



October 28, 2013

The Honorable Mayor Bill Euille and Members of City Council  
City of Alexandria  
Alexandria, VA 22314

**Extension of Covanta Operating Agreement**

Dear Mayor Euille and Members of Council:

On behalf of the Environmental Policy Commission (EPC), I am writing to convey our support for extending Alexandria's existing operating agreement with Covanta Alexandria/Arlington, Inc. for the processing and disposal of Alexandria's waste. The Covanta waste-to-energy facility processes over 330,000 tons of municipal solid waste [MSW] per year, producing approximately 185,000 megawatt hours of renewable energy. The facility has a well-deserved reputation for excellence, and was named the 2011 Large Waste-to-Energy Facility of the Year by the American Society of Mechanical Engineers in recognition of its strong environmental and safety performance record. This is just one of the many awards the facility has received.

Alexandria and Arlington contracted with a consulting firm, Arcadis, to conduct a thorough evaluation comparing the options available with respect to the agreement. The analysis suggests that the jurisdictions can lock in significant waste disposal savings with little financial risk by extending the agreement now. Importantly, if the jurisdictions exercise the option to extend the agreement prior to June 30, 2018, the tip fee for waste disposal is frozen at the current rate, and then drops to \$0/ton in 2025. Covanta tipping fees charged to the jurisdictions increase 2.75 percent each year. Consequently, delaying the option to extend the agreement will result in an approximately \$500,000 increase in costs each year.

While there are potential gains that could be realized were Alexandria and Arlington to opt not to extend the agreement, and retake control of the facility in 2025 and either continue to operate it or sell it, such gains would depend on economic and other factors outside the jurisdictions' control more than ten years from now. In the interim, the jurisdictions would be faced with significantly higher waste disposal costs. As noted in their abridged report on their analysis, Arcadis notes that "securing economically advantageous environmentally-friendly long-term disposal capacity for the MSW currently collected by the Jurisdictions...was the original mission established by the Jurisdictions when they were tasked with negotiating the Agreement" [Economic Analysis of Covanta Extended Term Agreement, p. 6].

(over)

EPC supports extension of the agreement this year, in order to lock in the lowest possible costs for municipal solid waste disposal between 2019 and 2025, and minimize financial risks over the next two and a half decades.

Sincerely,

A handwritten signature in black ink, appearing to be 'Scott Barstow', with a stylized, cursive script.

Scott Barstow

Chair, Environmental Policy Commission

CC: City Manager Rashad Young  
Deputy Director of OEQ William Skrabak