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

CITY HALL  
1 DR. CARLTON B. GOODLETT PLACE, ROOM 416  
SAN FRANCISCO, CA 94102

Tuesday, March 28, 2017  
Volume 4  
(Pages 404 - 556)

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REPORTED BY: MAXIMILLIAN A. CONTRERAS, CSR NO. 13876  
FILE NO.: AB0285A

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A P P E A R A N C E S

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1 Tuesday, March 28, 2017 8:09 a.m.

2 P R O C E E D I N G S

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

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

13 We will finish the City's presentation on the  
14 impound account. We will then resume cross-  
15 -examination of the Company's controller on the proposed  
16 rate structure and revenue projections. I understand  
17 that the Company would like to introduce some additional  
18 information and may have other witnesses they would  
19 like to call. In the interest of time, I ask the  
20 Company's witness to be as brief as possible in your  
21 presentations. The Ratepayer Advocate will have an  
22 opportunity to ask questions of any witnesses as well.  
23 As always, I will reserve the last period for public  
24 comment. You may also convey your comments to the  
25 Ratepayer Advocate.

1           One more piece of housekeeping. I'd like the  
2 Public Works clerk to make an announcement concerning  
3 our efforts to comply with Title VI of the Civil Rights  
4 Act and ask your cooperation with a public participation  
5 survey.

6           Mr. Nathan Rodis, please proceed with your  
7 announcement.

8           MR. RODIS: Thank you.

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

23           Thank you.

24           DIRECTOR NURU: Thank you, Nathan.

25           Okay. I believe Ms. Dawson is ready to start

1 with the Public Works item funded through the impound  
2 account.

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

7 MR. PRADHAN: Good morning, everyone.

8 Following up with Mr. Pilpel's testimony at  
9 the last hearing, Exhibit 53 will be a March 10, 2017  
10 memo from Elaine Forbes to the members of the Port  
11 Commission, 13 pages. That will be Exhibit 53.

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

16 And so those will be marked as Exhibits 53 and  
17 54.

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

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

23 DIRECTOR NURU: Okay.

24 MS. DAWSON: So can we ask Mr. Larry Stringer  
25 to come up on behalf of Public Works.

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

2 LARRY STRINGER,

3 having first been duly sworn,

4 was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. PRADHAN:

7 Q. Good morning.

8 Could you state your name please, sir.

9 A. Larry Stringer.

10 Q. And what is your title with the City?

11 A. Deputy Director of Operations for the  
12 Department of Public Works.

13 Q. And what are your duties in that role?

14 A. I run all operations, which includes street  
15 cleaning, urban forestry, street and civil repair, and  
16 building repair.

17 Q. Are you familiar with the impound account?

18 A. Yes.

19 Q. Could you tell us what are the different  
20 Public Works services that are funded through the  
21 impound account?

22 A. Litter patrol and block sweeping, and as well  
23 as some abandoned waste, mostly homeless debris-related.

24 MR. PRADHAN: I'm going distribute an exhibit,  
25 and I'm going to ask you to walk us through it. This



1 exhibit is a March 21st, 2017 memo from Julia Dawson  
2 to Mohammed Nuru, subject is "Public Works Funding  
3 Included in Recology's 2017 Refuse Rate Application."  
4 The document is 8 pages. I'll distribute that now.

5 MS. DAWSON: So that's 55.

6 MR. PRADHAN: Yes, this memo is 55.

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

9 BY MR. PRADHAN:

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

12 A. Yes, I do.

13 Q. Have you seen this document before?

14 A. Yes, I have.

15 Q. Could you walk me through, please.

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

22 I think it says, "\$18.6 million on these  
23 activities directly related to disposal of refuse and  
24 collectables for San Francisco city streets and  
25 properties."

1 Q. That's the total budget, not the amount from  
2 the --

3 A. That's not from the impound account, no.  
4 That's the amount related to the type of activities from  
5 the impound account. Just funds a portion of it.

6 Q. Thank you.

7 A. As you can see, we've done over 60,000 service  
8 requests related to that in 2015-16, and it's a 24/7/365  
9 operation. I guess the proposed funding is for  
10 \$3.5 million for the refuse-related cleaning services,  
11 which is less than 20% of the \$18.6 million in annual  
12 expenditures. And the rest of the funding for the  
13 Bureau comes from the general fund and also from the  
14 cigarette tax.

15 Q. And then I think it's stated here the impound  
16 account funds also help pay for the Outreach and  
17 Enforcement team, public litter can replacement, and the  
18 other items described here.

19 A. That is correct.

20 Q. And Mr. Stringer, are you familiar with the  
21 processes of Public Works to make sure that the impound  
22 account funds are spent on these intended items, the  
23 approval process for those expenditures?

24 A. I am. It's built into the basic budget of the  
25 Bureau, so yes.

1 Q. So through the standard budgeting process,  
2 that's how you make sure that impound account funds are  
3 spent correctly?

4 A. Correct.

5 Q. And is there also oversight at your level and  
6 at the project manager level regarding expenditures?

7 A. There is, as well as the finance as well.

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

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

12 MS. DAWSON: Just very briefly.

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

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

25 So we have put in this rate to supplement

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

8 MR. PRADHAN: Thank you.

9 THE WITNESS: Okay.

10 MR. PRADHAN: And one final --

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

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

14 MR. PRADHAN: I just had one final item.  
15 I wanted to mark a new exhibit. This will be  
16 Exhibit 56.

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

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

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

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

25 Mr. Rodis, if you could swear in.

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IAN SCHNEIDER,  
having first been duly sworn,  
was examined and testified as follows:

DIRECT EXAMINATION

BY MS. DAWSON:

Q. Good morning.

A. Good morning.

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

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

We started about three years ago through the funding from the impound account, and we have gotten into compliance well over a thousand properties that had insufficient or no refuse collection service and have

1 issued nearly 20,000 -- or logged nearly 20,000 outreach  
2 incidents relating to educating people on code  
3 compliance regarding illegal dumping, overflowing  
4 garbage bins, garbage bin placement and setout time,  
5 obstruction of the sidewalks, sidewalk cleanliness,  
6 and property cleanliness relating to refuse. We've also  
7 issued over 15,000 notices of violation and 3,500  
8 citations relating to those kinds of code violations.  
9 This is an effort that kind of bridges the gap between  
10 the operation-side of things and the Recology-side of  
11 things in terms of a dedicated staff to educate  
12 residents and the customers on how to dispose of the  
13 refuse correctly.

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

24 Q. And I apologize. Just for the record, if you  
25 could please state your name and your title.

1           A.       Sure.  Ian Schneider, Manager, Outreach and  
2 Enforcement Team, San Francisco Public Works.

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

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

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

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

24                       Does the Ratepayer Advocate have some  
25 questions?

1 MS. DILGER: Good morning.

2 Just a couple of brief questions.

3 EXAMINATION

4 BY MS. DILGER:

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

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

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

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

19 A. That, I don't know.

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

22 You may not have this answer, but you  
23 mentioned there were, I think, 3,500 citations.  
24 Do you know how much money that is approximately,  
25 and where does it go?



1           A.       (SCHNEIDER) Sure. We've collected over  
2 \$450,000 dollars in citation payments, and that goes  
3 back into the impound account.

4                   MS. DILGER: Thank you.

5                   DIRECTOR NURU: Any other cross-examination?

6                   Okay, thank you.

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

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

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

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

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

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

23                   You may proceed, Mr. Baker.

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

25                   Before we get started, I want to deal with a

1 couple of housekeeping matters. First, we introduced  
2 Exhibit 46 at a previous hearing, I think it was last  
3 week, showing COLA trends and there was certain  
4 identifying information left out on the graph showing  
5 what the numbers meant. So in any event, we're  
6 submitting an amended Exhibit 46 with that additional  
7 information.

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

11 MR. PRADHAN: 57.

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

14 JOHN PORTER,

15 having been previously duly sworn,  
16 was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BAKER:

19 Q. Good morning, Mr. Porter.

20 A. Good morning.

21 Q. Do you understand you're still under oath?

22 A. Yes.

23 Q. At the last hearing, you mentioned that there  
24 would be some revised schedules submitted to the City to  
25 account for some changes that you described in

1 testimony; is that right?

2 A. Correct.

3 Q. And have you provided those revised schedules  
4 to the City?

5 A. Yes.

6 MR. BAKER: Why don't we mark those as  
7 Exhibit 58.

8 MR. PRADHAN: 57.

9 MR. BAKER: Or 57, even better.

10 THE WITNESS: No, it's 58, because --

11 DIRECTOR NURU: The amended one was --

12 MS. DAWSON: Staff reports.

13 MR. PRADHAN: Oh, I didn't get that.

14 I'm sorry.

15 MS. DAWSON: And staff reports is 57.

16 MR. BAKER: Staff reports is 57, so this is  
17 58. Okay. I'll wait a minute to allow the paper to  
18 catch up.

19 MR. PRADHAN: I think we're all a little slow  
20 on the uptake this morning.

21 (Exhibit 58, "Post-filing Modifications  
22 [Recology]," was admitted into evidence.)

23 BY MR. BAKER:

24 Q. All right. Mr. Porter, while Exhibit 58 is  
25 being handed out, can you give us an overview of the

1 changes that have been made to the schedules?

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

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

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

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

24 So I guess cumulatively, there is no impact to  
25 the rate increase that's proposed. It still remains

1 16.4% after the rebates in the first Rate Year 2018.

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

6 A. Right, yes.

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

10 A. Yes, those have changed. In one case, the  
11 rate increase has gone down and in one case, the rate  
12 increase has gone up. So for example, the iMRF, the  
13 first Contingent Schedule 1 has gone up from 1.47% to  
14 1.85%, and 2 has gone down from 2.78% to 2.6%.

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

21 MR. BAKER: That would be helpful, thank you.

22 And should we mark this then as Exhibit 59?

23 MR. PRADHAN: Yes, 59.

24 ///

25 ///

1 (Exhibit 59, "Comparison of Final Application  
2 and Post-Filing Changes [Recology],"  
3 was admitted into evidence.)

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

6 MR. RODIS: Yes.

7 (Exhibit 59 is displayed.)

8 BY MR. BAKER:

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

11 A. Yes.

12 Q. And what did you conclude?

13 A. It is accurate.

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

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

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

23 A. Correct.

24 Q. The second line says "RSS/RGG Increase Rate  
25 Year '18 (with offsets): 16.4%."

1 A. Mm-hmm.

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

4 A. Yes.

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

6 A. Those detail -- one is the Rate Year '19  
7 increase with offsets. That has decreased 4.42% to  
8 4.25%. And then the Rate Year 2021 has increased from  
9 0.62% to 0.68%. And then there's the two contingent  
10 schedule increases that I mentioned earlier.

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

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

14 Q. One increased and what?

15 A. Decreased. So Contingent Schedule 1 went from  
16 1.47% to 1.85%, and Contingent Schedule 2 went down from  
17 2.78% to 2.6%.

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

21 A. Yes.

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

1 A. Correct.

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

4 A. Yes. Changes highlighted in yellow.

5 Q. All right, thank you.

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

11 A. Mm-hmm.

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

15 A. Yes.

16 Q. What did you do?

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

23 Q. And how did you do that?

24 What data did you use to do that comparison?

25 A. We downloaded all the payroll data since,



1 I believe, 7/1/2012 and to 6/30/2016; so several rate  
2 years, four rate years' of information, and just put  
3 them in a line graph to show the comparison.

4 (Exhibit 60 is displayed.)

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

7 THE WITNESS: I see 60.

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

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

11 BY MR. BAKER:

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

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

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

21 A. Well, I would say that workers' comp hours  
22 trend well with overtime hours. And so the more  
23 employees -- either the more overtime being worked  
24 resulted in more workers' compensation claims, or more  
25 workers' compensation claims results in more overtime

1 hours being worked. There's definitely a tight trend  
2 between those two.

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

5 A. Yes.

6 Q. And what do you mean by that?

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

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

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

25 (Mr. Arsenault steps up to the witness stand.

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MARK ARSENAULT,

having been previously duly sworn,  
was examined and testified as follows:  
(Exhibit 61 is displayed.)

BY MR. BAKER:

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

A. Yes.

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

MR. PRADHAN: Admitted as 61.

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

BY MR. BAKER:

Q. Can you tell us what this shows us?

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

Q. So this is a rate for what customer?

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

Q. So the rate in Rate Year 2014, \$34.08, going  
up to \$34.83, going up another 1% in 2016, and in this

1 current rate year, not going up at all; is that right?

2 A. Yes. It should be worth noting that Rate Year  
3 2017 did not increase because we used the Zero Waste  
4 Incentive funds from prior years to offset that increase  
5 to the ratepayers. I believe it would have been 1.6%  
6 resulting from the COLA.

7 Q. 1.6% what?

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

12 Q. And then the Rate Board also approved the use  
13 of certain Special Reserve funds since the opening of  
14 the Hay Road landfill; correct?

15 A. That is correct.

16 Q. And how has that impacted the rates that  
17 ratepayers have paid since the new landfill went into  
18 operation?

19 A. Approximately, the rate -- if we had increased  
20 rates for this change, it would have been approximately  
21 a 3.5% rate increase.

22 Q. And that rate increase was avoided because the  
23 Rate Board approved application of some Special Reserve  
24 funds to cover the increased landfill cost; is that  
25 right?

1 A. Yes.

2 MS. DAWSON: Mr. Baker?

3 MR. BAKER: Yes, ma'am?

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

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

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

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

16 BY MR. BAKER:

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

22 A. Yes.

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

24 A. Correct.

25 Q. And a question was asked as to how one

1 qualifies for a low-income rate, and I think you've  
2 pulled together some materials that explain that.

3 So can you walk us through that?

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

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

13 A. That information is available on our website.

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

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

17 A. Approximately 7,000.

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

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

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

25 ///

1 BY MR. BAKER:

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

4 A. Yes.

5 MR. PRADHAN: Admitted.

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

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

10 BY MR. BAKER:

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

13 A. Okay.

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

18 A. Yes.

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

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

25 Q. "CBA" being --

1 A. "Collective Bargaining Agreement," yes.

2 And so that has a band of increases with a  
3 floor and a ceiling. It cannot exceed a certain amount,  
4 it cannot be less than a certain amount, and that amount  
5 is determined by Bay Area Consumer Price Index.

6 Q. So the Collective Bargaining Agreement itself  
7 has a band of permissible wage increase?

8 A. Yes.

9 Q. And what is that band?

10 A. It is 2.25% to 3.25%.

11 Q. And the fixed labor component then is  
12 calculated based upon whatever wage increase goes into  
13 effect within the limits of that band; is that right?

14 A. Correct. And it's worth noting that Local 350  
15 Teamsters is the largest subset of employees. These are  
16 drivers and other groups of employees; so it's very  
17 representative of the Company's workforce overall.

18 Q. Thank you. Skipping to another topic,  
19 Abandoned Materials/Bulky Item Collection.

20 A. Mm-hmm.

21 Q. There's been some testimony on that subject  
22 and some questions asked by both Ms. Dawson and  
23 Mr. Nuru, as I recall. And the question that I think  
24 was discussed was whether or not both Abandoned Material  
25 and Bulky Item, whether run separately or combined,



1 could operate over the weekend.

2 A. Mm-hmm.

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

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

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

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

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

23 So in an effort to make this more efficient,  
24 we're looking at the possibility of combining these  
25 services so that they would pick up either one with a

1 parameter that establishes the collection called in by  
2 12:00, the same day/after 12:00, the following day, for  
3 the bulk of these materials.

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

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

24 Q. And what about if workers work on Sunday?  
25 What does the Collective Bargaining Agreement say on

1 that?

2 A. It's a double-time rate on Sundays.

3 Q. And does that apply even if you assign a  
4 driver to a workweek that's Wednesday through Sunday,  
5 for example?

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

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

11 A. We are presently not.

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

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

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

23 A. The current application keeps the  
24 separation between the two collections and it adds  
25 two routes, Monday through Friday, to both of those

1 services.

2 Q. So if Abandoned Materials and Bulky Item  
3 service were combined with the service parameters that  
4 you've described in terms of a noon call and that sort  
5 of thing, and if Bulky Item was added as a Saturday  
6 service, would that result in an additional expense  
7 that's not accounted for in the current application?

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

9 Q. And why would it be a reduction?

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

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

18 A. That's correct.

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

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

25 A. (PORTER) Yes.

1 Q. And you've provided a copy of your analysis to  
2 the City?

3 A. Yes.

4 Q. Let's take a look at that.

5 (Exhibit 64 is displayed.)

6 BY MR. BAKER:

7 Q. Is this the chart that describes the work that  
8 you did?

9 A. Yes.

10 MR. BAKER: May we mark this as Exhibit 64?

11 MR. PRADHAN: Yes. Exhibit 64.

12 (Exhibit 64, "Estimated Disposal Tons &  
13 Percentage of Tons Processed [Recology],"  
14 was admitted into evidence.)

15 BY MR. BAKER:

16 Q. So can you walk us through a little bit of the  
17 gray bars, the red lines, the yellow bars, all that,  
18 which would be very helpful.

19 What does this chart depict?

20 A. So the gray bars reflect the number of  
21 disposal tons in a given month, with the axis on the  
22 left showing number of tons per month that are  
23 landfilled. And the --

24 Q. So let me interrupt you just a second.

25 So in terms of the horizontal axis along the

1 bottom, this is a timeline?

2 A. Correct.

3 Q. And we start with what month?

4 A. We're starting with July 1st, 2016; so  
5 Rate Year 2017.

6 Q. And carrying you to what on the right?

7 A. The end of Rate Year 2021.

8 Q. All right. And the gray bars show tons  
9 disposed at the landfill?

10 A. Correct.

11 Q. All right.

12 A. The colored bars indicate facility  
13 improvements that are either completed or planned as  
14 part of this rate application. "Pier 96" represents the  
15 Pier 96 enhancements that were already completed to  
16 improve the recycling equipment at that facility.

17 And then the black line indicates the trash  
18 processing pilot and the 16 gallon cart rollout. And  
19 that 16 gallon cart rollout, the tonnage impacts of the  
20 amount of processed tons are, you know, impact the  
21 period of 24 months after that date. There's the --

22 Q. So again, the black bar would be July of 2017?

23 A. Correct. And then you have Rate Year 2018,  
24 which is what this rate application is for.

25 Q. Okay.

1           A.       The orange line indicates the iMRF facility  
2 that is Contingent Schedule 1. And then lastly, the  
3 green bar is the Contingent Schedule 2, which is trash  
4 processing -- processing every ton of trash that  
5 Recology receives.

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

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

16           A.       Yes.

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

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

1 can be influencing these numbers as well.

2 Q. And --

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

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

12 A. Yes.

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

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

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



1 processed.

2 And then lastly, the --

3 Q. Let me interrupt you just a second.

4 A. Sure.

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

7 A. Pier 96.

8 Q. Pier 96 composting?

9 A. Composting, correct.

10 Q. Okay.

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

14 Q. And that is projected to go into effect when?

15 A. This was created consistent with the capital  
16 timeline that's included in the narrative, Appendix A.

17 And so that would be coming online on -- I used

18 September 1st. The construction completion date is

19 August 18th on the appendix.

20 Q. August 18th of what year?

21 A. 2020.

22 Q. And so that is Contingent Schedule 2?

23 A. Correct.

24 Q. And that's the green bar?

25 A. Yes.

1 Q. And then the yellow bar reflects the changes  
2 that would occur if Contingent Schedule 1 was  
3 implemented; is that right?

4 A. Yes.

5 Q. The red line shows that the amount of trash --  
6 or amount of material processed, once Contingent  
7 Schedule 2 goes into effect, would be 100%?

8 A. Yes.

9 Q. So that means recyclables, trash, green can,  
10 blue can, black can would all be processed under that --

11 A. Public drop-off, C&D, self-haul.

12 So everything, yes.

13 Q. But the tonnage going to the landfill has not  
14 dropped to zero at that same time; correct?

15 A. That is correct.

16 Q. And why is that?

17 A. Well, this is just based on the technology  
18 available to us and the waste stream that we have today,  
19 what we believe we can recover from the waste stream,  
20 the black cart, and what can be commoditized and reused.  
21 And so this kind of reflects what the best available  
22 options are today. And so even with the best available  
23 options, in processing 100% of the black cart material  
24 does not get us to zero tons to the landfill.

25 Q. Does public education also play a role in

1 this?

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

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

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

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

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

24 Q. So I think you've kind of stated it, but  
25 broadly, what conclusions do you or Mr. Arsenault draw

1 from this analysis?

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

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

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

21 The reason the trash processing has less of an  
22 impact, because approximately 50% of that trash there  
23 has no known use for it presently, and then breakdown of  
24 the remaining 50% is approximately -- and these are done  
25 through waste characterization studies that have been

1 quite extensive -- 10% is anticipated to be recyclables  
2 that remain in the material, another 10% is anticipated  
3 to be film plastic, and the remaining 30% is anticipated  
4 to be organic material.

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

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

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

24           Unless additional changes are made to that  
25 technology, we don't believe it will be the end solution

1 for the processing of all trash that we handle. But of  
2 that material that's going through that pilot, the press  
3 is capturing a portion of the organic material. There  
4 are other technologies that are out there that we  
5 believe will be more efficient in capturing more of the  
6 organic material and we're talking to some of those  
7 vendors presently, but it's not in this application.

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

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

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

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

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

20 MR. PORTER: Before we move on, there's just  
21 another piece of pertinent information that Mr. Nuru  
22 requested at the bottom of the graph that I wanted to  
23 highlight, and that's just the number of trips to the  
24 landfill and the reduction over the term. And so it is  
25 worth noting that these are year-over-year changes, and

1 so to get the cumulative reduction in changes, you'd  
2 need to add up the numbers.

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

8 BY MR. BAKER:

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

13 A. (PORTER) Correct.

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

16 MR. PRADHAN: You did. Admitted as 64.

17 I think we've done that, yeah.

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

21 The first one, which we'll mark as Exhibit 65,  
22 is a resolution adopted by the San Francisco Board of  
23 Supervisors on September 30, 2002, which is the  
24 resolution adopting a goal of 75% landfill diversion by  
25 the year 2010 and the long-term goal of zero waste with

1 the date for reaching that goal to be set by the  
2 San Francisco Commission on the Environment, according  
3 to the resolution. So that would be Exhibit 65.

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

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

13 MR. PRADHAN: Admitted. Thank you.

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

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

19 BY MR. BAKER:

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

23 Where does Recology currently send the organic  
24 material that's collected in the green bins in  
25 San Francisco?



1           A.       (ARSENAULT) We take it presently to two  
2 locations. A fractional amount goes to a location  
3 called Jepson Prairie Organics in the Vacaville area,  
4 and the bulk of the material goes to a facility called  
5 Blossom Valley North Organics, or otherwise known as  
6 "BVON," and that's down in Vernalis.

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

8           A.       Yes.

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

11          A.       They are.

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

15          A.       That's right.

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

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

24                    So some of the changes are coming from the  
25 water board and the air board, specifically, related to

1 controlling the water. The process involves a lot of  
2 water in the process, creating essentially impermeable  
3 surfaces for this process to occur on as well as air  
4 board regulations that also affect the equipment that is  
5 being used to process the material.

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

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

13 A. That's correct.

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

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

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

20 A. Yes.

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

23 A. That's my understanding, yes.

24 Q. Have you done an analysis to see what the  
25 per-ton cost of complying with these regulations is?

1           A.       We have. We engaged a third party to do a  
2 comprehensive analysis of these regulatory changes and  
3 their effect on rates in general to comply with these  
4 orders.

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

10           I'd like to have Exhibit 67 admitted.

11           MR. PRADHAN: Admitted.

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

15 BY MR. BAKER:

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

18           A.       It is.

19           Q.       And what information is in this document that  
20 bears on the increased tip fees at the organics  
21 facilities?

22           A.       It does a review of some of the cost elements  
23 related to regulatory changes and how these facilities  
24 need to be capitalized to meet these conditions.

25           Q.       So is there a specific analysis of the per-ton

1 dollar impact from the air board and the water board  
2 regulations that you talked about?

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

6 Q. How about page 15?

7 A. Page 15, thank you.

8 Yes.

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

11 A. There is.

12 Q. And what does that tell us?

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

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

22 A. That's right.

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

1 A. Yes.

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

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

9 Q. Impact what?

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

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

16 A. They do.

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

21 A. We have.

22 Q. And what is that?

23 A. We've agreed that no contract would be entered  
24 into at a rate that would be below the San Francisco  
25 contract. So if you look at many of our contracts that

1 have been negotiated in the recent years, and obviously  
2 anticipating compliance with these regulatory changes,  
3 the tip fee is very competitive, if not, lower than some  
4 of the other tip fees. The material that we handle for  
5 San Francisco has a substantial amount of other  
6 materials in it -- plastics and materials we have screen  
7 from this material because it's largely commercial in  
8 nature. So with other like-sources of material, that  
9 rate that we have proposed in this application at \$75  
10 dollars per ton is competitive with those other rates,  
11 if not lower.

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

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

20 A. Correct.

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

24 A. We do.

25 Q. And were the facilities that processed

1 organics in 2013 when that particular rate was approved,  
2 were those organics facilities also owned by Recology as  
3 they are today?

4 A. John, if you can throw me a lifeline.

5 I believe they were. We purchased the BVON  
6 facility several years back. It was, I believe, before  
7 2013, yes.

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

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

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

16 A. Right, yes.

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

20 A. No.

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

24 Ms. Dawson asked a question of Ms. Butler,  
25 I believe, a couple weeks ago that focused on Recology's

1 projections of cost for the two contingent schedules --  
2 \$64 million for Contingent Schedule No. 1, \$19 million  
3 for Contingent Schedule No. 2.

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

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

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

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

24 Q. Now, you recognize that the 1932 Ordinance has  
25 certain deadline requirements in terms of how many days



1 before a hearing and application has to be submitted,  
2 et cetera. Are you proposing that this abbreviated  
3 procedure, as you've described it, would nonetheless  
4 comply with the Ordinance guidelines?

5 A. Yes.

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

8 A. Yes.

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

11 A. That's correct.

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

16 A. Well first and foremost, we would not be able  
17 to meet our timelines without a more streamlined  
18 process. Because these projects are very tightly --  
19 they have very tight primers on them now in terms of  
20 completion. And so we believe that if, conceptually,  
21 if the projects are evaluated during this process and  
22 determined to be something important in terms of our  
23 goal to getting to zero waste, that they would continue  
24 to be. So the only variance would be if they were  
25 outside the range of what was reasonable in terms of the

1 cost adjustments that would be made. So it would really  
2 be an evaluation of getting to that cost differential,  
3 if there was one, was still worthwhile in having us move  
4 forward with the project.

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

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

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

13 A. Yes, we would.

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

18 A. That's right.

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

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

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

25 CROSS-EXAMINATION

1 BY MS. DAWSON:

2 Q. Okay. Good morning.

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

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

9 A. (PORTER) Yes.

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

13 Close to that.

14 A. Yes.

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

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

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

24 A. Mm-hmm.

25 MS. DAWSON: And I have an exhibit to

1 introduce, which is two-sided. One side shows kind of a  
2 graph, for those more visual among us.

3 (Exhibit 68 is displayed.)

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

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

14 MS. DAWSON: Okay. Thank you.

15 (Exhibit 68, "Number of Accounts by Percentage  
16 Change in Monthly Rates [City]," was admitted  
17 into evidence.)

18 BY MS. DAWSON:

19 Q. So you characterize in your last testimony of  
20 the proposed rate structure as kind of hitting the sweet  
21 spot in terms of the distribution of the actual rate  
22 increases, which would be an average of around 16.4%.  
23 Using the information from your rate model, we've  
24 produced with the help of our consultant R3 an exhibit  
25 that actually shows the number of customers that fall

1 into various range of increases. And so in a few case  
2 studies it increases the rate, and then for some  
3 grouping of customers, there's what I would kind of call  
4 a "double bump."

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

10 A. Sure. And I did not prepare this analysis.  
11 I believe -- if it's coming from my models, one thing  
12 that I do know the is that this does not reflect the  
13 \$5 dollar credit that will be given to 20 gallon  
14 customers, which would shift this second bump further to  
15 the left.

16 Q. For one year?

17 A. For one year; correct.

18 Q. And then what happens after that year?

19 A. That would reflect it; correct.

20 Q. Maybe one thing that would help would be if we  
21 turned the exhibit over and looked at the tabular data.

22 A. Yeah, this is easier.

23 Q. It might be more in line with -- I apologize.

24 This might be more in line the what you're  
25 looking at. It's just a little harder to see.

1                   So what this shows is the same information but  
2 in table format, which I think is more similar to what  
3 you're used to looking at.

4           A.       Yes.    Agreed.

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

9           A.       Mm-hmm.

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

13          A.       Mm-hmm.

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

16                   And then red is the remaining.

17                   But you'll notice there's a significant number  
18 of people up between, you know, 21% and 30% and 31% to  
19 40%.

20          A.       Yes.

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

23          A.       Correct.

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

1           A.       Sure.

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

9                   MR. PRADHAN:  That will be Exhibit 69.

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

14                   (Exhibit 69 is displayed.)

15 BY MS. DAWSON:

16           Q.       So at our workshops and in public comment,  
17 we've heard a number of people complain the size of the  
18 rate increase; so I'd just like to kind of run through  
19 with you how the balances in the Special Reserve and  
20 Zero Waste Incentive funds have actually been used to  
21 offset rate increases that would have occurred in the  
22 last couple of years and then push out the proposed  
23 rated increases to future years.  And this kind of gets  
24 to some of the public comment we've asked about why are  
25 we seeing these sudden increases.

1           So if you look at the table, I've created a  
2 column called "Adjusted vs. Proposed," and you had  
3 mentioned this, Mr. Porter in your testimony just a few  
4 moments ago about how you actually used revenues  
5 collected from the Zero Waste -- well, you collected  
6 money from the Zero Waste Incentive fund that you didn't  
7 earn, and so as a result, that ended up being applied  
8 and there was no COLA increase --

9           A.     Correct.

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

12          A.     No.

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

15          A.     Correct.

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

22          A.     Right, yes.

23          Q.     So what I wanted to show is had you actually  
24 passed those costs through to the public in the rates,  
25 you would have actually had a smaller proposed increase



1 today?

2 A. Right.

3 Q. And that amount is worth about 5.7%. So if  
4 you look at the number here, "17.26" is what would have  
5 happened if those would have been in the rate base,  
6 and this "22.96" is what we've actually got, and the  
7 difference between those two is 5.7%.

8 A. Correct.

9 Q. Does that look consistent with what you would  
10 understand?

11 A. Yes.

12 Q. Okay. So then one of the other questions that  
13 we've been getting from the public is just about how  
14 many increases are there? And in what years are these  
15 increases happening, and what's driving the various  
16 increases. And at the end of all this, where are we  
17 going to be potentially if everything that you've  
18 proposed actually comes to pass in the rates.

19 And so what this exhibit does is shows over  
20 time what's happened. So in Rate Year '18 as proposed,  
21 you're using the various surpluses we've talked about.  
22 You can see 16.4% increase. Then you go forward Rate  
23 Year '19, and some of that surplus that you have been  
24 able to apply in prior years goes away; so you have an  
25 additional 4.42% increase in the rates. So now we're

1 looking at a cumulative change of 20.82.

2 Go forward to Rate Year 2020, and if you  
3 actually trigger the iMRF improvement amount, that  
4 is going to increase rates again by 1.47%. And I  
5 understand that these are adjusted a little bit for the  
6 changes you just made, but I think that the principle  
7 still holds true here.

8 A. Correct.

9 Q. Then when you come forward to 2021, you  
10 actually see two adjustments. One is that the last  
11 amount of the surplus from the Special Reserve goes  
12 away, and in addition, you have the removal -- so you  
13 can see that there's just a reflection continuing of  
14 that sunseting of the credit, which I didn't call out  
15 but we talked about a minute ago where the \$5 dollars is  
16 only given to the customers for one year.

17 A. Right.

18 Q. So adding that 0.62% with the potential  
19 trash processing capital improvement of 2.78%, at the  
20 end of all this in 2021, rates would go up by 25.69%.  
21 Does that look accurate based on your rate application?

22 A. Yes. Based on the final rate application,  
23 yes.

24 Q. Give or take some adjustments?

25 A. Correct.

1 Q. I do want to note here because it did come up  
2 as a question in public comment that these numbers do  
3 not reflect whatever COLA increases would also be  
4 potentially applied annually, which you already had an  
5 exhibit on that today. And it's anywhere maybe between  
6 1.6% and 2% on top of these numbers, though it does  
7 compound year over year.

8 A. Correct.

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

14 A. Yes.

15 (Exhibit 70 is displayed.)

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

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

25 (Exhibit 70, "Tipping Fee Methodology [City],"

1                   was admitted into evidence.)

2 BY MS. DAWSON:

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

9                   So on the top here, "A," we start with all the  
10 OR-eligible expenses, and then we apply the allowed  
11 profit on top of them, which is "B." The non-OR-  
12 -eligible expenses are reflected in "C," so \$15.8.  
13 And then the Zero Waste Incentives. I know you look at  
14 them as a negative revenue and I look at them as an  
15 expense, so that's a little difference in our schedules.

16           A.       Okay.

17           Q.       So the sum of all those is what we end up  
18 calling total expenses here. Then we look at what your  
19 projected revenues are, and I do want to call out that  
20 there's \$20.7 million roughly assumed in the rate  
21 application for the sale of recyclable materials, and  
22 there's another \$2.3 million called "Other Commercial  
23 Revenues." I don't know if you'd be able to comment a  
24 little bit on what makes up "Other Commercial Revenues"  
25 briefly.

1           A.       I believe "Other Commercial Revenues" is  
2 primarily self-haul customers. So anecdotally, talking  
3 about landscapers who bring green waste to our facility  
4 at the end of their day. Also, you know, other  
5 commercial businesses that self-haul material to our  
6 facility.

7           Q.       Okay. Thanks.

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

15          A.       That's correct.

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

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

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

25          A.       Correct.

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

9           A.       (ARSENAULT) Yes. It's very similar to the  
10 recycling. There is a fee that is charged to the  
11 end-users for the finished product of compost.  
12 My understanding, it's somewhere in the neighborhood of  
13 \$9 dollars a cubic yard, so that's not calculated on a  
14 per-ton basis. But whatever those revenues are, are  
15 applied against the profit requirement for that  
16 facility; so it's very similar. The material goes to  
17 offset the expense.

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

22          A.       That's correct.

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

24               I have another exhibit.

25               MR. PRADHAN: This will be Exhibit 71.

1 (Exhibit 71, "Projected Tons Diverted and  
2 Disposed [City]," was admitted into evidence.)

3 BY MS. DAWSON:

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

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

20 A. (PORTER) Yes.

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

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

24 Q. Really what I want to draw your attention to  
25 is the difference between "diverted" and "disposed."

1           So what you noise here is that in Rate Year  
2 '19, we do take a bit -- I guess really every year we're  
3 stepping in the right direction in terms of improving  
4 our diversion and reducing our disposal, but it's a  
5 pretty gradual difference. So we have a diversion rate  
6 of 55.5% that kind of stair-steps up to 57.2% in Rate  
7 Year 2018. And so we're roughly thinking that this  
8 change is attributable to some of the changes in  
9 collection service in the trash pilot program.

10          A.       Trash pilot program -- it also includes the  
11 16 gallon rollout as well.

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

14          A.       Okay. Sorry, just for clarifying.

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

22          A.       I would need to look at the math on our line  
23 in this analysis to comment on that, because I would be  
24 interested to know whether or not you included other  
25 material that comes to our facility that is not C&D or



1 considered quote, unquote, "iMRF material" that's on  
2 Schedule E.

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

7 Q. Okay. Well, we'll take a look at that.  
8 This is just to give people a sense of how we're  
9 moving to zero waste.

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

18 A. Yeah.

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

22 A. They are.

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

25 So what this graph shows is the remaining

1 tonnage that is being disposed of and what the  
2 categorization is of the remaining tonnage. So what  
3 you see here in the gray area, 61% of that remaining  
4 tonnage is considered trash that we would describe as  
5 the "black bin." Even though we're processing 100%,  
6 still of the remaining stream that's being disposed of,  
7 61% of it is trash.

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

14 What this means, if you want to look at just  
15 these numbers and relate them to how many trucks we've  
16 got going to the landfill. So as of the beginning of  
17 this rate application, we have 406,656 tons. And if  
18 you're assuming that 25 tons per truck, you're doing  
19 16,266 truck trips to the landfill.

20 If we look that this final number, really what  
21 I was showing on the other side which was optimistic  
22 about diversion according to earlier testimony, we'd be  
23 down to 315,663 truck trips at 25 a ton, which is 12,626  
24 truck trips that we're still doing ever year to the  
25 landfill in 2020. And all of the investments that we're

1 making now has only resulted in a change of 3,640 tons.

2 A. (ARSENAULT) 3,640 tons --

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

9 A. I would just make two comments briefly.  
10 I can't speak to your graphs, but I think they try to  
11 illustrate a very similar goal from the one I presented  
12 in Exhibit 64. The cumulative increase in landfill  
13 truck trips is 25%; so I want to at least get some  
14 acknowledgement that that is what I would consider a  
15 significant move in the right direction from our  
16 perspective.

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

25 Q. Aren't some of your migration assumptions

1 built into your rate application?

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

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

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

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

22 And then other is being able to process more  
23 trash than what we currently can do. And I don't know  
24 if you all are experts in this industry. I don't know  
25 if you have any other comments about that.

1           A.       (PORTER) I think, really, getting to zero  
2 waste is about producing responsibility in changing the  
3 upstream materials that we collect. That's number one  
4 and that's going to be significant in getting to that  
5 goal. The other big piece of that trash is the organic  
6 fraction that we will be able to separate with the black  
7 can or trash progressing. But unfortunately, another  
8 investment in anaerobic digestion to actually be able to  
9 take that material and digest it and convert it to  
10 energy.

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

14           A.       That's correct.

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

23           Q.       So would you end up in a situation where you'd  
24 actually be producing materials that you wouldn't be  
25 processing on site and be handing it elsewhere in the

1 mean time? I mean, if you have this delay, what do you  
2 do if you're producing something that you can't manage?

3 A. (PORTER) Unless we could find a home for it  
4 as it's depicted in this chart, it would have to be  
5 landfilled.

6 A. (ARSENAULT) And we currently have an option  
7 for some of our material at East Bay MUD. So there are  
8 anaerobic digestion facilities in the region that would  
9 potentially have capacity that they could make available  
10 for this waste stream.

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

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

22 A. (PORTER) I'll just note one thing.  
23 Unfortunately when we look at diversion, we measure only  
24 based on tons as opposed to volumetric measurements.  
25 So as I believe Maurice expanded on earlier in earlier

1 testimony, what we see in terms of what we're  
2 collecting, the vast majority of the material is lighter  
3 in weight. So if you look at the volumetric diversion  
4 of what we're doing, it's quite significant. But if you  
5 then measure it based on weight, it changes the results.

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

9 A. That's right.

10 MS. DAWSON: Thank you.

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

13 So I probably should just reinforce from what  
14 Julia said.

15 Exhibit 65 is the resolution of the goal to  
16 get to 2020, and maybe someone can help me answer at  
17 that time what the thinking is. Because looking at  
18 Exhibit 71 and 64, it shows that we're having a hard  
19 time getting there. And I know as we get closer to  
20 zero, it's harder. But I still feel -- I mean, what  
21 kind of research are we doing? Or who are we working  
22 with? Or why are we having a harder time getting there?  
23 We're putting quite a bit of investments into trying to  
24 get to zero waste, but the more we put in, whether it's  
25 the new machines or iMRFs, I mean, are we going to get

1 there?

2 MR. PORTER: So I'll answer that.

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

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

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

21 MR. HALEY: We've been looking at all  
22 available technology for the last 20-plus years. And we  
23 look all around the world, a lot at Europe, up in  
24 Canada, and I hate to say it. There's no kind of magic  
25 bullet. As you get further and further towards zero



1 waste, it gets harder and harder. I mean, we have  
2 perhaps the best program in the world, one of the best,  
3 but we still want to do better and get as close to zero  
4 waste as we can. But frankly, it just gets more  
5 challenging and each increment gets more expensive.

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

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

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

20 EXAMINATION

21 BY MS. DILGER:

22 Q. Speaking of the landfill. So we're talking  
23 with ratepayers about a zero waste goal for 2020, but  
24 what we see now is that that's not really realistic,  
25 with 65% diversion being very optimistic.

1           So what's the justification for a 15-year  
2 landfill agreement, and what happens after those  
3 15 years?

4           A.       (PORTER) Yeah. Even though we have a goal of  
5 zero waste, the California Public Resources Code under  
6 8939, it requires a plan, a 15-year plan for landfills.  
7 The contract that we have has an initial period of nine  
8 years with an option for six. Unlike many landfill  
9 contracts, there is no minimum; so the City pays only  
10 for the material that goes in as opposed to a  
11 pre-described set amount. But that planning is  
12 essentially required under code.

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

20          A.       Yeah, CalRecycle did release some organic  
21 grants fiscal '16 and '17 from the Greenhouse Gas  
22 Reduction Fund. They were roughly in the neighborhood  
23 of \$3 million dollars, but Recology did not submit the  
24 application for the BVON site which is where we  
25 primarily compost the material because scoring was

1 weighted towards projects that would divert  
2 currently-landfilled material. And San Francisco's  
3 program is already very mature, and so the  
4 infrastructure improvement at BVON would not divert  
5 additional material from landfill.

6 Q. Have you considered working with other  
7 facilities that were not Recology-owned?

8 A. We have. And we actually look at that all the  
9 time, yeah.

10 Q. Okay. Back to the rate structure scenarios,  
11 based on the graph that Ms. Dawson showed, we've  
12 consistently heard from ratepayers who may be  
13 disproportionately impacted by the proposed rates  
14 including small and multi-unit buildings, low-waste  
15 producers, and seniors and people on fixed incomes.  
16 Will you be offering any incentives to mitigate this  
17 increase?

18 A. Well, there's an inherent built-in incentive,  
19 and that's really to reduce the volume. So under the  
20 new proposed plan, if someone does not need that  
21 64 gallon recycling cart, they can go down the -- keep  
22 the remaining 32 and have a very small nominal increase  
23 to their rates. We also, as we discussed earlier, have  
24 a low-income discount as well; so there are  
25 opportunities for that.

1 Q. Have you considered increasing the rate on  
2 large apartments to create more diversion as opposed to  
3 putting the weight on the multi-unit buildings under  
4 five units?

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

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

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

22 MS. DILGER: Thank you.

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

1 (Off the record at 10:09 a.m.)

2 (On the record at 10:29 a.m.)

3 DIRECTOR NURU: Okay. Do you have a new  
4 witness?

5 MS. PEARCE: Yes. Recology calls Bill Brause.

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

7 DIRECTOR NURU: Can he be sworn in, please.

8 BILL BRAUSE,

9 having first been duly sworn,

10 was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MS. PEARCE:

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

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

17 Q. Mr. Brause, what is your occupation?

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

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

21 A. Yeah. I've been with Armanino almost 25  
22 years. And through that entire time, I've worked almost  
23 exclusively in solid waste. Now it still makes up close  
24 to 50% of my practice. I'm one of two partners that are  
25 in charge of solid waste practice.

1 Q. Mr. Brause, were you retained by Recology to  
2 do some work for this rate application?

3 A. Yes, I was.

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

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

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

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

16 MR. PRADHAN: Yes, 72.

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

19 BY MS. PEARCE:

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

24 A. Sure. So this was something that we have  
25 completed. We try do it annually, but we're really

1 driven by the demand from either cities or companies.  
2 We do it at least every two years. It is a survey of  
3 now close to 300 cities where we get standard rates for  
4 residential service, commercial service, and industrial  
5 roll-off service as well.

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

10 A. Yes.

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

13 A. Correct.

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

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

18 The first column is a list of those cities.

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

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

23 The fourth column includes a breakout of  
24 whether the green can includes organics or was just  
25 green waste.

1           The fifth column is a summary of the different  
2 volumes for the -- as an example, a three-can service.

3           And then going onto the sixth are all three  
4 cans collected or included in this price.

5           And then finally, is there a franchise fee  
6 associated with that jurisdiction.

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

10          A.     That's correct.

11          Q.     And some of those other cities have not yet  
12 changed their rates and will either change them in May  
13 of 2017 or mostly in July of 2017. So what's reflected  
14 in the second column is their current rates, but may  
15 change in a couple months?

16          A.     Correct. We expect those to change, yes.

17          Q.     Why would you want to look at some of the  
18 bin -- the volume service and whether the three-bin  
19 collection was included in the price?

20          A.     When we first started doing the survey, it was  
21 actually very easy. Everybody had one can. And it was  
22 easy to gather that information; it was easy to compare  
23 city to city. As recycling was introduced and then  
24 green waste and now with organic waste, it gets more  
25 difficult to capture the rates on an apples-to-apples



1 basis. So we included that information now in our  
2 survey just so that a reader can get a better  
3 understanding of what services are actually provided and  
4 how those are being provided, which I believe is very  
5 important when you're looking at the rates.

6 Q. And just so everyone understands, can you just  
7 tell us what the difference is between organic waste and  
8 green waste?

9 A. So organic waste can include food product,  
10 food waste. And green waste is your lawn clippings.

11 Q. Yard waste?

12 A. Yeah, yard waste.

13 Q. And you have a column -- the last column is  
14 "Franchise Fee." What's a franchise fee?

15 A. So franchise fees, when you have a  
16 jurisdictional contract, the City has a contract,  
17 an exclusive contract with a company for collection of  
18 solid waste, recycling, what have you. Most of those  
19 contracts will include a franchise fee, which is 8% of  
20 either cash receipts or gross billings that the company  
21 pays to the City for the exclusive right to provide that  
22 service.

23 Q. And I notice for San Francisco you have  
24 "Impound Account." So is it your understanding that  
25 San Francisco does not have a franchise fee and has an

1 impound account instead?

2 A. That's correct.

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

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

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

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

24 Q. You talked a little bit about an index  
25 increase. Do you have any idea about what those rates

1 might increase if there was just an index increase?

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

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

13 A. That would be my expectation, yes.

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

18 MS. DAWSON: I have some questions.

19 CROSS-EXAMINATION

20 BY MS. DAWSON:

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

24 A. Previous rates?

25 Q. Well, all these different jurisdictions have

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

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

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

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

23 A. It varies. Generally you're going to see  
24 seven- to ten-year contracts, some are evergreen  
25 contracts, and then at the end of that contract period,

1 the city can decide to go out to bid. Or if they're  
2 happy with the service, they'll negotiate and extend the  
3 contracts.

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

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

16 A. Again, so that will vary by jurisdiction or by  
17 contract. Typically for large bulky items there will be  
18 either a one- or two-time-a-year set date where they'll  
19 do a cleanup as an example. Some jurisdictions also  
20 have kind of a card system where each customer has a  
21 couple times a year where they can call can pick and  
22 have a pickup. Christmas trees is another example of  
23 kind of a special service where they'll pull certain  
24 dates where you can put your Christmas tree out at the  
25 curb and they'll come pick it up.

1           And then the other thing that you see now as  
2 well is the garbage companies get involved with -- not  
3 garbage, so to speak, but if you have things that you're  
4 just getting rid of, they'll have a day where they'll  
5 put that out and then they'll have trucks come by and  
6 try to reuse it, recycle it, what have you.

7           MS. DAWSON: Thank you.

8           THE WITNESS: Sure.

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

11          DIRECTOR NURU: Another witness?

12          MR. BAKER: Our next witness is Paul Giusti.

13          And I'm going to ask Mr. Porter to join him.

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

16          DIRECTOR NURU: Swear in Mr. Juste, please.

17                   PAUL GIUSTI,

18                   having first been duly sworn,

19                   was examined and testified as follows:

20                           DIRECT EXAMINATION

21 BY MR. BAKER:

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

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

25           Q.       And your first name is Paul?

1 A. Paul.

2 Q. And what do you do for Recology?

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

5 Q. What are your responsibilities in that  
6 position?

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

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

13 A. 40 years.

14 Q. And you started on a truck?

15 A. I did.

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

17 A. I have, yes.

18 Q. And this business from all sides as well?

19 A. Yes.

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

23 And again, what's the proposed change there?

24 A. So the proposed change is to go from 32 gallon  
25 bins -- today, the standard customer or typical customer

1 has 32 gallon black, green and blue bins. In order to  
2 more accurately reflect what people are doing today,  
3 we want to go with a smaller black bin and a larger blue  
4 bin as the standard-sized service.

5 Q. And this is for the typical single-family  
6 customer?

7 A. Correct. And also smaller multi-families will  
8 be able to take advantage of that also.

9 Q. What does the Company propose to do in terms  
10 of outreach to educate alert the public about these  
11 changes?

12 A. So on a route-by-route basis, as we convert  
13 these customers to the different size bins, we'll  
14 probably be sending out a letter -- and we're going to  
15 model this on how we did when we rolled out the carts in  
16 the first Fantastic Three program back in 2000-2001.  
17 So we're going to start it off with a letter to the  
18 customer letting them know this is coming and why it's  
19 coming and what their options are. Then maybe a week  
20 before we go to that particular route, we'll send out  
21 another notice. We'll have an outreach team on the  
22 ground the week of the conversion that allows folks to  
23 come out, talk to them. We'll probably put on a cart  
24 hanger on the cart to let folks know what we did and the  
25 changes we made, and we'll be able to make modifications



1 on-the-fly to meet whatever the customer's needs are.

2 And then of course, once the carts are all  
3 delivered and folks start using them, they may want to  
4 make changes, and we'll go back over and make those  
5 changes also.

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

9 A. That's correct, yes.

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

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

25 Q. And how are you going encourage people to

1 change their service?

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

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

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

25 A. Yes. We're actually going to start meeting as

1 soon as tomorrow with the Department of the Environment  
2 outreach staff and start design new cart stickers for  
3 the blue and the black bins.

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

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

17 Q. A feature of this application that we've heard  
18 about is an effort to get greater compliance from  
19 tenants in apartment buildings. And I know you've spent  
20 a lot of time thinking about that.

21 What does the Company propose in terms of  
22 outreach for apartments?

23 A. So we've actually in the rate proposal added  
24 additional staffing to just folks on apartment buildings  
25 and to build an apartment house team. And once again,

1 I think we get the biggest bang for our buck working  
2 work with Department of Environment staff and actually  
3 going out to these multi-family units.

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

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

20 A. That's true.

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

23 A. I think just from my being out in the  
24 community and talking to folks, I think apartment  
25 tenants are no different than the folks that live in

1 single-family homes or smaller residential, that they  
2 want to do the right thing for the environment -- for  
3 environmental reasons, for protecting the planet  
4 reasons, and I think education and just information is a  
5 big part of that.

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

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

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

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

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

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

14       A.     Some customers will, yes.

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

17       A.     Well, your question was, you know, some  
18      customers will receive a higher discount. Only those  
19      customers that have been capped will receive a higher  
20      discount, which I will acknowledge that being a minimal  
21      number of customers because there is no incentive to be  
22      above 75%, so why would you have that level of service?  
23      So now we're raising that ceiling to kind of incentivize  
24      those customers who maybe are sitting at 75% and not  
25      seeing the benefit of being any higher.

1 Q. But also, if customers now have to divert at  
2 least 25% in order to get a discount whereas it used to  
3 be 10%, am I right that they'll need to get their  
4 tenants to divert more in order to be eligible for the  
5 discount?

6 A. Correct. Yes.

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

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

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

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

1 that as well.

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

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

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

19 A. That's correct.

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

22 A. (GIUSTI) So we have worked closely with the  
23 Ratepayer Advocate's office and attended 40 or 50  
24 community meetings. We've responded to e-mail questions  
25 from customers. We've also gone and met with the 10 out



1 of the 11 supervisors and let them know what's going on,  
2 in case they get constituent questions or concerns, who  
3 to direct them to. We gave them that information also.

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

7 A. Yes, I was.

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

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

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

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

25 A. Yes.

1 MR. BAKER: Let's mark that as an exhibit  
2 then, please.

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

6 BY MR. BAKER:

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

10 A. I didn't know that was happening.  
11 That's not true.

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

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

16 A. Yes.

17 Q. Has Recology made efforts to confront this  
18 problem?

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

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

24 A. So I think probably one of our largest efforts  
25 was in 2008. We really said, "Let's put some resources

1 to this issue and see if we can have an effect on it."  
2 And not going after the actual folks that were going  
3 into the bins, but rather to try and take action against  
4 the organized illegal buybacks that were operating out  
5 of pickup trucks and in many times exchanging cash,  
6 taking advantage of the people going through the bins by  
7 giving them pennies on the dollar for what the actual  
8 value of the material was, dealing in cash, sometimes  
9 even trading drugs for the recyclable materials. And it  
10 generated noise complaints because they'd this in the  
11 middle of the night in back alleys.

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

23 So to make a long story short -- and Bob would  
24 go out at night with the police on the overtime and  
25 chase the trucks around, get license plates. In fact,

1 one of our most engaged ratepayers would often accompany  
2 Bob Besso -- Mr. Pilpel -- during his nighttime forays  
3 out into the streets. So what the culmination of all  
4 this was, was we literally spent hundreds of thousands  
5 of dollars and the best effect we could get out of it is  
6 a judge one time issued a \$125-dollar fine for a  
7 violation of a temporary restraining order against one  
8 of the pickup trucks picking up material.

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

11 A. It's an overtime program that the police have  
12 so you can actually hire off-duty police officers to  
13 work with you on an approved project. And I guess  
14 that's a designation the police department uses, is  
15 "10B overtime" for that.

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

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

24 Q. So has Recology endeavored to do other things  
25 to try to address this problem?

1           A.       Yes.  So around this same time that we were  
2 working on this project, we actually organized a meeting  
3 up in Sacramento.  And at that meeting, we had the Board  
4 of Equalization member there, we had the Department of  
5 Motor Vehicles there, we had the Internal Revenue  
6 Service there, we had CalRecycle there.  And we thought,  
7 "Let's get the enforcement agencies for all of these  
8 bodies together and see if together we could come up  
9 with some interest from one of the bodies or multiple  
10 bodies to go after the problem," and in that way look at  
11 it more on a macro level like statewide, but using  
12 San Francisco as an example of what was happening.

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

22                       CalRecycle had a large enforcement effort  
23 underway to stop the importation of CRV-value containers  
24 from other states that were hurting our program.  Very  
25 worthwhile endeavor on their part, but that meant there

1 wasn't extra enforcement for this smaller -- enforcement  
2 in the activity.

3           And the Internal Revenue Service said, "Thank  
4 you very much for the information. We find it very  
5 interesting, but we will either conduct an investigation  
6 or not. But we're not going to tell you if we're going  
7 to conduct an investigation or not and we won't work  
8 with any other law enforcement bureau on that  
9 investigation or share information with them."  
10 So we don't know what happened with the IRS.

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

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

21           Q.     Mr. Porter, let's turn to the economics of  
22 this. Have you and others in the Company done kind of  
23 an economic analysis of what the cost benefit would --  
24 well actually, before you do that, I have another  
25 question for Mr. Giusti. I'm sorry.

1           Have you also considered measures on the  
2 ground in curbside, such as putting locks on the blue  
3 bins?

4           A.     Yes, we have.

5           Q.     And tell us about that?

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

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

22                   We also did things like we tested some gravity  
23 locks, which was an interesting concept that once the  
24 lid was shut on the container, the only way to unlock it  
25 was to tip it into the truck and then the lid would

1 release, the material would come out.

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

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

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

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

24           Q.     Even though you haven't found a good solution,  
25 have you done a financial analysis f what it would cost



1 to put locks on tall curbside blue bins --

2 A. Yes, we did.

3 Q. -- and service them?

4 A. Yes, we have. And in addition to just the  
5 cost of purchasing and installing locks, then you have  
6 the extra time that it takes for the drivers to unlock  
7 and relock a container. And so you know, that alone,  
8 it's about 30 seconds additional time for each  
9 container. So maybe Ms. Porter can give us the actual  
10 financial, if you want to do it that way.

11 Q. Sure. So have you done an analysis of what  
12 the cost would be of fitting all the curbside blue bins  
13 with locks and then servicing them?

14 A. (PORTER) Yes, there has been analysis done.  
15 I would say that is' probably light in terms of the  
16 actual costs that would be included. And so this would  
17 be the lower end of the spectrum in terms of the actual  
18 cost, but in excess of \$6 million to \$7 million dollars.

19 Q. And what would be the components of that?

20 A. Paul mentioned the physical purchasing of  
21 the locks, fitting the locks on the containers, the  
22 30 seconds it takes to unlock and relock the container.  
23 And then, you know, costs not contemplated would also  
24 include overtime that this would cause for -- or  
25 additional routes that may be necessary, additional

1 trucks that may be necessary, maintaining and servicing  
2 these locks since they continuously have issues.

3 So just to give you an idea.

4 Q. So a rough estimate is \$6 million to  
5 \$7 million, and you think that's probably low?

6 A. Yes.

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

9 A. Yes, we have.

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

12 A. No. There's no way of knowing exactly what's  
13 taken out of the blue carts, and so we kind of came up  
14 with ranges. One range was let's presume that 100% of  
15 the material that we receive at our buyback facilities  
16 at Pier 96 and the Bayshore buyback facility on Tunnel  
17 Beatty, 100% of that material were to be taken from our  
18 blue carts, and that's the amount that we lost in  
19 commodity revenue. And that's a little above  
20 \$1 million, I believe, close to \$1.2 million dollars a  
21 year.

22 The second analysis we did, let's say all the  
23 CRV-related commodities that we receive in the blue  
24 cart, half of them are missing. In essence, half of our  
25 carts are being pilfered for all the plastic and

1 aluminum. And that analysis came up with a number  
2 that's around, I think, \$3.5 million dollars.

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

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

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

18 A. (GIUSTI) If I could add too.

19 So even figuring 50% of the material in the  
20 blue bin currently is what we're missing. What we get  
21 in the blue bin, what we're talking about being pilfered  
22 is carts that are out on the street. At least half of  
23 the material, if not more blue bin material, is behind a  
24 locked door in an apartment building; so that material  
25 is not being pilfered. So I think it's a pretty

1 generous amount to say even half of the blue bin  
2 material is missing.

3 A. (PORTER) Right. And that's why I feel like  
4 that's a good range.

5 Q. So the analysis that you did of kind of the  
6 extreme cases of what may be lost is reflected in a  
7 document you put together?

8 A. Correct.

9 MR. BAKER: Why don't we mark that as  
10 Exhibit 74.

11 MR. PRADHAN: This will be admitted as  
12 Exhibit 74.

13 (Exhibit 74, "Pilfering Analysis [Recology],"  
14 was admitted into evidence.)

15 BY MR. BAKER:

16 Q. And before we move on, the estimate that you  
17 provided, Mr. Porter, of \$7 million dollars or so in  
18 terms of cost of possible prevention, even assuming you  
19 could come up with technology that would work, I know  
20 that has various components to it in terms of additional  
21 overtime and additional equipment and et cetera which is  
22 not yet on the record. So I just wondered, one of you  
23 had a piece of paper that spelled all that out.

24 A. (PORTER) I don't have it with me. Maybe  
25 introduce it next round?

1 Q. If you could just put on the record what the  
2 components of that analysis are.

3 A. Sure. We've got the number of recycling bins,  
4 the amount of time it takes to unlock and relock the  
5 bins, then it estimates a total cost in hours that this  
6 would take, the number of trucks that would be needed as  
7 a result of the additional time necessary to service all  
8 these carts, and the number of drivers that it needed,  
9 the cost of a locking bin and the lock, and then the  
10 cost of a truck and the driver, with the total cost of  
11 \$6.8 million dollars roughly.

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

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

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

19 DIRECTOR NURU: Okay. Cross-examination?

20 CROSS-EXAMINATION

21 BY MS. DAWSON:

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

1 A. (PORTER) Yes.

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

9 A. Fiber, correct.

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

12 A. Correct.

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

15 A. Right.

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

22 A. Right.

23 Q. Just to give the ratepayers a sense that they  
24 are actually getting a lot of the benefit of what you're  
25 collecting.

1           A.       Right.  So approximately \$14 million dollars  
2           is mixed paper and cardboard of the \$22 million, which  
3           in all likelihood is not being pilfered in residential  
4           blue carts.  Then also glass is another significant  
5           portion, and glass is a less-desirable pilfered  
6           commodity because of the difficult of, you know, its  
7           weight and managing it and its ability to break,  
8           et cetera.

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

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

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

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

23          A.       Every single meeting I go to.  Actually, last  
24          night we were in the Forest Hill/West Portal area, and  
25          when we explained it, one guy kind of got it.  And when

1 we explained to him about the issue and what it would  
2 cost to try and prevent it against what was lost, he  
3 said, "Oh, so it's basically a rounding error on the  
4 rates." And I said, "Yeah, that's probably a pretty  
5 good description."

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

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

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

20 A. I really think constant communication is the  
21 best tool we can use. There's nothing that beats  
22 face-to-face community meetings, tabling at events,  
23 tabling at an apartment building in the evening, and  
24 talking to tenants as they come in and residents as they  
25 come in. There's nothing that beats the face-to-face.



1           Next to that, I would say that things like  
2 trying to be savvy using social media to reach as many  
3 people for as low a cost as possible. But really, it's  
4 just communication, education, just getting out there  
5 and talking to folks and letting them know what the  
6 programs are and how to participate. And it really is  
7 amazing the amount of folks that just -- they think that  
8 trash is sorted; so they think the city cans are all  
9 collected and taken somewhere and magically sorted,  
10 "So why do I have to do it at home? Extra work when  
11 you're just going to sort it anyway."

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

21           Q.     So the City has shifted its emphasis in terms  
22 of some of the outreach it's done through the ratepayer  
23 advocate. Are there ways in which you see that you  
24 might be able to benefit from some of the information  
25 that they've collected in the community?



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EXAMINATION

BY MR. DREW:

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

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

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

BY MR. DREW:

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

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

A. (PORTER) Yes.

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

A. You're saying '16 to '17?

1 Q. Yes.

2 A. That '17 usage is based on actual year-to-  
3 -date. So when the application was prepared, I believe  
4 we had six months of actual volume; so that would be  
5 7/1/16 through 12/31/16. And that's -- yeah, based on  
6 actual volume.

7 Q. That was a slight increase. Are you adding  
8 more CNG vehicles to the fleet at this time?

9 A. I will need to defer that question to someone  
10 more familiar with the fleet configuration.

11 Q. Okay. And have you used that number,  
12 the 217,543 for Rate Year '18; you just followed that  
13 forward to the next year?

14 A. Correct.

15 Q. And the price per gallon is 278 in Rate Year  
16 '17 and 288 in Rate Year '18.

17 A. Prior to the post-filing changes; correct.

18 Q. And I haven't seen those post-filing changes.

19 A. They were in an exhibit today, I believe  
20 Exhibit 58.

21 Q. Right. I think you mentioned that to me.  
22 Was there a change in the fueling system that led to a  
23 change in the post-filing change into a change in that  
24 dollars-per-gallon?

25 A. Yes, that's correct. And yeah, this was a

1 question originally raised by you, Kevin, to me. We did  
2 install a new CNG station that I believe went online in  
3 December, and so with had no experience with that  
4 CNG fueling system prior to the application being  
5 submitted. And so I continued utilizing the quote,  
6 unquote "status quo" for the purposes of determining the  
7 price and a consistent methodology that been used in a  
8 prior application which uses a three-year average of  
9 fuel prices.

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

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

20 A. Correct, yes.

21 Q. The one thing I wanted to add to that to  
22 your -- what you've already given us in the bill itself  
23 is this final page called the "Pacific Gas & Electric  
24 Small Commercial Bundle Average Gas Rate," which is both  
25 the historical example for the last three years and a

1 projection year going forward by PG&E for the fuel  
2 portion of the natural gas CNG facility. I just wanted  
3 to get that into the record.

4 Have you seen this before?

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

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

22 A. That is correct.

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

25 A. I would probably defer that decisionmaking to

1 Mark Arsenault, but there have been discussions about  
2 this in the past.

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

5 And then on the split charge, that's the 50%  
6 increase when two people who share containers want their  
7 own separate bills?

8 A. Correct.

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

12 A. Frankly, I don't know the history on how that  
13 particular charge was developed. I can only speak to  
14 the administrative challenges of managing split charges.  
15 Since the billing group does report to me, customers --  
16 every time a service change is made, it does result in  
17 twice the amount of administrative work that we're  
18 required to do, in addition to the fact that we have to  
19 issue twice as many invoices and frankly have to do a  
20 lot more back-end auditing.

21 So for example, if one customer calls  
22 and requests a change from a 32 gallon blue to a  
23 64 gallon blue and it's a two-unit building, we have to  
24 go and find that corresponding other account and update  
25 that record as well. And oftentimes it gets even more

1 complicated with access, distance and elevation and  
2 several other types of charges; so that charge is meant  
3 to reflect the difficulty of administering that process.

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

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

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

22 So there is a lot of administration, and I  
23 think what we really want to do is encourage folks to  
24 either go with one bill and do it that way, and it makes  
25 it easier and more consistent.



1 Q. Yes, there's an efficiency there and there's  
2 also an efficiency to have them share containers rather  
3 than having separate -- two sets of containers at the  
4 two-to-five-unit buildings is the ones I'm particularly  
5 thinking of. Thanks.

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

9 MR. PRADHAN: This will be Exhibit 76.  
10 (Exhibit 76, "E-mail from Porter to Drew  
11 [City]," was admitted into evidence.)

12 BY MR. DREW:

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

17 A. (PORTER) Yes.

18 Q. What this migration chart ends up doing is  
19 flowing over to Revenue Schedule B.3 and adding about  
20 \$641,000 dollars to the rate requirement. Is that what  
21 you see from this?

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

1 our history with apartment migration.

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

3 A. Okay.

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

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

8 DIRECTOR NURU: Put the chart on the screen.

9 (Exhibit 76 is displayed.)

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

16 So to start with, the schedule and what has  
17 been prepared here, I would focus on the top section of  
18 the schedule. We broke these down by accounts for just,  
19 you know, to get an understanding of the different  
20 makeup of customers. And so these are apartment  
21 customers only, which for those in the audience aren't  
22 familiar, is buildings with six or more units and less  
23 than 600 rooms. And it breaks those customers down by  
24 ranges of 1 to 25, 25 to 50, 50 to 75, and so on. And  
25 then it takes a look at their service gallons in trash,

1 which is indicated by a "T," "R," which is recycling,  
2 and then "C" for composting over the last three years,  
3 which are the term of the current rate.

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

11 BY MR. DREW:

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

15 A. (PORTER) Correct.

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

21 A. Again, I'd probably defer this particular  
22 question to someone who has more experience with  
23 rollouts and migration. But I can kind of give some  
24 background logic on this that we are -- as Paul  
25 mentioned earlier -- implementing a dedicated apartment

1 outreach program with dedicated staff to that. And so I  
2 believe the hope is that those efforts will result in  
3 the anticipated 1% migration.

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

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

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

19 A. I wouldn't even want to guess.

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

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

25 A. (PORTER) That's close.

1 Q. The apartments that you have currently that  
2 are not commercial but are bigger than six units,  
3 six units and above; right?

4 A. Yes.

5 Q. And are there -- there are another set of  
6 buildings that are commercial. Do you have a number on  
7 that?

8 A. A number of commercial apartment buildings?

9 Q. Yes.

10 A. Apartments that fall into the commercial  
11 structure? I don't have that number in front of me.  
12 We can get that, though.

13 Q. Okay. I'm moving over into another issue in  
14 the pipeline, which is those larger buildings that are  
15 coming online. But that number is something that  
16 changes on a regular basis, and you are bringing those  
17 in as they -- as the buildings are built and they set up  
18 an account with you whether it's commercial or an  
19 apartment building; is that correct?

20 A. That's correct.

21 Q. So let's move to -- we'll ask you for some  
22 more information on this issue for the justification in  
23 the staff report.

24 A. Okay.

25 A. (GIUSTI) You know, Kevin, if I can jump in.

1           So it occurred to me while you were talking on  
2 the apartments and also on residential, we did a big  
3 push last year in making sure that all the buildings in  
4 San Francisco were compliant. In other words, that they  
5 had all three streams -- the black, green and blue.  
6 So I think we touched over 2,200 residential buildings  
7 and, if I remember correctly, 800 or 900 apartment  
8 buildings just to ensure, and we're now at 100%  
9 compliance or pretty darn close to 100% compliance.

10         Q.     Thank you, yes.

11           And our staff is working with you on that.

12         A.     Yeah, exactly.

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

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

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

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

25         MR. DREW: I do.

1 MR. PRADHAN: Thanks.

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

10 MR. PRADHAN: Excuse me, Mr. Drew.

11 Are these two separate exhibits or just one?

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

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

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

17 (Exhibit 77 is displayed.)

18 BY MR. DREW:

19 Q. And in the spreadsheet from Paula, the sum in  
20 the lower right-hand corner of this sheet that's up on  
21 the display and that you have in front of you, there's a  
22 total of 63,663 new units that are in the pipeline over  
23 the next -- it could be anywhere from 20 years, because  
24 it includes Treasure Island, it includes Parkmerced,  
25 the Lennar development down in Bayview.

1           So what we're trying to do is take a look at  
2 what's happening right now, and in the most recent  
3 numbers that they have, that represents almost 1,400  
4 projects. But in the last three years, there's about  
5 6,000 units that are under construction right now. And  
6 actually, a good chunk of the ones that are in the  
7 pipeline are actually already open. I did a survey of  
8 them and found that of the 20 most recent ones, 10 of  
9 them are already open. And so they're already online.

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

20           A.       (PORTER) Sure. Very good question.

21           It's difficult to translate these two  
22 different schedules. I'm looking at this report that  
23 was given to you by Paula Chiu. It's difficult to  
24 translate this schedule to our rate application, but in  
25 Schedule F.1 of the collection company application, we



1 have included assumptions about the number of additional  
2 customers that will come online.

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

12 And as you work your way down the line of  
13 apartments, you know, we've got 25 customers. What does  
14 that mean? That's buildings with 6 units to 600 rooms,  
15 so it could run the gamut on how many units that that  
16 would include. And then we've got also 200 additional  
17 commercial customers which, again, can be in excess of  
18 600 hundred rooms, some very large buildings.

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

22 MR. DREW: Okay. I think I'll leave it there  
23 because I know we have time constraints. I just wanted  
24 to get these in the record for us to take a look at  
25 further. Thank you.

1 DIRECTOR NURU: Okay, thank you.

2 Any cross-examination from the City? No?

3 From the Ratepayer Advocate?

4 MS. DILGER: I'll try to keep it brief.

5 I know we have public comment still to go.

6 EXAMINATION

7 BY MS. DILGER:

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

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

1 good motivator.

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

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

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

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

23 MS. DILGER: Okay, thank you.

24 Ms. Dawson, did you want me to come back to  
25 the impound account now or take that next time?

1 MS. DAWSON: That's fine, if you want to  
2 repeat your question now.

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

7 MS. DAWSON: Okay. So in the Recology  
8 application, on Sunset Scavenger and Recology  
9 Golden Gate, there's a Schedule F.2. And that shows  
10 both the current costs in the impound account that are  
11 attributed to San Francisco Environment and  
12 San Francisco Public Works. So in the case of the  
13 Environment, it's about \$9.3 million and Public Works,  
14 \$6 million, for a total of \$15.3. In the proposed,  
15 those costs are increasing for both San Francisco  
16 Environment and Public Works, and it's proposed to be  
17 \$11.2 million for Environment and \$8.5, roughly, for  
18 Public Works for a total of \$19.7.

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

1 those funds are changing is kind of threefold.

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

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

14 MS. DILGER: Thank you.

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

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

21 Make sure you get your cards. Go ahead.

22 PUBLIC COMMENT BY TRACY THOMPSON

23 MS. THOMPSON: Okay. So my name is Tracy.  
24 I've been talking with around 300 hundred people in the  
25 cross-section of Inner Sunset and Outer Sunset and

1 Parkside as well. A lot of people don't know about this  
2 rate proposal increase, so the form in which we are  
3 being notified is through this Prop 18, which is your  
4 Exhibit 73. So it looks like junk mail and people are  
5 throwing it out and they don't know about the rate  
6 proposal.

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

18 I also believe that the rate increase is not  
19 an accurate reflection of what's actually happened.  
20 \$5 dollars to \$20 dollars is 300%. \$2 dollars to \$10 is  
21 500%. And then you can subtract the 16% or 25% down to  
22 10%, but it's still a lot more than 16%, okay?

23 People are saying in a lot of neighborhoods  
24 they don't even use the black bin anymore. I know that  
25 from my own experience, I put black bin out one time per

1 month. I was rewarded with rebates and credits back  
2 from 2012 to 2015, and then my bill in 2016 went up from  
3 25% to 35% increase without any change in this rate  
4 proposal.

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

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

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

20 DIRECTOR NURU: Thank you. Next speaker,  
21 please.

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

24 PUBLIC COMMENT BY TOM WILLIAMS

25 MR. WILLIAMS: Good morning. My name is

1 Tom Williams. A couple weeks ago I described the  
2 splitting of charges with customers at the same location  
3 at the 150% rate as being arbitrary and not justified.

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

12 DIRECTOR NURU: Thank you. Next speaker,  
13 please.

14 PUBLIC COMMENT BY ED DONALDSON

15 MR. DONALDSON: Good morning, Commissioners.  
16 My name is Ed Donaldson. I am a homeowner here in  
17 San Francisco and I did receive the notice in regards to  
18 the proposed rate hike. When I first saw it, of course  
19 I had concerns, but then I began to look at it through  
20 the lenses of my current employment. I work as a  
21 supervisor with a workforce development training program  
22 here in San Francisco where we have about 40 men and  
23 women that are on the ground every day here in  
24 San Francisco that's dealing with the refuse and the  
25 debris and the garbage and whatnot that's on the street.



1           And when I began to look at it through that  
2 lens, I recognized that there's an increasing level of  
3 debris and garbage, dumping and whatnot, and so my  
4 thinking began to drift to there must be an increased  
5 cost associated with this. Being a businessperson and  
6 whatnot or finance person, I instinctively understood  
7 that.

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

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

23           DIRECTOR NURU: Next speaker.

24           PUBLIC COMMENT BY SHAUNDRE ODOMS

25           MR. ODOMS: Hi name is Shaundre Odoms. I'm an

1 ex-felon, and I'm in a program right now where I have  
2 been afforded opportunities to work and change my life,  
3 and I recognize Recology as one of the institutes that  
4 will hire ex-felons to change their life. And it's hard  
5 out there for a person that has never worked before or  
6 never even had the opportunity to work.

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

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

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

25           DIRECTOR NURU: Thank you.

1 Next speaker.

2 PUBLIC COMMENT BY FRANCISCO DA COSTA

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

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

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

20 Now, among you all sitting over there, I have  
21 a good friend who I call "Mr. Clean." And the reason  
22 why he is known as Mr. Clean is because as the director  
23 of the Department of Public Works, he personally  
24 monitors these points all over the City and County of  
25 San Francisco. We are privileged to have a person like

1 him. But we are also privileged to have certain of our  
2 leaders in Recology. Some of them have passed away like  
3 John Legnitto, but we have Sangiacomo and others who  
4 maintain a very high standard, and that's good for us  
5 advocates.

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

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

20 DIRECTOR NURU: Thank you. Next speaker,  
21 please.

22 PUBLIC COMMENT BY DAVID PILPEL

23 MR. PILPEL: David Pilpel. I'll touch on a  
24 number of points and then follow up with a comment  
25 letter.

1 I've referenced the transcripts. This is our  
2 fourth hearing and we haven't seen the transcripts for  
3 the previous ones yet. I mentioned the DPW website last  
4 time -- I'm wearing t-shirt from 2012 from the campaign.

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

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

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

25 I understand that the Companies are proposing

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

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

17 The Exhibit 76, in the small print shows that  
18 the gallons per unit, particularly in July of '16, in  
19 some cases is less than 16 trash, 16 recycling, and  
20 definitely in all cases, less than 8 gallons per unit  
21 for composting; so the entire apartment sector appears  
22 that it's getting less service than is required under  
23 Schedule A and the minimum service requirement; so  
24 there's that. I'll have to follow up more on the  
25 impound account, again, in a detailed comment letter.

1           I think we'll do some housekeeping. Maybe if  
2 you can indicate when either the record is going close  
3 or when you need comments in order to influence the  
4 staff report. Thank you.

5           DIRECTOR NURU: Any other speakers?

6           Okay.

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

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

17           MR. BAKER: Yes, it is.

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

25           Our meeting is adjourned. Thank you.

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REPORTER'S CERTIFICATE

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

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

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

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

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

Dated this 10th day of April, 2017.

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MAXIMILLIAN A. CONTRERAS  
CSR NO. 13876