

METROPOLITAN SERVICE DISTRICT

SPECIAL BOARD MEETING

NOTICE IS HEREBY GIVEN THAT THE GOVERNING BODY OF THE METROPOLITAN SERVICE DISTRICT WILL MEET IN SPECIAL SESSION ON JANUARY 21, 1977, AT 12:00 NOON, AT THE PORTLAND WATER BUREAU AUDITORIUM, 1800 SW 6TH AVENUE, PORTLAND, OREGON. THE PURPOSE OF THE MEETING IS TO GIVE CONSIDERATION TO A CONTRACT BETWEEN MSD AND PUBLISHERS PAPER CO. WRITTEN MATERIAL WILL BE AVAILABLE FOR PUBLIC INSPECTION AT THE BOARD MEETING.

JANUARY 21, 1977

STAFF RECOMMENDATION ON PUBLISHERS PAPER COMPANY CONTRACT

THE STAFF RECOMMENDS THAT THE MSD BOARD APPROVE THE AGREEMENT WITH PUBLISHERS PAPER SUBJECT TO REVIEW BY MSD LEGAL COUNSEL; AND INDICATE TO PUBLISHERS THAT MSD IS PROCEEDING WITHIN THE GENERAL OUTLINE OF ALTERNATIVE No. 1 AS DESCRIBED BY MSD STAFF, AND THAT A DETAILED BUDGET AND SCOPE OF WORK AS PROVIDED FOR IN THE AGREEMENT BE DEVELOPED AS SOON AS POSSIBLE.

AGREEMENT FOR IMPLEMENTING RESOURCE
RECOVERY FACILITIES

BETWEEN

PUBLISHERS PAPER COMPANY AND

THE METROPOLITAN SERVICE DISTRICT

1.0 History.

1.1 The Metropolitan Service District (MSD) was created by a favorable vote of the people in May, 1970 and charged with solving metropolitan solid waste disposal problems. With funds supplied by the State of Oregon, MSD sponsored a Solid Waste Management Study by COR-MET that produced the original Solid Waste Management Program (Program). The Program emphasizes resource recovery as the primary method for disposal. In 1972, the State Department of Environmental Quality (DEQ) adopted a statewide goal that by 1982, 90% of the garbage would be recycled and reused. MSD's Program calls for two processing stations, one in Oregon City and one in North Portland and a transfer station in Washington County. The processing stations would recover from today's garbage resources, such as ferrous metals, and a refuse derived fuel (RDF). The Program envisioned the sale of these recovered resources to pay for the Program along with service fees. MSD applied for a grant/loan from the DEQ of State Pollution Control Bonds. In May, 1976, the Emergency Board of the State Legislature authorized a

grant/loan of \$11.2 million to MSD for implementation of its Program with the construction of the South processing station in Oregon City and the Washington County transfer station subject to certain conditions.

1.2 Publishers Paper Comapny (Publishers) is a subsidiary of the Times-Mirror Company. Publishers employs approximately 600 people at its Oregon City facility and additionally employs 1550 people in various locations around the state. Publishers produces paper and forest products from its various facilities and is currently spending approximately \$15,300,000.00 per year at its Oregon City facility to meet its energy needs. Publishers desires to establish a continuous and reliable flow of refuse-derived fuel at a reasonable cost to meet its energy needs and reduce its reliance on alternative sources of fuel which have volatile prices and interruptable supply.

1.3 MSD goals are to protect the public health in all solid waste management operations, to minimize the effects of solid waste on the environment, to maximize the reclamation and reuse of materials from solid wastes in as economical and environmentally sound manner as possible.

1.4 The United States Congress recently passed the Resources Recovery and Conservation Act which will put a national focus on resource recovery facilities and provide funds for the planning and implementation of such facilities. However, this Act will not be fully implemented for

at least one year.

1.5 Other major metropolitan areas are turning to various resource recovery programs to reduce dependency on landfills and to reuse and recover valuable resources that are now being buried in the ground. Projects similar to the MSD project are currently in operation in Baltimore County, Maryland, Saugus, Massachusetts, Ames, Iowa, and are envisioned for Akron, Ohio, Milwaukee, Wisconsin, Detroit, Michigan, and Chicago, Illinois.

1.6 MSD has made every effort to solicit and develop markets for the recovered resources such as ferrous metals and RDF. MSD currently has a contract for the purchase of ferrous metals. Many corporations and persons other than Publishers have been approached for the purchase and use of RDF and, although many have expressed interest once they can see and sample the final product, none have expressed an interest in becoming involved in the implementation and development of the system. Publishers is the only private concern that has expressed its willingness both publicly and in expenditure of substantial time and funds of its own. In order to reach this agreement, Publishers has expended approximately \$100,000.00 in determining the feasibility of this project. In making such determination, it has received assistance from Teledyne National, Inc., whose time and funds amount to approximately \$45,000.00.

1.7 One of the conditions attached to the grant/loan from the state was that MSD have markets available for the recovered resources prior to implementation of the Program. Although MSD feels that this condition provides several restraints on implementation, it recognizes and understands the legislative need for such a condition and has made every effort to meet such condition. This agreement, it believes, is in keeping with this legislative requirement. Publishers would also build and operate an energy plant to burn all of the RDF from the South Processing Station.

2.0 Description of Project as Proposed by Publishers.

2.1 As a result of the substantial investment by Publishers and Teledyne as described in paragraph 1.6, Publishers has proposed to MSD that with respect to the South Processing Station, the Program should be implemented in the following fashion:

2.2 Publishers would be the prime contractor with MSD for the construction and operation of the South Processing Station. The capital costs, which could be met in several ways, would be determined during Phase I. MSD will establish construction, operating and maintenance specifications, establish service fees and prices of recovered resources, and regulate the operation. Recovered resources

other than RDF will be sold to third parties.

2.3 A front-end processing facility capable of processing 400,000 tons of commercial and municipal solid waste annually will be constructed on a site approximately ten acres in Oregon City. This processing facility will shred, air-classify, and separate usable fractions of the municipal solid waste (MSW) into RDF, ferrous metals and other by-products.

2.4 The RDF will be delivered to a specially designed 100% RDF fired boiler(s) and turbo-generators located on the Publishers plant site in Oregon City where it will be converted to process steam and electrical energy. Inert ash and that portion of the MSW which cannot be sold or otherwise disposed of will go to a landfill.

3.0 Multiphase Implementation of the Project.

3.1 Preliminary study and investigation by MSD, Publishers, and the consulting firms of Teledyne National, Inc. (Teledyne) and CH2M Hill have all reached the preliminary conclusion that MSD's project is both economically and technically feasible and that the parties to this Agreement should proceed with multiphased implementation effort of which Phase I Engineering Design is the first of five (5) phases.

3.2 While it is possible that the schedules outlined below can be improved, a realistic estimate for

purposes of initial planning would indicate the following time spans:

Phase I	- Engineering Design	4-6 months
Phase II	- Detail Engineering Design	6-9 months
Phase III	- Execution of Final Contracts and Implementation of Financing	3 months
Phase IV	- Construction and Checkout	24 months
Phase V	- Startup and Operation	Begin mid-1980

4.0 Organization and Responsibilities.

4.1 Publishers. Publishers will be responsible for Phase I work. Publishers will appoint a Project Manager who will have direct responsibility for all facility engineering and design under the direction of Publishers Chief Engineer.

4.2 Teledyne. Because of Teledyne's broad experience and background in designing, constructing and operating resource recovery facilities, it is anticipated that Publishers will retain Teledyne as a general consultant and project coordinator (see paragraph 4.4) during Phase I Engineering Design. In addition to other tasks which may be assigned, Teledyne will provide assistance in overall systems design, market analysis, and economic evaluation.

4.3 Engineering Consultant (EC). It is also anticipated Publishers will retain a local EC to perform the required engineering design work for Phase I.

4.4 Project Advisory Committee (PAC). A PAC will be formed to monitor and evaluate work performed under this Agreement. Membership will be composed of representatives from MSD, DEQ, Publishers, Teledyne and the EC and others as may be deemed appropriate. Teledyne shall serve as Project Coordinator to:

Coordinate and schedule activities of all parties so that goals will be met in a timely, efficient and cost effective manner.

Convene regular and special meetings as required.

Monitor work effort and report status.

Keep appropriate records.

The MSD representative will serve as Chairman and can call special PAC meetings.

5.0 Scope of Work.

5.1 Publishers will be responsible for the satisfactory and timely completion of the Phase I work. Publishers will hire consultants necessary to accomplish Phase I work. Publishers will supply sufficient and knowledgeable employees to work with and coordinate with the consultants. In no event is MSD responsible to Publishers or any consultant hired by Publishers either individually or in the aggregate in excess of the Phase I funds. Publishers will comply with all pertinent Oregon laws required to be complied with by a person contracting with a public agency. This contract is

exclusively for personal services.

5.2 MSD will supply sufficient staff time to work with and coordinate with Publishers and the consultants to the end that the Phase I work will be completed in a timely fashion.

5.3 DEQ will supply sufficient employee staff time to work and coordinate with MSD and Publishers and the consultants to the end that the Phase I work will be completed in a timely fashion.

5.4 The Phase I Engineering Design work will consist of at least the following:

Perform system design and preparation of major equipment specifications up to a point of preparing detailed drawings.

Prepare capital budget estimate based upon systems design and bids for all major equipment items.

Evaluate construction sites including costs of improvement and coordinate with local jurisdictions to insure that there are no significant impediments to development and construction.

Characterize solid waste to be received at the facility including composition and quantity. Determine possible variances and methods for variance control.

Assess environmental factors and obtain DEQ approval of principal environmental controls.

Analyze markets for recovered resources other than

RDF and determine buyers, quantities and prices.

Analyze operations and prepare operating cost data.

Agree on the basic financing plan and identify the prospective bond issuer. Estimate financing costs.

Prepare preliminary project cash flow and net income statements.

Prepare a final report and recommendations for Phase II engineering effort.

5.5 Within 30 days and prior to commencing Phase I work, a detailed work scope and budget will be developed and shall become a part of this Agreement after approval by MSD and Publishers. This Agreement is contingent upon the availability of funds from advances from DEQ and/or funds derived from user fees.

6.0 Cost of Phase I.

6.1 The estimated cost of Phase I is \$300,000. The final amount will be determined in the detailed work scope and budget.

6.2 Publishers will not be reimbursed from Phase I funds for the time and effort of its employees involved in Phase I work.

6.3 The study and design work previously performed by CH2M Hill, under the direction and at the expense of Publishers will be made available in its entirety to

assist and expedite the completion of the Phase I work.

7.0 Phase II Work.

7.1 After evaluation of the results of Phase I effort, and in the event there is no termination, it is contemplated that this Agreement will be appropriately amended and that Phase II effort will immediately begin. Any Phase II agreement will be subject to approval by the parties and may be subject to approval by the DEQ and Public Contract Review Board.

7.2 The major objectives for Phase II are:

Prepare detail drawings and bid packages necessary for the competitive bidding of all major construction and equipment contracts.

Bid major construction and equipment contracts.

Prepare all data necessary to implement the chosen financing structure.

Verify capital and operating budgets.

8.0 Total Project Financing.

8.1 As part of the work scope under this Agreement, the most effective method for financing the project will be determined and it is recognized that the financial structure chosen will substantially effect the final contractual roles and responsibilities of all participating parties.

8.2 It is further contemplated that the final project financing will provide for the reimbursement of any funds loaned or advanced to the project to perform work under Phase I.

9.0 Termination.

9.1 This Agreement can be terminated by mutual consent or upon the receipt of twenty (20) days written notice by either party in the event further work is considered by the party giving notice, to be unjustified.

9.2 It is understood that there are no commitments or agreements between MSD and Publishers beyond those contained herein and that each party to this Agreement reserves the right of project evaluation at the conclusion of Phase I in accordance with their own requirements and objectives and may terminate their involvement in the project.

9.3 In the event of termination during the course of or at the completion of Phase I, the results of the work effort shall become the sole property of MSD who shall have all rights to terminate the project or to complete the work with other parties of their choice. It is further understood that if this Agreement is terminated, MSD intends to use the Phase I work as a basis for detail design engineering (Phase II) of the South Processing Station. It is further understood that MSD may use in any manner without expense the report and material prepared by CH2M Hill for

Publishers referred to in paragraph 6.3.

10.0 Indemnification

Publishers shall indemnify MSD and DEQ, and each of them, from all claims, expenses, causes of suit or action arising out of or connected with the work performed by Publishers and its consultants under this Agreement.

Dated this day of January, 1977.

Authorized signature:

Witness:

By:
Metropolitan Service District
Date: _____

Date: _____

Authorized Signature:

Witness:

By:
Publishers Paper Company
Date: _____

Date: _____

ALTERNATIVES FOR RAISING FUNDS TO
FINANCE PHASE I ENGINEERING DESIGN

ALTERNATIVE DESCRIPTION	ADVANTAGES	DISADVANTAGES
<p>I. Submit MSD Legislation to State Legislature. If Legislation approved ask Ways and Means to release limitations on \$11.2 million. Implement user fee.</p>	<ol style="list-style-type: none"> 1. May be accomplished in less time than other alternatives. 2. Circuit Court has ruled that MSD can impose user fee during Phase I. 3. This action would resolve those issues raised by the opposition. 	<ol style="list-style-type: none"> 1. Legislature might react adversely. 2. Might provide opportunity to raise new legal issues.
<p>II. Follow through the legal process and obtain rulings. Implement user fee.</p>	<ol style="list-style-type: none"> 1. Keep issues on technical level. 2. Circuit Court has ruled that MSD can impose user fee during Phase I. 	<ol style="list-style-type: none"> 1. Three to four months delay. 2. Added system costs if delayed. 3. Existing landfills may reach capacity prior to facility activation. 4. Unfavorable ruling on borrowing issue could "trend" legal process adversely.
<p>III. Impose user fee and commence with Phase I immediately.</p>	<ol style="list-style-type: none"> 1. Commence project immediately. 2. MSD would be self-sufficient in solid waste. 3. Indication to Legislature that MSD is willing to implement self-financing. 4. Limit inflationary costs of program. 	<ol style="list-style-type: none"> 1. Generate concern and possible legal action from opposition.
<p>IV. Seek funds from ERDA, 208, 94-580.</p>	<ol style="list-style-type: none"> 1. If funds are granted, Phase I can commence immediately without resolution of legal issues. 2. Would not require state funds or user fee. 	<ol style="list-style-type: none"> 1. Limited chance for success: <ol style="list-style-type: none"> a) for ERDA must show uniqueness of project; b) 208 funds have been used for leachate containment and treatment studies; and c) 94-580 funds not available until October 1977, depends on President. 2. Could limit opportunity to implement user fee.