



# Transfer System Configuration Project



Update to Solid Waste Alternatives  
Advisory Committee

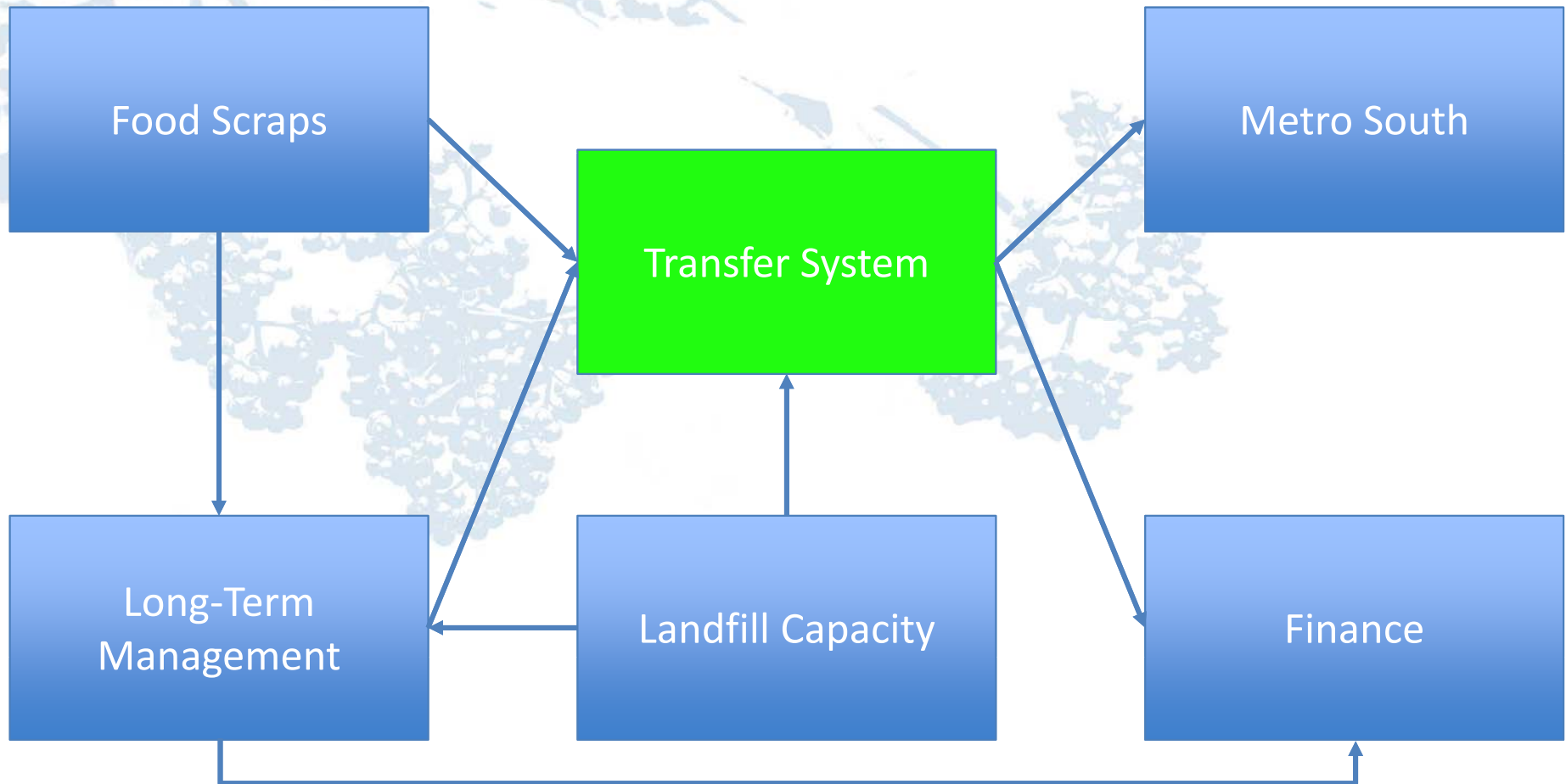


Tim Collier, Director of Finance and Regulatory Services  
Dan Pitzler, CH2M  
February 25, 2016

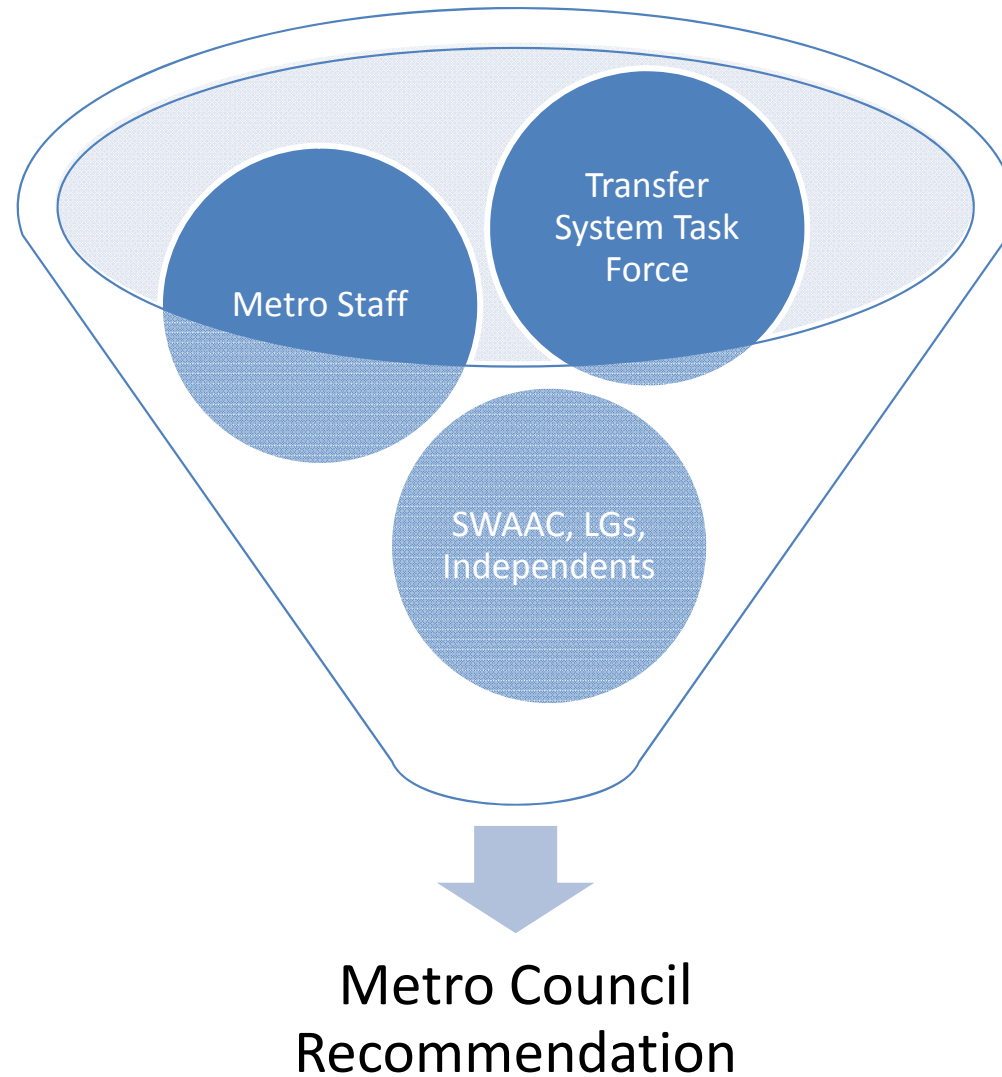


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# Solid Waste Road Map Projects



# Stakeholder Input for Transfer System Configuration



# Project overview

*What model of the public-private system of waste transfer stations best serves the public interest (now and in the future)?*

## Project Objectives:

- *Determine what services the system should provide, by whom and how*
- *Ensure the transfer system serves the needs of the region for materials generated within the region.*





## **Metro Staff & Transfer System Task Force Agreement on the following service elements:**

**Self-Haul** – Existing system works well, no need for substantial new service

**HHW** – If additional service is desired (beyond what is being provided at MCS and MSS), use additional round-ups

**Commercial Food & Residential Food/Yard-** on hold until there is more clarity about where food will be processed under what circumstances (e.g., private market vs. RFP)

# Main Items to Evaluate Further

## Flow

What mechanisms determine the transfer station where a collection vehicle delivers its materials

## Pricing

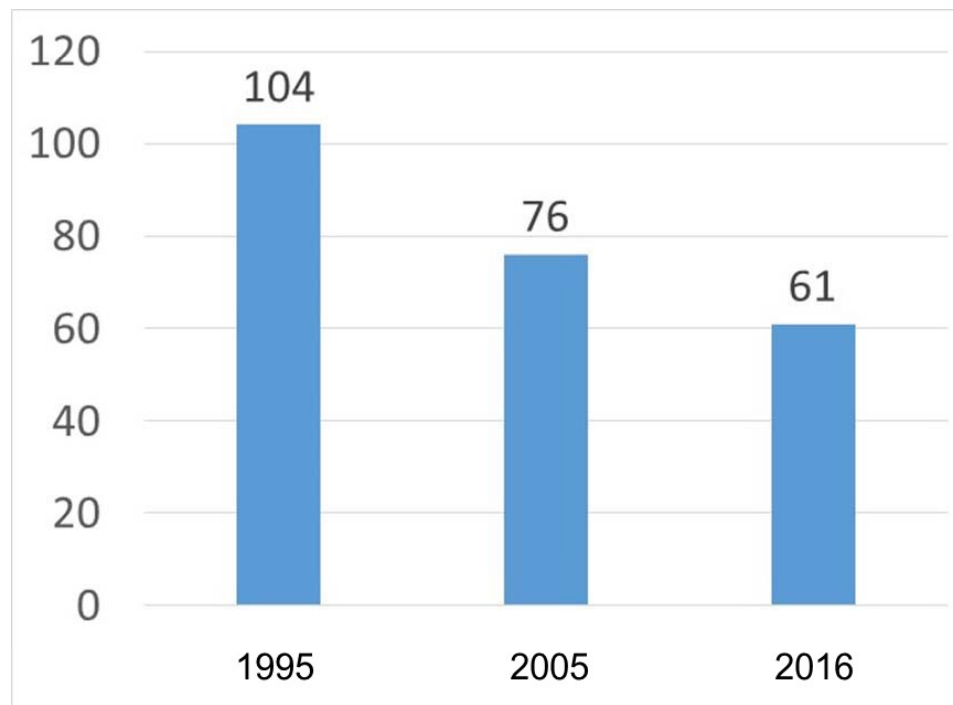
What mechanisms determine tip fees at privately-owned transfer stations

# Flow and Pricing Overview

- Wet waste tonnage caps
  - Ensure flow to public stations
  - Helps public station tip fees serve as “benchmark” for private stations
- Competition in collection is in Portland commercial market only
- Vertical integration
  - Approx. 50% of tons delivered to landfills owned by the collector
  - Portland limits the number of residences any hauler can serve

# Flow and Pricing (continued)

- Consolidation: 104 collection companies in 1995: 61 today

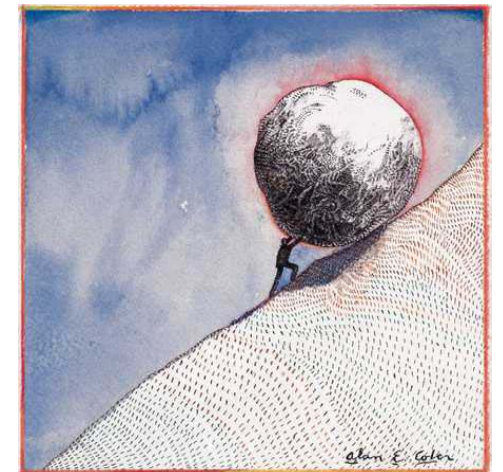


- Without caps, some mechanism is needed to ensure reasonable and transparent tip fees

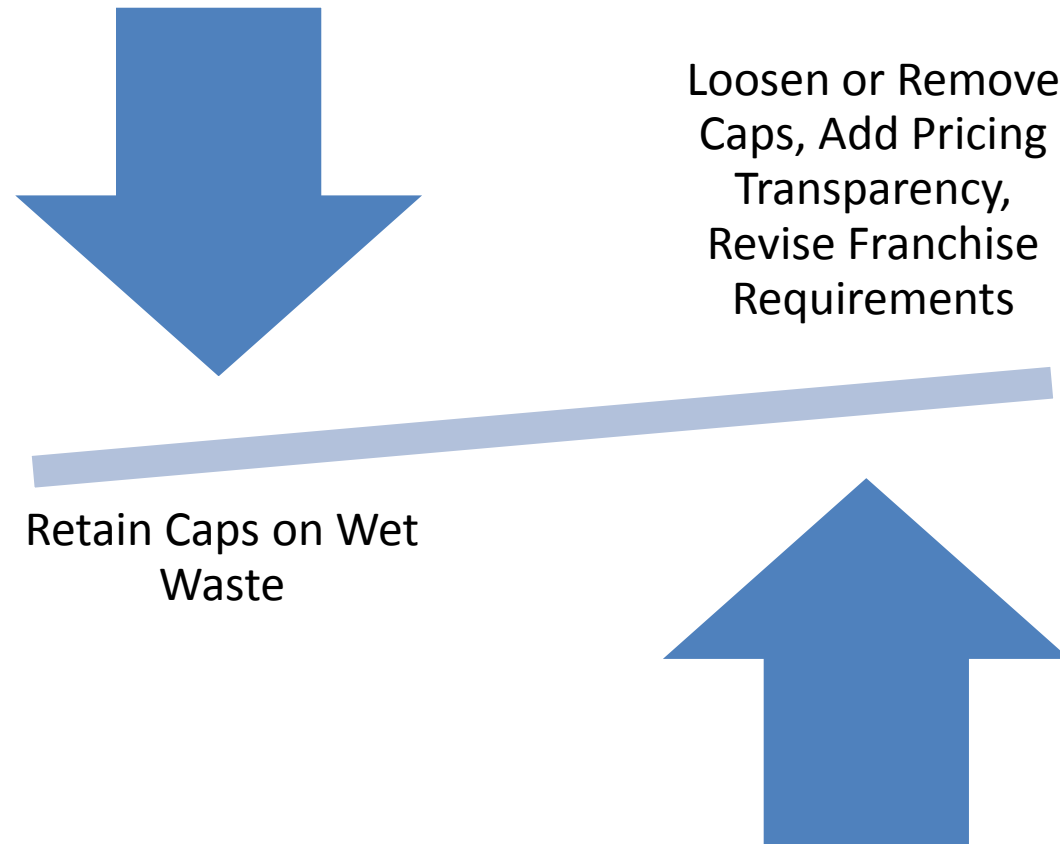


# The Challenge

- **Ideal world** - the transfer system would be designed to minimize cost & maximize Public Benefits
- **Reality** – Services that support Public Benefits are expensive & require higher level of public support



# “Toggle” – Ensure that Public Benefits are Received, and Efficiencies Are Passed on to Ratepayers



# Public Benefits and Evaluation Criteria

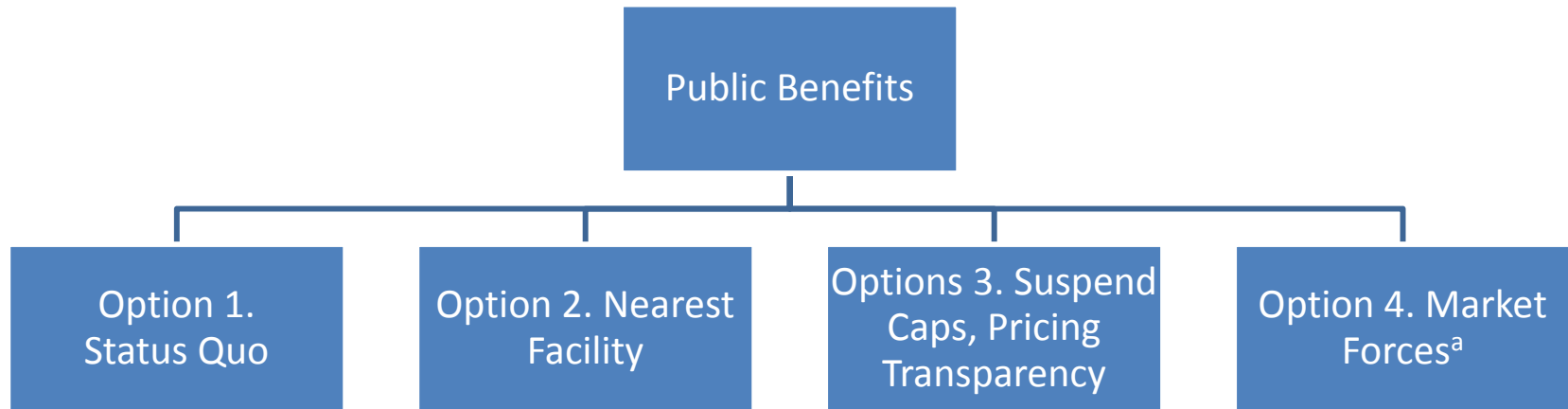
Public Benefit/Criterion	Relevance for Flow and Pricing Options
1. Protect People's Health	Not affected by options
2. Protect the Environment	GHG Emissions may differ
3. Recognize Investment	Relevant for both public and private operators
4. Adequate and Reliable Services for All	Likely similar for all options
5. Maintain Commitment to SW Hierarchy	Likely similar for all options
6. Flexible and Adaptable to Change	Ability to provide new, innovative public benefits could differ among options
7. Sustainable Finance	Key aspect of pricing
8. Minimize the long-term cost of providing transfer services	Key objective
Other considerations:	
Practical to maintain and administer	Implementation and administration may vary among options
Level playing field for all participants	Metro presence valued by smaller, independent operators

# Evaluation Criteria for Selecting Flow and Pricing Options

## Evaluation Criteria

1. Minimize GHG emissions
2. Recognize prior and future investment
3. Flexible and Adaptable to Change
4. Sustainable finance with efficiencies passed on to ratepayers
5. Minimize system cost
6. Practical to maintain and administer
7. Level playing field for all participants

# Four Options for Council Consideration



<sup>a</sup>Proposed by Industry Task Force

# Option 1: Status Quo

Goal: Allocate tonnage using same method as done today; minimizing change

- Public-private partnership
- Metro staff periodically reviews the state of the system and recommends tonnage cap adjustments up or down as appropriate
- With tonnage caps, public station tip fees act as a benchmark for the private stations

# Option 1: Status Quo

Pros	Cons
<ul style="list-style-type: none"><li><input type="checkbox"/> System not broken</li><li><input type="checkbox"/> Relatively simple to administer</li><li><input type="checkbox"/> Reasonable provision of Public Benefits</li><li><input type="checkbox"/> Responsive to system changes</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> Some inefficiencies in flows (i.e., trucks not delivering at closest TS)</li><li><input type="checkbox"/> Public Station tip fee is imperfect benchmark – uncertain if private sector efficiencies are passed on to ratepayers</li></ul>

# Option 2: Nearest Facility

Goal: Allocate tonnage based on optimizing Public Benefits (reduce vehicle miles traveled, resulting in reduced GHG and cost)

- Wet waste caps would differ for each private station
- Tonnage allocated to each facility in a manner that reduces off-route collection vehicle hours and total travel cost, while retaining sufficient tons to Metro stations to ensure Public Benefits



# Option 2: Nearest Facility

Pros	Cons
<ul style="list-style-type: none"><li><input type="checkbox"/> Fewer GHG emissions and off-route collection costs</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> More complex to implement and administer than current system</li><li><input type="checkbox"/> Tried once without success: may be difficult to actually achieve desired benefits</li><li><input type="checkbox"/> Public Station tip fee remains an imperfect benchmark</li></ul>

# Option 3: Suspend Caps, Pricing Transparency

Goal: Metro not perceived as a competitor, Public Benefits paid for using Regional System Fee, private station pricing review to ensure efficiencies are passed on to ratepayers

- Metro review private station rates and set its wet waste tip fee comparable to weighted average of private stations (or similar)
- Metro sets tip fees for public goods (such as HHW) at level that will achieve Public Benefit objectives
- Metro use Regional System Fee and reserves to match revenues and costs through time

# Option 3: Suspend Caps, Pricing Transparency

Pros	Cons
<ul style="list-style-type: none"><li><input type="checkbox"/> Market-based tonnage allocation</li><li><input type="checkbox"/> Metro provides non-economic services that provide Public Benefits</li><li><input type="checkbox"/> Pricing review provides information to local government regulators</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> More complex to implement and administer</li><li><input type="checkbox"/> Increased uncertainty in Metro annual finances</li><li><input type="checkbox"/> Tons to public stations would decline, which may limit or preclude Metro's ability to deliver new, innovative services that provide Public Benefits</li></ul>

# Option 4: Market Forces: No Tonnage Caps and Payment for Public Benefits

Goal: Let market forces dictate flow

- Status quo for flow of dry waste
- Metro places no limitations on flow of wet waste to public and private transfer stations
- Like the public stations, each private transfer station would have access to the regional system fee for providing non-economic services that provide Public Benefits

## Option 4: Market Forces: No Tonnage Caps and Payment for Public Benefits

Pros	Cons
<ul style="list-style-type: none"><li><input type="checkbox"/> Simple to administer</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> Likely increase in industry consolidation and private transfer station profit margins</li><li><input type="checkbox"/> Tons to public stations would decline, which may limit or preclude Metro's ability to deliver new, innovative services that provide Public Benefits</li><li><input type="checkbox"/> Could compromise Metro's ability to participate in a private-public transfer system</li></ul>

# Stakeholder Input from Transfer System Task Force

- Consensus recommendation: Current Public-Private partnership works well, but needs a few adjustments --Retain status quo with a few modifications:
  - Provide flexibility to increase wet waste tonnage allocations based on lowering emissions, and collection cost efficiencies, and market demand
  - Tonnage allocations should not reduce tons to any current private stations
  - Provide funds from regional system fee to private stations that provide non-economic services that provide Public Benefits

# Stakeholder Input from Local Government Directors

- Understanding private transfer station costs would be a huge benefit to our collection regulatory duties
- Even if imperfect, imperfect transparency would be better than virtually no transparency, which is what we have now
- Important to ensure that public investment is not stranded

# Questions for Council

- Is there one particular option you prefer to the status quo?
- Are there features of an option you would like to add to the status quo or would like to explore further?
- Is there a hybrid option you would like staff to evaluate?





**Questions or Comments?**