

EXHIBIT 2:
ANNUAL TIPPING FEE ADJUSTMENT

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Exhibit 2 Annual Tipping Fee Adjustment

1. **Disposal Annual Tipping Fee Adjustment Calculation.** The Annual Tipping Fee Adjustment for the Disposal Contract shall be calculated in the following manner:
 - 1.1. There are six (6) Contractor Cost Categories for purposes of the RRI adjustment calculation: Union Labor, Diesel Fuel, CNG Fuel, Vehicle Replacement, Vehicle Maintenance, and All Other. There is an additional one (1) Contractor Cost Category, of which the weighted percent change will be added to the RRI adjustment for purposes of the Annual Tipping Fee Adjustment: Government Fees/Taxes – Disposal.
 - 1.2. Within each Cost Category (1-7) are expenses generally described in the attached Operating Cost Statement – Description (the “Allowable Expenses”). Only these Allowable Expenses may be used by Contractor to calculate the annual total of each Cost Category.
 - 1.3. CONTRACTOR will annually calculate each Cost Category’s item weight. For example, if the Allowable Expenses of Diesel Fuel (a Cost Category) total \$100, and the Allowable Expenses within all Cost Categories is \$2,000, then the Diesel Fuel Cost Category’s item weight will be 5%.
 - 1.4. Each Cost Category’s item weight is then multiplied by the percent change of its Cost Indicator from the previous review date to the current review date to calculate its weighted percentage change. Each Cost Category’s review dates or review years are set forth below.

Table 1 – Disposal Cost Category and Review Year or Date					
Item	Cost Category	Previous Year or Date	Review Year or Date	Current Year or Date	Review Year or Date
1	Union Labor	July 1 of previous calendar year	July 1 of previous calendar year	July 1 of current calendar year	July 1 of current calendar year
2	Diesel Fuel	December 31 of previous year	December 31 of next calendar year	December 31 of previous year	December 31 of next calendar year
3	CNG Fuel	December 31 of previous year	December 31 of next calendar year	December 31 of previous year	December 31 of next calendar year
4	Equipment Replacement	December 31 of previous year	December 31 of next calendar year	December 31 of previous year	December 31 of next calendar year
5	Vehicle Maintenance	December 31 of previous year	December 31 of next calendar year	December 31 of previous year	December 31 of next calendar year
6	All Other	December 31 of previous year	December 31 of next calendar year	December 31 of previous year	December 31 of next calendar year
7	Government Fees/Taxes – Disposal	July 1 of previous calendar year	July 1 of previous calendar year	July 1 of current calendar year	July 1 of current calendar year

Each Cost Category’s Cost Indicator is set forth in Section 2 below. For those Cost Categories using a review year, the percentage change is the difference in the annual average of the cost indicator index of the preceding review year and the annual average of the cost indicator index of current review year. For those Cost Categories using a review date, the percentage change is the difference in the cost indicator at the previous review date and the cost indicator at the current review date. For example, with regard to the Union Labor Cost Category, the Cost Indicator is Wages, Health & Welfare, and Pension costs under Waste Management of Alameda, Inc., CBAs with Local 1546 and Local 6 Landfill bargaining units. With regard to those Cost Indicators which are a published index, should such index be discontinued, a successor index shall be selected by mutual agreement of the parties. Successor indices shall be those indices that are most closely equivalent to the discontinued index.

1.5. The weighted percentage change of Cost Categories 1 - 6 are then added together to calculate the RRI adjustment. The weighted percent change of Cost

Category 7 is then added to the RRI adjustment to calculate the Annual Tipping Fee Adjustment.

2. Cost Indicators

<u>Cost Category</u>	<u>Cost Indicator¹</u>
Union Labor	Projected (as of March 1 st preceding the review date to be effective as of the review date) total Union (Local 1546 and Local 6 Landfill) wage, health and welfare, and pension costs under Waste Management of Alameda County, Inc. collective bargaining agreements for those employees domiciled at the Altamont Landfill in Livermore, CA. Calculated pursuant to Section 3 below.
Diesel Fuel	Series ID: wpu057303 #2 Diesel Fuel (average for 12 months ending on the current review year)
CNG Fuel	Schedule G-NGV-1, compiled and published by the Pacific Gas and Electric Co. Analysis and Rate Department and reported monthly in the "Gas Rate Finder" publication (http://www.pge.com/tariffs) reflecting the sum of the Customer, procurement, transportation and public purpose program charges (average for 12 months ending on the current review year).
Equipment Replacement	Series ID: pcu336211336211 Truck, bus, car, and other vehicle bodies, for sale separately (average for 12 months ending on the current review year)
Vehicle Maintenance	Series ID: pcu3339243339243 Parts and attachments for industrial work trucks (average for 12 months ending on the current review year)
All Other:	Series ID: cuura422sa0 Consumer Price Index, All Urban Consumers, All Items, San Francisco-Oakland-San Jose, CA (average for 12 months ending on the current review year)
Government Fees/Taxes	– See Table 2 below.

¹ With regard to each Cost Indicator under the Disposal RRI which is an index, the Cost Indicator will be the index's twelve-month average for the period ending on the applicable (previous or current) December 31 review year. With regard to the Union Labor Cost Categories, the Cost Indicator will be the projected union labor costs on the applicable (previous or current) July 1 review date.

Table 2 - Disposal Government Fees and Taxes									
Agency	Base Fee (2008)	Current Fee 10/20/14	Annual MSW Fee Increases						
			2009	2010	2011	2012	2013	2014	2015
California Integrated Waste Management Board (AB1220) Fee	\$1.40	\$1.40	\$0.00	\$0.00	\$0.00	\$0.00			
Local Enforcement Agency (ACSWMD) Fee	\$0.22	\$0.38	\$0.00	\$0.00	\$0.16	\$0.00			
Business License (County) Fee	\$0.95	\$0.95	\$0.00	\$0.00	\$0.00	\$0.00			
"Measure D" Fee	\$7.67	\$8.23	\$0.25	\$0.25	\$0.06	\$0.00			
Alameda County Waste Management Authority Facilities Fee	\$1.50	\$4.34	\$0.50	\$2.34	\$0.00	\$0.00			
Alameda County Waste Management Authority Household Hazardous Waste Fee	\$2.15	\$2.15	\$0.00	\$0.00	\$0.00	\$0.00			
County Planning Department Fee	\$0.08	\$0.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.02	
County Planning Transportation Fee	\$0.00	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01	
County Open Space Fee (CUP)	\$1.49	\$1.74	\$0.06	\$0.04	\$0.02	\$0.05	\$0.04	\$0.04	
State Water Board Fee		\$0.03	\$0.00	\$0.00	\$0.03	\$0.00			
TOTAL DISPOSAL GOV'T FEES	\$15.46	\$19.33	\$0.81	\$2.63	\$0.27	\$0.05	\$0.04	\$0.07	\$0.00

Note: Table 2 contains all Disposal government fees and taxes that were effective as of July 1, 2014. (See Column titled "Current Fee 10/20/14"). The Table will be updated prior to July 1, 2015 for Disposal government fees or taxes, if any, that become effective between July 2, 2014 and July 1, 2015.

3. **Union Labor Cost Indicator.** Annual changes to the Union Labor Cost Indicator shall be calculated by determining the total labor increase for each Union party to a collective bargaining agreement with CONTRACTOR, as follows:

3.1. Local 1546 annual total labor increase shall be determined by calculating the percentage change of the sum of the Journeyman classification wage rate, monthly health and welfare premium (as converted to a straight time hourly rate²), and the hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of Union Labor employees represented by Local 1546.

3.2. Local 6 Landfill annual total labor increase for landfill employees shall be determined by calculating the percentage change of the sum of the HEO classification wage rate, monthly health and welfare premium (as converted to a straight time hourly rate), and the hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of Disposal Union Labor employees represented by Local 6 Landfill.

3.4. Once the weighted percentage labor increase for each Union is determined, the above sums shall be added together to determine the overall weighted percentage change of the Union Labor Cost Category to be applied to the Disposal RRI adjustment calculation.

3.5. For purposes of clarification with regard to the July 1, 2016 Annual Tipping Fee Adjustment, the review years or dates for the Cost Categories will be as follows:

² Converting monthly amounts to hourly will be done by dividing the monthly amount by 173.

Table 3 – Cost Categories and Review Year or Date for July 1, 2016 Annual Tipping Fee Adjustment			
Item	Cost Category	Previous Review Year or Date	Current Review Year or Date
1	Union Labor	July 1, 2015	July 1, 2016
2	Diesel Fuel	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
3	CNG Fuel	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
4	Vehicle Replacement	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
5	Vehicle Maintenance	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
6	All Other	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
7	Government Fees/Taxes – Disposal	July 1, 2015	July 1, 2016

4. To calculate the Annual Tipping Fee Adjustment, the RRI adjustment, to the extent required, is reduced by the RRI cap adjustment. The resulting adjusted RRI adjustment is added to the sum of the weighted percentage change (including all Cost Categories) in the Cost Indicator of Cost Category 7. The following is an example Annual Tipping Fee Adjustment calculation:

Table 4 – Example of Annual Rate Adjustment Calculation				
Item	Cost Category	Cost Indicator Percent Change	Item Weight	Weighted Percent Change
1	Union Labor	4.64%	50.06%	2.32%
2	Diesel Fuel	15.70%	0.00%	0.00%
3	CNG Fuel	-0.10%	12.77%	-.01.%
4	Vehicle Replacement	3.14%	12.13%	0.38%
5	Vehicle Maintenance	2.67%	11.76%	0.31%
6	All Other	2.24%	12.38%	0.28%
	RRI Adjustment			3.28%
	RRI Cap Adjustment			0.00%
	Allowable RRI Adjustment			3.28%
7	Government Fees/Taxes - Disposal	5.13%	0.90%	0.05%
			100%	
	Annual Tipping Fee Adjustment			3.33%

In those years in which it is required the Retroactive Adjustment percentage is then added to the Annual Tipping Fee Adjustment.

5. Operating Cost Statement-Description

Union Labor: List all labor accounts for WMAC’s employees domiciled at the Altamont Landfill in Livermore, CA. who are members of Local 1546 and Local 6 Landfill. Wages – hourly & overtime, Bonuses, Commissions, Other Compensation, Compensated Absences & Vacation, Severance, Health & Welfare Insurance Premiums, Pension & Retirement Benefits, Payroll Taxes.

Diesel Fuel: Clear and/or Dyed Diesel Fuel, Gasoline, Fuel Tax Credit accounts.

CNG Fuel:	LNG and/or CNG fuel, Fuel Tax Credit accounts.
Vehicle Replacement:	Equipment and Support Equipment depreciation accounts. Vehicle Rental Equipment accounts
Vehicle Maintenance:	Building (Maintenance), Tires, Parts & Supplies, Lubricants, Third Party Services, Other.
All Other:	List all other expense accounts related to the services provided under this Contract. Advertising Amortization Bad debt and collection charges Bank charges Building and repairs Computer costs Consulting and professional fees Depreciation Depreciation (non-vehicle) Donations and contributions Dues and subscriptions Environmental compliance Equipment - rental Equipment (Support) - tires, parts, supplies Fines and penalties Fuel (non-diesel and non-CNG) General yard repairs and maintenance Insurance (e.g., general liability, fire, truck damage, and extended coverage) Legal License fees Litigation settlements Lobbying Lubricants Meals and entertainment Miscellaneous Non-union labor wages and benefits (e.g., salaries, hourly wages, overtime, bonuses, commissions, safety expense and bonuses, other compensation, compensated absences and vacation, severance, health and welfare insurance, workers compensation premiums and claims, pension and

retirement costs, payroll taxes, contract labor, and other employee costs)

Office supplies

Performance bond expense

Permits

Postage

Printing

Procurement card rebates

Real property rent

Registration

Security

Seminars and education

Site monitoring and testing

Taxes

Taxes (real and personal property)

Third party services

Travel

Utilities (e.g., telephone, electricity, gas)

Vehicle licenses and permits

Vehicle transportation costs - license fees, permits, insurance, bridge tolls

Workers compensation premiums and claims

Capping ARO expense, Closure-Post Closure ARO Expense, Ground Water Monitoring, LF Fees & Taxes, LF Testing & Engineering, Landfill road Maintenance, Leachate Monitoring, LF Capping Amortization, LF Close-Post Closure Amortization, License-Fees-Permits, Methane Collection & Treatment, Non-GCCS Air Monitoring, Non143 Airspace Amortization, Other Monitoring, Royalties, Site Maintenance cost, Surface Water Monitoring

Union labor Workers Compensation Premiums & Claims,

Union Contract Labor, Safety Program Expense and Other Employee Costs (e.g., uniforms, boot allowance, tool allowance).