



WM01302

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

Interrogatories of Commission Staff

December, 2009

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

Question No. **Description**

S-28 Please provide a historical analysis of waste diversion achievements since the inception of the waste watch program. What is the ultimate waste watch goal for diversion and time frame for achieving this goal?

Response:

From 1995 to 2002 the "Waste Watch Program" was only available in limited areas in the Province of P.E.I. During this period statistics were tracked with respect to the amount of materials that were diverted from landfills in these areas only. In the areas where the program was available the diversion rates each year were consistently in the low to mid 60% range. The roll out of the program Island wide started in 2002 with the Central region of the province to be the last area introduced to the program in November of 2002. Since that year the statistics on diversion rates island wide are as follows:

2002- 52% (note all PEI was not on program for full year)
2003- 60%
2004-65%
2005- 64%
2006- 61%
2007- 61%
2008- 62%

IWMC's ultimate goal is to divert as much waste as possible while keeping in mind any cost implications to do so. It has been proven that with our existing program we can constantly achieve diversion of over 60% With new proposed electronic waste program and other future programs we will see this number slowly increase.

The ultimate goal would be to have a program in place with zero waste being generated.

However to make this a reality national programs would be required to address issues on packaging, manufacturing and retail that would require the exclusive use of recyclable materials only would be required.

With the current system in place on PEI our diversion rate is actually over 80% if we include the waste materials that are used to fuel the PEI Energy Facility. Currently we do not include in our statistics the waste materials that go into PEI Energy that are used as a fuel source to heat the Queen Elizabeth Hospital, UPEI, and other government buildings.

IWMC strives to balance a high diversion rate with reasonable cost and convenience to the rate payers. In general there are other programs and initiatives that could increase the diversion slightly but would currently come with higher costs to the rate payers.

Prince Edward Island has the highest diversion rates of any province in Canada and continues to explore further opportunities to increase the volume of waste that is diverted from landfill at a reasonable cost to Island Tax Payers.

- S-29 What management actions has IWMC undertaken to reduce annual expenditures and thus reduce the amount of increase requested. Has IWMC considered additional expenditure reductions and or alternate service delivery models as a means of achieve a break even financial position without a rate increase?

Response:

If approved by the Island Regulatory and Appeals Commission the proposed rate increase by Island Waste Management Corporation would be the only rate change in our program in four years. Since January of 2006 IWMC has managed to balance its financial position without having to ask Islanders for any adjustments to our fee structures. Over 80% of IWMC's annual expenditures are comprised of payment to contractors for the collection and/or disposal of materials. These contracts are tendered or negotiated to insure the best "value for dollar" and it is the feeling of IWMC that the prices paid for these services are as competitive as possible.

IWMC has been able to continue providing the same level of service at the same cost to rate payers since 2006 mainly do to our ongoing efforts to reduce our expenditures. IWMC has reduced its administrative costs by \$500k from a high in 2004 of \$1.7M to its current level of \$1.2M. This reduction was achieved by a reduction in staff levels (number of employees) and other operational changes. The total change in administrative costs as a percentage of total costs decreased from 10.7 % in 2004 to 7.9% in 2008. IWMC will continue to explore any other opportunities for further cost savings.

In general IWMC management and board of directors understand the issues surrounding the application process and the reaction from the general public and various elected officials of any type of rate change. Keeping this in mind we ultimately try to manage the waste watch program to avoid any type of rate increase. However understandably we cannot continue to have the same level of service at the same rate continue indefinitely.

As with other provincial services and programs it is often difficult to reduce the existing level of services to help reduce the costs associated with providing these services. IWMC has looked into various alternative service delivery models/options to further reduce the operational costs associated with the waste watch program. These options included elimination of annual Spring and Fall clean up programs, elimination of Christmas Tree removal, reduced hours of operation or total closure of various Waste Drop Off locations, cancellation of free drop off for various household materials, charging customers the costs associated with the purchase and/or repair of collection carts and other reductions or cancellation of existing services provided.

Undoubtedly in the end if the current rate structure is not changed to reflect the increased costs associated with providing these existing services then IWMC will have to reduce the level of service provided to its customer base or seek outside funding from government. IWMC would anticipate that any reduction in services will most likely result in increased improper disposal of waste materials and unhappy customers.

S-30 Does IWMC plan on having a fully allocated cost of service study performed which would assist in supporting rates for customer understanding?

Response:

We have in the past and continue to outline to customers the costs associated with the service that they receive for their annual Household fee. In basic terms the annual fee currently provides customers with 71 possible pick ups at their home for a total fee of \$2.75 per pick up! This also includes many other services as outlined below:

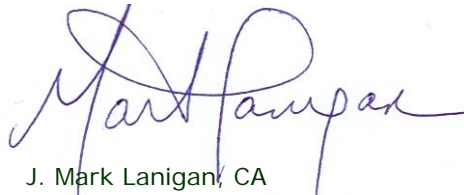
For the annual current fee of \$195 per household a customer currently receives.

- Set of Collection carts that have a delivered costs of over \$200.00 per household.
- Bi- weekly collection of Compost/Waste average contract price of \$53.22 per household (52 scheduled pick ups)
- Monthly Collection of Blue Bag Material with average collection contract cost of \$19.80 per household.(12 scheduled pick ups)
- Free Saturday Morning drop off of recyclable materials at all WWDC locations on PEI
- Annual Spring and Fall Clean up collection of Metal/Waste/Compost Materials (scheduled 6 pick ups per household)
- Christmas tree collection. (scheduled 1 pick up per household)
- Free HHW, white goods, tires, bulky item disposal at WWDC locations.
- Maximum \$15 cap for sorted materials disposed at WWDC locations.
- Tipping paid for proper disposal of all materials collected curbside average cost per household of \$60.25 per year for curbside pick up waste only.
- As well as no cost disposal programs for medications, disposable batteries, lead acid batteries florescent, light bulbs, tires, used motor oil, cell phones, inkjet/laser cartridges, safe needle disposal, paint, household chemicals, fertilizers and Household Hazardous Waste.
- Other items such as the cost to operate final disposal facilities, transportation of items that are dropped off at our WWDC locations, replacing and constructing

landfills, education and advertising customers on proper sorting of materials, advertising changes in collections brought on do to weather conditions depreciation costs etc.

IWMC seldom have issues with justifying costs of our program to our customers. In fact some customers that reside in rural areas of PEI still advise us that prior to waste watch they used to pay \$10.00 per week or \$520.00 per year for collection services and now its \$195 and you supply the cart! It is often difficult to do similar comparisons in small towns and cities as the fee associated with collection of waste was often contained in the municipal taxes.

DATED at Charlottetown, Prince Edward Island, this 1st day of December, 2009.



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