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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, 2010.

Introduction

Island Waste Management Corporation (IWMC) is a Crown Corporation 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.

An Act to amend the Environmental Protection Act and the Island Regulatory Appeals Commission Act was passed in the 2nd Session of the 62nd General Assembly and was given Royal Assent June 7, 2005.

The changes to the Acts 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 the Island Waste Management Corporation.

Application

IWMC hereby applies for an order of the Island Regulatory and Appeals Commission approving rates together with the general rules which relate to these rates, all of which are outlined in Section A. In addition, IWMC seeks approval from the Island Regulatory and Appeals Commission to allow for rate increases in the future ***if required*** at a rate less than or equal to the accumulated change in the Canadian Price Index (CPI) from the date of its last approved rate increase (January 2010). Any increases above this indexed increase would require a full application process, while any increases less than or equal to this predetermined amount would require a minimal application process that would include IWMC providing financial information to IRAC reflecting justification for such an adjustment.

Grounds

1. IWMC's mandate is to operate an environmentally sound and cost effective waste management program to serve all Islanders. IWMC's approach has been to balance this mandate on a cost recovery basis as much as possible. While having a truly user pay system having rates set at a 'break even' for the services rendered would seem like the best alternative, it does not always work in this manner. Some rates are fully based on cost recovery, however if all rates were set in this manner it would lead to individuals and businesses opting out of proper disposal for some materials. Based on review of various waste management models and the overall success of waste management on Prince Edward Island, it is the opinion of IWMC that the best option, considering all the variables, is to have a waste management program that balances a user pay system with reasonably priced options for all Islanders.
2. The last service fee increases by IWMC came in effect on January 1, 2006. Since that date IWMC has managed to reduce some of its operating expenditures to offset inflationary increases to other costs. With no increases moving forward, however, IWMC would be forced to lower its level of services to meet financial obligations. IWMC seeks modest rate approvals to allow the Corporation to meet its projected expenditures. Although our fiscal year end is March 31, 2010, we seek rate adjustments as outlined in Section A to come into effect January 1, 2010. Pending the decision date of the Commission, we would like to reserve the right to allow a 30-day notification period on some of the proposed rates to allow sufficient time to advise our customers.
3. IWMC collects its Household User Fees via billing on the Provincial property tax invoices. Although these invoices are mailed in late March or early April, the billing period runs based on a calendar year of January 1st to December 31st. Any approved rate changes to IWMC Household and Cottage User Fees would apply for this time period.
4. Order-in Council D2005-507 Dated September 14, 2005 established that IWMC should seek any 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, it is the opinion of IWMC that the Island Regulatory and Appeals Commission has a clear mandate to allow IWMC to seek rates that will allow the Corporation to meet its financial obligations moving forward.

5. The proposed rate adjustments have been estimated by projecting IWMC's customer base and material received at final disposal facilities for prior years and then projecting the revenue required to provide this level of service moving forward. The information contained in this application represents a just and reasonable representation of Island Waste Management Corporation and the citizens of Prince Edward Island and will, if approved, allow the Corporation to continue balancing environmental issues with a financially sound waste management program.

Dated November 3, 2009

Gerry L. Moore
Chief Executive Officer
Island Waste Management Corporation

EXECUTIVE SUMMARY

The mandate of Island Waste Management Corporation is to provide a financially responsible 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 at reasonable and measurable costs to Islanders. The objectives of the program have been achieved through collective collaboration of many partners including homeowners, businesses, contractors and IWMC. These combined efforts have resulted in Prince Edward Island becoming a national leader in waste diversion, composting, recycling and proper disposal of waste generated in the province.

Island Waste Management Corporation understands the concept of a truly user pay program and tries to set rates and fees that are reasonable based on the cost associated with the service. 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 Drop-Off Centers (WWDC's) accept used furniture, appliances, chemicals, paint and other household materials free of charge, but IWMC incurs costs for the transportation and final disposal of these items. Similarly we have in place a household cap of \$15 per truckload for other residential waste materials at our drop-off centers to encourage homeowners to properly dispose of wastes. The cost to transport these materials from our drop-off locations to end disposal sites plus the final disposal costs are far greater than the fees collected. It is the view of IWMC that this free service is actually included in the annual household and cottage rates so that individuals will not have to again pay for disposal of specific items.

The ability to establish true user pay programs would require that each individual only pay for the amount of waste that they generate and in turn pay the appropriate fee associated with the collection and final disposal of this material. IWMC consistently compares rates and programs that are in place on Prince Edward Island to programs and fees in other jurisdictions on an ongoing basis. Based on data gathered, we believe that structuring rates based on a truly user pay system would have the impact of increased illicit disposal of waste material. While each jurisdiction varies, it is the opinion of IWMC that there are more negative issues surrounding a truly user pay system than a per household blended rate which is currently in place on Prince Edward Island.

Based on information obtained from the 2009 Provincial Property Tax billing, IWMC provides collection and disposal programs for over 67,000 family homes and cottages and final disposal services for over 10,000 commercial customers. Over seventy-five percent of the revenue collected from these customers is paid directly to private companies for collecting and disposal of these materials. The cost to each customer is less than \$2.75 per collection, and this fee includes the provision and maintenance of two collection carts per household as well as all facility and other capital asset costs.

IWMC's management attempts to balance sound environmental waste management practices with sound fiscal responsibility. In this application, IWMC provides information on the costs associated with providing infrastructure, labor, education, collection, transportation and final disposal of waste generated in Prince Edward Island. All costs and financial results are subject to review by an independent board of directors, the Auditor General's Office of the Province of Prince Edward Island and an annual external audit conducted by a private accounting firm.

NOTE TO READER

This section is designed to take the reader through a step-by-step process to explain why rate adjustments are requested and how the new proposed rates were determined.

Current Situation

As per IWMC's fiscal year end financials (**Appendix 2**) and our Budget Forecasts (**Appendix 3**), it is clear that based on current rates the Corporation will be short in meeting its financial requirements moving forward. IWMC has continued to explore and implement cost reduction programs that enabled the Corporation to maintain its current rate structure since January 1, 2006. This was achieved despite the fact that operational costs have increased each year. At year end March 31, 2010 our forecasted loss is projected at \$103,500. Although manageable, it is forecasted that this number will grow to a deficit of over \$419,000 for fiscal year ending March 31, 2011 if amendments to our existing rates are not sought. The current situation and forecast would suggest that IWMC should only require slight increases moving forward to cover increased operational costs caused by inflationary pressures.

Proposed Changes

IWMC is seeking rate changes that will generate the following additional revenue:

Fee	Proposed Increase	Projected Increase In Revenue
Household User Fee	\$4.85 per Unit	\$286,280
Cottage User Fee	\$4.85 per Unit	\$39,537
Cottage Extended	\$4.85 per unit	\$1,532
Commercial Tip Rate	\$1.00 per tonne	\$29,592
WWDC Tip Rate	Nil	Nil
Material Type Rate Changes	(see section A)	\$212,214
Total		\$569,155

Note: Projected revenue is based on actual unit numbers and product received in 2009.

In addition to the above noted price changes, IWMC is seeking authorization from the Island Regulatory and Appeals Commission to allow the Corporation to increase its fees on an annual basis by an amount less than or equal to the accumulated increase in the annual CPI from the

date of IWMC's last approved rate structure. This process would allow IWMC to transfer these cost of living increases to customers on an annual basis *if required*. All proposed increases would be supported with yearly financial information/statements to reflect the need to adjust rates according to this predetermined level.

Rationale for Changes

Island Waste Management Corporation consistently evaluates user fees associated with the proper disposal of waste and attempts to determine the impacts of charging actual costs for this disposal. Our current system is not a 100% 'user pay' system. It can be better described as a 'cost recovery blended rate system'. The rates charged for Commercial Waste, Household and Cottage User Fees, and Material Type Rates are determined with many factors in mind.

As an example, the rates associated with our Waste Drop Off-Centers could easily be established to reflect the actual costs associated with the nature and volume of waste received at these facilities. However, IWMC also incurs responsibility to set rates for the betterment of the environment of PEI as a whole. We do not currently charge homeowners for Household Hazardous Wastes (HHW) or for large household items such as fridges, stoves, furniture, etc. The primary reason is that we feel that should there be a charge for these items, individuals may illicitly dump these wastes causing harm to our overall environment. The fee we would have to charge to recover our costs would for some Islanders deter them enough to dispose of harmful waste such as chemicals, paint, fertilizers etc. in a detrimental manner.

In addition some of our material type rates are not based on actual costs associated with final and proper disposal but on economic reasoning. An example of this is the fact that our rate for disposal of asphalt shingles is currently \$30 per tonne. If IWMC charged the regular disposal fee of \$99 per tonne it could cost a homeowner more to dispose of the used shingles than the cost to have new ones installed.. Some individuals for economic reasons would simply discard this waste illicitly into our environment.

The pros and cons between a truly user pay system and a blended rate system are worthy of discussion and we deal with these questions on an ongoing basis. We are often asked, "Why does a single individual pay the same rate as a family of six?" or, "Why do I have to pay full homeowner fees if I leave the province for 6 months?"

IWMC has made the decision that in the best interest of waste management on Prince Edward Island the current system of blended rate is the best alternative when evaluating economics and environmental issues for all Islanders.

IWMC's Mandate is to balance a cost effective and environmentally responsible provincial waste management system to both residential and commercial sectors of PEI. With this mandate in mind, we constantly evaluate cost effective programs with environmentally responsibilities. Some will say "*we do too much*" while others say "*we do not do enough*". Our rate structures and fees may at times not always reflect the true cost of providing the service, but the reader should understand that other realities are considered other than full cost recovery.

Evaluating/Comparing other Jurisdictions

It is valuable for IWMC to regularly evaluate and compare rates and charges for waste management in other jurisdictions in Canada. The difficulty with this process is that each province has different programs and are funded by various means. Prince Edward Island is a leader in waste management in North America. In fact, we are the **only** province in Canada or state in United States that has a provincial/state-wide source separated collection program.

Additionally, unique to PEI is that we are funded 100% by residential and commercial users. This funding is used to pay for collection and disposal services, operate and maintain our single commercial and residential waste landfill, and operate and maintain a compost facility where all organic wastes produced in the Province are composted. In addition, the funds collected from these fees is used to provide and maintain each homeowner with a set of collection carts and continually provide information and services to over 140,000 Islanders.

In other jurisdictions costs associated for pick-up and final disposal of waste are blended into municipal/provincial/city tax rates, and true costs for each resident or commercial user is not known. In other areas costs associated with landfills as well as composting and recycling facilities are recovered by a mixture of municipal operations, private companies and/or government subsidized identities.

When considering the level of service provided on PEI with the fact that all costs of operations are paid from revenues collected and without government subsidization, it is the opinion of IWMC management that the proposed rates are comparable to other jurisdictions.

SECTION A

RATES AND GENERAL RULES AND REGULATIONS

Summary Table of Proposed Rate Changes

A complete list of all current and proposed rate and material rate charges are reflected in Appendix 1. Below is a summary of current and proposed major rate changes.

Fee Description	Current Rate	Proposed Rate
*Household Annual Fee	\$195 per household unit	\$199.85 per household unit
*Cottage Annual Fee	\$85 per cottage	\$89.85 per cottage
*Cottage Extended Fee	\$110 per cottage	\$114.85 per cottage
Commercial Tip Rate	\$99 per tonne	\$100 per tonne
WWDC Tip Rate	\$115 per tonne	\$115 per tonne

* NOTE: Household Annual Fee and Cottage Annual Fees are charged directly on Prince Edward Island Property Tax Invoices. All other rates are paid based on product received at WWDC locations and/or final disposal facilities.

Summary Table Proposed Material Type Rate Changes

A complete material type listing for Current IWMC rates and Proposed IWMC rates along with definitions and descriptions can be found in Appendix 1. Below is a summary of current and proposed Material Type Rate Changes.

Material Type	Current Rate	Proposed Rate
Asphalt Shingles	\$30 per tonne	\$40 per tonne
Contaminated Soil Residential	\$20 per tonne	\$35 per tonne
Confidential Material	\$110 per tonne	\$125 per tonne
Contaminated Material	\$140 per tonne	\$155 per tonne
Oil Saturated Waste	\$150 per tonne	\$165 per tonne
Mixed Waste	\$215 per tonne	\$230 per tonne
Asbestos	\$145 per tonne	\$160 per tonne
*Landlord Material	Nil	Min \$5 to Max \$20 per load
Residential Material	Min \$5 to Max \$15 per load	Min \$5 to Max \$20 per load
**OOP Contaminated Material	New Category	\$230 per tonne
**OOP Confidential Material	New Category	\$200 per tonne
**OOP Oil-Saturated Material	New Category	\$240 per tonne

*NOTE: The proposed Landlord Material rate increase is to bring this service in line with rates charged to residential customers for similar materials.

**NOTE: OOP (or Out-of-Province Waste) reflects new proposed rates for these material types. Disposal of these materials on PEI requires prior approval from the Department of Energy, Environment and Forestry.

SECTION B

FINANCIAL INFORMATION AND STATEMENTS

1. Household and Cottage Count

Unit	2009 Actual	2009 Revenue	*2010 Projected	*2010 Revenue
Household User	59,027	\$11,510,265	59,617	\$11,914,445
Cottage User	8,152	\$692,920	8,233	\$739,735
Extended Cottage	316	\$7,900	319	\$9,522

*NOTE: Total Revenue for 2009 and Projected 2010 is based on housing count information as provided by Provincial Taxation for 2010. The projected increase in total housing and cottage counts is 1% and the rates are as follows: Household User increase from \$195 to \$199.85, Cottage User increase from \$85 to \$89.85, and Extended Cottage User from \$110 to \$114.85.

2. Audited 2009 Financial Statements

Island Waste Management Corporation has its year end financial statements prepared and presented by a private Chartered Accounting Firm. The audited financial statements for the year ended March 31, 2009 have been prepared by Grant Thornton LLP and are included in **Appendix 2** of this submission.

3. Code of Accounts, Budget, Year to Date, and Forecast

Attached in **Appendix 3** is Island Waste Management Corporation's Forecast outlining Actual Year ending March 31, 2009, Budget Year ending March 31, 2010, Actual Internal Statements for the Period ending August 31, 2009 and Forecast for Year ending March 31, 2010. In addition a listing of all code of accounts is provided for backup to line items listed on the statements.

4. Business Plan Projections

Island Waste Management Corporation has prepared a 5-year financial projection based on several assumptions as outlined in **Appendix 4**.

5. Property Tax Billing Agreement

The Agreement Between the Province of Prince Edward Island and Island Waste Management Corporation as it pertains to the levy and collection of fees for service respecting waste management is covered in ***Real Property Tax Act***. Copy of Section 9,10

of the Act outlining this arrangement is included in **Appendix 6**. The property tax assessment determines if a property is occupied and the number of family units is indicated to IWMC. The additional Waste Management Fee is added to each property tax where an occupied family dwelling is identified. In the case of multiple family units the number of units is determined and the unit rate applied.

Cottage fees are applied to properties assessed as 'cottages'. Extended Cottage fees are applied to cottage properties where owners have requested extended service beyond the regular cottage collection months of June July and August. Extended service is provided only by customer request and is paid by the customer directly to IWMC. This extended service is not invoiced through regular property tax bills.

6. Depreciation and Amortization Rates

The source data supporting the estimated life of each asset group and the reason for the use of straight line versus declining balance for different asset groups is based on the nature of the asset and the rates outlined by CICA as determined by our external financial auditors, Grant Thornton LLP. Depreciation rates are outlined in the notes to Financial Statements in **Appendix 2**. In addition, Capital Assets as per March 31, 2009 work sheet outlining the depreciation table is provided in **Appendix 5**.

SECTION C

CONTRACTED OR PURCHASED SERVICES

1. Background

Over 75% of Island Waste Managements Corporation's operational expenditures are directly paid to private corporations for the collection or final disposal of waste generated on Prince Edward Island. This section outlines these contracted services.

2. P.E.I. Energy Systems

P.E.I. Energy Systems is a privately operated facility that processes waste material into steam heat that is in turn sold to customers which include private companies, public buildings and institutions. The arrangement between IWMC and P.E.I. Energy Systems is outlined in the agreement attached in **Appendix 7**. The original agreement was between the Province of Prince Edward Island and Trigen Energy Systems (now P.E.I. Energy Systems).

The 30-year agreement dated 1995 outlines that IWMC is to send waste material to the facility and pay a per tonne fee to the owners. The fee paid is based on a formula of \$45 per tonne adjusted to $(\$45 \times \text{CPI} / 129.2)$ as of 1995. The 2009/2010 forecasted contract costs are \$1,898,300. The agreement also outlines that any upgrades to the facility to meet changing environmental regulations is at the expense of IWMC.

3. Central Compost Facility (CCF)

Island Waste Management Corporation issued a request for proposals in 2007 for the operation of our Central Compost Facility (CCF). The successful bidder of this open tender was awarded to ADI International. The agreement is contained in **Appendix 8**. The term of the agreement is for an initial three years commencing April 1st 2008 and concluding March 31, 2011. There is an option for a further three-year term should both parties agree to such extension. All organic (compost material) from both residential and commercial customers is diverted from landfill to this facility where it is made into compost. The finished product is owned by ADI International.

IWMC pays ADI International a processing fee based on volume of raw materials received at the facility. The forecasted contract costs for each of the 3 years of the contract are outlined in the agreement.

4. Fly Ash Disposal

Under the terms of our agreement with P.E.I. Energy Systems, the disposal of fly ash

associated with the burning of waste material at the facility is the responsibility of IWMC. The contract for the collection, transportation and final disposal of this material was tendered in 2009. The 5-year contract was awarded to Newalta Corporation and expires on June 1, 2014. The contract for this service is outlined in **Appendix 9**. Current projected annual costs for this contract are \$300,000.

5. Tire Collection and Disposal

IWMC has an agreement with the Province of Prince Edward Island for the collection of used tires within the Province. Under the terms of the agreement the Province collects a levy on all tires sold on PEI which is currently \$4 per tire. Tires are then collected free of charge from tire retailers, service centers, and other drop-off areas. IWMC has a contract for the collection of these tires with Blois Dickieson. In addition IWMC has entered into a contract for the processing of these used tires with DTR Environmental Services Inc. The six-year agreement started in October 2008 and expires in 2014. Copies of these contracts are in **Appendix 10**.

The amount paid in any given year is based on the number of actual tires collected and transported to our holding compound located at our EPWMF in Wellington, PEI.

IWMC invoices the Province for any related expenses associated with the collection, transportation and final disposal of all tires with the net result being no cost to IWMC. This is reflected in equal Revenue and Expenditures on IWMC Income Statements.

6. Scrap Metal Agreement

IWMC tendered for the collection and final disposal of all metal product received at WWDC locations as well as product received at our EPWMF. The current tender was awarded to A & S Scrap Metal in January of 2008 and expires in December 2012. The price IWMC receives for this material varies depending on market conditions for scrap metal. A copy of this Contract is in **Appendix 11**.

7. Collection Contracts

The largest contracts issued by IWMC are for the collection of residential compost, waste and recyclables. The Waste Watch Program offers collection services to **all** of the over 67,000 private homes in the Province. Each home has waste and compost collected on alternating weeks and blue bag recyclable material picked up monthly.

In addition, each home has additional pick ups provided during spring and fall clean-up periods of metal, waste and compostable items that would not normally be picked up during regular collections. Christmas tree collections are also provided in early January of each year. In total every home has **71** scheduled pick-up calls per year with over **4.75 million** individual collections performed each year Island-wide.

Included in the annual household user fee is the provision for residential customers to take excess waste, compost, recyclables, or other large items that would not normally be picked up during regular scheduled collections to any of our 6 WWDC locations.

Household Hazardous Waste (HHW), large household items, and white goods are accepted at all WWDC's free of charge. In addition, residential blue bags are accepted at no charge on Saturday mornings.

7.1 Compost and Waste Collection Contracts

IWMC has six contract zones for the collection of waste and compost. Collections are done on a weekly basis alternating between the waste (*black cart*) and compost (*green cart*). In addition, the contractor provides Spring and Fall collections to all homes in the each zone. During Spring and Fall Cleanup customers are permitted to place at curbside yard debris, metals, non-recyclable plastic and other waste that would not normally be collected during regular collections. As well, a Christmas tree collection is provided in early January of each year. A copy of a Standard Collection Contract is attached in **Appendix 13**.

SUMMARY CHART - COLLECTION CONTRACTS FOR WASTE AND COMPOST

Area	Expiry	Contractor	Contract Payments (2008) *	Unit Price
West Prince	Aug/2012	Superior Sanitation	\$357,952	\$68.00
East Prince	Dec/2010	Superior Sanitation	\$619,850	\$43.59
Central Region	Oct/2012	Superior Sanitation	\$641,940	\$52.00
Capital Region	Oct/2012	Superior Sanitation	\$741,888	\$36.00
Southern Kings	Oct/2012	Superior Sanitation	\$271,998	\$54.75
Eastern Kings	Oct/2012	Myers Industries	\$272,415	\$65.00

* **NOTE:** Contract payments do not include any fuel adjustment.

7.2 Recycling (Blue Bag) Collection Contracts

IWMC has four collection zones established for the pick up of recyclable materials. Collection is provided to each home in all the 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). All recyclable materials are taken to a facility that sorts and bales the items for shipment to companies that use the material for reuse. Expenses and/or revenue generated from collected material

is the responsibility of the collection contractor. Copy of Standard Collection Contract for Recyclables is included in **Appendix 14**.

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

Area	Expiry	Contractor	Contract Payments (2008) *	Unit Price
Prince County	June/2013	Superior Sanitation	\$292,260	\$15.00
Central Region	June/2013	Superior Sanitation	\$247,452	\$24.77
Capital Region	June/2013	Superior Sanitation	\$257,394	\$12.49
Eastern Area	June/2013	Superior Sanitation	\$310,302	\$26.95

* **NOTE:** Contract payments do not include any fuel adjustment.

8. GreenIsle Environmental Inc.

IWMC owns and operates Waste Watch Drop-Off Centers (WWDC) located in Brockton, Wellington, New London, Murray River, and Dingwells Mills. The Corporation contracted out the location for the Capital Region. The contract is with GreenIsle Environmental Inc. and expires June 2010. IWMC pays \$60,000 per year for this facility. The agreement is attached in **Appendix 15**.