

C A N A D A

PROVINCE OF PRINCE EDWARD ISLAND

**BEFORE THE ISLAND REGULATORY  
AND APPEALS COMMISSION**

**IN THE MATTER** of The Environmental Protection Act, and The Island Regulatory And Appeals Commission Act, **and IN THE MATTER** of the application of Island Waste Management Corporation for an order of the Commission approving rates for waste management service to come into effect January 1, 2021.

**APPLICATION**

**AND**

**SUPPORTING INFORMATION**



**December 17, 2020**

**ISLAND WASTE MANAGEMENT CORPORATION  
ISLAND REGULATORY AND APPEALS COMMISSION RATE REVIEW**

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## **EXECUTIVE SUMMARY**

The mandate of Island Waste Management Corporation is to provide a financially-responsible and environmentally-sound waste management program for both the residential and commercial sectors of Prince Edward Island. The Waste Watch Program was developed to balance solid environmental waste management practices and programs with reasonable and measurable costs to Islanders.

Island Waste Management Corporation has managed the collection and disposal of residential waste from homes and cottages since 2012 without an increase in rates to these customers. Additionally, the fee for residential customers taking waste and compostable materials into our Drop-Off Centers has been capped at a maximum of \$20 per load since this program started in 2003. Based on the current and projected financial position of IWMC, it is felt that slight increases to the Household, Cottage, Extended Cottage, and the capped residential maximum fees are justified at this time.

The objectives and positive results of the Waste Watch program have been achieved through collective collaboration of all partners: homeowners, businesses, contractors and IWMC. These combined efforts have resulted in Prince Edward Island being identified as a national leader in waste diversion from landfill through composting, recycling and proper disposal of waste generated in our province.

Island Waste Management Corporation understands the concept of a truly user-pay program and makes every attempt to set rates and fees that are reasonable based on the cost associated with services provided. However, we also have to consider the environmental impact on having rates that would deter Islanders from properly disposing of certain types of waste. As an example, our Waste Watch Drop-Off Centers (WWDCs) accept used furniture, mattresses appliances, chemicals, paint, used lightbulbs and other household materials free of charge and/or at rates far below the actual cost of disposal of these materials. Our Corporate opinion is that these free or below-cost services are actually included in the annual household and cottage rates. This allows customers to utilize these disposal options for material not collected curbside without having to pay additional fees. If customers were charged the true costs of disposal for these special materials, it is feared that a significant increase in illegal dumping and other less environmentally-friendly disposal options may result.

IWMC management continually compares PEI's rates and programs to those in other jurisdictions across North America. Our findings confirm the belief that structuring rates on a true user-pay system for all material types would increase the illicit disposal of waste material and require higher administrative and cleanup resources to manage. A true user-pay model for all materials would actually result in higher fees being passed on to Islanders. While each jurisdiction varies, it is the opinion of IWMC that the positives of our current per-household fee system far outweigh that of a true user-pay program both financially and with respect to reducing the impact on the environment. In fact, according to Statistics Canada, Prince Edward Island leads the country in the volume of waste it recycles, composts and diverts from landfill.

Based on the 2020 Provincial Property Tax billing numbers, IWMC provides collection and disposal programs and services to 75,565 residential homes and cottages. This amounts to over

5.37 million collections annually. In addition, IWMC provides strategically located (within half hour drive of most Islanders) transfer stations/drop-off centers where materials not collected curbside and/or items requiring special disposal can be discarded through an environmentally safe process.

IWMC and its Board of Directors attempt to balance effective environmental waste management practices with sound fiscal responsibility. In this application, IWMC includes information on the costs associated with collection services, administration, education, transportation, final disposal, as well as other costs involved with providing waste management services to all Islanders. Corporate expenditures and financial results are subject to review by an independent board of directors, the Auditor General of the Province of Prince Edward Island, and through an annual external audit conducted by a private accounting firm. Additionally, as a Crown Corporation of the Province of PEI, IWMC follows the **Public Purchasing Act** with respect to tendering and/or securing products and services required in its operations.

Island Waste Management Corporation attempts to operate in a manner where increases to rates only occur when required in order to meet financial obligations. IWMC has not increased Households and/or Cottage User Fees since 2012. Since then we have had some significant increases in expenses but have also experienced some cost savings as a result of moving specific disposal of products to Stewardship Programs. Through stewards, disposal costs are actually covered by the manufacturer of these products. Examples of Stewardship Programs include paint, electronics, light bulbs, medications, batteries, and used oil recycling programs.

There are two main reasons for an application for an increase at this time. We have incurred significant increases to our tendered collection contracts and have experienced compounded inflationary increases to all costs since our last rate change which was effective January 2012 (nine years ago). This application will outline these increases and our rationale for seeking changes to current rates.

Dated December 17, 2020

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Gerry L. Moore  
Chief Executive Officer  
Island Waste Management Corporation

## **1.0 CUSTOMER OPERATIONS AND MANAGEMENT**

### **1.1 Overview**

Island Waste Management Corporation (IWMC) is a Prince Edward Island Crown Corporation that operates as a Government Business Enterprise (GBE) created by an order of the Lieutenant Governor in Council for the purpose of developing, implementing and operating a waste management system to serve Prince Edward Island. IWMC is operated under the direction of a nine member Board of Directors and Chief Executive Officer, all appointed by the Executive Council of Prince Edward Island.

Order-in Council (D2005-507) dated September 14, 2005 established that IWMC should seek all future rate adjustments through application to The Island Regulatory and Appeals Commission and should seek full recovery of its costs including those associated with depreciation and amortization. Based on this Order-in Council, an amendment to the Environmental Protection Act and the Island Regulatory Appeals Commission Act was passed in the 2<sup>nd</sup> session of the 62<sup>nd</sup> General Assembly and was given Royal Assent June 7, 2005.

The changes to the Act will allow the Island Regulatory and Appeals Commission to review and approve any rate changes or to establish any new rates for services provided by Island Waste Management Corporation to allow it to operate in a sound financial position. The Act outlines that the Commission is to provide its decision not later than 60 days from the date of a submission.

As a Government Business Enterprise, IWMC does not receive any funding from Government and is required to collect the revenue required for its operations from the rates and fees charged to its customers and operate without any financial assistance from the Province.

IWMC's mandate is to operate an environmentally-sound and cost-effective waste management program to serve all Islanders. In this regard, the following is a list and description/function of the major facilities IWMC utilizes to achieve these objectives.

<i><b>FACILITY</b></i>	<i><b>DESCRIPTION</b></i>	<i><b>FUNCTION</b></i>
Central Composting Facility	In-vessel organic composting facility owned by IWMC but operated under contract.	Receive and process all organic waste received from both residential and commercial customers Island wide.
East Prince Waste Management Facility	Only remaining municipal landfill on PEI. It is owned and operated by IWMC.	Receive and landfill non-organic waste generated in the Province.
Customer Service Call Center	Customer service call center owned and operated by IWMC.	Respond to phone, email and social media questions and service requests received from customers/public.
Six Waste Watch Drop-Off Facilities/Centers (WWDCs)	Drop-off/transfer station facilities used by customers to dispose of waste items not typically collected curbside. Five facilities are owned by IWMC and one is contracted.	To receive and segregate various waste material and subsequently transport to respective final disposal facilities.
PEI Energy Systems Facility	Energy from waste facility privately owned and operated. IWMC is responsible for the contract.	Receive non-organic waste generated on PEI and turn the waste into recoverable energy.
Administrative Office	Administrative office for IWMC.	All administrative functions (H/R, A/R, A/P and public relations).

## 1.2 Customer Base and Services

IWMC, through the Waste Watch Program, provides waste collection services to **ALL** residential properties in the province of Prince Edward Island. Based on 2020 provincial property tax assessment, our total customer base was 75,565 dwellings. This included 67,082 family units and 8,483 seasonal or cottage units. Additionally, IWMC provides final disposal services for over 12,000 commercial base customers in the Province. A full definition of material types is included in **Appendix 1**. In addition, **Appendix 2** and **3** indicate Current and Proposed Rates and Fees for various materials received by IWMC for disposal.

In general, the services provided by IWMC include, but are not limited to, the following:

- Collection services including curbside bi-weekly collection of waste and compost, monthly collection of blue bags and other recyclables, Spring and Fall Cleanup (which consists of two separate yard debris pickups and one waste collection), and the collection of Christmas trees. A total of 71 collections per household are provided per year. This amounts to over 5.3 million collections annually.
- Supply, repair and/or replace over 150,000 residential Waste Watch carts--compost (green) and waste (black).
- Provide final disposal facilities/sites and services to all commercial and residential customers on Prince Edward Island.
- Provide transfer location services geographically located within close proximity to all areas of the province for customers to dispose of materials not collected under the curbside collection program (six Waste Watch Drop-Off Centers).
- Provide free drop-off disposal services for many items and materials.
- Provide a customer service call-center to respond to and support service issues and/or sorting questions from residential and commercial customers.
- Provide educational/promotional materials, i.e. sorting guides, collection calendars and other printed or electronic materials to support full participation in the Program.

### **1.3 Management and Staffing**

IWMC's operations are managed by a nine member Board of Directors and Chief Executive Officer all appointed through Executive Council. IWMC's staff consists of 44 employees who manage and/or operate six Waste Watch Drop-Off Centers, the Customer Service Call Center, the East Prince Waste Management Facility (landfill), Operation Service Technicians who deliver and service carts and provide other curbside services, Transport Drivers who transport waste materials from Waste Drop Off locations to Final Disposal Facilities, as well as Inspection and Scale House Operators located at all final disposal facilities. These employees and facilities are supported by administration staff responsible for Human Resources, Accounts Payable/Receivable, Marketing/Education, Contracted Services, and Management.

The mandate of the organization has been to balance a sound, environmentally-responsible waste management program with policies and costs that are reasonable for all Islanders. This mandate as outlined by legislation is done on a full cost-recovery basis as much as possible. While having a truly user-pay system with rates set at breakeven for each individual rendered service would seem like a reasonable alternative, it often is not the best practice. Some rates are fully based on cost recovery, however, if all rates were set in this manner, in all likelihood it would lead to individuals and businesses opting out of proper disposal for some materials. Based on a review of waste management models and rates from various jurisdictions, and the overall success of waste management on Prince Edward Island, it is the opinion of IWMC that the best option, considering all variables, is to have a waste management program that balances a user-pay system with reasonably priced options for all Islanders with consideration given to having some rates lower than costs and/or at no charge to encourage proper disposal of all waste. Some examples where IWMC does not charge customers actual disposal costs for material include:

- Free Saturday Morning drop-off of recyclable materials at our WWDCs and other designated collection locations (IWMC's cost to provide this service is over \$100,000 annually).
- Free drop-off services for many household items not collected curbside such as mattresses, furniture, white goods/appliances, paint, electronics, chemicals, and other large household items.
- On many occasions where PEI has experienced natural disasters, IWMC has eliminated disposal fees for fallen tree debris, frozen food spoiled due to power outages, etc. In these circumstances IWMC incurred the costs associated with respective proper disposal without receiving revenue for the material delivered to our facilities by customers.

## **2.0 FINANCIAL INFORMATION**

### **2.1 Forecast Methodology**

IWMC has been in operation for over 20 years, and as a PEI Government Business Enterprise Crown Corporation must submit annual year-end independently-audited financial statements to the Province. Additionally, IWMC provides annual budget forecasts and quarterly updates to these forecasts to the Provincial Finance Department. Included in **Appendix 6**, please find detailed forecasted budgets and actual comparisons and variances from these forecasts for the past three

years. The methodology in setting and tracking financial projections has not changed significantly year to year. Projected financials have been determined using information from historical trends collected from previous years' operations, customer base, waste volumes, and materials/revenue/expenditures recorded at final disposal facilities. Additionally, known increases to any contracted service contracts are reflected. Finally, an estimated inflationary increase is usually reflected based on historical average year to year inflationary costs.

A quick comparison of the budget projections vs the actuals for the past several years as outlined in **Appendix 6** will quickly demonstrate that IWMC's management methodology has an overall exceptional track record in the budgetary process considering these forecasts are usually submitted 14 months prior to the actual year end of the forecasted year. The major reason for this success is the fact that on the revenue side, the household user fees represent roughly 72% of our revenues while the disposal fees account for an additional 22% for a total of 94% of our total revenues. Considering revenue on tires and decommissioning and monitoring are fully recoverable expenditures (expenditures equal revenues), household and disposal fee revenues almost represent 100% of our total revenue. Similarly, on the expenditure side, more than 80% of our operational expenditures fall under our residential collection and/or disposal costs. Most of the residential and disposal costs are directly related to contract services where the costs are easily determined as they are outlined for each year of the contracts. The exception to this would be that most of these contracts have adjustments for changes to PEI Min Wage, fuel costs, electrical rates and/or have CPI index adjustments (these can be reviewed in **Appendix 9-12**). All of these adjustments are more difficult to predict with absolute accuracy.

Since IWMC's inception and moving forward, the forecast for all income statement revenues and expenditures, with the exception of disposal fee revenue, has and will most likely continue to be able to be estimated with a high level of accuracy. The reason disposal fee revenue is more of a challenge is the fact it can fluctuate based on many factors including changes in economic activity, large single-year fluctuations in volumes, or specific types of materials received. Examples of this could be a dramatic increase in the amount of contaminated soil received in one year vs another.

In the attached **Appendix 6** we have included explanations/information on variances to better assist the Commission in understanding why such variances may take place.

## **2.2 Prior Year Audited Financials**

A copy of IWMC's Audited Consolidated Financial Statements for the fiscal years ending March 31, 2018, 2019 and 2020 are attached in **Appendix 4**.

## **2.3 Current YTD Internal Financials**

A copy of IWMC's internal financials for the period April 1, 2020 to October 31, 2020 can be found in **Appendix 5**. This indicates IWMC's 2020/21 Current Year Budget, our Year to Date Budget along with Current Year to Date and Prior Year Actuals. As outlined, **Appendix 5** clearly indicates IWMC's financial position as of October 31, 2020 and the obvious rationale for IWMC applying for changes to our current fees at this time.



## **2.4 Projected Financials (Without) Proposed Rate Changes**

Attached in **Appendix 7** are actual 2019/20 financials together with projected 2020/21, 2021/22, 2022/23 and 2023/24 financials **WITHOUT** proposed fee changes. The intent of showing this information is to demonstrate the probable financial situation IWMC will face without the proposed fee changes. The 2020/21 projections were calculated based on actual in house financials to the end of October 2020 with projected calculations to the end of March 31, 2021.

## **2.5 Projected Financials (With) Proposed Rate Changes**

Attached in **Appendix 8** are actual 2019/20 financials together with projected 2020/21, 2021/22, 2022/23 and 2023/24 financials **WITH** proposed fee changes. The intent of showing this information is to demonstrate the probable financial situation IWMC will face with the proposed fee changes. The 2020/21 projections were calculated based on actual in house financials to the end of October 2020 with projected calculations to the end of March 31, 2021.

## **3.0 PROPOSED RATES AND REVENUE REQUIREMENTS**

### **3.1 Proposed Rates**

The current fee structure for IWMC was approved by The Island Regulatory and Appeals Commission on March 19, 2020 and came into effect on April 1, 2020. The current Disposal Rates and Fees can be found in **Appendix 2**. The Commission Order (WM20-01) denied changes to both Residential Collection Fees and the Min-Max Disposal Fees, but approved changes to disposal fees for Asphalt Shingles and Out-of-Province Contaminated Soil. The last rate change to both residential and cottage user fees was nine years ago and came into effect January 1, 2012. Additionally, there has never been a change to the Min- Max disposal fee program since inception of the Waste Watch program.

Based on historic, current, and projected financials, IWMC feels a modest increase to both Residential & Cottage User Fees and Min-Max disposal fees should be approved at this time. The increased rates outlined are the same as what IWMC proposed but were denied in its last application to IRAC. The proposed increases requested in this application will most likely not be sufficient to result in a net profit for IWMC's financial situation moving forward, but hopefully will not result in the Corporation falling into a significant deficit situation. As outlined in our projections, continuing to operate existing services/programs without increases at this time will result in the Corporation quickly falling into a deficit situation. These increases are primarily required to cover increases in contracted collection, transportation, and processing costs as well as minor inflationary compounding increases to other costs since our last residential and cottage fee adjustment in 2012. The following is a summary of our proposed changes:

<b>Fee Description</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
*Household Annual Fee	\$205	\$213
*Cottage Annual Fee	\$95	\$115
*Cottage Extended Fee	\$120	\$140
Residential Min-Max	\$5 Min - \$20 Max	\$5 Min - \$30 Max

\* NOTE: Household Annual Fees and Cottage Annual Fees are charged directly on Prince Edward Island Property Tax Invoices and will be effective on the 2021 property tax invoices. The proposed Min-Max proposed increase would come into effect April 1, 2021.

Changes to IWMC Household and Cottage User Fees must be in correlation with the process for annual property tax invoice distribution conducted by the Province. In order to meet this deadline, **ANY CHANGES TO HOUSEHOLD COTTAGE AND EXTENDED COTTAGE FEES NEEDS TO BE ESTABLISHED NO LATER THAN MARCH 1, 2021.**

As is outlined in the financial section of this application, it is the opinion of IWMC that this increase is just and reasonable at this time. Waiting an additional year would most likely result in larger percentage increases required from customers in the future and/or see IWMC fall into a deficit financial situation. IWMC seeks IRAC approval no later than March 1, 2021 for the above rate adjustments to allow the Corporation to meet its current and projected expenditures.

Order-in Council D2005-507 dated September 14, 2005 established that IWMC should fund its operations exclusively from the rates charged to its customers and that it does not receive any funding from the Provincial Government. It stated that the Corporation should seek all future rate adjustments through application to the Island Regulatory and Appeals Commission, and that such rate applications should seek full cost recovery of its expenditures including those associated with depreciation and amortization. Based on this decision and direction, it is clear that the Island Regulatory and Appeals Commission's mandate is to permit IWMC to seek rates that will allow the Corporation to meet all financial obligations.

### **3.2 Proposed Rate Changes Change to Revenue**

Based on the 2020 Housing, Cottage, and Extended Cottage count and the Min-Max proposed increase, the table below outlines the anticipated annual increase to revenue based on proposed rate changes:

<b>ITEM</b>	<b>2020 Count</b>	<b>Proposed Increase</b>	<b>Increase in Revenue</b>
Household User Fee	67,082	\$8	\$536,656
Cottage User Fee	7,704	\$20	\$154,080
Extended Cottage Fee	779	\$20	\$15,580
Min-Max Fee	N/A	\$10	\$47,674
<b>Total Increase in Revenue</b>			<b>\$753,990</b>

### **3.3 Min-Max Residential Proposed Rate Increase**

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, residential property owners can take sorted material types into any WWDC where individual loads are subject to a Min-Max capped fee of \$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. We propose this cap be increased 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 of \$47,674 to IWMC's total revenue (collectively from all WWDC sites). The actual disposal cost to IWMC for these materials is far greater than the amount collected from the customer. IWMC is responsible to then transport these materials to the respective final disposal facility (PEI Energy, the Central Compost Facility and or the landfill) and is charged the contracted disposal fee per tonne at these facilities. The 31,830 transactions indicated below would have been subjected to the regular tip rate of \$115.00 per tonne had the Min-Max Program not been in place.

Below is the calculation used to determine what the projected increase in revenue would be with the proposed increase of the Min-Max Residential Disposal Rates. The total transactions for 2018 (31,830 customer transactions) was used instead of the 2019 transactions. The reason is that 2019 was not a typical year as we allowed residences to take considerable storm/yard debris into sites at no charge for cleanup as a result of Tropical Storm Dorian.

RESIDENTIAL MATERIAL TYPE	TOTAL # TRANSACTIONS	# OF TRANSACTIONS Capped	CAP @\$20	CAP @\$30	INCREASE \$
Waste	26,450	3,868	\$77,360	\$105,077	\$27,717
Yard Trim	5,078	2,434	\$48,680	\$68,375	\$19,695
Compost	302	32	\$640	\$901	\$261
TOTAL	31,830	6,334	\$126,680	\$174,353	\$47,674

Based on the total number of transactions in 2018, only 19.9% (31,830/6334) of these transactions were subjected to the cap-the remaining customers would have been charged less than \$20. If the proposed cap was increased to \$30, the percentage of customers required to pay the maximum fee of \$30 would have been 12.5% of the total customers. The intent of this increase is not to increase the cost to the majority of customers who take in small amounts of these materials as the amount they pay will not be impacted. The rate change is requested to increase the charge to customers who take in very large volumes of these materials in single transactions. Even with the proposed increase cap of \$30, the total costs of providing this service to customers is significantly greater than the fees collected.

### 3.4 Revenue Requirements

Included in **Appendix 5** are IWMC's current YTD internal financials for the period April 1 2020 to October 31, 2020. In **Appendix 7** and **8** are projections for year ending 2021, 2022, 2023 and 2024 which show projections with and without proposed rate changes. A quick review of these actual and projected financials will quickly demonstrate that IWMC will have significant losses this year and in future years based on current rates. Based on the fact that IWMC can only apply for changes to its rates once per year, if rates are not adjusted at this time IWMC will most likely find itself in a deficit financial position. **It is the opinion of IWMC that the current proposed rate changes should actually be higher than what is actually being requested,** however, based on the fact that the Corporation can re-apply in 2021, IWMC believes that the best approach would be

to seek rate changes that are as low as possible for our customers at this time. The financial situation will be reevaluated in 2021 to determine what, if any, future changes will be required.

The following is a quick summary of IWMC’s retained earning position showing Actual 2020 along with projected financial positions **WITH** and **WITHOUT** proposed rate changes for 2021 and 2022.

	<b>Actual 2019/20</b>	<b>Projected 2020/21 No Increase</b>	<b>Projected 2020/21 With Increase</b>	<b>Projected 2021/22 No Increase</b>	<b>Projected 2021/22 With Increase</b>
<b>Retained Earnings, Beginning of Year</b>	\$2,146,800	\$1,877,214	\$1,877,214	\$481,914	\$660,514
<b>Net Income (Loss)</b>	(\$269,586)	(\$1,395,300)	(\$1,216,700)	(\$1,436,300)	(\$672,400)
<b>Retained Earnings (Deficit), End of Year</b>	\$1,877,214	\$481,914	\$660,514	(\$954,386)	(\$11,866)

### **3.5 Capital Budget and Financing**

Island Waste Management Corporation’s approach to capital budgeting has historically been to finance major capital additions and/or replacements with debt and fund smaller capital addition/replacements from cash flow when available. The rationale for this approach was an attempt to not have to continually increase debt and interest expenditures when our financial position enabled IWMC to do so. In fact, on many occasions in the past larger capital projects were financed with little or reduced financing requirements. The end result was less financing charges that ultimately had to be recouped by the fees and rates IWMC charges customers. An example of this is the yearly purchase of compost and waste carts in order to reduce the costs per unit based on volume purchases. Over the past three years (2018, 2019 and 2020) alone, IWMC has purchased over \$1M worth of compost and waste carts with no financing. Additionally, in 2014 we constructed our last landfill cell and had additional capacity added to the waste water leachate system with IWMC contributing over \$1M directly through operational income.

Based on our current financial position and diminishing retained earnings, this practice has changed and we now have and will be required to finance almost all capital replacements and/or additions. The debt incurred will result in IWMC having to pass these added financial charges on to customers. This trend has already started as the number of loans IWMC currently services is at an all-time high and based on current financial position will continue to rise.

The following is a summary of current interest charges based on existing loan repayment schedules:

<b>DEBT</b>	<b>Actual 2019/20</b>	<b>Projected 2020/21</b>	<b>Projected 2021/22</b>	<b>Projected 2022/23</b>	<b>Projected 2023/24</b>
Scotia Capital \$30M loan	\$988,838	\$896,454	\$798,014	\$693,122	\$581,354
Provincial loan \$772k Compactor	\$15,494	\$9,240	2,595	-	-
Provincial loan \$600k Screener	\$6,378	\$4,231	\$1,886	\$100	-
Provincial loan \$251k Loader	-	\$925	\$2,404	\$1,843	\$1,275
<b>TOTAL</b>	<b>\$1,010,710</b>	<b>\$910,850</b>	<b>\$804,899</b>	<b>\$695,065</b>	<b>\$582,629</b>

Below is a summary of current principal loan re-payments:

<b>DEBT</b>	<b>Actual 2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Scotia Capital \$30M loan	\$1,409,354	\$1,501,738	\$1,600,177	\$1,705,069	\$1,816,837
Provincial loan \$772k Compactor	\$251,853	\$258,376	\$220,418	-	-
Provincial loan \$600k Screener	\$119,385	\$121,686	\$124,030	\$31,379	-
Provincial loan \$251k Loader	-	\$16,336	\$49,380	\$49,941	\$50,508
<b>TOTAL</b>	<b>\$1,780,592</b>	<b>\$1,898,136</b>	<b>\$1,994,005</b>	<b>\$1,786,389</b>	<b>\$1,867,345</b>

#### **4.0 CONTRACTED SERVICES**

##### **4.1 Background**

Over **75%** of Island Waste Management Corporation's operational expenditures are directly paid to private corporations for the collection and final disposal of waste generated on Prince Edward Island. This section outlines contracted services that have increased significantly since the date of our last approved rate application. Some have seen higher expenditures as a result of tender increases while others have seen yearly increases that have compounded as a result of yearly index formulas in original contracts. Since the date of our last adjustment to Household and Cottage User Fees, we have seen an increase in expenditures to these contracts of \$2.777M. Copies of these contracts are included in **Appendix 9, 10, 11 and 12**.

## 4.2 PEI Energy Systems

PEI Energy Systems is a privately-operated facility that processes waste material into steam heat which is in turn sold to customers including private companies, public buildings and institutions. The arrangement between IWMC and PEI Energy Systems is outlined in the agreement attached in **Appendix 9**. The original agreement was between the Province of Prince Edward Island and Trigen Energy Systems (now PEI Energy Systems). However, with the implementation of IWMC, the payment for waste received at the facility became the responsibility of IWMC.

The 30-year agreement dated 1985 outlines that IWMC is to send waste material to the facility and pay a per-tonne fee to the owners. Although there have been no changes to the contract, the fees paid have increased each year using the CPI index, and the resulting increase over time is significant. The fee paid is based on a formula of \$45 per tonne plus CPI increases each year. Since the date of IWMC's last increase to Household and Cottage User Fees, the payments by IWMC have increased from \$2.057M in 2011 to \$2.410M in 2020 (an increase of \$353K annually).

## 4.3 Central Compost Facility (CCF)

Island Waste Management Corporation contracts out the operation of the Central Composting Facility to ADI International (PEI) Inc. The agreement is contained in **Appendix 10**. Since IWMC's last approved increase to Household and Cottage User Fees, the total annual cost of this contract increased from \$1.785M to \$2.290M, reflecting an increase of \$505K annually. The term of this current agreement extends to March 31, 2024 and sees an annual increase of 2% per year.

## 4.4 Compost and Waste Collection Contracts

IWMC has six contract zones for the collection of waste and compost. Collections are performed on a weekly basis alternating between waste (*black cart*) and compost (*green cart*). In addition, the contractor provides collections for Spring and Fall Cleanup to all homes in each zone. During Cleanup, customers are permitted to place at curbside yard debris as well as non-recyclable plastic and other waste that would not normally be collected during regular collection. Christmas tree collection is also provided in early January of each year. A copy of each collection zone contract is attached in **Appendix 11**.

The following is a table outlining each collection area, expiry date of the existing contract, current contractor, per-household unit price in 2012, and current unit price in 2020.

**SUMMARY CHART - COLLECTION CONTRACTS  
FOR WASTE AND COMPOST HOUSEHOLD**

<b>Zone</b>	<b>Expiry</b>	<b>Contractor</b>	<b>Unit price in 2012</b>	<b>Unit Price in 2020</b>
West Prince	August 31, 2024	Label Construction and Sanitation	\$68.00	\$76.00
East Prince	August 31, 2024	Label Construction and Sanitation	\$33.53	\$53.43
Central Region	October 31, 2024	Superior Sanitation	\$52.00	\$72.78
Capital Region	October 31, 2024	Superior Sanitation	\$36.00	\$47.01
Southern Kings	October 31, 2024	Superior Sanitation	\$54.74	\$66.90
Eastern Kings	October 31, 2024	Superior Sanitation	\$65.00	\$65.00

*\* NOTE: Contract payments do not include fuel adjustments that are paid based on any changes to posted IRAC diesel fuel prices from time of original contract and/or payments for PEI Minimal Wage Increases.*

IWMC's total costs for contracts for compost and waste collections since the date of our last increase to Household and Cottage User fees increased from \$3.189M to \$4.335M. This reflects an increase of \$1.146M. IWMC will also see a yearly increase to these existing contracts as outlined in each respective contract included in **Appendix 9**.

#### **4.5 Recycling (Blue Bag) Collection Contracts**

IWMC has five collection zones established for the pickup of recyclable materials. Collection is provided to each home in all zones on a monthly basis. Paper products are collected in one blue bag (Blue Bag #1) and all other recyclable materials (plastic, glass, and metals) are collected in a separate blue bag (Blue Bag #2). In addition, bundled cardboard and larger metal items meeting collection guidelines are placed beside the bags for collection.

IWMC made significant enhancements to the collection of recyclables in 2010 with the introduction of allowing customers to place household metal items in blue bags for collection, or directly at curbside if a larger metal item was within 50 lb and 4 ft. This change allowed customers to place metals for collection 12 times a year vs. the previous two weeks included in the Spring and Fall Cleanup Program. The removal of a dedicated metal week also allowed for a second compost week pickup during Cleanup to increase flexibility to homeowners for yard and garden maintenance. These enhancements to the Waste Watch Program resulted in **NO** increased costs to customers or to IWMC. Recyclable material collected at curbside is taken to a facility that sorts and bales the items for shipment to companies for remanufacturing.

In 2018, IWMC issued an RFP for the collection and processing of recyclables for each of our collection zones. The contract was awarded to the only bidder, GreenIsle Environmental Inc. Since the date of IWMC’s last request for a rate increase, the cost for the recycling collection contract has increased from \$1.187M to \$1.960M, reflecting a substantial increase of \$773K annually.

Expenses and/or revenue generated from collected recyclables are the responsibility of the collection contractor. Copies of the collection contracts for recyclables are included in **Appendix 12**. Below is a table showing area, expiry date, current contractor, unit price per household in 2012, and current per-household prices for 2020.

**SUMMARY CHART - COLLECTION CONTRACTS  
FOR RECYCLABLE MATERIAL**

Area	Expiry	Contractor	Unit Price in 2012	Unit Price in 2020
West Prince	June 30, 2025	GreenIsle Environmental Inc.	\$15.00	\$31.61
East Prince	June 30, 2025	GreenIsle Environmental Inc.	\$15.00	\$26.61
Central Region	June 30, 2025	GreenIsle Environmental Inc.	\$24.77	\$23.61
Capital Region	June 30, 2025	GreenIsle Environmental Inc.	\$12.49	\$20.61
Eastern Region	June 30, 2025	GreenIsle Environmental Inc.	\$26.95	\$26.61

*\* NOTE: Contract payments do not include any fuel adjustment and/or increases resulting from changes to PEI Min Wage as outlined in each contract.*

**4.6 Other Operational Contracts**

IWMC has numerous other contracts which are tendered out on a regular basis. These include, but are not limited to, services for snow removal, grass cutting, Freon removal, cleaning services, pest control, ground water monitoring, fly ash disposal, and fuel. As a Crown Corporation of the Province of Prince Edward Island, we follow the **PEI Purchasing Act** and tender and/or seek competitive bids for any significant financial service and/or product(s). Although most of these contracts have seen some inflationary changes over the eight years (since the date of our last increase), they make up a small percentage of our total annual cost.