

MINUTES OF THE
METROPOLITAN SERVICE DISTRICT COUNCIL WORKSHOP
ON PREMIUM COST OF ALTERNATIVE TECHNOLOGIES
APRIL 16, 1986

COUNCILORS PRESENT

Councilors Waker, Van Bergen, Gardner, Frewing, Kelley, Hanson, Myers, Kirkpatrick, Kafoury

STAFF PRESENT:

Dan Durig, Doug Drennen, Debbie Allmeyer, Norm Wietting, Mary Jane Aman, Vicki Rucker, Ray Barker, Dennis Mulvihill, Steve Rapp, Rich McConaghy, Becky Crockett, Wayne Rifer

The workshop was brought to order by Presiding Officer Waker at 5:19 p.m. Councilor Waker began by introducing the members of the Solid Waste Policy Advisory Committee (SWPAC) in attendance--Kathy Cancilla, Craig Sherman, Pete Viviano, and Shirley Coffin and then turned the workshop over to Dan Durig, the Solid Waste Director. Durig presented an overview of the evening's agenda and pointed out some pertinent dates in the Alternative Technologies process -- April 22nd, first reading of the ordinance on premium cost determination; May 1st, the second reading of the ordinance; and May 19th, the deadline for submittal of responses to the Request for Qualifications/Information (RFQ/I).

Durig introduced Solid Waste Analyst Debbie Allmeyer who directed attention to item B, page 12 of the Waste Reduction Plan Framework document. This section is the response to Environmental Quality Commission's (EQC) comments on the plan in relation to the alternative technologies.

Bob Zier, consultant with Gershman, Brickner, and Bratton, Inc. (GBB), then outlined the key cost factors of a resource recovery facility with Durig pointing out that some variables can be controlled others cannot. Zier, using Exhibit 1, document F, discussed the methods used in analyzing Metro's potential premium cost. Exhibit 1 showed eleven recently financed/implemented resource recovery facilities in the U.S. Based on factors such as type of technology, size of facility, bond size of these facilities and energy/materials revenues, projections for like systems in Portland were generated. Further into the analysis,

Zier and Doug Drennen, Solid Waste Engineering Manager, discussed Exhibit 2, pointing out that a single facility would boost system cost by roughly the same amount whether the plant was large or small. Zier, responding to questions, reported that the composting scenario had been based on the only composting facility operating in the U.S. which indicated above average cost, and hence above average projected impact on the system cost using this matrix.

In reviewing ten systems displayed in Exhibit 2 of various resource recovery projects, differing in size and technology, Drennen pointed out the reasons for considering system cost, as well as the marginal cost of projects. Resource recovery projects may cost as much as \$50/ton, yet because it reduces the quantities being transported to more distant landfills, the cost to a system with these projects is about \$40/ton. This presentation included discussion of the many variables that can effect the cost of projects. Therefore, it was pointed out, any figures are an "order of magnitude" estimate. Real cost will only be determined through the RFP process.

Councilor Myers asked if a shorter time period from the beginning of a resource recovery project to full implementation had economic merit and if a value had been ascribed to this shorter time. Zier responded noting that the shorter time might make a difference, but that no real value could be put on that until the technology and size of the facility were determined and financing arranged. There may be no value in a faster process.

Councilor Kelley asked about the value of public vs. private ownership, taking into consideration the anticipated loss of tax incentives and the state's property taxes. Durig advised that the private sector is better equipped and, in some cases, has proprietary rights to the technologies. He related that for the proposed Oregon City project the tip fees had been anticipated at \$19-20/ton of which \$4.55 was property taxes and that this tax advantage had little significance to the voters who turned the project away in a referendum. Harvey Gershman of GBB added that there is a chance that the past expenses involved in the Oregon City project could be directly related to some of the work on current resource recovery projects as a development cost. Therefore the current project could conceivably fall under old tax laws.

Steve Rapp, Solid Waste Analyst, presented cost estimates which represent the true cost of landfilling. The base case was calculated on 1- 20 year landfill and 1- 20 year landfill including only the first ten years. Three scenarios were discussed with different annual waste flows. For the base case, \$15 per ton was identified as the tipping fee for 1990. This was calculated on assumptions stated in the handout, e.g. 4% annual inflation, 13 million ton landfill capacity.

Steve responded to questions advising that post-closure revenues,

such as methane gas recovery revenue, were not included in the analysis, nor were any expenses incurred for this; rehabilitation and enhancements fees were not included, however a 30% (of total costs) contingency was included in the costs. System costs and landfill costs were differentiated. System costs would include not just the landfill costs, but also transfer stations, transportation and planning costs. The assumption was also made that any resource recovery facility would be located within the urban growth boundary, involving only short haul distances. To lessen total system costs, recycling centers could be located at the resource recovery facilities.

The workshop adjourned for a break at 7:22 p.m. and reconvened at 7:43 p.m.

Councilors were given time to discuss and ask questions as needed. Councilor Hansen voiced a concern that our very aggressive waste reduction program would remove cardboard from the waste stream causing a lowering of the BTU value of the waste

Drennen advised that an ordinance on the premium cost would be drafted following the discussion incorporating information from the workshop. Premium cost could also be dealt with not only in price per ton, but on a percentage basis - how much over the landfill cost the Council would elect to go. Councilor Frewing questioned when this decision would need to be made, noting that cost factors could change the day after the decision is made. Councilor Waker advised that the decision must be made soon even if the decision is no premium cost. Vendors will need this from the Council and the best decision will have to be made based on the information. Councilor Gardner said that he saw this decision as a string of decisions, such as what the premium cost will be, what risks are involved, and what type of financing is arranged.

Councilor Van Bergen asked what happens to Metro if we don't have alternative technologies, if the price is too high. Durig responded that the DEQ will make that decision. Dennis Mulvihill, Waste Reduction Manager, added that the arguments to EQC that justified that decision will determine whether or not solid waste authority will be taken from Metro per SB662. Councilor Frewing remarked that if the alternative technologies were too costly, could the Waste Reduction Plan be modified with more aggressive recycling efforts? Councilor Van Bergen acknowledged that the Clackamas area citizens did not like burning and walked away from an offset of \$3 million in property taxes. He added that forcing source separation recycling (through legislation) should be a consideration. Councilor Frewing questioned if the reduce, reuse, recycle programs had costs in tons saved. Mulvihill responded that the costs associated with recycling programs have not been estimated. He added it is not known how much the rates effect recycling. Councilor Waker added that the Waste Reduction Plan Council Task Force had worked over the cost/benefit ratio and had come to the language in the plan.

Basically, he commented, it amounts to what it is worth socially to do all this- what people think the benefits are.

Councilor Hansen expressed concern that he did not have the information to determine the landfilling costs, since rehabilitation and enhancement to communities had not been included as costs and that the extended life of the landfill as a result of resource recovery was not included as a cost/benefit. His second concern was that the Council would be unable to set a premium since they did not know if the premium was to be set for 48% of the waste or more or less of waste which would impact system costs. Councilor Hansen's third concern was the cost to the consumer to commit resources to ERF. The impact on the residential customer was low, but businesses would be effected. He did not feel the information presented addressed the sub-streams. Finally, he expressed concern over the overall cost to collection.

Councilor Kafoury asked if by setting this premium would cost drive the bids or should the bids drive the premium. Gershman responded that some proposers may take the risk that Metro will pay more if set too low; other potential proposers might be discouraged.

Councilor Frewing asked if the Councilors felt confident given the findings of the report, to commit a certain percentage of waste to resource recovery-straight out- no premium cost involved. Councilors Waker and Kirkpatrick responded no. Councilor Waker followed up saying that whatever the public wants to do with its garbage is fine as long as the public is aware of the costs at the outset. It was noted again that the residential customer would feel only around a \$1/ton increase, but that commercial/industrial customers would show a 50% increase.

Councilor Van Bergen questioned if Marion County had gone through this type of process, establishing a premium cost. Staff responded that Marion County, nor anyone else that they knew, had gone through this type of process.

Councilor Myers asked whether the premium setting was necessary to meet our commitment to waste reduction planning relative to DEQ comments. Would we jeopardize our solid waste authority if we don't set a premium? Is premium setting necessary for the RFP process?

Gershman replied that typically the process starts with a landfill crisis, the difficulty in siting a landfill, the conscious decision to develop alternative technologies, followed by a decision on the technology and the number of tons to be committed to the alternative technology; and finally, the RFP process, and the selection of the contractor.

In reply to Councilor Myers's question on DEQ's position, Lori Parker from DEQ said that in the plan 52% of the waste is

designated recyclable. The question is what will be done with the remaining 48%. DEQ is in a time bind to site a landfill and needs this information.

Councilor Waker stated that the Council needs to look at the factors and make a decision on alternative technology not to please the DEQ, but to please the Council-its constituents.

Councilor Gardner said that he would contact the Councilors to find out what approach should be taken on the premium cost -- a cost amount or a percentage.

After receiving no further discussion, Councilor Waker adjourned the workshop at 8:54 p.m.

Submitted by
Mary Jane Aman