

RESIDENTIAL CURBSIDE COLLECTION SERVICE RATE STUDY

FOR RATES EFFECTIVE JULY 1, 2014

CITY OF PORTLAND
BUREAU OF PLANNING AND SUSTAINABILITY
SOLID WASTE & RECYCLING
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This document is available online at www.portlandoregon.gov/bps/recycle.

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I. INTRODUCTION AND SUMMARY OF RATES

The City of Portland's annual rate study is conducted to evaluate the cost of providing residential¹ solid waste, recycling and composting curbside collection services, and to develop recommended rates for these services for the new fiscal year. This report outlines the rate review process and results for fiscal year 2014-15 (FY 2014-15).

Section 8.1(A) of the Franchise Agreement between the City of Portland and franchised residential haulers requires the City to perform an annual rate review to establish a rate schedule for all levels of residential solid waste, recycling and composting service. Rates are developed with the following objectives in mind:

- Having uniform solid waste, recycling and composting collection services citywide;
- Providing customers with a variety of service level options to meet individual needs;
- Identifying the true cost of individual services before adding incentives and disincentives to increase recycling and reduce solid waste generation; and,
- Allowing service providers to recover allowable costs and earn a reasonable profit.

The Solid Waste & Recycling Program (SW&R) of the Bureau of Planning and Sustainability (BPS) conducts the annual rate review process, assisted by an independent economist. The economist analyzes various factors that affect rates and produces the actual rate calculation. SW&R also contracts with an independent Certified Public Accountant (CPA) to review hauler financial records, with Portland State University (PSU) to sample the weight of solid waste discarded by residential customers, and with a consulting firm that specializes in forecasting the market price of recyclable paper products.

The recommended rates are reviewed by the Portland Utility Review Board, a citizen panel with no hauling industry representation, and then forwarded to City Council for consideration and final adoption. City Council adopted the rates described in this report on May 28, 2014, for an effective date of July 1, 2014. A complete list of rates for FY 2014-15 can be found in Appendix A.

Table 1 on the following page outlines the adopted rate adjustments for the most common levels of service.

¹ "Residential" in this context means single-family through four-plex dwellings.

Table 1. FY 2014-15 and FY 2013-14 Rates for Primary Service Levels

<i>Service Level</i>	<i>Adopted FY 2014-15 Rates, effective July 1, 2014</i>	<i>FY 2013-14 Rates</i>	<i>Dollar Change</i>
20-gallon can	\$24.75	\$24.75	\$0.00
20-gallon cart	\$24.75	\$24.75	\$0.00
32-gallon can	\$28.55	\$28.10	\$0.45
35-gallon cart	\$29.35	\$29.50	(\$0.15)
60-gallon cart	\$35.90	\$36.40	(\$0.50)
90-gallon cart	\$42.80	\$43.30	(\$0.50)
Every-four-week 32-gallon can	\$21.75	\$21.75	\$0.00
Every-four-week 35-gallon cart	\$21.75	\$21.75	\$0.00
Weekly Recycling Only	\$8.65	\$8.10	\$0.55
Composting and Recycling Only	\$18.20	\$18.20	\$0.00
Terrain Differential	\$4.20	\$4.20	\$0.00

Key factors driving the FY 2014-15 rate changes include:

- Lower recycled materials revenue offset. The monthly recyclable materials revenue offset was \$0.84/month for FY 2013-14. This has decreased to \$0.47 for FY 2014-15 rates.
- New vehicles that are replacing fully-depreciated vehicles increased monthly rates approximately \$1.11 above what they would have been with no new vehicles. This was wholly offset by reductions in other collection cost line items, producing a net decrease of \$0.32/month for the 35-gallon roll cart. By operating category, there is a \$0.07/month decrease in the compost collection charge, a \$0.07/month increase in the recycling collection charge, and a \$0.32 decrease in the garbage collection charge.
- Rollcart depreciation, interest and maintenance expenses for garbage containers were \$0.25 to \$0.34/month lower, depending on container size, than in 2013-14 rates.
- A higher composting disposal tip fee is wholly offset by lower expected composting tonnages, so that composting disposal fell by \$0.10/month.
- Changes to incentives and disincentives also impacted final rates. The incentive discount for the 20-gallon can rose from \$1.88 to \$2.23, or 18.6%. Disincentive premiums for the 60- and 90-gallon carts fell, with the 60-gallon cart's disincentive charge falling from \$3.39 to \$3.22, a 5.0% decrease, and the 90-gallon cart's disincentive charge falling from \$6.34 to \$5.87, a 7.4% decrease.

More detail on the factors driving the change in FY 2014-15 rates can be found in Section IV. Table 2 presents the individual FY 2014-15 rate components for the 20-gallon can and 35-gallon roll cart service levels.

Table 2. Rate Components for 20-Gallon Can and 35-Gallon Roll Cart Service

<i>Rate Component</i>	<i>Adopted FY 2014-15 Rates, effective July 1, 2014</i>	<i>FY 2013-14 Rates</i>	<i>Dollar Change</i>
20-Gallon Can Service			
Solid Waste Collection	\$ 2.62	\$ 2.89	(\$0.27)
Solid Waste Disposal	1.58	1.51	0.07
Recycling Collection	6.01	5.95	0.07
Yard Debris/Organics Collection	4.61	4.68	(0.07)
Yard Debris/Organics Disposal	2.67	2.77	(0.10)
General and Administrative Costs	6.22	5.95	0.27
Operating Margin	2.49	2.49	0.00
Less: Incentive Discount	(2.23)	(1.88)	(0.35)
Less: Sale of Recyclable Material	(0.47)	(0.84)	0.37
Franchise Fees*	1.24	1.24	0.00
Total	\$ 24.75	\$ 24.75	\$0.00
35-Gallon Roll Cart Service			
Solid Waste Collection	\$ 3.00	\$ 3.32	(\$0.32)
Solid Waste Disposal	2.69	2.74	(0.04)
Recycling Collection	6.01	5.95	0.07
Yard Debris/Organics Collection	4.61	4.68	(0.07)
Yard Debris/Organics Disposal	2.67	2.77	(0.10)
General and Administrative Costs	6.22	5.95	0.27
Roll Cart Depreciation, Interest & Maintenance	0.45	0.72	(0.27)
Operating Margin	2.69	2.74	(0.05)
Less: Incentive Discount	0.00	0.00	0.00
Less: Sale of Recyclable Material	(0.47)	(0.84)	0.37
Franchise Fees*	1.47	1.48	(0.01)
Total	\$ 29.35	\$ 29.50	(\$0.15)

* Franchise fees are a pass-through expense assessed by the City on hauler gross revenues. Because haulers are allowed to pay franchise fees using revenues collected from customers, they are included as a component of rates. Franchise fees collected from customers are remitted to the City on a quarterly basis. Rates for both FY 2013-14 and FY 2014-15 contain a 5.0% franchise fee component.

II. PROGRAM ATTRIBUTES AND PERFORMANCE

The City of Portland strives to promote high quality solid waste, recycling, and composting collection services while simultaneously maximizing recycling participation and diversion. The following summarizes current program features and performance data.

A. Solid Waste

Solid waste, recycling and composting collection services are provided to City residents under a franchise system that limits the number of haulers authorized to provide service. As part of this franchise system, the City regulates the rates haulers are allowed to charge customers. In 1991, the City awarded franchises to 69 haulers. By December 2013, the number of franchised haulers had

decreased to eighteen. Hauler franchises range in size from fewer than 300 to more than 50,000 residential customers. Franchised haulers may also serve commercial customers and many have operations outside the City of Portland. Rates for commercial service within City of Portland are not regulated, whereas many surrounding jurisdictions regulate both residential and commercial rates.

The standard level of residential service in the City of Portland includes every-other-week garbage collection, with weekly curbside collection of recycling and composting. Composting collection includes yard debris and food scraps. Customers also have the option of selecting non-curb service, every-four-weeks garbage service, and/or on-call service. The City sets a variable rate schedule based on the size and number of containers and the frequency of collection. Rates are lower for smaller volume containers and – for a given container size – for fewer containers. This variable rate structure gives customers an incentive to reduce the volume of solid waste destined for landfills, by generating less solid waste and by recycling more of their solid waste stream.

As of December 2013, 18% of Portland residential customers subscribed to lower-capacity garbage service options such as every-four-week or 20-gallon service. In 2013, the amount of garbage disposed per household was 774 pounds (sample haulers only), compared to 1697 pounds in 1992.

Table 3. Customer Subscriptions for Common Service Levels

<i>Service Level</i>	<i>Subscriptions</i>	<i>Percent of Customer Base</i>
Every-four-week service	12,547	9%
20 gallon service	12,894	9%
32/35 gallon service	85,255	59%
60 gallon service	24,453	17%
90 gallon service	4,660	3%
Other	4,685	3%
Total	144,494	100%

B. Recycling

The most recent additions to the City of Portland’s curbside recycling program were in 2008, when plastic tubs, buckets, and flower pots were added. At that time, customers were also provided with a 60-gallon roll cart for all materials with the exception of glass and motor oil, which are collected on the side. Plastic bottles, telephone books, aseptic juice and milk cartons, aerosol cans, and scrap paper were added between 1992 and 1996. Other recyclable material includes newspaper, glass, cardboard, aluminum, tin cans, scrap metals, and motor oil. No materials have ever been included in, and subsequently eliminated from, Portland’s curbside program.

SW&R staff continues to evaluate new materials and processing capabilities, both for future expansion opportunities, and for opportunities to reduce costs. For more information on the City’s recycling efforts refer to the Solid Waste & Recycling section of BPS’s website www.portlandoregon.gov/bps/recycle.

In 2013, Portland households recycled an average of 759 pounds (sample haulers only) of material per recycling customer household. Only 226 pounds per household was recycled in 1991, prior to the adoption of the current residential franchise system.

C. Yard Debris / Food Waste

As of October 31, 2011, yard debris and food scraps (sometimes referred to as “composting” or “organics”) are collected on a weekly basis, with options for customers to set out yard debris extras for a fee of \$3.75. In mid-2008 the yard debris collection system transitioned from collection via customer-provided cans or yard debris bags, to 60-gallon roll carts for curbside yard debris collection.

Prior to going to biweekly collection in 1993, monthly collection diverted only 100 pounds of yard debris per household annually. The addition of biweekly collection increased yard debris diversion to 230 pounds per household in 1994. In 2010, diversion averaged 523 pounds per household. Average disposal weight per household for 2013 was 1092 pounds per household (sample haulers only), reflecting the combined impact of the addition of food scrap collection and the switch to weekly composting collection.

III. THE RATE REVIEW PROCESS

The franchised residential solid waste, recycling, and composting collection system has been in place since February 1992. The following discussion summarizes critical aspects of the annual rate review process, as established by the Franchise Agreement between the City and franchised haulers.

A. Franchise Agreement Requirements

Under the terms of Section 7 of the Franchise Agreement, the City shall:

“establish a rate schedule for all Service Levels for the residential Solid Waste, Recycling and Compostables collection services ... sufficient for Grantees in aggregate to recover Grantees’ projected Allowable Expenses, Operating Margin and projected Pass-Through Expenses The rate schedules established by the City shall reasonably reflect the distribution of customer Service Levels ... [and] may also include incentives to Residential Customers to reduce their Solid Waste and to reuse and recycle.”

Section 8.2 of the Franchise Agreement specifies the general requirements that the City must address in making rate adjustments. Significant provisions of Section 8 include the following:

- The City must use a customer-weighted random sampling method to select a representative number of residential haulers (sample haulers), “for the purpose of determining the reasonableness of the Allowable Expenses in the preceding rate period, and the projected Allowable Expenses, Operating Margin and Pass-Through Expenses for the next succeeding rate period.” For the FY 2014-15 rate review, the five sample haulers represented 83.7% of all solid waste and yard debris customers.

- The City may – and currently does – contract with an independent CPA to conduct financial reviews of the costs, revenues and income reported by the sample haulers and the two recycling districts. This independent CPA-reviewed financial information forms the primary basis for calculating rates.

B. Key Rate Review Objectives

The City of Portland seeks to:

- Develop rates that reflect the actual cost of providing service before adding incentives and disincentives.
- Develop rates that provide an incentive for customers to increase recycling and composting and reduce solid waste generation. The City of Portland applies incentives to cost-of-service rates to reduce the rates for service levels with lower garbage capacities. Disincentive premiums are applied to the rates for 60- and 90-gallon roll carts and all single family multi-can and multi-cart service levels. These disincentive premiums increase the rates paid by customers and partially offset the reduction in hauler revenue caused by the incentive discounts.
- Develop rates for standardized curbside collection service as well as other levels of service, such as 32-gallon can and 35-gallon cart collected every four weeks, recycling-only and on-call service, and service for occasional solid waste and yard debris setouts.
- Develop rates that recover allowable costs and provide haulers with the opportunity to earn an operating margin equivalent to a 9.5% return on revenue.
- Ensure that non-curbside solid waste, recycling, and composting service is provided, at no additional charge, to customers in households where no one is physically able to place containers at the curbside.

C. Unique Elements of the Rate Review Process

In order to comply with the Franchise Agreement and achieve the objectives described above, the City of Portland annual rate review process includes the following unique elements:

1. Annual Rate Review Process Timing

Revised residential solid waste, recycling and composting rates are usually effective on July 1st, at the start of each fiscal year. Rates are based on hauler financial data for the previous twelve-month calendar year ending on December 31st. The six-month lag between the end of the calendar year and the effective date for new rates allows time for the following events to occur:

- Preparation and submittal of calendar year financial data by the haulers;
- Selection of the sample haulers who will have their financial data reviewed by an independent CPA retained by the City;
- Completion of the independent CPA's financial review;

- Calculation of recommended rates by an economic consultant retained by the City;
- Review of the recommended rates by SW&R staff;
- Review of the recommended rates by the Portland Utility Review Board;
- Review and eventual approval of the recommended rates by City Council.

FY 2014-15 rates are based on hauler financial data for the twelve-month calendar year ending on December 31, 2013 (CY 2013).

2. Hauler Reporting Requirements

In early March of each year, all residential franchised haulers are required to file with SW&R a comprehensive financial disclosure known as a Detailed Cost Report (DCR). The DCR requires the haulers to present information regarding their calendar year revenues, costs and income pursuant to extensive City guidelines regarding allowable and non-allowable expenses, Generally Accepted Accounting Principles, accrual basis versus cash basis accounting, depreciation policies, salvage values, cost allocations and a variety of other financial reporting topics.

In addition to the annual DCR, SW&R collects a variety of other information used in the rate review process, including quarterly customer counts by service level, and extensive labor hour, material weight and curbside setout data. SW&R also collects information on so-called "extra" services for use in the rate review process. These services – such as backyard collection services and additional solid waste and yard debris setouts – are provided to customers upon request for an additional fee. Forecasted revenues from extra services are netted against total hauler costs and thus reduce the rates for primary curbside collection services. In a similar fashion, the incremental cost of providing hilly terrain service is subtracted from total hauler costs to calculate the standard flat terrain rate and the hilly terrain surcharge.

3. Independent CPA Review of Sample Hauler Financial Data

The primary purpose of the independent CPA review of sample financial data is to verify – in line item detail – the cost of providing solid waste, recycling and composting services to the City's residential customers. This reviewed cost data, after adjustments for forecast inflation, provides the primary basis for calculating all solid waste, recycling and composting rates. The independent CPA financial review also verifies sample hauler financial performance during the previous calendar year, especially as it relates to the calculation of the haulers' operating margins.

During the course of its financial review, the independent CPA often makes a variety of recommended adjustments to hauler reported financial data. Some of these adjustments may accrue to the benefit of customers by lowering sample hauler and recycling district allowable costs. Others may increase the amount of allowable costs. Upon review, the economist usually incorporates all of the independent CPA's recommended adjustments for the calculation of rates.

For the FY 2014-15 rate review, all eighteen residential haulers filed their CY 2013 DCRs by March 3, 2014. Five haulers were subsequently selected via a customer-weighted random draw to have their submitted financial data reviewed by the CPA. By April 2, 2014, the independent CPA delivered the results of her financial review, including her recommended adjustments, to the

economist. This information was subsequently used as the basis for the FY 2014-15 rate calculation.

4. Application of Inflation Adjustments to Calendar Year Cost Data

Portland's residential solid waste, recycling and composting rates are designed to be forward looking. This means that *currently effective* rates have been designed with the intention of providing franchised haulers with adequate compensation for their *current* costs of providing service. As discussed above, there is a six-month time lag between the end of the calendar year for which cost data is collected and the start of the fiscal year when rates become effective. Once in effect, rates remain unchanged for the entire twelve-month fiscal year. As a result, there is an average eighteen-month period between cost measurement and full cost recovery.

For example, FY 2014-15 rates are based on costs incurred by haulers during the calendar year ending December 31, 2013. The eighteen-month period between December 31, 2013, and June 30, 2015, presents a risk that hauler profitability will be eroded by ongoing inflationary pressures. For this reason, the actual calendar year costs underlying all solid waste, recycling and composting rates are adjusted by an eighteen-month inflation factor. Section IV contains a discussion of specific inflation rates used in the calculation of FY 2014-15 rates.

5. Certain Costs Not Based on Reported Calendar Year Financial Data

A limited number of cost and revenue inputs used in the rate review process are not fully based on hauler reported financial data for the previous calendar year. Recyclable material sales revenue and solid waste disposal costs are the two most notable exceptions.

Recyclable material sales revenue usually lowers the amount of rate revenue required from customers and often has a significant impact on rates. Due to price volatility in the markets for recovered materials, there is often little relationship between the levels of recyclable material sales revenue earned by haulers from one year to the next. Prior to FY 2013-14 rates, the recyclable materials revenue offset included in rates was entirely forward-looking, using a forecast of recyclable materials revenue for the rate year. This tended to add year-to-year volatility to the rates paid by customers. To help moderate these rate swings, the recyclable materials revenue methodology was changed, effective with FY 2013-14 rates. The recyclable materials revenue offset is now an equally weighted average of actual recycling revenue for each of the two prior calendar years and a forecast of recycling revenue for the rate year.

As an aid to forecasting the price of recovered materials, SW&R staff monitor the market prices for several categories of recyclable materials including various forms of recovered paper, plastics, metals and glass. Paper products are by far the largest proportion and highest value materials recovered by haulers. Therefore, SW&R also retains the services of a consulting firm that prepares comprehensive forecasts of prices for newsprint, magazines, corrugated containers, and mixed paper in the Pacific Northwest regional market for the upcoming fiscal year. Section IV contains a discussion of the FY 2014-15 recyclable materials revenue forecast.

Solid waste disposal costs are a second major rate input not based on the costs reported by haulers. In CY 2013, solid waste disposal costs totaled approximately 39.9% of sample hauler total solid waste collection costs. Due to their large magnitude, care is taken to ensure that the solid waste

disposal costs included in rates are as accurate as possible. Towards this end, SW&R retains the services of Portland State University (PSU), which has conducted a comprehensive longitudinal study of Portland residential garbage container weights since 1992. The typical methodology for setting garbage container weights takes the PSU data, calculates net container weights by container size, and then adjusts the weights for an assumed setout rate of 100%. These container weights are further trued-up via a tonnage reconciliation, whereby haulers' reported tonnage is compared to expected tonnage, based on customer counts by service level and container weights. See Section IV for final can weights for FY 2014-15.

The rates for multiplexes (duplexes, triplexes and four-plexes) are based on adding an “extra unit recycling cost” to the base rate for the same size solid waste can/cart used at a single-family home. This extra unit recycling cost includes additional labor and collection costs, a recycling revenue offset, and costs for additional recycling roll carts. The extra unit charge is \$7.00 per extra unit in FY 2014-15. The multiplex rates are shown in the rate chart in Appendix A.

6. Operating Margin Methodology

Per the Franchise Agreement, rates are designed to allow haulers to recover legitimate costs of providing service and to provide them **the opportunity** to reach an operating margin equal to a 9.5% return on revenue. A simplified version of the operating margin calculation is presented below:

$$\begin{aligned} & \text{Gross Residential Revenues} \\ & + \text{Revenues from the Sale of Recyclable Materials} \\ & - \text{Allowable Expenses} \\ & - \text{Pass Through Expenses} \\ & = \text{Operating Margin} \end{aligned}$$

Although forecast inflation and fluctuations in the recyclable materials market can have a dramatic effect on the need for rate increases, there is generally an inverse relationship between the operating margin earned by haulers in a calendar year and the level of rate increases necessary in the upcoming fiscal year. This occurs because the actual costs experienced by haulers during the previous calendar year serve as the underlying cost basis for the upcoming fiscal year rate revenue requirement.

The use of a fixed operating margin target, coupled with the fact that allowable costs are reset every year, provides haulers with an ongoing incentive to increase operational efficiencies and control costs. This incentive occurs because haulers are allowed to retain all profits in excess of the target 9.5% operating margin used to calculate rates. Conversely, haulers who earn an operating margin below 9.5% have no recourse but to accept this outcome. Therefore, regardless of their individual profitability in past years, all haulers have an incentive to control costs in order to maximize profitability in the current calendar year.

7. Use of Composite Weighted Averages

With the exception of the hilly terrain surcharge, residential customers in the City of Portland pay a uniform citywide rate for each level of service. This occurs despite that fact that residential

customers are currently served by eighteen separate franchised haulers, each with unique operational and cost characteristics.

Citywide rate uniformity is achieved by calculating composite weighted average costs using the financial information contained in hauler DCRs. For example, in CY 2013, wages for recycling route drivers totaled \$2,802,464 for all five haulers included in the customer-weighted random sample. This is equivalent to an annual weighted average cost per customer of \$22.25. Netting out the incremental cost of providing service in hilly terrain reduced the cost per customer to \$21.37. Making adjustments for forecast inflation brought the final cost for recycling route drivers to \$21.76 per customer per year.

As illustrated in Appendix B, this same process is followed, on a line item-by-line item basis, for all of the approximately 138 cost categories listed in the DCRs. The total amount of these costs, after adjustments for forecast inflation, operating margins and franchise fees, defines the composite weighted average per customer revenue requirement that must be recovered through rates.

In addition to rate uniformity, the use of a composite weighted average methodology achieves two other critical objectives. First, it allows for the equitable blending of costs from haulers with often disparate operational and financial characteristics. In effect, highly efficient operators with low unit costs dampen or offset the upward rate pressures caused by inefficient operators with high unit costs. The reverse is also true.

Second, the use of a composite weighted average methodology allows the financial results of a small number of haulers to serve as a proxy for the entire residential franchise system. For FY 2014-15, the DCRs of the five haulers in the customer-weighted random sample served as a proxy for all eighteen haulers in the system. These five haulers still accounted for 83.7% of all solid waste and compost customers in the City. This significantly reduces administrative costs for the franchise review process, especially as it relates to the annual independent CPA review of the DCRs, while still including at least 75% of Portland customers in the sample.

IV. KEY FACTORS AFFECTING FY 2014-15 RATES

A. Recyclable Material Sales Revenue

The recyclable materials revenue offset for 2013-14 is the average of CY 2012 recycling revenues (\$0.54/customer per month), CY 2013 recycling revenues (\$0.36/customer per month), and a forecast of \$0.51/customer per month for the FY 2014-15 rate year. This gives a weighted average of \$0.47/customer month compared to the FY 2013-14 offset of \$0.84 per month and CY 2013 actual revenues of \$0.36 per month. This results in a direct \$0.37 per month increase to rates across all primary service levels. Forecast prices were provided by Moore & Associates, the consultant retained by SW&R to produce annual recovered paper prices forecasts for the Pacific Northwest regional market. Table 3 details the calculation of the FY 2013-14 recyclable material sales revenue forecast of \$0.51/customer per month.

Table 4. Calculation of Forecast FY 2014-15 Recyclable Material Sales Revenue
[Differences in sums are due to rounding]

Material	% of Materials Recovered (by weight)	Forecast FY 2014-15 Market Price \$ / Ton	Forecast FY 2014-15 Weighted Revenue \$ / Ton	Source of Forecast Market Price
#7/8 Old Newsprint	13.1%	\$ 30.50	\$ 3.99	Moore & Associates (1), Adjusted Based on SW&R Staff Input
Corrugated Cardboard	21.9%	67.00	14.69	Moore & Associates (1), Adjusted Based on SW&R Staff Input
Residential Mixed Paper	29.2%	20.00	5.84	Moore & Associates (1)
Plastics	5.5%	250.00	13.65	SW&R Staff Estimate
Tin Cans	2.7%	60.00	1.61	SW&R Staff Estimate
Other Metals	1.7%	15.00	0.26	SW&R Staff Estimate
Glass	6.7%	(20.00)	(1.33)	SW&R Staff Estimate (2)
Other Material	6.7%	0.00	0.00	
Residuals to be Discarded	12.6%	(102.23)	(12.85)	Metro Tip Fee
Total Weighted Revenue per Ton before Sorting Costs			\$ 25.86	
Estimated Sorting Costs per Ton			9.85	
Net Revenue Earned by Haulers (\$ / Ton)			16.01	
Forecast FY 2014-15 Recyclable Material Tonnage (Sample Haulers)			47,761	
CY 2013 Recycling Customers (Sample Haulers)			125,930	
Estimated Hauler Revenue (\$ / Customer / Month)			\$0.51	

Note 1: From Moore and Associates, "Market Price Forecasts for #7/8 Old Newspaper, Old Magazines, Old Corrugated Containers and Residential Mixed Paper in the Pacific Northwest", April 10, 2014.

Note 2: The market price for glass is shown as a negative amount because recycling collectors are charged for separated glass delivered to recycling facilities.

B. Forecast Inflation Adjustments

Table 4 shows the inflation adjustments applied to CY 2013 composite costs. These inflation adjustments are applied to all cost line items impacted by inflation, including wages and benefits, vehicle maintenance and repair, fuel, and general and administrative expenses. In aggregate, these inflators are estimated to add an average of \$0.37 per month to a residential bill compared to CY 2013 bills.

Table 5. FY 2013-14 Inflation Adjustments

<i>Cost Category</i>	<i>18-Month Inflation Adjustment</i>	<i>Annual (12-Month) Equivalent</i>	<i>Data Source for Inflation Adjustment</i>
<i>Wages and Other Labor Costs</i>			
Solid Waste – Wages	2.16%	1.44%	Weighted average, using Teamster contract for Waste Management, and Actual and Forecast CPI and PPI Data for other haulers
Solid Waste – Pensions	3.64%	2.41%	
Solid Waste – Health and Welfare Coverage	2.70%	1.79%	
Recycling – Wages	1.79%	1.19%	
Recycling – Pensions	3.76%	2.49%	
Recycling – Health and Welfare Coverage	2.50%	1.66%	
Organics – Wages	1.95%	1.29%	
Organics – Pensions	3.71%	2.46%	
Organics – Health and Welfare Coverage	2.58%	1.72%	
General & Administrative – Health & Welfare Coverage	2.70%	1.79%	
General & Administrative - Wages & Pension	3.28%	2.18%	Actual and Forecast CPI and PPI Data
<i>Non-Labor Adjustments</i> (e.g., office rent; insurance; vehicle repair, maintenance and depreciation; etc.)	3.28%	2.18%	Actual and Forecast CPI and PPI Data
<i>B20 Biodiesel Fuel</i>	-3.50%	-2.35%	U.S. EIA Forecast

C. Solid Waste Disposal Costs

Forecast solid waste disposal costs are driven by two primary factors: the amount of solid waste discarded by customers and the Metro tip fee. For FY 2014-15, the Metro tip fee included in rates is \$93.93 per ton, a decrease of 0.97% from the FY 2013-14 amount of \$94.85. The can weights for the FY 2013-14 and FY 2014-15 rates are shown in Table 5.

Table 6. Changes in FY 2014-15 Solid Waste Discard Weights

<i>Type of Service (collected every-other- week from single-family residences)</i>	<i>FY 2014-15 Weights</i>	<i>FY 2013-14 Weights</i>	<i>Percent Change</i>
20 Gallon Can and Cart	15.50 lbs.	14.64 lbs.	5.9 %
32 Gallon Can	24.18 lbs.	24.01 lbs.	0.7 %
32 Gallon Roll Cart	26.40 lbs.	26.55 lbs.	-0.6 %
60 Gallon Roll Cart	48.10 lbs.	48.73 lbs.	-1.3 %
90 Gallon Roll Cart	75.75 lbs.	73.10 lbs.	3.6 %

The combined impact of these changes, relative to FY 2013-14 rates, are \$0.07 per month for the 20-gallon can and cart, -\$0.01 for 32-gallon can, -\$0.04 for the 32-gallon roll cart, -\$0.11 for the 60-gallon roll cart, and \$0.20 for the 90-gallon roll cart.

D. Organics Disposal Costs

Yard debris and food scraps collected by Portland franchised haulers are taken to one of Metro's two transfer facilities. Similar to solid waste disposal costs, organics disposal costs are driven by the average amount of organics generated per household, and Metro's tip fee. Organics disposal per household is forecast to be 1106 pounds per year, a 5.5% decrease from the 1170 pounds/household assumed in the FY 2013-14 rates. Metro's tip fee is set to increase from \$56.67/ton, plus a \$3.00 fee per transaction to \$58.78/ton, with the same \$3.00/transaction fee, effective July 1, 2014. Assuming an average transaction of six tons per load, the average cost of organics disposal is expected to be \$59.28/ton in FY 2014-15. This is a 4.3% increase above the \$56.84/ton used in the FY 2012-13 rates.

The organics disposal costs incorporated in rates are allocated between the primary levels of service and extra yard debris setouts. For FY 2014-15, the component included in the base rate for all primary service levels decreased to \$2.67 per month, a 3.6% increase of \$0.10 from FY 2013-14 rates.

E. Incentives and Disincentives

Several rates are set below cost-of-service through the inclusion of incentive discounts. Since rates are set to make haulers 'whole,' the incentive discounts are offset by disincentive charges on other service levels. Table 6 gives the incentives and disincentives for single can or cart service levels for the FY 2014-15 rates, along with the incentives and disincentives in the FY 2013-14 rates.

Table 7. Incentives and Disincentives in FY 2013-14 and FY 2014-15 rates.

<i>Service level</i>	<i>FY 2014-15 rates</i>	<i>FY 2013-14 rates</i>
20 Gallon Can	(\$ 2.23)	(\$ 1.88)
32 Gallon Can	\$ 0.00	(\$ 0.15)
35 Gallon Roll Cart	\$ 0.00	\$ 0.00
60 Gallon Roll Cart	\$ 3.22	\$ 3.39
90 Gallon Roll Cart	\$ 5.87	\$ 6.34
32 Gallon Can, Every Four Weeks	(\$ 2.68)	(\$2.07)
35 Gallon Roll Cart, Every Four Weeks	(\$ 3.14)	(\$ 3.35)
Composting & Recycling Only	(\$ 1.06)	(\$ 0.62)

Appendix A
FY 2014-15 Residential Solid Waste, Recycling and Composting Rates
(Rates Effective July 1, 2014)

Service Level	FY 2014-15	FY 2013-14
Every-Other-Week Can Services		
One 20 gallon can	24.75	24.75
One 32 gallon can	28.60	28.10
Two 32 gallon cans	38.85	38.50
Two 32 gallon cans at a duplex	39.55	38.90
Two 32 gallon cans at a triplex	46.55	45.60
Three 32 gallon cans	44.90	44.55
Three 32 gallon cans at a duplex	43.50	42.85
Three 32 gallon cans at a triplex	50.50	49.55
Three 32 gallon cans at a four-plex	57.50	56.25
Four 32 gallon cans	49.40	49.05
Four 32 gallon cans at a duplex	47.45	46.80
Four 32 gallon cans at a triplex	54.45	53.50
Four 32 gallon cans at a four-plex	61.45	60.20
Every-Other-Week Roll Cart Services		
One 20 gallon roll cart	24.75	24.75
One 35 gallon roll cart	29.35	29.50
One 35 gallon roll cart at a duplex	36.35	36.20
Two 35 gallon roll carts	38.85	39.45
Two 35 gallon roll carts at a duplex	41.10	41.40
Two 35 gallon roll carts at a triplex	48.10	48.10
Two 35 gallon roll carts at a four-plex	55.10	54.80
Three 35 gallon roll carts	46.75	47.75
Three 35 gallon roll carts at a duplex	45.85	46.80
Three 35 gallon roll carts at a triplex	52.85	53.30
Three 35 gallon roll carts at a four-plex	59.85	60.00
Four 35 gallon roll carts	54.65	56.10
Four 35 gallon roll carts at a duplex	50.55	51.75
Four 35 gallon roll carts at a triplex	57.55	58.45
Four 35 gallon roll carts at a four-plex	64.55	65.15
One 60 gallon roll cart	35.90	36.40
One 60 gallon roll cart at a duplex	39.50	39.55
One 60 gallon roll cart at a triplex	46.50	46.25
Two 60 gallon roll carts	47.75	48.70
Two 60 gallon roll carts at a duplex	47.40	48.05
Two 60 gallon roll carts at a triplex	54.40	54.75
Two 60 gallon roll carts at a four-plex	61.40	61.45
Three 60 gallon roll carts	57.75	59.35
Three 60 gallon roll carts at a duplex	55.30	56.55
Three 60 gallon roll carts at a triplex	62.30	63.25
Three 60 gallon roll carts at a four-plex	69.30	69.95

Appendix A (Continued)
FY 2014-15 Residential Solid Waste, Recycling and Composting Rates
(Rates Effective July 1, 2014)

Service Level	FY 2014-15	FY 2013-14
Every-Other-Week Roll Cart Services		
Four 60 gallon roll carts	\$ 68.25	\$ 70.50
Four 60 gallon roll carts at a duplex	63.15	65.05
Four 60 gallon roll carts at a triplex	70.15	71.75
Four 60 gallon roll carts at a four-plex	77.15	78.45
One 90 gallon roll cart	\$ 42.80	\$ 43.30
One 90 gallon roll cart at a duplex	43.60	43.35
One 90 gallon roll cart at a triplex	50.60	50.05
One 90 gallon roll cart at a four-plex	57.60	56.75
Two 90 gallon roll carts	56.50	56.85
Two 90 gallon roll carts at a duplex	55.60	55.65
Two 90 gallon roll carts at a triplex	62.60	62.35
Two 90 gallon roll carts at a four-plex	69.60	69.05
Three 90 gallon roll carts	69.05	69.65
Three 90 gallon roll carts at a duplex	67.60	67.95
Three 90 gallon roll carts at a triplex	74.60	74.65
Three 90 gallon roll carts at a four-plex	81.60	81.35
Four 90 gallon roll carts	83.15	84.10
Four 60 gallon roll carts at a duplex	79.60	80.25
Four 60 gallon roll carts at a triplex	86.60	86.95
Four 60 gallon roll carts at a four-plex	93.60	93.65
Every-Other-Week Container Services		
One 1 cubic yard container	\$ 85.65	\$ 87.30
One 1 cubic yard container at a duplex	66.35	67.70
One 1 cubic yard container at a triplex	73.35	74.40
One 1 cubic yard container at a four-plex	80.35	81.10
One 1.5 cubic yard container	118.25	120.15
One 1.5 cubic yard container at a duplex	83.15	84.75
One 1.5 cubic yard container at a triplex	90.15	91.45
One 1.5 cubic yard container at a four-plex	97.15	98.15
One 2.0 cubic yard container	150.75	153.00
One 2.0 cubic yard container at a duplex	99.85	101.80
One 2.0 cubic yard container at a triplex	106.85	108.50
One 2.0 cubic yard container at a four-plex	113.85	115.20
Special Services – Solid Waste		
One 32 gallon can every four weeks	\$ 21.75	\$ 21.75
One 32 gallon can on-call (w/o recycling or composting)	9.15	9.05
One 35 gallon roll cart every four weeks	21.75	21.75
Occasional extra can/bag	5.00	5.00
Special Services – Recycling and Organics		
Recycling only – weekly	8.65	8.10
Compost & recycling only	18.20	18.20
Yard debris extra bag/can	3.75	3.75
Extra cart for recycling	3.30	2.90
Extra cart for compost	11.35	11.25

Appendix A (Continued)
FY 2014-15 Residential Solid Waste, Recycling and Composting Rates
(Rates Effective July 1, 2014)

Service Level	FY 2014-15	FY 2013-14
Terrain Differential		
Regular weekly service (single can)	\$ 4.20	\$ 4.20
Regular weekly service (multiple cans/carts)	4.35	4.35
Monthly service	2.60	2.60
Weekly recycling only service	1.60	1.45
Compost & recycling only	2.75	2.50
On-call service	0.75	0.60
Yard debris only service	0.50	0.50
Non-Curb Service Surcharge		
One 20 gallon can	\$ 1.70	\$ 1.70
One 32 gallon can	1.70	1.70
Two 32 gallon cans	3.40	3.40
Three 32 gallon cans	5.10	5.10
Four 32 gallon cans	6.80	6.80
Excess Distance (Greater than 75')		
One 20 gallon can	\$ 0.55	\$ 0.55
One 32 gallon can	0.55	0.55
Two 32 gallon cans	1.10	1.10
Three 32 gallon cans	1.65	1.65
Four 32 gallon cans	2.20	2.20
Multifamily Special Services:		
Recycling surcharge per extra dwelling unit	\$ 7.00	\$ 6.70
Non-curb can service	1.70	1.70
Non-curb roll cart service	3.50	3.50
Excess distance per roll cart	1.15	1.15

Appendix B
CY 2013 Composite Weighted Average Revenues and Costs
(Dollars/Customer/Year)

DCR* Line #	Line item Description	Weighted Average per Customer	Summary Percent
	SUMMARY		
1	Revenues (From Line 21)	\$ 387.54	100.00%
2	Direct Cost of Operations (From Lines 55)	260.05	67.10%
3	Gross Profit (Line 1 Less Line 2)	127.49	32.90%
4	General & Administrative (From Line 94)	76.01	19.61%
5	Income from Operations (Line 3 Less Line 4)	\$ 51.48	13.28%
	ADJUSTMENTS TO ALLOWABLE COSTS:		
6	Route Purchase – Interest (From Line 92)	\$ 0.00	0.00%
7	Route Purchase – Amortization (From Line 90)	0.00	0.00%
8	Contributions (From Line 70)	0.00	0.00%
9	Federal/State/Local Income Taxes (From Line 77 & Anywhere Else Reported)	0.00	0.00%
10	Gain on Sale of Assets (From Line 20)	0.00	0.00%
11	Officers Life Ins. Premium (From Line 61, or Wherever Included)	0.00	0.00%
12	Director's Fees (From Line 61, or Wherever Included)	0.00	0.00%
13	Other Non-Allowable Costs (From wherever included)	0.00	0.00%
14	Office in Home (From Worksheet)	0.00	0.00%
15	Yard at Home (From Worksheet)	0.00	0.00%
16	Total Adjustments to Costs (Total Lines 6-15)	0.00	0.00%
17	Allowable Franchise Costs (Lines 2 + 4 - 16)	\$ 336.06	86.72%
	NET FRANCHISE EARNINGS	\$ 51.48	13.28%
	RETURN ON REVENUES	13.87%	
	REVENUE		
18	Collection Revenues	\$ 382.66	98.74%
19	Recyclable Material Sales	4.28	1.10%
20	Other Revenues	0.61	0.16%
21	TOTAL REVENUES	\$ 387.54	100.00%

* DCR = Detailed Cost Report, submitted annually by all franchisees

Appendix B (Continued)
CY 2013 Composite Weighted Average Revenues and Costs
(Dollars/Customer/Year)

DCR Line #	Line item Description	Weighted Average per Customer, as Reported	Percent of Revenue	Weighted Average per Customer Net of Terrain Surcharge	Adjustments	Inflation Adjustment	Final Cost Used in Rates
	SOLID WASTE - DIRECT COST OF OPERATIONS						
22	Wages - Route Drivers	\$ 15.62	4.03%	\$ 14.73		2.16%	\$ 15.05
23	Wages – Mechanic	2.32	0.60%	2.19		3.28%	2.26
24	Payroll Tax Expense	1.74	0.45%	1.65		2.16%	1.68
25	Medical Insurance	3.81	0.98%	3.59		2.70%	3.69
26	Pension Plan Expense	1.63	0.42%	1.54		3.64%	1.59
27	Workers Compensation Insurance	0.60	0.15%	0.56		3.28%	0.58
28	Other Benefits	0.08	0.02%	0.07		2.16%	0.08
29	Training and Worker Safety	0.06	0.02%	0.06		3.28%	0.06
30	Fuel	4.31	1.11%	4.07	0.07	-3.50%	4.00
31	Repairs & Maintenance - Vehicles	2.67	0.69%	2.52		3.28%	2.60
32	Repairs & Maint. - Containers & Carts	0.43	0.11%	0.43	(0.43)	Rates based on forecast costs	
33	Repairs & Maintenance - Other Equipment	0.01	0.00%	0.01		3.28%	0.01
34	Repairs & Maintenance - Yard/Buildings	0.18	0.05%	0.18		3.28%	0.19
35	Depreciation - Vehicles	4.04	1.04%	3.81	1.70	0.00%	5.51
36	Depreciation - Containers & Carts	3.46	0.89%	3.46	(3.46)	Rates based on forecast costs	
37	Depreciation - Other Equipment	0.08	0.02%	0.08	0.12	3.28%	0.21
38	Depreciation - Yard/Buildings	0.23	0.06%	0.23		0.00%	0.23
39	Disposal Fees	42.88	11.06%	42.88	(42.88)	Rates based on forecast costs	
40	Recycling Co-op Payments	0.00	0.00%	0.00		0.00%	0.00
41	Recycling Bins	0.00	0.00%	0.00		0.00%	0.00
42	Supplies	0.07	0.02%	0.07		3.28%	0.07
43	Yard Rent	0.77	0.20%	0.77		3.28%	0.80
44	Vehicle Rent	0.00	0.00%	0.00		3.28%	0.00
45	Other Equipment Rent	0.04	0.01%	0.04		3.28%	0.04
46	Insurance	0.72	0.19%	0.68		3.28%	0.70
47	PUC /Licenses / Fees	0.57	0.15%	0.54		3.28%	0.55
48	Franchise Fees	20.21	5.22%	20.21	(20.21)	0.00%	0.00
49	Surcharges	0.00	0.00%	0.00	0.00	0.00%	0.00
50	Interest - Vehicles	0.51	0.13%	0.48	0.22	0.00%	0.70
51	Interest - Containers & Carts	0.16	0.04%	0.16	(0.16)	Rates based on forecast costs	
52	Interest - Other Equipment	0.00	0.00%	0.00		3.28%	0.00
53	Interest - Yard/Buildings	0.00	0.00%	0.00		3.28%	0.00
54	Other Operational Expenses	0.26	0.07%	0.26		3.28%	0.27
55	TOTAL - SOLID WASTE	\$ 107.47	27.73%	\$ 105.29	(\$ 65.03)		\$ 40.88

Appendix B (Continued)
CY 2013 Composite Weighted Average Revenues and Costs
(Dollars/Customer/Year)

DCR Line #	Line item Description	Weighted Average per Customer	Percent of Revenue	Weighted Average per Customer Net of Terrain Surcharge	Adjustments	Inflation Adjustment	Final Cost Used in Rates
	RECYCLING - DIRECT COST OF OPERATIONS						
22	Wages - Route Drivers	\$ 22.25	5.74%	\$ 21.37		1.79%	\$ 21.76
23	Wages - Mechanic	3.49	0.90%	3.35		3.28%	3.46
24	Payroll Tax Expense	2.51	0.65%	2.41		1.79%	2.45
25	Medical Insurance	6.11	1.58%	5.87		2.50%	6.01
26	Pension Plan Expense	2.57	0.66%	2.47		3.76%	2.57
27	Workers Compensation Insurance	0.87	0.22%	0.83		3.28%	0.86
28	Other Benefits	0.13	0.03%	0.12		1.79%	0.12
29	Training and Worker Safety	0.09	0.02%	0.09		3.28%	0.10
30	Fuel	7.03	1.81%	6.75	0.12	-3.50%	6.63
31	Repairs & Maintenance - Vehicles	4.22	1.09%	4.05		3.28%	4.18
32	Repairs & Maint. - Containers & Carts	0.37	0.10%	0.37		3.28%	0.38
33	Repairs & Maintenance - Other Equipment	0.02	0.01%	0.02		3.28%	0.02
34	Repairs & Maintenance - Yard/Buildings	0.31	0.08%	0.31		3.28%	0.32
35	Depreciation - Vehicles	5.79	1.49%	5.56	6.16	0.00%	11.73
36	Depreciation - Containers & Carts	5.12	1.32%	5.12		0.00%	5.12
37	Depreciation - Other Equipment	0.09	0.02%	0.09	0.20	3.28%	0.29
38	Depreciation - Yard/Buildings	0.39	0.10%	0.39		0.00%	0.39
39	Disposal Fees	0.23	0.06%	0.23		0.00%	0.23
40	Recycling Co-op Payments	0.00	0.00%	0.00		0.00%	0.00
41	Recycling Bins	0.00	0.00%	0.00		3.28%	0.00
42	Supplies	0.11	0.03%	0.11		3.28%	0.11
43	Yard Rent	1.21	0.31%	1.21		3.28%	1.25
44	Vehicle Rent	0.00	0.00%	0.00		3.28%	0.00
45	Other Equipment Rent	0.07	0.02%	0.07		3.28%	0.07
46	Insurance	1.04	0.27%	1.00		3.28%	1.03
47	PUC/Licenses/Fees	0.88	0.23%	0.84		3.28%	0.87
48	Franchise Fees	0.00	0.00%	0.00		0.00%	0.00
49	Surcharges	0.00	0.00%	0.00		0.00%	0.00
50	Interest - Vehicles	0.76	0.20%	0.73	0.80	0.00%	1.53
51	Interest - Containers & Carts	0.23	0.06%	0.23		3.28%	0.24
52	Interest - Other Equipment	0.00	0.00%	0.00		3.28%	0.00
53	Interest - Yard/Buildings	0.00	0.00%	0.00		3.28%	0.00
54	Other Operational Expenses	0.40	0.10%	0.40		3.28%	0.42
55	TOTAL - RECYCLING	\$ 66.28	17.10%	\$ 64.01	\$ 7.29		\$ 72.15

Appendix B (Continued)
CY 2013 Composite Weighted Average Revenues and Costs
(Dollars/Customer/Year)

DCR Line #	Line item Description	Weighted Average per Customer, as Reported	Percent of Revenue	Weighted Average per Customer Net of Terrain Surcharge	Adjustments	Inflation Adjustment	Final Cost Used in Rates
	ORGANICS - DIRECT COST OF OPERATIONS						
22	Wages - Route Drivers	\$ 18.57	4.79%	\$ 17.88		1.95%	\$ 18.23
23	Wages - Mechanic	2.89	0.75%	2.79		3.28%	2.88
24	Payroll Tax Expense	2.10	0.54%	2.02		1.95%	2.06
25	Medical Insurance	5.02	1.30%	4.83		2.58%	4.96
26	Pension Plan Expense	2.09	0.54%	2.01		3.71%	2.09
27	Workers Compensation Insurance	0.75	0.19%	0.72		3.28%	0.74
28	Other Benefits	0.12	0.03%	0.12		3.28%	0.12
29	Training and Worker Safety	0.08	0.02%	0.08		3.28%	0.09
30	Fuel	5.69	1.47%	5.48		-3.50%	5.38
31	Repairs & Maintenance - Vehicles	3.36	0.87%	3.24		3.28%	3.35
32	Repairs & Maint. - Containers & Carts	0.37	0.09%	0.37		3.28%	0.38
33	Repairs & Maintenance - Other Equipment	0.02	0.00%	0.02		3.28%	0.02
34	Repairs & Maintenance - Yard/Buildings	0.23	0.06%	0.23		3.28%	0.24
35	Depreciation - Vehicles	4.27	1.10%	4.11		0.00%	6.35
36	Depreciation - Containers & Carts	4.11	1.06%	4.11		3.28%	4.25
37	Depreciation - Other Equipment	0.07	0.02%	0.07		3.28%	0.23
38	Depreciation - Yard/Buildings	0.30	0.08%	0.30		3.28%	0.31
39	Disposal Fees	32.06	8.27%	30.94	2.70	0.00%	32.06
40	Recycling Co-op Payments	0.00	0.00%	0.00		0.00%	0.00
41	Recycling Bins	0.00	0.00%	0.00		0.00%	0.00
42	Supplies	0.08	0.02%	0.08		3.28%	0.08
43	Yard Rent	1.01	0.26%	1.01		3.28%	1.05
44	Vehicle Rent	0.00	0.00%	0.00		3.28%	0.00
45	Other Equipment Rent	0.05	0.01%	0.05		3.28%	0.05
46	Insurance	0.92	0.24%	0.88		3.28%	0.91
47	PUC/Licenses/Fees	0.75	0.19%	0.73		3.28%	0.75
48	Franchise Fees	0.00	0.00%	0.00		0.00%	0.00
49	Surcharges	0.00	0.00%	0.00		0.00%	0.00
50	Interest - Vehicles	0.80	0.21%	0.77		0.00%	1.19
51	Interest - Containers & Carts	0.20	0.05%	0.20		3.28%	0.21
52	Interest - Other Equipment	0.00	0.00%	0.00		3.28%	0.00
53	Interest - Yard/Buildings	0.00	0.00%	0.00		3.28%	0.00
54	Other Operational Expenses	0.38	0.10%	0.38		3.28%	0.39
55	TOTAL YARD DEBRIS	\$ 86.29	22.27%	\$ 83.42	4.03		\$ 88.36

Appendix B (Continued)
CY 2013 Composite Weighted Average Revenues and Costs
(Dollars/Customer/Year)

DCR Line #	Line item Description	Weighted Average per Customer	Percent of Revenue	Weighted Average per Customer Net of Terrain Surcharge	Inflation Adjustment	Final Cost Used in Rates
	GENERAL AND ADMINISTRATIVE					
56	Management Salaries	\$ 16.52	4.26%	\$ 16.50	3.28%	\$ 17.04
57	Management Payroll Tax Expense	1.56	0.40%	1.56	3.28%	1.61
58	Management Medical Insurance	2.42	0.62%	2.41	2.70%	2.48
59	Management Workers Compensation	0.07	0.02%	0.07	3.28%	0.08
60	Management Pension Plan Expense	0.85	0.22%	0.85	3.28%	0.87
61	Management Other Benefits	0.16	0.04%	0.16	3.28%	0.17
62	Administrative Salaries	17.31	4.47%	17.28	3.28%	17.85
63	Administrative Payroll Tax Expense	1.72	0.44%	1.71	3.28%	1.77
64	Administrative Medical Insurance	3.26	0.84%	3.25	2.70%	3.34
65	Administrative Workers Compensation	0.10	0.03%	0.10	3.28%	0.11
66	Administrative Pension Plan Expense	0.50	0.13%	0.50	3.28%	0.51
67	Administrative Other Benefits	0.01	0.00%	0.01	3.28%	0.01
68	Office Rent	2.91	0.75%	2.90	3.28%	3.00
69	Advertising and Public Education	1.20	0.31%	1.20	3.28%	1.24
70	Contributions	0.00	0.00%	0.00	3.28%	0.00
71	Professional Fees	1.56	0.40%	1.55	3.28%	1.60
72	Training & Worker Safety	0.06	0.01%	0.06	3.28%	0.06
73	Insurance	0.98	0.25%	0.98	3.28%	1.01
74	Telephone	2.15	0.56%	2.15	3.28%	2.22
75	Utilities	1.24	0.32%	1.24	3.28%	1.28
76	Property Taxes/Licenses/Fees	2.14	0.55%	2.14	3.28%	2.21
77	Federal/ State/Local Income Taxes	0.75	0.19%	0.75	-9.50%	0.68
78	Dues & Subscriptions	0.44	0.11%	0.44	3.28%	0.46
79	Depreciation - Office Building	0.20	0.05%	0.20	3.28%	0.21
80	Depreciation - Office Equipment	0.56	0.14%	0.56	3.28%	0.58
81	Repairs & Maintenance - Office	0.40	0.10%	0.40	3.28%	0.42
82	Cleaning and Maintenance	0.53	0.14%	0.53	3.28%	0.55
83	Equipment Rental	0.15	0.04%	0.15	3.28%	0.16
84	Office Supplies	1.79	0.46%	1.79	3.28%	1.85
85	Postage & Freight	1.59	0.41%	1.59	3.28%	1.64
86	Miscellaneous Expense	1.02	0.26%	1.02	3.28%	1.05
87	Travel/Meals/Lodging	0.74	0.19%	0.73	3.28%	0.76
88	Professional Meetings and Seminars	0.02	0.00%	0.02	3.28%	0.02
89	Bad Debts	1.55	0.40%	1.55	-11.20%	1.38
90	Amortization - Route & Intangibles	0.00	0.00%	0.00	0.00%	0.00
91	Amortization - Other	0.00	0.00%	0.00	0.00%	0.00
92	Interest - Route	0.00	0.00%	0.00	0.00%	0.00
93	Interest - Other	0.56	0.14%	0.56	3.28%	0.58
94	Corporate Overhead	8.98	2.32%	8.97	3.28%	9.26
94	TOTAL - G & A	\$ 76.01	19.61%	\$ 75.89		\$ 78.02