -- correct me if I'm wrong, I
22 think -- I read where Recology is probably going to have to
23 submit a new Rate Application anyway by 2020.

24 Is that --

25 MS. DAWSON: I think it depends on how well their

1 assumptions hold up over time. I mean, this Rate Application
2 was driven by a number of factors that I think are somewhat
3 unique in their size.

4 That being said, I went back and looked at 2013, and
5 you know, there is kind of a period of when the revenues that
6 are covered by the rates kind of erode over time, and
7 eventually that results in a reassessment.

8 So four to five years, if we're really lucky, I
9 would say.

10 THE CHAIR: Okay. Can you -- so the notice --
11 because I'm all big on transparency.

12 So can you just help me, in terms of what the policy
13 is?

14 So you notice, on the website, that the
15 contingencies will be -- that they've been triggered.

16 And then what does that conversation look like? Is
17 there a meeting with the public? Do the public have an
18 opportunity to provide comment on it or --

19 MS. DAWSON: Well, I mean, that was the idea that --
20 I mean, before these Contingent Schedules were put in, there
21 really wasn't any public notice or review.

22 And so in the Director's Report, Mr. Nuru wanted to
23 provide more transparency. So this is actually a new
24 process.

25 That being said, I mentioned the Contingent

1 Schedules that were approved in the last rate process were
2 never acted on. So it may not come to pass.

3 But the idea was that at least the public would be
4 noticed of the moving forward of the project and have the
5 opportunity to at least review more detailed information on
6 what was being proposed.

7 THE CHAIR: Thank you.

8 Okay. So should there -- so if there's no further
9 questions, maybe we could go ahead and proceed to a
10 discussion about the proposed order.

11 So we -- it is our job here today to determine
12 whether to grant or to deny the application in whole or in
13 part, including the proposed uses of the Special Reserve
14 Fund, based on the evidence submitted during the Director's
15 hearings.

16 And again, we'll be voting by majority vote.

17 So I'll start off the conversation.

18 As I have -- I have said, I agree that 20 percent,
19 the proposed increase, is significant. I don't think it's
20 unreasonable, unjust, or unfair.

21 I do think that it's in recognition of -- you know,
22 of fixed -- much of which is fixed operating costs.

23 And I do feel comfortable with the -- you know, the
24 limit on the amount of profit margin.

25 And you know, and I'm -- I also felt comfortable

1 that the Public Works did a thorough job of ensuring that
2 that profit margin -- that profit margin was not based on
3 pass-throughs that are not otherwise permitted.

4 So at this time, I don't have any amendments to the
5 proposed order that Mr. Russi --

6 MR. CARLIN: So I guess we have to fill in the
7 blanks in the proposed order?

8 THE CHAIR: Well --

9 MR. CARLIN: But I would like to see a "Resolved"
10 about the notice requirements for the Contingent Schedules 1
11 and 2 placed into the "Resolved" section so we make sure that
12 we hear back about that.

13 I also would like to put in the "Resolved" section
14 that the Department of the Environment and the Department of
15 Public Works continue to look at what the future might bring
16 for San Francisco as we implement this Rate Schedule and some
17 of the projects come online and such, to address some of the
18 comments that were made both on Friday and today.

19 I think that's important so we start planning ahead
20 or casting a good fit.

21 THE CHAIR: I'm sorry.

22 Would that be in the form of a -- how would that --
23 would that be in the form of a report to the Rate Board?

24 MR. CARLIN: I think -- I think this -- I don't
25 think it's in a report to the Rate Board as much as the --

1 when the next Rate Application comes in that the Department
2 of the Environment has -- and the Department of Public
3 Works has considered and thought about that over the next
4 couple of years and can provide a greater sort of detail or
5 vision of where we're headed, because it seems to me as we
6 get to -- you know, "I don't have a black bin at my house in
7 San Francisco anymore.

8 "I'd like to know what the future looks like.

9 "I don't need every-week trash pickup from my
10 recycling."

11 So it's not a public-health -- no longer a
12 public-health issue with the black trash; it's more along the
13 lines of: What makes the most sense from a business
14 perspective?

15 And with that, I agree with the Chair's comments and
16 move forward.

17 MR. EGAN: I agree, as well.

18 THE CHAIR: And -- I'm sorry.

19 Just so I'm understanding, it's further kind vetting
20 out the notice requirements.

21 And then also have to be addressed, at next Rate
22 Application, a report, presentation, or information from
23 Environment on kind of what the future of your trash for City
24 and --

25 MR. CARLIN: If we have no black bin, what does that

1 mean?

2 THE CHAIR: Okay. I think Mr. Pilpel also requested
3 something about reporting; I didn't entirely understand.

4 Would you like to -- I'm happy to allow you to
5 expand upon that, if you'd like.

6 MR. PILPEL: Thanks, and I'll comment later as to
7 some other things with the Resolution.

8 But as to that specific question, in the Quarterly
9 Reports, if there could be a bit of narrative on the
10 container or bin migration to upsize and downsize, the status
11 of that; any obstacles to implementation.

12 The change -- the second item is the change in
13 routing and trucks, how that's progressing to implementation.

14 Any significant issues with recycling commodity
15 revenues -- that would be the third time -- given the market
16 conditions that I mentioned earlier.

17 And the fourth is those Contingent Schedules and
18 Implementation thereof, just where we are on those.

19 For the example, the Board Commission is supposed to
20 continue to take up the lease for Pier 96 in July, the ENA,
21 and the term sheet and all that.

22 So there are lots of steps, as we saw earlier, and
23 just where they are in the Quarterly Report.

24 Those are the four items.

25 THE CHAIR: Okay. I'd be inclined to have that be

1 annual. I don't know that we need that on a quarterly basis.

2 MR. PILPEL: Well, some of those things may have --
3 if there significant issues to report, given activities
4 during that quarter --

5 THE CHAIR: Right.

6 MR. PILPEL: -- just a little narrative, not -- I'm
7 not asking for a whole report.

8 Thanks.

9 THE CHAIR: Ms. Dawson?

10 MS. DAWSON: If I may, on page 22 of the Director's
11 Report, he has actually recommended an adjustment to the
12 reporting.

13 And I think we'd be happy to include Mr. Pilpel's
14 interests in that.

15 But we're already planning to do a lot of
16 improvement, just based on what we found in the review of the
17 application this time around, information we need to
18 normalize, the submittal structure which we think needs
19 updating.

20 So there's going to be a -- quite a bit of process
21 improvement in that area. And we're happy to incorporate his
22 requests, if that is what you would like.

23 MR. CARLIN: Thank you.

24 THE CHAIR: And not part of the order, but if I
25 could just request if you affirmatively also notice members

1 of the public that were here today of the -- you know, if the
2 contingency does get triggered, if you could provide them
3 with notice on that and the opportunity to weigh in.

4 And also not part of the order, but just to
5 reiterate from the discussion on Friday about making sure
6 that there's notice to Recology's website and Environment's
7 website, if there's a vacant unit, how to go about requesting
8 how that -- to have that exempted from having to pay.

9 Okay. With that --

10 MR. EGAN: Are we talking about amendments to the
11 Resolution?

12 THE CHAIR: My last -- those last two comments were
13 not --

14 MR. EGAN: Okay.

15 THE CHAIR: -- a proposed amendment to the
16 Resolution, the notice and information on the website.

17 That's just a -- just a request on my part.

18 MR. EGAN: Okay.

19 THE CHAIR: Okay. So with that, do I have a motion?

20 MR. RUSSI: So what -- I'm not clear what you're
21 amending to the Resolution -- what changes you're making to
22 the Resolution.

23 MR. EGAN: Michael wanted to add a --

24 THE CHAIR: So there's --

25 MR. RUSSI: I'll just go by Mr. Carlin, who urged

1 the Department of the Environment and Public Works, in
2 connection with the next Rate Application and until the next
3 Rate Application, to continue considering looking into the
4 future of trash for the City?

5 THE CHAIR: I didn't understand that to be a
6 requested amendment to it.

7 I just thought I heard Mr. Carlin say that he just
8 wants them to present on that when they come forth again with
9 another Rate Application.

10 MR. CARLIN: That's fine, yes.

11 MR. RUSSI: Not part of the Resolution?

12 MR. CARLIN: Don't need to be -- I agree we don't
13 need to make it part of the Resolution.

14 MR. RUSSI: Okay.

15 THE CHAIR: I have no proposed amendments for the
16 Resolution.

17 MR. RUSSI: Okay. So then on page 2 of the
18 Resolution, that the yellow highlighted part, the first part,
19 would say, "Whereas the members of the Rate Board unanimously
20 reject the Objections" --

21 THE CHAIR: Right.

22 MR. RUSSI: -- the second sentence would say,
23 "Whereas the Rate Board unanimously concur with the" -- I'll
24 change that to "Public Works Director's Recommend Orders as
25 modified by the Rate Board on June 21st, 2017."

1 And I think -- in the "Resolved" section, the first
2 paragraph, I think you would need "makes the following
3 recommendations".

4 THE CHAIR: Right.

5 MR. RUSSI: And No. 1 under the "Resolved" section,
6 "The Rate Board denies the Objections," and 2, "The Rate
7 Board adopts the Public Works Director's Recommended Orders,"
8 period -- not period, but semicolon.

9 And on 3, "Does the Rate Board agree with the
10 proposed distributions from the Special Reserve Fund"?

11 THE CHAIR: I think that is a point that we need to
12 discuss; right?

13 I agree that the proposed reallocation of the
14 Special Reserve Fund -- I'm sorry, of the new Special Reserve
15 Fund, created under the 1987 Agreement -- Facilitation
16 Agreement, to fund the new Special Reserve Fund of the new
17 agreement is to the benefit of Rate -- as to -- on the
18 schedule that's proposed by the Public Works Director.

19 And I do agree that that is to the benefit of the
20 Rate Payers.

21 MR. RUSSI: Perhaps there should be a motion on that
22 issue, then.

23 THE CHAIR: Do I hear -- so I -- I move that we find
24 that the proposed reallocation of funds from the Special
25 Reserve Fund, created under the 1987 Facilitation Agreement,

1 on the -- on the schedule proposed by the Public Works
2 Director into the new fund, is to the benefit of Rate Payers.

3 And I move that we approve that.

4 MR. EGAN: I second.

5 THE CHAIR: All those in favor?

6 ALL MEMBERS: Aye.

7 THE CHAIR: Thank you.

8 MR. RUSSI: So were there -- were there any other
9 changes to the Recommended Order -- the proposed Resolution?

10 THE CHAIR: I have none.

11 MR. RUSSI: Perhaps we should call for public
12 comment on the Resolution.

13 THE CHAIR: Okay. We'll go ahead and open up for
14 public comment, limited to 3 minutes per speaker.

15 Thank you.

16 MR. PILPEL: David Pilpel again.

17 On the text, starting with page 1, line 23,
18 "Member/Controller" should insert apostrophe "S," "Chief
19 Economist."

20 Page 2, line 1, "June 16 and 19" --

21 THE CHAIR: We'll be changing the dates, yes.

22 MR. PILPEL: Okay. And the same thing on line 6,
23 "June 19."

24 THE CHAIR: Yes.

25 MR. PILPEL: On line 8, rather than the word

1 "concluded," I would recommend substituting "and determined
2 on March 22nd, 2017, in Case No. 2017-003133 ENV," just so
3 that it's very clear what the City Planning case number was
4 that made the Environmental Exemption Determination.

5 THE CHAIR: Would you repeat that?

6 I'm sorry.

7 MR. PILPEL: Sure.

8 It's to substitute for the word "concluded" the
9 phrase "determined on March 22nd, 2017, in Case
10 No. 2017-003133 ENV."

11 THE CHAIR: Thank you.

12 MR. PILPEL: And then on page 4, line 11, the date
13 again.

14 THE CHAIR: We'll be updating the dates, yeah.

15 MR. PILPEL: Yeah.

16 Otherwise, a fine, fine Resolution.

17 Thank you very much.

18 THE CHAIR: Thank you.

19 MR. BAKER: Michael Baker, attorney for Recology.

20 I don't think there's any ambiguity on the -- on
21 this with regard to Special Reserve Fund, but I just wanted
22 to be sure.

23 The draft Resolution approves the distributions that
24 were contained in the Director's report.

25 The motion that was just approved related only to

1 the transfer of funds from the Altamont Special Reserve Fund
2 to the new Special Reserve Fund, whereas, of course, the
3 Director's Report also calls for funds in the Special -- in
4 the Altamont Special Reserve Fund to be used to offset the
5 rate increases.

6 So the way that it's drafted, I think encompasses
7 all that needs to be done with regard to the Special Reserve
8 Fund. But because the motion was more narrowly worded, I
9 just wanted to make sure that that's taken care of.

10 THE CHAIR: Thank you. That was the intent.

11 Any other members of the public wish to provide
12 public comment?

13 Seeing none, may we proceed with the vote?

14 MR. RUSSI: Sure.

15 You intend to make the changes proposed by
16 Mr. Pilpel --

17 THE CHAIR: Yes.

18 MR. RUSSI: -- in his public comment?

19 THE CHAIR: Yes.

20 MR. RUSSI: Okay.

21 THE CHAIR: Obviously, the dates and --

22 MR. EGAN: Is it conventional to refer to the
23 Planning case number?

24 I always --

25 MR. RUSSI: I don't think it hurts, assuming that

1 it's correct.

2 THE CHAIR: And of course, the dates and updating
3 Mr. Egan's title.

4 MR. RUSSI: Right.

5 THE CHAIR: Okay. With that, do I hear a motion?

6 MR. CARLIN: I move the proposed Resolution.

7 MR. EGAN: I second.

8 THE CHAIR: All those in favor?

9 ALL MEMBERS: Aye.

10 THE CHAIR: And that's a unanimous vote, three to
11 zero.

12 With that, I think we'll move to conclude the
13 meeting.

14 It is approximately 10:36.

15 We'll go ahead and conclude this Special Meeting of
16 the Rate Board.

17 Thank you all for coming and participating.

18 (Proceedings adjourned at 10:36 a.m.)
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A large, dark, handwritten scribble or signature that spans across lines 21 to 23. It consists of a large, looped initial 'D' or 'R' followed by a long horizontal line extending to the right.

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