



## Bureau of Planning and Sustainability

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### Yard debris/food scraps disposal costs in the ratemaking process

4/26/2019

**Background:** Metro is raising the tip fee it charges for residential yard debris/food scraps (YD/FS) at its transfer stations by \$11/ton beginning July 1. BPS incorporates YD/FS disposal costs into the ratemaking process by applying Metro's adopted tip fees to the tons of material haulers reported collecting. This year, Metro's YD/FS tip fee increase is driving approximately \$0.30 (about half) of the proposed rate increase.

Metro says it is raising its tip fee to continue to cover its operational costs because its facilities are receiving less YD/FS. Over the past few years, Portland haulers have begun taking their material to other facilities. Recology's Suttle Road reload facility in North Portland now receives over a third of Portland's YD/FS.

#### Questions from PSC Chair:

**Q:** What is Metro's long-term pricing strategy for YD/FS at its transfer stations? Increasing tip fees when tons go down doesn't make economic sense.

**A:** I spoke with Tom Chaimov, Metro's Solid Waste Operations Program Director. He confirmed that Metro's policy for "source-separated" material, including YD/FS, is to set rates to cover costs. Metro does not compete with private facilities for material.

**Q:** What are the tip fees at other facilities that receive Portland's YD/FS?

**A:** The table below shows the effective tip fees at the primary facilities receiving Portland's YD/FS. Metro tracks the posted gate fees of facilities around the region. However, facilities may negotiate with individual haulers to offer a lower tip fee in exchange for guaranteed tons. Metro does not have information about any such agreements.

In terms of posted gate fees, Metro facilities are currently the lowest (Suttle Road has a slightly lower per ton fee but a higher transaction fee and thus the effective tip fee is slightly higher). Tom Chaimov said that it was his understanding that Suttle Road tends to peg its tip fee to Metro's tip fee, and thus, if Metro raises its rates, Suttle Road will likely bump theirs up a similar amount.



| Facilities Receiving Portland Yard Debris / Food Scraps | Tons   | % Share | Current Effective Tip Fee* |
|---|--------|---------|----------------------------|
| Metro (NW Portland, Oregon City)                        | 40,900 | 52%     | \$ 67.41                   |
| Recology Suttle Road (N Portland)                       | 28,400 | 36%     | \$ 67.66                   |
| Waste Management (Troutdale)                            | 9,000  | 11%     | \$ 78.67                   |
| Republic WRI (Wilsonville)                              | 600    | 1%      | \$ 72.20                   |
| Other Facilities  | 200    | 0%      | unknown                    |
| Total   | 79,100 | 100%    |                            |

\*Calculation combines per ton fee and transaction fee, assuming a 6 ton load. These are the posted gate fees. Private facilities may broker deals with haulers for lower prices.

In previous PSC briefings, BPS staff indicated that Suttle Road’s tip fee is lower than Metro’s. This is based on an estimate using the reported costs of haulers that send material to Suttle Road. Those haulers may have brokered a deal with Recology for a lower tip fee than the posted gate fee. One hauler that sends almost all of its YD/FS to Suttle Road reported YD/FS disposal costs that were several dollars less per ton than Metro’s effective tip fee.

Haulers may also achieve operational efficiencies in reduced labor and truck costs by delivering materials to private facilities. These cost savings are already captured in our ratemaking process.

**Q:** Can BPS reduce the impact of the Metro YD/FS tip fee increase by changing its ratemaking methodology?

**A:** Currently, BPS applies Metro’s adopted tip fee to hauler reported tons to project disposal costs in the rate model. BPS considered the following alternate approaches:

1. Apply actual tip fees at each facility to the amount of reported material received there
2. Use reported hauler costs from 2018 and an inflator based on Metro’s tip fee increase
3. Apply lowest available tip fee to hauler reported tons

For the 2019-20 rate year, all of the above approaches would result in higher rates than the current methodology.

**Conclusions:**

1. At this time, BPS’ current rate methodology for handling yard debris / food scrap disposal results in the lowest rates for customers.
2. The questions PSC asked sparked BPS to research and analyze alternate methodologies for incorporating yard debris / food scrap disposal into the rates. Moving forward, BPS will continue to monitor where material is flowing at what price and consider options that are fair for haulers and advantageous for ratepayers.

