

RATE REVIEW COMMITTEE

January 13, 1982

MEMBERS

George Hubel (Chair.)
Stephen Aanderud
Mark Gardiner
Robert Wynhausen

Edward Burnet was not present

STAFF

Terilyn Anderson
Dennis O'Neil
Doug Robertson
Norm Wietting

The meeting began with the staff distributing two handouts to be reviewed by the Committee members. The two were: the revised By-Laws of the Solid Waste Rate Review Committee adopted by the Metro Council; and the Killingsworth Fast Disposal Financial Sheet, with an article on financial requirements for hazardous waste facilities.

George Hubel (Chairman) asked Stephen Aanderud to present the findings of the subcommittee. Before he began, Mark Gardiner introduced two changes to the previous meeting's (December 9) minutes. First, the entire committee, not just the subcommittee, would meet with the Metro Executive Officer and members of the Council to discuss policy issues. Second, the guest from CH2M HILL was Dave Hasson, not Hanson.

Stephen Aanderud introduced the questions identified as important by the subcommittee. The 12 are:

1. Should revenue requirements be based on historical or projected information when setting rates?
2. Should return on equity or return on investment approach be used?
3. Should a post-closure maintenance cost be included in the adopted rates; should separate funds be established for the post-closure cost or should a central fund be created contributed to by all franchisees?
4. Should rates be based on a before or after tax basis?
5. Should the "salvage value" of a landfill be incorporated into the rates?
6. Should depreciation "costs" be based on straight line or accelerated method?
7. Should revenue requirements be established on the aggregate or by segregated tariffs?
8. Should the specific cost of tire disposal be ignored in rate setting?
9. Should the staff be viewed as a third party, or associated either with the Committee or the landfill operators?
10. Who should determine the volume/weight measurement standards, and who should be responsible to report them?
11. How can pricing inconsistencies between private and public operations be addressed?

12. Should annual reporting be the basis for rate review and rate changes?

It was agreed to discuss these questions in order.

Comments were made on the merits of historical vs. predicted information. Potential scenarios affecting the accuracy of cost and revenue requirement predictions were mentioned, along with the shortcomings involved in applying past costs to future rate setting. A general consensus to use historical information was reached.

The next area of discussion pertained to the recording of the measurement of volume/weight of the solid waste received at the landfills. Points for and against relying upon the operators for flow statistics were brought up. This led to the issue of staff involvement with measurements and what role the staff should fill--as an advisor or adversary of the landfill operators.

The flow control issue was touched upon next. Norm Wietting stated that Metro does have the statutory power to control flow, and that controlling the flow will not be done with pricing mechanisms. He added that if Metro does introduce an alteration of solid waste flow, the affected operator can petition for a rate change.

The use of St. Johns operation costs and rates as a benchmark price was then discussed. This would involve using the costs incurred through the operation of St. Johns, and the resulting rates, as a base against which other landfill operational costs/rates are compared. Mr. Wietting stated that St. Johns is the cheapest landfill in town. The concept of "shadow pricing" was introduced by Stephen Aanderud. He explained that this shadow pricing would involve setting the ceiling according to St. Johns rates, and then allow other operators charge a rate equal to or less than this rate.

Discussion was then directed towards accounting for post-closure costs. The two issues were how to certify what the post-closure costs will be X number of years ahead, and how funds to cover these costs can be generated. Options introduced included integrating a reserve requirement into the rate structure to assure the capital needed; generate the funds on a site specific basis or in a regionwide superfund; use of insurance or bonding to meet potential capital requirements and lifecycle accounting of landfill costs to incorporate post-closure costs.

After brief discussion of the other points brought up by the subcommittee, the Chair recognized the identification of five major questions to be brought before the Executive Officer

and appropriate Councilors. The five are:

1. Should rates be based strictly on financial considerations or should the rate also reflect impacts on solid waste flow and social impacts such as waste reduction?
2. Should a shadow pricing method (using St. Johns as the ceiling) be used to set rates?
3. Should segregated post-closure maintenance funds be collected from each franchisee or should a single super-fund be established which is contributed to by all franchisees? Does Metro have the authority to control and administer such funds?
4. How should the staff be integrated into the rate setting process?
5. Should the Rate Review Committee determine only the total revenue required and have staff allocate revenue requirements and also the allocation of the revenue requirements to the specific user classes?

The date of the meeting to discuss these questions with the Executive Officer, appropriate Councilors and a landfill operator was to be determined later. The date for the next Rate Review Committee meeting will be set after the meeting mentioned above.

George Hubel adjourned the meeting.

DR:bb