

From: Smith, Tiana <tsmith71@wm.com>
Sent: Wednesday, July 10, 2024 4:57 PM
To: Gary Palmer <gpalmer@ci.montgomery.tx.us>
Subject: City of Montgomery_Municipal Solid Waste and Recycle Agreement_08012024

Hello Gary,

I hope you and your family fared well from the hurricane. Please see the draft Agreement including the pricing and scope of service for Extension Option 3 of the attached letter presented at Workshop.

I wanted to point out a change in sections 9.01 CPI Adjustment and 9.02 Fuel Adjustment that is included in the draft Agreement. Recently, we have begun to adopt new language concerning the calculations for CPI and Fuel adjustment.

First, we now weight CPI & Fuel (i.e. CPI: 90% of the total adjustment & Fuel: 10% of the total adjustment). See the first table below for the effect of weighting in the last column.

Additionally, we also calculate adjustments based on the comparison of an annual average from prior year to current year (highlighted in yellow on the CPI & Fuel tables below) instead of a comparison of one month from prior year to current year (i.e. March 2023 v. March 2024) . As an example, look at the variability between the monthly values of the month of August compared to the average (in the yellow box). Now likewise you have some lower months (March) but averaging helps us understand the impact of inflation over a 12-month period instead of just one month.

Lastly, our Hauling District uses Natural Gas as fuel for the service fleet. As a result, I have included a fuel adjustment based on changes and the reported values of natural gas. Below you will see an example of the calculations for using a weighted and average CPI and Fuel.

Now, with that said, I can replace what is in the draft now and match how we currently calculate as stated in the letter. However, I thought you may want to consider this change as I do see value and a benefit for the City in adopting this change in how we calculate the adjustment. You let me know how you would like this handled. Also, I am happy to answer questions or talk through the calculations if you would like.

Tiana

EXHIBIT B

Proposed Annual Inflationary Rate Adjustment Formula

- The parties agree that 90% of the adjustment in Base Rates shall be made using the CPI-U (Series ID: CUUR0000SEHG02) Garbage and Trash Collection – currently located at the following link: <https://beta.bls.gov/dataViewer/view/timeseries/CUUR0000SEHG02>. The CPI-U adjustment shall be based on the average monthly percentage change in the CPI-U over the applicable 12-month measurement period from April to March. Once that average index change is determined, then the average index change for the 12-month period during the immediately prior year will be subtracted therefrom. The difference shall be the CPI-U index adjustment that will be applied to the then current Base Rates; and
- The parties agree that 10% of the adjustment in Base Rates shall be made using the EIA Natural Gas Texas Commercial (N3020TX3.M) index – currently located at <https://www.eia.gov/dnav/ng/hist/n3020tx3m.htm> to determine the percentage adjustment. The EIA adjustment shall be based on the average monthly percentage change in the EIA index over the applicable 12-month measurement period from April to March. Once that average index change is determined, then the average index change for the 12-month period during the immediately prior year will be subtracted therefrom. The difference shall be the EIA index adjustment that will be applied to the then current Base Rates.

Example Calculation:

Garbage and Trash Collection (Series ID: CUUR0000SEHG02)

Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Total	Average	
542.564	544.546	547.554	548.187	548.706	558.254	561.090	563.816	565.185	570.412	575.697	576.773	6702.784	558.565	
Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24			
580.124	587.431	589.812	596.167	597.347	596.997	597.569	601.631	602.164	606.773	610.551	610.015	7176.581	598.048	
37.56	42.89	42.26	47.98	48.64	38.74	36.48	37.81	36.98	36.36	34.85	33.24	Difference	39.483	
6.923%	7.875%	7.718%	8.752%	8.865%	6.940%	6.501%	6.707%	6.543%	6.375%	6.054%	5.763%		0.07069	
													%	7.069

Natural Gas Texas Commercial (N3020TX3.M)

Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Total	Average	
11.260	12.850	13.270	13.160	14.730	14.940	13.820	11.800	12.210	11.620	10.380	8.680	148.720	12.393	
Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24			
9.170	9.330	9.050	9.920	10.350	9.960	9.810	9.580	9.300	8.960	9.020	9.030	113.480	9.457	
-2.09	-3.52	-4.22	-3.24	-4.38	-4.98	-4.01	-2.22	-2.91	-2.66	-1.36	0.35	Difference	-2.937	
-18.561%	-27.393%	-31.801%	-24.620%	-29.735%	-33.333%	-29.016%	-18.814%	-23.833%	-22.892%	-13.102%	4.032%		-0.23696	
													%	-23.696

Calculations for Weighted and Averaged CPI & Fuel

	Weight (%)	Previous Year	Current Year	Percentage Change (%)	Weighted Percentage Change (%)
CPI- G&T	90%	558.565	598.048	7.07%	6.36%
Fuel	10%	12.393	9.457	-23.69%	-2.37%
Total Adjustment					3.99%

Current Annual Inflationary Rate Adjustment Formula

9. MODIFICATION TO RATES:

9.01 CPI Adjustment. Base Rates charged by Contractor for services will remain fixed as set forth in Section 4 above and will not be adjusted for changes in the CPI (as hereinafter defined), until August 1, 2016. Commencing on August 1, 2016, and continuing annually on each anniversary date of the Commencement Date of this Agreement, upon thirty (30) days' notice to the City, the Base Rates for services shall be adjusted by the same percentage as the Consumer Price Index for All Urban Consumers (published by the United States Bureau of Labor Statistics, Consumer Price Index, U.S. City Average, All Urban Consumers, Garbage and Trash Collection, Not Seasonally Adjusted, Base Period December 1983 = 100) (the "C.P.I.") shall have increased during the preceding twelve months. In the event the U.S. Department of Labor, Bureau of Labor Statistics ceases to publish the C.P.I., the parties hereto agree to substitute another equally authoritative measure of change in the purchasing power of the U.S. dollar as may be then available so as to carry out the intent of this provision.

9.2 Fuel Adjustment. Every anniversary date, the Base Rates shall be subject to a fuel surcharge as follows: an additional one percent (1%) for every twenty five cent (\$0.25) increase in the price of diesel fuel above and including \$4.00 per gallon (with a 1% surcharge beginning at \$4.25 per gallon and a 2% surcharge at \$4.50 per gallon, etc.). The diesel fuel price shall be as determined by reference to the Energy Information Administration of the US Department of Energy ("EIA/DOE")'s Weekly Retail On Highway Diesel Prices for the Gulf Coast. The EIA/DOE currently publishes these prices on their website at the following location: <http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp>. The determination of the average price of diesel fuel from the aforesaid website shall be made on the first Monday prior to the end of the quarter (or the first business day thereafter if such Monday is a Federal Holiday).

Example Calculation:

Diesel Fuel for the Gulf Coast

Weekly Gulf Coast No 2 Diesel Retail Prices (Dollars per Gallon)

Click worksheet name or tab at bottom for data

Worksheet Name	Description	# Of Series	Frequency	Latest Data for
Data 1	Weekly Gulf Coast No 2 Diesel Retail Prices (Dollars per Gallon)	1	Weekly	7/15/2024

Release Date: 7/15/2024
 Next Release Date: 7/22/2024
 Excel File Name: emd_epd2d_pte_r30_dpgw.xls
 Available from Web Page: https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMD_EP2D_PTE_R30_DPG&f=W
 Source: U.S. Energy Information Administration
 For Help, Contact: infoctr@eia.doe.gov
 (202) 586-8800

Jun 05, 2023 \$3.47
 Jun 03, 2024 \$3.45

Current Calculations for CPI & Fuel

	Weight (%)	Previous Year	Current Year	Percentage Change (%)	Weighted Percentage Change (%)
CPI- G&T	100%	576.773	610.015	5.76%	N/A
Fuel	100%	\$3.47	\$3.45	0%	N/A
Total Adjustment					5.76%