



WM01302

IN THE MATTER of a review of the rates charges by the Island Waste Management Corporation.

Interrogatories of Commission Staff

November, 2009

Commission staff hereby requests a response to the following written questions.

Question No. **Description**

- S-1 Commission Order WM06-01 issued on January 5, 2006 provided comments and recommendations regarding depreciation rates and amortizations. Please provide a copy of any report or documentation which addressed the Commission's comments. Please provide information which outlines the changes made to the depreciation rates and the financial impact on the annual depreciation charge.

Response:

IWMC's depreciation and amortization are applied to write-off the cost less salvage value of capital assets and intangible assets over their estimated useful life.

A large portion of IWMC's capital assets are comprised of the Central Compost Facility. Originally, the facility was being depreciated over 25 years but in 2008 IWMC sought independent expert advice from ADI International as to the useful life of the existing building and its contents. See attached for the report ADI International provided IWMC on June 20, 2008.

In 2008/09, IWMC had a new Leachate Treatment System constructed. CBCL Limited provided expert advise as the estimated useful life of the various components of the new system. See attached for the letter CBCL Limited provided IWMC on March 31, 2009.

In addition, IWMC reviewed the remaining assets with their auditors and it was felt that all other assets were being depreciated in an appropriate manner.

- S-2 The application states that rate changes are requested to material types that in IWMC's opinion are currently priced at levels below the actual costs associated with providing these specific collection or disposal services. Please provide costing examples where the cost of collection and disposal is greater than the rates charged.

Response:

IWMC have various material types as indicated on our application. Some of which are priced below the associated costs for final transportation and disposal of these materials. In fact some are accepted free of charge from homeowners/customers despite the fact that there are costs associated with the transportation and or final disposal of these materials. (i.e.residential bulk material) As indicated IWMC prices these material types below actual costs to avoid these materials not being disposed of in a proper and safe manner. As an example, all Household Hazardous Waste are collected free of charge at our Drop Off Locations but the actual cost for the ultimate transportation and disposal of these materials is actually close to \$200,000. Another example is the cost of disposal for Asphalt Shingles. The current rate of \$30 per tonne has to cover the costs to load and transport these materials from our WWDC locations to final disposal locations as well as pay for the actual final disposal costs of these items. Finally the current rate for the disposal of commercial contaminated soil is \$85 per tonne while the rate for the same material is \$20 per tonne to the residential sector. The cost to dispose of this material isn't any less than the commercial soil. The proposed rate increase on residential contaminated soil helps to close this gap. The overall rates for these materials is set lower to deter the improper disposal of these materials.

- S-3 The application states that IWMC has operated with "break even financials" the past three years yet the 2008 financial statements show government assistance, deficit relief of \$1,256,285. Please explain.

Response:

IWMC operated on a break-even for the past three years - March 31, 2007 \$129,503, March 31, 2008 \$154,199 and March 31, 2009 \$105,530. The government assistance in the amount of \$1,256,285 was received November 27, 2007 related to accumulated deficits up to March 31, 2006. The deficit situation was brought on primarily due to the rates being set below the actual costs of providing the service. This assistance was used to pay down long-term debt owing to the Province of PEI.

- S-4 The financial projections provided with the application indicate revenue increase consistent with the past five years operations. Due to the current economic downturn, does IWMC have any information which supports this continued growth? What would be the financial consequences to IWMC of a 5% reduction in revenues tied to disposal volumes which may be impacted by the economic downturn.

Response:

IWMC has used historical information in our assumptions of future volumes and revenue from various material types. We did not take into account any reduction in waste volumes that may be brought about by current or future economic conditions. In our assumptions we used the fiscal year of 2009/10 as our base year and projected a 2 % increase in volume in subsequent years. If this assumption proves to be incorrect and an actual reduction of 5% in volume is the reality there would be significant reduction in total

disposal revenue. (If waste volume received in 2009/2010 are reduced by 5% in 2010/2011, IWMC 's disposal revenue would be reduced by \$288,000)

- S-5 What processes does IWMC incorporate into its procurement policies that demonstrate to the Commission the most effective value for money procurement occurs?

Response:

IWMC is a PEI Crown Corporation and as such follows the procurement policies set by the Province of P.E.I. Consideration is also given to negotiating new and or existing contracts if a lack of competition might exist in the marketplace.

- S-6 The CPI automatic increase clause requested in this rate application may result in future rate increases when IWMC has not operated as efficiently as it could. What assurance can IWMC provide the Commission that the automatic increase will not result in additional rate burden to consumers beyond CPI increases?

Response:

IWMC has requested that it be allowed to increase current approved rates on an annual basis by an amount less than or equal to the accumulated increases in CPI from the date of its last approved rate structure. IWMC management is committed to providing a cost effective environmentally responsible waste management program for all Islanders. We take this role very seriously, and we strive every year to manage our programs and financial position closely. We, as do most Islanders, do not like to see rates increase. We do so only after all other options are fully explored. The purpose of our request is only to apply for a CPI adjustment, **IF and only IF**, it is required. If an annual CPI increase is not required, IWMC will not apply for one. In addition IWMC would still have to demonstrate to IRAC that the application for a CPI increase is required to meet its financial obligations.

- S-7 How are IWMC employee pay rates established? How does IWMC determine the appropriateness of its staffing complement numbers?

Response:

Although IWMC employees are not members of the Civil Service Employee Group, we do follow most of the policies and pay scales that are determined in this classification process. All IWMC positions are reviewed and classified through the Public Service Commission and employees are paid based on similar positions within other government departments. The complement number of employees is determined by management and is based on the ability to operate the Corporation in an efficient and safe manner.

- S-8 Please provide information on the historical volumes of material disposed of at the three final disposal sites (EPWMF, CCF, EFW) since the inception of the provincial waste management program. What initiatives does IWMC undertake to reduce the total volume of material disposed through the three final disposal sites? What are the implications on user rates of a 2% reduction in volumes, 5% volume reduction?

Response:

Listed below are historical volumes of material disposed at the three final disposal locations since the Island wide introduction of the waste Watch Program in 2002.

<u>Year</u>	<u>Facility</u>		
	<u>EPWMF</u>	<u>CCF</u>	<u>PEIES</u>
July -Dec 2002	26,295	14,846	9,671
2003	50,000	27,541	26,996
2004	45,462	26,670	25,253
2005	55,336	24,917	26,598
2006	50,967	24,845	25,592
2007	45,949	23,364	24,281
2008	57,518	23,503	24,187
2009 Jan-Oct	43,553	17,703	19,790
Totals	375,080	183,389	182,368

EPWMF = East Prince Waste Management Facility
CCF = Central Compost Facility
PEI ES = PEI Energy Systems

The Waste Watch Program was implemented Island-wide in 2002. The purpose of Waste Watch is to reduce what residents and businesses are putting into the waste stream. Waste Watch provides a program for residents and businesses to responsibly manage the wastes they create through recycling and composting. The Waste Watch Program achieves a 65% diversion of wastes from the waste stream into recycling and composting streams. The organics diverted go to the Central Compost Facility (CCF) for processing to produce compost. The blue bag and cardboard recyclables diverted from EPWMF and PEI ENERGY go to Greenisle Environmental Inc, for processing and marketing. Other materials recycled include: tires, cell phones, inkjet/laser cartridges, lead acid batteries, alkaline, Ni-Cad, Lithium & recyclable batteries, scrap metal, vegetable oils & motor oil. These materials go to various locations for processing & recycling. Residents and businesses are also required to properly dispose of hazardous waste.

IWMC also encourages people to reduce and reuse items. Examples of reduction are: backyard composting; mulching leaves versus putting them curbside for collection and promoting Waste Reduction Week. Examples of reuse are: promote giving items to Salvation Army, Habitat for Humanity, Diabetes Association, etc for reuse

IWMC continually looks for opportunities to remove materials from the waste stream while trying to balance the costs of such programs. We often say "for some we do too much and for others we do not do enough." IWMC has been seeking legislation for an electronic stewardship program on PEI for several years. It has been recently announced that the Provincial Government will be implementing an electronic stewardship program in the spring of 2010 to remove electronics from the waste stream.

While any reduction in the volume of waste will carry some reduction in overall costs, a reduction in volumes of 2-5% will not provide a large cost savings to the ratepayers as most contracts and final disposal contracts are based on minimum volumes. Any reduction

in volumes of materials that are entering our landfill will prolong the space and the costs associated with expanding the landfill.

- S-9 Have costs increased in each area of service to justify the proposed increase applying to all services? If you collect \$12 million from households does it cost \$12 million to collect and dispose of that material?

Response:

As outlined in our application filing, it is often difficult to assign **ALL** costs to various user groups and/or material types. The \$12 Million collected from households is primarily used to pay for the collection and disposal of the waste collected from homeowners and the costs to purchase and maintain two collection carts at each property (to purchase and deliver a set of carts alone costs over \$200). However, portions of the fee are also used to pay for the costs to transfer and dispose of materials that are collected and/or dropped by homeowners either free of charge or at a reduced rate. A portion of the fee is used to fund our customer service contact center and IWMC's administration cost.

In addition pricing for various material types is often set keeping in mind what the environmental impact may be if the material type had pricing set that truly reflected the actual cost of collection and disposal of the material. The best and most extreme example of this is we accept paint, chemicals and any other hazardous materials, large household items like mattresses, white goods, etc. free of charge at any of our drop off locations. We feel that it is better for the overall well being of PEI's environment to accept this material at no charge rather than run the risk of charging a fee that may deter individuals from properly disposing of it. We use portions of the flat rate charge per household and/or cottage to offset costs for the collection, transportation and final disposal of items that we accept free and/or at a price that is priced below actual disposal costs.

- S-10 Appendix 14 provides an extension agreement for Superior Sanitation and the collection of recycling. Does Superior provide the residential collection of recycling for all areas of PEI? Does this extension agreement include fuel adjustment and household adjustment clauses?

Response:

All Collection contracts including contract for the collection of recyclable materials for all of PEI currently held by Superior Sanitation include fuel adjustment provisions that are calculated based on the changes in the yearly average price as posted by your organization (IRAC) from the date of the signing of the original contract.

- S-11 Do all collection contracts have the \$2 million commercial general liability insurance clause? Has IWMC reviewed this coverage for adequacy in 2009? Is this amount consistent with other government crown corporations which engage external service providers. Has IWMC undertaken a risk review of operations which may identify other potential risk or insurance requirements?

Response:

The initial contracts for the collection of compost, waste and recyclables were signed in 2002. At that time it was determined that the minimum insurance required was \$2 million. When we tender our East Prince Area contract, this minimum will increase to at least \$5 million. Currently our existing contractors actually carry \$5 Million in coverage for liability insurance. In addition IWMC works with the Province of P.E.I. Risk Management for our own coverage for insurance.

- S-12 If the increase is necessary for overall operational costs why is the WWDC rate not being adjusted?

Response:

As indicated in our submission, IWMC is often put in the awkward position of having to set rates that are sometimes below the actual cost of performing the service in order to insure that cost for disposal are not a deterrent for individuals and corporations to properly dispose of waste. Overall, all of IWMC's Waste Drop-Off Centers have expenditures that are higher than the revenues brought in. However these facilities are an essential part of our waste management program to allow homeowners and businesses the ability to properly dispose of waste that cannot be collected curbside. It is management's opinion that further increases for overall per tonne disposal fees at WWDC locations may be a deterrent for proper disposal. In addition it is IWMC's opinion that some of the proposed residential increase will be used to offset the increased costs with respect to the operations of our WWDC locations.

- S-13 The program is now fully operational and has been for a number of years. How is the "cost recovery blended rate system" still justified?

Response:

Based on balancing environmental responsibility with a reasonably priced waste management program, IWMC determined originally that the blended rate system was the preferred option for PEI. This approach worked well in the past and we feel it is still the best approach moving forward. A truly 100% user pay/cost recovery program for all customers and all waste would deter proper disposal and is very hard to manage due to the potential of individuals transferring waste to various property owners in order to avoid extra charges to themselves. Considering all the various other pricing options it is still the opinion of IWMC that the current system and pricing is best suited for our Waste Watch Program.

- S-14 If there is a "public interest" in keeping some rates below cost to deter detrimental disposal, should that not be a properly allocated cost so that it is clearly understood?

Response:

Island Waste Management Corporation currently record and allocate, all costs for various collection and disposal programs. As an example customers can take in free of charge to our drop-off centers many products at reduced or at no costs. In our fiscal year ending March 31, 2009 we had a total cost for the collection and disposal of HHW products of \$179,500. This number represents approximately \$3.00 of each homeowners annual fee.

- S-15 How do the material type rate charges and changes compare to the actual cost of disposal of those items? (For example is the proposed \$100 per tonne the actual cost for asphalt shingles and therefore the proposed rate is less than half the actual cost)

Response:

In general, there are many factors in determining the actual costs associated with the collection, transportation and final disposal costs associated with various types of material. Although the weight (per tonne) price is used in the industry, consideration has to be also given to the cubic measurement and density of the material. As an example the cost to transport and dispose of a tonne of asphalt shingles is different from transporting and disposing of a tonne of mattresses. In this case the tonne of asphalt shingles would take less room to transport and less room in our landfill while the costs to transport and dispose of the mattresses would require more transportation costs and require more landfill space.

In addition to these factors consideration is also given by IWMC to the added costs to handle certain types of material as well as the consequences of having rates in place that may actually deter proper disposal of any type of material. Specific to your question on the asphalt shingles, every effort is made by IWMC to recycle or use materials in other ways to avoid placing them in the landfill. Asphalt singles are currently used by IWMC at our landfill as a drainage product for roadways leading into the landfill. The proposed rate change is to recover some of the cost to load transport and process and dispose of this material.

- S-16 Is there a targeted percentage of cost recovery incorporated into the proposed rates?

Response:

As outlined, there are many factors associated with the determination of the rates that are set for various customer rates and material type disposal rates. The setting of these rates do not have any specific targeted cost recovery formula for any particular product. The costs for the entire program are evaluated and the price for various user groups and material types are set keeping in mind many factors as outlined in our submission. The blended rate system that is currently in place is used to administer an overall environmentally sound cost effective waste management program for all Islanders.

- S-17 Given the ongoing challenges associated with the manner in which the system is administered for residential rental premises, please provide information that supports the imposition of the landlord material fee?

Response:

IWMC considers all single family and multi unit dwellings as residential customers and they are billed through the Provincial Property Taxes as such. The Waste Watch Program began in the East Prince Region of PEI in December 1994. It was a huge change for the residents and businesses of PEI as to how they were expected to handle their wastes. The initial acceptance of the program was low especially amongst the businesses and residential landlord sectors. One of the issues landlords felt strongly about is that they shouldn't have

to pay to dispose of the wastes left behind by vacating tenants. It wasn't clear that landlords would be able to retain all or a portion of the Security Deposit for the costs of disposing of this waste. Due to this, in 1996 the East Prince Waste Management Commission, predecessor to Island Waste Management Corporation, developed a "Landlord Permit" which waived the disposal fee for items left behind by a vacated tenant. In 2002 the Waste Watch Program was implemented Island-wide and IWMC continued to offer the "Landlord Permit" to landlords with material from vacated tenants.

The "Landlord Permit" is an area that IWMC Management has concerns with. The tonnage received at our facilities continues to increase and it is questionable as to whether this material is left behind by vacated tenants or materials from tenants that have not been properly sorted. Also, IWMC confirmed with IRAC that the landlords are able to serve a tenant with a Notice of Intention to Retain the Security Deposit. This allows for the landlord to recover the costs of the storage, removal, transportation and disposal fees for the wastes left behind by a vacating tenant. Presently, due to the "Landlord Permit," the costs associated with the disposal of the items left behind by vacating tenants is borne by all IWMC's residential customers. Since residential landlords have provisions to allow them to retain all or part of the security deposit for storage, removal, transportation and disposal fees for this material, IWMC cannot justify the continued subsidization of tenant disposal costs by the residential customer base. These costs are the responsibility of the tenant.

Single dwelling residents are able to dispose of bulk residential material (i.e., mattresses, sofas, etc.) free of charge at our Waste Watch Drop-Off Centers (WWDC's). Single dwelling residents pay a minimum of \$5 to a maximum of \$15 per load (propose \$20) to dispose of waste and compost, including yard debris. IWMC is proposing that residential landlords be treated the same as single dwelling residents. Landlords will be able to take bulk residential material (i.e., mattresses, sofas, etc.) into the WWDC's free of charge and pay a minimum of \$5 to a maximum of \$15 (propose \$20) per load which they have the provision to recover this cost from the tenants security deposit.

- S-18 Approximately 75% of IWMC operational expenditures are directly paid to private sector contractors. Please provide an explanation of how those contracts are determined and what competitive process is utilized? (Fly ash and scrap metal are listed as tendered, has household collection contracts been tendered recently, if not why?)

Response:

IWMC procurement policy follows that set by the Province of P.E.I.(as outlined in S-5). Whenever possible IWMC tenders for the supply of goods and/or services. While it is true we have not re-tendered any of our original collection contracts to date, all extensions of original contracts have been done under the understanding that no increase in current contract price would be allowed. This negotiation process has worked well in that we have seen no per unit price increases for any of our existing collection contracts.

It has been the opinion of IWMC's Board of Directors and Management that the existing

competitive nature of the industry up until recently was in a situation where the tendering process may in fact have resulted in higher contract prices. The next collection contract is due to expire December 31, 2010, and IWMC Board of Directors has approved that IWMC will tender this contract in 2010.

- S-19 Further to the \$1,890,861 paid to PEI Energy Systems. Are 30,617 tonnes of waste actually delivered annually to the facility? Are all monthly minimums met? If not, what is being done to utilize this capacity? Why does IWMC employ both the scale operator and the inspector?

Response:

When IWMC was created it took over the responsibility of the existing "Waste Processing Agreement" between then Trigen (now PEI Energy Systems) and the Province of P.E.I. That agreement outlined along with other details the tonnage of waste that was to be sent to the facility and the per tonne tip rate that was to be paid. Since the signing of that agreement in 1995 the Waste Watch Program was implemented resulting in a reduction of the total weight of materials going to that facility. Although there has been an actual reduction in the tonnes sent to the facility the volume has actually increased and IWMC currently sends to the facility all the materials that the facility can process. Prior to waste watch the facility received mixed waste (Compost and Waste materials). After the start of the Waste Watch Program the facility has only received waste material that is lighter do to the removal of organics. The contract amounts that IWMC pay to PEI Energy are based on the original contract signed between the Province and then Trigen.

IWMC employ both the scale operator and inspector at this facility as we collect revenue from materials going to the facility and pay PEI Energy based on the product they receive at the facility so it is critical that we receive the right material at the facility and record tonnages.

- S-20 There are charges associated with "wages and benefits" for various operations. If the central compost facility is contracted why is there a charge for wages and benefits? If there is a contract for Drop-off centres, why is there a charge for wages and benefits? If transportation of material is contracted why is there a charge for wages and benefits?

Response:

There are charges associated with 'wages and benefits' for various operations. At the two disposal locations, CCF and PEI Energy Systems, IWMC provides two employees to inspect and weigh all materials received as contract revenue is IWMC's responsibility and the contract is based on tonnage received.

IWMC operates four drop-off locations and employs a scale house operator and inspector at each location. IWMC has a contract with GreenIsle to operate the fifth WWDC. GreenIsle employs their own staff at this location. However, IWMC provides a part-time trained Household Hazardous employee.

IWMC employs two staff members to transport material from the WWDC's to the three final disposal sites. The only contract IWMC has for 'transportation of material' is the

transportation of tires with IWMC does not employ any staff members.

S-21 In light of the Corporation's stated goal of compliance encouragement and considering the frustrated experience of landlords as it relates to implementation of waste watch procedures in apartment complexes how is the proposed increase in fees to landlords justified?

Response:

IWMC considers all single family and multi unit dwellings as residential customers and they are billed through the Provincial Property Taxes as such. The Waste Watch Program began in the East Prince Region of PEI in December 1994. It was a huge change for the residents and businesses of PEI with respect to how they were expected to handle their wastes. The initial acceptance of the program was low especially amongst the businesses and residential landlord sectors. One of the issues landlords felt strongly about is that they shouldn't have to pay to dispose of the wastes left behind by vacating tenants. It wasn't clear that landlords would be able to retain all or a portion of the Security Deposit for the costs of disposing of this waste. Due to this, in 1996 the East Prince Waste Management Commission, predecessor to Island Waste Management Corporation, developed a "Landlord Permit" which waived the disposal fee for items left behind by a vacated tenant. In 2002 the Waste Watch Program was implemented Island-wide and IWMC continued to offer the "Landlord Permit" to landlords with material from vacated tenants.

The "Landlord Permit" is an area that IWMC Management has concerns with. The tonnage received at our facilities continues to increase and it is questionable as to whether this material is left behind by vacated tenants or material from tenants that have not been properly sorted. Also, IWMC confirmed with IRAC that the landlords are able to serve a tenant with a Notice of Intention to Retain the Security Deposit. This allows for the landlord to recover the costs of the storage, removal, transportation and disposal fees for the wastes left behind by a vacating tenant. Presently, due to the "Landlord Permit," the costs associated with the disposal of the items left behind by vacating tenants is borne by all IWMC's residential customers. Since residential landlords have provisions to allow them to retain all or part of the security deposit for storage, removal, transportation and disposal fees for this material, IWMC cannot justify the continued subsidization of tenant disposal costs by the residential customer base. These costs are the responsibility of the tenant.

Single dwelling residents are able to dispose of bulk residential material (i.e., mattresses, sofas, etc.) free of charge at our Waste Watch Drop-Off Centers (WWDC's). Single dwelling residents pay a minimum of \$5 to a maximum of \$15 per load (propose \$20) to dispose of waste and compost, including yard debris. IWMC is proposing that residential landlords be treated the same as single dwelling residents. They will be able to take bulk residential material (i.e., mattresses, sofas, etc.) into the WWDC's free of charge and they will pay a minimum of \$5 to a maximum of \$15 (propose \$20) per load for other waste which they have the provision to recover this cost from the tenants security deposit.

S-22 One of the assumptions utilized by IWMC is stated as "Disposal fee revenue has historically

increased at 2% per year. We have projected that this will continue in our 5-year projections". Notwithstanding projections for 2009/2010 seem to indicate reductions in such revenues. Specifically, disposal revenues in fiscal 2010 are down by \$329, 271 vs the previous year. Please explain.

Response:

It is projected that disposal fee revenue will increase at a rate of 2% per year for 2010/11 forward. For the period 2009/10 there is a decrease in Disposal fee revenue to previous year in the amount of \$329,271. This decrease in revenue is from a specific material type at EPWMF of sludge. This material was being received from the City of Summerside but they recently installed a new waste treatment facility, therefore IWMC will no longer be receiving the sludge.

- S-23 For 2009/10 total revenues are down by \$617,650 while expenditures are down year over year by \$480,278. The net loss figure generated for the period appears to be more a function of reduced revenues as opposed to increased expenditures. Please comment.

Response:

For 2009/10 the total revenue was down \$617,650 and expenditures down \$480,278. Bearing in mind that the tire revenue and expenditures for 2009/10 vs previous year are down \$400k due to a budget allocation decrease from Department of Transportation and Public Works for loose tires of \$610k in both years but baled tires of \$350k in current year vs previous year of \$750k. Notwithstanding the tire amounts, the revenue is down \$217,650 and expenditures down \$80,278. This revenue decrease is linked to Disposal fee revenue being down mainly due to the City of Summerside sludge no longer being sent to our facility as outlined in S-22. A major reason for the expenditure reduction was the leachate expense due to start of our on-site leachate treatment facility.

- S-24 Please explain why there is a decrease in salary expense in 2009/10 vs the previous year by the amount of \$17,000.

Response:

Overall salaries are projected to increase over previous year as IWMC opted to participate in the Civil Service Superannuation Fund effective January 1, 2009 and for annual step increases. Charlottetown office salaries were down \$17k in 2009/10 vs previous year as one employee transferred from Charlottetown home office department to Disposal fee department in September 2008, therefore a salary re-allocation.

- S-25 Why are PEI Energy Systems related expenses up \$138,939 in fiscal 09/10 vs the previous year?

Response:

PEI ES expenses are up \$138,939 in 2009/10 vs previous year as we projected the maximum tonnage of 30,617 MT to be received with little diversions whereas in the previous year there were more diversions. In June 2008, IWMC implemented a program to ensure the residential material takes priority to commercial material, therefore ensuring diversions are kept to a minimum.

S-26 Why is Green Isle Environmental's fee so much higher (\$93,808) in fiscal 09/10 vs the previous year?

Response:

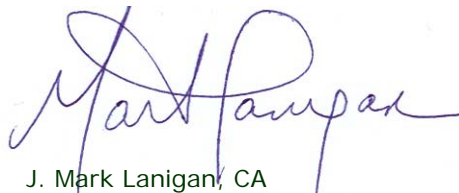
GreenIsle Environmental's fee is on the rise (\$93,808 higher in 2009/10 vs previous year) due to the continuous increase in 'unbilled materials' going into GreenIsle. Unbilled materials are materials that IWMC take in 'free of charge' from residents but GreenIsle are still reimbursed for the cost. This will be offset somewhat but not totally by the proposed increase in rates for landlords and residential increases for maximum per load increase from \$15-\$20.

S-27 How are the various collection contracts indexed so as to allow automatic annual adjustments?

Response:

The original collection contracts were for a term of 5 Years. During the initial 5- year term of these contracts the per unit price did increase slightly each year. Since the end of the 5- year term we have renewed all contracts under the condition that they be a the same price that was in effect at the end of the contract. We have had no unit increase price increase in any collection contract since 2007. The only adjustments made are annual adjustments to housing counts in the contract zones (increase and or decrease in the number of houses serviced) and an adjustment of fuel cost variance based on the change in fuel prices since the date of the original contract.

DATED at Charlottetown, Prince Edward Island, this 18th day of November, 2009.



J. Mark Lanigan, CA
Senior Analyst, Technical & Regulatory Services
Island Regulatory & Appeals Commission