

## 2025-2026

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**2025-2026 Handling Commission Review**  
**Information Requests to:**  
**Data Collection Agent (MNP)**

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- IR #:** ABDA 1
- Reference:** 63.2026.01.28.Written.Statement.ABDA
- Issue/Sub-Issue:** **Overhead Labour, Section 2.2 – The DCA’s Adjustment is Improper**
- Requests:**
- a. Paras. 13-16: ABCRC/ABCC would like to understand why ABDA is of the view that 2019 overhead labour costs should be taken as the benchmark to adjust 2024 overhead labour costs. Please explain how ABDA can verify that 2019 overhead labour rates for depot owners and related employees were market based and did not contain any non-labour related compensation.
  - b. Para. 20: Please provide the footnote 7 reference.
  - c. Para. 20: Please provide a copy of the Willis Tower Watson report or data set ABDA is recommending the DCA utilize.
  - d. Para. 23: ABCRC/ABCC would like to understand if a contrary example is likely. For example, could a situation also exist where depot manager A (owner) is being paid \$34/h and depot manager B (employee) is being paid \$26/h, and neither wage would be adjusted by the DCA; however; the revenue requirement is higher than it should be due to manager A taking profits as part of the salary? Please explain fully.
  - e. Paras. 26-32: ABCRC/ABCC would like to understand if there could be material differences in between for-profit and not-for-profit depots’ managers. Please explain why on average not-for-profit depot’s overhead wage rate could not be higher considering factors like location, demographics, experience, tenure, business models (e.g. social objectives), etc.?
  - f. Paras. 35-36: ABCRC/ABCC would like to understand if there could be material differences in between ABCRC supervisors and depot managers. Please explain why on average ABCRC union and non-union supervisor’s wage rate could not be higher considering factors like location, demographics, experience, tenure, union status, number of employees supervised, training and qualification requirements, etc.?
  - g. Para. 38: Please provide reference 17 in an Excel spreadsheet showing all calculations used to derive the values noted in paragraph 38.

- h. Par 40: For reference 19, what is basis for 50% assumption and how was this incorporated to get 2632 hours/depot? Please provide all calculations in an Excel spreadsheet.
- i. Please provide an Excel spreadsheet(s) showing all calculations used to derive the recommended \$2,384,250 increase in the Revenue Requirement.

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**IR #:** ABDA 2

**Reference:** 63.2026.01.28.Written.Statement.ABDA

**Issue/Sub-  
Issue:** Buildings

**Requests:**

- a. Please confirm that the Depot Building Deemed Lease Rate Policy does not require the inclusion of deemed or actual tenant improvement costs borne by tenants.
- b. Please confirm that Depot owners can made modifications and/or improvements to their depot buildings in an effort to increase container returns, lower costs, obtain additional off-site collection volumes, etc. If so, please confirm that these business expenditures to improve profitability should not be included in the system revenue requirement. If not, please explain fully.

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**IR #:** ABDA 3

**Reference:** 63.2026.01.28.Written.Statement.ABDA

**Issue/Sub-Issue:** Indices, Part 4

**Requests:**

- a. Para. 77: Does the chart represent volume clusters, or individual depots? Please explain fully.
- b. Para. 126: Would ABDA support the 2026 handling commissions being based on actual indices for Q3 and Q4 2025 and an updated forecast for 2026? For example, prior to finalizing 2026 handling commissions, the DCA could be directed to purchase on-line an updated Conference Board of Canada report and update the Phase I spreadsheet, in a similar manner to how the DCA will update the Phase I report with the most recent actual return volumes? Please explain fully.
- c. Appendix 7.1: Please provide Excel spreadsheet(s) showing all calculations to derive the proposed \$1,149,733 increase in revenue requirement.

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- IR #:** ABDA 4
- Reference:** 63.2026.01.28.Written.Statement.ABDA
- Issue/Sub-Issue:** Volume Forecast
- Requests:**
- a. Please provide all Excel spreadsheet models to support the ABDA’s recommendations, with details instructions on how the multitude of forecast scenarios were modeled with sufficient detail to allow an analyst to re-create the ABDA’s forecasts.
  - b. Section 5.3: ABCRC/ABCC notes that the DCA uses the following Excel formula to calculate forecast volumes:  
FORECAST.ETS (target\_date, values, timeline, [seasonality], [data\_completion], [aggregation])  
The DCA uses a [seasonality] value of 12, presumably to incorporate annual seasonality. Please update the ABDA’s recommendations by testing seasonality values of 1, 24 and 36, with the goal of minimizing forecast error rates.
  - c. Please provide a revised DCA Phase 1 spreadsheet showing the impact on the Revenue Requirement using ABDA recommendation of 7,693,269 containers removed from the Volume Forecast.
  - d. Please confirm that the error percentage referred to by the DCA and ABDA refers to the percentage above or below the actual volume the forecast is. In other words, where there is a percentage of error, it means the forecast volume could be above actuals by that percentage, or below that forecast by that percentage.
  - e. Please quantify how the Mean Absolute Percentage Error (MAPE) changes when the Return Volume method is tested using:
    - (i) 2002–2025 data
    - (ii) 2010-2025 data
    - (iii) 2014–2025 data
    - (iv) Provide full calculations.
  - f. Provide breakdown of forecast errors by container stream under each dataset scenario.
  - g. What statistical evidence supports using 2014 as a starting point for certain container streams?

- h. Has ABDA conducted any structural break analysis (i.e., unexpected changes in the data of the volume time-series caused by external factors) to justify excluding pre-2014 data? If so, provide the results and methodology. If not, explain why no such analysis was undertaken. Identify the specific market, regulatory, or behavioral event occurring in or around 2014 that justifies treating earlier data as non-representative. Provide supporting empirical evidence.
- i. Please provide evidence that the selected timeline improves out-of-sample predictive performance rather than merely improving historical fit. Does ABDA agree that a forecast model should be evaluated based on its predictive validity, not solely on its in-sample fit?
- j. Given that AURs must mirror the most recent HCR methodology, does ABDA propose that the same dataset start dates be fixed for future reviews?
- k. Please provide a calculation of the additional revenue depots would be able to earn in excess of the revenue requirement if the volume forecast errors are too low by 0.6%, 1.1%, 1.5%?
- l. Please confirm the event the forecast volume is too high (i.e. there is less volume than predicted), the costs of depots that are affected by container volume would also go down.

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<b>IR #:</b>	<b>ABDA 5</b>
<b>Reference:</b>	<b><u>63.2026.01.28.Written.Statement.ABDA, Part 6</u></b>
<b>Item</b>	<b>Return Margin</b>
<b>Requests:</b>	<p>(a) Please confirm that the BCMB Return Margin Methodology Policy (“Policy”) does not state that Depots are guaranteed to realize or achieve the authorized return.</p> <p>(b) Please confirm that the Policy states that Handling Commissions are set on a network-wide (system) basis and not on an individual depot basis, and that no guarantee of profitability for individual depots is provided.</p> <p>(c) Please identify any language in the Policy that provides for retroactive recovery of past earnings shortfalls. If none, state “none.”</p> <p>(d) Please confirm that the Policy requires the margin to be determined using market-based risk comparability analysis, not depot cash-flow outcomes.</p> <p>(e) Please identify any provision in the Policy that permits the Return Margin to be set based on historical depot earnings performance rather than market-comparable risk analysis.</p> <p>(f) Please confirm whether ABDA’s Written Statement seeks an increase to the Return Margin to compensate for depots not realizing previously authorized returns.</p> <p>(g) If the answer to (f) is yes, explain how such compensation is consistent with the Policy’s “opportunity to earn” standard.</p> <p>(h) Please confirm that the Policy explicitly recognizes the following risks and mitigating measures affecting depot earnings:</p> <ul style="list-style-type: none"><li>(a) regulatory lag,</li><li>(b) system volume risk,</li><li>(c) small business risk,</li><li>(d) operational risk,</li><li>(e) change-in-law risk.</li></ul> <p>(i) Please confirm that the Return Margin is intended to compensate depots for bearing those risks (as mitigated by the regulatory system governing the Alberta bottle depot system).</p> <p>(j) Please explain how increasing the Return Margin to compensate for realized under-earnings would not result in double recovery for risks already priced into the margin.</p>

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<b>IR #:</b>	<b>ABDA 6</b>
<b>Reference:</b>	<b><u>63.2026.01.28.Written.Statement.ABDA, Appendix 7.2</u></b>
<b>Item</b>	<b><u>ScottMadden - Responses to Concentric Energy Advisors' June 2, 2025 Report on The Appropriate Return Margin for the Bottle Depots at Section III C. Failure to Reflect the Depots' Higher Relative Risk due to their Smaller Size</u></b>
<b>Requests:</b>	<p>(a) Please confirm that Section III.C of the ScottMadden report concludes that smaller depot size increases risk and supports movement toward the upper end of the return margin range.</p> <p>(b) Please confirm that the primary quantitative basis for this conclusion is reliance on Kroll/Duff &amp; Phelps size premium studies derived from capital market evidence.</p> <p>(c) Please confirm that those size premium studies are based on observed returns of firms operating in competitive, unregulated markets.</p> <p>(d) Please confirm that those studies do not analyze businesses operating under regulated cost-of-service or handling-commission frameworks.</p> <p>(e) Please identify the specific risk channels ScottMadden understands the Kroll size premium to compensate for (as examples, earnings volatility, pricing power limitations, customer concentration, working capital stress, commodity exposure, financing constraints).</p> <p>(f) Please confirm whether ScottMadden evaluated which of those risk channels are present for Alberta bottle depots and which are mitigated by the regulatory system established to administer the Alberta bottle depot system. If yes, provide that analysis. If no, state "not evaluated." If yes, confirm whether ScottMadden quantified the risk-mitigating effect of the following Alberta regulated system design features when determining any size premium:</p> <ul style="list-style-type: none"><li>(a) regulated deposit incentive driving stable return volumes and cash flows</li><li>(b) depot system viability objectives and support policies</li><li>(c) depot licensing/siting controls that limit competition</li><li>(d) prescribed handling commission methodology with annual updating and periodic review</li></ul>

(e) 3<sup>rd</sup> party commodity marketing lifting material sales price risk from depots

(f) centralized payment structure that eliminates cash-flow risk

(g) system-wide promotion/education programs to encourage consumer participation

For each item, answer: “quantified / considered qualitatively / not considered.”

(g) If quantified or considered qualitatively in (f) please confirm whether ScottMadden calculated/adjusted the depot industry’s net residual risk after accounting for Alberta’s regulatory mitigations before applying any size premium.

(h) If not, please confirm that the size premium was applied based solely on depot scale without subtracting the effect of regulatory risk mitigation.

(i) Please provide the numerical magnitude of the size premium ScottMadden effectively incorporated into its recommended return margin.

(j) Please provide any assessment of how that premium would change if Alberta’s regulatory mitigants reduced earnings volatility relative to unregulated small businesses.

(k) Please confirm whether ScottMadden agrees that if Alberta’s regulatory structure materially reduces earnings volatility, commodity exposure, competition risk, and payment risk relative to unregulated small businesses, then a generic market-derived size premium would overstate required returns.

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**IR #:** ABDA 7

**Reference:** 63.2026.01.28.Written.Statement.ABDA, Appendix 7.2

**Issue/Sub-Issue:** ScottMadden Report

**Tables 4, 5, 6, 7, 8 and 9, and Charts 1 and 2**

**Requests:** Please provide all source data and workpapers (in excel format, including all calculations and assumptions employed) that support the results reported in:

- (a) Table 4 on page 6 of ScottMadden’s evidence.
- (b) Table 5 on page 10 of ScottMadden’s evidence.
- (c) Table 6 on page 11 of ScottMadden’s evidence.
- (d) Chart 1 on page 12 of ScottMadden’s evidence.
- (e) Table 7 on page 13 of ScottMadden’s evidence.
- (f) Chart 2 on page 14 of ScottMadden’s evidence.
- (g) Table 8 on page 16 of ScottMadden’s evidence.

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**IR #:** ABDA 8

**Reference:** 63.2026.01.28.Written.Statement.ABDA, Appendix 7.2

**Issue/Sub-Issue:** ScottMadden Report

**Appendix A (pdf 71 of Written Statement of ABDA)**

**Requests:** Please provide all source data and workpapers (in excel format, including all calculations and assumptions employed) that support the results reported in Appendix A of ScottMadden’s evidence (pdf 71 of Written Statement of ABDA).

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**IR #:** ABDA 9

**Reference:** 63.2026.01.28.Written.Statement.ABDA, Appendix 7.2

**Issue/Sub-Issue:** ScottMadden Report

Footnote 29, on page 12 of ScottMadden’s evidence states:

ScottMadden was provided aggregate 2024 total assets (\$222,910,621) and revenues (\$340,740,029) from 186 of the total system’s 221 depots (84% of total depots which account for 92% of the system’s total FY 2024 volume) in DCA Revised Responses to IR ABDA-DCA-1 and ABDA-DCA-3. TOR = Revenues / Total Assets, thus  $\$340,740,029 / \$222,910,621 = 1.53$ .

**Requests:** Please provide all source data and workpapers (in excel format, including all calculations and assumptions employed) that support its 2024 Alberta turnover ratio estimate of 1.53.

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**IR #:** ABDA 10

**Reference:** 63.2026.01.28.Written.Statement.ABDA, Appendix 7.2

**Issue/Sub-Issue:** ScottMadden Report

**Tables 9, 10, 11 on pages 18-19 of ScottMadden’s evidence**

**Requests:** Please provide all source data and workpapers (in excel format, including all calculations and assumptions employed) that support the results reported in Tables 9, 10 and 11 on pages 18 and 19 of ScottMadden’s evidence.

**Response:**

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**IR #:** ABDA 11

**Reference:** 63.2026.01.28.Written.Statement.ABDA, Appendix 7.2

**Issue/Sub-  
Issue:** ScottMadden Report

Quote #1 (Page 15):

Additionally, Concentric does not attempt to manually screen the broad Retail Trade and Wholesale Trade datasets from STATCAN by industry, resulting in the inclusion of several noncomparable industries. For example, while Concentric excludes Retail Automotive from their U.S. return margin estimate due to lack of comparability, no such adjustment is made for the STATCAN Retail Trade data. In fact, the entire Motor Vehicle and Parts Dealer industry comprises 27.24% of the total 2023 Retail Trade Industry Operating Revenues, making it the largest single subindustry. It is unclear why Concentric deems this industry incomparable to the Depots when estimating their U.S. return margin, but includes the Canadian industry data as a valid comparator.

Quote #2 (Pages 15-16):

Similarly, when looking to the Wholesale Trade aggregate dataset, the single largest industry is Petroleum, Petroleum Products, and other Hydrocarbons Merchant Wholesalers (“Petroleum Industry”) comprising 26.42% and 31.13%, respectively, of 2023 and 2022 total Operating Revenues for the Wholesale Trade dataset. This industry is “primarily engaged in wholesaling crude oil, liquefied petroleum gases, heating oil and other refined petroleum products and hydrocarbons”.<sup>37</sup> It is unclear why Concentric considers this industry as similar to the Depots, when unlike most other Wholesale Trade industries, this industry is engaged in selling a global commodity, exposing the industry to fluctuating input prices that can have substantial impacts on their revenues and margins. It is also worth noting that in addition to being the largest industry within the Wholesale Trade group, they also have the smallest return margin of 0.13% in 2023.

**Requests:** (a) Please confirm that the “Motor Vehicle and Parts Dealer” sub-sector that ScottMadden decided to delete in its determination of its Canadian Retail sector estimate had one of the five lowest sub-sector average return margins (RMs) during 2022 and 2023 (as reported in Figure 9 (page 20) of the

- Concentric report), out of the 31 sub-sectors included in Figure 9. If not confirmed, please explain.
- (b) Please confirm that the “Petroleum...” sub-sector that ScottMadden decided to delete in its determination of its Canadian Wholesale sector estimate had by far the lowest sub-sector average RMs as reported in Figure 10 (page 21) of the Concentric report, out of the 37 sub-sectors included in Figure 10. If not confirmed, please explain.
- (c) Please confirm that the “Motor Vehicle and Parts Dealer” sub-sector that ScottMadden decided to delete in its determination of its Canadian Retail sector estimate had the largest operating revenue of all of the retail trade sub-sectors during 2022 and 2023 (as reported in the “Summary\_Retail” worksheet of the file 16.2025.06.02.Attachment.2.Canadian.Industry.Return.Margin.Analysis.Concentric), out of the 31 sub-sectors included in Figure 9. If not confirmed, please explain.
- (d) Please confirm that the “Petroleum...” sub-sector that ScottMadden decided to delete in its determination of its Canadian Wholesale sector estimate had the largest operating revenue of all of the wholesale trade sub-sectors during 2022 and 2023 (as reported in the “Summary\_Wholesale” worksheet of the file 16.2025.06.02.Attachment.2.Canadian.Industry.Return.Margin.Analysis.Concentric), out of the 31 sub-sectors included in Figure 9. If not confirmed, please explain.
- (e) Please confirm that the impact of removing a sub-sector on the final return margin estimate results in the greatest increase when (i) the sub-sector removed has a high return margin, and (ii) the sub-sector removed has a high operating revenue. If not confirmed, please explain.
- (f) Please confirm that of all of the 31 sub-sectors in the Canadian Retail sector, removing the “Motor Vehicle and Parts Dealer” sub-sector results in the greatest increase in the return margin estimate of Canadian Retail sector in 2022 and in 2023. If not confirmed, please explain.
- (g) Please confirm that of all of the 37 sub-sectors in the Canadian Wholesale sector, removing the “Petroleum...” sub-sector results in the greatest increase in the return margin estimate of Canadian Wholesale sector in 2022 and in 2023. If not confirmed, please explain.
- (h) Please confirm that of all of the 1,148 (37 x 31) combinations of two sub-sectors in the Canadian Retail and Wholesale sectors, removing the “Motor Vehicle and Parts Dealer” and “Petroleum...” sub-sector results in the greatest increase in the return margin estimate of Canadian Industry Return Margin point estimate sector in 2022 and in 2023 and in the overall Canadian Industry Return Margin estimate. If not confirmed, please explain.
- (i) Please explain why ScottMadden feels that the “Motor Vehicle and Parts Dealer” sub-sector (which had one of the five lowest sub-sector average RM) was not comparable to Alberta bottle depots, but felt that the “Beer, wine and liquor retailers” sub-industry Retail category (whose average RMs are much higher than for the other sub-industries with 2022 and 2023 averages of 26.74% and 26.01%) are good comparators to Alberta bottle depots.
- (j) Please explain why ScottMadden feels that the “Petroleum...” sub-sector that it decided to delete in its determination of its Canadian Wholesale

sector estimate (which had by far the lowest sub-sector average RM) was not comparable to Alberta bottle depots, while it felt that the “Cannabis merchant wholesalers” sub-industry Wholesale category (with 2022 and 2023 return margin averages of 16.25% and 16.71% respectively) was a good comparable sub-sector.

- (k) Please confirm that Concentric’s Canadian estimate of 5.62% (which is based on the two-year average estimates for the Canadian “Total Retail and Total Wholesale” industries) is much lower than the simple two-year averages based on using the sub-industry averages reported in Figures 9 and 10 of Concentric’s evidence, which equals 7.15%, as reported below. If not confirmed, please explain.

<b>Industry Return Margins (%)</b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2022-23</u> <u>Average</u></b>
Retail (Total)	6.42	5.97	6.20
Wholesale (Total)	5.48	4.60	5.04
<b>Overall Average</b>			<b>5.62</b>
Retail (Average of Sub-Industry Averages from Figure 9 of Concentric report)	7.32	6.84	7.08
Wholesale (Average of Sub-Industry Averages from Figure 10 of Concentric report)	7.60	6.81	7.21
<b>Overall Average</b>			<b>7.15</b>

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**IR #:** ABDA 12

**Reference:** 63.2026.01.28.Written.Statement.ABDA, Appendix 7.2

**Issue/Sub-Issue:** ScottMadden Report

Page 18 of ScottMadden’s evidence states:

To correct for the three primary issues in Concentric’s return margin analysis that serve to understate the fair pre-tax return margin for the Depots, ScottMadden adjusted Concentric’s return margin analysis as follows: (1) setting a turnover ratio threshold of 0.50 to 3.50 to capture a greater number of U.S. companies that are more comparable to the partial 2024 Depot turnover ratio of 1.53.

**Requests:** Please justify the decision to use a 0.50 to 3.50 turnover ratio as a screen, as opposed to the 2.0-9.0 turnover ratio screen used by Concentric, or other ranges such as the 1.5 to 4.0 range that Concentric uses in its Appendix.

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**IR #:** ABDA 13

**Reference:** 63.2026.01.28.Written.Statement.ABDA, Appendix 7.2

**Issue/Sub-Issue:** ScottMadden Report

Page 18 (Tables 9 and 10) of ScottMadden’s evidence provides the following pre-tax return estimates:

U.S. – 7.73%

Canada – 6.69%

Table 11 on page 19 of ScottMadden’s evidence (copied below) provides the following pre-tax return estimates and its final recommendation:

**Table 11: ScottMadden Recommended Return Margin**

	Midpoint	Top of Range	ScottMadden Recommendation
Pre-tax Return Margin Estimate	7.21% <sup>42</sup>	7.55% <sup>43</sup>	7.21% - 7.55%

**Requests:**

- (a) Please confirm the following corresponding “after-tax margin” estimates using a 30% tax rate and using the following equation: After-tax margin = Pre-tax margin × (1 -Tax Rate). If not confirmed, please explain and provide the correct corresponding after-tax margin estimate(s).
  - i. Pre-tax margin = 7.73% corresponds to a 5.41% after-tax margin using a 30% tax rate.
  - ii. Pre-tax margin = 6.69% corresponds to a 4.68% after-tax margin using a 30% tax rate.
  - iii. Pre-tax margin = 7.21% corresponds to a 5.05% after-tax margin using a 30% tax rate.
  - iv. Pre-tax margin = 7.55% corresponds to a 5.29% after-tax margin using a 30% tax rate.
- (b) Please confirm that all of the after-tax margin estimates in part (a) exceed:

- i. The average approved after-tax return margin for Alberta depots over the 2013-2025 period of 3.72%.
- ii. The 2019-2020 approved after-tax return margin for Alberta depots of 3.85%.
- iii. The average “earned” after-tax return margins for Alberta depots over the 2018-2024 period of 3.33%.

If not confirmed, please explain and provide the correct corresponding after-tax margin estimate(s).

**Response:**