

ENVIRONMENT AND ENERGY CONSERVATION COMMISSION
c/o Department of Environmental Services
2100 Clarendon Blvd., Suite 705
Arlington, VA 22201
November 7, 2013

The Honorable Walter Tejada, Chairman
Arlington County Board
2100 Clarendon Blvd., Suite 300
Arlington, VA 22201

Re: Support for Exercising the Covanta Operating Agreement Extension Option

Dear Chairman Tejada,

The Environment and Energy Conservation Commission (E2C2) has been informed of Arlington County and the City of Alexandria's option to extend the Waste Disposal and Service Agreement between Arlington, Alexandria, and Covanta Alexandria/Arlington, Inc. for operation of the Alexandria/Arlington Resource Recovery Facility. After hearing from Deputy County Manager Mark Schwarz at our October 28 meeting as well as reviewing available reports provided to us, E2C2 supports exercising the "Extended Term" extension option, provided in the 2012 Agreement for disposal of the County's residential solid waste, in 2014. The extension option can be exercised anytime between now and 2025 and would extend the service agreement to 2038.

Arlington and Alexandria jointly evaluated multiple residential waste management scenarios and the scenarios are described in detail in the final report *Economic Analysis of Covanta Extended Agreement* (ARCADIS, October 2013). Based on our review of this report and other materials provided by the County Manager's office, E2C2 supports the County Manager's recommendation to exercise the extension option early in 2014. Exercising the option will:

- **Put Arlington on a low cost path to residential waste management with the lowest amount of financial risk:** The Base Case Scenario forecasts total project costs of the Agreement through 2038 at \$22.9 million, the lowest forecasted total cost among the scenarios analyzed for residential solid waste disposal, and exposes the County to the lowest amount of overall financial risk through 2038.
- **Capture cost savings over current market rates:** Exercising the option in 2014 yields significant savings to the County over current and forecasted market rates. It locks in the current waste disposal rate of \$43.16/ton through 2025 and reduces the rate to \$0/ton from 2025 to 2038.
- **Avoid delay penalties:** The option should be exercised in 2014 to minimize costs to the County because there is a cost increase of approximately \$500,000 per year in tipping fees through 2018 for delaying the extension.
- **Free up resources for other County programs:** Exercising the extension option will provide immediate savings that can be used to finance additional solid waste management programs, such as composting and recycling.

- **Retain disposal rights at a facility that surpasses environmental requirements:** The Base Case Scenario provides Arlington and Alexandria continued use of a facility that currently surpasses all environmental requirements. In addition, there is an option for Arlington County and the City of Alexandria to add environmental enhancements to control emissions in the future. Other actions risk losing the right to dispose at the nearby facility, potentially incurring new transportation and environmental costs (e.g., pollution).
- **Eliminate risk of Covanta backing out:** Covanta has the option to back out of the operating agreement in 2018, and exercising the extension option in 2014 eliminates the risk of them doing that.

We appreciate the opportunity to express our support for Arlington County exercising the “Extended Term” extension option in 2014.

Sincerely,

A handwritten signature in black ink that reads "Shannon E. Cunniff". The signature is written in a cursive style with a large, stylized initial "C" and "A" at the end.

Shannon Cunniff

Chair, E2C2