Adjusting to the Clean Air Act and Marketplace....

Update on the Alexandria/Arlington Waste-To-Energy Facility

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Outline of Comments

- Background on WTE Facility
- Uncertainty About the Future
- Alternative Funding Approaches
- Next Steps

City of Alexandria and Arlington County, Virginia

- Implemented with Ogden; in operation since 1988
- Implemented when:
  - Higher electricity revenues
  - Need for disposal capacity
  - Waste directed to Facility via ordinance

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**Major Parties in the Project**

- City of Alexandria
- Alexandria Sanitation Authority
- Arlington County
- Arlington County Solid Waste Authority
- Ogden Martin Systems of Alexandria/Arlington, Inc. (Company)
- Virginia Power Company
- Ogden Corporation (OC)
- City of Alexandria and Arlington County Waste Disposal Trustees and Trust Fund

**Retrofit Construction Status**

- $46 million project by Clean Air Act Amendment requirements and site improvements
- Site improvements and installed and operational
- Clean Air improvements on schedule to be completed in December 2000
- Stack covering and new windows to be finished in Summer

**Waste Supply and Facility Capacity (tons per year)**

- Jurisdictions Controlled - 68,000
- Privately Controlled and Collected in Jurisdictions - 208,000
- Guaranteed Annual Tonnage ("GAT") by Jurisdictions - 225,000
- WTE Guaranteed Processing Capacity - 312,000
- WTE Nominal Annual Throughput Capacity - 345,000

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Alexandria/Arlington GAT Tipping Fees

- GAT Tipping Fee = 
- Base Tipping Fee with misc. Surcharges
- UCC Surcharges
- Retrofit UCC Special Surcharge
- Electricity Rate Adjustment
- Applied to at least 225,000 tons per year
- Tipping Fee Differential Payments come from Waste Disposal Trust Fund or User Fees through Authorities

Jurisdictions Waste Disposal Trust Fund

Income
- Property tax payments
- Recycling Surcharge for Jurisdictions
- Recycling costs from Company

Expenses
- End of Year Payments
- Differential Tipping Fees for GAT Waste
- Operating Expenses

1998 Strategic Analysis Results

- Waste supply contracts with 2 major private haulers for approximately 45 percent of Facility's capacity
- Facility Agreement ("FA") Amendments negotiated providing for Retrofit/Improvements Project. Term extended for 5 years
- Initial Bonds refinanced and Retrofit financing accomplished in 1998
- Alternative revenue source deferred until FY 2002-2004, when Trustees Fund diminished
- Funding for recycling separate after FY1999
- GBB engaged as Project Manager for the Trustees

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**Retrofit/Improvements Project and 1998 B Bonds**
- Public ownership structure to avoid State tax-exempt volume cap; leasing structure
- Site expanded for construction and improved road access
- CAA Amendment Retrofit
  - semi-dry scrubbers, lime storage, fabric filter bag houses, new induced draft fans, new flue gas ducts, new fly ash conveyors, upgrade of existing carbon injection, non-catalytic reduction system, and replacement C.E.M. system
  - the emissions will be very clean!
- Stack and windows treatment to be changed for aesthetic improvement

**Waste Supply Contracts**
- Contracts executed by Company, with Jurisdictions assistance and consent with 2 private haulers representing 45% of waste supply for the Facility
- Term: 2-5 years
- Pricing: competitive with marketplace
- Pricing philosophy:
  - What does it need to be to keep your waste here?
  - Where else could they go?
- Put or Pay provisions for tipping fee revenue included

**Uncertainty About the Future and Issues to Resolve**
- Quantity of waste delivered to the Facility
- Competition and regional disposal alternatives
- Revised tipping fee projections
- Negotiating new deal points with private haulers
- Acceptability of alternative revenue sources
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Uncertainty Equates to Shortfall in Facility Funding

$2 to 5 million per year estimated

Alternative Funding Approaches

- Residential rate only used to fund shortfall
- Spread burden across all waste generators according to waste generation levels – Environmental Investment Charge
- Spread burden across all taxpayers through property tax increase or General Fund subsidy
- Establish waste districts and franchise commercial haulers

Jurisdictions’ and Neighbor Annual Residential Rates ($ per year per household)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria</td>
<td>$160</td>
<td>$160</td>
<td>$185</td>
<td></td>
</tr>
<tr>
<td>Arlington</td>
<td>$161</td>
<td>$169</td>
<td>$198</td>
<td>$220</td>
</tr>
<tr>
<td>Fairfax County</td>
<td>$240</td>
<td>$240</td>
<td>$240</td>
<td></td>
</tr>
</tbody>
</table>

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1. Residential Rate Only

<table>
<thead>
<tr>
<th>Shortfall Range</th>
<th>$2.0 M</th>
<th>$3.0 M</th>
<th>$5.0 M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria</td>
<td>$228</td>
<td>$249</td>
<td>$292</td>
</tr>
<tr>
<td>Arlington</td>
<td>$252</td>
<td>$269</td>
<td>$301</td>
</tr>
<tr>
<td>Difference</td>
<td>+$ 32</td>
<td>+$ 49</td>
<td>+$ 81</td>
</tr>
</tbody>
</table>

2. Implement an Environmental Investment Charge (EIC)

- Applied to Both Residential and Commercial Waste Generators
- Reduce and/or eliminate tipping fees to attract and maximize delivered waste
- Develop administrative and appeal organization
- Other jurisdictions in region have it:  
  - Montgomery County, Maryland: Tip Fee $44 per ton  
  - Prince William County, Virginia: Tip Fee -$0 per ton, and changing

2. Estimated EIC Needed to Eliminate Shortfall

<table>
<thead>
<tr>
<th>Annual Shortfall</th>
<th>$2 million</th>
<th>$3 million</th>
<th>$5 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIC Needed, Single Family Equivalent*</td>
<td>$7.98</td>
<td>$11.98</td>
<td>$19.96</td>
</tr>
</tbody>
</table>

*Commercial establishments EIC is based on their single family equivalents

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### EICs for Selected Properties to Raise $5 Million

<table>
<thead>
<tr>
<th>Description of Property</th>
<th>Equivalent SF Units</th>
<th>EIC ($ per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-family Unit</td>
<td>0.77</td>
<td>15.35</td>
</tr>
<tr>
<td>Office Building of 100,000 square feet</td>
<td>1.15 per 1,000 Square feet</td>
<td>2,303.07</td>
</tr>
<tr>
<td>Retail Shop of 5,000 square feet</td>
<td>1.92 per 1,000 Square feet</td>
<td>191.92</td>
</tr>
<tr>
<td>Hotel of 100 rooms, 20,000 square feet</td>
<td>1.92 per 1,000 Square feet</td>
<td>767.89</td>
</tr>
</tbody>
</table>

### Property Tax Increase Needed to Fund Shortfall – County Example

<table>
<thead>
<tr>
<th>County Share* of Funds Needed</th>
<th>$2 million</th>
<th>$4 million</th>
<th>$5 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax Increase (mils)</td>
<td>0.596</td>
<td>0.894</td>
<td>1.491</td>
</tr>
</tbody>
</table>

*Assumes 60:40 tonnage split Arlington/Alexandria

4. Establish Waste Districts
   Franchise Commercial haulers
   - State law requires 5 year notice given haulers or pay one year's revenue
   - Set up areas for franchise or contract districts
   - Waste directed to Facility
   - Collect special fee from selected haulers to cover administrative costs; could administer centrally through Waste Disposal Trustees

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Comparison of Alternative Funding Approaches

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Pros</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential rates only</td>
<td>Funding method in place</td>
<td>- Waste generators do not share costs equally</td>
</tr>
<tr>
<td>Environmental Innovation Charge</td>
<td>- Waste generators share costs equally</td>
<td>- RAQPs/additional administrative functions tie in place</td>
</tr>
<tr>
<td></td>
<td>- Creates economic flow control to Facility</td>
<td>- Non-residential generators receive new waste charge from County</td>
</tr>
<tr>
<td>Property Tax Increase of General Fund subsidy</td>
<td>- Easy to administer and implement</td>
<td>- County tax rate increase</td>
</tr>
<tr>
<td>Commercial Waste Deeded/Truc</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Creates absolute control over waste dispositions</td>
<td>- Revenue collected based on assessed value and not waste generation</td>
</tr>
<tr>
<td></td>
<td>- Offers opportunity for lower collection costs</td>
<td>- 5 year lead time to implement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 1 year's revenue payment to shorten implementation anrus</td>
</tr>
</tbody>
</table>

Next Steps

- Evaluate funding approaches
- Decide on giving notice to do franchise/commercial collection districts to start 5 year clock

Lessons Learned

- 1998 Strategic Analysis provided foundation for change
- Keep your eye on the 'waste' ball
  - BFI acquired by Allied
  - Large regional by Republic
- Become a market participant
- 'Rate stabilization' from Trust Fund makes a BIG difference to go through market adjustment
- Future for recycling to be determined
- Going through changes like this is hard work!

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