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June 18, 2025

EMAIL bcampbell@bcmb.ab.ca

Beverage Container Management Board
Attention: Brent Campbell, Director, Registrations and Manufacturer Policy
1165 Clark Builders Place
5555 Calgary Trail NW
Edmonton, Alberta
T6H 5P9

Dear Sir:

**Re: "Appropriate Return Margin for the Bottle Depots"
prepared by Concentric Energy Advisors
Information Requests**

With respect to this matter, please find enclosed the Information Requests No. 1 to 6 directed to Concentric Energy Advisors prepared on behalf of ABCRC and ABCC.

Yours truly,
REYNOLDS MIRTH RICHARDS & FARMER LLP

PER:



SHAUNA N. FINLAY
SNF/maj
Enclosures

cc: Client

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2025-2026

**Appropriate Return Margin for the Bottle Depots
(the “Return Margin Report”)
Information Requests to:
Concentric Energy Advisors**

Reference: (p. 2) Section 2: Approach to Calculating Return Margins

Return Margin Methodology Policy

- Section 4.2.1
- Appendix A

Issue/Sub-Issue: Identifying and selecting Risk Comparable Entities

Requests:

1. Please set out in detail the analysis Concentric performed in accordance with s. 4.2.1 of the Return Margin Methodology Policy to identify and select Risk Comparable Entities with reference to the risks of Alberta Depots as set out in Appendix A of the Return Margin Methodology Policy.
2. Other than using aggregate turnover ratios, what additional criteria did Concentric apply to determine if constituent companies were materially different from the bottling depot business model in Alberta?
3. Please outline in detail how Concentric incorporated the risk mitigation factors set out in Appendix A of the Return Margin Methodology Policy as they relate to risks faced by Alberta Depots as whole businesses into its identification and selection of Risk Comparable Entities.

Response:

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- Reference:** Section 4: Rationale for Recommendation
- (p. 9) “We have continued to consider three years of financial data in our “top down” approach because we believe it is important to smooth out any short-term anomalies that may occur in a given year and to identify industry trends that might suggest either a higher or lower return margin”
- “We also continue to believe it is reasonable to exclude unprofitable companies from the return margin analysis.”
- “This approach is consistent with the methodology employed by Concentric and PEG in previous reports”
- (p. 10) “As in our 2016 and 2019 reports, Concentric continues to believe that it is appropriate to use retail and wholesale industries to estimate the return margin for the Depots.”
- (p. 14) “Concentric did not attempt to quantify the impact of any of these specific risk factors.”
- “Rather, we believe it is appropriate to develop a range of operating margins for the Depots and then select a reasonable return margin based on an assessment of the relative risk of the Depots to the Canadian and U.S. industry groups that were identified as having similar operational and financial risk as the Depots”
- Issue/Sub-Issue:** Formula for identifying recommended pre-tax operating margin of 5.90% for the Depots
- Requests:**
1. Please confirm that the recommended pre-tax operating margin of 5.90% is simply the mathematical result of averaging the Canadian and US Pre-Tax Return Margin Point Estimates which, themselves, are mathematical outcomes from averaging return margins from US industry groups and individual companies and Canadian industry groups and companies as outlined on p. 7 of the June 2, 2025 report.

2. Please confirm these equations are the same equations used to produce previous recommendations of return margins in 2016 and 2019.
3. Please provide details respecting changes Concentric made to its process, analysis and formulas resulting from or in response to the changes to the Return Margin Methodology Policy between the preparation of the 2019 Return Margin recommendation and the preparation of the 2025 Return Margin recommendation.

Response:

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- Reference:** 2025.06.02.Attachment
1 U.S.Industry.Return.Margin.Analysis.Concentric spreadsheet
- Issue/Sub-Issue:** **US Companies Included & Methodology**
- Requests:**
- a. Please provide the number of companies that were used to derive the proposed US Industry Return Margin Estimate, for each of the industry categories - Retail Hardlines, Retail Softlines, Retail Store, Retail Building Supply, Retail Wholesale Food and Restaurants (i.e. number of companies used after excluding those with a Turnover Ratio Outliner and those with incomplete data), for each year (2022, 2023 and 2024).
 - b. Given that above 45% of the companies used in the analysis are from the Retail Wholesale Food Industry, please explain why the Industry Return Margins presented on Tab Summary by Industry are not weighted by the number of companies used in the analysis in each industry (i.e. rather than taking a simple average of the Pretax Return Margins across the six Industry categories)?
 - c. Please provide a revised analysis and Final Return Margin Recommendation with the Summary by Industry Pretax margins weighted by the number of companies used in the analysis in each industry.
- Response:**

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- Reference:** 2025.06.02.Attachment
1 U.S.Industry.Return.Margin.Analysis.Concentric spreadsheet
- Issue/Sub-Issue:** **US Companies Included**
- Requests:**
- a. Please explain why Winmark Corp, a franchise seller, was included the analysis, given that it is not a retail company.
 - b. Please explain why Concentric Energy Advisors believes Winmark Corp, with Pretax Return margins greater than 60%, is a Risk Comparable Entity to Alberta Bottle Depots.
 - c. Would Concentric Energy Advisors agree that Winmark Corp is a data outlier and should be excluded from the analysis? If not, please explain fully.
 - d. Please provide a revised analysis and Final Return Margin Recommendation excluding Winmark Corp from the analysis.
- Response:**

2025-2026

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- Reference:** 2025.06.02.Attachment
1 U.S.Industry.Return.Margin.Analysis.Concentric spreadsheet
- Issue/Sub-Issue:** **US Companies Included**
- Requests:**
- a. Please explain why Restaurants were included the analysis, given that they are not retail companies and have a materially different risk and revenue profile from Alberta Bottle Depots.
 - b. Would Concentric Energy Advisors agree that Restaurants are not sufficiently like Alberta Bottle Depots and should be excluded from the analysis? If not, please explain fully.
 - c. Please provide a revised analysis and Final Return Margin Recommendation excluding Restaurants from the analysis.
- Response:**

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Reference: [2025.06.02.Attachment.2 Canadian.Industry.Return.Margin.Analysis.Concentric spreadsheet](#)

Issue/Sub-Issue: Canadian Companies Included

Requests:

- a. Please provide the number of companies in the Retail Trade industry category.
- b. Please provide the number of companies in the Wholesale Trade industry category.
- c. Comparing the number of Canadian and US companies used in the analysis, please explain why Concentric Energy Advisors believes a simple average of the derived Canadian and US Return Margin estimates is appropriate.

Response: