



Interrogatories of Commission Staff

TO: Island Waste Management Corporation
FROM: Cheryl Mosher, Senior Financial Advisor
DATE: February 2, 2022
RE: Rate Application
DOCKET: WM01306

The Island Regulatory and Appeals Commission (the “Commission”), in assessing the Rate Application submitted by the Island Waste Management Corporation (“IWMC”), requests responses to the following interrogatories:

1. Section 2 – Figure 2 – Cost allocation plus NAB Contribution
 - a. IWMC is proposing to increase the annual fee for Seasonal customers by \$15. This represents a 13% increase in rates for these customers. Is this a reasonable increase for Seasonal customers or could it be deemed a significant rate increase also known as rate shock? Please explain.
 - b. Please provide an explanation and justification why Seasonal customers costs per collection are significantly more than Extended Seasonal customers.
2. Section 5 – Please provide additional details regarding the East Prince Landfill.
 - a. The application indicated this is an underfunded liability. Please provide more details regarding the obligations to fund this liability?
 - b. Please provide details and calculations to determine the value of the East Prince Landfill liability.
 - c. Is there a plan to setup a fund for this liability and, if so, is it included in the proposed rates?
3. Section 7 – Projected Statement of Operations 2021-2022
 - a. Please confirm whether the 2021-2022 budget revenue figures were based on the current approved rates or the rates approved prior to February 2021.

- b. If the budgeted revenue figures are based on the current approved rates, please explain the significant increase in revenues between the 2022 budget and the 2022 projected statements.

4. Section 9 – Net Asset Balance

- a. The application indicates a 1% increase in rates is to be used to rebuild IWMC's Net Asset Balance. Please provide details and calculations of when IWMC expects the net asset balance to be rebuilt.
- b. Please explain IWMC's next steps once the net asset balance is rebuilt.
- c. Please explain why an external line of credit is not a reasonable option, rather than maintaining 3 months of operating expenditures as a net asset balance.
- d. IWMC indicated there would be a new policy developed in relation to the unrestricted and restricted net asset balance. Please explain what this policy will include.
- e. Please prepare a projected cashflow statement for the years 2022, 2023, 2024 assuming:
 - i. the proposed rates are approved; and
 - ii. rates are approved to cover the cost of service but the 1% to rebuild the net asset balance is not approved.

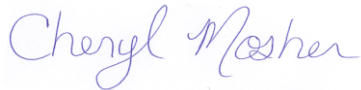
5. Section 10 – Projected Statements of Operations 2022-23, & 2024

- a. Please explain why IWMC expects disposal revenue will increase by approximately 4% per year.
- b. Under the Admin expenditure tab, it was noted that insurance expense has increased significantly over the past three years. IWMC anticipates insurance expense to increase a further 20% per year for the projections. This assumption means insurance expense will double in a five year time period. Please explain the rationale for this increase.
- c. Below is a table that summarizes wages from the three year projection and compares it to the March 31, 2021 audited financial statements. According to the Application, IWMC forecasts future wage increases at 1.75% for 2022/2023, 1.37% for 2023/2024 and 2% per year thereafter. However, the analysis below indicates significantly larger increases over the 2021 audited financial statements. Please explain.

Wage Analysis					
	Actual 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25
Admin Wages	1,255,562	1,414,600	1,530,122	1,514,591	1,544,883
Advertising Wages	56,062	49,500	50,366	51,056	52,077
Residential Wages	473,812	546,800	556,369	563,991	575,271
Disposal - East Prince	537,296	554,300	564,000	571,727	583,162
Disposal - Energy	138,081	144,500	147,029	149,043	152,024
Disposal - Central	63,169	64,900	66,036	66,940	68,279
Waste Watch droppoff	357,454	352,154	374,400	380,952	386,171
Transportation	128,137	132,600	134,921	136,769	139,504
Total Wages	3,009,573	3,259,354	3,423,242	3,435,070	3,501,371
Percentage increase year over year		8.30%	5.03%	0.35%	1.93%

- d. Does IWMC anticipate any significant capital asset purchases or debt acquisitions during the projection period? If so, have they been included in the projections for depreciation and interest on long term debt?
- e. Please explain how the rates used in the Contracts tab for Waste, Compost and Recycling for the Eastern regions relate to the contracts included in the Application.

Additional interrogatories may follow.



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Prince Edward Island Regulatory & Appeals Commission