

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

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

NAWTEC VIII


Adjusting to the Clean Air Act and Marketplace...Update on the Alexandria/Arlington Waste-To-Energy Facility

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And
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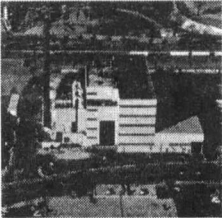
Outline of Comments


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

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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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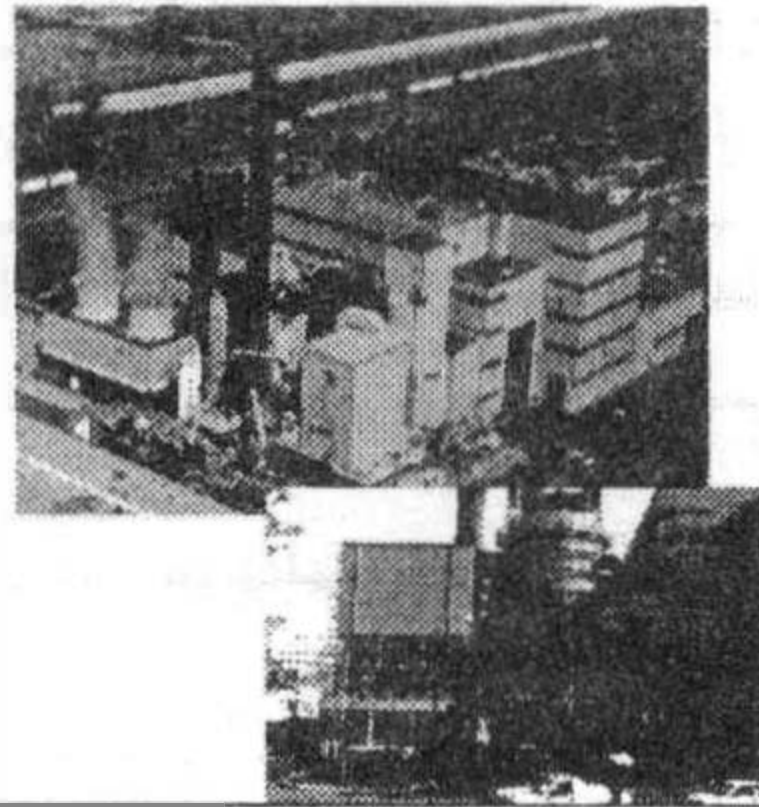
Major Parties in the Project

- 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

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Retrofit Construction Status

- \$46 million project for 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



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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

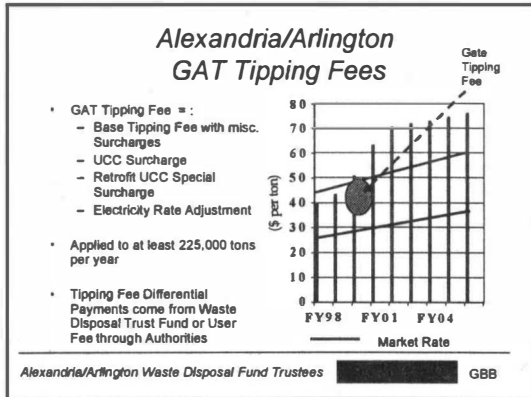
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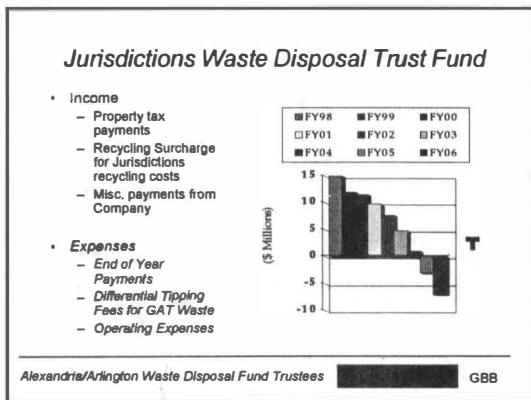
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1998 Strategic Analysis Results

- 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

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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

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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

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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

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*Jurisdictions' and Neighbor
Annual Residential Rates*

(\$ per year per household)

Fiscal Year	1998	1999	2000	2001
Alexandria	\$160	\$160	\$185	---
Arlington	\$181	\$169	\$198	\$220 <i>proposed</i>
Fairfax County	\$240	\$240	\$240	---

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**1. Residential Rate Only
Used to Eliminate Shortfall**

Shortfall Range:	\$2.0 M	\$3.0 M	\$5.0 M
	(\$ per year per household)		
Alexandria	\$228	\$249	\$292
Arlington	\$252	\$269	\$301
Arlington Difference:	+\$ 32	+\$ 49	+\$ 81

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- 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
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2. Estimated EIC Needed to Eliminate Shortfall

Annual Shortfall	\$2 million	\$3 million	\$5 million
EIC Needed, Single Family Equivalent*	\$7.98	\$11.98	\$19.96

*Commercial establishments EIC is based on their single family equivalents

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EICs for Selected Properties to Raise \$5 Million

Description of Property	Equivalent SF Units	EIC (\$ per year)
Multi-family Unit	0.77	15.35
Office Building of 100,000 square feet	1.15 per 1,000 Square feet	2,303.07
Retail Shop of 5,000 square feet	1.92 Per 1,000 Square feet	191.92
Hotel of 100 rooms, 20,000 square feet	1.92 Per 1,000 Square feet	767.69

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3. Property Tax Increase Needed to Fund Shortfall – County Example

County Share* of Funds Needed	\$2 million	\$4 million	\$5 million
Property Tax Increase (mils)	0.596	0.894	1.491

*Assumes 60/40 tonnage split Arlington/Alexandria

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- 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

Alternative	Pros	Cons
• Residential rates only	• Funding method in place	• Waste generators do not share costs equitably
• Environmental Investment Charge	• Waste generators share costs equitably • Creates economic flow control to Facility	• Requires additional administrative functions be put in place • Non-residential generators receive new waste charge from County
• Property Tax Increase or General Fund subsidy	• Easy to administer and implement	• County tax rate increase • Revenue collected based on assessed value and not waste generation
• Commercial Waste Districts/Franchises	• Creates absolute control over waste generated • Offers opportunity for lower collection costs	• 5 year lead time to implement • 1 year's revenue payment to shorten implementation onerous

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Next Steps

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

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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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