

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: ENVIRONMENTAL RESOURCES *KML*

BOARD AGENDA # B-8b

Urgent \_\_\_\_\_ Routine X

AGENDA DATE May 1, 2001

CEO Concur with Recommendation YES *OK* NO \_\_\_\_\_  
(Information Attached)

4/5 Vote Required YES \_\_\_\_\_ NO X

SUBJECT: APPROVAL TO LOWER THE TIPPING FEE AT THE STANISLAUS  
WASTE-TO-ENERGY FACILITY

STAFF RECOMMENDATIONS: APPROVAL TO DECREASE, TO \$34.00 PER TON, THE TIPPING FEE OF  
THE STANISLAUS WASTE-TO-ENERGY FACILITY, EFFECTIVE JUNE 1,  
2001.

FISCAL IMPACT: The proposed recommendation is attributable to the refinancing in February 2000, of the waste-to-energy (WTE) project debt, which decreased interest rates, and decreases in pass through costs, such as the WTE facility's annual site lease, and decreased ash disposal fees (if approved by the Board on May 1, 2001). If the Board approves this recommendation, revenues to the waste-to-energy project fund could decrease as much as \$1,825,000 in the coming year.

BOARD ACTION AS FOLLOWS:

No. 2001-330

On motion of Supervisor Mayfield, Seconded by Supervisor Blom  
and approved by the following vote,

Ayes: Supervisors: Mayfield, Blom, Simon, Caruso, and Chair Paul

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) \_\_\_\_\_ Denied

3) \_\_\_\_\_ Approved as amended

Motion:

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

By: *Christine Ferraro* Deputy

File No.

## APPROVAL TO LOWER THE TIPPING FEE AT THE STANISLAUS WASTE-TO-ENERGY FACILITY

Page 2

**DISCUSSION:** The tipping fee for the waste-to-energy (WTE) project was last adjusted in July 1998. At that time, the fee was increased from \$37.50 to \$40.25 per ton. The increase was necessary due to scheduled increases in debt service payments, as well as lower energy revenues. The decrease in revenues was caused by the end of the 10-year guaranteed price period of the power purchase agreement with Pacific Gas and Electric Company (PG&E).

Stanislaus County, in partnership with the City of Modesto (City), refinanced the debt for the WTE project last year. This process concluded in February 2000, and resulted in a lower interest rate on the remaining debt, thus bringing the project's overall costs down.

The City and the County are continuing their joint efforts to evaluate additional strategies to further reduce the tipping fee at the WTE facility. Such include the following: 1) Capitalizing on the unique nature of the WTE facility which provides up to 10% credit toward the 50% recycling mandate, a benefit which could be marketed to jurisdictions outside the County; and 2) Capitalizing on the value of electricity as the Governor and the Public Utilities Commission (PUC) strive to stabilize rates for generators and consumers in California.

In addition, the Board adjusted the annual WTE facility site lease. The Board considered this issue in January 2001 and determined, based upon an independent appraisal, that the annual rent could be decreased from \$400,000 per year to \$198,000 per year.

Moreover, the Public Works Department anticipates proposing a decrease in the ash disposal fees charged at the Fink Road Landfill. This decrease would be considered by the Board at its meeting of May 1, 2001.

Such cost savings can be passed along to the users of the facility by decreasing the WTE project's tipping fees. Lowering the tipping fees would result in a recommendation by staff to reduce monthly refuse collection service fees to unincorporated area residents. Such rate reductions would be considered by the Board at its meeting of May 1. Although decreasing the tipping fees results in lower revenues to the waste-to-energy project fund, this impact this would be offset by the aforementioned cost savings.

It should be pointed out that due to PUC-imposed caps on the prices consumers paid to PG&E for electricity, and because PG&E recently filed

# APPROVAL TO LOWER THE TIPPING FEE AT THE STANISLAUS WASTE-TO-ENERGY FACILITY

Page 3

for bankruptcy, over the past couple of months, neither Covanta Stanislaus Energy (formerly Ogden Martin Systems of Stanislaus) nor the County and the City have received all of the energy revenues due them under the terms of the Power Purchase Agreement and the Service Agreement.

Despite such partial payments, because the strategy for the project during its first 10 years was to establish a rate stabilization fund, sufficient revenues have been set aside in the WTE project fund so as not to put the project at risk for meeting its financial obligations. The reserves in this fund reached higher levels, and began to decrease at a later date, than was projected in the tipping fee models.

The partial payments that were received exceeded the electricity revenue projections upon which the recommendation of a \$34.00 per ton tipping fee was based. In fact, the PUC recently ordered PG&E to pay its generating facilities a price-per-kilowatt hour that is significantly larger than the amount used in the tipping fee projections, starting in April.

Therefore, staff recommends that the Board approve the recommendation to decrease the WTE project tipping fee from \$40.25 per ton to \$34.00 per ton, effective June 1, 2001.

This recommendation is consistent with concepts previously considered by the Board as well as the members of the Solid Waste-to-Energy Executive Committee at its meeting in December last year. Such tipping fee adjustments must be approved by the Board and the Modesto City Council. The City Council approved such an adjustment at its meeting of January 9, 2001. Finally, it should be noted that County Counsel opined that a public hearing is not required when the Board takes action to reduce fees.

## **POLICY ISSUE:**

Decreasing the tipping fee of the WTE facility is consistent with the Board's priorities of delivering excellent community services and facilitating economic development.

## **STAFFING IMPACT:**

None.