



**WM01303**

**IN THE MATTER** of a review of the rates charges by the Island Waste Management Corporation.

## **Interrogatories of Commission Staff**

November, 2011

Commission staff hereby requests a response to the following written questions.

<b>Question No.</b>	<b>Description</b>
Q-11	The Commission has received several comments which expressed concern that there is no monetary incentive to reduce waste and there is no pricing or cost difference to households regardless of the number of persons residing. Although the Commission understands the basic pick up cost would be the same for pick up, the cost drivers for the other parts of the waste watch system must be impacted. Has there been any consideration of a special fee for low usage customers?

**IWMC Response:**

In general terms one would presume that lower waste generators should not have to pay the same rate as higher waste generators. While this is usually true in the commercial sector this is not the case for residential collections and disposal. There are many reasons for this. On PEI we collect 3 streams of materials: Compost, Waste and Recyclables. In addition to these three main streams, we also have collection for yard debris and waste during our Spring and Fall Cleanup campaigns, and for Christmas Trees in January. When an individual household produces less compost and waste, they also produce less recyclables. The funds collected by a contractor for the resale of recyclables offsets some of the collection costs for the actual collection. So in reality a homeowner getting the same frequency of collection of blue bag materials with less volume should actually pay more for this service.

Additionally, the actual disposal cost for compost and waste generated by a small household is not significantly much less than the disposal cost for a larger household user. The major costs associated with home collections are the actual cost of the collection carts and the collection service that is provided.

IWMC has also investigated the concept of allowing one full container per customer and charging add-on fees for additional bags that may be placed for collection by a heavier

user. There are jurisdictions that have this system in place. Most of these jurisdictions have expressed that the two significant ongoing issues they experience are: 1) customers dropping additional bags off at households other than their own; and 2) individuals removing prepaid tickets from bags placed curbside within communities that have “pay per bag” programs and using them for their own purposes.

Finally, just because an individual resides in a smaller household does not necessarily mean they will produce less waste material. There can be and are larger families on PEI that actually produce less waste due to their purchasing, recycling, and other environmental efforts (such as home-composting) than smaller families.

As you can imagine, to develop and administer tracking systems as well as providing customer service to handle the fall-out for a ‘pay per bag’ collection system would require considerable additional in-house administration resources. In addition, the cost, speed and efficiency of collection itself would be impacted with the implementation of curbside tracking devices. Based on knowledge gained through research and dialogue with waste management organizations currently offering this method, we are aware that an increase in the amount of illicit dumping on unoccupied properties, ditches and forests would certainly increase. It is difficult to determine a dollar amount on the price of cleanup and true cost to the environment.

After careful analysis of the various options in existence across not only North America, but in Europe, Australia, and other countries, IWMC has determined that the system we currently have is the best model for PEI at this point in time.

- Q-12 The Commission has received several comments regarding the revenue from compost or recyclable items? The Commission understands that contracts with the compost facility operator and recyclable collection contractors is a net cost and the contract provider retains the revenue for these items. Has IWMC considered other contract options which provide financial incentives back to the households for the compost and recyclable items collected from households?

**IWMC Response:**

In reality, the sale of compost produced at the Central Compost Facility does not contribute significantly to the operator’s net income. In fact most municipal solid waste composting facilities in North America would not see the sale of compost contribute any more than 2-5% of their net income and most would see it as a net cost to the operation. In addition, the collection of Blue Bag materials (recyclables) is currently provided on a net contract price. This means that although the ratepayer does not actually see it, they benefit through lower collection costs for these materials as a result of the current contract arrangement.

- Q-13 The East Prince region collection contract which expired Dec, 2010 had a contract price of \$43.59 per household plus fuel price adjustment (Superior Sanitation). As a result of a competitive tender process, a new contract was entered into for \$33.53 per household plus fuel price adjustment (Label Construction and Sanitation). This is a contract price

reduction of \$10.06 per household or 23%. Considering that most other collection contracts are up for renewal in Oct, 2012, what is the status of the process for selecting the next collection contracts for the other IWMC regions. Is it reasonable to expect that these remaining collection contracts will experience similar 23% reductions. If so, what is the impact on the financial projections and revenue requirement of IWMC?

**IWMC Response:**

Although the collection contract for the East Prince contract is lower than the previous contract for this area on a per household basis, it should be noted that the new contract has a fuel price adjustment “benchmark” price almost double than the previous contract. The net reduction in total contract price to service this area is not actually a 23% reduction. Many factors and pricing points go into the contractors’ submissions through a free open tender. Although IWMC did see a reduction in the contract amount for the East Prince Region, the Corporation has recently (after our application was filed) released and opened tenders for two additional regions. The results are not 100% official and contracts have not been signed, however, and in confidence, the Commission should be aware that these two additional tendered prices will actually be higher than the previous contract prices per household.

It is important to point out that these new contracts will not actually come into effect until October 2012. IWMC will see little impact until 2013 and beyond.

Q-14 What services are provided in the \$60,000 annual contract at the GreenIsle facility in Charlottetown?

**IWMC Response:**

IWMC does not pay GreenIsle \$60,000 annually. IWMC entered into a new lease agreement with GreenIsle—please see a copy of this contract in Appendix 15. The services at this facility are the same services provided by the Corporation’s WWDC’s at other Island locations

Q-15 Has IWMC considered a small user fee for household hazardous waste or white goods, scrap metal waste drop off services?

**IWMC Response:**

Currently IWMC does not charge a fee for HHW or white goods. Although there are considerable costs associated with the final proper disposal of these items, we feel any fee associated with these hazardous materials will deter the proper disposal of them and at great environmental consequences. We feel that in the best interest of all Islanders, a fee should not be imposed for the proper disposal of these items.

We do not charge a fee on scrap metals on Saturday mornings (only). Metals are in the recyclable (blue bag) stream and are included in the Free Saturday Morning Blue Bag Drop-Off Program. IWMC charges a fee for scrap metals all other days of the week to help

offset the cost of transportation to recycling facilities.

- Q-16 Please describe the flow of funds and various transactions associated with the ACES program including the fee collected from consumers when purchasing new electronics and the payments received by IWMC from ACES.

**IWMC Response:**

The electronic recycling program was implemented on PEI in July 2010. The program is a stewardship program that is completely industry-led. The Atlantic Canada Electronic Stewardship (ACES) operates the program on PEI. An electronic handling fee is applied on the sale of new electronics that are regulated for recycling. The fees for each type and size of electronic material are set and collected by ACES. (No fees are collected or held by IWMC and/or the Province of PEI.)

IWMC entered into an agreement with ACES (copy in Appendix 17) to accept these materials free of charge from the public at all of our WWDC locations. In addition, the Corporation provides transportation of this material to a central location and offers support for Island customers through our call center for the ACES 1-800 line. IWMC is compensated for providing these services to ACES as outlined in the agreement.

DATED at Charlottetown, Prince Edward Island, this 15th day of November, 2011.



J. Mark Lanigan, CA  
Senior Analyst, Technical & Regulatory Services  
Island Regulatory & Appeals Commission