

To: Zero Waste Committee

From: Brent Kirkpatrick, Lead Senior Engineer, Solid Waste Services

Date: May 11, 2018

Meeting Date: May 17, 2018

Subject: **Waste-to-Energy Facility – 2017 Financial Update**

### RECOMMENDATION

That the GVS&DD Board receive for information the report dated May 11, 2018, titled “Waste-to-Energy Facility – 2017 Financial Update”.

### PURPOSE

To provide the GVS&DD Board a 2017 financial update for the Metro Vancouver *Waste-to-Energy Facility* located in Burnaby.

### BACKGROUND

On an annual basis, results of the operation of the *Waste-to-Energy Facility* and contract with Covanta Burnaby Renewable Energy, ULC (Covanta), including tonnages, expenditures, revenues, service level and performance, and unit costs, are provided to the Zero Waste Committee for information.

### 2017 WASTE-TO-ENERGY FACILITY FINANCIALS

Table 1 provides the past three years of expenditures for the *Waste-to-Energy Facility*.

**Table 1: 3-Year Expenditures for the *Waste-to-Energy Facility***

	2015	2016	2017
Operating Cost	\$21,272,806	\$20,437,204	\$20,575,965
Debt Charges *	\$1,585,368	\$1,629,151	\$1,700,248
Total Expenditure	\$22,858,174	\$22,066,355	\$22,276,213
Tonnage	256,402	254,256	259,748
Unit Cost / Tonne **	\$89.15	\$86.79	\$85.76

\* Debt charges are payments for Metro Vancouver capital upgrade debentures.

\*\* Includes debt servicing costs.

Operating costs include operating and maintaining the *Waste-to-Energy Facility*, service level and performance adjustments, and ash management. Overall operating costs in 2017 are similar to 2016. While costs increased for processing (due to inflation and an amendment to the operating contract to provide a rate adjustment resulting from the increased heating value of the garbage due the removal of food waste through the regional ban on organics in the waste) and additional fly ash testing (resulting from requirements of the Operational Certificate), they were offset by decreased bottom ash and fly ash disposal costs. In 2017 Covanta met contractual requirements for both service level and environmental performance.

Table 2 below outlines Metro Vancouver’s portion of offsetting electrical revenues.

**Table 2: Metro Vancouver’s Portion of Electrical Revenues for the *Waste-to-Energy Facility***

	2015	2016	2017
Electrical Revenue	\$6,171,748	\$5,796,681	\$5,642,942
Tonnage	256,402	254,256	259,748
Unit Revenue / Tonne	\$24.07	\$22.80	\$21.72

Electrical revenue in 2015 was higher than 2016 and 2017 because of an insurable event on the turbine generator which was reimbursed in 2015. The 2017 electrical revenues are typical for the facility.

Table 3 outlines the net unit cost per tonne for operation and maintenance of the Metro Vancouver *Waste-to-Energy Facility*, including debt servicing.

**Table 3: 3-Year Net Unit Cost for Operation and Maintenance of the *Waste-to-Energy Facility* (including debt servicing)**

	2015	2016	2017
Unit Cost / Tonne (from Table 1)	\$89.15	\$86.79	\$85.76
Unit Revenue/ Tonne (from Table 2)	\$24.07	\$22.80	\$21.72
Net Unit Cost/ Tonne	\$65.08	\$63.99	\$64.04

**ALTERNATIVES**

This is an information report, therefore no alternatives are presented.

**FINANCIAL IMPLICATIONS**

Costs for managing waste at the *Waste-to-Energy Facility* have been fairly stable over the last three years with overall operating costs in 2017 similar to 2016 and unit cost being down slightly due to the increase in garbage processed. Metro Vancouver continues to work with Covanta to minimize facility costs and overall, the *Waste-to-Energy Facility* continues to be a low-cost regional disposal option.

**SUMMARY / CONCLUSION**

Expenditures in 2017 for the *Waste-to-Energy Facility* totaled \$22.3 million, including \$1.7 million in debt charges, resulting in an expenditure of \$85.76 per tonne. Metro Vancouver’s portion of electrical revenues totaled \$5,642,942 or \$21.72 per tonne. Based on the plant processing 259,748 tonnes of municipal solid waste, the net unit cost per tonne for operation and maintenance of the *Waste-to-Energy Facility* in 2017 was \$64.04 per tonne. Tipping fee revenues are accounted for separately and are not included in this analysis.

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