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Memorandum Date: April 24, 2009
BCC Agenda Date: May 12, 2009

TO: Board of County Commissioners
DEPARTMENT: Public Works
PRESENTED BY: Patti Hansen, Waste Management Division Manager
AGENDA ITEM TITLE: Work Session on the Lane County/EPUD Short Mountain Landfill Gas Agreement

I. Issue

To update and discuss the Lane County/EPUD Short Mountain Landfill Gas Recovery and Utilization Agreement.

II. AGENDA ITEM SUMMARY

This work session is to review and discuss the current agreement between Lane County and EPUD regarding the Short Mountain Landfill methane gas system. Discussion at this work session is intended to focus on the future direction of the contractual relationship between Lane County and EPUD regarding the methane gas system. This work session will include the Board of County Commissioners; Lane County employees Marsha Miller, Patti Hansen, Dan Hurley, Andy Clark, and Stuart Bolinger; EGR consultants Benny Benson and Gerry Friesen; EPUD's General Manager Frank Lambe; and EPUD's Power Resource employees Bill Wilson and Richard Gistelli.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

In 1985, Lane County requested proposals for Services for Recovery of Landfill Gas. Lane County and Emerald Peoples Utilities District entered into a agreement effective September 17, 1986, for the development of a Landfill Gas to Energy facility at the Short Mountain Landfill. The agreement has been amended 3 times; with effective dates of November 11, 1990, June 21, 1989, and again on June 21, 1989. The initial agreement term was 10 years with an automatic 10 year renewal for the life of the landfill gas. The recitals of the agreement state that the expectation of the County was to dispose 150,000 tons per year of solid waste for the next 35 years. The agreement also states that EPUD would develop the landfill gas facility on County property to beneficially

utilize the landfill gas generated from the landfill. Under this agreement, EPUD captures the landfill gas and utilizes it to create electricity for sale by EPUD. The County then receives royalty payments from EPUD, according to one of two royalty calculations listed in the agreement.

B. Policy Issues

The County is required by its DEQ permit to collect and control methane emissions at the Short Mountain Landfill.

C. Board Goals

The Board is being asked to review the current EPUD agreement. A goal from the Strategic Plan, page 13, is relevant to this work session:

- *Protect the public's assets by maintaining, replacing or upgrading the County's investments in systems and capital infrastructure.*

D. Financial and/or Resource Considerations

This is a work session and future direction may be given to staff from the Board of Commissioners at this time.

E. Analysis

Lane County hired EGR to do an analysis of the Lane County Short Mountain Landfill methane gas system. We asked EGR to do a study to determine if the landfill gas produced at the Short Mountain Landfill is financially underutilized through the existing agreement with EPUD. The study asks EGR to review the EPUD landfill gas facility operations and contractual agreements with both the County and EPUD in order to provide a realistic perspective. EGR was also tasked to do a comparative analysis between landfill gas to energy facilities and similar industry examples.

F. Alternatives/Options

Maintain the current EPUD agreement.

Direct the Waste Management staff to work with EPUD regarding amendments to the existing agreement and bring back options to the Board for consideration.

Direct the Waste Management staff to work with EPUD regarding a new agreement and bring back options to the Board for consideration.

IV. TIMING/IMPLEMENTATION

The provisions of the agreement do not provide any express authorization for the County to terminate the agreement. The agreement does provide termination options to EPUD, most of which require the payment of “damages” (as defined by the agreement) by the County of either ½ or all of the unamortized value of the facilities depending on the circumstances.

V. RECOMMENDATION

The recommendation is for County staff to work with EPUD to address the future direction of the contractual relationship between Lane County and EPUD with respect to the following items:

- Royalty calculation
- Termination clause
- Incentive sharing
- Composition of waste
- Compliance issues
- New equipment/green generators
- Waste heat opportunities
- Change of circumstances contingencies for both parties

VI. FOLLOW-UP

Report back to the County Administrator and Board of Commissioners in three months.

VII. ATTACHMENTS

None.