



BEVERAGE CONTAINER MANAGEMENT BOARD

Bottle Depot Manager Cost Determination Policy

I. BOTTLE DEPOT MANAGER COST DETERMINATION POLICY

Definitions

1. In this Policy:

“As-Reported Data” for a Bottle Depot for any particular HC review process, means the actual data for such Bottle Depot for its fiscal year ending in the Selected Reporting Period for that particular HC review process, as contained in such Bottle Depot’s annual filed UCA report for such fiscal year end, and as verified by the DCA.

“BCMB” means the Beverage Container Management Board.

“Bottle Depot” means a universal bottle depot operating in Alberta.

“DCA” means the BCMB’s Data Collection Agent.

“HC” means, at any particular time, the handling commission rates used for payment to Bottle Depots for their handling of registered beverage containers.

“HCRP” means the Handling Commission Review Panel which was involved in the BCMB’s 2005 to 2007 HC review process.

“Manager” means a person who is responsible at the highest operational level in a Bottle Depot for managing and supervising all aspects of the operations of that Bottle Depot, both during and outside of the public hours of that Bottle Depot, notwithstanding that such person may be an owner or part owner of that Bottle Depot, and who is accepted or deemed by the DCA to be a Manager of a Bottle Depot for the purposes of this Policy.

“Revenue Requirement” means the annual cost to operate the Bottle Depot network and is used to determine HCs.

“Selected Reporting Period” for any particular HC review process, means the 12 month period of time to and ending on the cut-off date for that particular HC review process as selected by the BCMB, and to be used by the DCA as the relevant reporting period for Bottle Depots in determining the HCs for that particular HC review process.

“UCA” means the BCMB Uniform Code of Accounts.

Background to Policy

2. Proper allocation and determination of costs by the DCA for Bottle Depot Managers is needed to ensure that the Revenue Requirement determined for any particular HC review process includes appropriate labour costs for Bottle Depot owners for operating their Bottle Depot businesses (e.g. wages, salaries, benefits) but does not include compensation for owning such Bottle Depot businesses (i.e. profits).
3. The As-Reported Data provided by Bottle Depots in their filed UCAs for any particular HC review process, includes data on costs for the Managers of such Bottle Depots. The DCA is required to analyze all such As-Reported Data contained in UCAs filed by such Bottle Depots in order to identify in such UCAs all potential over-reporting and under-reporting of costs for the Managers of such Bottle Depots, and to appropriately adjust such As-Reported Data, as required, using external data sources, assumptions on cost drivers and the application of the DCA's professional judgment.

Bottle Depot Manager Cost Determination

4. For any particular HC review process (hereinafter called the "PHCR"), the DCA shall determine for each Bottle Depot the total costs for the Manager(s) of such Bottle Depot to be included in the Revenue Requirement for that PHCR. In making such determination for that PHCR, the DCA will adjust, as required, the total costs for such Bottle Depot's Manager(s) as contained in the As-Reported Data provided by such Bottle Depot for that PHCR. In making such adjustments, the DCA shall apply the following general principles, take the following steps, and use the following information and data, as developed and determined by the DCA:
 - a) For each and every Bottle Depot included in that PHCR, the Manager or Managers of each such Bottle Depot will be deemed by the DCA to be salaried employees of such Bottle Depot, even if they are not in fact salaried employees of such Bottle Depot.
 - b) For each and every Bottle Depot included in that PHCR, the DCA shall determine the following:
 - i) the number of Managers such Bottle Depot will be deemed by the DCA to have for that PHCR, notwithstanding the number of Managers which such Bottle Depot actually has, and
 - ii) which of the deemed Managers of such Bottle Depot for that PHCR will be deemed by the DCA to be full-time Managers of such Bottle Depot for that PHCR and which of the deemed Managers of such Bottle Depot for that PHCR will be deemed by the DCA to be part-time Managers of such Bottle Depot for that PHCR, notwithstanding whether the Managers of such Bottle Depot are in fact full-time or part-time Managers, and
 - iii) the deemed salary and benefits for each and every person who is deemed by the DCA to be a Manager of such Bottle Depot, notwithstanding the actual salary and

benefits for such persons at such Bottle Depot, taking into consideration all relevant data contained in the filed UCA for such Bottle Depot for that PHCR, including without limitation operating hours reported for such Bottle Depot, hours such Bottle Depot is open to the public, and additional hours worked by such deemed Manager or Managers outside of such Bottle Depot's public hours; the beverage container volumes handled by such Bottle Depot during the relevant times under consideration in that PHCR; the location of such Bottle Depot; the size of such Bottle Depot; the ownership structure for such Bottle Depot; all relevant and comparable data contained in the filed UCAs for all of such Bottle Depots for that PHCR; and all relevant external data and applicable external industry-wide reports and external indices, including without limitation comparable management salaries and benefits paid in comparable industries during the same time periods covered by the filed UCAs for that PHCR.

- c) The criteria to be used by the DCA, in developing its methodology for determining for each such Bottle Depot the total costs for such Bottle Depot's Manager or Managers to be included in the Revenue Requirement for that PHCR, will include:
- i) Consideration of all principles of utility rate setting, as applied to the Bottle Depot network, as deemed appropriate by the DCA, including those of Dr. Bonbright's Principles of Public Utility Rates which reasonably apply to the Bottle Depot network;
 - ii) Every Bottle Depot requires at least one Manager to supervise its operations during all public and non-public operating hours. This requirement for at least one Manager in every Bottle Depot is to permit proper compliance by such Bottle Depots with all safety requirements, customer service requirements, Alberta employment standards, operating agreements approved by the BCMB, and BCMB standards;
 - iii) The qualifications, skills and experience required by any particular Bottle Depot of any particular Bottle Depot Manager varies significantly depending on that the Bottle Depot's location and size. The greater the qualifications, skills and experience required, the greater the deemed salary and benefits will be, and vice versa;
 - iv) As part of their management responsibilities, Bottle Depot Managers are required:
 - A) to carry out extra duties which often occur outside of the public hours for such Bottle Depots, including without limitation bank withdrawals, shipments of containers, staff meetings, employee hiring, and marketing activities; and
 - B) to perform many different tasks, including without limitation, material sorting, loading of trucks, customer service, handling of cash, supervising other employees, and various administrative functions;

- v) A reasonable allowance for Managers for time off for paid vacation is appropriate, during which time another senior employee will be required to provide comparable managerial duties;
 - vi) Compensation actually paid at profitable Bottle Depots to existing Bottle Depot Managers, who are not also Bottle Depot owners, as reported on the UCAs for those Bottle Depots for that PHCR and as verified by the DCA, will generally be considered the best indication of the market based cost for Bottle Depot Managers for that PHCR. The applicability of such indications for that PHCR, however, must be reviewed and adjusted by the DCA, taking into consideration such additional factors such as Bottle Depot ownership structure, tax minimization strategies used by such Bottle Depots, methods used by such Bottle Depots for extracting profits, and Bottle Depot profitability, all of which factors may skew the applicability of such indications for that PHCR; and
 - vii) External market based surveys or external indices can provide a valid benchmark for the DCA to use in order to test the reasonableness of total costs reported by each Bottle Depot for such Bottle Depot's Manager or Managers in the As-Reported Data provided by such Bottle Depot in their filed UCA for that PHCR, and in order to appropriately adjust such total costs for such Bottle Depot's Manager for that PHCR.
5. All adjustments of As-Reported Data by the DCA will be subject to review and debate in any particular HC review process by all parties involved in that particular HC review process.