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December 24, 2019

Gerry Moore, Chief Executive Officer
Island Waste Management Corporation
110 Watts Avenue
Charlottetown, PE C1E 2C1

Dear Mr. Moore,

The Commission has reviewed your response to the Commission's December 3, 2019 interrogatories and requests a response to the following:

Application – Rationale for % increases in household, cottage and extended cottage annual fees

1. In your response to December 3, 2019 Interrogatory #2 reference is made to average contracted collection costs of \$74.86. Please provide the detailed calculation including formula/inputs/assumptions used to calculate the \$74.86.
2. In your response to December 3, 2019 Interrogatory #2 reference is made to the fee to cottages and extended cottage also needing to cover the costs related to carts and other 'no charge' programs such as Saturday morning recyclable drop-off, HHW, special material disposal, min/max disposal fees, etc. Reference is made to the average cost to provide this service to a permanent home being \$62.87.
 - a. Please provide the detailed calculation including formula and inputs/assumptions used to calculate the \$62.87.
 - b. Please also provide the cost of providing this service to 4-month cottage and 5.5-month extended cottage categories. Please show any calculations/inputs/assumptions used to arrive at this estimate.

Application – Calculation of average increase per household for compost and waste collections and for blue bag recycling collections.

3. In your response to December 3, 2019 Interrogatory #3 it was expected that your Excel working paper showing the detailed calculation (formula, inputs) would be provided for the calculation of the 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. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.

Detailed Calculation/Assumptions for Compost and Waste Collection Contracts

4. In your response to December 3, 2019 Interrogatory #5 (b) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for East and West Prince for 2020 to 2023 would be provided.
 - a. Please provide detail on the calculations and assumptions (household, cottage, extended cottage counts, average fuel prices, etc.) used to determine the projected contract amounts in 2020 to 2023 for compost and waste collection contracts for the contract, housing and fuel adjustments. From Appendix 6 it appears that an additional \$6,000 per year was added in 20/21, 21/22, and 22/23 for a housing adjustment. In your response to December 3, 2019 Interrogatory #5 (b) it was indicated an additional \$3,000 per year fuel adjustment for East Prince and an additional \$2,000 per year fuel adjustment for West Prince is included in the projections. No calculation was provided to support these amounts. We need to see detailed calculations and assumptions behind the numbers in projections for contract amount, housing and fuel adjustments. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.
 - b. It was indicated in the response to December 3, 2019 Interrogatory #5 (b) that a .08% increase in households and cottages is assumed in each area per year – however no rationale for choosing this number was provided. Is this what has been the historic increase? – Provide actual increases for past 3 years or other rationale to support this assumption.
5. In your response to December 3, 2019 Interrogatory #6 (b) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for Capital and Central area for 2020 to 2023 would be provided.
 - a. Please provide detail on the assumptions (household, cottage, extended cottage counts, average fuel prices, etc.) used to determine the projected contract amounts in 2020 to 2023 for compost and waste collection contracts for the contract, housing and fuel adjustments. From Appendix 6 it appears that an additional \$18,000 per year was added in 20/21, 21/22, and 22/23 for a housing

adjustment for the Capital area and an additional \$13,000 per year for a housing adjustment for the Central area. In your response to December 3, 2019 Interrogatory #6 (b) it was indicated an additional \$5,000 per year fuel adjustment for each of Capital and Central areas is included in the projections. No calculation was provided to support these amounts. We need to see detailed calculations and assumptions behind the numbers in projections for contract amount, housing and fuel adjustments. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.

- b. It was indicated in the response to December 3, 2019 Interrogatory #6 (b) that a 1.9% increase in households and cottages is assumed in the Capital area per year and that a 1.6% increase in households and cottages is assumed in the Central area per year – however no rationale for choosing these numbers was provided. Is this what has been the historic increase? – Provide actual increases for past 3 years or other rationale to support this assumption.
6. In your response to December 3, 2019 Interrogatory #7 (b) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for Southern Kings and Eastern Kings area for 2020 to 2023 would be provided.
- a. Please provide detail on the calculations and assumptions (household, cottage, extended cottage counts, average fuel prices, etc.) used to determine the projected contract amounts in 2020 to 2023 for compost and waste collection contracts for the contract, housing and fuel adjustments. From Appendix 6 it appears that an additional \$2,000 per year was added in 20/21, 21/22, and 22/23 for a housing adjustment for the Eastern Kings area and an additional \$600 per year for a housing adjustment for the Southern Kings area. In your response to December 3, 2019 Interrogatory #7 (b) it was indicated an additional \$130 per year fuel adjustment for Eastern Kings and an additional \$20 per year of Southern Kings area is included in the projections. In addition, a wage clause adjustment is applied. No calculation was provided to support these amounts. We need to see detailed calculations and assumptions behind the numbers in projections for contract amount, wage clause, housing and fuel adjustments. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.
 - b. It was indicated in the response to December 3, 2019 Interrogatory #7 (b) that a .07% increase in households and cottages is assumed in the Eastern Kings area per year and that a .01% increase in households and cottages is assumed in the Southern Kings area per year – however no rationale for choosing these numbers was provided. Is this what has been the historic increase? – Provide actual increases for past 3 years or other rationale to support this assumption.

Missing Contract Documentation

7. Every second page is missing of the tender document for South Kings County Area Collection & Transportation of Residential Wastes & Organics. The tender document for Eastern Kings County Area is missing in its entirety. Please provide these two documents.
8. In reference to your response to December 3, 2019 Interrogatory #8 (c)
 - a. Please provide a copy of the operating agreement with GreenIsle for the IWMC Drop-Off Center for the Capital Area.
 - b. Please provide detailed calculations including formulas/inputs, assumptions and rationale for assumptions for projections for this contract in 20/21, 21/22, and 22/23.

Detailed Calculation/Assumptions for Recyclables Contract

9. In your response to December 3, 2019 Interrogatory #8 (b) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for the recyclables contract for 2020 to 2023 would be provided. While the contract does outline base numbers for housing/cottage counts and describes the calculation for fuel adjustment and wage adjustment we do require detailed calculations and assumptions used in the projections.
 - a. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.
 - b. It was indicated in the response to December 3, 2019 Interrogatory #8 (b) that a 1.5% increase in households and cottages per year is assumed – however no rationale for choosing this number was provided. In addition, this percentage increase in households and cottages varies from the various percentage increases used to project the costs for Compost and Waste Collection contracts. Please explain the rationale for using a different percentage increase for households and cottages for recyclables than for compost and waste collection contracts and provide the rationale and support for the percentage used.

Detailed Calculation/Assumptions for Central Compost Facility Contract

10. In your response to December 3, 2019 Interrogatory #9 (c) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for the Central Compost Facility contract for 2020 to 2023 would be provided.

- a. In your response you note that a credit has historically been received for these adjustments. Please provide further detail/calculation to show how this credit results.
- b. The projected amount for Central Compost Facility in Appendix 6 includes an amount labeled ½ wage reimbursement. We do not see any reference in the contract with ADI International (PEI) Inc. in relation to this additional cost. Please explain this additional cost.

Detailed Calculation/Assumptions for PEI Energy Systems Contract

11. In your response to December 3, 2019 Interrogatory #10 (a) it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected contract amounts for the PEI Energy Systems contract for 2020 to 2023 would be provided. The base processing fee in the contract is noted as \$45 per Tonne indexed to CPI quarterly.
 - a. Please provide what the per Tonne indexed value was for the 2018/19 year.
 - b. In Appendix 6 projections it appears amounts for testing, carbon and confidential & contaminated are pulled out of the PEI Energy Systems Contract amount. Please explain and if these amounts impact the contract amount in the projections for 2020 to 2023 please provide the detailed calculation used to arrive at the amounts.

Net Assets

12. In your response to December 3, 2019 Interrogatory #11 no specific indication of the need to have a net assets balance at the current level was provided.
 - a. We would appreciate a response focused on IWMC specific future needs in relation to the net assets balance.
 - b. Your response includes an excerpt from a document prepared by your external auditors. Please provide a copy of the document which this excerpt was extracted from.

Projected Household/Cottage/Extended Cottage User Fees

13. In your response to December 3, 2019 Interrogatory #13 it was expected that the detailed calculation (formula/inputs/assumptions/rationale) to arrive at the projected household user fees for 2020 to 2023 would be provided.

- a. In your response you indicated that household/cottage counts are assumed to increase at 1% per year in all areas. This assumption is not consistent with the percentage increases used to project Compost and Waste Collection contract amounts (ranging from .01% to 1.9%) and Recyclables (1.5%). Please explain and provide rationale for the 1%.
- b. While Appendix 6 does provide a total number of households it is not possible to verify this number as the documentation showing household counts for the Southern Kings and Eastern Kings area has not been provided. (this has been requested in interrogatory # 7 above). Cottage counts and extended cottage counts appear to be grouped in Appendix 6 however there are different rates attached to these categories. Please provide these detailed calculations including formulas/inputs, assumptions and rationale for assumptions.

Projected Disposal Fees

14. Asphalt shingles disposal rate is proposed to increase from \$40 per tonne to \$50 per tonne. You mention in the Application that the rate is below actual costs for disposal.
 - a. Please provide detailed calculation/units/inputs/formula/assumptions showing the calculation of revenue associated with the current and proposed rate increase and
 - b. the detailed calculation /units /inputs /formula /assumptions for the cost of disposal through WWDC, EPWMF and PEI Energy Systems.
15. The Max portion of the Min-Max residential disposal rates for waste, compost and yard trim is proposed to increase from \$20 per tonne to \$30 per tonne.
 - a. Please provide detailed calculation/units/inputs/formula/assumptions showing the calculation of revenue associated with the current and proposed rate increase and
 - b. the detailed calculation /units /inputs /formula /assumptions for the cost of disposal through WWDC, EPWMF, PEI Energy Systems, and the CCF.
16. OOP Contaminated Material rate for disposal at PEI Energy Systems is proposed to increase from \$230 per tonne to \$250 per tonne and to be \$250 at EPWMF.
 - a. Please explain why a rate increase would be required for contaminated material in the OOP category and not the in-province category.

- b. Please provide detailed calculation/units/inputs/formula/assumptions showing the calculation of revenue associated with the current and proposed rate increase and
 - c. the detailed calculation /units /inputs /formula /assumptions for the cost of disposal through PEI Energy Systems.
17. In your response to December 3, 2019 Interrogatory #1 you noted that IWMC is seeking approval to establish a new category - OOP Contaminated Soil with a proposed rate for disposal at EPWMF of \$100.
- a. Please explain the rationale for the establishment of a new category for OOP contaminated soil.
 - b. Please provide detailed calculation/units/inputs/formula/assumptions showing how the proposed rate was arrived at.
18. Additional explanation is required to your response to December 3, 2019 Interrogatory #16 in regard to the decrease for the GreenIsle Environmental Contract. The expense for disposal at Waste Watch Drop-off Centers is projected to be decreased for the Green Isle Environmental Contract under the proposed fee increase. Please explain the rationale for this decreased expenditure. Will the contract with GreenIsle be renegotiated?

Further interrogatories may follow.

Yours truly,



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Island Regulatory & Appeals Commission