

CANADA

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, 2020.

APPLICATION

AND

SUPPORTING INFORMATION



ISLAND WASTE MANAGEMENT CORPORATION

OCTOBER 2019

ISLAND WASTE MANAGEMENT CORPORATION

Table of Contents

EXECUTIVE SUMMARY

SECTION A	RATES AND REGULATIONS
SECTION B	FINANCIAL INFORMATION
SECTION C	CONTRACTED OR PURCHASED SERVICES

APPENDICES

Appendix 1	Definition of Material Types
Appendix 2	Current Disposal Rates
Appendix 3	Proposed Disposal Rates
Appendix 4	Audited Financial Statements for the Years Ended March 31, 2017, 2018 & 2019
Appendix 5	YTD Internal Financials April 1, 2019 to July 31, 2019
Appendix 6	Financial Projections for the Years Ended March 31, 2020, 2021, 2022 & 2023
Appendix 7	PEI Energy Systems Contract
Appendix 8	Central Compost Facility Contract
Appendix 9	Collection Contracts Compost/Waste
Appendix 10	Collection Contract Recyclable Material

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, 2020.

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 Act 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 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** of this application.

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 with rates set at a breakeven for each individual rendered service 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 a review of waste management models and rates from various jurisdictions, 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 with consideration given to having some rates lower than costs and/or at no charge to encourage proper disposal of all waste.
2. The current fee structure for IWMC was approved by The Island Regulatory and Appeals Commission on December 22, 2011 (Order WM11-01) and came into effect on January 1, 2012. Since that date, IWMC has managed its operations such that no additional rate changes were required to meet financial obligations. Based on historic, current, and projected financials, IWMC feels a modest increase at this time is the best alternative vs having Islanders see a more significant increase as an outcome of a future rate application. IWMC seeks approval for modest increases to some of our current rates as outlined in this submission. The increased rates outlined will enable IWMC to meet its financial obligations and continue our waste management programs moving forward. These increases are primarily required to cover increases in contracted collection, transportation, and processing costs as well as other minor inflationary compounding increases to other costs since our last rate adjustment in 2012.

Changes to IWMC household rates must be in correlation with the process for annual property tax invoicing, therefore, it is the opinion of IWMC that this increase is just and reasonable at this time. Waiting an additional year would most likely result in larger percentage increases required from customers. IWMC seeks IRAC approval for these rate adjustments to allow the Corporation to meet its current and projected expenditures. Although our current fiscal year end is March 31, 2020, we seek rate adjustments as outlined in **Section A** to come into effect January 1, 2020.

3. IWMC collects its Household User Fees via billing on the provincial property tax invoices. Although these invoices are distributed by the Province in late March or early April, the billing period is based on the period from January 1 to December 31. Approved rate changes to IWMC Household and Cottage User Fees would be applied in conjunction with property tax invoices for the period January 1 to December 31, 2020.

4. Order-in Council D2005-507 dated September 14, 2005 established that IWMC should seek all 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 . A modest increase at this time would reflect financial corporate responsibility to reduce the necessity of a significant increase in the near future.

5. The proposed rate adjustments have been determined using IWMC=s projected revenue and expenditures using the combination of historical customer base, waste volumes, and materials received at final disposal facilities from prior years. In addition to looking at this historical data, we have used various assumptions based on the current economic climate, recent trends, and anticipated inflationary pressures. It is the opinion of IWMC that the information contained in this application represents a just and reasonable representation of Island Waste Management Corporation's current and forecasted financial position.

Dated October 31, 2019

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 and 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 all partners: homeowners, businesses, contractors and IWMC. These combined efforts have resulted in Prince Edward Island being identified as a national leader in waste diversion, composting, recycling and proper disposal of waste generated in our province. According to a Statistics Canada Report issued in 2014, Prince Edward Island leads the country in the diversion of waste from landfill. Islanders diverted 429 kgs per person, well above the national average of 255 kgs per person. Our “made in PEI” Waste Watch Program has resulted in our province being recognized as having one of the best waste management programs in North America.

Island Waste Management Corporation understands the concept of a truly user-pay program and makes every attempt to set rates and fees that are reasonable based on the cost associated with services provided. 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 Watch Drop-Off Centers (WWDCs) accept used furniture, mattresses appliances, chemicals, paint, used lightbulbs and other household materials free of charge and/or at rates below the true cost of disposal. Our Corporate opinion is that these free or below cost services are actually included in the annual household and cottage rates. This allows customers to utilize these disposal options and not have to pay additional fees to dispose of materials not collected curbside. If customers were charged the true costs of disposal for these special materials, it is feared that a significant increase in illegal dumping and other less environmentally-friendly behaviours may result.

The ability to establish true user-pay programs would require that each individual only pay for the amount of waste they generate, and in turn pay the appropriate fee associated with the collection and final disposal of this material. To an ‘outsider’ this approach may appear simple to establish, however, this is far from the reality. As an example, we can examine the service of household collection. In some jurisdictions a fee is charged to customers based on a per-bag basis or total tip weight of materials placed curbside at their respective residence. Some of the challenges experienced by these jurisdictions include ‘neighbours’ placing material at other residences or dumping it illegally to avoid said fees. Cities using ‘tag’ systems have indicated issues with tags being stolen, causing inconveniences and increased demand on administrative resources for customer problem resolution.

IWMC continually compares PEI’s rates and programs to those in other jurisdictions across North America. Our findings confirm the belief that structuring rates on a true user-pay system would increase the illicit disposal of waste material and require higher administrative and cleanup resources to manage—both of which resulting in higher fees passed on to Islanders. While each jurisdiction varies, it is the opinion of IWMC that the positives of our current per-household fee

system far outweigh that of a true user-pay program both financially, and with respect to reducing the impact on the environment.

Based on the 2019 Provincial Property Tax billing, IWMC provides collection and disposal programs and services to over 74,600 residential homes and cottages, with total yearly collections just under 5.3 million . In addition, IWMC provides transfer station conveniences and final disposal services for over 10,000 commercial customers. Over 75% percent of the revenue collected from these customers is paid directly to private companies to collect and/or properly dispose these materials.

IWMC=s management attempts to balance effective environmental waste management practices with sound fiscal responsibility. In this application, IWMC includes information on the costs associated with collection services, administration, education, transportation, final disposal, and other costs involved with providing waste management services to all Islanders. Corporate expenditures and financial results are subject to review by an independent board of directors, the Auditor General of the Province of Prince Edward Island, and an annual external audit conducted by a private accounting firm. Additionally, as a Crown Corporation of the Province of PEI, IWMC follows the **Public Purchasing Act** with respect to tendering and/or securing products and services required in its operations.

Island Waste Management Corporation attempts to operate in a manner that increases rates only when required in order to meet financial obligations. IWMC has not been required to seek changes to our rates for eight years. In this period we had some significant increases in our expenses, but have also experienced some cost savings as a result of moving specific disposal programs to Stewardship Programs. Through stewards, disposal costs are actually covered by the manufacturer of these products. Examples of Stewardship Programs include paint, electronic, light bulbs, medications, batteries, and used oil recycling programs.

The application for an increase at this time is based on two main reasons. We have seen significant increases to our collection contracts and have experienced compounded inflationary increases to all costs since our most recent rate change effective January 2012 (eight years ago). This application will outline these increases and our rationale for seeking some minor changes to our current rates.

SECTION A

RATES AND GENERAL RULES AND REGULATIONS

Summary Table of Proposed Rate Changes

A complete list of Current and Proposed customer rates and Material Definitions are reflected in Appendix 1. Below is a summary of proposed changes to current rates and the rationale for requested changes. No changes are requested for any other current rates.

Fee Description	Current Rate	Proposed Rate
*Household Annual Fee	\$205	\$213
*Cottage Annual Fee	\$95	\$115
*Cottage Extended Fee	\$120	\$140
Asphalt Shingles	\$40 Per Metric Tonne	\$50 Per Metric Tonne
Residential Min-Max	\$5 Min - \$20 Max	\$5 Min - \$30 Max
Out of Province (OOP) Contaminated Material	\$230 Per Tonne	\$250 Per Tonne

** NOTE: Household Annual Fees 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.*

Household Annual Fee

This is the annual fee charged to each residential property unit that appears as a separate line item on Provincial Property Tax Invoices. The revenue generated from this rate represents 70% of IWMC's total revenue. Since 2012, IWMC has retendered both the Compost and Waste and the Blue Bag Recycling Contract. The results of these processes have seen an average increase of \$11.33 per household for Compost and Waste collections and a \$6.97 average increase per household for Blue Bag Recycling collections. The total average household increase for the collection contracts Island wide since 2012 totals \$18.30 per household. In addition, most of these new contracts have yearly increases and all have a fuel adjustment formula based on the average yearly price of diesel fuel. Since the date of our last increase, IWMC has experienced an increase of \$1.43M to contracted collection costs. Based on these significant increases, IWMC's financial position dictates that some increased costs be passed on to customers.

Cottage and Extended Cottage Annual Fee

This is the annual fee charged to cottage owners for seasonal collections. Regular cottage collections run June 1- September 30, and the extended service runs May 15- October 31. Based on the most recent collection tender results, the average collection costs for cottages has resulted in 42% of cottages have collection costs above the current fee charged. For these reasons IWMC is seeking an increase of \$20.00 per cottage and extended cottage collection.

Asphalt Shingles

This is the rate charged for the disposal of asphalt shingles. Due to the weight of this material, the asphalt shingle rate has historically been kept below the actual costs for disposal as the resulting fee may deter individuals from proper disposal of these materials. Although the resulting increase is still below actual costs for disposal, it will bring the rate closer to breakeven.

Residential Min - Max

This rate outlines the Minimum and Maximum charges for residential waste, compost, and yard trimming materials received at Waste Watch Drop-Off Centers. Although these materials typically should be charged at the regular current tip rate fee of \$115 per tonne, we are seeking an increase from the Maximum current amount of \$20 to a Maximum charge of \$30 per load with no change in the Minimum amount of \$5. The end result will continue to allow the Corporation to provide residents with an economically low rate in that the maximum amount they would pay for any individual self-hauled load of sorted waste and compost material would be \$30.

Out of Province (OOP) Contaminated Materials

This material category is only for materials that may come from out of province for disposal on PEI and does not apply to any rates paid by Islanders.

SECTION B

FINANCIAL INFORMATION AND STATEMENTS

Audited Financial Statements

Provided in **Appendix 4** are copies of IWMC's Audited Financial Statements for the years ending March 31, 2017, 2018 and 2019.

Year-To-Date Internal Financials

Appendix 5 contains copy of Island Waste Management Corporation's Internal YTD Financial statements for the period April 1, 2019 to July 31, 2019.

Financial Projections

Appendix 6 provides two financial statement projections for fiscal years ending March 31, 2020, 2021, 2022 and 2023. The first is based on no rate changes and the second based on proposed rate changes. To prepare these projections IWMC looked at many factors including historical customer base, yearly material volumes, and revenues and expenditures from prior years. In addition to looking at this historical data, we have used various assumptions based on the current economic climate, prior year trends, and anticipated inflationary pressures.

SECTION C

CONTRACTED OR PURCHASED SERVICES

1. Background

Over **75%** of Island Waste Management Corporation's operational expenditures are directly paid to private corporations for the collection and final disposal of waste generated on Prince Edward Island. This section outlines contracted services that have increased significantly since the date of our last rate application. Some have seen higher expenditures as a result of tender increases while others have seen yearly increases that have compounded as a result of yearly index formulas in original contracts. The largest contracts issued by IWMC are for the collection of residential compost, waste and recyclables. The Waste Watch Program currently offers collection services to over 74,600 private homes and cottages in the Province. Each property has waste and compost collected on alternating weeks, and blue bag recyclable material collected monthly.

In addition, each residence is provided with Spring and Fall Cleanup of waste and compostable items that would not normally be picked up during regular collection. Christmas tree collections are also provided in early January of each year. In total, every home has **71** scheduled pick-ups annually with over **5.30 million** individual collections performed each year Island wide. The material collected is ultimately processed and recycled, composted at our Central Composting Facility, used as a fuel source at the PEI Energy Systems, and/or landfilled at IWMC's East Prince Waste Management Facility. This section outlines significant changes to contracts associated with these services.

2. PEI Energy Systems

PEI Energy Systems is a privately-operated facility that processes waste material into steam heat that is in turn sold to customers including private companies, public buildings and institutions. The arrangement between IWMC and PEI 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 PEI Energy Systems). However, with the implementation of IWMC, the payment for waste received at the facility became the responsibility of IWMC.

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. Although there have been no changes to the contract, the fees paid are increased each year using a CPI index, and the resulting increase over time is significant. The fee paid is based on a formula of \$45 per tonne plus CPI increases each year. In IWMC's last submission which used March 31, 2011 financials, the yearly costs for this facility were \$2.057M. These costs have increased each year, and for the year ending March 31, 2019, the annual costs totaled \$2.268M (an increase of \$211K).

3. Central Compost Facility (CCF)

Island Waste Management Corporation is in contract with ADI International (PEI) Inc. to manage and operate the CCF. The agreement is contained in **Appendix 8**. In IWMC's last submission the total annual cost of this contract was \$1.785M. The current annual cost for this contract is \$2.193M, reflecting an increase of \$408K since our last submission. The term of the current agreement extends to March 31, 2024 and sees an annual increase of 2% per year.

4. Compost and Waste Collection Contracts

IWMC has six contract zones for the collection of waste and compost. Collections are performed on a weekly basis alternating between waste (*black cart*) and compost (*green cart*). In addition, the contractor provides Spring and Fall Cleanup collections to all homes in each zone. During Spring and Fall Cleanup, customers are permitted to place at curbside yard debris as well as non-recyclable plastic and other waste that would not normally be collected during regular collection. Christmas tree collection is also provided in early January of each year. A copy of each collection zone contract is attached in **Appendix 9**.

Below is a table outlining each collection area, expiry date of the existing contract, current contractor, per-household unit price in 2012, and current unit price in 2019.

**SUMMARY CHART - COLLECTION CONTRACTS
FOR WASTE AND COMPOST**

Area	Expiry	Contractor	Unit price in 2012	Unit Price in 2019
West Prince	Aug/2024	Label Construction and Sanitation	\$68.00	\$76.00
East Prince	Aug/2024	Label Construction and Sanitation	\$33.53	\$51.56
Central Region	Oct/2024	Superior Sanitation	\$52.00	\$71.57
Capital Region	Oct/2024	Superior Sanitation	\$36.00	\$46.23
Southern Kings	Oct/2024	Superior Sanitation	\$54.74	\$66.90
Eastern Kings	Oct/2024	Superior Sanitation	\$65.00	\$65.00

* **NOTE:** Contract payments do not include fuel adjustments that are paid based on any changes to posted IRAC diesel fuel prices from time of original contract.

IWMC's total costs for compost and waste collections for the year ending March 31, 2011, the financials used in our last submission to IRAC, was \$3.189M. The total for year ending March 31, 2019 was \$4.103M. This reflects an increase of \$914K. From 2019

moving forward, note that IWMC will see a yearly increase to these existing contracts as outlined in each respective contract.

5. Recycling (Blue Bag) Collection Contracts

IWMC has five collection zones established for the pickup of recyclable materials. Collection is provided to each home in all 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). In addition, bundled cardboard and large metal items are placed beside the bags for collection.

IWMC made significant enhancements to the collection of recyclables in 2010 with the introduction of allowing customers to place household metal materials in blue bags for collection, or directly at curbside if the item was larger but within 50 lb and 4 ft. This change allowed customers to place metal items out 12 times a year vs. the previous two weeks included through Spring and Fall Cleanup. It also allowed for a second compost collection week during Spring and Fall Cleanup to provide flexibility to homeowners for yard and garden maintenance. These enhancements to the Waste Watch Program resulted in **NO** increased costs to the customer and/or IWMC. Recyclable material collected at curbside is taken to a facility that sorts and bales the items for shipment to companies for remanufacturing.

In 2018, IWMC issued an RFP for the collection and processing of recyclables for each of our collection zones. The contract was awarded to the only bidder, GreenIsle Environmental Inc. Since the date of IWMC's last request for a rate increase, the cost for the recycling collection contract has increased from \$1.187M to \$1.699M, reflecting an increase of \$512K annually.

Expenses and/or revenue generated from collected recyclables are the responsibility of the collection contractor. Copies of the collection contracts for recyclables are included in **Appendix 10**. Below is a table showing area, expiry date, current contractor, unit price per household in 2012, and current per household prices for 2019.

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

Area	Expiry	Contractor	Unit Price in 2012	Unit Price in 2019
West Prince	June 30, 2025	GreenIsle Environmental Inc.	\$15.00	\$31.61
East Prince	June 30, 2025	GreenIsle Environmental Inc.	\$15.00	\$26.61
Central Region	June 30, 2025	GreenIsle Environmental Inc.	\$24.77	\$23.61
Capital Region	June 30, 2025	GreenIsle Environmental Inc.	\$12.49	\$20.61
Eastern Region	June 30, 2025	GreenIsle Environmental Inc.	\$26.95	\$26.61

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

6. Other Operational Contracts

IWMC has numerous other contracts which are tendered out on a regular basis. These include, but are not limited to, services for snow removal, grass cutting, Freon removal, cleaning services, pest control, ground water monitoring, fly ash disposal, and fuel. As a Crown Corporation of the Province of Prince Edward Island, we follow the **PEI Purchasing Act** and tender and/or seek competitive bids for any significant financial service and/or product(s). Although most of these contracts have seen some inflationary changes over the eight years (since the date of our last increase), they make up a small percentage of our total cost.