

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF ADOPTING)	RESOLUTION NO. 86-689-A
POLICIES REGARDING RESPONSES TO)	
REQUESTS FOR PROPOSALS FOR)	Introduced by the
RESOURCE RECOVERY FACILITY SERVICES)		Executive Officer

WHEREAS, Metro's Solid Waste Program recognizes that up to 48 percent of the waste stream (estimated 450,000 tons per year) is available for alternative technology/resource recovery projects to develop useful by-products and/or recover energy from solid waste; and

WHEREAS, On March 13, 1986, the Council of the Metropolitan Service District (Metro) adopted Resolution No. 86-635 "For the Purpose of Authorizing an Exemption to the Public Contracting Procedure Set Out in Metro Code Section 2.04.001 et seq. for Solid Waste Disposal Services from a Resource Recovery Facility(ies);" and

WHEREAS, That Resolution described a process for contractor selection which included using a Request for Qualifications and Information to select "up to the five most qualified firms for each technology type" and then using a Request for Proposals to obtain specific proposals from which to complete the selection; and

WHEREAS, On July 24, 1986, the Council designated the most qualified firms; and

WHEREAS, The Council wishes to further describe the RFP selection process so that clarifications and preliminary agreement can be made prior to selection of the proposer(s) with whom to negotiate a final agreement; and

WHEREAS, The Council intends to develop an evaluation process reflecting the Council's values and corresponding weighting system using the criteria described in Ordinance No. 86-201 and the policies in the Solid Waste Reduction Program; and

WHEREAS, The Council wishes to inform the community about the Resource Recovery Project and to gain public acceptance of the Project; now, therefore,

BE IT RESOLVED,

1. That responses to the RFP will be refined through the following process: (a) the proposers will be interviewed as necessary to clarify their proposals; (b) a Memorandum of Understanding (MOU) will be drafted with the vendor(s) who appears to the evaluation team to best meet Metro's needs; the MOU will memorialize the agreement on points amending the RFP; (c) Council will review the MOUs and the recommendations of the evaluation team and will authorize staff to complete negotiations with the vendor(s) who best appears to meet Metro's needs; if a top ranked vendor fails to negotiate an MOU or if the Council rejects an MOU, an MOU may be negotiated with the next most appropriate vendor; and (d) the RFP and the MOU will be the basis for the final agreement between the parties.

2. That the primary risks Metro will accept are the delivery of waste and certain uncontrollable circumstances as outlined in Exhibit A.

3. That Metro expects to share energy and product sales revenues and will structure the Tip Fee to be the Service Fee less Energy and Recovered Materials Revenues and the Service Fee to be the Debt Service and Operations and Maintenance Costs.

4. That Exhibit B reflects the issues described in Ordinance No. 86-201 and the Solid Waste Reduction Program.

5. That Metro will develop and implement a public involvement program.

ADOPTED by the Council of the Metropolitan Service District
this 25th day of September, 1986.


Richard Waker, Presiding Officer

DD/DA/gl
6283C/472-2
09/24/86

EVENT	PRIMARY PROBLEM	CAUSE	SPECIAL RESOLUTION OF PRIMARY PROBLEMS	DEBT SERVICE RESPONSIBILITY	CONTRACTORS COST OR EQUITY RESPONSIBILITY	DISPOSAL COST OF WASTE	MATERIAL OR ENERGY REVENUES	DAMAGES
4) Complete destruction	Not able to use facility; waste goes to landfill; bonds must be repaid	a. U.C.	Unspent bond money pays debt, then parties share remaining debt.	Shared	N/C	N/C	Gone	N/C
		b. All other	Unspent bond money pays debt, C pays remaining debt and Metro's costs	Contractor	N/C	Contractor pays all costs	Gone	C pays Metro
5) Waste not delivered by Metro	Plant operates below capability; energy revenue short fall	a. U.C.	Contractor tries to find extra waste	N/C	N/C	N/C	Reduced	N/C
		b. All other	"	N/C	N/C	N/C	Metro pays C	N/C
6) Facility passes tests but operates at lower level than promised	Waste goes to landfill; Lower special revenues	a. U.C.	Everyone shares loses;	N/C	N/C	N/C	Reduced	N/C
		b. Metro doesn't deliver waste	O & M cost reduced	N/C	N/C	N/C	Metro pays C	N/C
		c. All other	Service fee lowered C buys down (pays to permanently reduce operation level). O & M cost reduced	N/C but Lowered	N/C	C pays transp. and landfill costs	C pays Metro	C pays Metro
7) Lower recovered material or energy produced	Less special revenue to parties	a. U.C.	Each bears own risk	N/C	N/C	N/C	Reduced	N/C
		b. Metro doesn't deliver	Metro reimburses contractor	N/C	N/C	N/C	Metro pays C	N/C
		c. All other other	C reimburses Metro	N/C	N/C	N/C	C pays Metro	N/C

1) U.C. = Uncontrollable Circumstances

2) N/C = No change on normal amounts, but changes may be shown in Special Resolution Column.

3) C = Contractor

SUMMARY RISK CHART
Details in Text

EVENT	PRIMARY PROBLEM	CAUSE	SPECIAL RESOLUTION OF PRIMARY PROBLEMS	DEBT SERVICE RESPONSIBILITY	CONTRACTORS COST OR EQUITY RESPONSIBILITY	DISPOSAL COST OF WASTE	MATERIAL OR ENERGY REVENUES	DAMAGES
Normal Terms of RFP	(See RFP Summary and Contractual Responsibility)			Metro	Contractor	Metro pays landfill & transport except prohibited waste and diverted waste C pays for those	Metro gets %; C gets %	None
	Metro delivers agreed upon volume of waste; Contractor extracts recoverable materials and processes waste; Contractor sells materials and energy to its markets. Metro pays Contractor Tip Fee.							
	TF = Service Fee - Metro's % of Energy & Materials Revenues SF = Debt Service + Operations & Maintenance							
1) Cost increase during construction	Facility price increases	a. U.C.	Extra cost added to debt service pd. by Metro	N/C but increased	N/C	N/C	N/C	N/C
		b. Metro change order	"	N/C	N/C	N/C	N/C	N/C
		c. All other	Contractor pays extra cost	N/C	N/C	N/C	N/C	N/C
2) Delay in construction	Not able to use facility; Metro must send waste to landfill;	a. U.C.	Extension of time; Metro takes Metro takes waste to landfill	N/C	N/C	N/C	N/C	N/C
3) Doesn't pass tests on time	Bonds must be repaid	b. Metro Change Order	"	N/C	Metro pays C's costs service	N/C	N/C	N/C
		c. All other	Limited extension of time; Metro takes waste to landfill	Contractor	N/C	C pays trnspt. and landfill	C pays Metro	C pays Metro

1) U.C. = Uncontrollable Circumstances

2) N/C = No change on normal amounts, but changes may be shown in Special Resolution Column.

3) C = Contractor

Uncontrollable Circumstances, subject to certain limitations such as deliberate acts or negligence, are the following events:

- | | |
|--|---|
| A. An Act of God. | E. Change in Law. |
| B. Landslides, fire, explosion, or flood. | F. Utility failure. |
| C. Acts of a public enemy, war or governmental intervention. | G. Metro delivery of Prohibited Waste. |
| D. Certain failures to issue or renew, or the suspension or denial of permits. | H. Cessation of Collection of Solid Waste in the Metro Area if Metro has in good faith attempted to mitigate any shortfall in deliveries caused by cessation. |

EVENT	PRIMARY PROBLEM	CAUSE	SPECIAL RESOLUTION OF PRIMARY PROBLEMS	DEBT SERVICE RESPONSIBILITY	CONTRACTORS COST OR EQUITY RESPONSIBILITY	DISPOSAL COST OF WASTE	MATERIAL OR ENERGY REVENUES	DAMAGES
8) Failure of recovered material or energy users to take or pay	Less special revenues to parties	a. U.C.	Each bears own losses; C seeks new markets	N/C	N/C	N/C	After 90 days C pays Metro	N/C
		b. Other reasons	Each bears own losses; C seeks new market	N/C	N/C	N/C	C pays Metro	N/C
9) Increased pass through costs	Increases service fee paid by Metro	Allowed in contract	Metro will add increases to service fee up to limits negotiated in contract	N/C	N/C	N/C	N/C	N/C
10) Increased operation and maint. for reasons other than inflation or other negotiated items	Increases service fee paid by Metro	a. U.C. or Metro failure to deliver waste	Metro will add increases to service fee	N/C	N/C	N/C	N/C	N/C
		b. Other reasons	No change in service fee	N/C	N/C	N/C	N/C	N/C
11) More residue than guaranteed	Increased disposal costs for Metro	Any reason	Metro will accept residue at landfill; C will pay landfill & transportation charges.	N/C	N/C	N/C but C pays for extra	N/C	N/C
12) New capital improvements after construction	Increases cost of facility	a. U.C.	Extra costs added to debt service & Metro pays	N/C but increased	N/C	N/C	N/C	N/C
		b. Other	Contractor pays extra charges	N/C	N/C	N/C	N/C	N/C

1) U.C. = Uncontrollable Circumstances

2) N/C = No change on normal amounts, but changes may be shown in Special Resolution Column.

3) C = Contractor

EXHIBIT B

7. EVALUATION OF PROPOSALS

7.1 GENERAL

The objective of this RFP process is to select a Proposer to negotiate final full service arrangements with Metro. Proposals will be judged using the evaluation criteria outlined in this section. The Proposer will be selected in the best interest of Metro.

Primary emphasis will be placed on projects that:

- a. Are consistent with the technology preferences established in Metro's Solid Waste Reduction Program. When shown to be technically and economically feasible, preferences are as follows:
 - First preference will be given to materials recovery technologies, including composting,
 - Second preference to those which produce a fuel to replace conventional fuels, and
 - Final preference to those technologies which generate electricity.
- b. Are consistent with Ordinance No. 86-201 by minimizing the overall disposal system cost over a landfill-based system.
- c. Achieve maximum reduction of waste relative to the marginal cost/ton;
- d. Will minimize financial risk to Metro;
- e. Maximize flexibility by minimizing capital costs and limiting construction time;
- f. Demonstrate financial strength and corporate commitment to resource recovery by the vendors; and
- g. Obtain public acceptability of technology used, cost, and location.

In Ordinance No. 86-201 the Metro Council established a goal that the cost of a disposal system with resource recovery will not increase the system cost more than 20 percent based on a disposal system with a new landfill. Disposal system cost includes costs associated with transfer stations, resource recovery facilities and landfills; it does not include collection cost.

Each section of the Proposal will be evaluated in terms of how reasonable the claims made are, how complete the data provided is, how conservative the approach taken is, and conformance with the instructions given.

All Proposals received by 4:30 p.m., Pacific Standard Time, on January 8, 1987, will be catalogued and distributed for preliminary review. Each Proposal will be checked for its responsiveness to the RFP and completeness by Metro and its Project Consultants. All required forms and data sheets must be completed.

Any Proposer submitting a Proposal not satisfying the minimum requirements set forth in Section 6 may be disqualified from consideration at the discretion of Metro. Proposers will be notified of omission or of the need to modify the Proposal by Metro. Some Proposers will be asked to come to the Metro Area for interviews within thirty (30) days following the Proposal submission date to discuss their Proposal.

A more specific Project development schedule will be negotiated with the selected Proposer.

The following discussion outlines the selection and evaluation criteria to be used.

7.2 EVALUATION CRITERIA

Evaluation of the Proposals will be based upon a number of pre-selected criteria which reflect the needs of the Project.

The major evaluation criteria are:

- Technical;
- Management;
- Cost;
- Performance Standards; and
- Financial.

7.3 DOCUMENT II: FACILITY PROPOSAL EVALUATION

The evaluation of Document II: Facility Proposal, will address the technical requirements of the Facility with the reference plant providing a comparative base for evaluating the reasonableness of the Proposal. This evaluation will also address the management information submitted.

7.3.1 Technical Proposal

Technical evaluation criteria will include:

- Overall soundness of the Facility design and integration of separate elements of the Facility (e.g., receiving, storage, processing, Residue removal, and Recovered Materials handling);
- Technical feasibility of equipment and unit processes;
- Soundness of operations and maintenance plans including feasibility of the system with regard to fluctuations of quantity and composition in the Acceptable Waste stream, and contingency capabilities of the system;
- Consistency, accuracy and reasonableness of process flow diagrams, control diagrams, mass balance sheets and energy balance sheets;
- Reliability/availability of system;

- Ability to produce Recovered Materials, and steam, electricity, and/or RDF (as applicable) for sale to the appropriate market(s);
- Aesthetics of architectural design and Facility Site plan configuration;
- Compliance with all environmental regulations;
- Energy and water conservation measures indicated in design and operation;
- Process Residue: quantity and quality; and
- Willingness and commitment of Contractor to operate the Facility under optimum conditions (maximum efficiency and maximum output of Recovered Materials, and steam, electricity, and/or RDF).

The requested information on the reference plant will be assessed relative to:

- Degree of technical demonstration of the reference plant as compared to the proposed Facility;
- Technical feasibility of the Proposal, based on the Proposer's experience with a similar operating system; and
- Overall soundness of the proposed system.

7.3.2 Management Proposal

Management evaluation will include:

- Techniques and controls for Project management (i.e., reporting procedures, audits, payment and monitoring responsibilities);
- Reasonableness of construction schedule and payments;
- Safety policies;
- Maintenance philosophy and policies;
- Soundness of shake-down and testing procedures;
- Proposed working/operational relationship and procedures with: (1) Metro, (2) the Recovered Materials Markets, and (3) the Energy Market(s);
- Parent company and subcontractor staff support;

- Willingness to meet the development and implementation schedule; and
- Willingness to consider innovative techniques to increase efficiency and maximize Recovered Materials and Energy production to decrease disposal costs.

7.4 DOCUMENT III: BUSINESS PROPOSAL EVALUATION

The evaluation of Document III: Business Proposal, will address two areas: (1) costs, and (2) Performance Standards.

7.4.1 Cost Proposal

Evaluation criteria will include:

- Competitiveness of Service Fees relative to other Proposals and alternative disposal methods in the Metro Area on a life-cycle cost, net present value basis;
- Reasonableness of capital and operating cost estimates;
- Revenue-sharing approach between Metro and the Proposer;
- Willingness to participate in the financing plan;
- Proposer's desired return on investment/involvement in the Project;
- Desired return on equity contribution in Project;
- Demonstrated ability to obtain an investment grade rating and secure financing; and
- Demonstrated recognition of potential cost issues with respect to environmental and permitting matters and Facility performance.

7.4.2 Performance Guarantees

Evaluation criteria will include (as applicable):

- Competitiveness of offered guarantees relative to other Proposals;
- Minimizing risk to Metro;
- Markets for the Recovered Materials Market(s), and the Energy Market(s);

- Residue generation and landfill consumption guarantees;
- Thermal efficiency;
- Recovered Materials production;
- Electricity production;
- Steam production;
- RDF production;
- Optimum operating Proposal;
- Fiscal capability and financial strength of the Proposer to back offered guarantees and other commitments;
- Proposer's degree of acceptance of the business terms in Section 4; and
- Consonance of Performance Standards with information supplied with respect to the reference plant.

7.4.3 Contract Proposal

Contract Proposal evaluation points will include:

- Allocation of Project economic risk;
- Percentage share of Energy and Recovered Material Revenues between Metro and Proposer;
- Insurance and performance bonds;
- Exception to risk allocation items shown in Exhibit 4.4;
- Position on contract terms and questions raised in Section 4; and
- Overall congruency of offered contract terms with Metro's position.

7.4.4 Financing Plan

Financing plan evaluation criteria will include:

- The financeability of the proposed financing plan;
- The Contractor's investment banker's acceptance of the relationship to be established with Metro's designated investment banker;

- Congruency of plan with the responses to specific contract Proposal questions; and
- The bond rating claimed for the financing, and the rationale/justification for same.

7.5 DOCUMENT IV: QUALIFICATIONS EVALUATION

The evaluation of Document IV: Qualifications, will address four areas: (1) experience, (2) management capability, (3) technical reliability, and (4) financial condition and resources.

7.5.1 Experience

The experience evaluation criteria will include:

- Experience as full-service Contractor in resource recovery;
- Experience in negotiating and developing projects for financing; and
- Experience in implementing project financings of a similar type.

7.5.2 Management Capability

The management qualifications evaluation criteria will include:

- Parent company and subcontractor(s) staff experience in similar assignments and extent of human resources to draw upon for this type of project;
- Demonstrated capability to perform all required tasks;
- Techniques and controls for Project management;
- Past record to complete construction on time and within budget/price;
- Maintenance philosophies, policies and practices; and
- Past record in meeting Performance Standards at similar plants.

7.5.3 Technical Reliability

Technical reliability criteria will include:

- Proven reliability of proposed technology;

- Proven performance that the technology can reliably meet applicable environmental regulations/emission levels; and
- Track record of reference plant in meeting similar technical, operational, and environmental performance levels contemplated for this Project.

7.5.4 Financial Condition and Resources

Financial condition and resources criteria include:

- Credit rating adequate to make the Project financeable; and
- Sufficient financial resources of the Contractor, its parent, or joint-venture partner to support their guarantees through construction and operation; and a statement as to their willingness to commit these resources for the guarantees.

6283C/472-1

STAFF REPORT

AGENDA ITEM NO. 8.2
MEETING DATE Sept. 25, 1986

CONSIDERATION OF RESOLUTION NO 86-689 FOR THE PURPOSE OF ADOPTING
POLICIES REGARDING RESPONSES TO REQUESTS FOR PROPOSALS FOR
RESOURCE RECOVERY FACILITY SERVICES

DATE: SEPTEMBER 18, 1986

PRESENTED BY: DEBBIE ALLMEYER

FACTUAL BACKGROUND AND ANALYSIS

Attached is a memorandum to the Council which includes a Resource Recovery Project RFP Overview. The purpose of the overview is to highlight key aspects of the RFP, as well as the process through which Metro intends to negotiate a contract for resource recovery facility services.

The overview provides a summary of the RFP, a discussion of the contractual responsibilities of Metro and the Contractor as stated in the RFP, including business arrangement and risk assignment, and a discussion of the Tip Fee configuration.

Resolution No 86-689 describes the initial negotiation process that utilizes a Memorandum of Understanding (MOU) with the top ranked prospective Contractor(s), the primary risks Metro will accept, the Tip Fee structure, and the evaluation criteria reflected in Ordinance No. 86-201 and the Solid Waste Reduction Program.

EXECUTIVE OFFICER'S RECOMMENATION

The Executive Officer makes no recommendation on this resolution pending completion of the Council workshop on the RFP process.

MEMORANDUM

DATE: September 10, 1986

TO: Rick Gustafson and Members of the Council

FROM: Debbie Gorham Allmeyer, Analyst

REGARDING: Resource Recovery Project RFP Overview

Council briefings will be held on Sept. 11, 4:30-5:30, Rm. #240 and Sept. 12, 12:00-1:00, Rm. #240 for the purpose of introducing the rudiments of the RFP and RFP strategy. The Council Worksession on Sept. 18 will be held in Rm. #330 from 5:30-8:30 for the purpose of full Council consideration of the highlighted issues that comprise the RFP. Contractor comment on the draft RFP will be available to the Council at the Worksession.

Through the attached overview and upcoming briefings and worksession the Council will be apprised of information and issues related to the RFP. Staff recommendations will be highlighted for discussion.

The Council worksession is designed to achieve the informed consent of the Council on the RFP process, and to provide direction for staff on any difficult issues in, or associated with the RFP itself. The agenda for the worksession will include, but not be limited to the following:

- 1) RFP Summary
- 2) RFP Contractual Responsibilities
 - a-Business Arrangement
 - b-Risk Assignment
- 3) RFP Tip Fee Configuration
- 4) Draft Resolution for continuation of RFP process

RESOURCE RECOVERY PROJECT RFP OVERVIEW

I. RFP SUMMARY

Metro is soliciting proposals for mass burn and RDF technologies to dispose of up to 450,000 TPY of waste, from which recyclable materials have been removed through source separation, and material recovery facilities. It is anticipated that RFP #1, for mass burn and RDF technologies, will be issued in the first week of October. RFP #2 will be issued the following month.

In order to expedite future negotiations with prospective Contractor(s), Metro's RFP states Metro's preferred allocation of contractual responsibilities and risk assignments. In addition, a Memorandum of Understanding (MOU) outline is appended to the RFP to illustrate to Proposers how Metro will conduct the negotiation process.

The MOU will function as the first step in formal negotiations, following review and evaluation of the proposals submitted. It will indicate any changes requested by Contractors to policies and terms stated in the RFP. The top ranked Proposer(s) will negotiate terms and business arrangements to which he will agree, within a three month time period. Based on the successful execution of the MOU, the Metro Council will decide whether to enter into formal contract negotiations with this Proposer.

Proposers are instructed to submit full and complete proposals on three different volume sizes, which are 250,000 TPY, 350,000 TPY, and 450,000 TPY, and to incorporate front end material recovery in their proposals. Establishing and negotiating the energy and material markets, as well as securing the Facility site will be the responsibility of the Proposer.

Metro will deliver waste 7 days a week to the Facility. The Facility will be required to meet all federal, state, and local laws, as well as meeting public acceptability criteria.

Proposers will be requested to put forth a private ownership proposal, financed with Industrial Development Revenue Bonds (IDRBs) and the owner's equity contribution. The service contract will be for the term of the bond indebtedness and for an unspecified time after the Facility is paid for. Metro could opt to buy the Facility at fair market value. After proposals have been received an evaluation of the public ownership option will be conducted.

A Tip Fee will be paid by Metro to the Contractor to cover operation, maintenance and debt service, part of which will be offset through the sale of energy and materials. As a part of their proposal, a sharing arrangement for revenues from the sale of materials and energy will be submitted. Performance must be guaranteed by the Contractor, therefore guaranteeing quality and quantity of output. Metro will share risk in the revenues received for those products. To be competitive, Proposers will need to provide Metro with the best revenue sharing proposal while at the same time minimizing risk to Metro.

II. RFP CONTRACTUAL RESPONSIBILITIES

1) Business Arrangements stated in RFP:

The following represent the primary areas for which each party will be a responsible.

Metro

- deliver Acceptable Waste to the Facility
- pay the Contractor a service fee in accord with contracts
- participate with Contractor in negotiating contracts with markets
- assist the Contractor with applications for environmental permits
- act as financing vehicle for industrial development revenue bonds for a privately owned Facility
- provide the Contractor with a site for disposal of residue by-pass and diverted waste from the Facility
- provide for land disposal of processed Acceptable waste residue and unprocessed Acceptable waste during periods when Facility is inoperable

The Contractor

- design the Facility in accord with contract
- construct the Facility on site provided by the Contractor after successful acceptance testing on or before scheduled commercial operations date for the Facility price
- secure a long-term sales contract with recovered material and energy markets appropriate for the Facility technology
- construct all interconnections with the recovered material and energy markets
- maximize state of Oregon tax credits, arrange for equity, and participate in financing the project
- operate the Facility and accept and process Acceptable waste in accord with federal, state and local permits over the term of the service agreement
- provide contractual guarantees required by Metro including but not limited to:
 - a. processing of all Acceptable waste
 - b. output for energy and recovered materials
 - c. output of residue
 - d. performance (operation and maintenance) at negotiated service fee
- allow for participation in and provide guarantees necessary for financing the project through IDRBS issued by Metro
- transport and dispose of all materials received defined as hazardous by either the state or U.S. EPA
- provide water, sewer, and other utility hook-ups
- secure necessary permits for the Facility site acquisition and preparation for the construction, start-up, shakedown, acceptance and long-term operation of the Facility.

2) Risk Assignment in RFP:

Attached as Exhibit A is a chart depicting risk allocation. The primary risks Metro will accept are the delivery of waste by Metro and certain uncontrollable circumstances. The following is a brief summary.

Metro's responsibility is to provide the quantity of Acceptable Waste agreed upon; if Metro fails to do so, Metro pays the Contractor damages (Events 5 and 6b).

If problems arise due to uncontrollable circumstances or changes in law, Metro pays the debt service portion of the Service Fee on the bonds (except Event 4, complete destruction), but Metro does not pay the Contractor any damages for lost energy revenues or other expenses; where feasible, the Contractor must try to offset the problem (Events 5 and 8).

If a problem arises for any other reason, the Contractor pays Metro damages to reimburse lost revenues and expenses, and must try to offset the problem and pays debt service on the bonds while the Facility is inoperable or operates at reduced capacity (Events 2,3,4,6).

Uncontrollable circumstances, subject to certain limitations such as deliberate acts or negligence are the following events:

- a. An act of God
- b. Landslides, fire, explosion, or flood
- c. Acts of a public enemy, war or governmental intervention
- d. Certain failures to issue or renew, or the suspension or denial of permits
- e. Change in law
- f. Utility failure
- g. Metro delivery of Prohibited Waste
- h. Cessation of Collection of Solid Waste in the Metro Area if Metro has in good faith attempted to mitigate any shortfall in deliveries caused by cessation.

Insurance may be used to cover losses as appropriate.

III. RFP TIP FEE CONFIGURATION

Metro will negotiate a Service Fee as part of the service agreement. The Service Fee is a base fee covering operation, maintenance, and debt service and is guaranteed to the Contractor for meeting the terms of the Contract. The Tip Fee is the \$/ton paid at the Facility for disposal of Acceptable Waste that includes payment of the Service Fee minus the negotiated share of revenues from the sale of recovered materials and energy. The primary components of the Tip Fee are:

- a. Operation and Maintenance (O&M)-Set by Contractors' proposals for the term of the contract with provisions for escalation based on appropriate indices.
- b. Debt Service-Determined by final financing instruments using construction cost provided by Contractor.
- c. Revenues from sale of by-products-Composed of energy and recovered materials sales. Subject to:
 - 1-performance of plant-required to meet contract guarantees
 - 2-price of by-products-largely dependent on market
 - 3-market security-long term contracts

All revenues resulting from plant are result of type and quality of waste disposed at plant.

Assumptions:

- 1- Due to minimum risk requirement, Metro does not wish to guarantee waste quality or composition; only quantity; and
- 2- Metro will not guarantee performance of plant and therefore will not guarantee quality of output.
- 3- Contractor will guarantee disposal of Acceptable Waste.

RFP Proposal Tip Fee Configuration

Service Fee is equal to O & M cost and Debt Service to be paid by Metro. Metro negotiates revenue sharing based on proposals. Revenues will be used to offset the Service Fee. Tip Fee is \$/ton paid at the Facility. Contractor will be asked to guarantee performance of Facility based on quality and composition of waste flow. Contractor will make sure markets are supplied. Metro and Contractor share on risk for price fluctuations. Best efforts will be made to develop contracts that provide as much certainty as possible.

Advantages:

- 1- Puts sharing of risk for markets on parties appropriately, i.e., if quality of fuel is reduced Metro will see less energy revenues. Contractor guarantees Facility performance, hence, if fuel quality is reduced Facility must still produce optimum energy from that fuel.
- 2- Results in lower \$/ton Tip Fee. Less market risk to Contractor.
- 3- Requires Proposers to be very competitive and not hide costs.
- 4- Allows Metro to negotiate with Contractor for markets contracts.
- 5- Metro is assured of sharing in any future windfalls.

Disadvantages:

- 1- Metro assumes risk sharing of market price. If price decreases then Tip Fee increases.
- 2- Metro will need to monitor waste flow to see highest and best use and best cost.

Variation on RFP Tip Fee Configuration

Tip Fee is equal to the O & M and Debt Service minus energy revenues with the Contractor taking all market risk. Contractor will be required to obtain strong letters of Intent from markets to provide Metro during RFP stage.

Advantages:

- 1- Metro has limited risk with markets.
- 2- Metro's responsibilities will primarily be waste supplier.
- 3- Contractor takes all performance risk provided sufficient supply of waste of certain quality.

Disadvantages:

- 1- Contractor takes higher risk therefore higher Tip Fee.
- 2- Metro will be required to guarantee quality and composition of waste.
- 3- Sharing of any up-side market price is limited, or eliminated.

Proposed Strategy:

Accept proposals based on Alternative #1. This provides a means of comparing cost scenarios of different proposals. After selection of Contractor and final market agreement Metro may wish to re-evaluate final sharing arrangement

IV. DRAFT RESOLUTION

A draft Resolution for Council approval of continuation of the RFP process is attached. Attached to the draft Resolution as Exhibit B is Section 7 of the RFP covering Evaluation Criteria. After the RFP is issued, and before the proposals are submitted, staff, and the Policy Review Committee will formulate the specifics of the evaluation process as well as the evaluation instrument that will be used to rank the proposals.

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF ADOPTING)
POLICIES REGARDING RESPONSES)
TO REQUESTS FOR PROPOSALS)
FOR RESOURCE RECOVERY)
FACILITY SERVICES)

RESOLUTION NO. 86-689

Introduced by the
Executive Officer

WHEREAS, Metro's Solid Waste Program recognizes that up to 48 percent of the waste stream (est. 450,000 TPY) is available for alternative technology/resource recovery projects to develop useful by-products and/or recover energy from solid waste; and

WHEREAS, on March 13, 1986, the Metropolitan Service District (Metro) Council adopted Resolution 86-635 "For the Purpose of Authorizing an Exemption to the Public Contracting Procedure Set Out in Metro Code Section 2.04.001 et seq. for Solid Waste Disposal Services From a Resource Recovery Facility(ies);" and

WHEREAS, that Resolution described a process for contractor selection which included using a Request for Qualifications and Information to select "up to the five most qualified firms for each technology type" and then using a Request for Proposals (RFP) to obtain specific proposals from which to complete the selection; and

WHEREAS, on July 24, 1986, the Council designated the most qualified firms; and

WHEREAS, the Council wishes to further describe the RFP selection process so that clarifications and preliminary agreement can be made prior to selection of the proposer(s) with whom to negotiate a final agreement; and

WHEREAS, the Council intends to develop an evaluation process reflecting the Council's values using the criteria described in Ordinance No. 86-201 and the policies in the Solid Waste Reduction Program; now therefore,

BE IT RESOLVED

1. That responses to the RFP will be refined through the following process: (a) the proposers will be interviewed as necessary to clarify their proposals; (b) a Memorandum of Understanding (MOU) will be drafted with the vendor(s) who appears to the evaluation team to best meet Metro's needs; the MOU will memorialize the agreement on points amending the RFP. (c) Council will review the MOU's and the recommendations of the evaluation team and will authorize staff to complete negotiations with the vendor(s) who best appears to meet Metro's needs; if a top ranked vendor fails to negotiate an MOU or if the Council rejects an MOU, an MOU may be negotiated with the next most appropriate vendor; (d) the RFP and the MOU will be the basis for the final agreement between the parties.

2. That the primary risks Metro will accept are the delivery of waste and certain uncontrollable circumstances as outlined in Exhibit A.

3. That Metro expects to share energy and product sales revenues and will structure the Tip Fee to be the Service Fee less Energy and Recovered Materials Revenues and the Service Fee to be the Debt Service and Operations and Maintenance Costs.

4. That Exhibit B reflects the issues described in Ordinance No. 86-201 and the Solid Waste Reduction Program.

The Motion carried and the contract was approved.

8.2 Consideration of Resolution No. 86-689, for the Purpose of Adopting Policies Regarding Responses to Requests for Proposals for Resource Recovery Facility Services

Presiding Officer Waker noted staff had distributed a revised version of the Resolution, marked No. 86-689A, which reflected changes to the Resolution suggested by Councilors at their September 18, 1986, workshop on solid waste alternative technologies. Debbie Allmeyer, Solid Waste Analyst, then reviewed specific revisions in the new version of the Resolution. She concluded that Resolution No. 86-689A reflected policies outlined in the Solid Waste Reduction Program and was consistent with the Request for Proposals document for the resource recovery facility project.

Main Motion: Councilor Kelley moved to adopt Resolution No. 86-689A and Councilor Cooper seconded the motion.

Motion to Amend: Councilor Hansen moved to change the word "educate" in the seventh "whereas" clause to read "inform." Councilor Van Bergen seconded the motion.

Vote on the Motion to Amend: The vote resulted in:

Ayes: Councilors Cooper, Frewing, Hansen, Kafoury, Kelley, Van Bergen and Waker

Absent: Councilors Collier, DeJardin, Gardner, Kirkpatrick and Oleson

The motion carried and the Resolution was amended.

Vote on the Main Motion: The vote resulted in:

Ayes: Councilors Cooper, Frewing, Hansen, Kafoury, Kelley, Van Bergen and Waker

Absent: Councilors Collier, DeJardin, Gardner, Kirkpatrick and Oleson

The motion carried and Resolution No. 86-689A was adopted as amended.

Councilor Van Bergen urged the Presiding Officer to make sure new Councilors were thoroughly briefed on the alternative technologies project. The Presiding Officer said briefings had already begun and the Council Alternative Technology Task Force would continue to oversee the project. Ms. Allmeyer added that more work sessions for

Metro Council
September 25, 1986
Page 8

all Councilors were planned and staff had distributed materials to Councilors providing information about firms who would be sent RFPs.

Councilor Frewing thought the information on firms would be more useful if the same types of information were provided for each organization. Ms. Allmeyer explained better comparative data would be provided upon receipt of proposals in January.

9.1 Consideration of an Agreement with Marion County for the Delivery of Solid Waste

Steve Rapp, Solid Waste Analyst, presented staff's report.

Answering Councilor Frewing's question, Doug Drennen, Solid Waste Engineering/Analysis Manager, explained staff did not expect the City of Portland to impose a surcharge on Metro this year for exceeding the maximum allowable capacity at the St. Johns Landfill. Land settlement would reduce the volume of newly filled land, he said.

Councilor Van Bergen asked staff to explain disposal costs under the proposed agreement. Mr. Drennen said the tip fee would be \$12 per ton until March 1, 1987. Thereafter, the fee would be \$15.80 a ton.

Presiding Officer Waker noted staff would soon return to the Council seeking approval on two related resolutions: one to amend the budget by transferring funds from Solid Waste Operating Fund Contingency and another waiving the Regional Transfer Charges.

Councilor Van Bergen commended staff on their work in negotiating the Marion County agreement.

Motion: Councilor Van Bergen moved to approve the contract and Councilor Hansen seconded the motion.

Vote: A vote on the motion resulted in:

Ayes: Councilors Cooper, Frewing, Hansen, Kafoury, Kelley, Van Bergen and Waker

Absent: Councilors Collier, DeJardin, Gardner, Kirkpatrick and Oleson

The motion carried and the contract was approved.