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**2025-2026 HANDLING COMMISSION REVIEW**

**REBUTTAL STATEMENT**  
**OF THE ALBERTA BOTTLE DEPOT ASSOCIATION**

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March 18, 2026

1. This Rebuttal Statement of the Alberta Bottle Depot Association ("**ABDA**") is submitted in response to the evidence of ABCRC and ABCC.<sup>1</sup>
2. The ABCRC/ABCC's evidence raises issues solely pertaining to return margin, and relies upon the evidence of Dr. Paul Calluzzo and Dr. Sean Cleary.
3. Mr. Dylan D'Ascendis and Mr. Ryan Kucan (together, "**ScottMadden**"), in their reply testimony attached as Appendix A (the "**ScottMadden Rebuttal Report**"), respond to the evidence of Drs. Calluzzo and Cleary.
4. Some key conclusions of the ScottMadden Rebuttal Report are outlined below:
  - (a) **Concerns About Concentric's Analysis:** Both ScottMadden and Drs. Calluzzo and Cleary share concerns with the DCA's Return Margin Expert, Concentric Energy Advisors ("**Concentric**"), using a turnover screen of 2.0 - 9.0. They also agree that Concentric's labeling of an average based on "All 189 Companies, Regardless of Industry" is misleading given the much smaller numbers of companies included in calculating that average.
  - (b) **Improper Inclusion of Unprofitable Companies:** ScottMadden disagrees with Drs. Calluzzo and Cleary's unjustified inclusion of unprofitable companies (those earning negative return margins). ScottMadden instead concurs with Concentric that "investors do not expect negative income to continue in perpetuity". Expecting any

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<sup>1</sup> Docs 65-72.

rational investor to invest in a company that operates at a loss on an ongoing basis is a violation of basic financial and economic theory.

- (c) **Subjective Application of WinsORIZATION:** With respect to the 'winsORIZATION' technique applied by Drs. Calluzzo and Cleary in their evidence, ScottMadden observes that Drs. Calluzzo and Cleary selected data boundaries (a 0% return margin at the lower bound and 20% upper bound) that are merely ad-hoc. The lower bound of 0% is something no investor would invest in. The upper bound of 20% excludes companies with return margins greater than 20%, even though their inclusion would not violate financial or economic theory.
  - (d) **Lack of Turnover Screen:** ScottMadden opines that Drs. Calluzzo and Cleary fail to use a turnover screen, causing their calculations to include companies that are not comparable in risk to depots – a result contrary to the requirements of the BCMB's Return Margin Methodology Policy.
5. In conclusion, ScottMadden conducts an analysis that uses Drs. Calluzzo and Cleary's data but corrects their errors. The result is very similar to, and thus corroborates, the return margin originally recommended by ScottMadden in their evidence filed as Appendix 7.2 of the ABDA Written Statement (Doc 63).
  6. Taken as a whole, the ScottMadden Rebuttal Report demonstrates that, although the evidence of Drs. Calluzzo and Cleary has some useful parts, it makes key conceptual errors that result in inappropriate downward-biased estimates.

7. The ABDA submits that its position on return margin as set out in its Written Statement ought to be adopted.