



Bell & Associates, Inc.

Solid Waste & Recycling Consultants

Memorandum

From: Chris Bell, Bell & Associates

To: Mark Ottenad, City of Wilsonville

CC: Amanda Guile-Hinman, City of Wilsonville

Subject: 2022 Solid Waste Rate Review

The following questions were raised by Jason Jordan, General Manager for Republic Services, regarding the proposed adjustments to the annual cost report submitted by Republic Services for the calendar year 2021.

Waste Disposal Fee

Question 1a. Chris is making an assumption on what the disposal price “should” be vs. what the actual tip fee was for 2021, and

Question 2b. Tip fee assumption used was not correct to actual tip fee (Akimi explained this in prior communications)

Answer

There has been a trend in the Metro where vertically integrated companies are setting disposal fees at their transfer stations higher than the current rates charged by Metro. The underlying question asked by jurisdictions impacted by the higher rates is whether the increased fees are defensible for the operation. Is the rate charged at WRI either a market rate or a regulated rate?

Inbound waste tons must be from various sources to be classified as a market rate. However, most of the approximately 80,000 tons delivered to WRI were from Republic Services. Therefore, the rate is not market driven.

The costs that comprise the disposal fees at WRI have not been reviewed by Metro (the regional regulator for transfer facilities) or the City of Wilsonville, so it's not a regulated rate.

Therefore, the disposal rates charged by WRI to Republic's affiliated hauling companies are best classified as internal rates. Previous rate reviews have adjusted the internal rate for waste disposal and recycling transfer. Last year, the reported tipping fee at WRI was revised down from the reported disposal cost. In other words, internal rates of affiliated companies are not conducted at an arm's-length transaction, in which two or more unrelated and unaffiliated parties agree to do business, acting independently and in their self-interest.

The underlying costs that comprise the tipping fees charged by Metro are available for review and can be supported. This is why the Metro disposal fee was Wilsonville's basis for disposal costs. The second reason is the Metro fee doesn't financially harm Republic's rate of return in Wilsonville. Metro's tonnage fee includes the costs of franchised haulers and self-haulers. Transfer station managers know that the cost of self-hauling customers is significantly higher than commercial operations. Metro completed a cost of service at the transfer stations in 2018, where the difference in costs between the franchised haulers and self-haulers was \$32.62 per ton. This is relevant because WRI doesn't have the volume of self-haulers; therefore, the transfer cost at WRI should be lower than at Metro. Additionally, the transport cost from Wilsonville to Coffin Butte Landfill is lower than Metro's transport cost to Arlington, Oregon. Finally, since Republic Services owns this landfill, WRI provides a financial benefit to Coffin Butte.

Response: Until the disposal fees charged by WRI are in parity with Metro or the rate is regulated, I will recommend using the Metro fee for the cost of waste disposal in Wilsonville.

Commercial Waste Disposal Expense

Question 2a. Commercial Assumed lbs. /yard and tip fee

Chris's assumption the lbs. /yard were not updated to 112lb/yd. as he stated would be used. The calculations remained at 110lb/yd.

Response: The disposal expense was adjusted for the average of 112 pounds per yard. The following is the calculation of the adjustment:

Reported Annual SW Container Yards:	140,192	
Adjustment to Revenue:	14,458	¹
Total Estimated Commercial Yards	154,650	
Average pounds per Yard	111.78	
Annual Collected Tons	8,643.28	$((154,650 \times 111.78) / 2,000)$
Cost per Ton (2021 Metro Average)	\$107.08	
Estimated Commercial Disposal Cost	\$925,523	$(8,643.28 \times \$107.08)$
Reported Commercial Disposal Cost	\$1,037,976	
Disposal Expense Adjustment	(\$110,000)	
Adjusted Commercial Disposal	\$927,976	

Note 1: Reported container yards were increased to match the reported revenue because the yards were from year-end, which didn't account for additional yards and seasonality.

Yard Debris Disposal Expense

3. Yard Debris assumed weights and tip fee

- Weight assumption used 2019 data vs. the 2021 Clackamas County average lbs./yard/customer to include Wilsonville
- Tip fee assumption also not correct to actual tip fee (Akimi explained this in prior communications)

Response

The initial calculation for the average Wilsonville weight per customer doesn't use the 2019 data; it was based on the 2021 composite data from four jurisdictions: Clackamas / Happy Valley, City of Tigard, City of Hillsboro, and the City of Beaverton, which has an average of 880 pounds per customer per year. The updated average weight included the reported 1,203 pounds from Wilsonville, which increased the average annual weight in Wilsonville to 945 pounds.

The disposal fee used to calculate the yard debris disposal cost is the reported cost per ton from the annual report, which was \$80.59 per ton.

The following calculation is the adjustment to the reported yard debris disposal expense.

	Wilsonville		
Landfilled	Tons	\$	Check
Yard Debris + Food Scraps			0
<i>Grimms</i>	0.822	\$90	\$109.38
<i>Willamette Resources</i>	2,539.856	\$204,652	\$80.58
<i>S&H Logging</i>	0.000	0	0
<i>Metro South Transfer Station</i>	0.000	0	
FoodTotal	2,540.679	\$204,742	
Check: \$/Ton		\$80.59	

Yard Debris Disposal Expense

Reported Yard Debris Customers	4,223
Average Weight per Customer	945 pounds per year
Annual Pounds	3,990,735 (4,223 x 945)
Annual Tons	1,995.36 (3,990,735 / 2,000 pounds per ton)
Reported Cost per Ton	\$80.59
Estimated Yard Debris Disposal	\$160,807 (1,995.36 x \$80.59)
Reported Yard Debris Disposal	\$204,742
Yard Debris Expense Adjustment	(\$44,000)
Adjusted Yard Debris Disposal	\$160,742

Conclusion: The proposed adjustment of \$50,000 will be amended to \$44,000