

**MARION COUNTY  
SOLID WASTE MANAGEMENT ADVISORY COUNCIL**

February 23, 2016

6:00-8:00 p.m.

Senator Hearing Room – Courthouse Square

555 Court St. NE

Salem, Oregon

Members Present: Bob Anderson, Bill Brauer, Joe Fowler, Todd Irvine, Brian May, Darby Randklev, Judy Skinner, Bonnie Sullivan

Members Absent: Jeanne Collins and Brian Sund (both notified staff)

Public Signed in: Will Posegate, Shawn Davis, and Matt Marler

Staff Present: Bailey Payne and Dennis Mansfield

BOC Liaison: Janet Carlson

**MOTION:** Brian May moved to approve the January 26, 2016 meeting minutes. Motion was seconded by Darby Randklev.

Discussion: None

Abstentions: None

Dissensions: None

Results: Minutes approved.

**ADMINISTRATIVE (Information/Action)**

- Chair Bob Anderson welcomed everyone and introductions were made.
- Commissioner Comments: Commissioner Carlson indicated she would defer comments until after presentations.
- Public Input: none.
- Council Member Announcements/Upcoming Events: Bailey Payne indicated he would provide event information during the staff update. The Chair asked to move this agenda item to the last on the agenda as a better place for it. All members agreed.

**SOLID WASTE PROGRAM DISCUSSION TOPICS**

Electrical Revenue Outlook by Shawn Davis, PGE:

- Shawn provided a brief background on himself. He previously was a power plant operator, spent time in the US Navy, and is currently a project manager with PGE. His presentation this evening is about energy supply and demand, what has changed in the last 10 years, changes in the marketplace in 2016, what is driving market prices today, the changing western energy market, energy basics, and a quick overview of House Bill 4036.
- Supply and demand must always be met and is influenced on what is happening outside. The energy market has an influx of intermittent energy (wind, solar, etc.). The market is viewed in two different time scales: long term of 10-20 years and issues that can affect cost are strength of the economy, employment, population growing or shrinking, and price of energy substitutes. Level of demand is sensitive to price – customers will seek alternatives if price too high. Short term demand is within the year, weather related, seasonal and the result is that the price is not as

sensitive to the short term demand. In the last 10 years a shift has happened due to gas fracking, incentives, market changes, etc. There has been a recent two-year downward trend for natural gas and a lot of excess supply with a reluctance to scale back on production as once a fracked well is capped it is very expensive to start production again. El Niño has had an impact with mild winter in areas which impacts water levels - renewable resources benefit during an El Niño as it changes the way energy is created. The result is there is lots of gas available and prices are very low (as low as the early 2000's). As there is a loose correlation between cheap gas and electricity, that is cheap as well. As more solar energy is brought on in California, base resources are being shut down during the day (gas and electric plants). Our region is changing. In the past, they have bought hourly chunks of power, started up power plants, etc. With volatility of renewables and changes in resources, they are now buying extra power from each other (spot market). Power companies don't need all of the energy they used to and selling the excess is not efficient. The region, to deal with intermittency, is moving toward an interconnected and balanced market that isn't constrained by having to buy large chunks of power. They can buy smaller chunks when needed and match needs with the other resources.

- Commissioner Carlson asked how that affects the waste-to-energy facility? Shawn replied he is not that familiar with the waste-to-energy facility, but it depends on how the contract is worded. How the new contract is structured will determine if the county is more or less impacted by the changing market price. Members indicated the current contract is structured for the price to be hourly. Shawn indicated that is what the wider markets are going to and Commissioner Carlson asked for an example. Shawn replied it has to do with the ability to deliver a product within a specified timeframe, guaranteed quantity, mechanical availability, and all of these things would be specified in the contract and that will affect the ultimate price. Commissioner Carlson asked how have other vendors of electricity been affected by those factors? Have they had to have more flexibility in what they do? Shawn indicated that was right. Commissioner Carlson asked if they have less guarantee on prices? Shawn indicated it is dependent on their request and availability of the facility. If the facility meets a certain delivery quantity per year, that would change the price. If the facility provides certain flexibility that would better the price. All of these would be worked into a potential contract. What does the delivery look like in the day ahead - they trade power early in the morning for the next day, so is there a guaranteed quantity for that next day? Is there a certain number of maintenance hours restricted for the year? Is there a small number of maintenance hours or larger? Is there volatility in the delivery - is there a guarantee on the amount to be delivered? The larger the better. These all would change the contract price.
- A comment was made that that the current contract is set up like that as they have a certain number they can't go below or they will get dinged and has the same set up for maintenance. The group discussed how pricing has changed since the last contract, the discussion years ago that electrical rates would go back up, how gas is no longer the driving factor, and the impact of renewable resources. Shawn summarized that the changes in the energy landscape have been so huge in even the last 5 years. One thing to remember is if we go back to less than 10 years ago there was only 500-600 megawatts of wind in the northwest and now there is almost 5000, maybe even more. It is very locational and when it goes off it all goes off together and that helps create that volatility in the marketplace. PGE is excited about the energy balanced market and thinks it will bring needed relief as more and more renewables are brought onto the system. A comment was made that the waste-to-energy facility provides a steady energy source as opposed to the others that are weather-related yet the price is significantly lower than it has been historically. Does there need to be some type of legislative change on the renewables to change that value or is it long-term and we will see the price of energy remain low? Shawn answered it will probably remain low for certain times of

the day. Traditionally, the price between 6 am and 10 pm was the heavy load price. As we move forward, we will see fairly steady pricing overnight and more volatile pricing on both ends with the middle of the day very expensive. That is the balance they are playing and the key is flexibility – that is what the utility is looking for. Shawn added prices are also seasonal with spring and the snow runoff bringing prices lower and winter time has, typically, the highest. Even that is moderating a bit with more folks using air conditioning during the summer, for example. Commissioner Carlson indicated there is an amendment before the legislature to move the date for renewal credits, but it was pulled from floor today. A member mentioned it was back in committee and the group then discussed that it will not significantly affect price due to market surplus. The group discussed renewable credits, how they differ by state, which creates difficulty, too and reviewed the components of HB4036. Shawn offered to check on the latest version of the bill and review how it might affect the waste-to-energy facility and provide that information to SWMAC.

- Shawn concluded his presentation by discussing PGE projections, currently looking into the mid 2020's and how reliable those projections can be, especially when considering new facilities. The Council thanked Shawn for this presentation.

#### Metro Hearing on Energy from Waste

- Matt Marler indicated he last heard Metro commissioners have agreed to talk to Covanta, not to negotiate but to just start talking regarding their needs and what we can provide. A letter is supposed to be coming from Metro and when that is received and they start talking he will have more to update. Commissioner Carlson asked about the subcommittees that were mentioned last month that will be formed to talk about different topics? Brian May replied he serves on one. Metro tried to push through amendments to their solid waste code and met with resistance, particularly to proposed MRF regulations and inspection, and had added in conversion technology that doesn't exist right now in Metro code. Metro will be doing outreach on these amendments that also include proposed additional inspections and licensing by Metro.

#### Proposed Rate Increase and Timeline

- Dennis Mansfield indicated he would be providing an update on the rate review. Commissioner Carlson provided background that Dennis was working with SWMAC last year but was put on hold while the board reviewed the whole system, including the review by Doug Drennen. The board started meeting with him on parameters and now has a proposal the board can support. She added there was also a meeting with haulers and discussion on a timeframe to work within.
- Dennis has worked on a model to come up with tip fee proposals. Current rate at Covanta is \$67.45 and one proposal is three-tiered: one increase to take effect in October, 2016 with a \$20 per ton increase; 3 years later there is another increase of \$5 per ton; and the final increase in 2023 of another \$5 per ton. Commissioner Carlson referred to the model showing the loss of revenues, based on electrical revenues going down. There are options to deal with the loss including a trickle increase over a lot of years, using a specific amount that the haulers could agree to. The board and staff talked to a few cities about doing a consumer price index (CPI) based increase that would go up each year. The difficult with that option is haulers must take a price change through each city with each having a cost of service analysis, and this increase would be on top of that. Cities were not in favor of a small increase each year. The group discussed whether it is better to have a larger increase or a smaller one each year, having to go through the review with each jurisdiction, etc. Several members indicated a set increase each year might be easier to plan for, get through review with each city, etc. rather than a large increase every few years. Commissioner Carlson asked about the impact of a \$2 increase and indicated for the county it doesn't matter

whether it is a smaller increase each year or larger every few years. She wants discussion to focus on the ease of implementation with approvals from cities and the public. The group discussed impact of a \$2 increase for revenues versus \$1.50.

- Dennis reviewed the location list on his model and explained the \$100 increase in out-of-county medical waste is based on the current market in other areas; blue bin medical waste is pharmaceutical (not considered infectious) and a company is interested in bringing that to the county (5,000 tons) at \$400 per ton. A member suggested doing the CPI across all materials, which could reduce the needed increase to residents. Commissioner Carlson confirmed the intent is to increase out-of-county medical and the others with a CPI and that might reduce the resident increase. The group discussed how many other jurisdictions have medical waste and those rates, which are unlikely to go down. Commissioner Carlson suggested the group look at an across-the-board CPI. Dennis added these are the rates that have the greatest movement. Smaller rates, such as those for appliances, weren't included and will probably need to be included but the focus for the model was those with the biggest impact. He then reviewed the rates for each transfer station. The group discussed the need to increase the minimum charge at transfer stations and contractor rates (scheduled for discussion with the board at an upcoming meeting).
- Bob Anderson discussed the notes he took at the budget subcommittee meeting that morning. After two hours, the subcommittee decided they need more information than the graphs and model to make the appropriate determinations on what is needed. As this is a significant issue with so many things to consider, they need more people to help. They also decided, based on the amount of information to review, they will have regular meetings scheduled on Friday mornings from 10-12 or at least until they get through this topic. He asked for volunteers. Commissioner Carlson asked what the group is meeting about, as she thought it was to discuss talking points around the increase? Bob replied they talked about that but they want more information so they can be on the same page on how they felt about these rate increases as they might be faced with lots of questions from lots of people and want to have answers ahead of time. Commissioner Carlson asked if they discussed the timeline issue as SWMAC will be coming to the board very soon with a recommendation and the group had talked about a July date. Todd indicated he Dennis met with Salem to talk about the timeline and there is a problem with July 1 for them. They had discussed October 1 for rates going into effect. Commissioner Carlson asked when the cities would do their approval and Todd indicated that will be the challenge. They would like to see a small incremental CPI rather than a larger increase as that might be easier to get through the review and approval process. Commissioner Carlson confirmed if an October 1 implementation date is used, the board would look at approval from cities in September or earlier if it must go through voters. The board would have to approve the rates around July 1. Todd indicated Salem would probably use the same timeline. Due to the required cost of service analysis, they all need to push it to October and it would help to get the bigger cities done early on. The group discussed that the board has to approve the increase first that the haulers then fold into the analysis. Commissioner Carlson confirmed the board would need to approve these rates and Dennis indicated that would have to happen by the end of March. Commissioner Carlson asked that Public Works staff create a rationale statement on each line of the model to explain what the increase is based on and reason is the target revenue.
- Action item for the March 22<sup>nd</sup> meeting will be to review and approve the rate increase proposal. The group thanked Dennis for all of his hard work on the model, which has been very helpful.

#### **COMMUNICATIONS PLAN / PUBLIC HEARINGS / OUTREACH**

- Jolene Kelley handed out a communication plan update and a “frequently asked questions” handout put together a few years ago regarding the solid waste program. She indicated the group

can add to it and use as a handout and drive the message over the next six weeks. The group discussed a public hearing and Commissioner Carlson indicated Commissioner Brentano really wanted this group to have one, which could be done at the regular meeting next month prior to voting. Bob asked if something should be done with the newspaper to deal with informing the public rather than a public hearing they might not come to? He leans toward the newspaper, especially with the tight timeframe. Jolene replied it is better to mitigate in a presentation, but information can be put out ahead of time, such as editorials, to give a clear picture of why this is happening.

- Commissioner Carlson suggested a public hearing could be done with board session on March 16<sup>th</sup> and SWMAC would have that information for their meeting on March 22<sup>nd</sup> for the vote, and that would be in time for the board meeting on March 30<sup>th</sup>. A member asked what the rate might be for a resident, if the \$20 increase was used? Members discussed it varies, depending on three different cost structures for each jurisdiction. For Salem, it would be about \$2 each month. Members discussed that that amount of increase is a bargain as opposed to if a CPI-based increase had been in place since the last change. This fact can be a great talking point and that the county has done a great job holding the rate since 1992. Commissioner Carlson said staff needs to make sure whatever CPI is used gets the result needed and Dennis indicated the Portland CPI has averaged 2%. Jolene added that source should be referenced and these talking points need to get out into the community. The group discussed what should be in FAQ such as the volatility in the electrical market, county bond payment, use of the electrical revenue, being able to explain both the revenues and expenditures, what would happen if the CPI went down and identify steps taken to help county residents keep rates stable and reasonable (blue box waste for example).
- Jolene indicated she would like a guest opinion in the newspapers near the time of the public hearing and that it would be helpful to have council members help spread the word and talk about it. Comments were made that the intent is not to create a conflict with the members that are part of the waste industry. Jolene asked anyone interested that doesn't have a conflict to let her know and Commissioner Carlson asked that the budget subcommittee come up with names of members willing to provide a guest opinion. Jolene indicated she will send the revised FAQ to Bob and Bailey. Anyone with questions can contact her.

#### **FUTURE TOPICS / EMERGING ISSUES / OTHER BUSINESS**

- Bailey indicated staff met with City of Salem staff managers on DEQ requirements (many of which are handled by county ES staff), changes coming, programs available from ES, etc. He also indicated a new communications plan is coming and currently under review.
- Upcoming meetings:
  - February 26<sup>th</sup>, Green Roots; 5:45 at Gilgamesh Brewery
  - March 12, Green Awards, at Elsinore Theatre
  - April 1, Oregon Green School Summit in West Salem
  - April 23 Earth Day at Oregon Garden

#### **MEETING ADJOURNED at 8:00 p.m.**

Bob thanked everyone for coming and indicated attendance is critical as the Council moves forward with these important issues.

If anyone would like to come to the office to listen to the recorded version of the minutes, please call 503-588-5169 to schedule a time.