17 MacDonald Place
Canmore, AB T1W 2N1

March 18, 2026

Shauna N. Finlay
Reynolds Mirth Richards & Farmer LLP

Dear Shauna,

Re: 2025-2026 BCBC Handling Commission Review
ABCRC/ABCC Rebuttal Evidence

Please see attached our rebuttal to the ABDA Written Statement[1] dated January 28, 2026, and filed in the above noted proceeding.

If you require any additional information, please contact the undersigned at 403-869-6200 or dale.hildebrand@desiderataenergy.com.

Sincerely,

Desiderata Energy Consulting Inc.

W. Dale Hildebrand, P.Eng., M.B.A.
President

[1] 63.2026.01.28.Written.Statement.ABDA

Introduction

This evidence has been prepared by Dale Hildbeand for the Alberta Beverage Container Recycling Corporation (ABCRC) and the Alberta Beer Container Corporation (ABCC).

Dale is a professional engineer with 40 years' experience and is an executive leader and specialist in electricity generation project development, regulatory consulting, tariff development, economic evaluations and related negotiations. He is a recognized expert in Alberta's electric energy industries.

Regarding cost-of-service based regulation related experience, Dale has testified before the Alberta Utilities Commission (AUC) as an expert or policy witness on 18 occasions and has authored expert evidence and arguments. He has represented clients in regulatory proceedings in Alberta, Saskatchewan, the NWT, New Brunswick and Manitoba and appeared before the Manitoba PUB and the Federal Court.

From 2004 to 2014 Dale lead teams that acted as the DCA and assisted the Beverage Container Management Board (BCMB) with the development of Handling Commissions (regulated rates) based on sound information.

Executive Summary

We have reviewed the ABDA Written Statement dated January 28, 2026, and the ADBA responses to information requests[2] dated February 25, 2026. Our opinion is as follows:

1. Overhead Labour as proposed by the DCA appropriately reflects prudently incurred costs and addresses the systemic issue of Depots reporting profits as Overhead Labour.
2. The Real Estate Expert's Deemed Lease Rates appropriately reflect market rates for all Depot buildings and adjustments for additional leasehold improvements would not be appropriate.
3. The DCA has appropriately escalated As Adjusted Depot costs from each Depot's Base Year to the start of the Forecast Year.
4. The volume forecast used to determine handling commissions should utilize the same forecast methodology for all container streams and utilize as much historical data as possible.

The ABDA's recommendations to increase the revenue requirement are not based on sound cost-of-service regulation principles and best practices, and should be rejected.

Overhead Labour

Over past the 20 years the BCMB has utilized cost-of-service regulation principles to determine cost based handling commissions for Alberta Depots. During this time, the differentiation between depot owners taking profiles as dividends or higher wages has been contentious. If depot owners pay themselves a higher wage or salary, above market, then the system revenue requirement is inflated, and consumers will pay more for their beverage containers.

A central or key cost-of-service regulation principle is that all costs included in the revenue requirement must be prudently incurred. The DCA has reviewed overhead labour costs claimed by for-profit depots and determined that some of these costs should be removed from the revenue requirement as they were not prudently incurred costs.

[2] 76.2026.02.25.Response.to.ABCRC.ABCC.IRs.ABDA

Table 49 – Overhead Costs Summary

	As Reported	As Accepted	As Adjusted
Overhead Costs	$ 17,721,195	$ 14,105,681	$ 13,950,175
Average Depot Cost	$ 84,790	$ 67,491	$ 66,747
Total Cost (¢) / Container	0.84	0.67	0.66

As shown in Table 49 above, there is a difference of $3.6 million between the As Reported and As Accepted overhead costs. This reduction was primarily due to the removal of expenses identified by depots as management fees in the "other costs" section of the UCA. In discussion with these depots, **it was identified that these management fees were profit sharing** between related companies and there was no service provided; as such, they were removed.[3]

In their written statement, the ABDA identified six factors they suggest supports the position that the As Adjusted Overhead Labour costs are too low. These factors are listed below with our comments:

a) **The DCA's adjustment causes large depots' wages to be less than they were over 6 years ago, in 2019;**

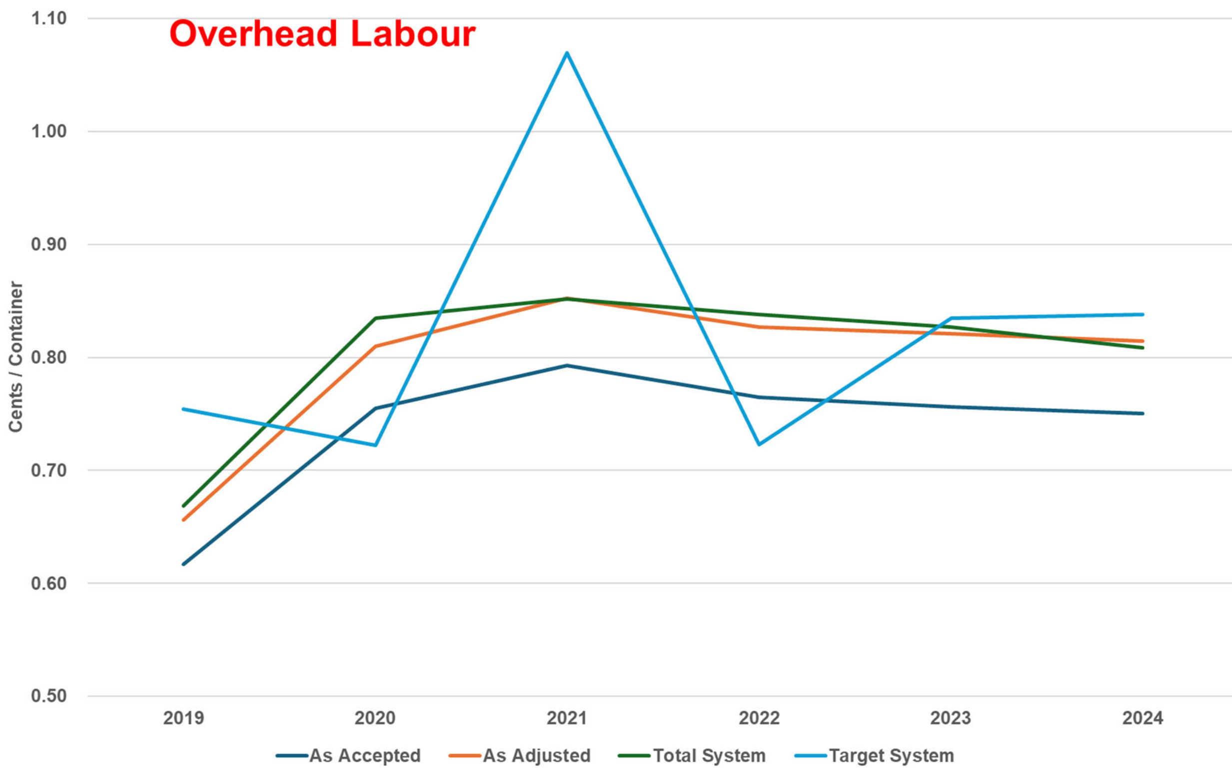
From a cost-of-service regulatory perspective, this is irrelevant. Prudently incurred costs are used to determine the revenue requirement. What costs were years ago can be used as a method to test current year's costs; however, it is not justification to adjust the revenue requirement.

The ABDA's assertions are not correct from a system wide revenue requirement perspective. The following chart shows the overhead labour cost per container over the last six handling commission review processes:[4]

[3] 58.2026.01.07.Phase.I.Report.Revision.01.DCA, page

[4]:

Year	Source
2019	2020.01.10.Revised.Phase.I.and.Phase.II.Schedules.DCA
2020	212._2021.11.15.2020.AUR.Policy.Change.Updated.PhaseI.and.PhaseII.Schedules.MNP.xlsx
2021	2022.11.10.2022.AUR.PhaseI.and.PhaseII.Schedules.MNP.xlsx
2022	2023.11.10.2023.AUR.PhaseI.and.PhaseII.Schedules.MNP.xlsx
2023	2024.11.20.2024.AUR.Phase.I.and.Phase.II.Schedules.Revised.MNP.xlsx
2024	60.2026.01.07.Phase.I.and.Phase.II.Schedules.Revision.01.DCA.xlxs



For the 2019 UCA data, As Adjusted Overhead Labour costs were 0.66 c/container, lower than the revised 2024 As Adjusted Overhead Labour costs of 0.81 c/container. While there may be some depots that have 2024 Overhead Labour costs lower than 2019, what is relevant is that the system wide Overhead Labour costs have escalated 4.0% on average from 2019 to 2024, a rate higher than inflation. We dismiss the ABDA's assertions Overhead Labour costs have declined over time.

b) The DCA has changed its methodology in this HCR in a manner that is inconsistent with policy and contrary to the findings of the DCA's prior methodology;

It is our opinion that the methodology utilized by the DCA is consistent with policy. If it has changed is irrelevant as long as changes furthers the objective of ensuring that the revenue requirement reflects prudently incurred costs. As noted, the systemic problem of depot owners reporting profits as higher labour costs has been recognized as an issue and the DCA has taken appropriate steps to better reflect prudently incurred costs.

c) The DCA's adjustment can result in Related Employees being paid lower wages than unrelated employees working in equivalent roles at the same depot;

Perhaps, and the converse could also be true. A depot owner could be paid more than an employee for doing the same job, which would not reflect prudently incurred costs. Whatever the case it is important is that the Overhead Labour portion of the revenue requirements reflect prudently incurred costs – what an individual depot's contribution is to the total revenue requirement is not relevant.

d) The DCA's adjustment is inconsistent with not-for-profit depot wages; and

Again, what an individual depot's contribution is to the total revenue requirement is not relevant. There may be valid reasons why not-for-profit Overhead Labor costs are higher than for-profit depots, including depot size, employee tenure, experience, retention, efficiency, etc.

e) **The DCA's adjustment is inconsistent with wages paid to depot industry employees outside of depots.**

This is also not relevant. Different industries and geographic areas have different cost and competitive pressures, different skills sets, union vs. non-union, and within individual employee's different tenure, experience, retention, efficiency, etc.

In our view, ABDA's recommendations are not aligned with regulatory principles and should be rejected. The DCA is the only entity that has prevue to all the UCA data and is the only entity that can properly assess if costs were prudently incurred. For Overhead labour, the DCA has addressed the systemic problem of Overhead Labour over reporting and the DCA's revised recommendations should be accepted.

Deemed Building Lease Rates

The DCA retains a Real Estate Expert to determine Deemed Lease Rates for Depots in Alberta.[5] The expert's Deemed Lease Rates are intended to reflect "average comparable market rates for annual costs for each identifiable and quantifiable category of building related costs".

In our opinion, a "market rate" in this context, is an all-inclusive rate for all Building costs required for a Depot to lease space to house their operation. There will inevitably be some Depots that have actual lease rates that are higher or lower than the Real Estate Expert's Deemed Lease Rates for any category of buildings. Following regulatory cost-of-service based principles, what matters is that the Building cost component of the revenue requirement reflects prudently incurred costs.

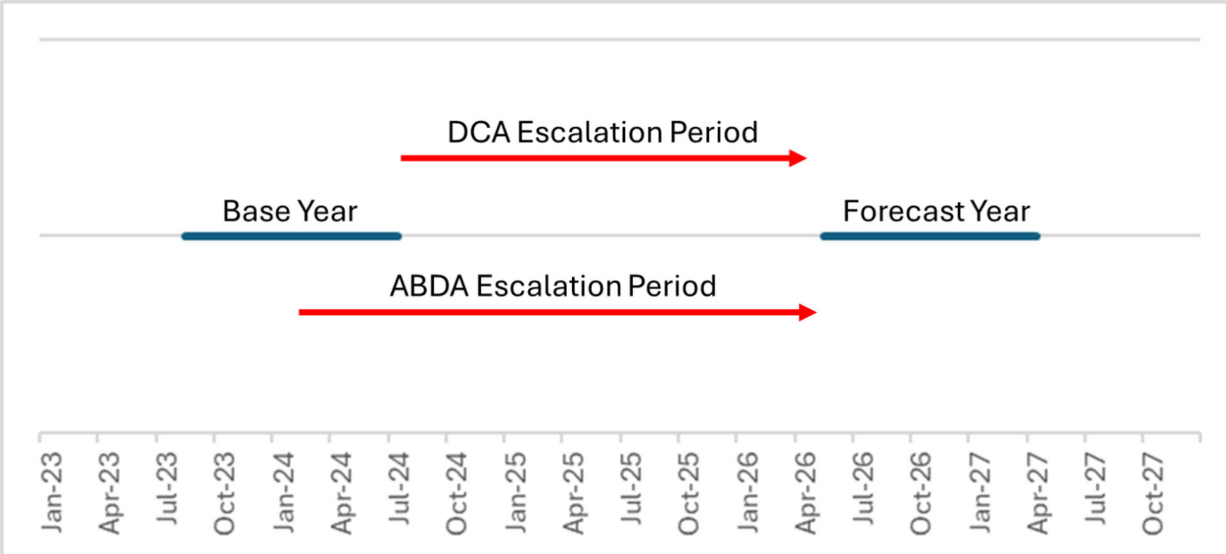
The ABDA is suggesting that in addition to the Real Estate Expert's Deemed Lease Rates, those individual depots that have elected to undertake leasehold improvements should have the cost of those leasehold improvements added to the revenue requirements. This suggestion is inappropriate as the Real Estate Expert's Deemed Lease Rate is intended to reflect the average cost of leasing an appropriate building to house a depot operation and would include leasehold improvements that a depot operation requires.

Escalation

Standard cost-of-service regulatory process is to take actual, prudently incurred costs, and escalate to the start of the period when new rates come into effect. For the HCR process, collected UCA data, As Adjusted, reflects the prudently incurred costs for each Depot (Base Year). The Forecast Year period starts with the date the new handling commissions come into effect (Forecast Year). During the Forecast Year, Depots can lower their costs and earn more than the regulator allowed return margin – this is a fundamental concept for cost-of-service based regulation.

The ABDA suggests that the prudently incurred costs for each Depot should be escalated by an additional six months:

[5] 2018.11.07.Depot.Building.Deemed.Lease.Rate.Policy.BOARD.APPROVED.



There are two fundamental issues with the ABDA's suggestion:

- The UCA Base Year costs (As Adjusted), if escalated, would no longer reflect prudently incurred costs.
- There are no known precedents that we are aware of, of any cost-of-service regulator that allows Base Year costs to be escalated.

The DCA's methodology follows accepted regulatory cost-of-service principles and the DCA's recommendations should be adopted.

Volume Forecasts

We submit that container stream volume forecasts should reflect the following principles:

1. All container streams should be forecast using the same forecast methodology
2. As much historical data as possible, that reflects consistent container stream utilization, should be used in the forecast model

The ABDA has suggested that the DCA has systematically over forecast volumes.[6] A review of volume forecasts by year to actual volumes shows that the DCA's current forecast methodology does not result in consistently higher than actual volume forecast:[7]

[6] 96.2026.02.25.Response.to.ABCRC.ABCC.IRs.Appendix.T.ABDA

[7] For each year in the chart the actual data was replaced with a forecast using the DCA's forecast methodology. For example, the 2023 year forecast was determined using actuals to December 2022 and then forecast 2023 volumes were determined using the DCA's forecast methodology. The 2023 forecast is then compared to the 2023 actuals in the table.

Comparison of Foreacast for a Period to Actuals for Same Period
Using Trend function

Year	Forecast	Actual	Difference	% Difference	Annual Growth
last 12 months	2,330,239,740	2,206,662,214	123,577,526	5.6%	0.8%
2024	2,311,260,769	2,174,618,873	136,641,896	6.3%	9.7%
2023	2,107,281,324	2,194,310,148	(87,028,824)	-4.0%	1.3%
2022	2,080,509,917	2,112,971,208	(32,461,291)	-1.5%	1.1%
2021	2,057,952,067	2,133,702,648	(75,750,581)	-3.6%	5.9%
2020	1,943,337,549	2,023,635,580	(80,298,031)	-4.0%	-4.0%
2019	2,025,004,920	1,990,669,135	34,335,785	1.7%	-0.6%
2018	2,036,291,820	2,017,054,019	19,237,801	1.0%	-2.3%
2017	2,084,169,940	2,013,512,493	70,657,447	3.5%	-1.0%
2016	2,106,098,269	2,026,621,123	79,477,146	3.9%	2.2%
2015	2,061,068,658	2,092,194,878	(31,126,220)	-1.5%	
Total	23,143,214,972	22,985,952,319	157,262,653	0.7%	

For the current HCR process, the DCA forecasted some container stream based on return rates, rather than return volumes. We submit this approach should not be accepted as a consistent methodology, utilized over multiple HCR processes, as it will not produce revenue requirements and handling commissions that are consistent, fair and non-contentious. Changing forecast methodologies from one HCR process to the next is not good practice, absent a clear and compelling rationale as to why such a change will result in more accurate forecasts on an ongoing basis.

For the ABDA's recommendations, using different forecast methodologies and data sets will result in unnecessary regulatory administration costs and will likely not lead to more accurate forecasts over time. The volume forecasting method proposed by ABDA minimizes forecasting error using one metric, whereas the method used by the DCA combines four forecasting errors metrics. It is our option that the ABDA has not provided a superior alterative forecast methodology that could apply to all container streams over multiple HCR processes.

In addition, if the most recent actual volume data is utilized the forecast period should be about 3 months. Any benefits from multiple forecasting methodologies would be minimal; however, the forecast results would remain contentious.

Following the two principles outlined above, for the current HCR process, in our opinion, the approach should be the following:

- The DCA's volume return forecast methodology, as proposed in this HCR process and as utilized for a number of prior HCR processes, should be used for all container streams[8]
- The DCA should be directed to use as much historical data as possible, including data for all months in 2025 and early 2026, if and when available, before implementing new handling commissions for 2026.

[8] The return rate forecast methodology should not be used, e.g. contain streams Drink Pouches 0 - 1 L, ISBs, Tetra 0 - 1 L, etc.