

CANADA

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, 2024.

**APPLICATION AND EVIDENCE  
OF**



**January 2, 2024**

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## 1.0 BACKGROUND

IWMC is a crown corporation that administers and provides solid waste management services for PEI. IWMC's mandate is to deliver a cost-effective and environmentally responsible provincial waste management system to all residences and businesses in the province. To help accomplish this IWMC uses a mandatory source separation program known as Waste Watch.

IWMC's fees are regulated by the Island Regulatory and Appeals Commission (IRAC), pursuant to Section 18.1 of the *Environmental Protection Act*. The fees include a Residential User Fee (also known as a Household User Fee) charged annually to all residences on property tax bills issued by the provincial government, and disposal fees charged mainly to businesses and other institutions on a per tonne basis at the disposal facilities operated or overseen by IWMC.

IWMC provides collection services, through contracts with private companies, for the residential sector. The Industrial, Commercial and Institutional (IC&I) sector is required to either contract their own collection services or to self-transport materials to IWMC's Waste Watch Drop-Off Centers (WWDCs) located across the province. IWMC collects fees based on the weight of materials taken to disposal facilities.

As of March 31, 2023, there were 72,111 year-round and 8,560 seasonal residences in Prince Edward Island.

The Waste Watch Program requires sorting of all materials for disposal.

IWMC provides residential curbside collection as follows:

- Bi-weekly collection of Waste and Compost
- Monthly collection of recyclables
- Spring and Fall Clean-up (compost and waste)
- Christmas tree collection

IWMC operates six (6) Waste Watch Drop-Off Centers (WWDCs) located across the province to offer disposal services to the general public and small business owners. The WWDCs are located in Brockton, New London, Wellington, Charlottetown, Dingwells Mills and Murray River. Sorted material is transported from the WWDCs to the appropriate final disposal location. IWMC also operates the only lined landfill in the Province at the East Prince Waste Management Facility in Wellington.

The corporation has contracted or purchased services from several private sector partners, including for the operation of the Central Compost Facility (ADI International), PEI Energy Systems (Enwave), the recycling program (GFL Environmental Inc.), waste and compost collection (GFL Environmental Inc. and Label Construction and Sanitation), and a variety of smaller agreements for the provision of services, such as groundwater monitoring or Freon removal.

## 2.0 PROPOSED IWMC RATE STRUCTURE FOR 2024

The proposed rate structure for 2024 has been developed using financial projections, a cost allocation analysis, and a continuing contribution to the net asset balance. This proposal was approved by the IWMC Board of Directors on December 22, 2023. The financial information used for the model is based on actual results for the months of April 1 to September 30, 2023, projected forward to March 31, 2024, plus an adjustment to the Residential Collections Costs to account for contract increases that are effective in September and November 2024. It is anticipated that any approved rate increases would be effective as follows:

- Residential (year-round, seasonal, and extended-seasonal) – effective January 1, 2024, on the residential property tax bills issued in Spring 2024.
- Commercial – effective April 1, 2024, subject to date of approval and sufficient notice time to contractors.

The cost allocation model shows an increase in rates is needed to avoid an operating loss and recover costs, as follows:

	RESIDENTIAL			COMMERCIAL
	Year Round	Seasonal	Ext-Seasonal	Tonnes
<b>Calculated Cost</b>	\$233.27	\$114.41	\$153.29	\$120.57
<b>Current Approved Rates (2022)</b>	\$224.00	\$130.00	\$150.00	\$108.00
<b>Variance (\$)</b>	(9.27)	15.59	(3.29)	(12.57)
<b>Variance (%)</b>	-4.10%	12.0%	-2.19%	-11.63%

Figure 1: Cost Allocation Analysis 2023-24

In addition to the recovery of costs indicated in the cost recovery analysis, IWMC is requesting to earn a return, as provided for under Section 18.1 (10) of the *Environmental Protection Act*, for the reasons set out in section nine of this submission. The return is calculated at only 1% of costs at this time (see Figure 2) but begins the important process of providing a stable operating environment going forward.

	<b>Approved Rates 2022-2023</b>	<b>Cost per Unit based on 2023-24 Cost Allocation Analysis</b>	<b>Plus 1% Net Asset Balance Contribution</b>	<b>Variance to 2022-2023 Rates</b>	<b>Proposed Rate Increase 2024-25</b>	<b>Proposed Rates* 2024</b>
<b>Year Round</b>	224.00	233.27	235.61	(11.61)	\$12.00	<b>\$236.00</b>
<b>Seasonal</b>	130.00	114.41	115.56	(14.44)	(\$14.00)	<b>\$116.00</b>
<b>Extended Seasonal</b>	150.00	153.29	154.83	(4.83)	\$5.00	<b>\$155.00</b>
<b>Commercial</b>	108.00	120.57	121.77	(13.77)	\$14.00	<b>\$122.00</b>

\*Rounded

**Figure 2: Cost Allocation plus NAB Contribution**

### 3.0 REVENUE

IWMC derives 99% of its revenue from two primary sources – Residential User Fees (79%), which are billed on the annual residential property tax bill and disposal fees (20%) charged at the scales at its various disposal sites - landfill, compost facility, PEI Energy Systems, and Waste Watch Drop-off Centers for the disposal of materials not already included under the Residential user fees. The disposal fees are primarily generated from the industrial, commercial, and institutional sectors. The remaining 1% of revenue is from the sale of scrap metal, environmental (stewardship) program fees and other miscellaneous sources.

#### Residential User Fees

IWMC draws its residential counts each year from the property tax records provided by the provincial government, who act as an agent for IWMC in the billing and collecting of Residential User Fees. These fees are shown as a separate line item on the residential property tax bill. There are three (3) categories of residences: year-round, seasonal, and extended seasonal, each with a distinct fee amount. Seasonal customers receive collection during a 90 period each year (e.g., May 29 – September 29, 2023), and extended seasonal for a 120-day period each year (e.g., May 15 – October 27, 2023).

A variety of services are included in the Residential User Fee (year-round, seasonal, and extended seasonal) and the related costs and expenses must be properly allocated to each category in order to accurately assess the reasonableness of the fee. A “residence” is a single-family dwelling, such as a home, an apartment, a cottage, etc. – basically anywhere people reside (other than hotels/motels, campgrounds, etc.). The Residential User Fee is divided into three categories, based on the number of weeks the collection service is provided during the year – year-round, seasonal, and extended seasonal. The annual amount charged under each category is the same regardless of the size of the unit, the number of people residing in it, and the amount of waste materials generated.

The Residential User Fees funds:

1. Bi-weekly waste and compost cart collection.
2. Monthly collection of recyclables.
3. Free drop off of recyclables on Saturday mornings.
4. Spring and Fall Cleanup collections.
5. Christmas tree collection.
6. Free drop off of large appliances, tires, and bulk waste (e.g., mattresses, sofas, larger furniture, etc.) at the WWDCs.
7. Free drop off of household hazardous waste at the WWDCs.
8. Maximum \$30 cap for sorted materials at WWDCs.
9. Drop off of most special disposal program materials (e.g., electronics, paints, light bulbs, etc.).
10. Operation of IWMC disposal facilities and program administration.

## Disposal Fees

IWMC operates weigh scales at each of its disposal facilities which are:

East Prince Waste Management Facility (EPWMF) – a lined landfill cell

Central Compost Facility (CCF) – composting facility

PEI Energy Systems (PEI ES) – energy-from-waste facility (incinerator)

Waste Watch Drop-Off Centers (WWDCs) – drop off facilities

Weights are captured and recorded, by category, on materials received, but disposal fee revenues are generated only on the disposal of materials not already included under the Residential User Fee. This generally means disposal fee revenue comes from commercial waste, although there are some instances when residents must pay a disposal fee if a service is not already included in the Residential User Fee, such as the fee up to the \$30 maximum. The Industrial/Commercial/Institutional (ICI) sector is responsible for transporting the waste they generate to the disposal facilities, either by contracting with a commercial hauler or delivering it themselves to a WWDC. This disposal fee, which is usually on a “per tonne” basis, is charged to recover the costs of handling and disposing of the materials once they are received by IWMC. For example, a contracted commercial waste hauler is currently charged \$108 per tonne for disposal of compostable materials at the Central Compost Facility.

## Tires

Prior to the 2020-2021 FY IWMC was responsible to manage and dispose of used tires in the province. This was done on a cost recovery basis with the provincial government providing funding to cover the annual disposal costs. IWMC is no longer responsible for the disposal of tires and accordingly, the revenues and costs associated with that activity are not included in this analysis.

## Decommissioning and Monitoring

IWMC arranges for groundwater monitoring at the Island’s former community landfill sites which were all closed in 2002 or earlier. Costs associated with this are billed and recovered from the provincial government, therefore there are no net costs included in this analysis.

## Other Revenue

Other – IWMC receives miscellaneous revenues from various sources. (*Appendix D: Analysis of Other Revenue*). The specific revenue amounts have been calculated using the primary and secondary allocations as shown on the detailed spreadsheet. The total amount of other revenues for the year is insignificant to the total operation.

Scrap Metal – The metals received at WWDCs are purchased and removed by a scrap metal dealer under contract.

Stewardship Programs (EPRA, Product Care, battery, and health products) - IWMC has agreements with stewardship organizations, including the Electronic Products Stewardship Association (EPRA), Product Care, Clean Farms, Call2Recycle and Health Products Stewardship

Association (HPSA), to collect, manage, and properly dispose of certain materials (i.e., electronics, paints, batteries, agricultural plastics, and medical sharps and medications) for a fee.

## 4.0 EXPENDITURES

The rates regulated by IRAC fall into two main categories in the Corporation’s expenditures, as set out in its audited consolidated financial statements, and have been allocated firstly between Residential and Commercial (primary allocation). The Residential amount has then been further allocated (secondary allocation) among the three residential categories (year-round, seasonal, extended seasonal). Once all costs have been allocated among these four (4) segments, the totals for each can then be divided by the number of units (# of residences or annual tonnes) to determine the actual cost per unit for a particular fiscal year.

To reasonably establish the basis for the primary allocation between residential and commercial, the methodology will vary according to the nature of the expenditure. In some cases, it is appropriate to use the amount of tonnage involved, while in others it is more appropriate to use the number of customers. For example, the Central Compost Facility only receives truckloads of compostable waste, so it makes sense to use tonnages as the measure. However, at the WWDCs a large variety of materials are dropped off by both residential and commercial customers, and a number of these items are received free and not weighed, such as large appliances, mattresses, bulk residential furniture, household hazardous waste (HHW), stewardship materials and several other items. The residential customers greatly outnumber the commercial customers, but the actual tonnage of materials they bring is not known (because it is not weighed). Nevertheless, they “consume” more of the WWDC staff time than the commercial customers, and accordingly, an allocation based on customer counts (residential vs commercial) is considered more appropriate and fair in the allocation of staffing costs at WWDCs.

For each expenditure category, listed in Figure 6: *Cost Allocation Analysis*, the narrative that follows indicates the method of allocation used, along with the rationale and supporting documents.

For the secondary residential allocations among the three residential categories (year-round, seasonal, and extended seasonal), the latter two have been annualized to allow comparison to the annual residential count when allocating costs. For example, for the province the total residence counts in 2024 is projected at:

Year Round	74,009
Seasonal	7,634
Extended seasonal	924
<b>Total</b>	<b>82,567</b>

**Figure 3: Total Residence Count (2024 projected)**

However, whereas year-round customers receive service five days per week for 52 weeks (260 days), seasonal and extended seasonal only receive service over a 90 day or 120-day period, respectively. Therefore, a weighted average was used to annualize the seasonal and extended seasonal numbers to fairly allocate expenditures to them:

Category	# of Units	Service Days	Weighted #
Year Round	74,009	x 260/260	74,009
Seasonal	7,634	x 90/260	2,643
Extended seasonal	924	x 120/260	426
<b>Total</b>	<b>82,567</b>		<b>77,078</b>

Figure 4: Residence Count Weighted Average (2024 projected)

See *Figure 6: Cost Allocation Analysis* for the “weighing” of each collection region. For the various Commercial costs resulting from the primary allocation, it is not practical to assign a secondary allocation, as was done for the Residential costs. This is because the number of categories of items with separate disposal fee rates makes it difficult to segregate the related component costs in any meaningful way. To do so would require a great number of assumptions and the final product would lack integrity. Further, several of the items have fees that are set to either encourage or discourage their disposal, or in recognition of additional specific costs required for their proper disposal. For example, items containing ozone-depleting substances (e.g., Freon) can be dropped off at no charge in order to encourage their proper disposal because of the hazardous nature of the gas(es) they contain and the risk they pose to humans and the environment. On the other hand, the fee for the disposal of mixed waste is set at \$230 per tonne, which is substantially above the cost of disposal, in order to discourage the disposal of waste materials without proper source separation into compostable, waste, recyclables, etc. These rates do not relate directly to the underlying costs of handling and disposal but have been established to strengthen program compliance and protect the environment.

The analysis and rationalization of commercial disposal costs gathers all related expenditures (as determined by the primary allocation process) and divides the accumulated total by the number of annual commercial tonnes of materials received, to arrive at a Base Rate per Tonne. Armed with the “per tonne” amount, required to cover commercial disposal costs, IWMC is then able to apply the adjustments, as is standard practice in waste management, to motivate and/or correct waste disposal behaviour.

It should be noted that the items that are “incentivized” to encourage proper disposal are not significant in terms of the overall disposal of commercial waste materials. The analysis of commercial tonnes (*Appendix H: Annual Commercial Tonnages*) shows that of the tonnes (projected) disposed of in the FY2023-24, 84% were at \$108 per tonne. Materials received at WWDCs are \$123 versus \$108 per tonne, to recognize they must still be transported to a final disposal facility – PEI ES, CCF or EPWMF (*Appendix I Material Transport*).

Finally, although certain items are “priced” to encourage proper disposal, the intent is that the Residential and Commercial sectors should each operate on a cost recovery basis with neither being called on to subsidize the other.

See *Appendix H: Annual Commercial Tonnages* which includes a commercial rate chart to detail the numerous materials and their disposal fees, along with the rationale for the approach to the fee setting where it varies from \$108 per tonne.

## Details of Specific Expenditure Allocations

### Administration

#### *Charlottetown Office*

This is the cost of operating the head office in the West Royalty Business Park, and includes salaries, occupancy costs, etc. The primary allocation has been set at 75/25 Residential/Commercial (R/C), based on an assessment of the time required to administer each. The Residential side requires considerably more time and effort, partially because the customer base is far greater than the commercial sector, and because the extent of the service provision, which includes collection from source, requires more administrative time and effort. The secondary allocation among the residential components is based on the total province weighted numbers, since the Charlottetown Office expenditures cover service to the entire province.

#### *Customer Service Centre (CSC)*

The Customer Service Centre, located in Tignish, provides “call-in center” service for both Residential and Commercial customers across the entire province. Approximately 90% of expenditures are salary costs. The Customer Service Manager indicates the service representatives spend at least 90% of their time serving residential customers; a primary allocation of 90/10 R/C has been assigned. The secondary allocation among the Residential components is the total province weighted average numbers.

#### *Disposal Fee Program (DFP)*

The expenditures in this program, approximately 90% of which are salaries, are primarily allocated 10/90 R/C. This mostly relates to managing the billing program for the disposal fees, most of which come from the IC&I sector. A small amount of disposal fee revenue comes from the residential side for materials brought by residential customers to the disposal facilities which are not included in the items covered by the Residential User Fee. The secondary allocation to the residential uses the weighted average across the total province.

#### *Advertising, Education and Public Relations*

This item includes the production costs for media and education materials. This work and the outputs are more focused on the residential component and accordingly a primary allocation of 70/30 R/C has been used. The secondary allocation to the residential uses the weighted average across the total province.

## Operating Costs

### *Residential Collection*

As part of the services provided to residential ratepayers IWMC contracts with commercial haulers to collect cart waste materials, one week black and the next week green, as well as to collect recyclable materials monthly. The present contracts for the collection of cart materials will end in the fall of 2024, and the recyclable materials contracts end in June 2025.

In May 2023 IWMC issued detailed Requests for Proposals (RFPs) for residential cart collections for all six regions. The proposals were subject to a comprehensive evaluation by IWMC and an external waste management procurement specialist and resulted in the award of all provincial regions to a current hauler, GFL Environmental. Although the preference was to have more than one hauler delivering curbside collection in PEI, IWMC is satisfied that this outcome, based on price, experience and demonstrated ability, will best serve residential ratepayers over the next five years.

Inflationary pressures over the past several years have resulted in significant increases to the major cost components in waste collection, namely wages, fuel, and equipment. These will unfortunately impact the household rates.

IWMC has also concluded it is necessary and prudent to make an adjustment to the Residential Collection Costs calculation to better account for the cost increases associated with the new residential collection contracts that take effect in September and November 2024. Using April - September 2023 actuals to project new rates in 2024 does not capture the cost impact of the new contract increases in the last quarter of the 2024 calendar year. A new input has been added to the Residential Collection Costs to account for additional expenditures that will be incurred for contracts in East and West Prince from September to December 2024, and the Capital, Central, Eastern and Southern Kings contracts for November and December 2024 (see *Appendix U*).

IWMC has also given much consideration to, and further analyzed, the methodology for calculating the separate rates for each of the three residential classes – year-round, seasonal and extended seasonal. Previously, the costs of providing collection services to these three categories have been analyzed and allocated separately to each category, resulting in a “pool” of total costs for each, which was then divided by the total number of units in the category to arrive at a “cost per unit” for the year for each category. IWMC believes a more appropriate way to allocate the cost of collection to each category is to take the total aggregate collection costs for all categories and allocate them based on the number of collections in the year and on the assessed level of effort and time required for each category.

This change in allocation represents a more rational and fairer approach in the allocation of collection costs to the residential categories, and results in a decrease to the seasonal rate in 2024. For more information see Appendix S, *Residential Weighting*.

The “other” category in this section includes the cost to repair or replace carts, salaries for Operational Support Technicians (OSTs) and vehicle operation and maintenance. OSTs provide a variety of services to the residential sector’s more than 80,000 customers across the province, such as delivering and repairing or replacing carts. Consequently, the primary allocation of this expenditure is 100/0 R/C, and the secondary allocation uses the weighted average across the total province.

#### *Disposal (Costs of operating facilities and transporting materials between disposal locations)*

The allocation of expenditures for disposal requires significant analysis. For the main disposal facilities, the primary allocation is based on total annual tonnages between Residential and Commercial, at a particular facility, using a five (5) year rolling average because annual tonnages can fluctuate. This information has been accumulated and analyzed in *Appendix L: Summary of Final Disposal Facilities*. Once the five-year rolling average is calculated, it is rounded. The secondary allocation for residential use is based on the facility location and the general geographical region(s) of the usage. For example, EPWMF services both the East and West Prince Regions so the weighted average of the total residences for both of those regions was used for the secondary allocation of the costs of operating the facility.

Appendix L which supports the five-year rolling average is calculated using information for the years ended on March 31, 2018, to 2023 inclusive, which was used for the previous 2022-2023 cost allocation analysis. Since actual tonnages for the year ended 2024 are not available yet these numbers are also used for this cost allocation analysis. The allocations used (70/30 for example) are rounded and the five-year average would not vary much from one year to the next.

#### *East Prince Waste Management Facility (EPWMF)*

The total expenditures for this disposal facility are broken down into five separate categories because the primary allocations vary based on material type. Most of the costs, other than the ones separately identified, are 24/76 R/C based on the tonnages analyzed on the 5-year rolling average schedule. The secondary allocation is based on an assessment of the geographical origin of the material types coming to the facility.

#### *Contaminated Soil*

The primary allocation for contaminated soil costs is projected at 21/79 R/C, which is based on the tonnage received in the first seven months of 2023 and projected to the end of FY 2023-24. In some years most contaminated soil originates from commercial spills, while in other years the residential sector may experience more, and the number of spills can vary dramatically from year to year. Therefore, there can be a high degree of variability in both the overall annual tonnage and the primary allocation between Residential and Commercial for this item. However, the small

amount of cost results in little impact to the overall cost per unit in the final analysis. The secondary allocation is based on the weighted numbers for the entire province.

#### *Recyclables*

Recyclables expenditures for EPWMF relate primarily to residential drop off at the WWDC at this site, and the primary allocation is 80/20 R/C. The secondary allocation is weighed East Prince residences only since the West Prince residences would normally drop their recyclables at the Brockton WWDC. The recyclable amount used is the previous year's amount plus 2% to align with other cost of living increases.

#### *Household Hazardous Waste (HHW)*

HHW materials are primarily allocated at 100/0 R/C because only residences are permitted to drop HHW material at the WWDCs. The secondary allocation is weighted East Prince only, representing the region served, with West Prince residents using the Brockton WWDC.

#### *Freon (and other Ozone-Depleting Substances (ODS))*

The primary allocation for Freon (and other Ozone-Depleting Substances (ODS)) removal is 70/30 R/C based on staff input and their best estimate from experience. There is no charge to customers for this service so that they will not be discouraged from proper disposal, as the environmental impact of ODS is great. The secondary allocation uses the weighted East Prince residence count only, again representing the region served. The Freon amount used is the previous year amount plus 2% to align with other cost of living increases.

The remainder of the costs, not detailed above, to operate the EPWMF facility have a primary allocation of 24/76 R/C based on the five-year rolling average tonnages (*Appendix L: Summary of Final Disposal Facilities*). The secondary allocation is weighted East and West Prince because this cost relates primarily to the disposal of waste materials into the landfill which are generated from both the East and West Prince regions.

#### *Queens County Regional Landfill (QCRL)*

These are costs related mainly to snow removal and electricity costs. IWMC stores roll-off containers and carts, requiring cleaning, etc., at QCRL. The primary allocation is 80/20 R/C, and the secondary allocation is on a weighted total province basis. (The amount is insignificant to the overall exercise).

#### *PEI Energy Systems (PEI ES)*

This category of expenses represents the cost of incinerating waste materials. This facility, which provides heat to institutions and residences on a "loop" through Charlottetown, is privately operated. IWMC pays a fee per tonne under contract, plus other specific costs related to emissions control and testing, and proper fly ash disposal. Based on the five-year rolling average of tonnages the primary allocation is 57/43 R/C. The origin of the materials is primarily in all regions except East and West Prince (where those materials go to EPWMF) and, accordingly, the

secondary allocation among residences is a weighted average of all regions except the two in Prince County.

#### *Central Compost Facility (CCF)*

These are the costs of operating the CCF which is managed under contract for IWMC by a private operator. The primary allocation based on the five-year rolling average of tonnages is 85/15 R/C. Since this facility receives organic materials from across the province the secondary allocation is based on the weighted total province residential count.

#### *Transportation of Materials*

IWMC operates two roll-off container trucks to transport materials from the WWDCs to the primary disposal facilities. These costs are primarily wages and vehicle expenditures. The primary allocation of 30/70 R/C is based on the five-year rolling average analysis of the tonnages received at the WWDCs, and secondary allocation is based on the total province since the WWDCs operate across the province.

The tonnages received at WWDCs and transported elsewhere by IWMC (*Appendix Q: Tonnages for Projections to March 31, 2024 – WWDCs*) suggests a cost per tonne of \$69 (\$351,623 / 5,069).

Discussions with local contractors to determine a representative cost per tonne to transport waste and compost materials (not including special items) indicates a range of \$15 to \$20 per tonne. IWMC has considered the use of a contracted hauler to move materials to final disposal from WWDCs, but experience has shown that a hauler cannot be relied upon to complete this work on a timely basis, resulting in space and capacity problems. WWDCs have several transportable containers into which customers place their various materials, based on type. When a container is full, additional materials must be placed on the ground. It is more efficient for IWMC to retain the flexibility to self-transport materials from the WWDCs on a timely basis rather than expand the holding capacity at its sites across the province, at considerable cost.

The addition of \$15 per tonne to the disposal fee at the WWDCs is designed to mitigate the cost to move these materials to final disposal. It does not purport to recover the full cost, which would be prohibitive and may discourage the use of WWDCs for proper disposal.

#### *Waste Watch Drop-off Centers (WWDCs)*

IWMC has six WWDCs in the province. The costs for the WWDC at EPWMF are already included under that facility. The GFL WWDC in Charlottetown is privately operated under license but IWMC is still responsible to cover the costs associated with the “residential only” portion of the materials received, as IWMC already receives revenue from the Residential User fee to cover residential usage at the facility. *Appendix A: Waste Watch Drop-Off Centers* provides detailed analysis and specific primary and secondary allocations of costs, based on tonnages and regions of use as shown. Note that the allocation percentages used for year-round, seasonal, and extended seasonal are based on the actual expenditures for the fiscal year ended March 31, 2023, shown at the bottom of the appendix.

### *Mattresses*

IWMC operates a mattress recycling program which permits residents to drop off their used mattresses at a WWDC without charge. A small amount of mattresses also originates from businesses, for which there is a charge at the commercial disposal fee rate. Mattress volume is not captured by weight; therefore, the primary allocation is based on staff knowledge and experience and has been set at 80/20 R/C with the secondary allocation based on a weighed total for the province. Mattresses, which used to take up significant landfill space, are now trucked to Quebec for recycling.

### *Decommissioning and Monitoring*

This cost is for the monitoring and decommission of former dump sites across the province, which were closed when the Waste Watch program was launched. Reimbursement is received from the province; therefore, this cost is not allocated (in and out).

### *Depreciation*

The depreciation of property and equipment has been allocated based on the location and usage of the particular capital item(s) being depreciated. The primary and secondary allocations generally follow the same rationale (by location) used previously, except that the primary allocation for the WWDCs is based on usage by customer count - residential versus commercial, as previously described.

### *Interest on LTD*

In September 2021, it was necessary for IWMC to borrow \$2M from the province for operating cash flow, of which \$500k was repaid in March 2023. In FY 2023-24 IWMC will have paid interest on an equipment loan and the operating loan, as well as on the original 2001 setup loan of \$30 million. The interest from the Loader equipment loan has received a primary allocation based on the location where the equipment is used at EPWMF. It has been allocated 30/70 R/C like the other costs at EPWMF.

The 2001 setup loan was used to finance capital items as follows:

	\$Millions	Percentage
Compost Facility	22	73
Compost and Waste Carts	6	20
WWDCs	2	7
TOTAL	30	100

**Figure 5: Interest on Long Term Debt**

The calculated percentages have been applied to the interest amount of \$581,354 and the resulting amount then assigned a primary and secondary allocation as shown in *Appendix E: Interest on Long Term Debt*.

Note that the secondary allocation of interest for compost and waste carts is based on the total province residence numbers rather than a weighed amount because each residence requires a set of carts, regardless of whether their usage is 90, 120 or 260 days of the year.

### *Insurance*

The responsibility for insurance for IWMC rests with the Risk Management & Insurance (RMI) Section of the Treasury Board Secretariat. This includes “making necessary arrangements for risk financing, including negotiating commercial insurance coverages...” On November 27, 2023, RMI advised IWMC that 2024-2025 Premium Forecasts (over 2023-2024 premiums) are:

- General Liability and Directors & Officers/Errors & Omissions Insurance – 0% increase
- Property Insurance, Crime, and Boiler & Machinery – 10% inflationary increase on building limits, 15% rate increase – Total 25% increase.

RMI reports the liability claim and reinsurance experience has been favorable over the last few years, which is why there is a 0% increase for 2024-2025. Unfortunately, property lines have struggled in the past 18 months with large claims (i.e., Post-tropical Storm Fiona, total loss fires, polar vortex, etc.), and excess insurers are forecasting another contentious renewal.

The forecast increases are in addition to a 10% increase in Liability premiums and a 35% increase in Property premiums in 2023-24.

## 5.0 EAST PRINCE LANDFILL RETIREMENT OBLIGATION

The Environmental Protection Act requires that the landfill be properly closed when its useful life has ended.

In October 2022, an assessment of available capacity at the East Prince Waste Management Facility (EPWMF) was completed by Applied Geospatial and Environmental Solutions Inc. (AGES) using a quadcopter to capture comprehensive aerial measurements of the cells. Due to some discrepancies in the overall total and also the remaining capacities of the cells, IWMC engaged CBCL to review and update its existing EPWMF model, review and upload the 2022 EPWMF models provided by AGES, survey cell 6 via GPS RTK to update the cell 6 design layer, collect spot elevations, review and stakeout the existing cell boundaries, define the cell area, volumes and capping material for each cell, update the cell area and volume spreadsheet, and to provide updated remaining capacities. The evaluation revealed that the total capacity of the landfill cells is estimated to be 8.7% higher than originally estimated (1,764,552 m<sup>3</sup> vs 1,623,033 m<sup>3</sup>). This resulted in the remaining capacity of the cells being 10.4% higher than originally estimated as well (766,738 m<sup>3</sup> at March 31, 2023 vs 694,705m<sup>3</sup> at March 31, 2022).

In 2010 CBCL was contracted by IWMC to provide engineering services for the capping of cells 1 and 2 at the East Prince Waste Management Facility in Wellington, PEI. The construction was completed in the summer of 2011. Following the capping project, CBCL provided IWMC with an opinion of probable construction cost (OPC) to cap the remainder of the facility for the purpose of planning future expenditures. IWMC received approval to increase the max elevation of the landfill from 26 m to 36 m and in 2014 an additional cell (6) was constructed. The increase in max elevation and the construction of cell 6 increased the capacity of the landfill and CBCL has provided input to assist with prorating and indexing the future capping cost for financial reporting purposes over the past decade.

Due to increased construction costs, IWMC requested that CBCL provide an updated Opinion of Probable Cost (OPC) to cap the remainder of the facility. To provide a current cost, in April 2023 CBCL completed a preliminary review of the Environmental Protection Act Waste Management Regulations, reviewed the existing capped area, and calculated the future 3D area that needs to be capped.

The PEI Environmental Protection Act Waste Resource Management Regulations were updated on August 10, 2019. The regulations provide a standard for landfill design and construction including requirements for a final cover system.

In 2011 the area that had been capped to that point was estimated to be 25,543 m<sup>2</sup>. This estimate was updated based on the 2022 model that was received from Applied Geospatial and Environmental Solutions and was calculated to be 23,592 m<sup>2</sup>. The total 3D design capping area of the landfill was calculated to be 137,509 m<sup>2</sup>. This resulted in a remaining area and perimeter that need to be capped of approximately 114,000 m<sup>2</sup> and 950m respectively. The design that

was used to cap cells 1 & 2 is the assumed design for the remainder of the facility as it remains in compliance with the regulations.

The updated OPC resulted in a total cost of \$14,371,000 (excluding HST) to cap the remainder of the facility. This is a rate of \$126.06 / m<sup>2</sup>, compared to the 2011 actual cost of \$35.45/ m<sup>2</sup>, which is an increase of 356%. Contributing to the overall increase is the cost to supply and install the Class D drainage layer, which has increased by 260%. It has been assumed the capping layer design would be consistent with cell 1 & 2; however, new products and systems are available that may provide suitable and acceptable alternatives to a Class D drainage layer at a lower cost. When IWMC prepares to seek a concept design, alternative systems will be considered. The OPC includes a 25% design development contingency which increases the estimate by \$2,874,170 (\$25.21 m<sup>2</sup>) but which is considered necessary to allow for potential design changes. The OPC does not include any indexing for future inflation and is assumed to be reasonable for a 2023 construction.

The updated cost estimate for landfill closing is reflected in the Asset Retirement Obligation 2023 calculation in the Audited Financial Statements. The auditors review this complicated calculation each year.

The recognition of future landfill closure costs is an accounting requirement. The costs must be estimated, and the auditor reviews them each year to determine they are a fair representation of the present value of what the future costs will be, as set out in Note 10 to the 2023 audited financial statements (page 39 of the application).

This present value future cost has been added to the carrying cost of the landfill, as shown in Note 4 (page 12) of the audited financial statements. Note that the addition for the current year and the prior year are \$4,325,393 and \$565,504 respectively, which mirror the increases to the asset retirement obligation for those years, plus Accretion Expense (see Note 10, bottom of page 16).

Having been added to the cost of the cell in annual increments, the total liability of \$8,683,006 at March 31, 2023 is therefore included as part of the total cell cost of \$19,450,773. Each year, the amortization of the cell includes, as a component, amortization of \$8,683,006. Since amortization is an eligible expense in the cost allocation model, the total amount of the amortization of the closing cost to March 31, 2023, which is \$3,129,164 has been theoretically recovered from ratepayers over the years, and therefore represents the amount that should have been set aside to fund the future retirement obligation to that date. There is nothing included in the proposed rates to set up a fund in respect of this amortized amount to date. IWMC intends to commence setting this annual amount aside going forward.

There is a projected expense of \$450,000 which represents the annual amortization expense of the capitalized cost of \$8,683,006, so this is included in the proposed rates. It is found at tab "Dep'n" on line 13 of Appendix C.

## **6.0 AUDITED CONSOLIDATED FINANCIAL STATEMENTS 2022-23**

See attached electronic file

**7.0 PROJECTED STATEMENT OF OPERATIONS 2023-24**

**ISLAND WASTE MANAGEMENT CORPORATION**  
**Projected Statement of Operations for the year ended March 31, 2024**

	Actual March 31, 2023 (audited)	Budget March 31, 2024	Actual September 30, 2023 (in house)	Projection March 31, 2024	
<b>REVENUE</b>					
<b>Household user fees</b>					
Taxation	\$ 17,056,621	\$ 17,150,342	\$ 8,681,064	\$ 17,362,128	Slightly Higher household counts
Billed by WMC, refunds & misc	52,684	243,558	98,536	243,558	
<b>Disposal fees</b>	5,339,811	4,916,600	2,816,070	5,636,139	All Waste Watch sites volumes continue to trend higher (as in FY23)
<b>Decommissioning and monitoring</b>	21,311	25,500	-	25,500	timing of expenditures incurred and reimbursement invoices sent out.
<b>Other</b>	414,583	271,700	219,407	271,700	timing of expenditures incurred and reimbursement invoices sent out.
	<b>22,885,011</b>	<b>22,607,700</b>	<b>11,817,077</b>	<b>23,539,025</b>	
<b>EXPENDITURES</b>					
<b>Administration</b>					
Charlottetown (Head office)	1,139,281	1,375,312	567,675	1,303,727	Slower fill of newopen positions
Customer Service	452,948	440,970	232,092	468,850	ok
Disposal Fee Program	174,363	159,724	87,066	175,831	ok
<b>Advertising, education and PR</b>	136,787	121,708	90,264	181,553	ok
<b>Operating costs</b>	7,959,666	8,043,128	4,011,429	8,028,342	higher # of households, offset with higher revenue (see HUF Revenue)
Residential collection					
<b>Disposal</b>					
EPW/MF	1,522,748	1,196,480	898,715	1,784,974	includes additional vehicle/equip repairs & higher volumes (see Revenue)
PEI Energy Systems	2,875,178	2,744,740	1,389,358	2,780,432	ok
Central Compost Facility	2,825,925	2,814,320	1,578,573	3,157,914	Expensive repairs, eg. Rehab 25 concrete pads; Roll-off truck hook lift; Repair Blog floor
WVDC's	1,259,298	1,403,320	754,605	1,514,159	includes additional vehicle/equip repairs & higher volumes (see Revenue)
Transportation of Materials	319,971	279,498	234,604	351,622	ok
Queen's Landfill	5,567	4,300	1,041	2,100	ok
<b>Mattresses</b>	320,206	460,000	192,476	460,000	ok
<b>Decommissioning and monitoring</b>	21,311	25,500	-	25,500	ok
	<b>19,013,248</b>	<b>19,069,000</b>	<b>10,037,897</b>	<b>20,235,004</b>	
Earnings before dep'n and interest	3,871,763	3,538,700	1,779,180	3,304,022	
<b>Depreciation and amortization</b>	2,834,610	2,283,100	1,271,190	2,639,200	Budget didn't include \$4.325M addition to Asset Retirement Obligation at FY23 year end
<b>Interest on long-term debt</b>	695,065	796,400	291,337	582,629	ok
<b>Net income (loss)</b>	<b>\$ 342,088</b>	<b>\$ 459,200</b>	<b>\$ 213,654</b>	<b>\$ 82,193</b>	

**HOUSEHOLD USER FEE REVENUE**

	Budget	Budget YTD	Current YTD	Explanation of Current Actual over Budget YTD
	March 31, 2024	March 31, 2024	Actual	
<b>HOUSEHOLD USER FEES</b>				
Billed by IWMC, refunds & misc	243,558	121,780	98,536	
HUF - Prop Taxes	17,150,342	8,575,170	8,681,064	
	<u>17,393,900</u>	<u>8,696,950</u>	<u>8,779,600</u>	

**DISPOSAL FEE REVENUE**

	Budget	Budget YTD	Current YTD	
	Budget	March 31, 2024	Actual	
<b>DISPOSAL FEES</b>				
EPWMF	3,400,000	1,700,000	1,938,694	
CCF	300,000	150,000	155,507	
Brockton	146,000	73,000	85,001	
PEI Energy Systems	740,000	370,000	376,328	
Murray River	91,000	45,500	73,929	
Dingwells Mills	113,000	56,500	90,532	
Other	200	100	119	
New London	126,400	63,200	97,960	
	<u>4,916,600</u>	<u>2,458,300</u>	<u>2,818,070</u>	Budgeted for Commercial Rate increases from 2022 but not increase volumes - volumes remain higher than normal, as in FY23

## ADMINISTRATION

	Budget	Budget YTD	Current YTD	Explanation of Current Actual over Budget YTD
	Budget	March 31, 2024	Actual	
<b><u>Charlottetown Office</u></b>				
Dues and memberships	\$ 3,400	\$ 1,700	\$ 3,228	
Insurance	52,400	26,200	-	- timing of when insurance invoice rec'd current year includes short term interest on \$2m Prov loan
Interest and bank charges	4,000	2,000	1,136	
Office equipment	400	200	-	
Office supplies	14,000	7,000	10,427	
Miscellaneous	800	400	-	
Professional fees	109,800	54,900	61,800	
Repairs and maintenance	20,400	10,200	8,501	actual includes reimbursement of prior CEO, terms were unknown at time of budget submission
Salaries and management	1,022,412	511,206	441,870	
Telephone	27,000	13,500	5,644	
Vehicle & Travel	22,200	11,100	12,801	
Utilities	34,100	17,050	22,267	
	<u>1,310,912</u>	<u>655,456</u>	<u>567,675</u>	
<b><u>Customer Service</u></b>				
Dues and memberships	\$ 300	150	-	
Office equipment	-	-	-	
Office supplies	2,700	1,350	2,516	
Rent	16,800	8,400	7,000	based on contract with Tignish Initiatives
Salaries and management	396,270	198,140	207,376	
Telephone	24,300	12,150	14,671	
Vehicle & Travel	600	300	529	
	<u>440,970</u>	<u>220,490</u>	<u>232,092</u>	
<b><u>Disposal Fee Program</u></b>				
Interest and bank charges	\$ 6,100	3,050	2,990	
Repairs and maintenance	\$ -	-	-	
Salaries and wages	149,124	74,560	75,474	
Supplies	1,600	800	7,881	
Telephone	2,700	1,350	482	
Travel	200	100	239	
	<u>159,724</u>	<u>79,860</u>	<u>87,066</u>	
<b>Total Administration</b>	<b>\$ 1,911,606</b>	<b>\$ 955,806</b>	<b>\$ 886,833</b>	

## ADVERTISING, EDUCATION AND PUBLIC RELATIONS

	Budget	Budget YTD	Current YTD	Explanation of Current Actual over Budget YTD
	Budget	March 31, 2024	Actual	
<b><u>Advertising, education and PR</u></b>				
Advertising	\$ 6,400	\$ 3,200	\$ 1,031	
Education	57,200	28,600	41,902	
Public Relations	6,600	3,300	1,819	
Wages & benefits	51,408	25,700	45,512	
<b>Total Advertising, education and PR</b>	<b>\$ 121,608</b>	<b>\$ 60,800</b>	<b>\$ 90,264</b>	

**RESIDENTIAL COLLECTION**

	Budget	Budget YTD	Current YTD	Explanation of Current Actual over Budget YTD
	Budget	March 31, 2024	Actual	
<b>RESIDENTIAL COLLECTION</b>				
Cart repair & write-offs and mini bins	\$ 100,400	\$ 50,200	\$ 41,316	current yr expenditure up from prior yr for new mini bins purchased \$32k
Collection contracts				
- Compost and waste	4,925,000	2,462,500	2,508,967	
- Recyclables	2,264,000	1,132,000	1,169,517	
Operational Support Technicians				
- Wages & benefits	567,528	283,760	243,723	prior yr included pmt of retiring allow
- Vehicles and supplies	76,900	38,450	47,906	
<b>Total Residential Collection</b>	<b>\$ 7,933,828</b>	<b>\$ 3,966,910</b>	<b>\$ 4,011,429</b>	

**DISPOSAL EXPENSES**

	Budget	Budget YTD	Current YTD	Explanation of Current Actual over Budget YTD
	Budget	March 31, 2024	Actual	
<b><u>East Prince Waste Management Facility</u></b>				
Accretion	\$ 26,500	\$ 13,250	\$ 42,300	
Equipment rental	16,200	8,100	2,438	
Gas and oil	69,900	34,950	45,061	
Hazardous waste	20,900	10,450	18,037	
Leachate	80,500	40,250	43,829	
Office and miscellaneous	26,000	13,000	13,128	
Professional services	-	-	15,573	
Repairs and maintenance	108,600	54,300	248,817	
Salaries, wages and benefits	575,280	287,640	335,326	
Security	14,800	7,400	11,368	
Supplies and materials (includes cover material & woodchips)	115,800	57,900	24,235	
Telephone	5,100	2,550	1,693	
Contaminated Soil	70,500	35,250	62,989	timing of purchase/need
Utilities	61,300	30,650	33,919	
	<u>1,191,380</u>	<u>595,690</u>	<u>898,715</u>	
<b><u>Queen's County Regional Landfill</u></b>				
Repairs and maintenance	2,300	1,150	-	
Utilities	2,000	1,000	1,041	
	<u>4,300</u>	<u>2,150</u>	<u>1,041</u>	
<b><u>Energy from Waste</u></b>				
Fly Ash disposal	212,900	106,450	116,948	
Contract, Carbon, Emmission testing & C&C	2,373,100	1,186,550	1,188,047	based on timing of ordering carbon
Repairs and maintenance - scale	4,700	2,350	5,542	
Scale house supplies	4,100	2,050	2,566	
Wages & benefits - scale operator and inspector	149,940	74,970	76,255	
	<u>2,744,740</u>	<u>1,372,370</u>	<u>1,389,358</u>	
<b><u>Central Composting Facility</u></b>				
Contract	2,292,900	1,146,450	1,203,044	
Insurance	249,800	124,900	139,292	
Property tax	300	150	339	
Wages and benefits	67,320	33,660	34,142	
Repairs and maintenance	204,000	102,000	201,755	based on timing & need of maintenance work
	<u>2,814,320</u>	<u>1,407,160</u>	<u>1,578,573</u>	
<b><u>Waste Watch Drop-off Centers</u></b>				
Blue bag disposal	\$ 59,000	\$ 29,500	\$ 36,218	
GreenIsle Environmental	494,600	247,300	165,861	
Household Hazardous Waste	135,800	67,900	106,587	
Materials and supplies	31,700	15,850	23,731	
Miscellaneous (includes asphalt shingles & woodchipping)	12,200	6,100	-	depends on timing of wood chipping done
Professional services	-	-	6,659	
Repairs and maintenance	239,000	119,500	179,032	
Wages and benefits	388,620	194,310	219,979	
Security	1,500	750	246	
Signage	1,000	500	954	
Telephone	10,900	5,450	5,032	
Travel	7,900	3,950	6,684	
Utilities	11,100	5,550	3,621	
	<u>1,393,320</u>	<u>696,660</u>	<u>754,605</u>	
<b><u>Transportation of Material</u></b>				
Motor vehicle	139,900	69,950	161,536	fuel price up
Supplies	2,000	1,000	960	
Salaries, wages and benefits	137,598	68,800	72,107	
	<u>279,498</u>	<u>139,750</u>	<u>234,604</u>	
	<u>\$ 8,427,558</u>	<u>\$ 4,213,780</u>	<u>\$ 4,856,895</u>	



# 8.0 COST ALLOCATION ANALYSIS 2023-24

Cost Allocation Analysis 2023-24

	Projected March 31, 2024	Residential			Commercial	Decomm	Primary	Secondary Allocation (see Table At Bottom)
		Year Round	Seasonal	Ext-Seasonal				
<b>REVENUES</b>								
Residential User Fees	17,605,686	16,904,687	603,589	97,409				
<b>Disposal fees</b>								
EPWMF	3,877,388	589,682	22,154	3,445	3,262,107			based on weighted EP
CCF	311,014	-	-	-	311,014			commercial only
PEI ES	752,656	-	-	-	752,656			commercial only
WWDC's	695,082	352,233	19,922	3,552	319,375			based on weighted EX
Decommissioning and monitoring	25,500					25,500		
<b>Other Revenues</b>								
Other	106,850	98,532	3,472	571	4,275		see tab	see tab - various
Scrap Metal	32,350	21,743	776	125	9,705		70/30	based on weighted TP
Stewardship Programs								
EPRA	79,850	53,670	1,916	309	23,955		70/30	based on weighted TP
Product Care	45,350	30,481	1,088	176	13,605		70/30	based on weighted TP
Battery	5,200	3,495	125	20	1,560		70/30	based on weighted TP
Health Products	2,100	2,016	72	12	-		100/0	based on weighted TP
	5,933,341	1,151,853	49,526	8,209	4,698,252	25,500		
<b>Total Revenue</b>	23,539,027	18,056,540	653,115	105,619	4,698,252	25,500		
	(2)	76.7%	2.8%	0.4%	20.0%			
		79.0%	19.7%					
			99					
<b>EXPENDITURES</b>								
Administration								
Charlottetown Office	1,303,727	938,863	33,523	5,410	325,932		75/25	based on weighted TP
Customer Service Office	468,850	405,164	14,467	2,335	46,885		90/10	based on weighted TP
Disposal Fee Program	175,831	16,883	603	97	158,248		10/90	based on weighted TP
Advertising, education and Public Relations	181,553	122,027	4,357	703	54,466		70/30	based on weighted TP
Operating costs								
Residential Collection								
Contracts - Compost & Waste	5,158,459	4,786,022	320,221	52,217	-		100/0	residential collection tab
Contracts - Recyclables	2,306,216	2,134,969	146,813	24,434	-		100/0	residential collection tab
Other	563,667	522,971	34,991	5,706	-		100/0	residential collection tab
Disposal								
EPWMF except contam. soil, recyclables, HHW removal & freon	1,708,076	490,342	19,403	2,677	1,195,653		30/70	based on weighted E&W Prince
Contaminated Soil	18,000	1,556	56	9	16,380		9/91	based on weighted Total Prov
Recyclables (used prior year expense plus 2% increase)	13,900	10,657	400	62	2,780		80/20	based on weighted E Prince
HHW Removal	36,000	34,502	1,296	202	-		100/0	based on weighted E Prince
Freon (used prior year expense plus 2% increase)	9,000	6,038	227	35	2,700		70/30	based on weighted E Prince
Queens County Regional Landfill (QCRL)	2,100	1,613	58	9	420		80/20	based on weighted TP
PEI ES	2,780,432	1,523,921	51,951	8,973	1,195,586		57/43	PEI ES / based on weighted EX P
CCF	3,157,914	2,577,350	92,025	14,851	473,687		85/15	(everything ex EP & WP)
Transportation of Materials	351,622	101,287	3,616	584	246,136		30/70	based on weighted TP
WWDC's (per tab for WWDC Allocations)	1,514,159	967,924	34,560	5,567	506,108		see tab	allocated based on prior year %s
Mattresses	460,000	353,347	12,616	2,036	92,000		80/20	based on weighted TP
Decommissioning and monitoring	25,500					25,500		
	20,235,004	14,995,434	771,183	125,907	4,316,979	25,500		
Depreciation	2,639,200	1,394,305	51,358	7,911	1,185,625			See detailed schedule
Interest on LTD	582,629	470,322	23,823	3,411	85,073			See detailed schedule
	23,456,833	16,860,062	846,365	137,229	5,587,677	25,500		
		71.9%	3.6%	0.6%	23.7%			
<b>Excess Expenditures over Revenues</b>	82,195	1,196,478	(193,251)	(31,611)	(889,425)	-		
<b>Cost Per Unit</b>								
Total Expenditures- per category		16,860,062	846,365	137,229	5,587,677			
Number of Units (Residences or Tonnes)		74,009	7,634	924	46,345			
Cost per Unit		227.81	110.87	148.52	120.57			
New C&W Collection Costs (Sep-Dec/24)	435,940	404,466	27,062	4,413				
Collection Cost Increase per Unit		5.47	3.54	4.78				
Adjusted Cost per Unit		233.27	114.41	153.29	120.57			
1% Net Asset Balance Contribution		2.33	1.14	1.53	1.21			
Adjusted Cost incl Asset Balance Contr		235.61	115.56	154.83	121.77			
Current IRAC Approved Fees effective Jan 1, 2022		224.00	130.00	150.00	108.00			
Variance		(9.27)	15.59	(3.29)	(12.57)			
Variance From Current Approved Fee		-4.1%	12.0%	-2.2%	-11.6%			

Table For Secondary Allocation		Year Round	Seasonal	Ex-Seasonal
Collection days out of 260	Total	260	90	120
<b>Household Numbers</b>				
Total Province - TP	82,567	74,009	7,634	924
- Weighted - TP	77,078	74,009	2,643	426
East Prince - EP	18,161	16,198	1,758	205
- Weighted - EP	16,901	16,198	609	95
E. and W. Prince - E&WP	24,559	21,808	2,493	258
- Weighted - E&WP	22,790	21,808	863	119
Total Excl Capt Reg & EP - EX	27,018	22,795	3,725	498
- Weighted - EX	24,314	22,795	1,289	230
Total Excl EP &WP - EX P	58,009	52,202	5,141	666
- Weighted - EX P	54,289	52,202	1,780	307

Figure 6: Cost Allocation Analysis 2023-24

The Total Expenditures for each of the four categories – year-round, seasonal, extended seasonal, and commercial are shown in Figure 6. When divided by the number of units in each category (either the number of collections or annual tonnes), the result is the indicted costs per unit for the 2024 year, which can then be compared to the present rate structure.

	RESIDENTIAL			COMMERCIAL
	Year Round	Seasonal	Ext-Seasonal	Tonnes
<b>Calculated Cost</b>	\$233.27	\$114.41	\$153.29	\$120.57
<b>Current Fees</b>	\$224	\$130	\$150	\$108
<b>Variance (\$)</b>	(9.27)	15.59	(3.29)	(12.57)
<b>Variance (%)</b>	-4.1%	12%	-2.2%	-11.6%

**Figure 7: Cost per Unit (2024)**

The details of the cost allocation analysis are captured in Appendices A to U.

## 9.0 NET ASSET BALANCE (NAB)

In a competitive marketplace where customers have buying choices, the prices charged for goods or services are essentially self-regulating. Businesses must strive for cost efficiency in order to be profitable while charging an equal or lower price than their competition. Industries which enjoy a monopoly and are not subject to competition, such as electrical utilities, tend to be regulated by governmental authority to protect the public from unreasonable or unfair pricing. In such cases, the regulator allows the utility a revenue recovery sufficient to recoup its costs and receive a fair rate return on its invested capital.

IWMC, as a crown agency, has no invested capital from shareholders, but does have the ability to accumulate earnings. IWMC made application for revised rates, and in its February 24, 2022 Order responding to the application, IRAC granted a 1% NAB for IWMC under the Act, allowing an opportunity to accumulate earnings to assist with operations.

It is difficult to find a scenario identical to IWMC's, where a crown or government agency manages solid waste on a regulated basis. The services provided by IWMC, on behalf of the provincial government, are like those in many other jurisdictions, usually administered at the municipal level, but not subject to independent regulation. Such operations tend to be carried out within a government department and with little or no oversight by a regulating agency, and therefore with less opportunity for scrutiny by the public.

In considering appropriate reserve funds for IWMC, the aspect of a return on invested capital to reward shareholders is not applicable. There are no shareholders who have risked their own resources and who therefore expect a return. There are ratepayers, who are essentially taxpayers. The government does not require or expect a return on any original investment, and accordingly, it would be inappropriate for its conduit, IWMC, to expect one. The purpose of appropriate reserve funds would be to allow IWMC sufficient working capital to address the uncertainties and irregularities of business and be well positioned to address other items, such as the retirement/replacement of assets and retirement of debt.

The nature of the business makes it impossible to operate in a perfect scenario, where revenues permitted under regulation exactly match actual costs incurred, in both timing and amount. Therefore, financing is required to help manage timing differences and unexpected amounts. As well, significant costs for capital items which have economic lives greater than one year must be financed (long-term debt) and amortized over numerous periods. In many cases, the amortization period (number of years) varies from the financing period so that the cash required each year to repay the debt does not match the amortization amount allowed to support the regulated rate

for that year. This puts pressure on available resources.

In business the occurrence of unexpected events can significantly and negatively affect operations. The recent pandemic and weather-related events caused disruptions and economic stress to many businesses, in some cases with catastrophic outcomes. IWMC's 2023 results demonstrate this kind of stress, with the post-pandemic period driving high inflation and interest rates, contributing to higher Operating Loan interest and very expensive facility and equipment repair costs (also impacted by aging assets). This is anticipated to continue through 2024, which also includes increasing wage rates over this past year.

### **Financial Position**

Based on the audited consolidated financial statements, a summary of the assets, liabilities and net assets is captured in Table 1 for 2019 to 2023. The shaded area on Table 1 presents the corporation's net assets into those that are invested in capital assets from those that are not. At the bottom of the schedule is more detailed information to present the components that make up each category.

Showing net capital assets separately from unrestricted net assets provides a clearer picture of where the corporation's resources are employed and assists with an understanding of financing and timing issues. The shaded area shows that in 2019 there were similar levels of capital debt owing and net capital assets. Over time, while Net Assets remained stable and Long-Term Debt slowly decreased, the value of the Asset (Landfill) Retirement Obligation has continued to grow.

From 2021 to 2023, the investment in capital assets leveled out and the unrestricted net asset amount declined and then grew again over the past two years, mainly through changes in Current Assets. Over that timeframe total net assets have approximately doubled from \$2.2 million to \$4 million, due to the growth of Cash and Receivables (Current Assets) from the volume growth of Households and Disposal tonnage, the price increase received in 2022, after several years with no rate increases prior to 2021, and an Operating Loan of \$2 million in 2022.

In 2023 IWMC carried receivables of \$1.5 million and payables of \$3 million. We had a term deposit of \$1.5 million, but also had an unfunded asset retirement obligation (East Prince landfill) of \$8.7 million that will continue to grow as the years pass. Our Cash Balance grew over the past 5 years from \$2.1 million in 2019 to \$3.8 million in 2023, mainly due to the Operating Loan balance of \$1.5 million at the end of FY 2023.

Table 2 presents a cash flow schedule for the years 2019 to 2023 to show the sources of cash generation and the uses of cash (refer to the shaded column). Revenues exceeded expenditures,

after adding back expenses that don't require cash (amortization, etc.) generating slightly more than \$11 million. Changes in working capital items other than cash (accounts receivable and payable) reduced this balance by \$200,000. Purchases of capital assets used \$5.6 million, and net payments of principal on long-term debt were \$2.8 million, after accounting for \$2.5 million of term deposits used in 2019. In summary, over the five-year period, \$2,707,000 more cash was raised than used.

The corporation manages an asset base of approximately \$29 million and administers annual costs of more than \$23 million. To manage the business and provide services efficiently for ratepayers, we need to be properly financed. For the most part it appears we have used capital debt properly to finance our long-term assets. However, the large increasing cost of repairs of our aging facilities and equipment over the past few years, suggests the corporation may be underfunded and would benefit from resources to assist with ever increasing Capital Budget requirements and any working capital requirements. The NAB of \$4.381 million as of March 31, 2023, only represented 14.9% of our assets base and includes a \$1.5 million Operating Loan from the Province in 2022, which is due on demand and currently incurring steep interest rates.

### Net Asset Balance

Financial experts recommend businesses maintain three, six, even 12 months of operating expenses in reserve to manage unexpected costs or reductions in revenue (<https://corporatefinanceinstitute.com/resources/knowledge/finance/cash-reserves/>; <https://quickbooks.intuit.com/ca/resources/cash-flow/why-you-need-a-business-cash-reserve/>; Developing your Reserve Fund Policy A Template and Guide for Nonprofits, FMA Institute, <https://fmaonline.net/npgreserves/>). Monthly operational costs for IWMC in 2023 are approximately \$2M. As a Crown Corporation, we recognize that IWMC is not exactly like other private sector businesses or non-profits, but we do operate as a business, and we require flexibility to run the operation effectively and efficiently. While approximately 78% of our revenue is secure, roughly 22%, which is generated in the commercial sector, is not. As well, we have significant collection contract cost increases of approximately 40% to absorb, starting mid-way through FY2025. IWMC does have the ability to secure financing from the province, if necessary, but the logistics and timelines associated with Treasury Board approval limit the flexibility of the corporation to navigate unexpected expenses, such as equipment failure.

In recognition of our unique situation and in fairness to rate payers we are proposing a conservative NAB at the low end of what is generally recommended. IWMC's particular circumstances means there is no precise calculation to determine an appropriate NAB. A logical and fair approach may be to establish a reasonable amount, and then to monitor and adjust it as

time progresses and circumstances support.

In Order WM22-01 IRAC approved the creation of a NAB for IWMC. IWMC had proposed a NAB of \$5.5 million, which would represent approximately 20% of the asset base, and a debt-to-equity ratio of 4.5 to 1. From the 2023 position, this additional \$1.12 million could occur over several years, and the \$5.5 million target would be a total of the investment in capital assets (restricted) and unrestricted net assets, to be used and invested as defined in a new policy.

These unrestricted assets would reduce the need for an external line of credit and be sufficient to maintain operations for three (3) months, if necessary. The NAB will also provide flexibility to manage cash flow and facilitate one-time expenses, such as research or staff training, and fund smaller, needed capital expenditures under a threshold defined in policy.

In proposing to maintain the 1% rate increase to build the NAB, a measured approach is being used to mitigate the financial impact on customers while working towards more financial stability for the corporation in the face of rising costs, including the cost of financing.

In future years, where a rate increase is either minimal or not required to recover operational costs, IWMC may apply to increase the NAB contribution; therefore, it is not possible to estimate, with any certainty, when the target might be achieved.

Once the NAB is rebuilt, IWMC will maintain it at that level to support effective and efficient operations.

An external line of credit is not a reasonable or cost-effective way to address the timing differences regarding the economic life of certain capital assets, such as carts, which must be amortized versus the length of time over which they could be financed particularly when carts are an annual purchase both to supply new residences and replace aging carts that have failed. As well, in a period of rising interest costs it will be less expensive in the long run to “self-finance” certain items such as low dollar capital assets like vehicles and carts, than to borrow commercially, and it will also help level out cash flow pressures arising from timing of payments and receipts.

Building up a NAB over a number of years should come at an overall lower cost than incurring interest on a line of credit.

IWMC plans to develop a policy to present a clearer picture of how corporation resources may be employed. The policy could include definitions, policy statements, approval procedures, outline how assets may be used, define a policy review period, establish internally restricted surpluses for future requirements, etc.

**IWMC Financial Position Past 5 Years**  
**From Published Financial Statements and**  
**Modified Net Asset Presentation**  
**(all amounts in 000's)**

**TABLE 1**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>					
Current assets	6,995	6,701	3,658	4,725	4,813
Term deposits - non current		-	-	-	-
Performance deposits	620	620	617	615	615
Capital assets	21,744	19,430	20,476	21,673	22,851
	<b>29,359</b>	<b>26,751</b>	<b>24,751</b>	<b>27,013</b>	<b>28,279</b>
<b>LIABILITIES</b>					
Current liabilities excl LTD	2,962	2,959	2,759	3,112	2,601
Contractor deposits	614	614	614	614	614
LTD in total	10,092	11,882	13,881	15,535	17,522
Dfd Gov assistance	2,628	2,535	2,329	2,470	2,615
Asset retirement obligation	8,683	4,230	3,580	3,277	2,652
	<b>24,979</b>	<b>22,220</b>	<b>23,163</b>	<b>25,008</b>	<b>26,004</b>
<b>NET ASSETS (modified presentation)</b>					
Investment in capital assets (below)	341	783	686	391	62
Unrestricted net assets (below)	4,040	3,748	902	1,614	2,212
	<b>4,381</b>	<b>4,531</b>	<b>1,588</b>	<b>2,005</b>	<b>2,275</b>
<b>LIABILITIES AND NET ASSETS</b>	<b>29,359</b>	<b>26,751</b>	<b>24,751</b>	<b>27,013</b>	<b>28,279</b>

<b>Invested in Capital Assets</b>					
Net capital assets	21,744	19,430	20,476	21,673	22,851
Long-term debt	(10,092)	(11,882)	(13,881)	(15,535)	(17,522)
Defd gov't assistance	(2,628)	(2,535)	(2,329)	(2,470)	(2,615)
Asset retirement obligation	(8,683)	(4,230)	(3,580)	(3,277)	(2,652)
	<b>341</b>	<b>783</b>	<b>686</b>	<b>391</b>	<b>62</b>
<b>Unrestricted Net Assets</b>					
Current assets	6,995	6,701	3,658	4,725	4,813
Term deposits - non current	-	-	-	-	-
Performance deposits	620	620	617	615	615
Payables and accruals	(2,962)	(2,959)	(2,759)	(3,112)	(2,601)
Contractor deposits	(614)	(614)	(614)	(614)	(614)
	<b>4,040</b>	<b>3,748</b>	<b>902</b>	<b>1,614</b>	<b>2,212</b>

## IWMC

## TABLE 2

## Cash Flow for 5 years 2019 to 2023

(all amounts in 000's)

Cash Provided From (Used In)	Total 5 Years	2023	2022	2021	2020	2019
<b>Earnings</b>	(576)	342	(260)	(417)	(270)	29
<b>Add:</b> Amortization	11,436	2,981	2,413	2,066	2,056	1,921
Accretion expense	303	127	85	26	19	46
Losses on disposals	159	34	23	19	32	51
<b>Cash from Earnings</b>	<b>11,322</b>	<b>3,484</b>	<b>2,261</b>	<b>1,694</b>	<b>1,837</b>	<b>2,047</b>
<b>Changes in working capital items</b>						
AR	455	(314)	59	42	(115)	782
Prepays	(157)	(129)	(20)	(3)	(28)	23
Payables	(497)	3	200	(353)	511	(858)
<b>Cash from working capital items</b>	<b>(200)</b>	<b>(440)</b>	<b>239</b>	<b>(314)</b>	<b>368</b>	<b>(53)</b>
<b>Investing</b>						
Purchases of capital assets	(5,698)	(1,006)	(859)	(808)	(451)	(2,574)
Proceeds sale of cap assets	92	3	35	53	-	1
<b>Cash used to buy capital assets</b>	<b>(5,606)</b>	<b>(1,003)</b>	<b>(824)</b>	<b>(755)</b>	<b>(451)</b>	<b>(2,573)</b>
<b>Financing</b>						
Short term borrowings	1,500	(500)	2,000			
Increase in LTD	1,395			252		1,143
Principal payments on LTD	(10,684)	(1,786)	(1,994)	(1,905)	(1,987)	(3,012)
Term deposits cashed and used	2,500	-	-			2,500
Gov assistance received	2,484	101	1,409	5		969
Other	(4)	(4)	(8)	(4)	1	11
<b>Net cash used in financing</b>	<b>(2,810)</b>	<b>(2,190)</b>	<b>1,407</b>	<b>(1,652)</b>	<b>(1,986)</b>	<b>1,611</b>
<b>Increase (decrease) in cash</b>	<b>2,707</b>	<b>(148)</b>	<b>3,082</b>	<b>(1,027)</b>	<b>(232)</b>	<b>1,032</b>
<b>Beginning cash</b>	<b>1,109</b>	<b>3,964</b>	<b>882</b>	<b>1,909</b>	<b>2,141</b>	<b>1,109</b>
<b>Ending cash</b>	<b>3,816</b>	<b>3,816</b>	<b>3,964</b>	<b>882</b>	<b>1,909</b>	<b>2,141</b>

## 10.0 PROJECTED STATEMENTS OF OPERATIONS 2024-25 and 2025-26

### Projected Statement of Operations for Years Ending March 31, 2025 & 2026 Island Waste Management Corporation

	FY2024-25 Projected	FY2025-26 Projected	
<b>REVENUE</b>			
<b>Household user fees</b>			
Taxation	\$ 17,797,700	\$ 18,153,600	2% higher household counts (Govt says 3% needed)
Billed by IWMC, refunds & misc	243,600	243,600	
<b>Disposal fees</b>	5,600,000	5,600,000	All Waste Watch sites volumes continue to trend higher (as in FY23)
<b>Decommissioning and monitoring</b>	25,500	25,500	timing of expenditures incurred and reimbursement invoices sent out.
<b>Other</b>	400,000	400,000	Current Run Rate, mostly re higher Interest Income
	<b>24,066,800</b>	<b>24,422,700</b>	
<b>EXPENDITURES</b>			
<b>Administration</b>			
Charlottetown (Head office)	1,510,400	1,540,600	Insurance incr per Risk Dept (Prop 25%, Liab 0% + Auto 10%)/2% Wage Incr/Excl Mgr Ben/Step Incr/Job Reclass Initiative
Customer Service	530,800	541,400	2% Wage Incr/CS Supervisor/Step Increases
Disposal Fee Program	187,400	191,100	2% Wage Incr/\$20k inflation increase
<b>Advertising, education and PR</b>	186,800	190,500	2% Wage Incr/Additional costs re outside printing work
<b>Operating costs</b>	-	-	
Residential collection	8,992,300	10,306,500	higher # of h'holds, offset w. higher rev (see HUF Revenue )/2% Wage & Step/Reclass Incr
<b>Disposal</b>	-	-	
EPWMF	1,616,500	1,648,800	incl addtl vehicle/equip repairs & higher volumes (see Revenue)/2% Wage & Step/Reclass Incr
PEI Energy Systems	2,754,700	2,809,800	2% Wage & Reclass Incr
Central Compost Facility	2,949,400	3,008,400	Assume 15% Insurance incr (17%/12% last 2 yrs)/25% Wage Incr
WWDC's	1,571,200	1,602,600	incl addtl vehicle/equip repairs & higher volumes (see Revenue)/2% Wage & Step/Reclass Incr
Transportation of Materials	348,400	355,400	2% Wage Incr & Step Incr
Queen's Landfill	4,300	4,400	
<b>Mattresses</b>	400,000	408,000	Current run rate
<b>Decommissioning and monitoring</b>	25,500	25,500	
	<b>21,077,700</b>	<b>22,633,000</b>	
Earnings before dep'n and interest	2,989,100	1,789,700	
<b>Depreciation and amortization</b>	2,800,000	2,283,100	Based on FY23 Actual, includes increases re Landfill Retirement costs
<b>Interest on long-term debt</b>	463,000	335,500	Reduced LT Interest schedule/no new LT Financing / \$335,505 FY26
<b>Excess of Revenues over Expenditures</b>	<b>\$ (273,900)</b>	<b>\$ (828,900)</b>	
<b>Net Assets - beginning of year</b>	<b>\$ 1,752,375</b>	<b>\$ 1,478,475</b>	
<b>Net Assets - end of year</b>	<b>\$ 1,478,475</b>	<b>\$ 649,575</b>	

	Counts @ Mar 31/24 Rate			
Yr round Counts @ March 31	74,009	75,490	76,999	2% inc in household counts
Yr round Rate	224	224	224	
Total		16,660,996	16,994,216	
Seasonal Counts @ March 31	7,634	7,787	7,942	2% inc in cottage counts
Seasonal Rate	130	130	130	
Total		997,382	1,017,330	
Ext Seasonal Counts @ March 31	924	942	961	2% inc in ext cottage counts
Ext Seasonal Rate	150	150	150	
Total		139,293	142,079	
		17,797,671	18,153,625	

Note: used 2% incr for Household User Fees Revenue. PEI Population Projection indicated 3% incr needed until population growth slows. In above projection, assume 2% is achievable.  
As per analysis 2023/24 Cost Allocation - Household Counts, projecting +1.9% to March 31/24.

## **11.0 WASTE WATCH FEES – GOVERNMENT SUBSIDIES**

On February 24, 2022, the Island Regulatory and Appeals Commission issued Order WM22-01 pursuant to the Environmental Protection Act approving new residential and commercial waste management rates for 2022. On the same day, in the 2022 Budget Address, the Provincial Government made a commitment not to increase fees to Islanders.

To mitigate the financial stress on Islanders, the provincial government provided financial grants to IWMC in March 2022 for \$1.428 million, and in March 2023 for \$1.211 million, rather than require customers to pay for the increases to the approved rates.

While new residential rates were effective January 1, 2022, residents were charged a subsidized rate on the 2022 and 2023 property tax billing, and although new commercial rates were effective April 1, 2022, commercial customers are still being charged subsidized rates for 2022 and 2023.

It is expected that customers will be required to pay for the approved 2022 rate increases beginning in 2024. If IRAC approves the proposed rate structure for 2024, customers will feel the cumulative impact of two rate increases at once. IWMC acknowledges and appreciates this unfortunate situation but as demonstrated by our analysis an increase is warranted and necessary.

## 12.0 ORGANIZATIONAL DEVELOPMENT

Since 2021 IWMC has been focused on organizational development with the creation of several foundational processes and plans, including a strategic plan, capital budget, human resource plan, and board policies.

### *Strategic Plan*

On September 1, 2022, IWMC launched a strategic planning exercise, led by Dillon Consulting. The 2024-2028 strategic plan will set IWMC on a solid course to further strengthen the operation and enhance services for customers.

Work on the strategic plan was paused due to Post-Tropical Storm Fiona and resumed on June 1, 2023, with the launch of a public survey. The final plan is expected in early 2024.

### *Capital Budget*

The five-year 2023-28 IWMC capital plan was approved by the Board of Directors on September 12, 2023.

	Fall 2023	Fall 2023				
<i>Island Waste Management Corporation</i>	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Capital Project Update	2023/24	2024/25	2025/26	2026/27	2027/28	5 Yr. Update
<b>PASSENGER TRUCKS/VEHICLES AND ROLL-OFF TRUCKS</b>	22,420	600,000	80,000	50,000	50,000	802,420
<b>COMPOST &amp; WASTE CARTS</b>	569,686	500,000	550,000	550,000	550,000	2,719,686
Total Equipment	592,106	1,100,000	630,000	600,000	600,000	3,522,106
<b>CENTRAL COMPOST FACILITY (CCF)</b>	968,024	1,834,797	920,000	670,000	9,880,000	14,272,820
<b>WASTE WATCH DROP OFF CENTERS</b>	146,700	904,000	40,000	332,000	100,000	1,522,700
<b>EAST PRINCE WASTE MANAGEMENT FACILITY (EPWMF)</b>	100,000	1,030,000	1,250,000	850,000	440,000	3,670,000
<b>PEI ENERGY SYSTEMS Contract Renewal</b>	-	-	-	-	-	-
Total Capital Improvements	1,214,724	3,768,797	2,210,000	1,852,000	10,420,000	19,465,520
<b>TOTAL - Island Waste Management Corporation</b>	<b>1,806,830</b>	<b>4,868,797</b>	<b>2,840,000</b>	<b>2,452,000</b>	<b>11,020,000</b>	<b>22,987,626</b>

**Figure 8: 5-Year Capital Budget (FY2023-28)**

IWMC was established in 1999. While its major facilities and equipment have been well maintained for more than two decades, their age and usage require attention and remediation. In some cases, expansion is required to meet the needs of a growing population. As well, there are the ongoing requirements to replace short-lived capital assets to avoid excessive repairs and downtime, such as service vehicles.

Infrastructure, technology, and major equipment are the physical foundation for providing services to the public. IWMC's new capital planning process combines condition assessment practices and life-cycle analysis and methodologies to achieve the goal of an ongoing and evolving multi-year repair, renewal and expansion strategy for our equipment and facilities.

### *Human Resource Plan*

The IWMC 2023-2027 HR plan provides a framework for the development of a human resource program for the corporation and establishes the need for the addition of a permanent HR Manager position to provide human resource leadership, advice, support, and assistance to the organization.

A new HR Manager started with IWMC on October 23, 2023.

### *Policy Development*

In 2022, the IWMC Board of Directors established a Governance Committee to develop board governance policies to ensure there is a framework for effective Board performance which outlines the board's responsibilities in providing oversight of the affairs of Island Waste Management Corporation (IWMC) so that IWMC fulfills its mission. To date, policies have been developed and approved on General Board Governance, Board of Directors Terms of Reference, Conflict of Interest, Board Members Code of Conduct, Board Remuneration and Expenses, Board Self-Evaluation, and Orientation, Training and Development for Board Members.

### 13.0 CONTRACT SUMMARY

IWMC contract documents with private contractors are either in a traditional contract format or they are tender documents that form, for all intents and purposes, the “contract”. Current contract documents for collection and final disposal are listed below and have been submitted to IRAC in an electronic PDF file.

Figure 9: Contract Summary

Contract	Contractor	Terms	Expiry
Central Compost Facility	ADI	4 Year Extension of original contract	Mar 31, 2028
West Prince (Compost and Waste)	Label Construction	5 Year Extension (option to extend)	Aug 31, 2024
East Prince (Compost and Waste)	Label Construction	5 Year Extension (option to extend)	Aug 31, 2024
Capital & Central (Compost and Waste)	GFL Environmental	5 Year Extension	Oct 31, 2024
Southern Kings (Compost and Waste)	GFL Environmental	5 Year Extension	Oct 31, 2024
Eastern Kings (Compost and Waste)	GFL Environmental	5 Year Extension	Oct 31, 2024
All Recyclable Contracts	GFL Environmental	7 Year Contract	June 30, 2025
PEI ES Contract	Enwave	30 Year Contract	Aug 8, 2025

All current contracts for residential curbside collection expire in 2024. In May 2023, IWMC issued six public Requests for Proposal for the provision of curbside collection. Following an objective, comprehensive and transparent tender process, IWMC awarded six contracts for Island-wide residential waste and organic curbside collection to GFL Environmental Inc. (GFL). Copies of these contracts have been submitted to IRAC in an electronic PDF file.

<b>Region</b>	<b>Contractor</b>	<b>Commencement</b>	<b>Five (5) Year Contract Cost</b>
<b>West Prince</b>	GFL Environmental	Sept 1, 2024	\$3,062,940.56
<b>East Prince</b>	GFL Environmental	Sept 1, 2024	\$8,018,291.94
<b>Capital</b>	GFL Environmental	Nov 1, 2024	\$10,288,861.87
<b>Central</b>	GFL Environmental	Nov 1, 2024	\$8,093,807.77
<b>Eastern Region</b>	GFL Environmental	Nov 1, 2024	\$2,999,638.26
<b>Southern Kings</b>	GFL Environmental	Nov 1, 2024	\$3,075,379.77

**Figure 10: Curbside Collection Contract Summary 2024 -2028**

## 14.0 CONCLUSION

IWMC runs a significant and important business on behalf of the people of the province and must be properly resourced to ensure the delivery of an effective and efficient service to customers. IWMC is mandated to function at arm’s length from government and operates as a business; we have commercial interests and competitive pressures to contend with. While IWMC is not funded by government appropriations, IWMC received funding grants from the government to offset fee increases in 2022 and 2023. This was a government response to an unprecedented and unique set of circumstances and is not indicative of any change in the government’s expectation that IWMC be financially self-sufficient.

Since 2015, the annual year-round residential household rate for the Waste Watch Program has increased from \$205 to \$224, an increase of 9%. In the same period, the Consumer Price Index rose by 25%.

Effective waste management is critical to public safety and human health. The improper disposal of waste, such as hazardous materials, creates a range of risks to humans, animals, and the environment. Poor waste management techniques can result in the contamination of air, water, and soil, which in turn can cause harm to the environment and communities.

In addition to the safe and efficient collection and disposal of compost, waste, and recyclables, IWMC has a mandate to educate the next generation. As champions of the 5 Rs: refuse, reduce, reuse, repurpose and recycle, we want to challenge Islanders to think differently about how we use materials and encourage everyone to look for opportunities to make healthier choices for the environment. It is important that the work of IWMC aligns with the province’s commitment to Net Zero, and that we continue to be a leader in solid waste management in Canada.

In the coming years, IWMC will continue to invest time, energy, and resources to further develop the organization to ensure PEI has a robust, transparent, and efficient solid waste management program that can be sustained over the long term at a reasonable cost to rate payers. In addition to the recovery of costs indicated from the cost allocation analysis, IWMC is requesting to continue to earn a return, as provided for under Section 18.1 (10) of the *Environmental Protection Act*.

	<b>Approved Rates 2022</b>	<b>Proposed Rates 2024</b>
<b>Year Round</b>	\$224.00	<b>\$236.00</b>
<b>Seasonal</b>	\$130.00	<b>\$116.00</b>
<b>Extended Seasonal</b>	\$150.00	<b>\$155.00</b>
<b>Residential Min - Max</b>	\$5.00 - \$30.00	<b>\$5.00 - \$30.00</b>
<b>Commercial</b>	\$108.00	<b>\$122.00</b>
<b>WWDC (inc. transportation to final disposal)</b>	\$123.00	<b>\$137.00</b>

Figure 11: Proposed 2024 Rate Table

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