



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-31	The Salaries, wages and benefits account for 2008/2009 with 2009/2010 it shows:
	2008/2008 2009/2010
	Administration 591,814 574,800
	Customer Service 327,618 326,300
	Disposal fee 103,462 103,900
	Advert, Public Rel. 36,297 39,900
	Residential collect 190,798 246,000
	EPWMF 320,207 338,300
	EFW 106,582 99,600
	CCF 123,251 140,000
	WWDOC 265,288 237,900
	Transport Material 104,177 104,000

Can you provide any information on the 2009/2010 projections as compared to the 2008-2009 actual expenditures?

IWMC Response:

First you have noted that there are significant variances between Actual 2008/09 and Projected 2009/10 salaries in various locations. This is a result of IWMC making administration and employee changes to reduce administrative and salary costs in tracking and allocating employees to specific work locations. IWMC went through an extensive Cross training program of many of its employees so it could utilize many employees in various job functions to fill in for other employees that where out for holidays, sick time etc. During 2008/09 we started to allocate employee salaries based on there "home base" and eliminated the need and costs for administrative staff to continually track and post various employees hours worked at various locations. We simply started to allocate their salaries where they normally worked "home base" by doing this we where able to reduce administrative duties involved in doing this non productive allocation of costs. In the end

all salaries are paid by IWMC and all are accounted for in the total expenditures of the Corporation.

The actual total for all Salaries, wages and benefits for 2008/09 totaled \$2,169,494 we projected this total to increase \$41,206 to \$2,210,700 in our projected 2009/10 projections. We calculated this number by using our existing salary expenditures up to the time of our application and projecting these expenditures for the remaining months to our fiscal year end of March 31, 2010. The increase of \$41,206 can be attributed to the following:

- COL increase of 3% effective April 1, 2009 to all employees and step increases to employees who had earned step increases in their current level of remuneration.
- The cost to the corporation of moving from an employee/corporation funded self directed RRSP program to the Provincial CSSF employee/corporation funded retirement program effective Jan 1, 2009.
- The reduction of one administrative staff member and the reduction of in the need of hiring part time replacement employees as a result of our cross training program as outlined above (this helped to offset some of the increases as outlined above)

You should also note that under our Administration sector there is a slight decline in the projected 2009/10 vs Actual 2008/09 costs. This was due to an Administrative position being allocated to Disposal Position during 2008/09 as part of our overall policy to allocate employees to "home base" as outlined above.

Bottom Line is we projected an overall increase of \$41,206 in the total of all IWMC salaries for 2009/2010 vs our actual in 2008/09 but some of the allocations to various departments have been changed.

S-32 The 2008/09 total cost for collection of C&W was \$2,984,639 and this incorporates high diesel prices which I believe the adjustment incorporated at \$1.31 annual diesel price. The 2009/2010 projected total cost for collection of C&W is \$3,049,687 which incorporates a projected annual diesel cost of \$1.00 litre.

The collection contracts were renewed at the same base price as 2007. Therefore, why is the cost projected to increase in 2009/2010. There may be more housing units but would that be enough to for this cost increase?

The recyclables collection decreases in 2009/2010 from 2008/2009 as one would expect even with the increased housing units. (\$1,132,067 - \$1,314,743 = \$182,676 saving)

IWMC Response:

IWMC is actually projecting a decrease in Compost/Waste and Recyclables Contracts between Actual 2008/09 and Projected 2009/10. **This is best reflected on the Residential Collection – Schedule 5. in our application.** In your email you may have been referring to the Contract Schedule but I discussed this with you and as I mentioned in a previous email that that schedule did not reflect the appropriate allocation of fuel and housing between the Compost/Waste and Recyclables. Schedule 5 is the basis for our projections and better allocates these costs.

In the Residential Collection – Schedule 5

Actual 2008/09 Compost/Waste line total of \$3,163,236 is comprised of:

Contract costs \$2,694,132,
Fuel adjustments \$290,734 (at \$1.31),
Housing adjustments of \$201,279,
Diversion expense \$5,771, (this is costs we pay to contractor if a diversion of waste from PEI Energy to our landfill is required do to shut downs at PEI Energy). Miscellaneous \$568
3 month fuel adjustment reversing Jan – March 2008 and setting up Jan – March 2009 \$(29,248).

The Recyclables line total of \$1,150,300 is comprised of:

Contract costs of \$1,024,252,
Fuel adjustments (at \$1.31) \$49,132,
Housing adjustments of \$82,136
3 month fuel adjustment reversing Jan – March 2008 and setting up Jan – March 2009 \$(5,220).

In the same statement, the Projections 2009/10 –Schedule 5

Compost/Waste line total of \$3,049,687 is comprised of

Contract costs \$2,694,132,
Fuel (at \$1.00) \$153,000,
Housing adjustments of \$201,000 (rounded number)
Interest \$1,555.

The Recyclables line total of \$1,132,067 is comprised of:

Contract costs of \$1,024,252,
Fuel adjustments of (at \$1.00) \$25,000,
Housing Adjustments of \$82,000
Interest \$815.

The main explanation for the decrease in the Projected 2009/10 Compost/Waste and Recyclables Contracts totaling \$4,181,754 from Actual 2008/09 Compost/Waste and Recyclable Contracts totaling \$4,313,536 is a result of a reduction in the fuel price from \$1.31 to \$1.00 for a total of \$161,866. The remaining difference is comprised of no diversion expense and no miscellaneous costs.

THE END RESULT IS PROJECTED COSTS FOR RESIDENTIAL COLLECTIONS 2009/10 IS PROJECTED LESS THAN ACTUAL 2008/09.

S-33 Under the Summary of Contracts, Central Compost Facility, it projects a refund of \$80,000 annually starting in 2009/2010, what is this?

IWMC Response:

Under the Summary of contracts Central Compost Facility we project a refund of \$80,000 as there is a clause in the contract (section 4 c page 8) under the heading **Contaminating Constituents** that outlines that the operator will be back charged (pay back to IWMC) 75%

of the base fee tippage fee charged for waste material that is screened out of the compost material that was originally sent to the facility. The \$80,000 is what was paid on an annual basis in the past and we foresee this being similar in the future. Basically we do not pay the operator of the facility the total tip fee for the volume of waste that ends up in the compost material sent to the facility. In addition we also pay to the operator an adjustment based on changes to the Electrical Propane and Fuel costs (See Section 10) of the contract.

- S-34 PEI Energy Systems contract calls for 30,617MT of IWMC material to be delivered annually. In response to Interrogatory question S-8 it appears that this volume has never been reached with the maximum delivered of 26,996 in 2003. As I understand the contract IWMC must pay PEIES for 30,617 regardless if that volume was delivered. Does it not make sense to avoid placing material in landfill at EPWMF and have all at least eastern material go to PEI ES? What is the cost differential for disposing of material at PEIES vs placing in cell at EPWMF? Has IWMC ever investigated to determine an opportunity to get out of this contract?

IWMC Response:

The Contract IWMC has with PEI ENERGY was originally between Trigen and the Province of P.E.I. The contract established payments that the province where to pay to Trigen for the term of the 30 year contract. (30,617 tonnes x\$ 45xCPI/129.2)

In the agreement it also stated that should the nature of the waste change (section 7.2 of the agreement) that that payments would still be based on the contract tonnage and payments. In addition it also outlined that should the facility require improvements to meet with any new environmental standards (Section 7.1 of the agreement) that the costs to bring the facility up to any new standard would be paid by the Province of P.E.I.

The ironic issue is based on the change of waste (introduction of the waste watch program in 2002) the facility can no longer even process the total **weight** of 30,617 tonnes. The current waste **volume** we send to the facility in a yearly bases is actually much higher than the **volume** that went to the facility prior to waste watch program. The issue is that the total Weight is lower. This situation was brought on by the removal of the organic waste that used to go into the facility prior to the waste watch program. Prior to waste watch the facility received mixed waste (compost and waste materials)but after waste watch it only receives separated waste (black cart material) this waste is much lighter than the previous mixed waste stream.

Based on the composition of waste that we currently send to the facility it cannot process the 30,617 MT. We currently send to it all the waste we possibly can.

To answer your second question, yes we did look to get out of the contract. We have had on going discussions with PEI Energy as we would like to see an expansion of this facility to handle more waste volume.

- S-35 How much is projected to be raised by the proposed fee to landlords for material drop off?

IWMC Response:

The fees that we propose to collect for landlord permits is low. We project based on prior

years history that we will only collect \$13,785 per year by having a landlord fee put in place for Min /Max (\$5-20) in revenue from all our drop off centers. One might very well ask why put this fee in place at all. Our reasoning is that this is the fee that is currently in place for all homeowners so why not for landlords. In addition, it is our understanding that some landlords use this free drop off as a means to not have tenants actually sort the material properly and may actually be used to dispose of materials that may not have actually been generated at the apartment building.

S-36 Were there any other bidders on the Central Compost Facility contract to operate the facility? If not, is IWMC aware of any other firms who would be interested in bidding on this contract?

IWMC Response:

Yes, we went through a request for expression of interest REOI and received 7 replies. From this list we extended invitations to 4 to submit requests for proposals. Three of the four submitted proposals included Miller Waste Systems, Envirom Technolories Inc. and the current operator ADI International, who had the lowest bid and where awarded the contract.

S-37 Year 1 of the new Central Compost Facility contract base price is \$1,764,000 annually or \$147,000 monthly. What level of increase was this over the last year of the previous contract?

IWMC Response:

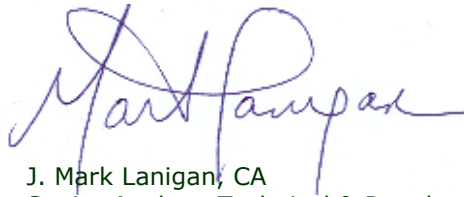
The base rate of the last year of the original contract was \$118,750 monthly or \$1,425,000 annually. This can be a bit misleading as it is only the base rate and can vary depending upon the actual amount of waste product received at the facility. In addition we changed some aspects of the original contract in the new one specifically in the original IWMC owned the two loaders at the facility the new contract required the proponent to own this equipment and insurance was originally provided by IWMC but is provided by the operator now. The best way to compare is on page 16 of IWMC's financials. The top two lines under Central Compost facility show total payments to ADI in 2008 of \$1,732,955 plus we paid insurance of \$74,683 for a total of \$1,807,648 this was final year of old contract. The new contract started in April 1 2008 and the first year of that contract ended in March 31 2009 the same as our fiscal year end. So for the first year of ADI new contract we paid them a total of \$1,728,939 and paid insurance of \$44,905 for a total of \$1,773,844 so we actually ended up paying \$33,804 less in year one of new contract then in year 5 of original contract. You should be aware that the base rates on old and new contract are just that a base rate only and there are adjustments to both contracts based on actual volumes received.

S-38 Does the Central Compost Facility contract specify amounts in an extension period beyond Mar 31, 2011 or is subject to further negotiation?

IWMC Response:

No, the new 3 year contract is renewable for a further 3 year term based on acceptable terms by both parties. This is outlined at the bottom of page 7 under TERM of new contract. included in our submission.

DATED at Charlottetown, Prince Edward Island, this 7th day of December, 2009.



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