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**2025-2026 HANDLING COMMISSION REVIEW**

**INFORMATION REQUEST RESPONSES**  
**OF THE ALBERTA BOTTLE DEPOT ASSOCIATION**  
**TO ABCRC/ABCC**

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February 25, 2026

<b>Response to IR No.: ABDA 1</b>
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**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.

**Response:**

- (a) Not confirmed. The ABDA is not of the view that 2019 overhead labour costs should be taken as the benchmark from which to adjust 2024 overhead labour costs. The purpose of paras 13-17 of the Written Statement was to compare the results of depot overhead wage adjustments applied by the DCA in the 2025 HCR to those made in the 2019 HCR to demonstrate that the DCA has made unreasonable cuts to the 2025 HCR overhead wage rates, most particularly in the Large depot category.

As explained in section 2.3 of its Written Statement, it is ABDA's view that, for those select instances where the DCA determines that the wage rate of a manager who is an owner or related employee is unreasonably high, such a wage rate should only be reduced (i.e., benchmarked) to the upper end of an appropriate inflation-adjusted wage band. Such a wage should not be reduced to the much lower "system average job class" wage rate, as was done by the DCA.

Given that the DCA used the Willis Tower Watson ("WTW") survey in the 2019 HCR to benchmark overhead labour costs at that time, but neglected to do so in the 2025 HCR, the ABDA relied upon the 2019 WTW, adjusted for inflation to 2024, as the basis to establish a reasonable wage band of \$23.79 - \$43.52 per hour. Based on this, ABDA recommends that overhead labour wage rates deemed "unreasonably high" by the DCA should only be reduced to the upper end of this reasonable wage band (i.e., \$43.52) and not the job class system average of \$27.16 as proposed by the DCA.

The 2019 HCR overhead labour *As-Adjusted* wage rates for depot owners and related employees referenced in paras 13-17 of the ABDA Written Statement were market-based and did not contain any non-labour related compensation. The DCA transforms the data received from the depots into a form that removes non-labour related compensation. As detailed in section 2.4 of the Phase 1 Report (Doc 58) this transformation process includes the following:

- (i) When filing their UCA, depots are required to identify for each employee and contractor whether they are related or unrelated to the owner of the depot and whether the associated wage cost is a result of tax planning or profit sharing.
- (ii) Depots are required to validate their reported costs by including CRA tax returns and financial statements with their UCA filing.
- (iii) The DCA reviews each UCA filing and outliers are identified by Data Verification Flags and followed up on by the DCA for verification.
- (iv) The DCA subsequently removes or corrects costs unrelated to depot operations or deemed to be unreasonable by the DCA. Deemed changes were made to many UCAs, as shown by the DCA on page 9 of Doc 58.

The Phase I data transformation process is intended to generate wage rates for depot owners and related employees that do not contain non-labour related compensation. While the ABDA acknowledges that this process is necessary to prune out instances of reported wage rates that contain non-labour related compensation, the ABDA takes issue with the deemed wage

rates selected by the DCA in the 2025 HCR to replace these reported wage rates.

- (b) Footnote 7 intended to reference the HCR 2019-20 Phase I Report<sup>1</sup> at section 7.2.6.2 (pages 49-55) (attached as Appendix A).
- (c) For the 2025 HCR, the ABDA has utilized the WTW report used by the DCA in the 2019 HCR (the Willis Towers Watson 2018 General Industry Middle Management, Professional and Support Compensation Survey Report), adjusted for inflation. The ABDA does not have a full copy of this WTW report, nor does it appear to have been filed on the 2019 HCR Record. Please see the 2019 HCR Phase I Report for details and excerpts provided by the DCA regarding the WTW report used in the 2019 HCR.

The ABDA further recommends that the DCA apply the approach of using an external benchmark wage range (such as the WTW Report) to all future Annual Update Reports (AURs) and HCRs, including obtaining updated WTW reports when appropriate (e.g., it may be sufficient to only obtain an updated WTW report every few years and rely on inflation-adjusted values during intervening years).

- (d) The contrary example posited by the ABCRC/ABCC is not likely. As explained in the response to “a” above, the Phase I data transformation process applied by the DCA results in As Adjusted wage rates for depot owners and related employees that do not contain non-labour related compensation. If the As Adjusted wage rates used by the DCA to establish the Revenue Requirement

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<sup>1</sup> In the 2019-2020 HCR, document titled 2020.01.10.Phase.I.Report.Reissued.MNP, with document number 111.

after application of the Phase I data transformation process includes the cost of a 'depot manager A' (owner) paid at \$34/hour then that wage rate has been independently determined by the DCA to be reasonable and reflective of a market-based rate.

The ABDA further submits that owners operate with more independence than their staff and should be compensated accordingly, by earning more.

- (e) This request seeks to identify factors that can result in higher wages being paid at Not-For-Profit (NFP) than at For-Profit depots. The Phase I Report only provides insight into depot manager wage rates that have already been adjusted by the DCA. It is not known if the wage rates at For-Profit depots, as reported by depots on their UCAs prior to adjustments by the DCA, are higher or lower than NFP depots.

More broadly however, it is known that there are material differences between NFP and For-Profit wage rates in that NFP employees generally receive wage rates that are lower than employees in the public and For-Profit Sector. According to the 2021 Alberta Wage and Salary Survey (attached as Appendix B):

As a whole, employees at nonprofits receive lower hourly wages on average than workers in the public sector and for-profit sector.

Accordingly, the ABDA submits that wages paid to NFP managers should only serve as a lower bound for reasonable wage rates for For-Profit overhead labour.

The NFP depots in Alberta range in size from small to large, are located across the province, and have varying business models (such as use of automated sorting equipment or engaging in offsite collections). The ABDA submits that NFP depots are similar to For-Profit depots in these respects, and NFP depots don't have any materially relevant differences from the wider depot industry resulting in higher overhead wage rates.

The ABDA further understands that NFP depots use their net operating surplus (profits) to fund social objectives and so are incented to not pay more than fair market rates for their employees.

- (f) The ABDA understands that ABCRC seeks to limit its wage costs by paying the lowest rates it can negotiate and that the employee wage rates it has agreed to pay in its settlement with UFCW 401 reflect prevailing market rates. The comparison of depot managers to an ABCRC employee who is an unrelated employee with 10 years of experience operating in a Lead Person<sup>2</sup> capacity is deliberate and appropriate.

Most depot managers have extensive experience in Alberta's container return industry, similar to senior ABCRC employees, and operate with a range of geographies, demographics and supervisory responsibilities that overlap with ABCRC operations except that the ABDA views depot business owners as operating with more independence than ABCRC staff. Accordingly, reducing depot overhead labour wages deemed "unreasonably high" by the DCA to

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<sup>2</sup> The ABDA mistakenly used the outdated terminology "Lead Hand". The correct term is now "Lead Person" as per *ABCRC and UFCW 401 Negotiations Company Offer Of settlement* at UP14, s. 3.3 (attached as Appendix C).

rates below those earned by an ABCRC Lead Person with 10 years of experience is inappropriate and unreasonable.

- (g) Attached in Appendix D (tab "g").
- (h) Attached in Appendix D (tab "h").
- (i) Attached in Appendix D (tab "i").

**Response to IR No.: 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.

**Response:**

- (a) Not confirmed. As demonstrated below, the Depot Building Deemed Lease Rate Policy explicitly intends for tenant leasehold improvement costs borne by tenants to be included as a component of the deemed lease rate used by the DCA.

The Depot Building Deemed Lease Rate Policy states the following at sections 1, 7, 9, 11 and 13:

**Definitions**

**1. In this Policy:**

- A.** "As Reported Lease Costs" for a Depot Building Group means all annual building lease rates, *specifically including all net costs for leasehold improvements borne by Depot lessees ... being paid by all those Depots ... which are leasing their respective Depot buildings.*

...

## **Determination of Deemed Lease Rate**

...

**7.** ... for each Depot Building Group, the DCA will determine the following:

...

**B.** the *Average As Reported Lease Cost* for such Depot Building Group

...

**9.** The *Average As Reported Lease Cost* ... shall be provided by the DCA to the Real Estate Expert...

...

**11.** Based on the data and information provided to the Real Estate Expert by the DCA ... the Real Estate Expert shall provide the DCA with a written report addressing...

**A.** ... the average comparable market rates for annual building lease rates ("Market Lease Rates") ... *comparable by description to the As Reported Lease Costs...*"

...

**13.** ... the DCA shall determine the Deemed Lease Rate ... as follows:

**A.** the DCA will rely on the written report of the Real Estate Expert...

**B.** ... Market Lease Rates ... shall be the Deemed Separate Lease Rate for each Depot Building Group;

...

**D.** The DCA shall add the Deemed Separate Lease Rate ... to the Deemed Building Related Costs ... and the resulting total shall be the Deemed Lease Rate for such Depot Building Group...

(emphasis added)

- (b) The first part of this IR is confirmed. The second part of this IR, regarding inclusion of certain expenditures in the Revenue Requirement, is not confirmed.

The BCMB's Handling Commission By-Law provides for compensation to depots for these expenditures in section 4, where it states that the purpose of handling commissions ("**HCS**") is to:

4.1.1 Provide sufficient funds to enable Depots as a group to recover prudently-incurred costs and expenses and to earn a fair pre-tax return;

4.1.2 To maintain a viable Depot industry;

4.1.3 To minimize the net cost of handling commissions...

4.1.4 To share the benefits from more efficient handling or processing technologies...

...

4.1.7 To maximize beverage container return rates.

To incent and properly compensate depot owners for business expenditures on their buildings - expenditures which benefit the overall system in terms of maximizing beverage container returns and minimizing net costs - compensation for expenditures made by depots in their buildings must be included in the Revenue Requirement.

Further, the BCMB's Return Margin Methodology Policy states:

2.1 Alberta Depots are regulated by the BCMB and Handling Commissions are set based on regulatory cost of service principles...

Cost-of-service principles allow utilities to receive, as part of the Revenue Requirement, a return of and on business expenditures, including expenditures made in buildings.

A return on business expenditures made in buildings is often provided through recovery of depreciation expense (CCA) and a regulated return on the undepreciated capital cost (net book value). In the case of expenditures made by depots in their buildings, the mechanism of return is provided for through the BCMB's Depot Building Deemed Lease Rate Policy.

<b>Response to IR No.: ABDA 3</b>
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**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.

**Response:**

- (a) Either. The chart at paragraph 77 demonstrates conceptually how the DCA's current approach to escalating depot costs results in a shortfall. This concept applies regardless of whether one examines depot costs on a volume cluster basis (which is simply an aggregation of depots) or on an individual depot basis.
- (b) Updating the CPI forecast, as suggested in question "b", is unrelated to and should not be conflated with ABDA's recommendation that costs should be escalated to the Target Year using the average index rate for the depot fiscal year, as opposed to the index rate of only the depot fiscal year end.

As a separate matter, the ABDA would support updating the CPI forecast as part of a broader initiative to use more actuals, including updating all HCR and

AUR Volume Forecasts with at least 9 months of Actual return volumes prior to finalizing HCs.

- (c) Please see Schedule 11c Target Year Costs and also Schedule 12 (cell MM42) of the 'Phase I Schedules' tab in the Excel file attached as Appendix E.

<b>Response to IR No.: ABDA 4</b>
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**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.

**Response:**

- (a) Please see attached Appendices F through R. Appendix F contains an index of all appendices provided in response to this IR No. 4.

The ABDA only expanded upon the volume forecast modelling work of the DCA and did not create any novel files beyond summaries.

In compilation, the ABDA identified and implemented some minor corrections that resulted in immaterial changes to the tables presented in its Written Statement. Appendices G-P contain those corrections as well as the original versions. A summary of the corrections is included as a Supplemental Response at the end of ABDA's response to this IR No. 4.

- (b) The ABDA agrees that the DCA uses a seasonality value of 12. ABDA's recommendations remain the same even after testing seasonality values of 1, 24, and 36, as these other options perform less accurately than a seasonality of 12.

Please see attached Appendix S.

The most significant finding was that, regardless of the seasonality chosen, the mechanism used to prepare volume forecast for the Revenue Requirement should use as many months of Actual container volumes as possible.

- (c) Please see attached Appendices Q and R. The Revenue Requirement would be reduced by an estimated \$343,634 but the average HC would increase from 6.326 to 6.333 ¢/container.
- (d) Where the ABDA references percentage error as a positive number it means that the forecast volume is higher than the actual volume. For example, in paragraphs 98, 100, and 102 of the ABDA Written Statement, the percentage error indicates the forecast volumes are higher than actual return volumes.

The table in paragraph 97 is different. As stated, the results shown in that table are Mean Absolute Percent Error (MAPE) for the container stream comparisons.

The ABDA is uncertain where the DCA referred to "error percentage" in the context of container return volumes and thus cannot clarify the unknown statements.

- (e) The same Appendices referenced in "a" above (Appendices F-R) provide quantification, including full calculations, of how MAPE changes when the Return Volume method is tested for the periods of 2002-2025 (representing all available volume data) and 2014-2025 (representing data for the period when sales data is also available) within the detailed container stream analysis. Appendix G includes MAPE by container stream in tab 'Recommendation Comparisons'. ABDA's analysis was parallel to the DCA's forecasting

approaches, and accordingly ABDA has not conducted analysis and does not have a quantification of the 2010-2025 period.

- (f) Please see Appendices F-R. Appendix G includes MAPE by container stream in tab 'Recommendation Comparisons'.
- (g) It is the ABDA's understanding that the DCA used 2014 as a starting point for testing forecast accuracy because that is the first year that container sales data becomes available, allowing for direct comparison of the Return Volume (2014-2025) and the Return Rate forecasting methods. As explained in section 5.3 of its Written Statement, the ABDA's analysis focused on replicating the DCA's two testing methods and adding a third which tested forecast results of the Return Volume (2002-2025) forecasting method.
- (h) No. Please see response "g" above. As discussed, what is unique about 2014 is that it is the first year container sales data becomes available permitting a direct comparison of Return Volume (2014-2025) and Return Rate forecasting methods.
- (i) The ABDA's analysis did not involve an assessment of the matter raised by this question, and accordingly ABDA does not have the requested evidence.

The ABDA supports the DCA in using historical fit as the basis for comparing volume forecast methods. ABDA's analysis was based upon the DCA's analysis, and focused on building upon the two forecast methods tested by the DCA (Return Volume [2014-2025] and Return Rate) by also testing the method actually applied by the DCA (Return Volumes [2002-2025]).

If ABCRC/ABCC were to propose a superior evaluation method, whether associated with predictive validity or otherwise, then the ABDA would be open to reviewing and considering it. The ABDA is supportive of forecasts that are as accurate as possible.

The most important conclusion, regardless of the forecasting method chosen, is that the mechanism used to prepare volume forecast for the Revenue Requirement should use as many months of Actual container volumes as possible. The ABDA recommends that all HCRs and AURs should incorporate at least 9 months of Actuals.

- (j) Yes, consistent with section 13.6.2 of the Handling Commission By-law, the ABDA is of the view that AURs should mirror the HCR methodology and use the same dataset start dates. Most importantly, the AUR processes must incorporate at least 9 months of Actuals when applying a Volume Forecast for the final determination of HCs – just as is done with Step 29 during HCRs.
- (k) The ABDA modeled the selected scenarios and summarized the results in Appendix T.

The ABDA notes that the forecast has been demonstrated to create container forecasts that are higher than actuals volumes, not lower:

- (i) In updating the volume forecast in document 34 to document 54, additional actuals data was added to the DCA's forecast and resulted in the removal of 15.6 million containers, equating to a 0.7% drop in containers. I.e. when there was less actual volume data (document 34) there was a higher, not lower, forecast.

- (ii) From HCR2019 to AUR2024 the forecasts were a net 121 million containers or 0.9% higher than the actual containers returned through the system. Different forecasting methodologies were in place at the time, but the current DCA methodology appears to perpetuate this overforecasting issue.
  - (iii) The ABDA tested different scenarios for its Written Statement (see paragraphs 100 and 102): DCA and ABDA methodologies each with either 3 or 8 months forecasted. The DCA methodology with 8 months forecast persistently overforecasted volumes in each of the 3 tested years, with forecasts higher than actuals by 1.1% on average and the highest absolute variance average of 1.9%. The summary of these results can be found in the tabs 'Orig – AUR volumes' and 'Revised AUR volumes' in Appendix H.
- (l) In the case of a high-volume forecast (fewer actual containers returned than predicted), the following will occur:
- (i) Depots will earn lower HCs per collected container than they should have. The loss of income to depots can be calculated as 'the difference between the HCs in effect and the HCs that would have been established using actuals volume' multiplied by 'the actual volume of containers returned':  $\Delta\text{HCs} * \text{actual containers returned}$ ;
  - (ii) Depots will not earn HCs on uncollected containers. The quantum of revenues not received by depots can be calculated as 'the number of missing (over-forecasted) containers' multiplied by 'the HC rates (set based on a higher volume)'.  $\Delta \text{Containers returned} * \text{HCs in effect}$ ; and

- (iii) A portion of depot costs associated with volume would likely decline somewhat. For example, a part-time or seasonal employee might be engaged for fewer hours. However, unless the drop in volume was severe, the costs of permanent full-time employees (both Direct and Overhead Labour) would remain the same as would fixed costs associated with buildings, taxes, snow clearing, etc.

As demonstrated in the response to part "k", the current forecasting methodology demonstrates a clear tendency to overforecast volumes. The risk of underforecasting volumes is clearly minimal when compared to overforecasting. Both risks are best mitigated through the use of as many months of actual container return volumes as possible.

**Supplemental Response:**

Below are additional details on the minor corrections referenced in response "a" to this IR No. 4:

- (i) The ABDA identified inconsistent seasonality in the FORECAST.ETS formulas used in preparing the May 2022 to April 2023 volume forecasts. The seasonality should be 12 for all forecast calculations.
- (ii) The dollars for the financial impact for the DCA 8 month forecast for the May 2023 to April 2024 modeling included an error of \$4,792.90. A subcomponent of \$2,396.45 was included as a positive, rather than negative value. The supporting calculations did not require revision, only the AUR financials summary.

- (iii) The May 2023 to April 2024 financial modeling did not update the hardcoded value for Miscellaneous Revenue in Phase II Schedule 1, resulting in immaterial errors to the gain/ loss change to depot earnings<sup>3</sup>. The Revenue Requirement and average HC were correct.
  
- (iv) The ABDA did not adjust the unlinked equipment costs in Phase II Schedule 11 in the AUR 2024 files. This ABDA notes that any outages arising from this exclusion in AUR file updating will be immaterial<sup>4</sup>. The Revenue Requirement and average HC were correct.

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<sup>3</sup> In the AUR 2023 modeling, the DCA methodology with 3 months of forecast volumes had the largest basic container volume variance from actuals of the 4 scenarios. The miscellaneous revenues are higher by \$1,003 in Phase II Schedule 1 in the scenarios than they should be. The ABDA believes the amount to be immaterial and notes the modeled financial impact on the net gain to depots was off by \$1,002.

<sup>4</sup> In the AUR 2024 modeling, the DCA methodology with 8 months of forecast volumes had the largest container volume variance from actuals of the 4 scenarios. The equipment costs are understated by \$9,699 in Phase II Schedule 11 in the scenario. The ABDA believes the amount to be immaterial and notes that the financial impacts are understated rather than overstated.

<b>Response to IR No.: ABDA 5</b>
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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>

**Response:**

(a) Confirmed. The BCMB Return Margin Methodology Policy states:

2.2 Alberta Depots, as a group, must have the opportunity to earn a fair return which has been calculated after consideration of appropriate regulatory principles including the following:

2.2.1 Comparable Investments – the Pre-Tax Return is comparable to other industries of similar risk;

2.2.2 Capital Attraction – the Pre-tax Return is sufficient to allow the Depot industry to attract additional financial capital as needed; and

2.2.3 Financial Integrity – the Pre-tax Return is sufficient to ensure the Depot industry viability.

This is similar to the Handling Commission By-law which defines the Revenue Requirement (2.1.35) as:

“Revenue Requirement” means the amount of money that all Depots as a group must collect through Handling Commissions and Depot Viability Handling Commissions in a given period of time in order to recover prudently incurred costs and expenses and to earn a fair pre-tax return.

- (b) Confirmed.
- (c) None.
- (d) The Policy does require a market-based risk comparability analysis; however, depot cash-flow outcomes remain relevant under Part 2 of the Return Margin Methodology Policy. As per section 2.2 of the Return Margin Methodology Policy (quoted in “a” above), the return margin must provide the opportunity for depots to earn a fair return calculated in consideration of appropriate regulatory principles. One of those principles involves ensuring the return

margin is comparable to other industries of similar risk, but other key principles include ensuring the return margin is sufficient to allow the depot industry to attract additional financial capital as needed and is sufficient to ensure depot industry viability. Depot cash-flow outcomes are pertinent to those principles. If historical depot cash-flow outcomes show chronic failure to earn returns at rates that were authorized by the BCMB (i.e., failure to earn a “fair return”), then the viability of the system is at risk as is its ability to attract financial capital.

- (e) Please see response “d” above.
- (f) Not confirmed. The ABDA Written Statement (paragraphs 112 – 117) does not seek an increase in the Return Margin for the purpose of providing retro-active compensation to depots for having not realized previously authorized returns.

ABDA is not seeking a direct increase or change to return margin due to this issue. ABDA’s purpose is to demonstrate that the HC rate setting process, as currently applied, continually results in depots underearning their authorized fair return and to propose changes to the HC rate setting process to remove, or at least reduce, the barriers to depots having the opportunity to earn their authorized fair return. If changes are not made, then depots will continue to underearn their authorized fair return going forward.

- (g) See previous answer.
- (h) Confirmed. The Return Margin Methodology Policy also references other risks, including Individual Depot Volume Risk and Meta Risks (COVID-19 pandemic or similar). Importantly, although the Return Margin Methodology Policy

identifies risk mitigating measures, it leaves open to question the extent to which the risks are mitigated by such measures (i.e., whether the risks are eliminated).

- (i) Confirmed with clarification. The Return Margin is intended to ensure depots have the opportunity to earn a fair return, where such a return is analogous to profit in a non-regulated context (see sections 2.2. and 1.1.10 of the Return Margin Methodology Policy). The risk factors discussed in “h” above are additional (secondary) risk factors to assist in assessing whether a given return margin is reasonable and robust (Return Margin Methodology Policy, Appendix). The enumeration of various “risk mitigating factors” in the Return Margin Methodology Policy does not mean underlying risk factors have been eliminated. In accordance with ScottMadden’s report titled *Responses to Concentric Energy Advisors’ June 2, 2025 Report on The Appropriate Return Margin for the Bottle Depots* (the “**ScottMadden Evidence**”)<sup>5</sup>, there should be movement to the upper end of the RM range to compensate depots for their higher relative risk.
  
- (j) If all risks have been appropriately “priced into the margin” then depots, on a system-wide basis, should not be chronically underearning a fair return due to these risks. Accordingly, anything the depots fail to earn is a loss over-and-above the priced-in risks – so there is no “double recovery” at play. The Return Margin proposed by the ABDA reflects the marked-based Return Margin of comparable companies. The Return Margin is not based on depots’ historical under-earning. See also response (f) above.

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<sup>5</sup> The ScottMadden Evidence is at Appendix 7.2 of 2026.01.28.Written.Statements.ABDA (Doc 63).

**Response to IR No.: ABDA 6**

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

**Item** **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**

**Requests:**

- (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.
- (b) Please confirm that the primary quantitative basis for this conclusion is reliance on Kroll/Duff & Phelps size premium studies derived from capital market evidence.
- (c) Please confirm that those size premium studies are based on observed returns of firms operating in competitive, unregulated markets.
- (d) Please confirm that those studies do not analyze businesses operating under regulated cost-of-service or handling-commission frameworks.
- (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).
- (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:

- (a) regulated deposit incentive driving stable return volumes and cash flows
- (b) depot system viability objectives and support policies
- (c) depot licensing/siting controls that limit competition
- (d) prescribed handling commission methodology with annual updating and periodic review
- (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.

**Response (provided by ScottMadden):**

- (a) Confirmed, with clarification. ScottMadden refers specifically to the smaller size of the Depots as an industry relative to the groups of Comparable companies as shown in Appendix A to the ScottMadden Evidence. ScottMadden also notes that page 10 of Concentric's report (the "**Concentric Evidence**")<sup>6</sup> similarly concludes that small size may increase operational and financial risks, and that the Appendix to the BCMB Return Margin Methodology Policy lists Small Size Business Risk as a risk requiring additional consideration.
- (b) Confirmed.
- (c) Not confirmed. The size premium studies are based on observed returns of companies covered by the Center for Research in Security Prices ("CRSP"), which includes firms traded on the NYSE, NYSE MKT and NASDAQ indices. This includes firms operating in both unregulated and regulated markets.

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<sup>6</sup> 2025.06.02.Return.Margin.Expert.Final.Report.Concentric (Doc 14).

- (d) Please see response to request "c".
- (e) ScottMadden did not apply a specific adjustment to the return margin based on the Kroll size premium study and instead opted to move upwards to the top of the return margin range. However, ScottMadden understands that the Kroll size premiums are intended to reflect the general increased level of risk as a result of a Company's small size.
- (f)
  - a) not considered
  - b) not considered
  - c) not considered
  - d) not considered
  - e) not considered
  - f) not considered
  - g) not considered
- (g) Not applicable.
- (h) Please see response to request "e".
- (i) Please see response to request "e".
- (j) Please see response to request "e".
- (k) Not confirmed. The assumption implied in the question (that the Alberta regulatory structure is not already reflected in the Depot's turnover ratio) is inconsistent with the generally accepted use of a group of comparable risk companies in this proceeding and the BCMB Return Margin Methodology

Policy that specifies the RM is set based on a group of companies similar in primary risk characteristics. In addition, as discussed in response to part e), a “generic market-derived size premium” was not applied.

<b>Response to IR No.: ABDA 7</b>
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**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.

**Response (provided by ScottMadden):**

- (a) See Figure 2 of the Concentric Evidence.
- (b) See Appendix U, tab "Table 5 Outliers Excluded".
- (c) See Appendix U, tab "Table 6 Avg Return Margins".
- (d) See Appendix U, tab "Chart 1 Histogram".
- (e) See Appendix U, tab "Table 7 Updated US Summary".
- (f) See Appendix U, tab "Chart 2 Utility TOR".
- (g) See Appendix U, tab "Table 8 Updated CAN Summary".

<b>Response to IR No.: ABDA 8</b>
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**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).

**Response (provided by ScottMadden):**

Please refer to Appendix U.

**Response to IR No.: 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.

**Response (provided by ScottMadden):**

Please refer to 2026.01.14.DCA.Revised.Responses.to.ABDA-DCA-1.and.-3.DCA (Doc 62) for the source data.

ScottMadden's calculation was explained in the footnote quoted in this IR.

<b>Response to IR No.: ABDA 10</b>
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**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 (provided by ScottMadden):**

Please refer to Appendix U, specifically tabs "Table 7 Updated US Summary", "Table 8 Updated CAN Summary", and "Table 11 Summary". The data contained within Tables 9 and 10 is presented in Tables 7 and 8, so Tables 9 and 10 do not have their own tab.

**Response to IR No.: ABDA 11**

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

**Issue/Sub**

**Issue:** **ScottMadden Report**

**-Issue:**

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 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 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>

**Response (provided by ScottMadden):**

- (a) Confirmed with clarification – as discussed on page 15 of the ScottMadden Evidence, this sub-sector was removed to improve consistency between the Canadian and US RM analyses. As noted on page 4 of the Concentric Evidence, this industry was removed from the US RM analysis.
- (b) Confirmed with clarification – as discussed on page 15 of the ScottMadden Evidence, this sub-sector was removed due to lack of comparability to the Depots.
- (c) Confirmed. As noted in the ScottMadden Evidence, this sub-sector had the largest weighting and impact of any Canadian Retail sub-sector. Please see response “a”.

- (d) Confirmed. As noted in the ScottMadden Evidence, this sub-sector had the largest weighting and impact of any Canadian Wholesale Trade sub-sector. Please see response “b”.
- (e) Not confirmed as the question is unclear as to what quantifies a “high” level of return margin or revenue. Generally, if a sub-sector has a high level of operating revenue, it will be weighted heavily within the industry total, and so its removal would have a larger impact. If a sub-sector has a high return margin, but low operating revenue, it would have less weight within the industry total, and so its removal would likely have less of an impact.
- (f) Confirmed. Removing a sub-sector with the largest weighting would have the greatest impact. Please refer to response “a”.
- (g) Confirmed. Removing a sub-sector with the largest weighting would have the greatest impact. Please refer to response “b”.
- (h) Confirmed, in part. ScottMadden has not conducted a simulation of the impact of the removal of 1,148 possible pairs of sub-sectors. As noted, generally, removing the sub-sectors with the largest weighting would have the greatest impact. Please refer to responses “a” and “b”.
- (i) Please refer to page 15 of the ScottMadden Evidence for their explanation supporting the exclusion of the Motor Vehicle and Parts Dealer sub-sector. ScottMadden believes the “Beer, wine and liquor retailers” sub-sector is a good comparator for several reasons. First, their product is sold in a container which Depots collect, process, and reimburse deposits for. Second, the ABCC, a designated registered participant in this proceeding, is the collection system

provider for the containers that beer beverages are sold in. Third, their inclusion meets the primary characteristics of the risk comparable entities specified in the Appendix to the BCMB Return Margin Methodology Policy (i.e, they purchase products in competitive wholesale markets and accept risk by marking-up the price of these products and reselling them to retail consumers).

- (j) The Cannabis merchant wholesalers sub-industry meets the primary characteristics of the risk comparable entities specified in the Appendix the BCMB Return Margin Methodology Policy (i.e, they purchase products in competitive wholesale markets and accept risk by marking-up the price of these products and reselling them to retail consumers). Also, please refer to pages 15-16 of the ScottMadden Evidence for their explanation supporting the exclusion of the Petroleum Industry sub-sector. In addition to the lack of comparability, the large weighting of this sub-sector creates an outsized impact on the overall Canadian RM. Comparatively, the Cannabis merchant wholesalers sub-industry comprises only 0.17% and 0.19% of the total 2022 and 2023 operating revenue of the Wholesale Trade industry, respectively.
- (k) Not confirmed. The question appears to assume the data contained in Figures 9 and 10 of the Concentric Evidence is a simple average of the entire dataset. As a result, the question fails to recognize that several sub-industries reported are aggregates of further sub-industries, as can be gleaned when directly retrieving the data from StatCan. For example, in Figure 9 of Concentric's evidence, the "Gasoline Stations and Fuel Vendors" sub-industry is comprised of both "Gasoline stations" and "Fuel Dealers".

**Response to IR No.: 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.

**Response (provided by ScottMadden):**

Please refer to pages 11-13 of the ScottMadden Evidence. As stated on page 12 of the ScottMadden Evidence, "a histogram of individual companies' turnover ratios from 2022 to 2024 show a range of turnover ratios from 0.00 to 6.49 with 95% of turnover ratios between 0.50 and 3.50."

**Response to IR No.: ABDA 13**

**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 (provided by ScottMadden):**

- (a) Confirmed.
  
- (b) Confirmed, with clarification. ScottMadden notes that the return specified in part "iii" of this request is a pre-tax return, not an after-tax return. Further, ScottMadden notes that Part 4 of the BCMB Return Margin Methodology Policy does not suggest giving consideration to previously approved or earned RMs.