

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

DEPT: ENVIRONMENTAL RESOURCES *KMW*
Urgent _____ Routine X
CEO Concurs with Recommendation YES *prt* NO _____
(Information Attached)

BOARD AGENDA # B-9
AGENDA DATE November 6, 2001
4/5 Vote Required YES _____ NO X

SUBJECT: APPROVAL TO LOWER THE DISPOSAL FEE AT THE STANISLAUS
WASTE-TO-ENERGY FACILITY AND FINK ROAD LANDFILL

STAFF
RECOMMEN-
DATIONS:

1. APPROVAL TO DECREASE, TO \$30.00 PER TON, THE DISPOSAL FEE OF THE STANISLAUS WASTE-TO-ENERGY FACILITY, EFFECTIVE JANUARY 1, 2002.
2. APPROVAL TO DECREASE TO \$30.00 PER TON, THE DISPOSAL FEE FOR NORMAL WASTE OF THE FINK ROAD LANDFILL, EFFECTIVE JANUARY 1, 2002.

FISCAL
IMPACT:

The proposed recommendation is attributable to the amendment of the Power Purchase Agreement between Covanta Stanislaus, Inc. and PG&E, which affords a five-year, fixed price contract to the Waste-to-Energy project for electricity sales. If the Board approves this recommendation, revenues to the waste-to-energy project fund could decrease as much as \$1,080,000 in the coming calendar year.

BOARD ACTION

No. 2001-867

On motion of Supervisor Simon, Seconded by Supervisor Mayfield
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

Christine Ferraro
By: Deputy

File No.

APPROVAL TO LOWER THE DISPOSAL FEE AT THE STANISLAUS WASTE-TO-ENERGY FACILITY AND FINK ROAD LANDFILL

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DISCUSSION: The disposal fee for the waste-to-energy (WTE) project was last adjusted in June 2000. At that time, the fee was decreased from \$40.25 to \$34.00 per ton. The decrease was attributable to the refinancing of project debt in February 2000, and decreases in pass through costs, such as the WTE facility's annual site lease, and decreased ash disposal fees.

On July 13, 2001, Covanta Stanislaus, Inc. and PG&E executed the First Amendment to the Power Purchase Agreement (PPA). This agreement was made possible by a California Public Utilities Commission decision approving certain non-standard PPA price modifications. This amendment authorized PG&E's assumption of the PPA, and bound the parties to a five year fixed price energy sales agreement. From August 16, 2001 through July 15, 2006, the project will receive 5.37 cents per kilowatt hour plus capacity payments. Firm and as-delivered capacity payments are premiums over and above the energy sales for specified deliveries of power during on-peak hours during peak months; these payments amount to about 2.3 cents per kWh.

Disposal fee models produced by the County's consultant at the time of the refinance anticipated energy sales at 2.6 cents/kWh. The differential between the projected energy sales revenue of 2.6 cents/kWh and the contract revenue of 5.37 cents per kWh is sufficient to allow for a reduction in the disposal from \$34.00 to \$30.00 per ton.

These higher than expected energy revenues can be passed along to the users of the facility by decreasing the WTE project's disposal fees. Lowering the disposal fee would result in a recommendation by staff to reduce monthly refuse collection service fees to unincorporated area residents. Staff intends to bring recommendations to the Board on such rate decreases at the Board meeting of November 20. Although decreasing the disposal fee results in lower revenues to the WTE project fund, this impact would be offset by the aforementioned increase in energy revenues. The Contracting Communities receive 90 percent of the energy revenues to be applied to the Service Fee.

Sufficient revenues have been set aside in the WTE rate stabilization fund so that a \$30.00 per ton disposal fee can be maintained through the term of the Service Agreement even if energy revenues should decline after the conclusion of this five year period.

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DISCUSSION: (CONTINUED)

It has been previously determined that it is beneficial to have the same disposal fee at the WTE facility and the Fink Road Landfill. Public Works Department staff has considered the proposed adjustment at the WTE facility, and has recommended the proposed adjustment of the disposal fee for normal waste at the Fink Road Landfill.

The City and the County are continuing their joint efforts to evaluate additional strategies to further reduce the disposal fee at the WTE facility. One example is capitalizing on the unique nature of the WTE facility that provides up to 10 percent credit toward the 50 percent recycling mandate, a benefit that could be marketed to jurisdictions outside the County.

Therefore, staff recommends that the Board: (1) Approve the recommendation to decrease the disposal fee of the Waste-to-Energy facility from \$34.00 per ton to \$30.00 per ton, effective January 1, 2002; and, (2) Approve the recommendation to decrease the disposal fee for normal waste at the Fink Road Landfill from \$34.00 per ton to \$30.00 per ton, effective January 1, 2002.

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 September of this year. The Board may approve the adjustment at the Fink Road Landfill independently; however, the Modesto City Council must also approve disposal fee adjustments at the WTE facility. The City Council is tentatively scheduled to consider such an adjustment at its meeting on November 13. 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 disposal fee of the WTE facility and the Fink Road Landfill is consistent with the Board's priorities of delivering excellent community services and facilitating economic development.

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STAFFING

IMPACT:

None.