RATE REVIEW COMMITTEE

July 22, 1982

<u>Members</u>

George Hubel (Chairman)
Stephen Aanderud
Mark Gardiner
Edward Brunet

Robert Wynhausen (not present)

<u>Staff</u>

Terilyn Anderson
Doug Robertson
Norm Wietting
Doug Drennen

George Hubel introduced Doug Drennen who gave a brief presentation on the first agenda item: Uniform Rates. He explained the four rate scenarios--Cost of Service, Uniform Rate, Uniform Rate with Convenience Charge, and Uniform Base Rate with Transfer Charge.

Cost of Service is based on each facility charging rates which reflect the actual costs of that individual facility. A uniform rate combines the capital and operating costs of all general purpose landfills and transfer stations into one general rate paid by all users within the system. A uniform rate with a convenience charge mixes the costs of all facilities into a general rate, however, a one dollar "convenience" charge is added to the rate at transfer stations. This added charge reflects the benefit of reduced hauling time to the transfer facilities.

A uniform base rate with a transfer charge also mixes the costs of all facilities, however, a charge is added to the disposal rate which reflects the transfer costs of hauling garbage from transfer stations to the landfill. This transfer charge is established according to the transfer cost at each transfer station and is then added to a convenience charge at these stations. George Hubel asked if transfer stations would receive little use under the Cost of Service approach since the transfer station disposal fee would be approximately $9.00 more than other facilities. Doug Drennen explained that decisions to use facilities are made on a company by company basis, taking into consideration geographical location of facilities, location of routes, the type of equipment used, etc. It is difficult to predict exactly where flow will go and when. For example, when Rossman's Landfill went from $7.48/ton to $11.40/ton, it took a couple of months (after a billing cycle) for haulers to realize that their costs had gone up. Five or six months after the rate increase a general shift to St. Johns became apparent. St. Johns is $1.00 less than Rossman's Landfill. Norm Wietting pointed out that Wildwood will accept transfer trailers only, and therefore, the system will basically be composed of transfer stations. Norm Wietting stated that some hauler groups are opposed to paying a uniform rate since the Oregon City Planning Commission has limited the amount of waste the Clackamas Transfer and Recycling Center can accept, and therefore, it will not be open to all haulers.

Edward Brunet said that marginal costs reflect the actual cost of each facility and that a uniform rate tends to send mixed signals about that actual costs of individual facilities. George Hubel was concerned about the policy impact of requiring St. Johns users to pay for other facilities. Doug Drennen was asked about the status of the West Transfer Station. The operation, siting and ownership of the West Transfer Station is going out for bid. The cost of operating the transfer station will be included in the bid responses and Metro will set the rates.

Next, Doug Robertson gave a brief presentation on how costs will be allocated at the St. Johns Landfill and the Clackamas Transfer and Recycling Center. First, flow assumptions are made, and from flow level the sites' costs are set. Once the costs for each facility are established, the costs are allocated to the individual user class depending upon the benefits received by that user. The costs are therefore allocated by either number of trips or tons by each user class. With the costs to each user defined for each facility, the rates can be calculated.

On a Cost of Service basis, the rate is simply the fee required to generate an income stream, given the flow at that individual site, which will cover the facilitys' costs. If a uniform rate is to be set, the disposal fee is calculated to generate an income stream, based upon all of the flow in the system, which will cover all costs of the whole system. Therefore, under a cost of service rate policy, rates are different at each facility, while under a uniform rate policy all rates (for each user class) are the same throughout the system.

Ed Brunet wondered how significant labor costs are in relation to the initial capital costs of the transfer station. Doug Drennen said that labor costs are a substantial amount of the total cost since there are six or seven people on the site in addition to transfer rig drivers. Also, the facility may be open extended hours, requiring more labor. Doug Robertson said that a capital cost of approximately $3 million, spread over a 25 year period, would result in an annual cost of approximately $200-$260 thousand.

Edward Brunet asked if Killingsworth Fast Disposal would be included in a uniform rate. Doug Robertson explained that staff is leaning away from including private facilities in a uniform regional rate since it is difficult to mix the profit of a private facility with the non-profit costs of a government operation. Also, Killingsworth provides a different service than Metro facilities since it accepts demolition refuse only. Norm Wietting pointed out that competition is maintained in a system of government owned facilities which bid out operation of the facilities to private enterprise.

George Hubel suggested that the next agenda item, General Establishment of a Rate Methodology, be discussed since Mark Gardiner had to leave the meeting early. Ed Brunet said that he was concerned about comparing the landfill operation with the trucking industry on a post hoc basis, as had been done in the staff report on Killingsworth Fast Disposal. George Hubel said that it is difficult to compare a landfill operation which is a short-term project to the trucking industry which is ongoing. Also, the risks are different in each industry.

George Hubel stated that the methodology adopted should include assuring that money is available for post closure maintenance.

Mark Gardiner said he favors setting the rates of public facilities on a cost of service basis and letting competition determine the rates of private facilities with the exception of making sure post closure maintenance costs are taken care of. A cost of service method, if it works, is the most efficient. Unless there are reasons for not going Cost of Service, such as flow control, a Cost of Service approach is preferable.

Norm Wietting pointed out that under a Cost of Service approach a transfer station would have to charge around $19.00/ton, whereas a private landfill operator, whose costs were only $12.00/ton, could competitively charge $16.00/ton. This would be an excessive and unnecessary charge to the public. Edward Brunet stated that since Metro is bidding out operation of private facilities, a monopoly situation does not seem to exist, and therefore, a regulated rate of return is not necessary. Norm Wietting stated that the number of sites are limited since Metro will not franchise an unlimited amount of sites for environmental and land use reasons. Also, if Resource Recovery is built, two-thirds of the region's garbage will go to that facility and their will not be enough waste to fill up other sites.

Steve Aanderud said that users of a transfer station should pay transfer costs, but he is not sure that he agrees with a total uniform rate. George Hubel said the methodology should include a post closure maintenance fund which could include equity in the land. This brings up several questions: If this were done would the appreciation of the trust fund be taxable to the corporation? Could the earnings of the fund be tax shelterd? Could the trust fund be exempt from bankruptcy? Ed Brunet said he would draft a paper for the Committee to review addressing post closure maintenance, flow control, transportation costs and other social impacts. George Hubel said he would draft a paper on a post closure trust fund for the Committee to discuss.

The meeting was then adjourned.

TA:bb