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May 3, 2024

Erin Brewster
Sustainability Program Manager
Town of Truckee
10183 Truckee Airport Rd.
Truckee, CA 96161

Re: Review of Tahoe Truckee Sierra Disposal, Inc. Can Averaging Analysis

Dear Erin Brewster:

Following are the findings from HF&H Consultants, LLC's (HF&H) review of Tahoe Truckee Sierra Disposal (TTSD) Can Averaging Analysis.

Executive Summary

TTSD had provided a "can averaging service" in previous contracts with the Town of Truckee (Town). The current contract did not contemplate this service, which has led to more overage charges billed to customers. TTSD has provided the town with an analysis of what cost increases would be required in order to re-implement this service should the Town so desire. TTSD has stated that the costs would equate to an increase of 1.0% to the base residential rate, and 1.5% to the 2-can residential rate, each year for a three year period. HF&H has reviewed this analysis and believes it to be reasonable both financially and methodologically.

Findings

- A. HF&H verified and reviewed the methodology of TTSD Can Averaging Analysis and found no outstanding errors in calculation. HF&H compared TTSD's 2023 calendar year residential revenue to fiscal year revenue previously provided and found it to be in line with previous projections made.

TTSD calculated 2023 calendar year residential revenue and projected forward 3 years' worth of revenue to use as the total residential revenue. TTSD projected the loss of revenue by subtracting the current billing amount without can averaging by the a projected billing amount with can averaging resulting in a revenue reduction of \$238,820 per year. Additionally, TTSD estimated the savings in cost of operations including fewer annual billing statements sent to customers, fewer annual payments processed through TTSD's systems, fewer customer service representatives (CSR) calls needed to be made, and a one-time cost to set up the system to handle billing with can averaging.

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Figure 1: HF&H Calculated Total Revenue Impact

	Year 1 FY2025-26	Year 2 FY2026-27	Year 3 FY2027-28
Revenue Reduction	\$ (238,820)	\$ (238,820)	\$ (238,820)
Projected Cost Savings			
Fewer Annual Billing Statements	\$ 9,804	\$ 9,804	\$ 9,804
Fewer Annual Payments processed	\$ 1,308	\$ 1,308	\$ 1,308
Fewer CSR/Calls and account reconciliations	\$ 15,000	\$ 15,000	\$ 15,000
One-time set-up costs	\$ (18,000)	\$ -	\$ -
Total Projected Revenue Impact	\$ (230,707)	\$ (212,707)	\$ (212,707)

HF&H has determined that the methodology of the inclusion of the calculated total revenue impact is reasonable and is included in Figure 1.

Figure 2: Revenue Impact on the Following Years

	Revenue from Current Method	Total Projected Revenue Impact	Total Revenue After Impact
Year 1 FY2025-26	\$ 6,273,875	\$ (230,707)	\$ 6,043,168
Year 2 FY2026-27	\$ 6,337,351	\$ (212,707)	\$ 6,124,644
Year 3 FY2027-28	\$ 6,400,826	\$ (212,707)	\$ 6,188,120
	A	B	A + B = C

- B. The calculation in residential revenue does not account for possible changes in subscription level over time, or other changes in customer behavior. The number of bills TTSD is currently charging annually is 18,547. TTSD provided a decrease of 11,770 bills annually, if the Town changes to billing with can average, resulting in a \$238,820 decrease in billing. TTSD estimated numbers of customers that will be saving more than \$12 per account to be 5,575.

Figure 3: Difference in Billing

	For 2023	
	Dollar Amount	# of Bills
Billing w/out Can Averaging	\$ 451,931	18,547
Billing with Can Averaging	\$ 213,111	6,777
Difference	\$ 238,820	11,770

TTSD provided calculations for how Truckee billing without can averaging is built up in Figure 4.

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Figure 4: TTSD's Revenue Build Up

	Total By SRV Code	Qty	Avg. Price
REGULAR OVERAGE	\$ 391,846	60,265	\$ 6.50
OCCBUNDLE	\$ 44,219	6,800	\$ 6.50
BLUBGWRONG	\$ 7,917	1,224	\$ 6.47
CANFULL	\$ 1,714	275	\$ 6.23
GREENBAG	\$ 333	50	\$ 6.66
	\$ 451,931		

- C. TTSD described the "rate adder" of 3% to be spread out in the next 3 FY to account for the loss in revenue once can averaging is implemented. The rate adder will be used to recover a large portion of the projected lost extra can revenue by the third year of rate phase-in, based on the most recent 12-month customer service usage profile. TTSD calculated the cost savings associated with fewer customer bills being issued, and ultimately lower customer call volumes, which will offset some of the revenue reduction. TTSD proposed rate adder does not increase revenue enough to offset the loss or revenue overall. TTSD's total estimated revenue is not the same under both rate structures with the addition of the proposed rate adder.

TTSD proposed to gradually increase the base rate across three years in order to mitigate the impact upon ratepayers in any given year, with TTSD absorbing the lost/unrecovered revenue in the first two years. Even with the full rate increase included within the rates in year 3, TTSD is projected to be at a lower revenue level than if continuing to charge at the current method. TTSD hopes to make-up for this remaining shortfall in the form of cost savings from issuing fewer customer bills, and in fielding fewer customer calls questioning overage charges.

Recommendation

HF&H recommends that the Town review and consider TTSD's proposal to return to can averaging, as it is reasonable in nature. The Town should be mindful that these projections of potential customer savings, costs and revenues are estimates, and that the change in customer subscriptions, or behavior, may drastically change the projected outcomes contained within the proposal. Additionally, there may be complications arising from confusion around the programmatic changes for customers which the Town should be sensitive to, particularly with the relatively short time remaining on the Towns contract with TTSD.