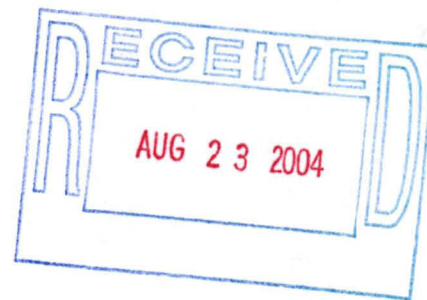


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August 19, 2004

Mike Hoglund
Director of Solid Waste
Metro
600 NE Grand Ave.
Portland, OR 97232

Dear Mike,

Thank you for meeting with Ralph and I to discuss the future promotion of recycling. We really appreciate Metro's continued support of recovery at the facilities in which they regulate. It was good to have input from Councilor Park, Michael Wetter, Doug Anderson and yourself. East County Recycling Co. is committed to be the leaders in recovery in this region. We are a vital component in the system. That being said, it is important to put the tax burden on non-recovery, i.e. the transferring of solid waste to landfills. We all agreed that an economical situation needs to be created to accomplish this. **Doug Anderson's plan for redefinition of waste i.e. transfer facilities verses hybrid wet and dry waste facilities verses a dry waste only facility is a concept that needs to be implemented as soon as possible.**

Setting the Metro fees by facility type will increase Metro's control over the waste stream while enhancing recycling. Right now the system gives economic advantage to vertically integrated waste companies that own landfills. They have very low internal costs of burying waste so that consequently they have very little incentive to recycle. The system fee credit program works to help mitigate this yet, is hard to administer and is always subject to the budget process, which is a process that puts a

governor on recycling. In other words recycle, but don't recycle too much. Now is the time to figure out how to bring the vertically integrated companies up to the dry MRF's level of recycling instead of bringing the dry MRF's down to their level of recycling. The tax burden needs to be on transferring of waste rather than the recovery process. Right now at the hybrid wet/dry facilities the motivation exists to call actual dry waste, wet waste and transfer it out to the landfill. This is done so that they can achieve the 25% minimum recovery rule easier. Consequently the low recovery dry loads are treated this way. I realize that the current credit program pays companies like ECR on low recovery loads however, we look at every load and recover what ever is possible. This scenario of looking at every load will be replicated under "Mandatory MRFing" idea. Mandatory MRFing addresses the low cost landfilling issue but does not address the actual cost of MRFing. The Doug Anderson plan does address the actual cost of recovery. By reducing the tax burden on dry MRF's, an economic situation is created that now motivates hybrids to either become dry waste facilities (which they were originally sited as and then they applied for variances to become transfer stations) or at the very least motivate them to MRF all of their dry loads. The litmus test would be a waste sort of random residual loads coming out of the dry MRF's to ensure recyclables were not going to the landfill. This would be easy to administer because inspectors already go to the facilities. The current inspectors are very good at what they do. Right now ECR is not allowed to receive any more than 5% putrescibles or 300 lbs. of putrescibles per any single load. It is the inspector's job, to look at incoming loads and make a best judgment decision if we are in compliance or not. The list of recoverable items is small enough and the inspectors have the experience it takes to make the qualified judgment, that by randomly checking either residual piles before loading or checking truck loads destined for the landfill (which we believe to be the best place for inspection). It could easily be determined if the facility was violating their lower dry MRF parameters in order to receive the lower rate and subjecting their facility to the higher system costs or at the very least a stern warning.

Because of the current recovery credits and our own commitment to recycling, ECR does this right now. Our crew and me personally do these inspections to make sure these materials do not go to the landfills. Believe me, it is not very difficult.

The lower taxing of recovery would be incentive for more dry MRF's to open (two of which have closed very recently). The current program is designed to economically help established MRF's like ECR more than new ones. The transfer of the tax burden away from dry MRF's, by having a lower rate, would immediately give a strong incentive to new MRF's when money is very critical to their survival. Also, should the hybrid facilities decide there is more money to be made by being a dry MRF (again which is what they were sited to be originally, but could not economically make it and had to become transfer stations) the Metro tonnage cap situation on tonnages going to their facilities would go away and wet tons would again migrate to Metro South or Central where they used to go, saving VMTS (vehicle miles traveled) and lowering system costs for Metro under their put and pay contract with the landfill.

ECR would like to propose a pilot project under the Doug Anderson plan to show the merits of what is contained within this letter. For the pilot project purposes we would use our last month's rate of \$5.70 per ton, which includes system fees, and excise tax. Metro's inspectors may be required to have extra presence at ECR during the pilot project. When the pilot project proves successful, the inspectors will have already been trained and implementation of a new program system wide would become painless to Metro as far as regulation is concerned. Doug Anderson's plan would reduce administration costs in the solid waste department at Metro. The new plan is simple and easy to calculate. Staff resources could now be allocated to other programs. This new plan by virtue of its simplicity becomes very functional. Please let us know when Metro is ready to move forward in the proliferation of the recovery process and remain as the leading agency in the diversion of natural resources from the landfills in the state of Oregon. We are ready to begin the pilot project anytime.

Best regards,



Vince Gilberts

Cc Rod Park
Michael Wetter
Doug Anderson