



**ISLAND WASTE MANAGEMENT CORPORATION**

110 Watts Avenue  
 Charlottetown, PE C1E 2C1  
 Toll Free: 1 888 280 8111  
 Fax: 902 894 0331  
 www.iwmc.pe.ca

January 10, 2020

Jonah R.K. Clements  
 General Council  
 Island Regulatory & Appeals Commission

Dear Mr. Clements,

With respect to the application by Island Waste Management Corporation (IWMC) requesting that the Island Regulatory and Appeals Commission (the "Commission") approve new rates for waste management services effective January 1, 2020, the Commission requested further interrogatories dated December 24, 2019. Please find below and attached the responses from IWMC:

**Application – Rationale for % increases in household, cottage and extended cottage annual fees**

- 1. In your response to December 3, 2019 Interrogatory #2 reference is made to average contracted collection costs of \$74.86. Please provide the detailed calculation including formula/inputs/assumptions used to calculate the \$74.86.*

**Response:**

Based on 2019 cottage count and the corresponding contracted collection costs for cottages, below is the inputs and formula we used to determine the average collection costs per cottage.

AREA	COTTAGE COUNT	CART COLLECTION	BLUE BAG COLLECTION	TOTAL PER COTTAGE	TOTAL COST
West Prince	761	\$25.08	\$31.61	\$56.69	\$43,141
East Prince	1,937	\$29.00	\$26.61	\$55.61	\$107,716
Central	3,345	\$82.58	\$23.61	\$106.19	\$355,205
Capital	188	\$82.58	\$20.61	\$103.19	\$19,399
Eastern Kings	1,378	\$21.66	\$26.61	\$48.27	\$66,516
South Kings	843	\$21.57	\$26.61	\$48.18	\$40,615
<b>TOTAL</b>	<b>8,452</b>				<b>\$632,592</b>

(TOTAL COTTAGE COLLECTION COSTS ÷ TOTAL COTTAGE COUNT = AVERAGE COST)  
 $\$632,592 \div 8,452 = \$74.86$

The contracted collection in 2012 for cottages had an average collection cost of \$24.38 as outlined in the information below:

AREA	2012 COTTAGE COUNT	CART COLLECTION	BLUE BAG COLLECTION	TOTAL PER COTTAGE	TOTAL COST
West Prince	749	\$68.00 x 1/3=\$22.66	\$15.00 x 1/3=\$5.00	\$27.66	\$20,717
East Prince	1,823	\$33.53 x 1/3=\$11.18	\$15.00 x 1/3=5.00	\$16.18	\$29,496
Central	3,242	\$52.00 x 1/3=\$17.33	\$24.77 x 1/3=\$8.26	\$25.59	\$82,963
Capital	216	\$36.00 x 1/3=\$12.00	\$12.49 x 1/3=\$4.16	\$16.16	\$3,491
Eastern Kings	1,275	\$65.00 x 1/3=\$21.66	\$26.95 x 1/3=\$8.98	\$30.64	\$39,066
South Kings	819	\$54.74 x 1/3=\$18.25	\$26.95 x 1/3=\$8.98	\$27.23	\$22,301
<b>TOTAL</b>	<b>8,124</b>				<b>\$198,034</b>

In 2012, cottage fees were calculated at a rate of 1/3 of the household rate for each area.

$$(TOTAL\ COTTAGE\ COLLECTION\ COSTS \div TOTAL\ COTTAGE\ COUNT = AVERAGE\ COST)$$

$$\$198,034 \div 8124 = \$24.38$$

2. *In your response to December 3, 2019 Interrogatory #2 reference is made to the fee to cottages and extended cottage also needing to cover the costs related to carts and other 'no charge' programs such as Saturday morning recyclable drop-off, HHW, special material disposal, min/max disposal fees, etc. Reference is made to the average cost to provide this service to a permanent home being \$62.87.*

- a. *Please provide the detailed calculation including formula and inputs/assumptions used to calculate the \$62.87.*

**Response:**

The \$62.87 was not the average cost to provide other services to households. It was mentioned that this was the average cost to only supply compost and waste collection to homes and was the average taken from **Summary Chart –Collection Contracts for Compost and Waste ONLY** in our application. The average total cost including collection of compost and waste as well as blue bag collections to year-round homes based on the housing count for 2019 and the corresponding contracted collection costs are outlined below:

AREA	COUNT	CART COLLECTION	BLUE BAG COLLECTION	TOTAL PER HOUSEHOLD	TOTAL COST
West Prince	5,179	\$76.00	\$31.61	\$107.61	\$557,312
East Prince	14,895	\$51.56	\$26.61	\$78.17	\$1,164,342
Central	12,889	\$71.57	\$23.61	\$95.18	\$1,226,775
Capital	24,328	\$46.23	\$20.61	\$66.84	\$1,626,084
Eastern Kings	3,887	\$66.90	\$26.61	\$93.51	\$363,473
South Kings	4,981	\$65.00	\$26.61	\$91.61	\$456,309
<b>TOTAL</b>	<b>66,159</b>				<b>\$5,394,295</b>

$$TOTAL\ HOUSEHOLD\ COSTS \div TOTAL\ HOUSEHOLD\ COUNT = AVERAGE\ COST$$

$$\$5,394,295 \div 66,159 = \$81.53$$

- b. Please also provide the cost of providing this service to 4-month cottage and 5.5-month extended cottage categories. Please show any calculations/inputs/assumptions used to arrive at this estimate.***

**Response:**

As outlined above, IWMC does not have any calculation or formula to outline what the costs are to provide other services including costs of “no charge” programs such as Saturday morning recyclable drop-off, HHW, special material disposal, min/max disposal fees, etc. for cottages, extended cottages and or full time households. We have no way of tracking the type of property owner who utilizes these extra-free or reduced-cost services at our drop-off centers. Additionally, as outlined in our initial submission, IWMC’s Waste Watch Program is structured as a “blended rate” program and not totally structured as a fee for individual service program. Some fees and services are priced to encourage proper disposal that would not take place if true costs for such disposal were to be charged. Many fees charged to customers are actually below actual disposal costs to IWMC. What can be outlined is the following:

- All properties including cottage, extended cottage and regular households are supplied a set of collection carts at no extra cost to the customer.
- All properties including cottage, extended cottage and regular household are offered the same services at the same cost for “no charge” or reduced-cost programs, special disposals, min/max etc.
- Based on the average collection costs only for cottage, extended cottage and regular household, the collection costs as a percentage of fees collected are much higher for cottage and extended cottage properties.
- 42% of the 8,452 cottages had contracted collection costs that are actually higher than the fee of \$95.00 and \$115.00 currently collected.
- Prior to IWMC’s most recent tendering process, cottage fee collection costs were historically calculated based on a formula of 1/3 the household fee for each area. Contractors expressed desire to have these units priced independently. In current tenders the contractors supplied separate prices for regular household, cottage and extended cottage properties. Based on these changes, the average total collection costs for cottages Island wide increased from \$24.38 in 2012 to the current level of \$74.86 in 2019. This represents an increase of \$50.48 or 207%. From 2012 to 2019 the average cost for collection for regular households increased from \$61.93 to \$81.53 representing an increase of \$19.60 or 31.6%. Considering the average increase for cottage, extended cottage and regular household contracted collection costs, the requested rate increase of \$20.00 for cottage and extended cottage and \$8.00 per household is less than half the value of the increases experienced by IWMC in its contracted collection costs for these customers. This information is provided to support IWMC’s rationale that cottage and extended cottage user fee increases should be increased significantly more than the regular household proposed increase.
- Based on 2019 housing counts, the projected annual increase in revenue if each unit type increase is approved is outlined below:

<b>UNIT TYPE</b>	<b>2019 COUNT</b>	<b>PROPOSED INCREASE PER UNIT</b>	<b>PROJECTED INCREASE IN REVENUE</b>
Cottage	7,832	\$20.00	\$156,640
Extended Cottage	620	\$20.00	\$12,400
Regular Household	66,159	\$8.00	\$529,272
Total	74,611	N/A	\$698,312

Based on these calculations, if a universal increase for all customers was used to achieve the same increase in revenue, each unit (cottage, extended cottage and regular household) would have to increase \$9.36 ( $\$698,312 \div 74,611 = \$9.36$ ).

- Below is a breakdown of the average collection costs per unit type as a percentage of the fee collected for this service. This will demonstrate IWMC's rationale for requesting an increase in cottage and extended cottage rates by \$20.00 and only an increase of \$8.00 for regular households. It was the opinion of IWMC that a larger increase should be charged to cottage and extended cottage users as the contracted collection costs for these specific units have increased significantly greater as a percentage of fees collected. Also as previously outlined, 42% have higher contracted collection costs than the actual fee collected from these customers and contracted collection costs have increased by 207% for cottages and 31.6% for households. IWMC has used this rationale as a better alternative than adjusting all unit types with the same increase. Below is a comparison of average cost for collection services as a percentage of fees actually collected from each unit type.

<b>UNIT TYPE</b>	<b>AVERAGE COST</b>	<b>FEE COLLECTED</b>	<b>AVERAGE COST/ FEE COLLECTED</b>
Cottage	\$74.86	\$95.00	$(\$74.86/\$95.00) = 78.80\%$
Extended Cottage	\$85.35	\$115.00	$(\$85.35/\$115.00) = 74.21\%$
Regular Household	\$81.53	\$205.00	$(\$81.53/\$205.00) = 39.77\%$

**Application – Calculation of average increase per household for compost and waste collections and for blue bag recycling collections.**

- In your response to December 3, 2019 Interrogatory #3 it was expected that your Excel working paper showing the detailed calculation (formula, inputs) would be provided for the calculation of the average increase of \$11.33 per household for Compost and Waste collections and a \$6.97 average increase per household for Blue Bag Recycling collections. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.*

**Response:**

The average increase in contracted per household costs for compost and waste collections was obtained using contract prices in 2012 and current 2019 prices. Please find the calculation outlined below:

<b>AREA</b>	<b>2012 CONTRACTED PRICE</b>	<b>2019 CONTRACTED PRICE</b>	<b>INCREASE</b>
West Prince	\$68.00	\$76.00	\$8.00
East Prince	\$33.53	\$51.56	\$18.03
Central	\$52.00	\$71.57	\$19.57
Capital	\$36.00	\$46.23	\$10.23
Southern Kings	\$54.74	\$66.90	\$12.16
Eastern Kings	\$65.00	\$65.00	\$0

AVERAGE INCREASE CALCULATION  
 **$(\$8.00 + \$18.03 + \$19.57 + \$10.23 + \$12.16 + \$0) \div 6 \text{ Areas} = \$11.33$**

If the calculation was done using the number of units in each area instead of the average of the six areas (based on the increase in 2019 contracted costs vs. 2012 costs in the above chart) the result would be an average increase in contracted collection costs for compost and waste collection of \$12.97. See below for this calculation:

<b>AREA</b>	<b>COUNT</b>	<b>INCREASE</b>	<b>TOTAL INCREASE</b>
West Prince	5,179	\$8.00	\$41,432
East Prince	14,895	\$18.03	\$268,556
Central	12,889	\$19.57	\$252,238
Capital	24,328	\$10.23	\$248,875
Eastern Kings	3,887	\$12.16	\$47,265
South Kings	4,981	\$0	\$0
<b>TOTAL</b>	<b>66,159</b>		<b>\$858,366</b>

AVERAGE INCREASE CALCULATION (TOTAL \$ INCREASE ÷ TOTAL UNITS)  
 **$\$858,366 \div 66,159 = \$12.97$**

The average increase in contracted per household collection costs for recyclable collections was calculated as outlined below:

<b>AREA</b>	<b>2012 CONTRACTED PRICE</b>	<b>2019 CONTRACTED PRICE</b>	<b>INCREASE</b>
West Prince	\$15.00	\$31.61	\$16.61
East Prince	\$15.00	\$26.61	\$11.61
Central	\$24.77	\$23.61	-\$1.16
Capital	\$12.49	\$20.61	\$8.12
Eastern	\$26.95	\$26.61	-\$0.34

AVERAGE INCREASE CALCULATION  
 **$(\$16.61 + \$11.61 - \$1.16 + \$8.12 - \$0.34) \div 5 \text{ Areas} = \$6.97$**

If IWMC was to use the number of units in each area, the average increase in contracted collection costs for recyclables would be \$6.63 as outlined in the calculations below:

<b>AREA</b>	<b>COUNT</b>	<b>INCREASE</b>	<b>TOTAL INCREASE</b>
West Prince	5,179	\$16.61	\$86,023
East Prince	14,895	\$11.61	\$172,930
Central	12,889	-\$1.16	-\$14,951
Capital	24,328	\$8.12	\$197,543
Eastern	8,868	-\$0.34	-\$3,015
<b>TOTAL</b>	<b>66,159</b>		<b>\$438,530</b>

AVERAGE INCREASE CALCULATION (TOTAL \$ INCREASE ÷ TOTAL UNITS)  
 **$\$438,530 \div 66,159 = \$6.63$**

These calculations demonstrate the average increase to contracted collection service expenditures per household for waste, compost, and recyclables since the date of IWMC's last approved increase in 2012. Depending upon the calculation formula used, the average cost for collection services has increased by  $\$11.33 + \$6.97 = \$18.30$  OR  $\$12.97 + \$6.63 = \$19.60$ .

#### **Detailed Calculation/Assumptions for Compost and Waste Collection Contracts**

**4. In your response to December 3, 2019 Interrogatory #5 (b) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for East and West Prince for 2020 to 2023 would be provided.**

- a. Please provide detail on the calculations and assumptions (household, cottage, extended cottage counts, average fuel prices, etc.) used to determine the projected contract amounts in 2020 to 2023 for compost and waste collection contracts for the contract, housing and fuel adjustments. From Appendix 6 it appears that an additional \$6,000 per year was added in 20/21, 21/22, and 22/23 for a housing adjustment. In your response to December 3, 2019 Interrogatory #5 (b) it was indicated an additional \$3,000 per year fuel adjustment for East Prince and an additional \$2,000 per year fuel adjustment for West Prince is included in the projections. No calculation was provided to support these amounts. We need to see detailed calculations and assumptions behind the numbers in projections for contract amount, housing and fuel adjustments. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.**

#### **Response:**

After IWMC submitted its initial application for a rate increase to IRAC, an announcement was released on the PEI Min Wage increase of \$.60 effective April 1, 2020. IWMC initially utilized in its projections an average calculation of fuel increases vs a per-contract analysis. Based on the min wage announcement, IWMC felt a revised calculation of contract collection costs should be provided at this time. The recalculation of fuel cost projections had minor changes, however, the financial implications of the newly announced increase to PEI Min Wage has a more significant impact on our financial projections. Based on the revised calculation for the contract wage clause costs, it reflected a total increase in payments of \$308,000 over the period 2019-2023. Additionally, the revised fuel calculations showed an initial over-estimation of \$20,000 for the same period. These adjustments are presented in the attached (Revised) Working Copy of Contract Costs and corresponding (Revised) Financials where these changes have been incorporated. A summary of the specifics assumptions/calculations used in our "revised contract calculations" as it relates to the collection contracts for East Prince and West Prince are outlined below:

<b>ITEM</b>	<b>ASSUMPTION/CALCULATION USED</b>
East Prince and West Prince Contract	Contract payments for each year was determined based on original housing count in each area at the start of each contract multiplied by the contract price per unit (cottage, extended cottage, regular household) for each year. Note that these two contracts run from September 1- August 31 annually with an increase in per unit costs for East Prince each year but no increase per year in the contract for West Prince.
Fuel Adjustment	IWMC used a starting price of \$1.32 per liter and projected this price to increase at a rate of 3.0 cents per liter each year.
Housing Adjustments	This line is the calculation to adjust the contract increases in the number of cottage, extended cottage and regular household increases per year from the start of the contract. Based on historical data, we projected increases to housing counts for each area of .8% per year.

- b. It was indicated in the response to December 3, 2019 Interrogatory #5 (b) that a .08% increase in households and cottages is assumed in each area per year – however no rationale for choosing this number was provided. Is this what has been the historic increase? – Provide actual increases for past 3 years or other rationale to support this assumption.**

**Response:**

The increase per year for the East and West Prince housing counts was projected at .8% (not .08%). Below is the historical data we used to estimate the projected increases in housing counts for each area. We estimated that the Capital and Central areas would continue with the trend of increased counts and projected a slightly higher housing count increase than historically given there is considerable construction of new multi-housing units (rental properties/multi-unit apartments). New home construction in the Capital and Central areas is estimated to be very strong as well over the next few years compared to the rest of the Island. We also projected a 1% increase, not 1.5%, in housing counts for the recyclable contract as previously responded.

<b>AREA</b>	<b>2016 COUNT</b>	<b>2017 COUNT</b>	<b>2018 COUNT</b>	<b>2019 COUNT</b>	<b>AVERAGE 3 YEAR % INCREASE</b>	<b>IWMC PROJECTED INCREASE</b>
W/Prince	5,854	5,858	5,886	5,940	.50	.8
E/Prince	16,454	16,538	16,737	16,832	.80	.8
Central	15,675	15,823	16,029	16,234	1.2	1.6
Capital	23,444	23,731	24,041	24,516	1.5	1.9
E/Kings	5,187	5,208	5,221	5,265	.50	.7
S/Kings	5,671	5,722	5,786	5,824	.88	1.0
TOTAL PEI	72,285	72,880	73,700	74,611	1.0	1.0
Recyclables Housing Count Increase						1.0

5. *In your response to December 3, 2019 Interrogatory #6 (b) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for Capital and Central area for 2020 to 2023 would be provided*

a. *Please provide detail on the assumptions (household, cottage, extended cottage counts, average fuel prices, etc.) used to determine the projected contract amounts in 2020 to 2023 for compost and waste collection contracts for the contract, housing and fuel adjustments. From Appendix 6 it appears that an additional \$18,000 per year was added in 20/21, 21/22, and 22/23 for a housing adjustment for the Capital area and an additional \$13,000 per year for a housing adjustment for the Central area. In your response to December 3, 2019 Interrogatory #6 (b) it was indicated an additional \$5,000 per year fuel adjustment for each of Capital and Central areas is included in the projections. No calculation was provided to support these amounts. We need to see detailed calculations and assumptions behind the numbers in projections for contract amount, housing and fuel adjustments. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.*

**Response:**

After IWMC submitted its initial application for a rate increase to IRAC, an announcement was released on the PEI Min Wage increase of \$.60 effective April 1, 2020. IWMC initially utilized in its projections an average calculation of fuel increases vs a per-contract analysis. Based on the min wage announcement, IWMC felt a **revised** calculation of contract collection costs should be provided at this time. The recalculation of fuel cost projections had minor changes; however, the financial implications of the newly announced increase to PEI Min Wage had a more significant impact on our financial projections. Based on the revised calculation for the contract wage clause costs, it reflected a total increase in payments of \$308,000 over the period 2019-2023. Additionally, the revised fuel calculations showed an initial over-estimation of \$20,000 for the same period. These adjustments are presented in the attached (Revised) Working Copy of Contract Costs and corresponding (Revised) Financials where these changes have been incorporated. A summary of the specific assumptions/calculations used in our “revised contract calculations” as it relates to the collection contracts for Central and Capital are outlined below:

<b>ITEM</b>	<b>ASSUMPTION/CALCULATION USED</b>
Central and Capital	Contract payments for each year was determined based on original housing count in each area at the start of each contract multiplied by the contract price per unit (cottage, extended cottage, regular household) for each year. Note that these two contracts run from November 1- October 31 annually with an increase in per unit costs for both contracts each year.
Fuel Adjustment	IWMC used a starting price of \$1.32 per liter and projected this price to increase at a rate of 3.0 cents per liter each year.
Housing Adjustments	This line is the calculation to adjust the contract increases in the number of cottage, extended cottage and regular household increases per year from the start of the contract. Based on historical data and the estimated higher growth in these areas, we projected increases to cottage, extended cottage and regular households to increase at a rate of 1.6% for the Central and 1.9% for the Capital.

- b. *It was indicated in the response to December 3, 2019 Interrogatory #6 (b) that a 1.9% increase in households and cottages is assumed in the Capital area per year and that a 1.6% increase in households and cottages is assumed in the Central area per year – however no rationale for choosing these numbers was provided. Is this what has been the historic increase? – Provide actual increases for past 3 years or other rationale to support this assumption.*

**Response:**

The projected increases for the Central and Capital Areas were projected slightly higher moving forward due to the higher % increase in these areas and subsequent new home and multiple unit construction starts in response to extremely low vacancy rates. As outlined in 4 above, the information used to determine projected increases for each contract and recyclable collection contracts used the information as outlined below:

<b>AREA</b>	<b>2016 COUNT</b>	<b>2017 COUNT</b>	<b>2018 COUNT</b>	<b>2019 COUNT</b>	<b>AVERAGE 3 YEAR % INCREASE</b>	<b>IWMC PROJECTED INCREASE</b>
W/Prince	5,854	5,858	5,886	5,940	.50	.8
E/Prince	16,454	16,538	16,737	16,832	.80	.8
Central	15,675	15,823	16,029	16,234	1.2	1.6
Capital	23,444	23,731	24,041	24,516	1.5	1.9
E/Kings	5,187	5,208	5,221	5,265	.50	.7
S/Kings	5,671	5,722	5,786	5,824	.88	1.0
TOTAL PEI	72,285	72,880	73,700	74,611	1.0	1.0

6. *In your response to December 3, 2019 Interrogatory #7 (b) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for Southern Kings and Eastern Kings area for 2020 to 2023 would be provided.*
- a. *Please provide detail on the calculations and assumptions (household, cottage, extended cottage counts, average fuel prices, etc.) used to determine the projected contract amounts in 2020 to 2023 for compost and waste collection contracts for the contract, housing and fuel adjustments. From Appendix 6 it appears that an additional \$2,000 per year was added in 20/21, 21/22, and 22/23 for a housing adjustment for the Eastern Kings area and an additional \$600 per year for a housing adjustment for the Southern Kings area. In your response to December 3, 2019 Interrogatory #7 (b) it was indicated an additional \$130 per year fuel adjustment for Eastern Kings and an additional \$20 per year of Southern Kings area is included in the projections. In addition, a wage clause adjustment is applied. No calculation was provided to support these amounts. We need to see detailed calculations and assumptions behind the numbers in projections for contract amount, wage clause, housing and fuel adjustments. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions*

**Response:**

After IWMC submitted its initial application for a rate increase to IRAC, an announcement was released on the PEI Min Wage increase of \$.60 effective April 1, 2020. IWMC initially utilized in its projections an average calculation of fuel increases vs a per-contract analysis.

Based on the min wage announcement, IWMC felt a **revised** calculation of contract collection costs should be provided at this time. The recalculation of fuel cost projections had minor changes; however, the financial implications of the newly announced increase to PEI Min Wage had a more significant impact on our financial projections. Based on the revised calculation for the contract wage clause costs, it reflected a total increase in payments of \$308,000 over the period 2019-2023. Additionally, the revised fuel calculations showed an initial over-estimation of \$20,000 for the same period. These adjustments are presented in the attached (Revised) Working Copy of Contract Costs and corresponding (Revised) Financials where these changes have been incorporated. A summary of the specifics assumptions/calculations used in our “revised contract calculations” as it relates to the collection contracts for Eastern Kings and Southern Kings are outlined below:

<b>ITEM</b>	<b>ASSUMPTION/CALCULATION USED</b>
Eastern Kings and Southern Kings	Contract payments for each year was determined based on original housing count in each area at the start of each contract multiplied by the contract price per unit (cottage, extended cottage, regular household) for each year. Note that these two contracts run from November 1- October 31 annually with no per unit increases for the duration of the contract. They do, however, have a PEI Min Wage adjustment formula.
Fuel Adjustment	IWMC used a starting price of \$1.32 per liter and projected this price to increase at a rate of 3.0 cents per liter each year.
Housing Adjustments	This line is the calculation to adjust the contract increases in the number of cottage, extended cottage and regular household counts per year from the start of the contract. Based on historical data, we projected increases of .7% per year in Eastern Kings and 1.0% for Southern Kings.
PEI Min Wage Adjustment is based on 4 employees @ 50 hours per week x 52 weeks	The formula for this Min Wage Adjustment is (Current Min Wage- \$11.55) x 1.25 x (#weeks of Min wage increase/52weeks)x 200 hours /week. We put half of this amount in each contract.

***b. It was indicated in the response to December 3, 2019 Interrogatory #7 (b) that a .07% increase in households and cottages is assumed in the Eastern Kings area per year and that a 1.0% increase in households and cottages is assumed in the Southern Kings area per year – however no rationale for choosing these numbers was provided. Is this what has been the historic increase? – Provide actual increases for past 3 years or other rationale to support this assumption.***

**Response:**

The projected increase was projected at .7% for Eastern Kings and 1.0% for Southern Kings. As previously indicated, these projections were based on historic numbers as outlined below:

AREA	2016 COUNT	2017 COUNT	2018 COUNT	2019 COUNT	AVERAGE 3 YEAR % INCREASE	IWMC PROJECTED % INCREASE
W/Prince	5,854	5,858	5,886	5,940	.50	.8
E/Prince	16,454	16,538	16,737	16,832	.80	.8
Central	15,675	15,823	16,029	16,234	1.2	1.6
Capital	23,444	23,731	24,041	24,516	1.5	1.9
E/Kings	5,187	5,208	5,221	5,265	.50	.7
S/Kings	5,671	5,722	5,786	5,824	.88	1.0
TOTAL PEI	72,285	72,880	73,700	74,611	1.0	1.0

**Missing Contract Documentation**

7. *Every second page is missing of the tender document for South Kings County Area Collection & Transportation of Residential Wastes & Organics. The tender document for Eastern Kings County Area is missing in its entirety. Please provide these two documents.*

**Response:**

As previously outlined, both the Eastern Kings, and Southern Kings contracts were transferred from Myers Industries to Superior Sanitation effective June 1, 2017. The letter to support this transfer, dated June 1, 2017, has already been submitted. The contract for Eastern Kings is the original contract dated October 1, 2002 (no tender document is available). A full copy of the tender and contract for Southern Kings is attached.

8. *In reference to your response to December 3, 2019 Interrogatory #8 (c)*
- a. *Please provide a copy of the operating agreement with Greensle for the IWMC Drop-Off Center for the Capital Area.*

**Response:**

Attached is the current contract between IWMC and Greensle Environmental Inc. dated June 30, 2010 along with extension agreement for this contract dated May 1, 2015.

- b. *Please provide detailed calculations including formulas/inputs, assumptions and rationale for assumptions for projections for this contract in 20/21, 21/22, and 22/23.*

**Response:**

As outlined the proposed increase disposal fee for asphalt shingles will actually reduce the expenditures for IWMC under its agreement with Greensle for the Charlottetown Waste Drop-Off Contract. Based on the proposed new rate, customers will pay \$10 per tonne more, resulting in an increase of \$17,000 (based on the historic volume of 1,700 tonnes received at this location). This will reduce IWMC's payment for each tonne received at the facility by the \$10 (totaling the same amount of \$17,000). The assumptions and calculations for the projection of expenditures for the Greensle WWDC location are outlined below:

<b>ITEM</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Contract Amount	\$418,000	\$418,000	\$409,020	\$417,200
Less Reduction in Expenditures as a result of increased disposal fee paid by customers from \$40 to \$50 per tonne	-\$4,000 Reduction for the first year based on prorated increase in disposal fee for asphalt	-\$17,000 Full year reduction of expenditures as a result of increased disposal fee for asphalt shingles		
2% increase in expenditures per year	Nil	\$8,020	\$8,180	\$8,344
<b>Total Projected Cost</b>	<b>\$414,000</b>	<b>\$409,020</b>	<b>\$417,200</b>	<b>\$425,544</b>

### Detailed Calculation/Assumptions for Recyclables Contract

9. *In your response to December 3, 2019 Interrogatory #8 (b) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for the recyclables contract for 2020 to 2023 would be provided. While the contract does outline base numbers for housing/cottage counts and describes the calculation for fuel adjustment and wage adjustment we do require detailed calculations and assumptions used in the projections.*

a. *Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.*

**Response:**

After IWMC submitted its initial application for a rate increase to IRAC, an announcement was released on the PEI Min Wage increase of \$.60 effective April 1, 2020. IWMC initially utilized in its projections an average calculation of fuel increases vs a per-contract analysis. Based on the min wage announcement, IWMC felt a **revised** calculation of contract collection costs should be provided at this time. The recalculation of fuel cost projections had minor changes, however, the financial implications of the newly-announced increase to PEI Min Wage has a more significant impact on our financial projections. Based on the revised calculation for the contract wage clause costs, it reflected a total increase in payments of \$308,000 over the period 2019-2023. Additionally, the revised fuel calculations showed an initial over-estimation of \$20,000 for the same period. These adjustments are presented in the attached (Revised) Working Copy of Contract Costs and corresponding (Revised) Financials where these changes have been incorporated. A summary of the specifics assumptions/calculations used in our "revised contract calculations" as it relates to the collection contracts for recyclables are outlined below:

<b>ITEM</b>	<b>ASSUMPTION/CALCULATION USED</b>
Recyclable Collection Contract (Blue Bag) includes collection from all cottage, extended cottage and regular households Island wide and costs for Free Saturday Morning drop off services as outlined in the contract.	Contract payments for each year was determined based on original housing count in each area at the start of the contract multiplied by the contract price per unit (cottage, extended cottage, regular household) for each year. Note that this contract runs from July 1-June 30 annually with no per unit increases for the first three years, however, increases are included for years 4 and 5 . There is also a slight increase to rates for free Saturday Drop off services each year. The contract includes a PEI Min Wage adjustment formula.
Fuel Adjustment	IWMC used a starting price of \$1.32 per liter and projected this price to increase at a rate of 3.0 cents per liter each year.
Housing Adjustments	This line is the calculation to adjust the contract increases in the number of cottage, extended cottage and regular households per year from the start of the contract. Based on historical data, we projected increases to the recyclables contract at a rate of 1% per year (the same as what the average increase has been Island wide over the past 3 years).
PEI Min Wage Adjustment is based on 38 employees (30 processing and 8 drivers) or 92,430 man hours per year.	The formula for this Min Wage Adjustment is (Current Min Wage- \$11.55) x 1.215 x(#days of Min wage increase/365) x 92,430

- b. *It was indicated in the response to December 3, 2019 Interrogatory #8 (b) that a 1.5% increase in households and cottages per year is assumed – however no rationale for choosing this number was provided. In addition, this percentage increase in households and cottages varies from the various percentage increases used to project the costs for Compost and Waste Collection contracts. Please explain the rationale for using a different percentage increase for households and cottages for recyclables than for compost and waste collection contracts and provide the rationale and support for the percentage used.*

**Response:**

IWMC previously stated in Interrogatory #8 an increase of 1.5% per year in the number of cottage, extended cottage and regular households pertaining to our recyclable collection contract. Our statement was in error—we had actually estimated 1.0%. We are using the rate of 1% increase per year which is the same as the percentage increase over the past three years island wide. Below are the number used to support our projections:

<b>AREA</b>	<b>2016 COUNT</b>	<b>2017 COUNT</b>	<b>2018 COUNT</b>	<b>2019 COUNT</b>	<b>AVERAGE 3 YEAR % INCREASE</b>	<b>IWMC PROJECTED INCREASE</b>
W/Prince	5,854	5,858	5,886	5,940	.50	.8
E/Prince	16,454	16,538	16,737	16,832	.80	.8
Central	15,675	15,823	16,029	16,234	1.2	1.6
Capital	23,444	23,731	24,041	24,516	1.5	1.9
E/Kings	5,187	5,208	5,221	5,265	.50	.7
S/Kings	5,671	5,722	5,786	5,824	.88	1.0
TOTAL PEI	72,285	72,880	73,700	74,611	1.0	1.0

## Detailed Calculation/Assumptions for Central Compost Facility Contract

**10. In your response to December 3, 2019 Interrogatory #9 (c) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for the Central Compost Facility contract for 2020 to 2023 would be provided.**

- a. In your response you note that a credit has historically been received for these adjustments. Please provide further detail/calculation to show how this credit results.**

**Response:**

As outlined in the previously submitted contract between IWMC and the operator of the Central Composting Facility, there are yearly adjustments based on the following:

Propane Adjustment- The posted (IRAC) price for customers that use over 70,000 liters per year for propane was 58.7 cents per liter on November 9<sup>th</sup>, 2007. Should the average yearly price increase by more than 10% during any year of the contract, IWMC pays the contractor the added costs based on consumption numbers supported by the propane supplier.

Diesel Adjustment- Should posted IRAC Diesel Fuel prices increase above 91.1 cents per liter, IWMC will pay the operator the increased costs based on consumption numbers supported by the Diesel Fuel Supplier.

Electrical Rates- Should the electrical costs increase by more than 2.5% per year, IWMC will pay the operator the increased costs supported by monthly invoices from Maritime Electric.

Contaminating Constituents – All non-organic (waste) culled (sorted) from the materials received at the facility is charged back to the operator at a rate of 75% of the per tonne base rate paid to the operator for receiving those materials. If the amount of waste exceeds 10% of the total material received for the year, the operator is charged back 110% of the base fee per tonne paid to them by IWMC for processing the material. The rationale for this is to ensure the operator recovers and processes as much of the organic material as possible.

The net results of these adjustments have historically resulted in a credit to IWMC. In 2019 a credit of \$35,000 was projected, and we assumed a 2% increase per year on this credit.

- b. The projected amount for Central Compost Facility in Appendix 6 includes an amount labeled ½ wage reimbursement. We do not see any reference in the contract with ADI International (PEI) Inc. in relation to this additional cost. Please explain this additional cost.**

**Response:**

Prior to March of 2017, IWMC had two full time employees stationed at this facility—a Scalehouse Operator to weigh loads received at the facility, and an Inspector to inspect

the unloading of materials in order to assess compliance to sorting. To reduce IWMC expenditures, IWMC and the operator entered into an agreement to cost-share one of these employees. The operator pays the employee and IWMC reimburses the operator for half of the wages. The result of this change reduced the number of IWMC paid staff at the facility from two to one and also resulted in an overall reduction to IWMC staffing expenditures at the facility. This was not an additional cost but rather a cost reduction.

#### **Detailed Calculation/Assumptions for PEI Energy Systems Contract**

**11. In your response to December 3, 2019 Interrogatory #10 (a) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for the PEI Energy Systems contract for 2020 to 2023 would be provided. The base processing fee in the contract is noted as \$45 per Tonne indexed to CPI quarterly.**

**a. Please provide what the per Tonne indexed value was for the 2018/19 year**

**Response:**

The indexed values change monthly. In the original contract, the index value was 129.2. For 2018 the index value in January was at 198.57 and in December it was 204.69. To calculate the actual per tonne charge the formula is  $\$45 \times \text{CPI}/129.2$ . The calculation for each of these months would be:

January:  $\$45 \times 198.57/129.2 = \$69.16$

December:  $\$45 \times 204.69/129.2 = \$71.29$

**b. In Appendix 6 projections it appears amounts for testing, carbon and confidential & contaminated are pulled out of the PEI Energy Systems Contract amount. Please explain and if these amounts impact the contract amount in the projections for 2020 to 2023 please provide the detailed calculation used to arrive at the amounts.**

**Response:**

All amounts shown in Appendix 6 are calculated and included in the contract total for PEI Energy Systems Contract. These amounts are only separated for the purpose of internal G.L. coding. This allows IWMC to track and monitor related costs separately from the per tonne disposal fee we are charged for processing waste received at the facility. In IWMC's Projections 2020 to 2023 it was assumed that all costs at this facility would increase at 2% per year.

#### **Net Assets**

**12. In your response to December 3, 2019 Interrogatory #11 no specific indication of the need to have a net assets balance at the current level was provided.**

**a) We would appreciate a response focused on IWMC specific future needs in relation to the net assets balance.**

**Response:**

As was outlined in Grant Thornton's Report (attached), there are no other similar waste management organizations like IWMC. We receive all our revenue based on the fees we charge to provide either collection services and/or disposal services. Unlike other PEI Crown Corporations, IWMC does not receive funding from the Province of PEI. In fact, the

Province outlines we are to have rates set that are to cover all costs for our operations. IWMC management and Board of Directors had initial concern as to the appropriate level of Net Asset should be maintained that would be considered reasonable based on the revenue and financial obligations of the organization. Based on the professional opinion received, and given the current billing process IWMC has in place where household, cottage and extended cottage fee invoices are only distributed once per year (and must correspond with the distribution of the annual PEI property tax invoices) it was deemed reasonable to have a net asset balance that would meet or exceed 12 months of current expenditures. The Corporation's future needs will be focused on continuing to pay down the long-term debt that was over \$30M when the organization was established (with a current balance of under \$15M) while continuing to replace and add to assets such as collection carts, landfill cells, and repairs and maintenance to a composting facility that is approaching its 20<sup>th</sup> year in operation. It is the opinion of IWMC Management and Board of Directors that a healthy net asset balance is essential to provide contingency for potential major financial situations, especially so given the Corporation's aging assets and the fact that we are significantly reliant on the services of third party contractors. In the event of a catastrophic failure in equipment or supplied services, the net asset balance provides a level of assurance as well as continuity in providing waste management services for Prince Edward Island.

- b. Your response includes an excerpt from a document prepared by your external auditors. Please provide a copy of the document which this excerpt was extracted from.***

**Response:**

As previously stated, IWMC's Management and Board of Directors requested an opinion on this subject from its external auditors in 2017. The information was provided by our auditors, Grant Thornton, in its *Report to Those Charged with Governance – Communication of Audit Results for the Year Ending March 31, 2017*. Find attached the cover page of this report along with the two pages that specifically addressed the question on Net Assets. Based on this communication to IWMC's Board of Directors along with the challenges related to the fact that IWMC can only seek changes to its rates once per year, it was recommended that the Net Asset Value in the 30%-50% range would be financially prudent, and that slight profits moving forward in a range of 7- 8% should be considered reasonable. IWMC felt that the professional opinion provided sound advice and reassurance that net asset values below 30-50% was actually low for IWMC. Additionally, please note that the current projections suggest an actual decrease in net asset value into 2022/23.

**Projected Household/Cottage/Extended Cottage User Fees**

- 13. In your response to December 3, 2019 Interrogatory #13 it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected household user fees for 2020 to 2023 would be provided.***

- a. In your response you indicated that household/cottage counts are assumed to increase at 1% per year in all areas. This assumption is not consistent with the percentage increases used to project Compost and Waste Collection contract amounts (ranging from .01% to 1.9%) and Recyclables (1.5%). Please explain and provide rationale for the 1%.***

**Response:**

Below is the information used to determine household count increases Island wide. Please also note that the 1.5% increase used for recyclables was in error. The increase in housing counts for recyclables is 1%, consistent with the average 3-year total PEI increase.

AREA	2016 COUNT	2017 COUNT	2018 COUNT	2019 COUNT	AVERAGE. 3 YEAR% INCREASE	IWMC PROJECTED INCREASE
W/Prince	5,854	5,858	5,886	5,940	.50	.8
E/Prince	16,454	16,538	16,737	16,832	.80	.8
Central	15,675	15,823	16,029	16,234	1.2	1.6
Capital	23,444	23,731	24,041	24,516	1.5	1.9
E/Kings	5,187	5,208	5,221	5,265	.50	.7
S/Kings	5,671	5,722	5,786	5,824	.88	1.0
TOTAL PEI	72,285	72,880	73,700	74,611	1.0	1.0
Recyclables Housing Count Increase						1.0

- b. While Appendix 6 does provide a total number of households it is not possible to verify this number as the documentation showing household counts for the Southern Kings and Eastern Kings area has not been provided. (this has been requested in interrogatory # 7 above). Cottage counts and extended cottage counts appear to be grouped in Appendix 6 however there are different rates attached to these categories. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.*

**Response:**

Cottage counts for all areas for 2012 and 2019 are outlined in the previous Commission's question #1 and IWMC's respective response to that question.

**Projected Disposal Fees**

14. *Asphalt shingles disposal rate is proposed to increase from \$40 per tonne to \$50 per tonne. You mention in the Application that the rate is below actual costs for disposal.*
- a. *Please provide detailed calculation/units/inputs/formula/assumptions showing the calculation of revenue associated with the current and proposed rate increase and*

**Response:**

Below please find the projected increase in revenues based on volumes of asphalt shingles received in 2018/2019:

LOCATION	TONNAGE RECEIVED	REVENUE @\$40/ TONNE	REVENUE @\$50/ TONNE	\$ INCREASE
EPWMF	594	\$23,760	\$29,700	\$5,940
WWDC Locations	573	\$22,920	\$28,650	\$5,730
GreenIsle	1,691	\$67,640	\$84,550	\$16,910
TOTAL	2,858	\$114,320	\$142,900	\$28,580

Based on these calculations, we project an increased revenue at EPWMF of \$6,000 and increased revenue of \$1,500 at each of our WWDC locations (\$1,500 x 4 sites=\$6,000). The increase, however, will result in decreased expenditures at GreenIsle of \$17,000. Currently, we pay GreenIsle for the cost of disposal for shingles received at that facility over and above the revenue received for disposal. The proposed increase of \$10 per tonne GreenIsle receives will reduce our expenditures by \$17,000 (based on historical volumes of 1,700 tonnes of asphalt shingles received per year at this location).

**b. The detailed calculation/units/inputs/formula/assumptions for the cost of disposal through WWDC, EPWMF and PEI Energy Systems.**

**Response:**

Asphalt shingles collected at all of our sites are transported to a construction and demolition (C&D) site. We currently do not dispose of them at any of the sites listed above. Our current disposal costs FOB at the C&D site is \$55.00 per tonne. Not included in these disposal expenditures are the loading and transportation costs involved in transporting them to the C&D Facility. Based on the density of this material, the transportation costs are estimated to be an additional \$30 per tonne.

The total costs for disposal of asphalt shingles can be calculated as follows:  
 FOB Disposal Cost at C&D Site Per Tonne + Transportation To Disposal Site

**\$55.00 Per tonne + \$30.00 Per Tonne = \$85.00 per tonne**

At the proposed rate change from \$40 to \$50 per tonne, we are still \$35 per tonne below current costs for disposal.

**15. The Max portion of the Min-Max residential disposal rates for waste, compost and yard trim is proposed to increase from \$20 per tonne to \$30 per tonne.**

**a. Please provide detailed calculation/units/inputs/formula/assumptions showing the calculation of revenue associated with the current and proposed rate increase and**

**Response:**

Below is the calculation used to determine the increase in revenue for the proposed increase of the Min-Max Residential Disposal Rates:

<b>RESIDENTIAL MATERIAL TYPE</b>	<b># OF TRANSATIONS 2018</b>	<b>CAP @\$20</b>	<b>CAP @\$30</b>	<b>INCREASE \$</b>
Waste	3,868	\$77,360	\$105,077	\$27,717
Yard Trim	2,434	\$48,680	\$68,375	\$19,695
Compost	32	\$640	\$901	\$261
<b>TOTAL</b>	<b>6,334</b>	<b>\$126,680</b>	<b>\$174,353</b>	<b>*\$47,674</b>

*\*Increased revenue for Min-Max proposed increase was shown as one sum under EPWMF revenue.*

**b. The detailed calculation/units/inputs/formula/assumptions for the cost of disposal through WWDC, EPWMF, PEI Energy Systems, and the CCF.**

**Response:**

The Min–Max Residential Disposal rate is designed to charge a maximum cost for the disposal of residential waste, yard trim and compost material from residences only (not commercial). Currently home owners and/or cottage owners can take any of these material types into any of IWMC's WWDC locations where any volume of material (on any one load) has a Min- Max Fee that is capped at \$20. The customers' material is weighed and charged at the WWDC posted rate of \$115 per tonne but is capped at \$20. For example, if a customer takes in 1 tonne of material, without a cap, the load would be charged \$115.00 (the per tonne rate). However, under the Min-Max Program the residential customer is only currently charged \$20 which we propose to increase to \$30. It is estimated that the proposed increase of the Min-Max residential disposal rates from a maximum of \$20 to a maximum of \$30 per tonne will result in an overall increase in total revenue to IWMC of \$47,674 (from all WWDC sites). The Min-Max program does not apply at PEI Energy and/or CCF as residential loads are not received at these final disposal facilities. The actual disposal cost to IWMC for these materials is far greater than the amount collected from the customer. We have to then transport these materials to the respective final disposal facility and are charged the contracted price per tonne for disposal at these facilities. The 6,334 transactions indicated above would have been subjected to the the regular tip rate of \$115.00 per tonne if the Min–Max Program was not in place.

**16. OOP Contaminated Material rate for disposal at PEI Energy Systems is proposed to increase from \$230 per tonne to \$250 per tonne and to be \$250 at EPWMF.**

- a. *Please explain why a rate increase would be required for contaminated material in the OOP category and not the in-province category.*

**RESPONSE:**

Similar to proposed rate addition for OOP Contaminated Soil, IWMC never had a posted rate for this material type at EPWMF. We only had it posted at PEI Energy Systems. We are requesting to have this rate increased from \$230 to \$250 and also to have it added as a material type rate at EPWMF. We are not seeking an increase to the PEI posted rate, but only to off-Island customers using this disposal service.

- b. *Please provide detailed calculation/units/inputs/formula/assumptions showing the calculation of revenue associated with the current and proposed rate increase and*

**Response:**

Historically, IWMC receives very little revenue from OOP Contaminated Material. Over the past 5 years the total revenue has been less than \$1,000. Some years we did not receive any of this material type at all. Based on this fact, we did not project or assume any increase in revenue for this proposed change.

- c. *The detailed calculation/units/inputs/formula/assumptions for the cost of disposal through PEI Energy Systems.*

**Response:**

Any contaminated material received at PEI Energy Systems is surcharged by the operator at an additional rate of \$43.00 per tonne up and above the current CPI monthly rate.

**17. In your response to December 3, 2019 Interrogatory #1 you noted that IWMC is seeking approval to establish a new category - OOP Contaminated Soil with a proposed rate for disposal at EPWWMF of \$100.**

- a. Please explain the rationale for the establishment of a new category for OOP contaminated soil.**

**Response:**

IWMC currently has a posted contaminated soil rate for residential customers of \$40 per tonne at WWDC locations and/or EPWWMF. Additionally, we have a rate of \$85 per tonne for commercial contaminated soil at EPWWMF (this is the only location we receive any commercial contaminated soil). We never had an Out Of Province (OOP) Rate for this material type. Our rationale is to designate a rate for contaminated soil received from out of province customers and to be consistent with the other \$100 per tonne OOP fee (and also higher than the Island commercial rate of \$85 per tonne).

- b. Please provide detailed calculation/units/inputs/formula/assumptions showing how the proposed rate was arrived at.**

**Response:**

There was no formula established as per above. IWMC is seeking a new rate for any contaminated soil coming from out of province (OOP) and that it be set higher than the rates established for Islanders. This would be consistent with current posted OOP fees which are set higher than what the same material type charge is for Island customers. Historically we have not received any significant volume of out of province contaminated soil, and any change in this rate would not add any significant increase to IWMC revenues. IWMC did not account in our projections any increase in revenue as a result of this proposed increase.

Thank you for providing us with the opportunity to respond and provide additional information on the above queries. Should you require additional information, please do not hesitate to contact me.

Sincerely,



Gerry Moore  
Chief Executive Officer

**ISLAND WASTE MANAGEMENT CORPORATION**  
**Projections for years ended March 31, 2020, 2021, 2022 & 2023**  
**Based on No Proposed Rate Increase (Revised January 2020)**

	Audited 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23
<b>REVENUE</b>					
Household user fees (sch 1)	14,292,792	14,458,400	14,602,700	14,748,400	14,895,600
Disposal fees (sch 2)	4,185,474	4,323,300	4,347,600	4,372,200	4,397,000
Tires	1,328,297	1,075,000	875,000	875,000	875,000
Decommissioning and monitoring	23,316	23,800	24,300	24,800	25,300
Other	88,462	92,000	92,000	92,000	92,000
	<u>19,918,341</u>	<u>19,972,500</u>	<u>19,941,600</u>	<u>20,112,400</u>	<u>20,284,900</u>
<b>EXPENDITURES</b>					
Administration (sch 3)	1,340,140	1,443,300	1,470,500	1,501,500	1,526,700
Advertising, education and PR (sch 4)	137,488	141,800	144,800	147,500	150,500
Operating costs					
Residential collection (sch 5)	6,428,733	6,907,100	7,137,200	7,314,600	7,496,100
Disposal (sch 6)	7,622,114	7,715,600	7,872,900	8,027,300	8,187,800
Tire collection and disposal	1,328,297	1,075,000	875,000	875,000	875,000
Decommissioning and monitoring	23,316	23,800	24,300	24,800	25,300
	<u>16,880,088</u>	<u>17,306,600</u>	<u>17,524,700</u>	<u>17,890,700</u>	<u>18,261,400</u>
Earnings before dep'n and interest	3,038,253	2,665,900	2,416,900	2,221,700	2,023,500
Depreciation	1,914,411	2,000,000	2,200,000	2,200,000	2,200,000
Interest on long-term debt	1,094,558	1,011,100	909,900	802,500	693,200
<b>Net income (loss)</b>	<u>29,284</u>	<u>(345,200)</u>	<u>(693,000)</u>	<u>(780,800)</u>	<u>(869,700)</u>

**ISLAND WASTE MANAGEMENT CORPORATION**  
**Projections for years ended March 31, 2020, 2021, 2022 & 2023**  
**Based on Proposed Rate Increase (Revised January 2020)**

	Audited 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23
<b>REVENUE</b>					
Household user fees (sch 1)	14,292,792	14,634,800	15,309,800	15,462,500	15,616,800
Disposal fees (sch 2)	4,185,474	4,338,100	4,408,100	4,433,200	4,458,500
Tires	1,328,297	1,075,000	875,000	875,000	875,000
Decommissioning and monitoring	23,316	23,800	24,300	24,800	25,300
Other	88,462	92,000	92,000	92,000	92,000
	<u>19,918,341</u>	<u>20,163,700</u>	<u>20,709,200</u>	<u>20,887,500</u>	<u>21,067,600</u>
<b>EXPENDITURES</b>					
Administration (sch 3)	1,340,140	1,443,300	1,470,500	1,501,500	1,526,700
Advertising, education and PR (sch 4)	137,488	141,800	144,800	147,500	150,500
Operating costs					
Residential collection (sch 5)	6,428,733	6,907,100	7,137,200	7,314,600	7,496,100
Disposal (sch 6)	7,622,114	7,711,600	7,855,500	8,009,600	8,169,800
Tire collection and disposal	1,328,297	1,075,000	875,000	875,000	875,000
Decommissioning and monitoring	23,316	23,800	24,300	24,800	25,300
	<u>16,880,088</u>	<u>17,302,600</u>	<u>17,507,300</u>	<u>17,873,000</u>	<u>18,243,400</u>
Earnings before dep'n and interest	3,038,253	2,861,100	3,201,900	3,014,500	2,824,200
Depreciation	1,914,411	2,000,000	2,200,000	2,200,000	2,200,000
Interest on long-term debt	1,094,558	1,011,100	909,900	802,500	693,200
<b>Net income (loss)</b>	<u>29,284</u>	<u>(150,000)</u>	<u>92,000</u>	<u>12,000</u>	<u>(69,000)</u>

ISLAND WASTE MANAGEMENT CORPORATION  
SUMMARY OF CONTRACTS (Revised January 2020)

BENCHMARK 2019/20 2020/21 2021/22 2022/23

**Compost & Waste Contracts**

East Prince (Aug) - contract pmt	754,740	816,728	843,721	870,715	contract pmt based on monthly unit price & housing counts at beginning of contract
Fuel	138,6900	540	2,160	4,860	projected a 3.0 cent/liter increase per year for diesel fuel compounded yearly
Housing	13,000	19,000	25,000	31,000	Annual Housing adjustments are calculated based on a .6% increase in housing counts each year compounded to start of contract multiplied by the corresponding yearly contracted price per unit

West Prince (Aug) - contract pmt	399,432	399,432	399,432	399,432	contract pmt based on monthly price & housing counts at beginning of contract
Fuel	129,79600	4,932	6,732	8,532	projected a 3.0 cent/liter increase per year for diesel fuel compounded yearly
Housing	13,000	16,000	19,000	22,000	Annual Housing adjustments are calculated based on a .6% increase in housing counts each year compounded to start of contract multiplied by the corresponding yearly contracted price per unit

Capital (Oct) - contract pmt	1,017,853	1,020,070	1,036,074	1,052,359	contract pmt based on monthly price & housing counts at beginning of contract
Fuel	136,29600	1,080	2,880	4,890	projected a 3.0 cent/liter increase per year for diesel fuel compounded yearly
Housing	180,000	198,000	216,000	234,000	Annual Housing adjustments are calculated based on a 1.9% increase in housing counts each year compounded to start of contract multiplied by the corresponding yearly contracted price per unit

Central (Oct) - contract pmt	1,091,581	1,110,142	1,128,978	1,148,200	contract pmt based on monthly price & housing counts at beginning of contract
Fuel	136,29600	1,080	2,880	4,680	projected a 3.0 cent/liter increase per year for diesel fuel compounded yearly
Housing	83,000	96,000	109,000	122,000	Annual Housing adjustments are calculated based on a 1.6% increase in housing counts each year compounded to start of contract multiplied by the corresponding yearly contracted price per unit

Eastern Kings (Oct) - contract pmt	309,311	304,308	304,308	304,308	contract pmt based on monthly price & housing counts at beginning of contract
Wage Clause	4,550	8,450	8,619	8,791	Wage clause projection was based on \$.70 increase for 2019/20 (\$11.55 to \$12.25), additional \$.60 increase for 2020/21 (\$11.55 - \$12.85) and 2% thereafter
Fuel	115/700	18,060	20,160	24,360	based on a 2% COL increase (older contract, fuel price low)
Housing	14,600	16,600	18,600	20,600	Annual Housing adjustments are calculated based on a .7% increase in housing counts each year compounded to start of contract multiplied by the corresponding yearly contracted price per unit

Southern Kings (Oct) - contract pmt	341,181	336,180	336,180	336,180	contract pmt based on monthly price & housing counts at beginning of contract
Wage Clause	4,550	8,450	8,619	8,791	Wage clause projection was based on \$.70 increase for 2019/20 (\$11.55 to \$12.25), additional \$.60 increase for 2020/21 (\$11.55 - \$12.85) and 2% thereafter
Fuel	127,9/500	3,550	5,050	6,550	based on a 2% COL increase (older contract, fuel price low)
Housing	13,000	13,400	13,800	14,200	Annual Housing adjustments are calculated based on a .1% increase in housing counts each year compounded to start of contract multiplied by the corresponding yearly contracted price per unit

4,264,541 4,395,601 4,510,793 4,627,778

**Recyclable Contracts (June)**

Combined Areas	1,839,556	1,839,791	1,870,108	1,900,910	contract pmt based on monthly price & housing counts at beginning of contract less \$55k per year for Saturday morning drop offs reflected in another line item
Wage Clause	78,600	146,000	148,920	151,898	Wage clause projection was based on \$.70 increase for 2019/20 (\$11.55 to \$12.25), additional \$.60 increase for 2020/21 (\$11.55 - \$12.85) and 2% thereafter
Fuel	134,3/200	140	740	1,940	factoring in slight increase in diesel fuel prices
Housing	15,000	30,150	45,451	60,905	annual housing adjustment expense as the monthly contract pmts made are based on housing counts when the contract was signed. Therefore the housing adjustment is compounded each year

1,933,296 2,016,681 2,065,819 2,115,653

**Central Compost Facility Contract**

Contract pmt	2,193,400	2,237,268	2,282,013	2,327,654	as per extension of contract to 2024. Based on 2% increase each year.
1/2 Wage Reimbursement to ADI (share employee)	29,500	30,090	30,692	31,306	Employee cost Share at CCF actual costs plus 2% increase per year.
Refund from ADI on propane/electrical/junk box	(35,000)	(35,700)	(36,414)	(37,142)	This is calculated based on contract adjustments for changes to cost of electrical, propane, diesel, and waste disposal/hippage.

2,187,900 2,231,658 2,276,291 2,321,817

**RESIDENTIAL COLLECTION - SCHEDULE 5 (Revised January 2020)**

	<b>Audited 2018/19</b>	<b>Projected 2019/20</b>	<b>Projected 2020/21</b>	<b>Projected 2021/22</b>	<b>Projected 2022/23</b>
<b>RESIDENTIAL COLLECTION</b>					
Cart write-offs and storage	\$ 47,259	\$ 66,100	\$ 67,422	\$ 68,770	\$ 70,146
Collection contracts					
- Compost and waste	4,103,763	4,264,541	4,395,601	4,510,793	4,627,778
- Recyclables	1,699,316	1,933,296	2,016,681	2,065,819	2,115,653
Operational Service Technicians					
- Salaries	506,793	572,300	585,177	595,417	607,326
- Vehicles and supplies	71,602	70,900	72,318	73,764	75,240
<b>Total Residential Collection</b>	<b>\$ 6,428,733</b>	<b>\$ 6,907,137</b>	<b>\$ 7,137,199</b>	<b>\$ 7,314,564</b>	<b>\$ 7,496,143</b>