BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF GRANTING PUBLIC) AND COMMERCIAL RATE INCREASES TO) THE KILLINGSWORTH FAST DISPOSAL) LANDFILL)	RESOLUTION NO. 86-658 Introduced by the Executive Officer

WHEREAS, The Killingsworth Fast Disposal Landfill operates under Franchise No. 03 granted by the Metropolitan Service District (Metro); and

WHEREAS, The Killingsworth Fast Disposal Landfill has applied for public and commercial rate increases in accordance with Metro Code provisions and adopted guidelines for such applications; and

WHEREAS, The Solid Waste Rate Review Committee and the Executive Officer have investigated the proposed rates as required by Section 5.01.180(d) of the Metro Code; now, therefore,

BE IT RESOLVED,

That the disposal rate increases requested by the Killingsworth Fast Disposal Landfill are hereby granted and that Schedule E the of the franchise shall be amended to reflect the new rates. The new rates and rate provisions to be effective on September 1, 1986, are:

Commercial Base Rates for Disposal

Loose Material	\$1.90/cubic yard
Demolition Material	\$2.45/cubic yard
Compacted Material	\$2.90/cubic yard
Heavy Material	\$5.30/cubic yard

(concrete, wire cable, logs, etc.)

Public Base Rate for Disposal

Public Waste	$3.20/cubic yard

Other Rate Provisions

Car Tires	$2.00/tire
Truck Tires	$5.00/tire

- Special handling fees for disposal of materials which present special handling or compaction problems may be assessed for disposal of these materials on the basis of added cost so long as the disposer is made aware of their amount prior to disposal.

- Fees which are collected and paid to Metro shall be added to the approved base rates for calculating total charges.

- The minimum base charge per trip for disposal of two cubic yards or less of waste by either commercial or public customers shall be $6.40. With written approval of the Director of Solid Waste this minimum base charge may be reduced to as little as $6.30 or increased to as much as $6.50 per trip as required to allow for adjustments in the amount of Metro fees collected and provide for public cash transactions on the basis of the nearest quarter ($.25). With the amount of Metro fees collected per public trip at

$1.80 on the effective date of this approval, the franchisee is authorized to collect a base rate of $6.45 per trip so that the total amount collected on a minimum charge transaction is $8.25. It is the intent of this provision that over time no additional revenues shall accrue to the franchisee.

- In order to reduce litter and pay a portion of the costs associated with roadside clean-up efforts, the franchisee is authorized to assess a double charge on loads received that are both uncovered and susceptible to being blown from the vehicle while in motion. This double charge may be instituted at the franchisee's discretion so long as it is applied to all customers equally.

- The amount of the public base rate shall be allowed to increase by $.10 per yard (to $3.30/yard) without the need for a future rate submital or Council approval, once the amount of previous overcharges for the period of January 1, 1984, through August 31, 1986, have been reconciled. The Solid Waste Director shall provide written notification to the franchisee when an accounting of Killingsworth Fast Disposal Landfill public waste flows indicates that the appropriate rate offset has been provided.

ADOPTED by the Council of the Metropolitan Service District this 26th day of June, 1986.

Richard Waker

Richard Waker, Presiding Officer

RM/gl/5788C/462-3
06/17/86

EXHIBIT A

"Imagineering a better world"

Ports O' Call

RIEDEL INTERNATIONAL, INC.

CORPORATE OFFICE
4555 N. Channel Ave.
MAILING ADDRESS:
P.O. Box 3320
Portland, OR 97208
Phone: (503) 285-9111 • Telex: 151372

March 18, 1986

Mr. Rich McConaghy
Metropolitan Service District
2000 S. W. 1st
Portland, OR 97201

Dear Rich:

Riedel Waste Disposal Systems, Inc. (formerly KFD, Inc.) formally requests a rate increase for dumping fees for both public and commercial customers. We request the increase in charges as detailed on the next page. Summarizing these charges, the rate for commercial loose loads would increase from \$2.00/yard to \$2.15/yard and the public rate would increase from \$3.85/yard to \$4.10/yard. A minimum charge for public or commercial loads would be \$8.25, or equal to a two yard public charge. These increases amount to approximately a 7 1/2% increase for commercial customers and a 7% increase for public customers. All other charges for demolition debris, compacted loads, etc., would also be increased by approximately 7% as detailed on the next page.

We feel these increases are fair and justified. The public rate has not changed since January 1984 and the mild increase in commercial rates should not affect flow rates into components of the area disposal system.

Also enclosed are the rate calculations in the format required by the January Metro "Procedures for Processing Applications and Rate Adjustment Request".

I trust these calculations are self explanatory, but please call me if additional information is required or if the calculations are unclear. As a general overview a couple of points which should be mentioned are that operating costs are divided into basically 2/3 commercial and 1/3 public based upon a combination of yardage and number of customers. Capital costs are allocated strictly on a basis of yardage received. 1986 costs are essentially 1985 rounded actual costs plus a 5% yearly escalation factor. While we wrestled a bit in projecting 1986 yardages, we decided to use 1985 actual figures as the 1986 projections primarily because we felt that any increase in potential volumes caused be Metro rate changes would be offset by the combination of our own rate increases plus potential increases in the areawide recycling programs.

Again we feel we have complied with Metro's procedures and request a speedy conclusion to this request through the staff, the rate review committee and ultimately to the council.

Finally, I would like to publicly congratulate you for drafting rate review guidelines which were well thought out, fair, and laid out in a manner which is easily understood.

Sincerely,

RIEDEL INTERNATIONAL, INC.

Gary Newbore

Gary Newbore
Vice President

GN:tm

Provided by Kfd 5/22/86

RIEDEL WASTE DISPOSAL SYSTEMS, INC.
5700 N. E. 75th
Portland, OR 97218

RATE SHEET

COMMERCIAL	RWD		MSD	TOTAL	
	Present	Proposed		Present	Proposed
Loose Yardage	[$1.75]	$1.90	$.25	[$2.00]	$2.15
Demolition	[$2.25]	$2.45	$.25	[$2.50]	$2.70
Compacted	[$2.70]	$2.90	$.60	[$3.30]	$3.50
Heavy (Conc., Wire, Logs, etc.)	[$4.90]	$5.30	$.25	[$5.15]	$5.55

PUBLIC	RWD		MSD	TOTAL	
Prior to 1/1/86	[$2.91]		$.94	[$3.85]	
Since 1/1/86	[$2.95]		$.90	[$3.85]	
Proposed	$3.20		$.90		$4.10

A minimum charge of $8.25 will be charged for all loads, commercial or public.

A special handling fee may be charged for disposal items which are unusual and require additional costs to place into the landfill.

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RWD, INC.

	PUBLIC	COMMERCIAL	TOTAL
1985 YARDS	177,000	806,000	983,000
REVENUE	$ 718,000	$1,902,000	$2,620,000

(A) Operating Expenses

Direct Operating Expenses:

	PUBLIC	COMMERCIAL	TOTAL
LABOR	$ 205,000	$ 205,000	$ 410,000
ROYALTIES	17,000	75,000	92,000
METRO FEES	166,000	480,000	646,000
EQUIPMENT RENTAL	18,000	36,000	54,000
FUEL/LUBRICANTS	27,000	54,000	81,000
SERVICE/TOOLS/SUPPLIES	4,700	9,300	14,000
EQUIPMENT MAINTENANCE	46,000	92,000	138,000
SUBTOTAL	$ 483,700	$ 951,300	$1,435,000

Overhead Expenses:

	PUBLIC	COMMERCIAL	TOTAL
TEMPORARY SERVICES	$ 1,300	$ 2,700	$ 4,000
CONSULTANTS	2,000	4,000	6,000
INSURANCE	50,000	100,000	150,000
SECURITY	8,000	-0-	8,000
COMPUTER EXP.	3,700	7,300	11,000
BAD DEBTS	-0-	9,000	9,000
TAXES, PORTLAND B.L.	1,300	2,700	4,000
TAXES, REAL PROPERTY	13,700	27,300	41,000
UTILITIES, TELEPHONE	2,400	4,600	7,000
OFFICE SUPPLIES, POSTAGE	300	700	1,000
PRINTING	1,300	3,700	5,000
ADVERTISING	700	1,300	2,000
LEGAL	6,300	12,700	19,000
BUILDING & PROPERTY REPAIR	1,000	2,000	3,000
JANITORIAL	300	700	1,000
MISCELLANEOUS	700	1,300	2,000
ACCOUNTING FEES	8,300	16,700	25,000
MANAGEMENT FEES	11,700	23,300	35,000
OVERCHARGE ADJUSTMENT	(18,000)	-0-	(18,000)
INFLATION FACTOR	26,000	52,000	78,000
SUBTOTAL	$ 121,000	$ 272,000	$ 393,000
TOTAL OPERATING COSTS	$ 604,700	$1,223,300	$1,828,000

RWD, INC.

Notes:

Operating costs have been generally divided between public and commercial customers on a 1/3 public and 2/3 commercial basis. This was derived from combining two factors: Commercial yardage out numbers public yardage 5:1 and commercial trips are out numbered by public trips 1:2. Combining these two ratios yield an average ratio of 2:1 commercial to public. Exceptions to this include: operating labor, royalties, metro fees, security and bad debts.

Operating Labor Which was divided on a 50-50 basis because of additional spotters required for the public and because Sunday operations soley benefit the public.

Royalties These are paid on actual yards received.

Metro Fees These are 1985 actual figures. Even though these rates have changed beginning in 1986, corresponding revenues will change identically so the net change is zero.

Security This is for armored car to haul cash primarily received from the public.

Bad Debts All bad debts are commercial since the public is cash only.

Inflation Factor A 5% annualized inflation factor was used based upon 1985 costs. Items not included in this calculation are Metro fees and Insurance. Because the timing of the rate increase would not be effective until approximately the second half of 1986, the 1985 figures were adjusted upward to include increases in costs for the first half of 1986. The 5% inflation factor was then applied to reflect probable increases in costs for the sugsequent 12 month period. Thus, an overall adjustment of 8% was made to the 1985 costs.

Overcharge Adjustment: This adjustment is shown as an operating cost credit to equalize public user rates which inadvertently exceeded permitted rates inn 1984 and 1985.

One other item which should be mentioned is EIL Insurance for pollution. In 1985 the landfill paid approximately $53,000 in insurance premiums, compared to $20,000 in 1984. This insurance is becoming increasingly difficult to find and our insurance broker Corroon and Black is estimating that it will cost in the neighborhood of $150,000 to repace the current policy which expires in May.

ACQ. DATE	ITEM	COST	SALVAGE VALUE	BASIS	LIFE	1981	1982	1983	1984	1985	1986	1987	1988	1989
	Equipment:													
11/80	Rex Compactor #301	$85,965	$5,965	$80,000	8	$10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ -0-
11/80	Rex Compactor #302	$85,965	$5,965	$80,000	8	$10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ -0-
04/81	D8H Cat #203	$52,500					$	$	$	$	$	$	$	$
04/81	D8H Cat #203 Repairs	$36,582	$9,082	$80,000	8	$ 6,600	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 3,400
08/81	3 Sump Pumps	$ 5,773	$ -0-	$ 5,773	3	$ 641	$ 1,924	$ 1,924	$ 1,283	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
04/82	Rex Comp #302 Repair	$ 5,080	$ -0-	$ 5,080	7	$ -0-	$ 484	$ 726	$ 726	$ 726	$ 726	$ 726	$ 726	$ 240
05/82	Rex Comp #301 Repair	$12,833	$ -0-	$12,833	7	$ -0-	$ 1,044	$ 1,833	$ 1,833	$ 1,833	$ 1,833	$ 1,833	$ 1,833	$ 789
07/83	Rex Comp #301 Repair	$ 2,545	$ -0-	$ 2,545	6	$ -0-	$ -0-	$ 212	$ 424	$ 424	$ 424	$ 424	$ 424	$ 212
11/83	D 8 #203 Repair	$16,263	$ -0-	$16,263	6	$ -0-	$ -0-	$ 433	$ 2,710	$ 2,710	$ 2,710	$ 2,710	$ 2,710	$ 2,227
01/84	Rex 301 Repair	$ 8,275	$ -0-	$ 8,275	6	$ -0-	$ -0-	$ -0-	$ 1,379	$ 1,379	$ 1,379	$ 1,379	$ 1,379	$ 1,379
01/84	Rex 302 Repair	$14,537	$ -0-	$14,537	6	$ -0-	$ -0-	$ -0-	$ 2,423	$ 2,423	$ 2,423	$ 2,423	$ 2,423	$ 2,423
04/84	Rex 301 Repair	$ 7,679	$ -0-	$ 7,679	5	$ -0-	$ -0-	$ -0-	$ 512	$ 1,536	$ 1,536	$ 1,536	$ 1,536	$ 1,024
07/84	2 Sump Pumps	$ 7,570	$ -0-	$ 7,570	3	$ -0-	$ -0-	$ -0-	$ 1,262	$ 2,524	$ 2,524	$ 1,262	$ -0-	$ -0-
12/84	Compactor #303	$27,500	$ 5,000	$22,500	5	$ -0-	$ -0-	$ -0-	$ -0-	$ 4,500	$ 4,500	$ 4,500	$ 4,500	$ 4,500
10/85	TD 25 Crawler	$25,000	$ 5,000	$20,000	4	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 5,000	$ 5,000	$ 5,000	$ 5,000
12/85	988 A Loader	$50,000	$ 5,000	$45,000	4	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 11,250	$ 11,250	$ 11,250	$ 11,250
TOTAL EQUIPMENT		$444,067		$408,055		$27,241	$ 33,452	$ 34,097	$ 42,552	$ 48,095	$ 64,305	$ 63,043	$ 61,781	$ 32,494
	Site Preparation:													
04/81	Site Prep - Phase I	$896,812	$20,000	$876,812	8	$72,336	$109,601	$109,601	$109,601	$109,601	$109,601	$109,601	$109,601	$ 37,265
07/83	Site Prep - Phase II	$ 66,301	$ -0-	$ 66,301	6	$ -0-	$ -0-	$ 5,525	$ 11,050	$ 11,050	$ 11,050	$ 11,050	$ 11,050	$ 5,525
10/83	Site Prep - Phase III	$177,825	$ -0-	$177,825	6	$ -0-	$ -0-	$ 7,409	$ 29,637	$ 29,637	$ 29,637	$ 29,637	$ 29,637	$ 22,228
07/84	Site Prep - Phase IV	$141,519	$ -0-	$141,519	5	$ -0-	$ -0-	$ -0-	$ 14,152	$ 28,304	$ 28,304	$ 28,304	$ 28,304	$ 14,152
10/85	Site Prep - Phase V	$255,000	$ -0-	$255,000	4	$ -0-	$ -0-	$ -0-	$ -0-	$ 15,937	$ 63,750	$ 63,750	$ 63,750	$ 47,811
TOTAL SITE PREPARATION		$1,537,457		$1,517,457		$72,336	$109,601	$122,535	$164,440	$193,986	$242,342	$242,342	$242,342	$126,981
	Future Expenditures:													
07/86	Groundwater Study, Mon Wells	$ 50,000	$ -0-	$ 50,000		$	$	$	$	$	$	$	$	$
07/86	Soil Cap	$ 75,000	$	$ 75,000		$	$	$	$	$	$	$	$	$
07/86	Misc. Acq. Pickup, Wells, Sump	$ 16,000	$ 2,000	$ 14,000		$	$	$	$	$	$	$	$	$
07/87	Soil Cap	$ 75,000	$	$ 75,000		$	$	$	$	$	$	$	$	$
07/87	Compactor	$ 45,000	$ 5,000	$ 40,000		$	$	$	$	$	$	$	$	$
07/87	Site Prep - Phase VI	$ 55,000	$	$ 55,000		$	$	$	$	$	$	$	$	$
07/88	Soil Cap	$ 75,000		$ 75,000		$	$	$	$	$	$	$	$	$
07/89	Fencing	$ 10,000	$ 3,000	$ 7,000		$	$	$	$	$	$	$	$	$
07/89	Closure & PC Maintenance	$187,500	$ -0-	$187,500		$	$	$	$	$	$	$	$	$
TOTAL FUTURE EXPENDITURES		$588,500		$578,500	4	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$147,125	$147,125	$147,125	$137,125
LAND ACQUISITION		$750,000	$750,000											
TOTAL DEPRECIATION		$3,320,024		$2,514,012		$99,577	$143,053	$156,632	$206,992	$424,081	$453,772	$452,510	$451,248	$296,600

Provided by KFD 5/27/86

RWD, INC.

Notes:
(Continued)

(B)

* Investment

EQUIPMENT	$ 444,067	
SITE PREPARATION	$1,537,457	
FUTURE EXPENDITURES 86-89	$ 316,000	
LAND ACQUISITION	$ 750,000	
TOTAL		$3.047,524

* Less: Accumulated Depreciation

1981	$ 99,577	
1982	$ 143,053	
1983	$ 156,632	
1984	$ 206,992	
1985	$ 242,081	
TOTAL		$ 848,335

* Total Unrecovered Capital $2,199,189

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* Annual Capital Cost Recovery $ 453,772

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* From Schedule A

RWD, INC.

Notes:
(Continued)

(C) Annual Return on Rate Base = (1) Return on Debt Capital

+

(2) Return on Equity Captial

+

(3) Income Tax Provision

Rate Base = Unrecovered Capital + Working Capital

= \$2,199,189 + (1/12 X \$1,828,000)

= \$2,199,189 + \$152,333

= \$2,351,522
==========

As of 12/31/85 Debt = \$1,200,847
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Equity Capital = Rate Base - Debt Capital

= \$2,351,522 - \$1,200,847

= \$1,150,675
============

(1) Return on Debt Capital = Debt Capital X Interest Rate

= \$1,200,847 X 11%

= \$ 132,093
=============

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RWD, INC.

Notes:
(Continued)

(2) Return on Equity Capital = Equity Capital X Return %

= $1,150,675 X 15%

= $ 172,601

(3) Income Tax = $\frac{\text{Return on Equity Capital}}{\text{1 - Tax Rate}}$ - Return on Equity Capital

Tax Rate = 40%

Income Tax Provision = $\frac{\$172,601}{1-.38}$ - $172,601

= $278,389 - $172,601

= $105,788

Annual Return on Rate Base =	$132,093
	172,601
	105,788
	$410,482

RWD, INC.

SUMMARY:

	PUBLIC	COMMERCIAL	TOTAL
Revenue	$ 718,000	$1,902,000	$2,620,000
Costs:			
Sinking Fund	$ 25,881	$ 117,910	$ 143,792
Operating & Overhead	$ 604,700	$1,223,300	$1,828,000
Capital Recovery *	$ 81,678	$ 372,094	$ 453,772
Return on Rate Base *	$ 73,887	$ 336,595	$ 410,482
TOTAL COSTS	$ 786,146	$2,049,900	$2,836,046
Additional Revenue Required	$ 68,146	$ 147,900	$ 216,046
	==========	==========	==========

Additional Rate Increase Justified

Commercial $\frac{\$\ 147,900}{806,000 \text{ Yards}} = \$.18/\text{yard}$

Public $\frac{\$\ 65,762}{177,000} = \$.39/\text{yard}$

We request a commercial increase of $.15/yard which will increase the charge for loose loads from $2.00/yard to $2.15/yard, a 7 1/2% increase.

We also request a raise in our public fees from a $7.70 minimum for two yards to an $8.25 minimum fee plus $4.10/yard for additional yards, a 7% increase.

Corresponding increases are also being requested for other loads as shown on our proposed rate sheet.

We are not requesting the full amount of increases that can be justified because we feel these raises are consistent with market conditions as they exist today and they should not disrupt Metro's flow distribution. The increases are reasonable and should not cause undue hardship on any of our commercial or public customers.

* Recovery of capital based on per yard of incoming material.

EXHIBIT B

FINDINGS AND ANALYSIS FOR A RATE INCREASE
REQUEST BY THE KILLINGSWORTH FAST DISPOSAL LANDFILL

Prepared by Solid Waste Staff and
The Rate Review Committee

June 1986

Introduction

The purpose of this report is to detail the findings of the substantive review by staff and the Rate Review Committee on the request by Riedel Waste Disposal Systems Inc. for a rate increase at the Killingsworth Fast Disposal Landfill (KFD). This analysis is presented to the Metro Council, along with Resolution No. 86-658 and a staff report recommending approval of the requested rates.

Section B of the Metro "Procedures for Processing Applications and Rate Adjustment Requests for Solid Waste Disposal Franchisees, February 1986" indicates the steps for processing rate adjustment requests. The first step in this process was initiated with Riedel's submittal of a rate request (Exhibit A) at the end of March. Staff has reviewed the reasonableness of waste quantity projections, annual operating costs, capital cost recovery schedules, rate base and return calculations, as well as rate structures and cost allocations presented in the rate request. Staff also examined the impact of the request on the larger waste management system, market conditions and diversion from the St. Johns Landfill. The Rate Review Committee has considered these same items along with the appropriateness of the requested rate of return and other factors which it considered relevant before forwarding its recommendation along with this report to the Executive Officer and the Metro Council.

Staff and the Committee have identified several cost or rate calculation items which should be modified from those in the request and an independent calculation of rates which incorporates these modifications has been provided at the end of Exhibit B.

General Comments

The request is based on the requirement for additional revenue needed to meet expenses after revenue received under current rates is deducted from total identified costs (p. 8 of the request). However, no calculations are given to indicate how the indicated revenue is derived from existing rates and projected waste flows. This does not allow for a clear indication that appropriate rates will be charged. It is preferable to examine the appropriateness of requested rates through a straightforward division of all identified and allocated costs by total projected waste flows. Presumably the approach taken in the request was to assure that the relationships between commercial loose, compacted, demolition and heavy rates is maintained. In the discussion of allocations an alternative method of providing this assurance is suggested.

In the request, User Fees and Regional Transfer Charges collected for Metro have been shown as a direct operating expense and have been included in the rate for which authorization is requested. In the past, rates approved by Metro have been the total rate to be charged to each customer class and each type of material. It will be preferable in the granting of this rate authorization to establish a base rate for disposal rather than a total rate which includes Metro fees. Staff's calculation of rates at the end of Exhibit B removes $620,000 of Metro fees from the operating expenses and presents rates to be approved as base fees.

Waste Quantity Projections

The request indicates that projected waste flows are the same as those received in 1985 (177,000 cu. yds. public; 806,000 cu. yds. commercial; 983,000 cu. yds. total). These waste flows are consistent with those reported to Metro for 1985 and indicated in the table and graph provided at the end of Exhibit B. Based on standard densities used by Metro for conversions, this waste flow is equivalent to 124,600 tons/yr. or about 18% of the flow which went to the St. Johns Landfill during the same period.

On January 1, 1986, Metro enacted a rate policy of not collecting its commercial Regional Transfer Charge at limited use landfills. This was done to divert eligible wastes away from the St. Johns Landfill. Wastes originating outside the tri-county area were also excluded from St. Johns. Flows at KFD have increased by about 3,000 tons/mo. during January through March 1986 over waste quantities received during the same period of 1985 (a 35% increase). The average monthly flows during this period were 11,886 tons compared to the 1985 average monthly flow of 10,385 tons (a 14% increase). These increases have been in both loose and compacted commercial waste categories. It is probable, though not certain, that this level of increase in waste flows will be sustained over the next year. Staff estimated the impact on the rates of assuming that greater commercial waste flows would occur and there was little difference in the rates which resulted. This is primarily because a shorter landfill life would result from increased flows and a more rapid recovery of capital costs would be needed. Some increases in direct operating expenses would also be needed. Since these increased flows are not guaranteed (nor are the past flows), the Rate Review Committee agreed that a conservative and reasonable rate setting strategy would be to project waste flows on the basis of 1985 actual flows.

Rate Structure and Allocation of Costs

As indicated on p. 1 of the rate request (Exhibit A), the current rate structure and base fees at the KFD are the following:

Loose Commercial Waste	$1.75/cu. yd.
Commercial Demolition Waste	2.25/cu. yd.
Compacted Commercial Waste	2.70/cu. yd.
Heavy Commercial Waste	4.90/cu. yd.
Public Waste	2.78/cu. yd.*

a two-yard minimum charge of $7.70 currently applies to all loads.

*$2.78/cu. yd. is the approved Metro public base rate, however, the amount of the base rate collected has increased above this due to decreases in January 1984 and January 1986 in the amount of Metro fees collected and a stable total rate of $3.85/cu. yd.

The relationship between the rates applied to various categories of commercial wastes received is related to waste densities and the volume of landfill capacities utilized by each type of waste. The relationship of these rates to an average commercial service rate should be maintained. The franchisee has suggested that all commercial rates be increased by about the same percentage and this seems a reasonable approach. It was indicated that loose commercial wastes account for about 96% of the total commercial wastes which are received.

A provision already exists in the KFD franchise agreement which allows special fees to be assessed on unusual wastes which require special handling. The operator indicated that annual revenues from special handling fees is less than $300. In the resolution granting the rate increase, a provision has been added which requires that the amount of special fees charged to a customer be consistent with the added cost of handling the waste. Staff is recommending through the resolution that the franchisee be given the opportunity to impose a double charge on uncovered loads. Metro uses this procedure at the St. Johns Landfill and Clackamas Transfer & Recycling Center (CTRC) and has found it helpful in reducing litter.

Notes on p. 2 of the request indicate how most operating costs have been allocated to commercial and public customers. Commercial wastes account for roughly 82% of the volume and 32% of the trips delivered to the Killingsworth Landfill. The results of the combined allocation of most operating costs into 67% commercial and 33% public for a rate calculation is reasonable, however, a precise allocation of costs on a combined basis of trips and volume is admittedly subjective and alternative methods for making these combined allocations might be considered. The rationale for other allocations of cost made between commercial and public service categories appear reasonable. In the allocation of the total revenue requirement in the staff calculation of rates which follows Exhibit B, the public rate has been limited to no more than $3.20/yd, the amount which the franchisee has requested.

Annual Operating Costs

The cost identified for Metro fees should not be included in the direct operating expenses listed on p. 2 of the request. The purpose of the rate request is to identify base rates which will be approved for the facility. If Metro fee amounts change in following years, then the authorization of the base rate amount would not be effected. Previously Metro approval of rates has been for the total tipping fee to be charged when Metro fees were included. In order to distinguish the authorized base rate, it was necessary to deduct the amount of Metro fees which were applied at the time the rate was approved. The resolution developed for authorizing the KFD rates which result from this present request approves the amount of the base rate and also gives authorization to collect Metro fees whatever their amounts. Through the resolution approval is also given for slight adjustment of the public base rate when changes in the amount of Metro fees disrupt the ability to collect an even total amount from public customers (cash transactions can be made to the nearest quarter).

The $646,000 expense listed for Metro fees should not be included as an operating cost for calculatiing a base rate. It is, however, appropriate to include an expense for the $300 annual Metro franchise fee. The Annual Compliance Determination fee to be paid to DEQ would also be appropriate to include in a line item titled regulatory fees. $26,000 per year is a reasonable estimate for the annual expenditure on regulatory fees and this has been included in the calculations at the end of Exhibit B.

The indicated royalty payment of $92,000 reflects a royalty payment to the Metropolitan Disposal Corporation, the former site owner of $.0936/yd. The amount of this payment is adjusted annually according to the CPI. No corporate tie exists between Riedel Waste Disposal Systems Inc., and MDC.

In order to evaluate the reasonableness of identified landfill operating expenditures, an estimate has been made of the per ton cost of those expense items which are comparable to those included in the disposal service provided through contract at the St. Johns Landfill. Comparable KFD expenses (indicated in Exhibit A) are the following:

Identified KFD Costs which are
Comparable to Services Provided
Through the St. Johns Landfill Contract

Labor	$410,000
Equipment Rental	54,000
Fuel/Lubricants	81,000
Service/Tools/Supplies	14,000
Equipment Maintenance	138,000
Equipment Capital Cost Recovery (from depreciation schedule provided)	64,305
Temporary Services	4,000
Consultants	6,000
Insurance	150,000
Utilities, Telephone	7,000
Building and Property Repair	3,000
Janitorial	1,000
Miscellaneous	2,000
Management Fees	35,000
Total	$969,300

Dividing $969,300 by the 124,600 tons of waste received yields a disposal cost of $7.78/ton (this does not include profit, taxes or interest which would account for an additional $2.40/ton). In competitive bids received in mid-1985 for operation of the St. Johns Landfill, unit prices were indicated for comparable services under varying monthly waste flows. The range of St. Johns Landfill bids submitted for managing the average monthly flows which are expected at KFD (10,383 T./M.) was from $11.14/ton to $19.99/ton. However, requirements in the St. Johns Landfill contract provided for a level of service which would not be needed at this flow rate. At a flow rate of 20,000 tons/mo. the St. Johns Landfill bids varied from $7.26/ton to $9.73/ton. On this basis, it appears that the sum of the listed operating costs is not unreasonable.

The 8% factor used in the request to account for inflation of most operating costs between the test year of 1985 and the rate setting year from September 1986 to September 1987 reflects a 5.25% annual inflation rate and is not unreasonable. Other operating costs indicated on p. 2 of the request appear reasonable.

The overcharge adjustment indicated on pp. 2 and 3 of the request as a reduction in the public allocation of operating expenses is required to compensate for reductions which should have been made in the total public rate but were not. A total public rate of $3.85/yd. was authorized for KFD by Metro in 1983. On January 1, 1984, Metro fees decreased from $1.07/public yd. to $.95/public yd. In January of 1986, Metro public fees decreased to $.90/yd. Throughout this period, the total amount collected from the public has remained at $3.85/yd. Metro staff and KFD have been aware of this overcharge and have anticipated rectifying it with this current rate adjustment. The total amount of the overcharge at the end of

March is $48,634 (346,342 yards in 1984 and 1985 X $.12/yd. + 41,607 yards in January-March 1986 X $.17/yd.). A reduction to public costs identified in the rate analysis of $.10/yd. of waste received would allow this overcharge amount to be corrected within two to three years. The $18,000 deduction in public costs indicated on p. 2 is a means of setting the public rate at $.10 below what is needed to meet identified costs (177,000 tons X $.10). In the resolution approving the rate adjustment, a provision has been made for increasing the public rate by $.10 per yard once the overcharge amount has been reconciled. This will allow the increase to be implemented without the need for a future rate analysis. The total amount of overcharges to be reconciled will continue to accumulate until the date that new rates are implemented. The Committee believes that this is a fair way of resolving the overcharge situation.

Within the operating expenses, no credit or reduction in costs to account for salvage revenue received by the operation has been included. It's estimated that about $75,000 in salvage revenue may be received each year. The labor and other costs associated with the recycling which occurs at the site are estimated at about $50,000/yr. These costs have been included in the identified operating expenses and this results in a rate subsidy of about $.05/yd for recycling operations. Since Metro has a commitment to waste reduction, the Committee believes that it is appropriate to allow this subsidy which encourages recycling. Removing recyclable material from the Killingsworth Landfill waste stream is a desirable objective and may even provide a net benefit in reducing wastes to St. Johns since capacity at the Killingsworth site is preserved.

Capital Cost Recovery (Depreciation) Schedules

The information presented in the table on p. 4 of the request for recovering the costs of equipment and site preparation appears reasonable. All items identified are utilized exclusively in the operation of the site. No recovery or credit to capital for changes in the value of the land between the time it was purchased and the time when it will be available for a future use has been included. The franchisee believes that there will be no great change in the value of the land and the Committee agrees that this is a reasonable assumption.

In order to collect adequate funds through the rates over the remaining site life for projected future expenditures such as soil cap, post-closure care and other future capital expenditures, the Committee recommends providing for an annual contribution of $.193/cu. yd. of waste. This will assure that the necessary $578,500 is collected equally on each of the roughly 3,000,000 cubic yards of waste which will be accepted at the site over the remaining three to four years. The Committee determined that this amount might have been $.02 less per yard if the operator had begun to accrue post-closure funds a year or two ago. However, since the full amount of funds must now be collected, it is appropriate that they be included in the rate calculation. This has been done by including a "Reserve for Future Capital Expenditures" item in the revenue requirement identified in the staff rate calculation at the end of Exhibit B ($189,719).

Calculation of Rate Base and Return on Rate Base

The Committee has considered the franchisee's request for a 13% return on debt capital and a 17% return on equity capital and recommends that rates be calculated on the basis of an 11% return on debt capital and a 15% return on equity capital. The actual interest paid by the franchisee on its outstanding debt is based on a floating rate (a preferential rate of 0.5% above the prime lending rate is paid). According to information provided by the franchisee, the interest rate paid in December 1985 was 12% while the rate paid in May was 9%. It is difficult to project with certainty how interest rates will vary over the next year and allowing for an 11% return on debt capital seems reasonable. As of May 1, the outstanding debt for the operation was $1,110,847.

The return on equity capital included in the rate calculations represents an after tax rate and 15% seems a fair return percentage to compensate the franchisee for his investment in the operation of the business and also for the longer term liability and risk which is associated with operating a landfill. Information provided by the franchisee indicates that similar businesses obtain or expect the same or even higher returns than 15% on equity. With a 15% return on equity the operator's annual after tax profit is expected to be approximately 8% of gross revenues. Included in the calculations presented at the end of Exhibit B is a table indicating the effect on disposal rates of applying alternative returns on equity capital.

The overall effective income tax rate which would be applied to the return on equity capital as it is projected in the rate calculation is about 44%. This includes a 7.5% state income tax and a federal corporate income tax of 46% on taxable income above $100,000 and a tax of $27,500 on the first $100,000. The 44% tax rate seems reasonable and has been used for figuring disposal rates in the calculations included at the end of Exhibit B.

Working capital is included in the rate base on which the franchisee should expect a return. This accounts for the fact that bills must often be paid 30 or more days before rate revenue is received to cover them. Since the majority of the franchisee's business is with commercial customers who operate on accounts, it is appropriate to allow one-twelfth of operating expenses as an estimate of working capital. Since payment to Metro for fees collected (roughly $30,000/mo.) must be made 25 days or more before the payments on accounts are received, it is also appropriate to include the average amount of the Metro monthly payment in an estimate of working capital. Allowing this increases the disposal rates by about one-half of a cent per yard.

The listing of investments for calculating the rate base on p. 5 of the request should not include investments to be made in the future. Future expenditures for 1986-89 cannot be counted as investments for inclusion in the rate base until they have been made or set aside. It is appropriate to include the $50,000 for a groundwater study and monitoring wells, the $75,000 for soil cap, and the $16,000 for miscellaneous acquisitions, all of which will be spent in July of 1986 as investments since they will be made before the rate adjustment is implemented. The Committee agreed that it would be appropriate to include half of the expenditures to be made in the upcoming year as investments for calculating the rate base. This would allow for a partial return through rates on those investments which will be made before rates are reviewed a year or two from now. $87,500 has been included as half of the investments to be made over the coming year in the rate calculation provided at the end of Exhibit B.

Consideration of Market Conditions and Waste Management System Factors

The KFD site is a limited-use landfill which means that it can accept most wastes except food wastes. Portions of the drop box loads, demolition debris, yard debris and other non-putrescibles which comprise the majority of wastes going to the site could also go to the St. Johns Landfill, CTRC, the Oregon Processing and Recovery Center, East County Recycling, or to McFarlane's.

The demand for the disposal service by public waste disposers is considered relatively inelastic so that the site which is nearest and most convenient will be used by most public haulers unless a significant savings can be realized by using an alternative site. Under current rates, KFD public customers pay $3.85/yd. (including all Metro fees) or $7.70/two-yard minimum trip. At the St. Johns Landfill, the public pays $3.00/yd. with a 2.5 yard minimum of $7.50/trip. The CTRC rate is $3.40/yd. with a $8.50/trip minimum charge. Source separated yard debris is accepted at McFarlane's for $4.50 per 2.5 yards, and at East County Recycling for $7.50/trip. The KFD requested public base rate of $3.20/yd. would result in a total rate of $4.10/yd. or $8.25/two-yard trip. This should not have a significant effect on the flow of public wastes to these various sites.

Commercial waste disposers tend to be more responsive to costs in their selection of alternative disposal sites. However, costs for travel time and unloading time at the site are considered along with the tipping fee in the decision to utilize a particular disposal option. In comparing tipping fee differences between KFD and other disposal sites the density of wastes to be delivered is a key factor since KFD charges on the basis of volume and other available sites charge on a weight basis. Generally heavier materials can be disposed of at KFD for a lower cost than lighter materials. Loose wastes are the greatest volume of commercial loads delivered to KFD. The current KFD total rate for these materials in $2.00/cu. yd. while the St. Johns Landfill charge is $14.38/ton and CTRC's is

$17.38/ton. Currently materials with densities greater than 278 lbs./cu. yd. can be disposed more cheaply at KFD than at the St. Johns Landfill (1 ton/$14.38 x 2,000 lbs/ton x $2.00/1 yd) while materials with densities greater than 230 lbs/yd. can be disposed more cheaply at KFD than at CTRC. Under the requested loose rate and current Metro fees which would yield a total rate of $2.15/yd., these break even densities would rise to 299 lbs./yd. at St. Johns and 247 lbs./yd. at CTRC. This could have the effect of diverting a small amount of waste to St. Johns from KFD since the average density of loose wastes is around 250 lbs./cu. yd. Prior to last January when Metro removed its RTC from commercial disposers at limited-use sites, the differential between St. Johns' and KFD's rate was greater than that being requested (prior to January the "break-even" density was 341 lbs./yd.). With approval of the requested $.15/yd increase in the commercial loose rate, the total charge collected on a 20 cubic yard drop box would increase by $3.00 per trip. It is not believed that this will have a great effect on the disposal site selected. The cost of operting a collection vehicle is about $1.00 per minute.

Mixed wastes which have between 50% and 89% recoverable cardboard or mixed waste paper can be disposed of at the Oregon Processing and Recovery Center for $12.38/ton or $13.38/ton depending on the type of material. If loads are greater than 90% recoverable they can be disposed for $3.00/ton. As the densities of mixed waste paper and cardboard wastes are fairly light (40 to 200 lbs./yd.), an increase in KFD rates will not have much impact on the flow of wastes to OPRC.

Changes in Metro rate policies later in 1986 or in 1987 could have some effect on the market for waste disposal. Since specific policies or rates have not yet been determined or proposed, they should not be given much weight in the KFD rate request, however, they are worth noting. It is likely that Metro will propose a reduced rate for source separated yard debris disposal at St. Johns, this could have an effect on particularly public waste flows at KFD. Metro will probably review its policies of exempting limited-use sites from collecting the $1.00 per ton state landfill siting fee and the commercial RTC. A higher total commercial rate at KFD could result. Metro might also consider the use of flow control or bans to divert certain wastes away from the St. Johns Landfill and CTRC. In this case, KFD might get higher waste flows independent of the rates charged.

RM/sm
5599C/459-5
06/17/86

STAFF ANALYSIS AND CALCULATION OF KFD RATES   6/10/86 RDM
WITH RATE REVIEW COMMITTEE RECOMENDATIONS INCLUDED

("<---- *" denotes modifications in costs suggested by staff analysis, all other costs are identical to request)

OPERATING EXPENSES

	PUBLIC	COMMERCIAL	TOTAL	NOTES
DIRECT OPERATING EXPENSES:				
LABOR	$205,000	$205,000	$410,000	half pub & half commerc.
ROYALTIES	$17,000	$75,000	$92,000	18% pub based on waste flow
REGULATORY FEES	$4,680	$21,320	$26,000 <--- *	18% pub based on waste flow
EQUIPMENT RENTAL	$18,000	$36,000	$54,000	33% pub based on combined alloc.
FUEL/LUBRICANTS	$27,000	$54,000	$81,000	33% pub based on combined alloc.
SERVICE/TOOLS/SUPPLIES	$4,700	$9,300	$14,000	33% pub based on combined alloc.
EQUIPMENT MAINTENANCE	$46,000	$92,000	$138,000	33% pub based on combined alloc.
SUBTOTAL	$322,380	$492,620	$815,000	
OVERHEAD EXPENSES:				
TEMPORARY SERVICES	$1,300	$2,700	$4,000	33% pub based on combined alloc.
CONSULTANTS	$2,000	$4,000	$6,000	33% pub based on combined alloc.
INSURANCE	$50,000	$100,000	$150,000	33% pub based on combined alloc.
SECURITY	$8,000	$0	$8,000	100% pub based on utilization
COMPUTER EXP.	$3,700	$7,300	$11,000	33% pub based on combined alloc.
BAD DEBTS	$0	$9,000	$9,000	0% pub based on utiliaztion
TAXES, PORTLAND B. L.	$1,300	$2,700	$4,000	33% pub based on combined alloc.
TAXES, REAL PROPERTY	$13,700	$27,300	$41,000	33% pub based on combined alloc.
UTILITIES, TELEPHONE	$2,400	$4,600	$7,000	33% pub based on combined alloc.
OFFICE SUPPLIES, POSTAGE	$300	$700	$1,000	33% pub based on combined alloc.
PRINTING	$1,300	$3,700	$5,000	33% pub based on combined alloc.
ADVERTIZING	$700	$1,300	$2,000	33% pub based on combined alloc.
LEGAL	$6,300	$12,700	$19,000	33% pub based on combined alloc.
BUILDING & PROPERTY REPAIR	$1,000	$2,000	$3,000	33% pub based on combined alloc.
JANITORIAL	$300	$700	$1,000	33% pub based on combined alloc.
MISCELLANEOUS	$700	$1,300	$2,000	33% pub based on combined alloc.
ACCOUNTING FEES	$8,300	$16,700	$25,000	33% pub based on combined alloc.
MANAGEMENT FEES	$11,700	$23,300	$35,000	33% pub based on combined alloc.
OVERCHARGE ADJUSTMENT	($18,000)	$0	($18,000)	100% public see note
INFLATION FACTOR	$26,000	$52,000	$78,000	33% pub based on combined alloc.
SUBTOTAL	$121,000	$272,000	$393,000	
TOTAL OPERATING COSTS:	$443,380	$764,620	$1,208,000	

* NOTE: all operating costs are identical to those of the request except that:
Metro fees have been excluded and replaced by "REGULATORY FEES"
which includes the annual Metro franchise fee ($200) and DEQ compliance fee.

amount of public overcharge credit is based on rate decrease of $.10/yd til
total amount of overcharge is made-up.

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CAPITAL COST RECOVERY SCHEDULE PRESENTED BY KFD IS UNCHANGED!

   INVESTMENT          =        EQUIPMENT                          $444,067
     (from capital              SITE PREPARATION                 $1,537,457
      cost recovery             FUTURE EXPENDITURES 86-89          $228,500 <--- *  Only investments prior to 9/86 & 1/2 of
      schedule)                 LAND ACQUISITION                   $750,000           those for the next year are included.
                                                                 -----------                    (see p. 4 of Exhibit A)
                                                                               $2,960,024
   LESS ACCUMULATED DEPRECIATION

     (from capital        1981                                      $99,577
      cost recovery       1982                                     $143,053
      schedule)           1983                                     $156,632
                          1984                                     $206,992
                          1985                                     $242,081
                                                                 -----------
                                                                             -   $848,335
                                                                               ------------
TOTAL UNRECOVERED CAPITAL INVESTMENT        ------>                            $2,111,689


1986 CAPITAL COST RECOVERY                  ------>                              $306,647 <--- *  Includes just site
        (from capital cost recovery schedule)                                                     prep & equip.
                (see p. 4 of Exhibit A)

RATE BASE   =       Unrecovered Capital Investment       =         $2,111,689
                  + Working Capital                      =      +    $131,033   <--- * total operating costs /12
                                                                  -----------           + $30,366 for 1/12th of Metro Fees
        ------>                                                    $2,242,722


EQUITY CAPITAL   =          RATE BASE                    =         $2,242,722
                        -   DEBT CAPITAL                 =      -  $1,110,847   <--- * reported by KFD for 5/1/86
                                                                  -----------
        ------>                                                    $1,131,875


RETURN ON EQUITY CAPITAL   =       $1,131,875            RETURN ON DEBT CAPITAL  =         $1,110,847
                               x          15%  RRC recommended                       x            11%  RRC recommended
                                 -----------       return                              ------------        return
        ------>                     $169,781                     ------>                 $122,193


INCOME TAX  =      Return on Equity Capital                Return on
                   ------------------------          -     Equity Capital
                     1 - Tax Rate

           =      $169,781
                  ---------       -       $169,781   <--- *    (assume 44% effective tax rate)
                      56%

        ------>       =     $133,400
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STAFF ANALYSIS AND CALCULATION OF KFD RATES 6/10/86 RDM

WITH RATE REVIEW COMMITTEE RECOMENDATIONS INCLUDED

ANNUAL RETURN ON RATE BASE	=	RETURN ON EQUITY CAPITAL	=	$169,781
	+	RETURN ON DEBT CAPITAL	=	$122,193
	+	INCOME TAX	=	$133,400
------>				$425,374

ANNUAL REVENUE REQUIREMENT = & ALLOCATIONS	Public	Commercial	Total	Notes on Allocation
Reserve for Future Capital	$34,149	$155,570	$189,719	18% pub based on waste flow SEE NOTE 1
Operating & Overhead	$443,380	$764,620	$1,208,000	allocation based on operating costs
Capital Recovery	$55,196	$251,451	$306,647	18% pub based on waste flow SEE NOTE 2
Return on Rate Base	$76,567	$348,807	$425,374	18% pub based on waste flow
TOTAL REVENUE REQUIRED ----->	$609,293	$1,520,447	$2,129,740	
PROJECTED WASTE FLOWS (Tons)	177,000	806,000	983,000	
PUBLIC RATE & -------> AVERAGE COMMERCIAL RATE INDICATED THROUGH ANALYSIS	$3.44	$1.89		
ALTERNATIVE COST ALLOCATION TO YIELD PROPORTIONATE INCREASES IN RATES	$566,400	$1,563,340	$2,129,740	<---------+ This allocation is used below
PUBLIC RATE & -------> AVERAGE COMMERCIAL RATE INDICATED THROUGH ANALYSIS WITH ALTERNATIVE ALLOCATIONS	$3.20	$1.94		<---------+ Note: this alternative allocation is based on limiting the public rate to no more than $3.20/yd.

SCHEDULE OF RATES
DERIVED THROUGH ANALYSIS:
($ /cubic yard)

With alternative allocations
Staff analysis shows:

	Rate Categories	Current Base Rate	Requested Base Rate	Derived Base Rate (15% return)		Current Metro Fees	Suggested Total Rates	NOTE: commercial rates for various categories derived by formulas:
*	Commercial Loose	$1.75	$1.90	$1.90	+	$0.25	$2.15	avg commerc. rate X 0.980
	Commercial Demolition	$2.25	$2.45	$2.45	+	$0.25	$2.70	avg commerc. rate X 1.265
	Commercial Compacted	$2.70	$2.90	$2.90	+	$0.60	$3.50	avg commerc. rate X 1.495
	Commercial Heavy	$4.90	$5.30	$5.30	+	$0.25	$5.55	avg commerc. rate X 2.730
*	Public per yard	$2.78	$3.20	$3.20	+	$0.90	$4.10	
	Public 2yd min.	$5.56	$6.45	$6.40	+	$1.80	$5.00	

* indicates key rates

NOTES: 1 Amount is based on $.193 per yard needed for expenditures from 1986 on for closure, post-closure & etc.
2 Includes depreciation for equipment and site preparation but not for future expenditures.

REVEUE CHECK FOR SUGGESTED RATES:

					Revenue Estimate From Public Rate & Commercial Rates	Total Annual Rev. Requirement Identified	Revenue Deficit (Surplus)
177,000 Pub yards	X	$3.20	=		$566,400		
785,000 Loose yds	X	$1.90	=		$1,492,155		
5,000 Demo yds	X	$2.45	=		$12,268		
11,000 Comp yds	X	$2.90	=		$31,897		
5,000 Heavy yds	X	$5.30	=		$26,476		

Note: the exact distribution of wastes in the Demo, and Heavy categories is not known, however, 97% loose is assumed.					$2,129,197	$2,129,740	$543

EFFECT OF ALTERNATIVE RATES OF RETURN ON EQUITY CAPITAL ON: Public rates & Loose Commercial Rates and on Amount of Return on Equity

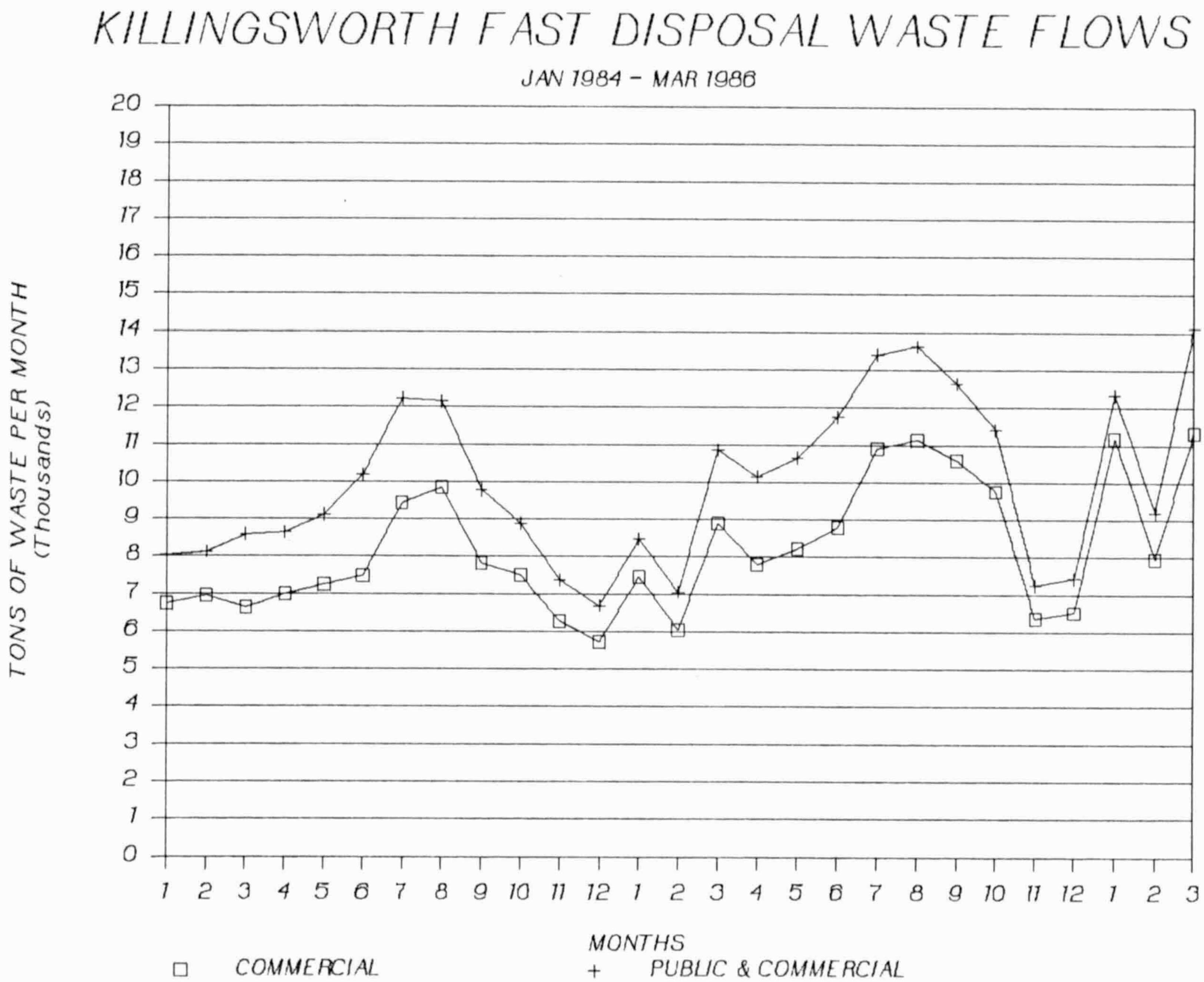
	PERCENT RETURN ON EQUITY	PUBLIC RATE	LOOSE COMMERCIAL RATE	RETURN ON EQUITY
		Based on staff analysis		
	0%	$2.74	$1.63	$0
	5%	$2.90	$1.72	$56,594
	10%	$3.05	$1.81	$113,187
	11%	$3.08	$1.83	$124,506
	12%	$3.11	$1.85	$135,825
	13%	$3.14	$1.86	$147,144
RRC	14%	$3.17	$1.88	$158,462
Recommeded ---->	15%	$3.20	$1.90	$169,781
Return	16%	$3.23	$1.92	$181,100
	17%	$3.26	$1.94	$192,419
	18%	$3.29	$1.95	$203,737
	19%	$3.32	$1.97	$215,056
	20%	$3.35	$1.99	$226,375

Note: Effect on the tax rate paid has not been included in this table.

4

KILLINGSWORTH FAST DISPOSAL (Nash Pit)

MONTH	Commercial				Public			Total
	lose yd	Comp yd	Tons	Trips	Trips	Add yd	Tons	Tons
1 JAN. 84	52,298	690	6,741	2,774	4,961	369	1,286	8,027
2 FEB. 84	54,030	680	6,954	4,774	4,509	309	1,166	8,120
3 MAR. 84	51,061	880	6,642	3,584	7,495	487	1,935	8,577
4 APR. 84	54,581	620	7,006	3,986	6,432	318	1,648	8,653
5 MAY 84	56,208	750	7,247	4,094	7,311	329	1,869	9,116
6 JUN. 84	57,842	854	7,482	4,321	10,512	598	2,703	10,185
7 JUL. 84	73,394	870	9,431	5,417	10,864	590	2,790	12,221
8 AUG. 84	76,464	965	9,843	5,643	9,049	409	2,313	12,156
9 SEP. 84	60,076	1,010	7,807	4,721	7,701	433	1,979	9,787
10 OCT. 84	58,118	805	7,502	4,136	5,270	428	1,371	8,873
11 NOV. 84	47,965	910	6,264	3,117	4,015	936	1,121	7,385
12 DEC. 84	43,553	963	5,728	2,452	3,693	237	953	6,681
1984 total	685,590	9,997	88,648	49,019	81,812	5,443	21,133	109,781
1 JAN. 85	56,998	1,100	7,449	3,029	4,065	21	1,019	8,468
2 FEB. 85	46,427	800	6,039	2,312	4,026	13	1,008	7,048
3 MAR. 85	69,051	885	8,892	3,206	7,863	17	1,968	10,860
4 APR. 85	60,616	730	7,792	3,035	9,394	18	2,351	10,143
5 MAY 85	64,012	750	8,223	3,382	9,712	15	2,430	10,653
6 JUN. 85	68,672	700	8,791	3,637	11,791	9	2,949	11,739
7 JUL. 85	85,478	735	10,902	4,389	9,951	10	2,489	13,391
8 AUG. 85	87,228	835	11,150	4,577	9,915	17	2,481	13,631
9 SEP. 85	82,418	979	10,591	3,952	8,124	17	2,033	12,624
10 OCT. 85	75,760	977	9,758	3,877	6,570	21	1,645	11,403
11 NOV. 85	49,027	762	6,353	2,659	3,502	14	877	7,230
12 DEC. 85	47,977	1,764	6,518	2,741	3,631	15	910	7,427
1985 total	793,664	11,017	102,458	40,796	88,544	187	22,159	124,617
Average (per mo.)	66,139	918	8,538	3,400	7,379	16	1,847	10,385
1 JAN. 86	78,289	4,714	11,177	3,987	4,656	19	1,166	12,343
2 FEB. 86	57,418	2,599	7,944	3,063	4,999	15	1,252	9,196
3 MAR. 86	84,404	2,670	11,338	4,196	11,123	17	2,783	14,121
Total last 12 mo	841,299	18,215	110,536	43,495	93,368	187	23,365	133,901


KILLINGSWORTH FAST DISPOSAL WASTE FLOWS
JAN 1984 - MAR 1986
TONS OF WASTE PER MONTH
(Thousands)
20
19
18
17
16
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12 1 2 3
MONTHS
COMMERCIAL
PUBLIC & COMMERCIAL

STAFF REPORT

Agenda Item No. 8.2

Meeting Date June 26, 1986

CONSIDERATION OF RESOLUTION NO. 86-658 FOR THE PURPOSE OF GRANTING PUBLIC AND COMMERCIAL RATE INCREASES TO THE KILLINGSWORTH FAST DISPOSAL LANDFILL

Date: June 17, 1986

Presented by: Rich McConaghy
George Hubel

FACTUAL BACKGROUND AND ANALYSIS

The purpose of this staff report is to: introduce Resolution No. 86-658 which grants rate increases to the Killingsworth Fast Disposal Landfill; to summarize the analysis which has been made of the franchisee's request; and to present the recommendation on the request which has been made by the Solid Waste Rate Review Committee. Exhibit A, which is attached, presents the request which has been made by Riedel Waste Disposal Systems Inc. for increases to public and commercial rates at the Killingsworth Fast Disposal Landfill. Exhibit B provides detailed findings from the analysis of this request which has been made by solid waste staff and the Rate Review Committee.

Metro Code Section 5.01.180 and Executive Order No. 25, adopting Procedures for Processing Applications and Rate Adjustment Requests, provide the guidance upon which rate increase requests may be made by franchisees and the basis for review and evaluation of rate requests by staff and the Rate Review Committee. The document detailing these rate adjustment procedures was presented to the Council on February 27. The purpose of the Metro rate review and rate regulation responsibilities is to "Ensure that rates are just, fair, reasonable and adequate to provide necessary public service (5.01.020(b)(3))."

The franchisee's request is for an approximate 8.6 percent increase in the commercial base rates which it charges and for a 15.1 percent increase in the public base rate. The commercial base rate was last adjusted in March 1985 and the public base rate has not been adjusted since October 1982. The requested increase is due primarily to the added need for collecting funds for closure and post-closure care and to perform required environmental monitoring. Inflation accounts for a portion of particularily the requested public increase. The requested public rate increase represents less than a 4 percent per year increase over the last four years. Additionaly, the new guidelines which are being used for reviewing rate requests allow for an accurate accounting and disclosure of all relevant financial information, and this indicates that the requested rates are reasonable.

When the amount of Metro fees being collected at KFD are considered, the net increase in cost of disposal to public and commercial customers would be about 7 percent to 7.5 percent above the current total disposal charges. The amounts of the requested rate increases are as follows:

Waste Category	Current Base Fee	Requested Base Fee	Current Total Fee	Requested Total Fee	Amount of Metro Fee
Commercial loose (per yard)	$1.75	$1.90	$2.00	$2.15	($.25/yd)
Commercial demolition (per yard)	2.25	2.45	2.50	2.70	($.25/yd)
Commercial compacted (per yard)	2.70	2.90	3.30	3.50	($.60/yd)
Commercial heavy (per yard)	4.90	5.30	5.15	5.55	($.25/yd)
Public (per yard)	$2.78*	3.20	3.85	4.10	($.90/yd)
Two yard minimum charge (per trip)	5.56*	6.45	7.70	8.25	($1.80)

* Decreases in Metro fees charged to the public in 1984 and 1986 without cooresponding decreases in the total rates charged to the public have resulted in a slight overcharge in the base rate of $.12 to $.17 per yard above the amounts indicated. Metro staff has been aware of this and the present rate adjustment provides for a reconcilliation of the past overcharge. Exhibit B provides a detailed explanation of this correction.

More than 95 percent of the commercial waste received is charged the commercial loose rate.

Staff has evaluated the information and justifications provided to support this request through consideration of: the method of presentation; waste quantity projections; rate structures and allocation of costs; annual operating costs; capital cost recovery; the calculation of the rate base and rate of return; and the impact of the request on diversion from the St. Johns Landfill, and other market factors. Detailed findings of the staff analysis and evaluation are presented along with those of the Rate Review Committee in Exhibit B. This evaluation indicates that the requested increase is justifiable on the basis of revenue required to operate the facility, recover capital investments, provide for future landfill closure and post-closure care, and provide the franchisee with a reasonable return on invested equity.

Of the total $2.14 million in required revenue identified, 56 percent is needed for operating and overhead expenditures, 14 percent is needed for recovery of past capital expenditures, 9 percent is needed for paying future capital expenditures including landfill closure and post-closure care, and 21 percent is needed for obtaining a return on equity, a return on debt capital (interest expense) and to pay income taxes. The 15 percent return on equity capital, which is essentially the franchisee's annual after tax profit, is estimated at $170,000 or approximately 8 percent of gross revenues. In establishing rates, the Council is not guaranteeing nor limiting the amount of the return which the franchisee will obtain through the operation.

RATE REVIEW COMMITTEE RECOMMENDATION

The Rate Review Committee has completed its investigation of the information provided by the franchisee and recommends that the requested rate increases be granted. The Committee's recommendation follows two lengthy meetings at which relevant financial and waste flow information was evaluated. The findings of the Committee are summarized below and elaborated upon in Exhibit B.

- The Committee commends Riedel Waste Disposal Systems Inc. for its adherence to the recently adopted guidelines in the submittal of its rate request. This has been the first test of the guidelines and the franchisee has been very responsive in working with the Committee to allow for a thorough consideration of pertinent factors.

- The information provided by the applicant appears reasonably complete and accurate.

- The Committee recommends that for calculating and establishing rates an 11 percent return on debt capital and a 15 percent return on equity capital be used rather than the 13 percent and 17 percent figures which were originally requested.

- The Committee disagreed with the applicant's original request for including the entire amount of investments for the coming year in the current rate base. Assuming investments will be made at various times throughout the upcoming year, it is appropriate to allow half of these to be included. The Committee also indicated that it is appropriate to exclude Metro User and RTC fees from the indicated operating expenses so that a base rate is calculated rather than a total rate. Rates should be calculated by dividing the total revenue requirement by the projected waste volumes. Adjustments made to the rate calculations in Exhibit B, as a result of these Rate Review Committee recommendations, do not produce substantially different rates from those requested since the franchisee's requested rates were somewhat lower than those indicated in the original calculations which were submitted (refer to page 8 of Exhibit A).

- The Committee has made specific inquiries on: the income tax rate used, the value of the land, royalties paid, salvage revenue, reconcilation of a past overcharge, allocation of rates between the various commercial classes, special handling fees, and the accrual of post-closure funds. The Committee believes that suitable answers on these and other items have been provided.

- The Committee concluded that approval of the requested rates will not have a significant impact in diverting waste to St. Johns. Though the diversion effect of the Killingsworth requested rate increase can't be quantified, the Committee believes it would probably be minor and that it would be slow in evolving. The requested rates include some subsidy for encouraging recycling through the salvage of material which the franchisee accomplishes and this is consistent with Metro waste reduction policies (Ordinance No. 85-611-A).

SUMMARY

Council adoption of Resolution No. 86-658 would grant the requested rate increases as recommended by the Rate Review Committee and would also: allow for slight adjustments in the minimum trip charge so that most cash transactions could be made with an even 25¢; allow the franchisee to collect a double charge on uncovered loads to reduce litter and would allow the public rate to increase by 10¢ per yard once the off set included in the rate to correct a past overcharge has been reconciled.

EXECUTIVE OFFICER'S RECOMMMENDATION

The Executive Officer recommends adoption of Resolution No. 86-658 granting public and commercial rate increases at the Killingsworth Fast Disposal Landfill.

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Ayes: Councilors DeJardin, Frewing, Gardner, Hansen, Kafoury, Kelley, Kirkpatrick, Oleson, Van Bergen and Waker

Absent: Councilors Cooper and Myers

The motion carried and Resolution No. 86-650 was adopted as revised.

8.2 Consideration of Resolution No. 86-658, for the Purpose of Granting Public and Commercial Rate Increases at the Killingsworth Fast Disposal Landfill

Rich McConaghy, Solid Waste Analyst, introduced Gary Newbore of Killingsworth Fast Disposal Landfill (KFD) and presented information relating to the rate increase request. He first noted KFD's request had been evaluted by Metro's Rate Review Committee (RRC) according to the rate review guidelines previously reviewed by the Council. Mr. McConaghy then discussed the specific formula for calculating franchise rate fees as contained in the printed agenda materials.

George Hubel, RRC Chair, reviewed the process by which the RRC evaluated KFD's rate increase request. Special issues of concern inclucluded the fact that no funds had been set aside for post closure costs and that KFD received some income from salvage and recycling efforts. He said the RRC determined KFD should receive a financial incentive to encourage recycling.

A discussion followed regarding KFD's post closure fund. Presiding Officer Waker asked what assurance the Council had that KFD would actually spend the fund on that activity. Mr. McConaghy explained recent Department of Environmental Quality (DEQ) regulations required the fund and governed its use.

Councilor Gardner said he was concerned that increased rates at KFD would divert more business to St. Johns Landfill. Mr. Hubel assured the Council the rate increases were modest and would not have a negative effect on St. Johns.

The Council then discussed the proposed rate incentives for recycling. Presiding Officer Waker said he objected to granting KFD an incentive when it was questionable how much material was actually being diverted from landfills as a result of their efforts. Councilor Kelley said she was very concerned about granting KFD a rate increase in addition to a generous break for recycling. Councilor Frewing said he had no problems with the recycling incentive but thought such a policy should apply to all franchises on a District--wide basis.

Presiding Officer Waker requested, as suggested by Councilor Frewing, staff prepare for Council review a policy regarding rate guidelines for franchises to encourage recycling activity.

Motion: Councilor DeJardin moved the Resolution be adopted and Councilor Frewing seconded the motion.

Gary Newbore, representing KFD, addressed the Council regarding the rate request. He described the recycling/salvage operation in more detail and the new DEQ requirements for post closure of the landfill.

Vote: A vote on the motion resulted in:

Ayes: DeJardin, Frewing, Gardner, Hansen, Kirkpatrick, Oleson and Waker

Nay: Councilor Kelley

Absent: Cooper, Kafoury, Myers and Van Bergen

The motion carried and the Resolution was adopted.

Councilor DeJardin commended staff and the RRC for their impressive work on the rate review project.

EXECUTIVE SESSION

At 8:15 p.m. Presiding Officer Waker called the Council into executive session under the authority of ORS 192.660(1)(e), (f) and (h)) to discuss confidential matters related to the West Transfer & Recyling Center project. The following Councilors were present: DeJardin, Frewing, Gardner, Hansen, Kelley, Kirkpatrick, Oleson and Waker. The Council reconvened into regular session at 8:45 p.m.

WEST TRANSFER & RECYCLING CENTER

Motion: Councilor Gardner moved to declare the Cornelius Pass site selected by the Council on February 13, 1986, was no longer a suitable site because of the Washington County Board of Commissioners' recent interpretation that the Special Industrial District required more protection than other industrial zones. Councilor DeJardin seconded the motion.

Vote: A vote on the motion resulted in:

Ayes: Councilors DeJardin, Frewing, Gardner, Hansen, Kelley, Kirkpatrick, Oleson and Waker