

March 15, 2007

Mr. Bob Angell, District Manager
Waste Management of Alameda County
172 98th Avenue
Oakland, CA 94603

RE: July 1, 2007 Solid Waste Rate Adjustment

Dear Mr. Angell:

Detailed below is the proposed FY 2007/2008 solid waste rate adjustment for services provided by Waste Management of Alameda County (WMAC) in accordance with the Franchise Agreement between WMAC and the City of Oakland (City). The new solid waste rates are to become effective July 1, 2007, and include a proposed total rate increase of 2.38%, based on the following components:

1. CPI Component, per Franchise Agreement 6th Amendment Section 15.3

The Franchise Agreement provides for an annual rate adjustment based on CPI.

2005 Annual Average CPI-W:	199.1
2006 Annual Average CPI-W:	204.9
Change in CPI:	5.8
Percent Change in CPI	2.91%
80% of Percent Change in CPI	2.33%
July 1, 2007 CPI-Based Rate Adjustment	2.33%

2. Measure D Fee Increase, per Franchise Agreement Section 15.8.3

The Alameda County Board of Supervisors, at the request of the Alameda County Source Reduction and Recycling Board approved, on December 19, 2006, a 2.0% (\$0.15) per ton increase, based on CPI, in the Measure D Fee effective January 1, 2007. Accordingly, there is an 18-month fee increase effect (from January 1, 2007 to June 30, 2008) to be included in the rates charged to Oakland ratepayers during the entire 12-month period beginning July 1, 2007. However, the 18-month effect of the \$0.09 per ton January 1, 2006 increase over prior year

(which was included in the July 1, 2006 rate adjustment) needs to be corrected to provide for a 12-month effect of that same \$0.09 per ton for rates effective July 1, 2007 and beyond. This correction is included in the following calculation:

Measure D Fee Prior to January 1, 2007 Fee Increase	\$ 7.28
Measure D Fee Increase Effective January 1, 2007	\$ 0.15
Total FY 2005/2006 Franchise Tons	238,207
Total Increased Fees (18-month effect) = $\{\$ 0.15\} * \{238,207\} * \{1.5\}$	\$53,596
Deduct One-Third July 1, 2006 18-Month Rate Effect = $-\{33,930\}/3$	(\$11,310)
Net Measure D Fee Adjustment for July 1, 2007 Rates	\$42,286
Total FY 2005/2006 Franchise Revenue	\$78,916,338
Rate Adjustment Calculation: $\{\$42,286\} / \{\$78,916,338\} =$	0.05%
July 1, 2007 Measure D Fee-Based Rate Adjustment	0.05%

July 1, 2007 Rate Adjustment Summary

Rate Adjustment Component	Rate Impact (%)
CPI	2.33%
Measure D Fee Pass-Thru	0.05%
Total Rate Adjustment	2.38%

Please confirm in writing by March 31, 2007 that WMAC accepts and approves the rate adjustment calculations and total rate adjustment amounts identified in this letter.

Following WMAC's confirmation the City will generate a rate schedule for each class of ratepayers, which WMAC and the City can then initial as final approved rates to be charged to ratepayers. The City notes that WMAC and the City should continue to apply the backyard premium surcharge as a flat rate differential for all Single Family Residential container sizes.

Please note that per Section 15.13 (Publication of Rates) of the Franchise Agreement, WMAC shall provide written notice to ratepayers at least thirty (30) days prior to the implementation of the new rates.

Should there be any questions, please contact Peter Slote at 510-238-7432.

Sincerely,

Becky Dowdakin
Recycling & Solid Waste Program Supervisor

cc: Brooke A. Levin
Susan Kattchee
Peter Slote
Greg Ong, WMAC
Roseanne Pontes, WMAC
Jeffrey Hoelsken, WMAC