METRO

MEETING: **RATE REVIEW COMMITTEE**

DATE: March 9, 2004

DAY/TIME: Tuesday 6:00 – 7:30 p.m.

PLACE: Metro Regional Center, Fanno Creek Greenway Room (#270)

1. **Call to Order (5 min.)**...*Councilor McLain*

   Approval of meeting summaries: 1/21 & 2/4 (distributed last meeting); 2/17 & 2/18 (Exhibit A, this packet).

2. **Rate Policies and the FY 04-05 Rates (75 min.)**..*Councilor McLain*

   Summary Status Report. *At the end of the February 18 meeting, the RRC indicated reasonable satisfaction with the new cost allocation model. On February 20, the Council President and the Department finalized the requested FY 04-05 budget. On February 23, staff calculated the rate implications of the requested budget based on the new allocation model. On Wednesday, February 25, staff filed rate ordinances based on these rates. These ordinances (attached) were filed at this time to preserve the option of a July 1 implementation date for rates, but were represented as "placeholders, subject to amendment" pending review by the RRC, Councilors, and other parties. This is especially true of Ordinance No. 04-1043, which establishes the "third fee"—new license and franchise fees—for which the RRC had not yet come to consensus on design. On Tuesday, March 2, staff held a public work session with the Council on the FY 04-05 rates, process, and schedule.*

   Tonight's Discussion. *Review the rates based on the FY 04-05 requested budget and the new allocation model; evaluate these rates with respect to rate criteria, policies and councilor values; compare performance with current rates; and formulate recommendation(s). Considerations include: go with the new rates or not? If yes, consider design of the "third fee" and timing/phasing of new rates.*

   Action Requested: *Finalize rate recommendation. If the new model is recommended, address (a) design/implementation of the "third fee," (b) timing/phase-in path of new rates; (c) other.*

3. **Wrap Up (10 min.)**...*Councilor McLain*

Please call Tom Chaimov at Metro with any questions at 503-797-1681.

Distribution

Councilor Susan McLain, Chair	Mike Leichner, Member
Bernie Deazley, Member	Paul Matthews, Member
Dean Kampfer, Member	Jim Strathman, Member

Interested Parties

TC
attachments:

Exhibits A1 & A2.	Meeting summaries from the February 17 and February 18 RRC meetings.
Exhibits B1 & B2.	Rate ordinances filed February 25 with staff reports
Exhibit C…	Background information and evaluation materials requested by the RRC

MEETING SUMMARY
RATE REVIEW COMMITTEE
Metro Regional Center –Room 370A
February 17, 2004

Present:

Members	Metro	Guests
Bernie Deazley	Mike Hoglund, Director, Solid Waste & Recycling	Ray Phelps, WRI
Dean Kampfer	Doug Anderson, Solid Waste & Recycling, FMA Mgr.	Aaron, a PSU student observing for a class
Mike Leichner	Tom Chaimov, Financial Mgmt. & Analysis	
Paul Matthews	Maria Roberts, Financial Mgmt. & Analysis	
Jim Strathman	Karen Feher, Finance Dept., Budget Analyst	
	Cheryl Grant, Administrative Secretary	

Members Absent:
Susan McLain, Chair

Doug Anderson called the meeting to order at 5:46 p.m., welcomed the group, and said that Susan McLain would not be attending this meeting but would be at the next meeting. He distributed the minutes from the two previous meetings for committee review. He said they would take action on those at the next meeting.

Mike Hoglund reviewed costs allocated to the various programs and noted that the actual rate could not be set until after the budget. He noted that Council had modified their work schedule this year so their budget work was not yet complete. Doug Anderson reviewed the timeline for the committee's recommendation to council. There was discussion of the current rate and the preliminary estimate for the next. Mr. Anderson noted there was a sunset clause on the $1 a ton excise tax for the Parks Department, and if Council did not take action on that, it would happen April 1st.

Mr. Anderson explained in detail Exhibit B of agenda item #2, staff's responses and comments to questions and issues from the February 4 meeting. He noted typos in the exhibit: second line, second paragraph under staff comment: should read "neither caused by Metro customers, nor do they benefit" and the second to last line, same paragraph, should read "third fee". The committee continued their discussion of loaded program service costs from last meeting.

Motion: Dean Kampfer moved to carry the attached recommendation to Council.

Vote: The vote was 4 aye/1 nay. Dr. Strathman voted nay.

Mr. Anderson distributed an updated version of the calculation of rates using loaded program/service costs for continued committee discussion. There was discussion regarding the third rate concept. Mr. Anderson charted the different facilities with a rough estimate of their tonnage and their classifications, including regional and local transfer stations, MRFs and landfills on the whiteboard for clarification. He responded to questions from the committee. He noted there were other things that were not shown that Metro regulates. The committee discussed ways to recognize the size of the operations as well as the scope. They agreed that visits per month and the audit and inspection schedules were a fairly objective standard to use. It was noted that the license and franchise fees are not included in the tip fee. Mr. Kampfer asked if the allocating strategies were the best drivers for allocating Metro overhead, solid waste overhead and stranded debt service and if they were a fair appropriation of cost to private facilities to accomplish a cost of service model. Mr. Anderson said he was prepared top defend the allocations. Mr. Matthews asked Mr. Anderson to brief Councilor McLain to get her up to speed on tonight's discussion. Mr. Anderson noted there would be no additional agenda items for tomorrow's meeting.

The meeting adjourned at 8:11 pm.

Next meeting:
6 p.m., Wednesday, February 18, 2004 Room 270

Submitted by Cheryl Grant for Gina Cubbon, Administrative Secretary
T:\Remfma\committees\RRC\0405 Budget\RRC021704.DOC

Rate Review Committee Recommendation from the February 17, 2004 Meeting

The RRC finds the following:

1. Typically, the user of any facility, public or private, should bear the cost of that facility's capital investment;
2. However, the existence of private facilities benefits the entire region, through lower collection/hauling costs and reduced traffic and road maintenance throughout the region;
3. Therefore, the entire region should contribute to the cost of that portion of Metro's transfer station investment that was stranded when private facilities entered the marketplace.

Accordingly, the RRC recommends that the cost of the department's annual debt service (ADS) on the transfer station bonds be recovered from two customer classes, as follows:

1. One portion of the ADS equal to the percentage of utilized capacity[1] at Metro South and Metro Central should be recovered from Metro transfer station customers, i.e., via the tonnage or transaction charge;
2. The balance (equal to the proportion of unutilized, or stranded, capacity) should be recovered from the region as a whole, i.e., from both Metro customers and non-Metro customers, e.g., through the regional system fee.

The direct result of adopting this new reallocation of the debt service would be that in FY 04-05 Metro's customers—representing about half the region's tonnage—would be responsible for about ¾ of the annual solid waste debt burden, while non-Metro customers would pick up the tab for the remaining ¼. This contrasts with the current split of about 50/50 between Metro and non-Metro customers, just based on Metro vs. non-Metro tonnage.

Dissenting Opinion (vote was 4 to 1 [Strathman nay] w/ 1 abstention [McLain])
The cost of stranded capacity should follow the tons of wet waste captured by private facilities, and stranded capacity should be defined as the proportion of previous Metro tonnage captured by local transfer stations. [1]

---

[1] Utilized capacity, as contemplated by the adopted RRC recommendation, is equal to the combined tonnage delivered to Metro South and Metro Central divided by the combined physical capacity of the two facilities. For example, a recent study completed by SW&R Department staff concluded that Metro South and Metro Central were built to handle 1,184,000 tons annually with only one work shift. At 566,824 tons of throughput in CY 2003, the utilized capacity would be 566,824 / 1,184,000, or 47.9%. Using the "follow the tonnage" definition of the dissenting opinion, the CY 2003 stranded capacity—and, hence, proportion of debt service for which private facilities would be responsible—would be 202,534 diverted tons divided by 769,358 pre-1998 Metro tons, or 26.3%. Notice that in CY 2003, both approaches yield nearly the same public-private allocation; however, the results of the two approaches will diverge as tonnage shifts between public & private facilities.

MEETING SUMMARY
Rate Review Committee
Metro Regional Center –Room 270
February 18, 2004

Present:

Members	Metro	Guests
Councilor Susan McLain, Chair	Mike Hoglund, Director, Solid Waste & Recycling	Ray Phelps, WRI
Jim Strathman	Doug Anderson, Solid Waste & Recycling, FMA Mgr.	Aleisha Smith, PSU student
Mike Leichner	Tom Chaimov, Financial Mgmt. & Analysis	
Paul Matthews	Maria Roberts, Financial Mgmt. & Analysis	
Dean Kampfer	Karen Feher, Finance Dept., Budget Analyst	
	Gina Cubbon, Administrative Secretary	

Members Absent:
Bernie Deazley

Councilor McLain called the meeting to order at 6:13 p.m., and apologized for not bringing the cheesecake she'd promised the group. Special guest Aleisha Smith introduced herself and explained that she's a student at PSU and had been assigned to attend a public meeting for her Urban Planning class. Councilor McLain turned the proceedings over to Doug Anderson.

"Well, in the less-than-24-hours since we've met, I've attempted to put together at a summary level what I heard last night," Mr. Anderson said. He handed out the attached "Draft of Summary of Results." He explained that the figures on the third page under "RRC Draft Unit Costs" differ slightly from what was discussed the previous evening; they were changed to reflect conversations with some Committee members prior to assembling this packet. The changes did not affect the substance of the discussion, he said. He hoped this draft would both help put the Committee's work into context and set the stage for tonight's discussion, which would meld the model with policy issues.

Dean Kampfer suggested adding a piece from the RSWMP to the page entitled "Fee Principles": "Charges to users of Metro-owned disposal facilities will be reasonably related to disposal services received." He said it emphasizes the principle of "the person who caused the cost should pay." Ray Phelps added that the model created by the Committee the previous night fulfilled at least two or more of the "Councilor's Values" list that was in the agenda packet.

Councilor McLain told the group that the advice given to Council by the Committee would be used "through a bigger filter. Part of that bigger filter is the concepts, objectives, and values of the Council, the functional plan (RSWMP), and those system goals and objectives for things like our financial system and equity and stability that we want in our system." Every time the Council is given any kind of advice or recommendation, she continued, they make sure it meets the agency's basic goals. She went over the eight Councilor Values. Some of these goals will be served more than others in the rate, and Council understands that. Councilor McLain added that the fourth on the list, environmental stability, is a value she'll be looking closely at when reviewing the Committee's new rate model. Metro, she continued, is trying to be a leader in sustainability. The group discussed some of Metro's efforts in this vein, such as the ENACT (environmental action) committee. Paul Matthews asked if environmental sustainability might be affected by any rate decisions; Mr. Anderson answered yes, it's possible that higher or lower rates could impact recycling or other environmental aspects.

Because Councilor McLain had been unable to attend the previous meeting, Mr. Phelps suggested Mr. Matthews explain how the Committee designed the new rate model, which includes a new, third fee. Mr. Phelps said he feels that the public investment is much better accounted for and allocated than in the current model. Councilor

McLain responded that she'd been fully briefed by Mr. Anderson and feels that the Committee approached it fairly.

Mr. Kampfer noted that the new model takes into consideration Metro's stranded investment costs, but leaves any stranded investment made by private facilities alone. Councilor McLain commented that private facilities shouldn't be reimbursed for any stranded debt because they knew and accepted the risk of such costs when they decided to enter the solid waste system. Mr. Matthews added that a similar situation happened when the electric utilities were deregulated: The stranded costs of the incumbent were protected.

The group discussed some system history in the context of sustainability. More facilities within the region, Mr. Kampfer said, has relieved traffic congestion and lessened emissions. It's been a balancing act between sustainability and need, Mike Leichner added. Trucking garbage up the Columbia Gorge, for instance, was a decision between concerns such as emissions, and citing a large landfill in a much dryer part of the state.

Councilor McLain updated the Committee on the revision of the Regional Solid Waste Management Plan (RSWMP). "We're really re-assessing from the ground up; not our basic values, but we are trying to rethink that document and make it more useful... As we look at our rate and as we look at the overall system, I know that we're rethinking our role in the system. Metro's role has changed, just as private industry has changed and the needs in the solid waste industry have changed. We'll be looking at this Rate Review [Committee] advice and trying to make sure it's reflective of the goals that we're headed towards with the RSWMP update. We also have requirements of us, and we've been told we haven't met our goals of 62% [recovery]," the Councilor continued. "I didn't think I'd be here long enough that I'd ever get to the point where people would actually question the goal of recycling." She said that some people are questioning if the target was too high, and it saddens her. "I don't want us giving up aspirations that I think are practical and are necessary if we're going to get sustainability."

The Committee further discussed the list of Values, which Mike Hoglund noted "was drafted over a couple of [Council] meetings in the summer. Like any process, Council could've spent three retreats on this and wordsmith it and have sub-goals and objectives and everything, but these are the big things that came to their minds." Mr. Matthews commented that the list made sense to him. He said he went through the list himself, comparing it to the new model, and found the model agrees with every one of the Values. He cautioned, though, about implementing any changes too abruptly.

Councilor McLain said that the model is "good work." Mr. Kampfer added that he's impressed and comfortable now with the final product. He feels it adjusts for future changes between private / public facilities. Mr. Leichner agreed that the adjustments are good, and gravitate towards a more fair, true-cost rate. He complimented Mr. Anderson and his staff for being able to put together a sample model overnight. It's a rate model, added Mr. Leichner, "...that's easy to support to the public. This is where the costs are."

Discussion carried on regarding the Values and how / if they're served by the new model. Councilor McLain commented, however, that regarding regional equity and stranded investments, "I don't think it's just tonnage. Our facilities are not being used to capacity, and so we made a public investment that's not being used to its capacity or to the investment level that we needed." She wondered if Values # 5 *(Preserve public access to disposal options...)* and #6 *(Ensure regional equity – equitable distribution of disposal options)* might be better served if Metro facilities were better used. Mr. Leichner compared it to mass transit: Everyone in the region pays for many aspects of it, and those who use it still have to pay to board, essentially paying twice, therefore. Mr. Matthews said it's the same way in the power industry.

Mr. Kampfer maintained that private facilities have helped create equity because of their dispersion throughout the region. Mr. Leichner agreed. Mr. Phelps commented on an earlier concern the Councilor had voiced regarding out-of-region waste coming into regional facilities. He acknowledged it as a valid concern, but directed attention to Values 5, 6, and 7 *(maintain funding source for Metro general government)*. "The Council has said, by Ordinance," Mr. Phelps articulated, "that any Metro-franchised facility must have capacity for Metro tonnage. That automatically means that if you need our facility for your tonnage, we would have to [take it]. That points to number 5. 6, distribution of disposal options, our facility first fulfills Metro, and number 7, waste coming into the region through our facility would pay an excise tax." Councilor McLain appreciated those comments.

Moving forward, the Councilor asked if everyone was satisfied with page one of the summary draft recommendations. After some general comments, Mr. Hoglund asked if the group felt ready to finish the process at this meeting, or if one more meeting would be helpful. This generated lively discussion about what the final outcome needed to be: The rate model template that budget numbers could be put into, or a recommendation of a rate? Dr. Strathman would prefer to recommend an actual rate; Mr. Matthews added that in order to do that, the Committee would need to know the budget numbers.

Mr. Anderson and Ms. Feher verified that the preliminary budget numbers should be decided upon Friday, February 20, so there would be something to work with by Monday, February 23. The Rate Ordinance must be filed by Wednesday, February 25, but can have a "placeholder" number that substantive amendments can be made to before March 25.

During further discussion, Mr. Matthews again voiced his concerns about changes over time and how they should be handled. Mr. Anderson said that things are looked at as far as five years out, and said he expects Council to ask about the "potential elasticity and other effects" of the proposed model. The rate itself might not shift as much as some of its components. "The ordinance, in and of itself, is a pretty simple thing. It's the whole explanation, justification, the path over time, as well as what are the more immediate impacts we need a little time to work out and think about and articulate to Council," Mr. Anderson said. The Council will be "hit fairly cold" with the concepts and may be reticent to implement it.

Councilor McLain said her own question would be about the effect. "If we buy Rate Review's formula, and we want to get to this configuration, what are the implications to private industry? What are the implications to self-haulers? What are the implications to our own regional system and the programs we can afford? What does this do to us, and to the general public?" How does the Committee feel their message can best be delivered to the Council, she queried. Mr. Kampfer offered that it might be a good idea to have one of the Committee's citizen members present the model to Council, rather than an industry representative with whom they're too familiar from other meetings.

Mr. Matthews said before getting to that point, the group still needs to get to a firm recommendation; "I'm hung up on the phasing of this thing, how we get from where we are to where we need to go while we have these other three issues out there: The Merina [consultant's report about reserve levels] money, the million dollars in capital, and Debt Service going away..." Mr. Leichner responded that he thinks the group wants to "endorse the matrix that gets us to this number, the concept that we're going to have a third fee, the stranded tonnage and allocating the program costs. At that point," he continued, "Doug waves his magic wand and takes those parameters and generates a number, then I see this going forward, but with the Council having two or three steps" to agree or disagree with portions of the concept and change them as needed and perhaps put some capital in now to help ramp the rate up slowly, or shift funds.

Councilor McLain offered that the issue of phasing-in should be added to the recommendation. All four members present agreed to that.

Ms. Feher assured the Committee that the Agency looks five years ahead when working on budgets. Additionally, she said, the new CFO (chief financial officer) is looking at the "big picture in detail." Mr. Anderson reminded the group that in last year's discussions, the Committee had talked about slowly ramping up the Regional System Fee when the Debt Service is gone. "Remember, it was deeply subsidized, it's subsidized by a dollar this year; there are no subsidies whatsoever in here. That's still consistent with the smooth transition to right-sized reserves and beginning contributions to the capital reserve in a few years. We're looking at capitalizing on that $300,000 cushion from the current collection level of Debt Service. With that drop, is that what we begin to use for the capital contribution, for example..."

In answer to a question from Tom Chaimov, Mr. Matthews said he's concerned about the suggested three fees getting "jerked around, and then three or four years from now, they say 'Oh, let's jerk it around again, because of something we knew about back that we didn't incorporate into our rate-making.'"

More discussion, with head-nods to the idea of adopting the principle of the new model tonight, then staff plugging in the preliminary budget numbers when they're released next week and doing a model through 2010.

"Do we have any sense in the structure of this rate whether we're encouraging a change in that process of shifting public to private?" Dr. Strathman asked. No, Mr. Phelps responded, the rate doesn't usually affect that. It will, however, help his company keep their tip fee in line with Metro's.

Dr. Strathman noted that this "fairer" allocation scheme seems "fairer" with respect to customers with large loads than those with small loads. Mr. Anderson said that's true, and one policy issue will be to ensure that the public still has access at a fair price. "Are there any kind of perverse problems with going from the current system to the new system, for example with illegal dumping?" Dr. Strathman asked. Councilor McLain said she has the same concerns, but Mr. Kampfer said it shouldn't be a big enough difference to inadvertently cause such illegal behavior.

Mr. Anderson reiterated what the Committee had decided and was asking for to this point:

- The model presented tonight is acceptable
- The Committee is almost ready to recommend it, but they'd like to see
    - An evaluation of how the model fits the rate criteria and Council's list of Values
    - Analysis of "who's hurt or harmed" by changes
    - Extend the model template into a five fiscal year projection
- The Committee would like the issue of phasing-in looked at more in-depth.
- The Committee would like these items in the next week or two via e-mail and will then meet to ratify in mid-March.

Messrs. Chaimov and Anderson will work on these tasks and be in touch with the membership as soon as possible.

After some general discussion, the meeting adjourned at 8:05 pm.

Next meeting:
TBA

Submitted by Gina Cubbon, Administrative Secretary

gbc
T:\Remfina\committees\RRC\0405 Budget\RRC020404min.doc

DRAFT
SUMMARY OF RESULTS
Rate Review Committee
February 17, 2004

Summary DRAFT Recommendations

Maintain a financial model of the true full cost of programs and services, and Allocate fully-loaded programs and services according the current rate model.
This recommendation is based on the RRC's finding that the current rate model (1) allocates the direct costs of programs and services appropriated—with three exemptions noted below; and (2) does not work as well for relating the costs of administration and overhead with the activities that cause those costs. For more on this second point, see the table, "Preliminary Findings."

Establish a new fee.

A new fee, to be levied on non-Metro users of the system should be established. This recommendation is consistent with collecting the "true and full" costs of programs from the persons who cause the cost—in this case, privately-owned and Metro-regulated facilities.

Extend the philosophy above to the recovery of debt service.

Debt service (amortized capital costs) should be partitioned into two elements, one representing the cost of utilized capital, and the other representing the cost of underutilized, or "stranded" capacity. Users—Metro customers—should pay for the utilized portion, and the entire region should pay for the stranded capacity through the Regional System Fee. For more on this second point, see the table, "Preliminary Findings.

Disclaimer. These recommendations are based largely on Rate Setting Criteria 2 through 4 of Resolution No. 93-1824A. See also "Fee Principles" at the end of this paper.

These recommendations are subject to change, based on evaluation through Rate Setting Criterion No. 1: "Solid waste rate-setting should be consistent with Metro's agency-wide planning policies and objectives, including but not limited to the Solid Waste Management Plan." Discussion on this latter evaluation is scheduled for Wednesday, February 18.

Preliminary Findings

Cost	Direct Costs	Administrative Support & Overhead
Disposal services	Currently allocated to Metro customers. RRC agrees with status quo	Currently allocated to all regional ratepayers through the RSF. Therefore, Metro customers as a group pay for administration and overhead in proportion to tonnage (currently 47.5%). By examining the activities that generate costs, and estimating the true cost of programs and services, the RRC finds that the (implicit) status quo "tonnage share" is a valid approximation for only a few select activities.
Programs	Currently allocated to all regional ratepayers through the RSF. RRC recommends that regulatory and auditing functions be allocated to a new fee paid by non-Metro customers, and agrees with status quo for the remainder.	The RRC's preliminary findings on the $6.45 million in administration, overhead and service transfers in the FY 2003-04 budget, are: ❑ Disposal operations generate administrative and overhead costs of about $2.10 million (32.5%); ❑ Regional programs (such as hazardous waste and waste reduction) are responsible for about $4.15 million (64.4%); ❑ Private facility regulation generates about $204,000 (3.2%) of administration and overhead. In order to better associate the activities that generate these costs, the RRC recommends that: 1. The true administrative costs of programs and services be established; 2. These costs be added to the direct costs of programs and services; and 3. These fully-loaded programs and services be allocated to rate bases according to the recommendations on direct costs (column left).
Debt service	Recommend dividing into two parts, representing (1) utilized capacity (2) underutilized, or "stranded" capacity. Allocate the utilization portion to Metro customers (representing payment for use), and the stranded portion to the RSF (representing policy that all ratepayers should pay for public investments undertaken on the behalf of the region).	

Preliminary Rate Implications of the Recommendations

Rate Component	Current Rate Model Adopted	Current Rate Model **Unit Costs**	**RRC Draft Unit Costs**	Change From FY 2003-04 Adopted	Change From FY 2003-04 **Unit Costs**
Lic/Franchise Fee	-none-	**-none-**	**$0.84**	$0.84	**$0.84**
Transaction Fee	$6.00	**$5.55**	**$8.76**	$2.76	**$3.21**
Tonnage Charge	42.55	**42.55**	**46.51**	3.96	**3.96**
Plus:					
Reg. System Fee	16.57	**17.56**	**14.32**	(2.25)	**(3.24)**
Excise Tax	6.32	**6.32**	**6.32**	- 0 -	**- 0 -**
DEQ & Host Fees	1.74	**1.74**	**1.74**	- 0 -	**- 0 -**
Metro Tip Fee	$67.18	**$68.17**	**$68.89**	$1.71	**$0.72**
<u>Effective rates at:</u>					
0.8 tons/load	$74.68	**$75.11**	**$79.84**	$5.16	**$4.73**
1.5 tons/load	71.18	**71.87**	**74.73**	3.55	**2.86**
2.5 tons/load	69.58	**70.39**	**72.39**	2.81	**2.00**
4.0 tons/load	68.68	**69.56**	**71.08**	2.40	**1.52**
8.0 tons/load	67.93	**68.86**	**69.99**	2.06	**1.13**
12 tons/load	67.68	**68.63**	**69.62**	1.94	**.99**

"Fee" Principles

There are two basic principles that define "fees" and distinguish them from taxes and tax rates: how fees are set, and who pays.

Fees Recover Costs. A fee is designed to recover the cost of providing a good or service.

User or Beneficiary Pays. The person who caused the cost should pay; or, there is a reasonable relation between costs paid and benefits received.

Notes

- Neither of these principles needs hold for tax rates or taxes.
- These principles are embedded in:
- State law (ORS 459.335) regarding limits on uses of solid waste fees:
  ...the metropolitan service district shall use moneys collected by the district as service or user fees for solid waste disposal for activities of the metropolitan service district related to solid waste and related planning, administrative and overhead costs of the district.
- Metro Charter Section 15, on rate constraints:
  ...charges for the provision of goods or services by Metro may not exceed the costs of providing the goods or services. These costs include, but are not limited to, costs of personal services, materials, capital outlay, debt service, operating expenses, overhead expenses, and capital and operational reserves attributable to the good or service.
- Criterion 3 of Metro Resolution No. 93-1824A ("Rate Setting Criteria"):
  Charges to users of the waste management system should be directly related to services received.

Councilors' Values for the Solid Waste System

Developed in Public Work Sessions
June—August 2003

The following values were articulated by Metro Council during the summer of 2003 during public work sessions with Solid Waste & Recycling Staff. The Council intended that these values should guide the department's development of options and recommendations on a wide variety of solid waste issues. The numbers in parentheses are weights indicating the relative importance that the Council placed on each value.

1. Maintain health & safety (threshold value)
2. Protect the public investment in the solid waste system. (± 5)
3. "Pay to Play." Participants & users of the system pay appropriate fees and taxes. (± 5)
4. Environmental sustainability. Ensure the system performs in a sustainable manner. (± 5)
5. Preserve public access to disposal options—location & hours. (± 4)
6. Ensure regional equity—equitable distribution of disposal options. (± 3)
7. Maintain funding source for Metro general government. (± 3)
8. Ensure reasonable/affordable rates. (± 3)

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING	)	ORDINANCE NO. 04-1042
METRO CODE CHAPTER 5.02 TO	)	
AMEND DISPOSAL CHARGES AND	)	Introduced by: Michael Jordan, Chief Operating
SYSTEM FEES	)	Officer, with the concurrence of David Bragdon,
	)	Council President

WHEREAS, Metro Code Chapter 5.02 establishes solid waste charges for disposal at Metro South and Metro Central transfer stations; and,

WHEREAS, Metro Code Chapter 5.02 establishes fees assessed on solid waste generated within the District or delivered to solid waste facilities regulated by or contracting with Metro; and,

WHEREAS, pursuant to its charge under Metro Code Chapter 2.19.170, the Solid Waste Rate Review Committee, has reviewed the Solid Waste & Recycling department's budget and organization, and has recommended methodological changes to the calculation of administrative and overhead costs, and the allocation of these costs to rate bases; and,

WHEREAS, Metro's costs for solid waste programs have increased; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

Section 1. Metro Code Section 5.02.025 is amended to read:

5.02.025 Disposal Charges at Metro South & Metro Central Station

(a) The fee for disposal of solid waste at the Metro South Station and at the Metro Central Station shall consist of:

(1) The following charges for each ton of solid waste delivered for disposal:

(A) A tonnage charge of $~~42.55~~ 47.75 per ton,

(B) The Regional System Fee as provided in Section 5.02.045,

(C) An enhancement fee of $.50 per ton, and

(D) DEQ fees totaling $1.24 per ton;

(2) All applicable solid waste taxes as established in Metro Code Chapter 7.01, which excise taxes shall be stated separately; and

(3) A Transaction Charge of $9.50~~6.00~~ for each Solid Waste Disposal Transaction.

(b) Notwithstanding subsection (a) of this section, there shall be a minimum solid waste disposal charge at the Metro South Station and at the Metro Central Station for loads of solid waste weighing 220~~340~~ pounds or less of $17, which shall consist of a minimum Tonnage Charge of $7.50~~11.00~~ plus a Transaction Charge of $9.50~~6.00~~ per Transaction.

(c) Total fees assessed in cash at the Metro South Station and at the Metro Central Station shall be rounded to the nearest whole dollar amount, with any $0.50 charge rounded down.

(d) The Director of the Solid Waste & Recycling Department may waive disposal fees created in this section for Non-commercial Customers of the Metro Central Station and of the Metro South Station under extraordinary, emergency conditions or circumstances.

Section 2. Metro Code Section 5.02.045 is amended to read:

5.02.045 System Fees

(a) Regional System Fee: Solid waste system facility operators shall collect and pay to Metro a Regional System Fee of $13.20~~16.57~~ per ton for the disposal of solid waste generated, originating, collected, or disposed of within Metro boundaries, in accordance with Metro Code Section 5.01.150.

(b) Metro Facility Fee: Metro shall collect a Metro Facility Fee of $1.09 per ton for all solid waste delivered to Metro Central Station or Metro South Station.

(c) System fees described in paragraph (a) shall not apply to exemptions listed in Section 5.01.150(b) of this Code.

Section 3. Effective Date

The provisions of this ordinance shall become effective on July 1, 2004, or 90 days after adoption by Metro Council, whichever is later.

ADOPTED by the Metro Council this ______ day of ________________, 2004.

David Bragdon, Council President

ATTEST:

Approved as to Form:

Christina Billington, Recording Secretary

Daniel B. Cooper, Metro Attorney

m:\rem\od\projects\legislation\ch502ratesord.doc

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 04-1042 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO AMEND DISPOSAL CHARGES AND SYSTEM FEES

Date: February 24, 2004 Prepared by: Douglas Anderson

BACKGROUND

Summary

Ordinance No. 04-1042, and a companion Ordinance No. 04-1043, would establish solid waste fees (but not excise tax) for FY 2004-05. The two ordinances are related, and changes to one should be reflected in changes to the other.

Ordinance No. 04-1042 is the basic rate ordinance adopted by Council each year. This ordinance amends Metro Code Chapter 5.02 to set three basic rates: the transaction fee and tonnage charge at Metro transfer stations, and the Regional System Fee charged against all regional solid waste disposal. By setting these rates, the Metro tip fee is established. The ordinance also adjusts the minimum load charge to reflect these changes.

Depending on the Council's decisions on the Solid Waste & Recycling budget, acceptance of the recommendations of the Rate Review Committee, and the FY 2004-05 excise tax, the Metro tip fee would rise from its current $67.18 per ton to either $68.44 or $70.97 per ton—an increase ranging from $1.26 to $3.79 per ton. This increase is exaggerated by the fact that the current tip fee is subsidized by $1, but the FY 2004-05 rates are proposed at their full cost recovery levels. Depending on these same decisions, the transaction fee (an important component of the disposal charge at Metro transfer stations) would remain flat at $6.00 or rise as much as $3.50, to $9.50. This difference is largely a function of the Rate Review Committee recommendations..

The companion Ordinance No. 04-1043 amends Metro Code Chapter 5.03 to establish new license and franchise fees to be charged at privately-owned facilities. These new fees, recommended by the Rate Review Committee, are designed to recover Metro's costs of regulating private facilities. Unlike Metro's other rates, the new license/franchise fees would not be incurred by customers of Metro transfer stations. By absorbing some of the costs currently recovered by the Regional System Fee, these new charges reduce the Regional System Fee. If Ordinance No. 04-1043 is not adopted, the level of the Regional System Fee in Ordinance No. 03-1042 would have to be adjusted.

Because of the budget schedule this year, the numerical values of the FY 2004-05 rates had not been reviewed by the Rate Review Committee as of the filing deadline for the ordinances. This review is expected before mid-March, and should be forwarded to Council prior to March 25, which is the last day to make substantive amendments to the ordinances and remain on track for a July 1 implementation date for the new rates.

Every year, the Council adjusts solid waste rates to account for changes in costs, tonnage, and to remain in compliance with the rate covenant of the bonds. Council must adopt rates by ordinance. The Metro Charter requires at least 90-days between adoption of the rate ordinance and the effective date of the rates. Historically, Metro has targeted July 1 as the effective date for new rates. This date is a matter of convenience, allowing for business planning and coordination by Metro, local governments and the solid waste industry. However, there is no legal requirement to meet this date.

An additional element this year is a detailed study of the Department's cost structure by the Rate Review Committee ("RRC"). The RRC requested this study after the FY 2003-04 rate process, in order to improve the quality of their professional recommendations.

The cost study has implications for rates, because a basic starting principle in rate-setting (and articulated by the RRC) is that recovery of costs should be related to the causes of those costs. More simply put, users (or beneficiaries) should pay for the goods and services they consume, all else equal. If the cost is generated by a public policy choice—say, the provision of hazardous waste collection—then the beneficiaries should pay. For example, in the case of hazardous waste, all regional ratepayers contribute to paying the costs of Metro's program.

The RRC recognizes that this principle is a starting point, and not the only determinant of rates. However, the RRC felt that they were not in a position to give Council the best advice until they had a firmer empirical grasp on the basic mechanisms that generate Metro's solid waste costs.

As a result of the cost study, the RRC makes 3 general recommendations on allocations and rates, listed below. **Ordinances No. 04-1042 and 1043 reflect these recommendations on cost allocations.** As mentioned in the summary, however, the RRC has not yet reviewed the specific numerical FY 2004-05 results of these allocation policies, as the budget was not yet available.

Summary
Rate Review Committee Recommendations on Cost Allocations and Rates

1. *Maintain a financial model of the true full cost of programs and services, and allocate fully-loaded programs and services largely according to the current rate model.*

   This recommendation is based on the RRC's opinion that the current rate model (1) allocates the direct costs of programs and services appropriately—with the exception of private facility regulatory costs and debt service; and (2) does not work as well for relating the costs of administration and overhead with the activities that cause those costs. See Table 1 (next page) for more details.

2. *Establish a new fee.*

   A new fee, to be levied on non-Metro users of the system should be established. This recommendation is consistent with collecting the true and full costs of programs from the persons who cause the cost—in this case, privately-owned and Metro-regulated facilities.

3. *Extend the philosophy above to the recovery of debt service.*

   Debt service (amortized capital costs) should be partitioned into two elements, one representing the cost of utilized capital, and the other representing the cost of underutilized, or "stranded" capacity. Users—Metro customers—should pay for the utilized portion, and the entire region should pay for the stranded capacity through the Regional System Fee.

For more background on these points, see Table 1, "Rate Review Committee Preliminary Findings on Cost Allocations," on the following page.

Table 1
Rate Review Committee Preliminary Findings on Cost Allocations

<table>
<tr><th>Center</th><th>Direct Costs</th><th>Administrative Support & Overhead</th></tr>
<tr><td>Disposal services</td><td>Currently allocated to Metro customers. RRC agrees with status quo</td><td rowspan="2">Administration & overhead are currently allocated to all regional ratepayers through the RSF. Therefore, Metro customers as a group pay for administration & overhead in proportion to tonnage—currently 47.5%, or about $3.1 million. Non-Metro customers pay the balance.

The RRC's preliminary findings on the $6.45 million in administration, overhead and service transfers in the FY 2003-04 budget, are:*
❑ Disposal operations generate administrative and overhead costs of about $2.10 million. This amount should be paid by the persons who cause those costs; namely, transfer station customers.
❑ Regional programs (such as hazardous waste and waste reduction) are responsible for about $4.15 million. This amount should be paid by the beneficiaries of those programs; namely, all regional ratepayers.
❑ Private facility regulation generates about $204,000 of administration and overhead. This amount should be paid by the persons who cause those costs; namely, Metro-regulated facilities.

In order to better associate the activities that generate these costs, the RRC recommends that:
1. The true administrative costs of programs and services be established;
2. These costs be added to the direct costs of programs and services;
3. These fully-loaded programs and services be allocated to rate bases according to the recommendations on direct costs (column left).</td></tr>
<tr><td>Programs</td><td>Currently allocated to all regional ratepayers through the RSF.

RRC recommends that regulatory and auditing functions be allocated to a new fee paid by non-Metro customers, and agrees that the balance should remain allocated to the RSF.</td></tr>
<tr><td>Debt service</td><td colspan="2">Recommend dividing into two parts, representing (1) utilized capacity & (2) underutilized, or "stranded" capacity. Allocate the utilization portion to Metro customers (representing payment for use), and the stranded portion to the RSF (representing policy that all ratepayers should pay for public investments undertaken on the behalf of the region).</td></tr>
</table>

* Observation. A fair allocation of administration & OH costs to Metro customers would be the entire $2.1 million associated with disposal operations, plus $2 million (47.5%, the tonnage share) of the costs associated with regional programs, for a total of $4.1 million. Thus, the "tonnage share" allocation that is implicit within the current rate model collects about $1 million less from Metro customers than when full costs and cost causation are accounted for.

Comparative Analysis of the Rates

Staff employed the RRC's allocation recommendations to calculate the rates in this ordinance. These rates and the effect on Metro's tip fee are shown in the following table. The figures in the column under "This Ordinance" are the rates implemented by Ordinance No. 04-1042 as filed.

Although the overall increase in the tip fee is reasonable and in historical range (less than $2, or 1.9 percent), the changes in the various components are large (over 50 percent increase in the case of the transaction fee). In the past, the RRC has recommended against abrupt "steps" in the rates; and for this reason, staff expects the RRC to look critically at the implementation path and phasing of its recommendation once the committee has had the opportunity to review these results.

Table 2
Components of the Metro Tip Fee & Change, FY 2003-04 to 2004-05
Shown for 2 Different Rate Models and 2 Excise Tax Scenarios
(all figures in dollars per ton)

Rate Component	Current Rates (FY 2003-04)	FY 2004-05 Rates: Based on Current Rate Model — Rates	Change	This Ordinance — Rates	Change
Transaction Fee	$6.00	$6.00	-	$9.50	$3.50
Disposal Operations	$ 42.55	$ 43.79	$1.24	$ 47.45	$4.90
Regional System Fee	$ 16.57[1]	$ 16.30	($0.27)[1]	$ 13.20	($3.37)[1]
Excise Tax	$ 6.32	$ 6.61[2]	$0.29	$ 6.61[2]	$0.29
DEQ Fees	$ 1.24	$ 1.24	-	$ 1.24	-
Host Fee	$ 0.50	$ 0.50	-	$ 0.50	-
Tip Fee	$ 67.18[1]	**$ 68.44**	$1.26	**$69.00**	$1.82
With new excise tax[3]	*$67.18*	***$70.41***	*$3.23*	***$70.97***	*$3.79*

1 The FY 03-04 rate is subsidized ("bought down") by the fund balance. The unit cost is about $1 higher at $17.56, making the unsubsidized tip fee $68.18/ ton. For better comparability, $1 should be subtracted from the changes. (For example, the 2004-05 tip fee under the current rate model would become an increase of only 26¢ rather than $1.26.)

2 Assumes extension or elimination of the sunset on the tax for Parks. The resulting total rate of $6.61 is: base excise tax rate of $5.58, plus $1.03 for Parks.

3 Assumes $8.58 total rate = base excise tax rate of $5.58 + $3.00 additional tax.

Metro also imposes charges on privately-owned facilities and non-system licensees. These charges are added to the private per-ton costs. The fees are shown in Table 3.

Table 3
Components of Metro Charges on Privately-Owned, Metro-Regulated Facilities
Rates and Changes, FY 2003-04 to 2004-05
Shown for 2 Different Rate Models and 2 Excise Tax Scenarios
(all figures in dollars per ton)

Private Facility Charges	Current Rates (FY 2003-04)	FY 2004-05 Rates: Based on Current Rate Model — **Rates**	Change	This Ordinance — **Rates**	Change
Regional System Fee	**$ 16.57**[1]	**$ 16.30**	($0.27)	**$ 13.20**	($3.37)
Excise Tax	**$ 6.32**	**$ 6.61**[2]	$0.29	**$ 6.61**[2]	$0.29
License/Franchise Fee[3]	-	-	-	**$ 0.88**[3]	$0.88
Total charges	**$ 22.89**	**$ 22.91**	$0.02	**$20.69**	($2.20)
With new excise tax[4]	**$22.89**	***$24.88***	*$1.99*	***$22.66***	*($0.23)*

—Footnotes to this table may be found at the top of the next page—

1 This rate is subsidized ("bought down") by the fund balance. Unit cost rate is ~$1 higher at $17.56. All other rates in this table are unsubsidized rates. The excise tax is calculated by a separate formula set forth in Metro Code Chapter 7.01.

2 Assumes extension or elimination of the sunset on the tax for Parks. The resulting total rate of $6.61 is: base excise tax rate of $5.58, plus $1.03 for Parks.

3 The License/Franchise Fee shown is the average rate per ton. Rates incurred at individual facilities may be higher or lower than this figure.

4 Assumes $8.58 total rate = base excise tax rate of $5.58 + $3.00 additional tax.

INFORMATION/ANALYSIS

1. Known Opposition.

Although no specific opposition has been voiced as of this writing, there is precedent for opposition to solid waste rate increases. The following are historical reactions from various user groups:

Haulers. Haulers' reactions to rate increases have been mixed. But generally, haulers tend to dislike rate increases because these costs are passed on to their customers, and the haulers are typically the first in line to field the resulting complaints and potential loss of business. In some local jurisdictions that regulate haulers' service charges, the allowed rate-of-return is based on the cost-of-sales; and in some of these cases, haulers may profit mildly from a rate increase because it increases the base on which their rate of return is calculated. However, historically, the majority of haulers have testified that negative customer relations issues outweigh any other advantages to rate increases, and therefore haulers have generally opposed such increases.

Ratepayers. Ratepayers' costs will go up. Ratepayers typically oppose rate increases, although increases of $1 to $2 per ton have historically not motivated significant opposition. However, the current economic climate may magnify the effect of any rate increase.

Mixed Reaction.

Recycling Interests. Recycling interests have historically supported higher disposal fees, because that makes recycling relatively more attractive. However, because the Regional System Fee is levied on disposal only, it is a powerful region-wide price incentive for recycling—and for this reason, recycling interests would tend to disagree with reductions in the Regional System Fee.

Probable Support.

Private Facility Operators. Private solid waste facility operators have historically supported increases in Metro's tip fee because their own private tip fees can follow the public lead—so long as the increase is not due primarily to the Regional System Fee, which is a cost to these same operators. Because this ordinance raises the tip fee through an increase in the tonnage charge and transaction fee, and at the same time *reduces* the Regional System Fee (although this reduction is partially offset by the imposition of the new license/franchise fee), facility operators are likely to support this change.

Private Disposal Site Operators. Landfills and private transfer stations simply pass any changes in the Regional System Fee on to their customers. The reduction of the system fee means that private operators have an opportunity to reduce or hold the line on their own tip fees. As all but one local private disposal operation are rate regulated (the exception being Forest Grove Transfer Station), the increase in the Metro tip fee is not likely to confer any relative pricing advantages.

2. **Legal Antecedents.** Metro's solid waste rates are set in Metro Code Chapter 5.02. Any change in these rates requires an ordinance amending Chapter 5.02. Metro reviews solid waste rates annually, and has amended Chapter 5.02 when changes are warranted.

3. **Anticipated Effects:** This ordinance will increase the cost of disposal at Metro transfer stations. Historically, most private facilities have mirrored the Metro increases. The reduction of the Regional System Fee will improve operating margins at private facilities, which provides Metro with an opportunity to examine the level of Regional System Fee credits.

4. **Budget Impacts.** These rates are designed to recover fully the department's budgeted costs. These rates are in full compliance with the rate covenant of the solid waste revenue bonds.

RECOMMENDATION

The Chief Operating Officer generally recommends adjustment of solid waste rates to recover costs and remain in compliance with the bond covenant. However, the Chief Operating Officer awaits the final findings and recommendations of the Rate Review Committee before taking a specific position on Ordinance No. 04-1042.

t:\remfma\committees\rrc\0405 budget\meeting 8 - recommendations part i\rateordinance04-05staffreport.doc

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.03 TO AMEND LICENSE AND FRANCHISE FEES, AND MAKING RELATED CHANGES TO METRO CODE CHAPTER 5.01	)	ORDINANCE NO. 04-1043 Introduced by: Michael Jordan, Chief Operating Officer, with the concurrence of David Bragdon, Council President

WHEREAS, Metro Code Chapter 5.03 establishes fees for solid waste facilities that are franchised by Metro; and,

WHEREAS, the Solid Waste Rate Review Committee has reviewed the Solid Waste & Recycling Department's budget, and has recommended that certain costs of regulating solid waste facilities, currently recovered from the Regional System Fee, instead be recovered from license or franchise fees; and,

WHEREAS, the FY 2004-05 Regional System Fee set forth in Metro Code section 5.01.045, as amended by Section 2 of Ordinance No. 04-1042, reflects the reallocation of certain regulatory costs to license and franchise fees; now therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

Section 1. Metro Code Chapter 5.03 shall be retitled "License and Franchise Fees and Related Fees."

Section 2. Metro Code Section 5.03.010 is amended to read:

5.03.010 Purpose and Authority

It is the purpose of this chapter to establish ~~solid waste disposal~~ license and franchise fees charged to persons regulated pursuant to Metro Code ~~Section~~ Chapter 5.01~~.140~~; fees on persons licensed to use a non-system facility pursuant to Metro Code section 5.05.035; and fees collected from users of facilities operating under special agreements with Metro adopted pursuant to Metro Code section 5.05.030, hereafter "Designated Facility Agreements."

Section 3. Metro Code Section 5.03.020 is repealed.

Section 4. Metro Code Section 5.03.030 is amended to read:

5.03.030 Annual License, Franchise and Designated Facility Fees

(a) Licensees, ~~F~~franchisees and parties to Designated Facility Agreements~~, issued a solid waste disposal franchise,~~ shall pay to Metro ~~an~~ annual ~~franchise~~ fees as set forth in this section. Such fees shall be paid in the manner and at the time required by the Chief Operating Officer~~on or before January 1 of each year for that calendar year~~.

(b) Annual ~~solid waste disposal franchise~~ fees shall ~~be~~ consist of a fixed charge ~~$300~~ per site as set forth in the following table; plus a charge per ton of solid waste, exclusive of source-separated material, accepted by the site, as set forth in the following table.

Entity	Fixed Site Fee	Tonnage Fee
Party to a DFA	$0	$0.77
Licensees:		
Tire Processor	$300	- $0 –
Yard Debris	$300	- $0 –
Roofing Processor	$300	- $0 –
Non-System	$300	$0.77
Mixed waste/other	$3,000	$0.77
Franchisee	$5,000	$0.77

(c) Notwithstanding the charges set forth in subsection (b), ~~; provided, however, that~~ said Fixed Site ~~f~~Fee shall be $100 per site with no ($0) Tonnage Fee for each non-system licensee ~~franchised site~~ that ~~only~~ transports~~receives~~ waste exclusively from ~~the~~ a licensed or franchise~~d~~e facility, ~~or a~~ company, partnership or corporation ~~in~~ which ~~the franchisee~~ has a financial interest in, and is held in the same name as, the non-system licensee.~~;~~

(d~~e~~) Licensees, ~~F~~franchisees and parties to Designated Facility Agreements who are issued licenses, franchises or Designated Facility Agreements during a calendar year shall pay a fee computed on a pro-rated ~~quarterly~~ basis such that ~~one quarter~~ the same proportion of the annual fee shall be charged for any ~~quarter or~~ portion of a year ~~quarter~~ that the license, franchise or Designated Facility Agreement is in effect. The franchisee shall thereafter pay the fee annually as required by subsection (a) of this section. Franchise fees shall not for any reason be refundable in whole or in part. Annual franchise fees shall be in addition to franchise application fees.

Section 5. Metro Code Section 5.03.040 is amended to read:

5.03.040 Non-Payment of ~~Franchise~~ Fees

(a) The issuance of any license, franchise or Designated Facility Agreement shall not be effective unless and until the annual franchise fee has been paid for the calendar year for which the franchise is issued.

(b) Annual franchise fees are due and payable on January 1 of each year. Failure to remit said fee by said date shall constitute a violation of the Metro Code and of the franchise and shall subject the franchisee to enforcement pursuant to Code Section 5.01.180 in addition to any other civil or criminal remedies Metro may have.

Section 6. Metro Code Section 5.03.050 is amended to read:

5.03.050 Transfer and Renewal

For purposes of this chapter, issuance of a franchise shall include renewal and transfer of a franchise; provided, however, that no additional annual franchise fee shall be paid upon transfer or renewal when the annual franchise fee for the franchise being renewed or transferred has been paid for the calendar year in which the transfer or renewal becomes effective.

Section 6. Metro Code Section 5.01.140 is amended to read:

5.01.140 License and Franchise Fees

(a) The annual fee for a solid waste License or ~~shall not exceed three hundred dollars ($300), and the annual fee for~~ a solid waste Franchise shall be as set forth in Metro Code Chapter 5.03.~~not exceed five hundred dollars ($500)~~. The Council may revise these fees upon 90 days written notice to each Licensee or Franchisee and an opportunity to be heard.

(b) The License or Franchise fee shall be in addition to any other fee, tax or charge imposed upon a Licensee or Franchisee.

(c) The Licensee or Franchisee shall pay the License or Franchise fee in the manner and at the time required by the Chief Operating Officer.

Section 7. Effective Date

The provisions of this ordinance shall become effective on July 1, 2004 or 90 days from the date this ordinance is adopted, whichever is later.

ADOPTED by the Metro Council this ______ day of ________________, 2004.

____
David Bragdon, Council President

ATTEST:

Approved as to Form:

____
Christina Billington, Recording Secretary

____
Daniel B. Cooper, Metro Attorney

m:\rem\od\projects\legislation\ch501+503feesord.doc

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 04-1043 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.03 TO AMEND LICENSE AND FRANCHISE FEES, AND MAKING RELATED CHANGES TO METRO CODE CHAPTER 5.01

Date: February 24, 2004 Prepared by: Douglas Anderson

BACKGROUND

Summary

Ordinance No. 04-1043, and a companion Ordinance No. 04-1042, would establish solid waste fees (but not excise tax) for FY 2004-05. The two ordinances are related, and changes to one should be reflected in changes to the other.

This Ordinance No. 04-1043 amends Metro Code Chapter 5.03 to establish new license and franchise fees to be charged at privately-owned facilities. These new fees, recommended by the Rate Review Committee, are designed to recover Metro's costs of regulating private facilities. Unlike Metro's other rates, the new license/franchise fees would not be incurred by customers of Metro transfer stations. By absorbing some of the costs currently recovered by the Regional System Fee, these new charges reduce the Regional System Fee. If Ordinance No. 04-1043 is not adopted, the level of the Regional System Fee in Ordinance No. 03-1042 would have to be adjusted.

Because of the budget schedule this year, the numerical values of the FY 2004-05 rates had not been reviewed by the Rate Review Committee as of the filing deadline for the ordinances. This review is expected before mid-March, and should be forwarded to Council prior to March 25, which is the last day to make substantive amendments to the ordinances and remain on track for a July 1 implementation date for the new rates.

This ordinance emerged from the detailed study of the Department's cost structure by the Rate Review Committee ("RRC") this year. A basic starting principle in rate-setting (and articulated by the RRC) is that recovery of costs should be related to the causes of those costs, all else equal. Through their work this year, the RRC came to understand that certain of Metro's costs—regulation and auditing—are incurred because of the existence and operation of private solid waste facilities. Therefore, according to the basic principle, the regulated community should bear those costs. The RRC recommended that Metro investigate annual license and franchise fees to recover those costs.

This ordinance amends Metro Code Chapter 5.03, Disposal Site Franchise Fees, to accomplish this task. As Ordinance No. 04-1043 is closely related to the elements of the annual rate ordinance amending Metro Code Chapter 5.02 (Ordinance No. 04-1042), the reader is directed to the staff report for that ordinance for more information on the RRC's findings and recommendation.

INFORMATION/ANALYSIS

1. **Known Opposition.**

   Although no specific opposition has been voiced as of this writing, this ordinance represents a new concept that has not had wide distribution and review.

   Because this ordinance would reduce the Regional System Fee by reallocating costs to the new license and franchise fees, in general, persons who currently pay the RSF would be in favor of this ordinance. This is a broad class of persons, as the RSF is levied on all regional waste.

   The licensees and franchisees who would be subject to the new fee can generally be assumed to be in opposition. However, two points argue against them being in strong opposition: (1) the license/franchise fee is less than the amount by which the RSF dropped, and so their entire fee burden will drop; (2) facility owners were well represented and participated in the public meetings when this fee was developed.

2. **Legal Antecedents.** Metro's license and franchise fees are set in Metro Code chapters 5.01 and 5.03 (where they currently conflict). Any change in these fees requires an ordinance amending Chapter 5.03 (and by implication, 5.01). This ordinance also corrects the discrepancies between Chapters 5.01 and 5.03.

3. **Anticipated Effects:** This ordinance will decrease the Regional System Fee levied on all regional ratepayers. The separate funding base helps to stabilize revenue.

4. **Budget Impacts.** These rates are designed to recover fully the department's costs of regulating private disposal facilities.

RECOMMENDATION

The Chief Operating Officer agrees with the principles embodied in this ordinance. However, the Chief Operating Officer awaits the final findings and recommendations of the Rate Review Committee before taking a specific position on Ordinance No. 04-1043.

t:\remfma\committees\rrc\0405 budget\meeting 8 - recommendations part i\lid-fran fees ordinance04-05staffreport.doc

Exhibit C
Agenda Item No. 2

Rate Review Committee
March 9, 2004
Background and Materials for Agenda Item 2

This paper provides background information designed to assist the Rate Review Committee at its March 9 meeting. The discussion on the 9th is to focus on the new solid waste rates based on the FY 2004-05 requested budget and the new allocation model; evaluate these rates with respect to rate criteria, policies and councilor values; compare performance with current rates; and formulate recommendation(s). Considerations include: go with the new rates or not? If yes, consider design of the "third fee" and timing/phasing of new rates.

Action Requested: Finalize rate recommendation. If the new model is recommended, address: (a) design/implementation of the "third fee," (b) timing/phase-in path of new rates; (c) other as identified by the committee.

This document contains information and discussion requested by the RRC:

1. Rate ordinances. Staff filed two "placeholder" ordinances on February 25, designed to keep the legislative schedule on track to implement new rates on July 1. The first ordinance reflects the department's requested FY 2004-05 budget and the RRC's "allocated cost" model. The second of these ordinances, concerning license and franchise fees, is intended to provide structural options for consideration by RRC on the design of the "third fee."

   Staff discussed FY 2004-05 rates and issues with the Council at a work session on March 2. The Council clearly understands that the RRC had not yet seen or made recommendations on these ordinances, and that they will be subject to substantive amendments before adoption. The Council indicated that it wanted to take the time for full discussions, even if it meant that the rates might not be implemented until after July 1. The ordinances and staff reports were attached to the agenda packet distributed to the RRC last week. This document contains more discussion, and Appendices A and B, including the Council Work Session materials.

2. "Who's hurt and who's helped by the new rate structure?" This question was posed by the RRC at its last meeting, and is addressed in the staff reports for both ordinances.

3. Rate paths. The RRC asked for a high-level look at the long-run rate profile, given known changes in capital costs and debt service. Information on this issue is provided herein.

4. Evaluation matrices. The RRC asked for instruments that help them to compare the "allocated cost" rate model with the status quo rate model, using councilors' values for the solid waste system, and Metro's rate criteria. These matrices are attached as Appendix C.

Appendices

A. Overview of the draft ordinance establishing license and franchise fees.
B. Materials from the March 2 Council Work Session on rates.
C. Blank evaluation matrices.

Ordinances

Two rate ordinances with staff reports were included in the agenda packet distributed last week. As staff indicated to the Council at their March 2 Work Session, these are "placeholder' ordinances, filed at this time in order to meet the legislative schedule for a July 1 implementation date. The Council has indicated its desire to discuss the rate ordinances in conjunction with the budget during April, which means that the new rates would be implemented closer to September 1, rather than July 1.

Ordinance No. 04-1042. This is the standard annual rate ordinance that amends the Regional System Fee, the transaction fee and the tonnage charge. In setting these rates, the tip fee and minimum charge are established. Ordinance 1042 reflects the Solid Waste & Recycling Department's requested FY 2004-05 budget, developed with the Council President; and the allocated cost model developed by the Rate Review Committee. Last year, the requested budget was modified during the budget hearings. If the same happens this year, this ordinance would have to be modified to reflect the new numbers. Other changes that would require amendment: if the RRC recommends a different set of rates or recommends phasing their changes; or if the Council decides against adopting the RRC's "allocated cost" model in whole or in part.

Ordinance No. 04-1043. This ordinance amends Metro Code Chapter 5.03 to establish the new "third fee" as a license or franchise fee. At the Council work session, staff especially emphasized the "placeholder" nature of this ordinance, as the RRC had not yet come to consensus on the design of the rate. See Appendix A to this paper for more information and discussion on this ordinance.

Remaining questions for which consensus is needed: are there policy purposes of this fee beyond recovering the costs of regulating private facilities; who among the regulated community should be subject to the new fee, and what costs should be allocated to it? The following design options have been floated: a flat annual rate or a variable rate. Various bases have been offered for the variable portion, including tonnage, some sort of "tonnage equivalents," or another measure based on the level of regulatory effort. Ordinance 1043 is structured to help the discussion on these design options.

In addition, a table of the current regulated community is provided on the next page.

Facilities with a Current Regulatory Relationship with Metro

Mixed Waste Authorization	**Limited Waste Authorization**
❑ **MRFs** .... *license* 1. Aloha Garbage 2. ECR 3. KB Recycling 4. Rivergate Reclamation 5. Wastech ❑ **Local Transfer Stations** .... *franchise* 6. Pride 7. Troutdale Transfer Station 8. WRI ❑ **Regional Trans. Stations** ..... *franchise* 9. Forest Grove TS ❑ **General Purpose Landfills** .... *DFA* 10. Coffin Butte 11. Columbia Ridge 12. Finley Buttes 13. Roosevelt 14. Wasco ❑ **Limited Purpose Landfills** .... *DFA* 15. Hillsboro 16. Lakeside Reclamation ❑ **Non-System Licensees** .... *NS license* 17. A&R Environmental 18. Epson 19. Gray & Co. 20. Waste Connections	❑ **Tire Processors** .... *license* 21. RB Recycling 22. TDR ❑ **Roofing Processors** .... *license* 23. American Roof Recycling 24. Pacific Land Clearing #1 25. Pacific Land Clearing #2 26. Pacific Land Clearing #3 ❑ **Yard Debris Processors** .... *license* 27. Allwood 28. American Compost 29. Clackamas Compost 30. Grimm's 31. McFarlane's 32. Minsinger 33. NW Environmental 34. Portland Leaf ❑ **Yard Debris Reloads** .... *license* 35. Best Buy in Town 36. Greenway Reload 37. Landscape Products & Supply 38. River Cities Reload 39. S&H Logging

Notes. In the rate model provided to the RRC, only the cost of regulating the facilities in the left column were allocated to the third fee. Each class of facilities in the table is subject to a different inspection frequency standard.

Time-Profile of Rates

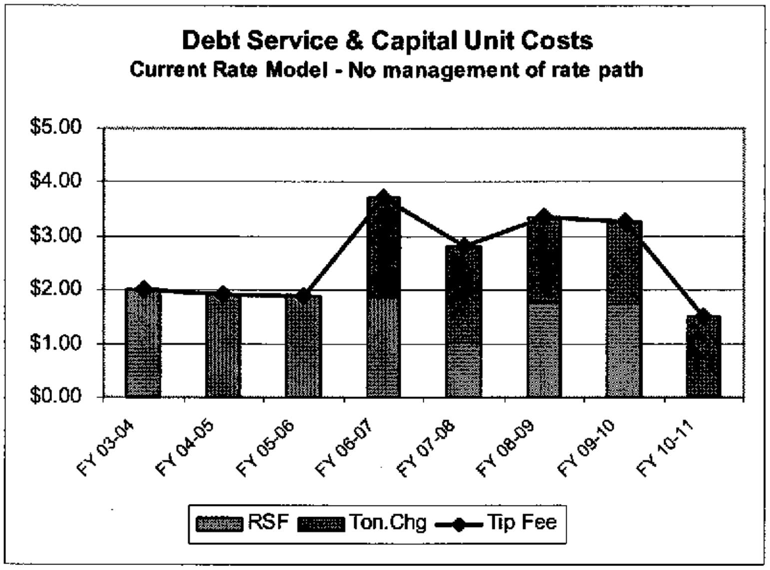
The RRC asked about the profile of rates over the long run; in particular, given the knowledge of two events that will affect future costs in a major way:

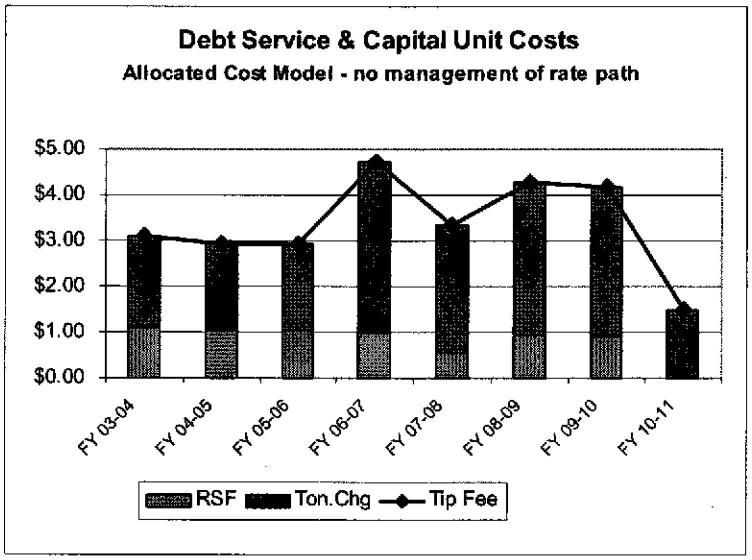
- The draw-down of the capital reserve and consequent payment of capital costs from current revenue (rates), beginning with $1.086 million in FY 2006-07, $1.080 million in the subsequent year; and an estimated $1 million per year thereafter.

- Elimination of debt service. The last payment on the bonds is due on July 1, 2009. Annual debt service is $2.348 million per year (except in FY 2007-08, for which it is $1.336 million).

The following two graphs show the unit costs associated with these two changes, ***without regard to managing the rate path***. As expected, the variations in the rate are most pronounced before and after the years in which the two phenomena overlap. Also, the "allocated cost" model amplifies the variations because of the reallocation of a portion of the debt service from the Regional System Fee to a smaller rate base.

Staff will present options for smoothing the rate path at the March 9 meeting.





Appendix A

Overview of Ordinance No. 04-1043

For the purpose of amending Metro Code Chapter 5.03 to amend license and franchise fees, and making related changes to Metro Code Chapter 5.01

Summary and Purpose

This ordinance amends Metro Code Chapter 5.03 to implement the "third fee" concept as a license or franchise fee on regulated and designated facilities and non-system licensees that handle mixed solid waste. The fully-loaded costs of these regulatory activities are allocated to the "third fee" in the allocated cost model. The cost of regulating the other facilities (e.g., yard debris processors) remain in the Regional System Fee base. These policy choices are open for discussion.

The ordinance incorporates the following elements.

- It establishes license and franchise fees for 4 basic types of Metro instruments:
  - Solid waste facility licensees
  - Solid waste facility franchises
  - Non-system licensees
  - Non-regulated designated facilities

- References to Metro's solid waste current solid waste license and franchise fees—generally, $300 and $500 per year respectively—are scattered throughout Metro Code. This ordinance gathers these fees into one place in Code.

- Consistent with the costs allocated to the "third fee" in the discussions with the RRC, this ordinance establishes new fees for facilities accepting mixed solid waste. This ordinance does not change the fees for other types of facilities (e.g., yard debris processors, tire processors, roofing processors, yard debris reloads); it simply consolidates them into a single chapter of the Code.

- The ordinance provides a 2-part structure to license and franchise fees : a fixed ("site") fee, and a variable ("tonnage") fee. This structure, is provided to allow the RRC with flexibility in thinking about the fee design. If the RRC decides on a fixed charge only, it can recommend an amendment in the amount of the fee; and delete the sections of the ordinance related to the variable charge. If, on the other hand, the RRC decides on a variable rate, it can eliminate references to the fixed portion, and recommend the variable rate and the basis for the rate (e.g., tonnage or something else). If the RRC approves of a 2-part fee structure, the committee can focus on the level of the two components.

The Ordinance Section-by-Section

Section 1. Expands the purpose of the chapter from franchise fees to the general class of fees identified above.

Section 2. Repeals the section establishing application fees, as these are (more appropriately) currently set in Chapter 5.01.

Section 3. Establishes the amount of the annual fees.

3.a. Authorizes the fees and delegates the manner of, and schedule for, payment to the Chief Operating Officer.

3.b. Establishes the fees themselves. See the discussion above on the level of fees set forth in this ordinance.

3.c. Retains and amends the old language that allows pro-rating of the fees for any facility authorized during a year.

3.d. Exempts non-system licensees from any substantial fees if the NSL is held by a facility already subject to the license/franchise fees set forth in Section (b). Example: a MRF with an NSL to haul residual to a non-system landfill would have license fees due on the facility's tonnage, and not be double-charged by incurring NSL fees on the same tonnage to the landfill..

Sections 4, 5, 6: are administrative, dealing with non-payment, due dates, transfer of licenses or franchises, and licensees' and franchisees' right to notification before change.

Section 7. Sets the effective date 90 days out, a Charter requirement.

Appendix B

Evaluation Matrices

Highest-Priority Councilor Values	RRC Recommendations: Fully Load Program Costs, then Allocate	New 3rd Fee	Allocate Debt Svc. on Stranded Capacity			
***Necessary** (Absolute Requirement; Score w/ Yes or No)*						
Health & Safety						
Most Important (Score from –5 to +5)						
Protect Public Investment						
Pay to Play	+2					
Sustainable System Performance						
Very Important (Score from –4 to +4)						
Maintain Public Access						
Important (Score from –3 to +3)						
Regional Equity						
Fund General Government						
Affordable / Reasonable Rates	-1					

Instructions

Score each recommendation (across the top) on the performance criteria (left-hand column) relative to the current allocations and rate structure. Assign a negative score if the recommended practice will result in worse performance than the status quo and a positive score if the recommendation will improve on the status quo; if no change, then enter zero. For example, allocating fully loaded costs may score slightly better on the Pay to Play criterion; but that benefit may be partly offset by the higher tip fee, in terms of Affordability, especially on small loads.

The blank columns are provided for new or other recommendations, such as a phase-in of changes over time.

Rate Setting Criteria (in no particular order)	RRC Recommendations					
	Fully Load Program Costs, then Allocate	New 3rd Fee	Allocate Debt Svc. on Stranded Capacity			
1 *Consistent w/ Metro Policies & Objectives*						
2 *Adequate Revenue to Recover Costs*						
3 *Equitable Charges Related to Services Received*						
4 *Encourages Waste Reduction*						
5 *Affordable for Both Residential & Commercial Users*						
6 *Balances Administrative Burden w/ Other Goals*						
7 *Does not Negatively Impact Metro's Credit Rating*						
8 *Metro has Authority to Implement*						
9 *Predictable, Orderly to Allow LGs, Haulers to Plan*						

Appendix C

Council Work Session Materials

Solid Waste & Recycling Staff appeared before the Council Work Session on March 2, 2004 to discuss the work of the Rate Review Committee and the FY 2004-05 rate ordinances. The draft versions of ordinances 04-1042, 04-1043 and staff reports that were included in the RRC agenda packet distributed last week were also provided to Council.

FY 2004-05 Solid Waste Rates
Council Work Session
March 2, 2004

Today's Presentation

- **Introduction**
- **Rate Ordinance Schedule**
- **FY 2004-05 Rates: Current Rate Model**
- **The Work of the Rate Review Committee**
  - ***The Model***
  - ***The Rate Implications***
- **Council's Options**

Council Work Session
March 2, 2004

Introduction

Today's topic: annual solid waste rate ordinances.

These are *"placeholder"* ordinances, filed to stay on schedule.

Two related ordinances have been filed:

Ordinance No. 04-1042: Standard annual rate ordinance. Amends Chapter 5.02 to set new Regional System Fee, Transaction Fee, Tonnage Charge (and by implication, Metro tip fee and minimum charge).

Ordinance No. 04-1043: A companion to the rate ordinance. Amends Chapter 5.03 to set new license and franchise fees designed to recover Metro's cost of regulating private disposal and recovery facilities.

These reflect the work of the Rate Review Committee.

Background covered today:

- Rate Review Committee work
- Comparison with current rate model
- Council's options

Desired outcomes today:

Council understands

- Schedule
- Rate Review Committee work, and
- Difference between current rate model
- Council's options.

Opportunity for Council feedback to staff, Rate Review Committee

FY 2004-05 Solid Waste Rate Legislation: Calendar

Schedule Designed for July 1, 2004 Implementation of New Rates

MARCH 2004	S	Monday	Tuesday	Wednesday	Thursday	Friday	S
		1	2 Work Session	3	4	5	6
	7	8	9 RRC meets	10	11 1st Reading	12	13
	14	15	16 *Optional Wk. Session*	17	18	19	20
	21	22	23 *Optional Wk. Session*	24	25 2nd Reading	26	27
	28	29	30	31	1 Vote	2	3

Last opportunity to make substantive amendments and remain on July 1 schedule.

Historically, Metro has targeted July 1 as the effective date for new rates.

This date is a matter of convenience, allowing for business planning and coordination by Metro, local governments and the solid waste industry.

However, there is no legal requirement to meet this date

FY 2004-05 Solid Waste Rates
Current (FY 2003-04) Rate Model

Beloe are FY 2004-05 rates, based on:

- Department's requested budget, developed with President Bragdon.
- The rate model used for the current year (more on this later).

These rates are in full compliance with the bond covenants.

Rate Component		Current Rates (FY 2003-04)	FY 2004-05 Rates	
			Rates	Change
Transaction Fee		$6.00	$6.00	-
Disposal Operations		$ 42.55	$ 43.79	$1.24
Regional System Fee	➔	$ 16.57[1]	$ 16.30	($0.27)[1]
Excise Tax	➔	$ 6.32	$ 6.61[2]	$0.29
DEQ & Host Fees		$ 1.74	$ 1.74	-
Tip Fee		$ 67.18[1]	**$ 68.44**	$1.26

➔ *Metro also charges these fees at privately-owned facilities.*

Total of private charges	$ 22.89	**$ 22.91**	$0.02

Notes

1 The FY 03-04 rate is subsidized ("bought down") by the fund balance. The unit cost is about $1 higher at $17.56, making the unsubsidized tip fee $68.18/ ton. For better comparability, $1 should be subtracted from the changes. (For example, the 2004-05 tip fee under the current rate model would become an increase of only 26¢ rather than $1.26.)

2 Assumes extension or elimination of the sunset on the tax for Parks. The resulting total rate of $6.61 is: base excise tax rate of $5.58, plus $1.03 for Parks.

Allocation Map
Current (FY 2003-04) Rate Model

This map shows which budget costs are assigned to which rate bases.
This assignment determines who pays for the program or service.

Budget Area	Rate Bases: Metro TS Fees (exclusively)	Everyone (Regional System Fee)	Non-Metro Fees (exclusively)
Disposal Services			
Metro	X		
Contracts	X		
Programs			
Hazardous Waste		X	
Latex Paint		X	
Illegal Dumping		X	
Waste Reduction		X	
...			
Facility Regulation		X	
Facility Auditing		X	
Debt Service		X	
Support Services			
Admin. & Overhead		X	
Service Transfers		X	
Totals	**$26.3 million**	**$19.9 million**	—

An Overview of the Work of the Rate Review Committee

The RRC asked to study the Department's cost structure after the FY 2003-04

Purpose: to improve the quality of their professional recommendations.

Starting principle: recovery of costs should be related to the causes of those costs.

- *User pays* (case of demand for goods or services—e.g., transfer station customer)
- *Beneficiary pays* (cost is generated by a public policy choice—e.g., all regional ratepayers contribute to paying the costs he provision of hazardous waste collection)

Recognition that this principle is a starting point, <u>not the only determinant of rates</u>.

However, the RRC felt that they were not in a position to give Council the best advice until they had a firmer empirical grasp on the basic mechanisms that generate Metro's solid waste costs.

Rate Review Committee's Recommendations

1. *Maintain a financial model of the true full cost of programs and services, and allocate fully-loaded programs and services according to the current rate model.*
   This recommendation is based on the RRC's opinion that the current rate model (1) allocates the direct costs of programs and services appropriately—with the exception of private facility regulatory costs and debt service; and (2) does not work as well for relating the costs of administration and overhead with the activities that cause those costs.
2. *Establish a new fee.*
   A new fee, to be levied on non-Metro users of the system should be established. This recommendation is consistent with collecting the true and full costs of programs from the persons who cause the cost—in this case, privately-owned and Metro-regulated facilities.
3. *Extend the philosophy above to the recovery of debt service.*
   Debt service (amortized capital costs) should be partitioned into two elements, one representing the cost of utilized capital, and the other representing the cost of underutilized, or "stranded" capacity. Users—Metro customers—should pay for the utilized portion, and the entire region should pay for the stranded capacity through the Regional System Fee.

Allocation Map
Rate Review Committee Proposal

This map shows which budget costs are assigned to which rate bases.
This assignment determines who pays for the program or service.

	Rate Bases		
<u>Budget Area</u>	Metro TS Fees <u>(exclusively)</u>	Everyone (Regional <u>System Fee)</u>	Non-Metro Fees <u>(exclusively)</u>
Disposal Services			
Metro	X		
Contracts	X		
Programs			
Hazardous Waste		X	
Latex Paint		X	
Illegal Dumping		X	
Waste Reduction		X	
...			
Facility Regulation		%	%
Facility Auditing			X
Debt Service	% *(utilization)*	% *(stranded)*	
Support Services *These costs are first allocated to programs & services*			
Admin. & Overhead			
Service Transfers			
Totals	**$29.5 *million***	**$16.1 *million***	**$585 *thousand***

FY 2004-05 Solid Waste Rates
Rate Implications of the Rate Review Committee Model

Below are the FY 2004-05 rates in Ordinances 04-1042 & 1043, based on:

- o Department's requested budget, developed with President Bragdon.
- o The rate model developed by the Rate Review Committee.

These rates are in full compliance with the bond covenants.

Rate Component		Current Rates (FY 2003-04)	FY 2004-05 Rates	
			Rates	Change
Transaction Fee		$6.00	$9.50	$3.50
Disposal Operations		$ 42.55	$ 47.45	$4.90
Regional System Fee	➔	$ 16.57[1]	$ 13.20	($3.37)[1]
Excise Tax	➔	$ 6.32	$ 6.61[2]	$0.29
DEQ & Host Fees		$ 1.74	$ 1.74	-
Tip Fee		$ 67.18[1]	**$69.00**	$1.82

➔ *Metro also charges these fees at privately-owned facilities.*

License/Franchise Fee (new)	---	$ 0.88	$ 0.88
Total of private charges	**$ 22.89**	**$20.69**	**($2.20)**

Notes

1 The FY 03-04 rate is subsidized ("bought down") by the fund balance. The unit cost is about $1 higher at $17.56, making the unsubsidized tip fee $68.18/ ton. For better comparability, $1 should be <u>subtracted</u> from the changes. (For example, the 2004-05 tip fee under the current rate model would become an increase of only 26¢ rather than $1.26.)

2 Assumes extension or elimination of the sunset on the tax for Parks. The resulting total rate of $6.61 is: base excise tax rate of $5.58, plus $1.03 for Parks.

Next Steps and Options Available

Next Steps

The Rate Review Committee has not yet analyzed the numerical results of its model

This is scheduled for March 9

The RRC's recommendations will be available by March 11 (1st reading of ordinance)

Staff expects the RRC to look critically at the implementation path and phasing

Options Available

The Council will have several opportunities for further discussion:

- Ordinance readings, March 11 and 25
- Optional additional work sessions, March 16 and 23
- After March 25, if the July 1 implementation date is delayed.

The Council has several options for action:

1. Adopt the ordinances substantially as filed;
2. Adopt the substance of the ordinances as filed, but phase-in the changes;
3. Adopt rates under the current rate model as a placeholder; take more time to study the RRC recommendations and aim at later implementation;
4. Adopt rates under the current rate model and work with staff on findings that explain why the RRC's recommendations were not accepted.