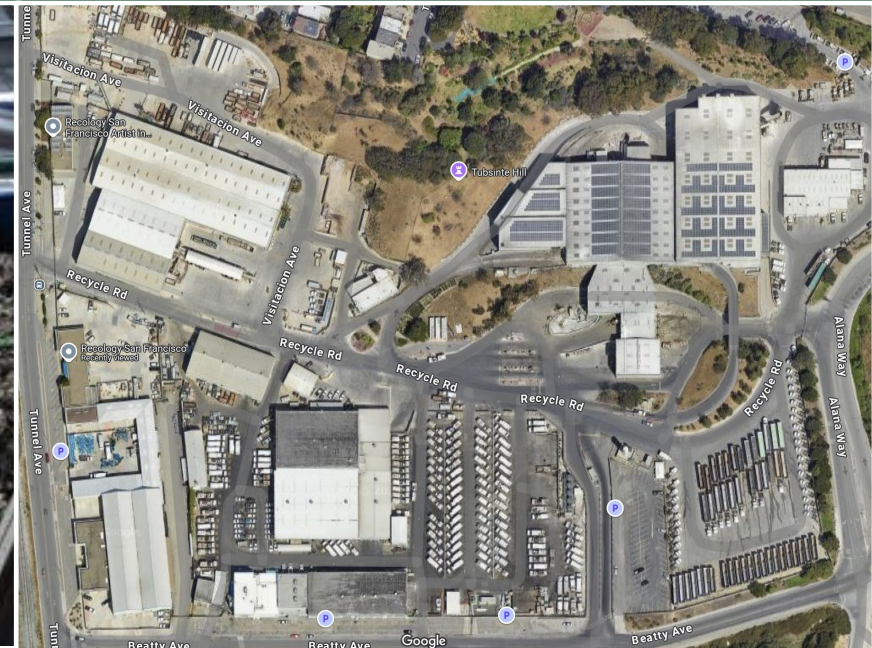




San Francisco Refuse Rate Administrator May 2025

Capital Planning



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Capital Planning - Overview



- Zero Emission Vehicles
- Tunnel Avenue Upgrades
- Trash Processing
- Pier 96 MRF
- Summary of Future Capital Needs
- Capital Rate Impacts



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Zero Emission Vehicles – Recommendations



Estimated Capital Cost @ \$6M - \$11M+
Estimated Operating Cost @ Negligible Change

- 1. Focus on Low Cost Compliance:** Given the recent developments in CARB ACF enforcement on private fleets, require Recology to prepare for CARB ACF compliance via the purchase of pick up trucks.
- 2. Modify ZEV Phasing Consistent with CARB ACF Milestones:**
 - Rate Year 2026 – 3 pick up trucks
 - Rate Year 2027 – 13 pick up trucks
 - Rate Year 2028 – 3 pick up trucks

Recommend all medium/heavy duty purchases using ICE vehicles (savings of ~\$2.4 million vs. Recology Proposal)
- 3. Manage Equipment Purchases/Prices More Closely:** Prices quoted by Recology in rate application should be a cap on costs, however ratepayers should enjoy 100% of any savings compared to Recology's proposed unit price or in the event orders are delayed by Recology.
- 4. Reserve for Future Heavy Duty Compliance:** Program capital reserves for future ZEV purchases and supporting infrastructure projects. Balancing rate adjustment in this rate cycle with the potential for large future increases for the fleet transition. Total fleet compliance estimated @ \$360M-\$440M
- 5. Pilot Heavy Duty Trucks:** Recology should continue to participate in free and/or short-term pilots of heavy-duty refuse collection vehicles and tractors to gain experience with the available ZEV technologies, makes, models, manufacturers, etc. to inform future large scale purchases.

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Tunnel Ave Upgrades - Recommendations



Estimated CEQA/Permitting Cost @ \$3.5M

Estimated Shop Consolidation Cost @ \$30M-40M

Estimated ZEV Infrastructure Cost @ \$10M-\$15M

1. Approve Tunnel Ave Improvements in Current Rate Application

2. Approve CEQA/Permit Consultant Costs w/ RRA Active Participation

1. RRA should be engaged throughout the process to ensure understanding of and advocacy for issues that will impact ratepayers, especially re: description/location of shop vs. MRF.
2. RRA should review/approve which portions of the contractor's scope and costs that are relevant to the ratepayers versus those costs that are benefitting Recology's equity position in the property.
3. RRA should have ability to request alternative scenarios, including value engineering, beyond those initially proposed by Recology or identified by the contractor.
4. Scope should provide for deliverables, design discussions, and status updates to RRA on same schedule as Recology to ensure full transparency around costs and design direction.

3. Ensure Project Description Doesn't Commit or Limit

1. CEQA project description is critical to how the site is used in the future
2. Pier 96 MRF relocation, shop consolidation, C&D, and trash processing compete for limited space
3. New Service Level Agreements have been included

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Trash Processing - Recommendations



Estimated Capital Cost @ \$35M - \$100M+
Estimated Operating Cost @ \$21M - \$47M+/year
\$160 - \$300/ton

1. Continue Piloting

1. Continue pilot-scale processing at third-party merchant facility.
2. Target organics-rich MSW routes (esp. Commercial/MFD).
3. Test recovery rate and compost quality to track trends.
4. Consider testing at different facilities to assess different technology/approach.
5. \$400k has been included for piloting and development of scope/approach/development of potential options.

2. Defer Decision on Local Facility Development to Next Rate Cycle

1. Due diligence on material characterization by generator type and/or route.
2. Due diligence on technology selection vs. target recovery materials and levels.
3. Due diligence on capital and operating cost trade-offs of different approaches.
4. Due diligence on scale of facility.
5. Contractual considerations in Disposal Agreement re: processing before disposal.
6. Policy decision on RFP vs. Sole Source to Recology.

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Peir 96 MRF - Recommendations



Estimated Capital Cost @ \$40M - \$103M+
Estimated Operating Cost @ Negligible Change

1. Pier 96 Assessments

1. Seismic study under way currently, significant seawall issues identified
2. Seawall repair likely needed regardless of Recology or other use
3. Additional stormwater and required improvements likely
4. MRF equipment age and functionality assessment, upgrade likely/retooling possible

2. Alternate Siting Considerations

1. Due diligence on permitting, space availability, geotechnical re: old landfill.
2. Due diligence on scale of facility and considerations for future growth.
3. Opportunity cost trade-offs with other uses of site.
4. Policy decision on RFP vs. Sole Source to Recology.

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Summary Potential Capital Reserve Projects



Current Rate Order @ ~\$15M – \$20M
Future Rate Orders @ ~\$475M – \$700M

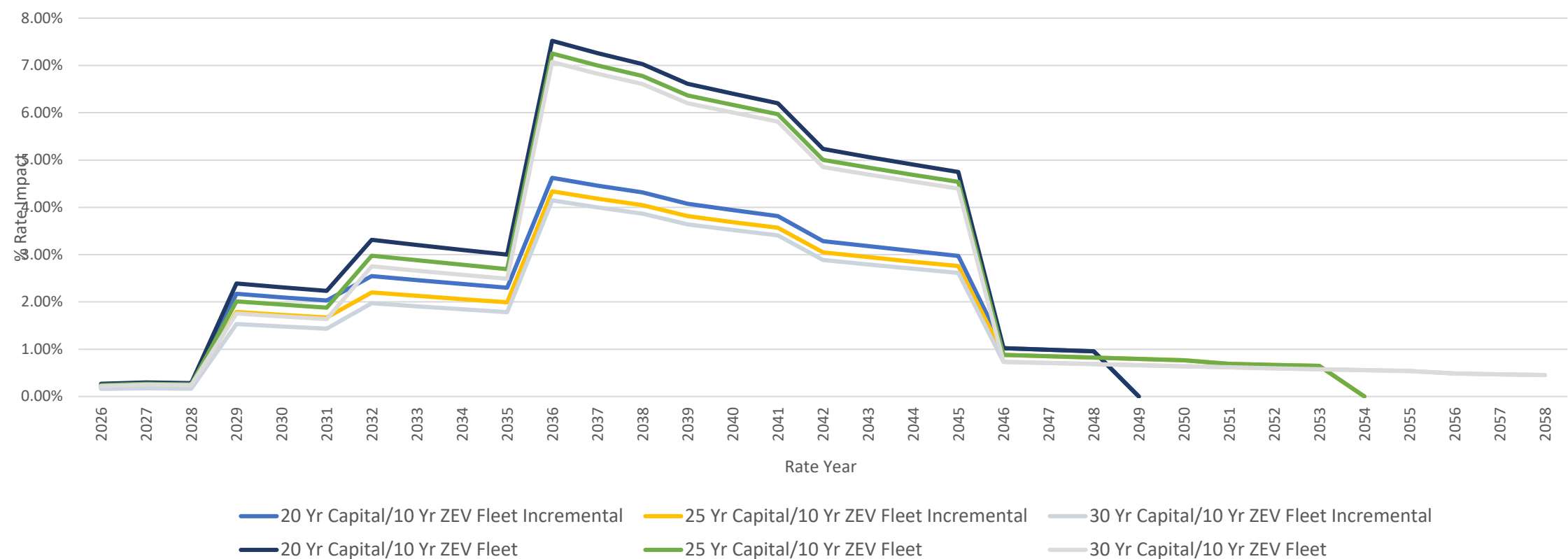
Project	Estimated Capital Cost	Estimated Rate Impact	Expected Timeline
Zero Emission Vehicles	\$6.3M - \$11.2M \$360M - \$440M	0.04% - 0.12% 0.25% - 3.05%	Current Rate Order 2026-2036
Tunnel Ave Upgrades	~\$4M \$40M - \$55M+	0.03% - 0.05% 0.48% - 0.58%	Current Rate Order 2029-2034
Trash Processing	\$35M - \$100M+	0.45% - 1.04%	TBD
Pier 96 MRF	\$40M - \$103M+	0.47% - 1.08%	TBD

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Amortization Schedule (% of Revenue Requirement)



Summary of Capital Amortization Scenarios

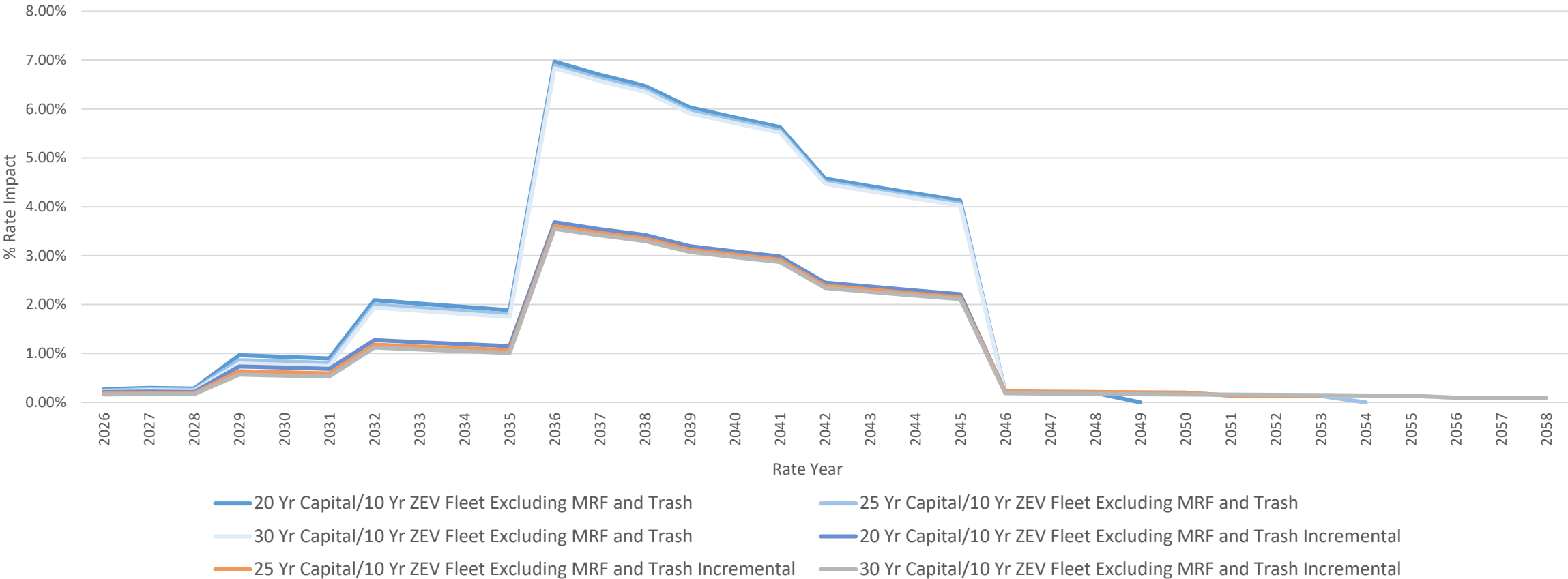


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Amortization Scenario 2



Summary of Capital Amortization Scenarios



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Rate Impacts

