

## EXHIBIT 2 – RATE ADJUSTMENTS

### Collection Fee Component

Beginning October 1, 2015 and the same date of each subsequent year during the term of the Contract excluding the final Contract year, the collection component of service rates and the Contractor's Fee used in determining Recyclables revenue shall be adjusted as follows.

- a. CPI Adjustment (rounded to the nearest cent): Ninety-five percent (95%) of the rate shall be adjusted based on the seventy-five percent (75%) of the change, rounded to the nearest hundredth of a percent, in the Consumer Price Index between the month of ~~February-August~~ in the previous year and the month of ~~February-August~~ in the current year. The CPI will be the Consumer Price Index for **All Urban Consumers: Water and Sewer and Trash Collection Services in U.S. City Average**~~the All Urban Consumers, U.S. City Average, All Items not seasonally adjusted~~ (Series ID: CUUR0000SEHGCUR0000SA0).
- b. Fuel Adjustment (rounded to the nearest cent): Five percent (5%) of the rate shall be adjusted based on the percentage change, rounded to the nearest hundredth of a percent, in the Fuel Price between the average monthly fuel price from ~~February-September~~ through ~~January-August~~ in the year prior, and the average monthly fuel price from ~~February-September~~ through ~~January-August~~ of the most current twelve (12) months. The Fuel Index will be the Lower Atlantic (PADD 1C) No. 2 Diesel Ultra Low Sulfur Diesel (0-15 ppm) Retail Prices (cents per gallon). If the Contractor utilizes CNG collection vehicles, the exhibit will be revised accordingly. In such case, the Fuel Index will be the Henry Hub Gulf Coast Natural Gas Spot Price (dollars per million BTU/7.17 dge), provided by the U.S. Energy Information Administration and accessible at <http://www.eia.gov/dnav/ng/hist/rngwhhdd.htm>
- c. The total adjustment to the collection element of the service rates in any given year shall not exceed two and one half percent (2.5%) of the previous year's rates, rounded to the nearest cent.
- d. If the source of the CPI or Fuel Price is discontinued or substantially altered, the City may select another relevant price index published by the United States Government or by a reputable publisher of financial and economic indices.

### **SAMPLE CALCULATION**

Assumptions (for illustrative purposes only):

Current collection fee component (CF) = \$8.00

- CPI in February 2012 (CPI1) = 227.663
- Average monthly Fuel Price Feb-Jan previous year (FP1) = 3.800
- CPI in February 2013 (CPI2) = 232.166
- Average monthly Fuel Price Feb-Jan most recent year (FP2) = 3.924
- 75% of % Change in CPI = 1.48%
- % Change in Fuel Price = 3.26%

New Collection Fee Component =

Current Collection Fee (CF) + [0.95 x CF x 0.75 x % Change in CPI] + [0.05 x CF x % Change in FP]

= \$8.00 + [0.95 x \$8.00 x 0.75 x ((CPI2-CPI1)/CPI1)] + [0.05 x \$8.00 x ((FP2-FP1)/FP1)]

= \$8.00 + [\$7.60 x 0.0148] + [\$0.40 x 0.0326]

= \$8.00 + (\$0.11) + (\$0.01)

= \$8.12

Maximum Rate Adjustment = \$8.00 + (\$8.00 x 2.5%) = \$8.20

Therefore the new Collection Fee Component = \$8.12

**Disposal Fee Component**

The disposal fee components of Commercial Collection Service rates shall be adjusted as calculated by the City if and when the tipping fee charged at the City Transfer Station changes.