

Definitions

1. In this Policy:
 - A. “As-Adjusted Data” for a Bottle Depot for any particular HC review process, means the modified and adjusted data for such Bottle Depot resulting after the DCA has made all of the modifications and adjustments to the As-Reported Data for such Bottle Depot for that particular HC review process which are outlined in Clause 7 of this Policy;
 - B. “As-Reported Data” for a Bottle Depot for any particular HC review process, means the actual data for such Bottle Depot for its fiscal year ending in the Selected Reporting Period for that particular HC review process, as contained in such Bottle Depot’s annual filed UCA report for such fiscal year end, and as verified by the DCA;
 - C. “BCMB” means the Beverage Container Management Board;
 - D. “Bottle Depot” means a universal bottle depot operating in Alberta;
 - E. “Container Stream Cost Allocation” means the allocation of a given Revenue Requirement to each of the beverage container streams identified by the BCMB at the time of such allocation, and collected through the Alberta Bottle Depot network;
 - F. “Container Volume Forecast” means the determination made by the DCA, based on actual or forecast volumes, of the total volume of beverage containers to be processed by all of the Bottle Depots during a specified time period and to be used as a factor in determining the HCs for that specified period of time;
 - G. “Cut-off Date” for any particular HC review process, means the date, selected by the BCMB upon the initiation of that particular HC review process as the cut-off date for the 12 month period of Bottle Depot fiscal year ends to be used in determining which UCAs will be used for that particular HC review process, and which becomes the last day of or ends the Selected Reporting Period for that particular HC review process;
 - H. “DCA” means the BCMB’s Data Collection Agent;
 - I. “Facilitated Negotiations” for any particular HC review process, means the negotiations between those parties involved in that particular HC review process, with the assistance of a facilitator selected by the BCMB, and conducted in accordance with the applicable rules of the BCMB in an effort to reach an agreement setting HCs for that particular HC review process.

- J. “HC” means, at any particular time, the handling commission rates used for payment to Bottle Depots for their handling of registered beverage containers;
- K. “Implementation Date” for any particular HC review process, means the actual effective date of the implementation by the BCMB of the new HCs resulting from that particular HC review process;
- L. “Implementation Year” for any particular HC review process, means the 12 full months prior to and including the Implementation Date for that particular HC review process;
- M. “Implementation Year Container Stream Cost Allocation” for any particular HC review process, means the Container Stream Cost Allocation for the Implementation Year for that particular HC review process, where such Container Stream Cost Allocation has been determined through that particular HC review process and where such Container Stream Cost Allocation has been used in setting the new HCs to be approved by the BCMB for that Implementation Year;
- N. “Implementation Year Revenue Requirement” for any particular HC review process, means the Revenue Requirement and associated Container Volume Forecast for the Implementation Year for that particular HC review process, where such Revenue Requirement and associated Container Volume Forecast have been determined through that particular HC review process and where such Revenue Requirement and associated Container Volume Forecast have been used in setting the new HCs to be approved by the BCMB for that Implementation Year;
- O. “Mid-Term Adjustment Formulas” for any particular HC review process, means those formulas to be used to calculate the Mid-Term HCs that were last tested through that particular HC review process and accepted by the BCMB for that particular HC review process;
- P. “Mid-Term Date” for any particular HC review process, means the date which falls eighteen full months after the Implementation Date for that particular HC review process;
- Q. “Mid-Term HCs” for any particular HC review process, means the handling commissions that are derived using the Mid-Term Adjustment Formulas for that particular HC review process and applied on the Mid-Term Date for that particular HC review process;
- R. “Revenue Requirement” means the annual cost to operate the Bottle Depot network and is used to determine HCs;

- S. “Selected Reporting Period” for any particular HC review process, means the 12 month period of time prior to and ending on the Cut-off Date for that particular HC review process and to be used by the DCA as the relevant reporting period for Bottle Depots in determining the HCs for that particular HC review process;
- T. “Study System” for any particular HC review process, means all those Bottle Depots, that filed an annual UCA report verified by the DCA for their respective fiscal year ending in the Selected Reporting Period for that particular HC review process, and upon whose data the DCA is basing calculations for the Revenue Requirement determination for that particular HC review process;
- U. “Target Date” for any particular HC review process, means the theoretical effective date, selected by the BCMB at the beginning of that particular HC review process, on which the BCMB intends to have the resulting new HCs effectively adopted and implemented by the BCMB;
- V. “Target Year” for any particular HC review process, means the 12 full months prior to and including the Target Date for that particular HC review process;
- W. “Target Year Container Stream Cost Allocation” for any particular HC review process, means the Container Stream Cost Allocation for the Target Year for that particular HC review process, where such Container Stream Cost Allocation has been determined through that particular HC review process and where such Container Stream Cost Allocation has been used in setting the new HCs to be approved by the BCMB for that Target Year;
- X. “Target Year Revenue Requirement” for any particular HC review process, means the Revenue Requirement and associated Container Volume Forecast for the Target Year for that particular HC review process, where such Revenue Requirement and associated Container Volume Forecast have been determined through that particular HC review process and where such Revenue Requirement and associated Container Volume Forecast have been used in setting the new HCs to be approved by the BCMB for that Target Year;
- Y. “Total System” for any particular HC review process, means all Bottle Depots operating within Alberta during the Selected Reporting Period for that particular HC review process; and
- Z. “UCA” means the BCMB Uniform Code of Accounts.

Background to Policy

2. Utility rates are generally set for the time period in which such rates are to be in effect. To ignore the potential impacts of future cost escalation or de-escalation, or of changes in beverage container volumes handled (i.e. revenues), may violate applicable regulatory principles.
3. Profit-motivated utilities are provided with an opportunity to increase their profits by lowering their costs. Typically regulators approve costs on a prospective basis and any cost reductions (e.g. productivity improvements) or cost increases (e.g. lack of productivity), accrue to utility shareholders in the short term. However, when such utilities apply for new rates, a new forecast and any cost reductions or productivity improvements, or cost increases, are captured in the forecast and accrue to utility consumers.
4. Timely and current rate setting assists with reducing this regulatory lag inherent in the lengthy timelines required for regulators to properly process utility applications.

Initiation of Handling Commission Review Process

5. Upon initiating a particular HC review process, the BCMB will:
 - A. Select a Target Date;
 - B. Select a Cut-off Date; and
 - C. Select a time and motion report, a real estate expert report and a return margin expert report to be used for that particular HC review process, or initiate a process whereby these reports will be completed within the timelines required by the DCA.
6. After the Target Date and Cut-off Date have been selected by the BCMB for a particular HC review process, the DCA will be directed by the BCMB to commence its work for the BCMB for that particular HC review process.

DCA Adjustments to As-Reported Data

7. In any particular HC review process, in the process of establishing the applicable Target Year Revenue Requirement, and in the process of setting HCs to commence on the applicable Target Date, all of the As-Reported Data collected by the DCA for that particular HC review process shall be adjusted by the DCA in accordance with the following guidelines:
 - A. The first adjustment to be undertaken by the DCA is to modify and adjust the As-Reported Data for each and every Bottle Depot in the Study System so as to align such As-Reported Data with all BCMB bylaws and policies, all applicable regulatory precedents, and all applicable principles of utility rate setting, as applied to the Bottle Depot network, taking into consideration as deemed appropriate by the DCA those of Dr. Bonbright's Principles of Public Utility Rates which reasonably apply to the Bottle Depot network at the time of such alignment. The DCA will apply the results of the real estate expert report and the return margin expert report as deemed appropriate by the DCA and in accordance with the appropriate BCMB policies. These modifications and adjustments will result in the applicable As-Adjusted Data for such Bottle Depots;
 - B. The second adjustment to be undertaken by the DCA is to escalate the As-Adjusted Data for each and every Bottle Depot in the Study System so that the As-Adjusted Data for such Bottle Depots aligns with the applicable Cut-off Date. The aggregated result of this adjustment is referred to in this Policy as the "As-Adjusted Study System";
 - C. The third adjustment to be undertaken by the DCA is to escalate the aggregate data of the As-Adjusted Study System in order to fully represent all Bottle Depots in Alberta, including those Bottle Depots that did not file a UCA with the BCMB for the Selected Reporting Period. The aggregated result of this adjustment is referred to in this Policy as the "As-Adjusted Total System"; and
 - D. The fourth adjustment to be undertaken is if the BCMB is advised by the DCA that no appropriate mid-term adjustment formulas for that particular HC review process can be developed by the DCA pursuant to Clause 10 or Clause 12 of this Policy, then no mid-term adjustment formulas for that particular HC review process will be approved by the BCMB.

DCA Determines Recommendations for Target Year Revenue Requirement, Target Year Container Stream Cost Allocation, and Mid-Term Adjustment Formulas

8. In any particular HC review process, in the process of setting HCs to commence on the applicable Target Date, and after completing the adjustments outlined in Clause 7 of this Policy for that particular HC review process, the DCA will be directed by the BCMB to take the following steps:
 - A. The DCA shall determine the Container Volume Forecast to be used for that Target Year;
 - B. The DCA shall then use the Projected As-Adjusted Total System for that particular HC review process and the Container Volume Forecast for that Target Year as the basis to establish the DCA's recommendations to the BCMB for the Target Year Revenue Requirement for that particular HC review process;
 - C. The DCA shall then use that Target Year Revenue Requirement, the Container Volume Forecast for that Target Year, and the results of the time and motion report to be used for that particular HC review process, as the basis to establish the DCA's recommendations to the BCMB for the Target Year Container Stream Cost Allocation for that particular HC review process; and
 - D. For that particular HC review process, when the DCA submits its recommendations to the BCMB for the applicable Target Year Revenue Requirement and the applicable Target Year Container Stream Cost Allocation, the DCA shall also recommend to the BCMB the Mid-Term Adjustment Formulas for that particular HC review process.

Consideration of DCA Recommended Mid-Term Adjustment Formulas

9. In any particular HC review process and in the process of setting HCs to commence on the applicable Target Date, the following requirements shall apply:
 - A. the Mid-Term Adjustment Formulas recommended to the BCMB by the DCA for that particular HC review process will be subject to the same and simultaneous review and HC review processes as the other recommendations provided to the BCMB by the DCA for that particular HC review process, including without limitation consideration by parties involved in that particular HC review process, consideration during the Facilitated Negotiations, review by the BCMB, and possible referral to applicable BCMB arbitration proceedings;
 - B. at any Facilitated Negotiations for that particular HC review process, all recommendations provided to the BCMB by the DCA for that particular HC review

process shall be considered, including without limitation the recommended Mid-Term Adjustment Formulas for that particular HC review process;

- C. any Mid-Term Adjustment Formulas for that particular HC review process which are to be approved by the BCMB shall be approved by the BCMB at the same time the new HCs resulting from that particular HC review process are approved by the BCMB. For clarification purposes, no Mid-Term Adjustment Formulas for that particular HC review can be approved by the BCMB unless the new HCs resulting from that particular HC review process are also being approved by the BCMB;
 - D. if the BCMB is advised by the DCA that no Mid-Term Adjustment Formulas for that particular HC review process are available for application by the DCA on the applicable Mid-Term Date pursuant to Clause 10 or Clause 12 of this Policy, then no Mid-Term Adjustment Formulas for that particular HC review process will be approved by the BCMB;
 - E. the BCMB shall satisfy itself that the application of any Mid-Term Adjustment Formulas to be approved by the BCMB for that particular HC review process can be done automatically and mechanistically prior to approving such Mid-Term Adjustment Formulas. If the BCMB cannot satisfy itself that the application of the applicable Mid-Term Adjustment Formulas can be done automatically and mechanistically, then no Mid-Term Adjustment Formulas for that particular HC review process will be approved by the BCMB; and
 - F. Notwithstanding Clauses 9 (a), 9(c) and 9(e) of this Policy, at the BCMB Board meeting that is called to consider the setting of HCs and Mid-Term Adjustment Formulas for that particular HC review process pursuant to the provisions of Section 5 of the BCMB Handling Commission Rules of Practise and Procedure (hereinafter called the "Section 5 Board Meeting"), the BCMB may decide, for any reason whatsoever and by at least a 2/3rds majority, that no Mid-Term Adjustment Formulas for that particular HC review process will be adopted or approved.
- 10.** In any particular HC review process, in the process of setting HCs to commence on the applicable Target Date, after completing the Facilitated Negotiations for that particular HC review process, if any, after the BCMB's Section 5 Board Meeting, and after completing any arbitration proceedings for that particular HC review process, if any, the DCA will be directed by the BCMB to take the following steps:
- A. Prior to the final decision by the BCMB regarding the new HCs and any new Mid-Term Adjustment Formulas resulting from that particular HC review process, and to the extent necessary, the DCA shall:

- i. revise the applicable Target Year Revenue Requirement and the applicable Target Year Container Stream Cost Allocation to incorporate all decisions regarding the policies, methodologies, indices, formulas and other valuations which resulted from that particular HC review process; and
- ii. subject to Clause 9(f) of this Policy, revise any applicable Mid-Term Adjustment Formulas, to incorporate all decisions regarding the policies, methodologies, indices, formulas and other valuations which resulted from that particular HC review process, and confirm to the BCMB that such revised Mid-Term Adjustment Formulas can be applied by the DCA on the applicable Mid-Term Date; or
- iii. subject to Clause 9(f) of this Policy, advise the BCMB that such revision is not possible and that, as a result, no Mid-Term Adjustment Formulas for that particular HC review process are available for application by the DCA on the applicable Mid-Term Date.

DCA Determines Recommendations for Implementation Year Revenue Requirement, Implementation Year Container Stream Cost Allocation, and Revisions to Mid-Term Adjustment Formulas

- 11.** If the Target Date and the Implementation Date for a particular HC review process are the same date, then such Target Date shall become the Implementation Date for that particular HC review process, and the Implementation Date adjustment contained in Clause 12 of this Policy will not be required for that particular HC review process.
- 12.** In any particular HC review process, in the process of setting HCs to commence on the applicable Implementation Date, after the DCA has taken the steps outlined in Clause 10 of this Policy, and only if the applicable Target Date is different from the applicable Implementation Date, the DCA will be directed by the BCMB to take the following additional steps:
 - A.** replace the applicable Target Year Revenue Requirement with the applicable Implementation Year Revenue Requirement and then determine the Implementation Year Container Stream Cost Allocation for that particular HC review process, based on the applicable Implementation Date rather than the applicable Target Date and incorporating all decisions regarding the policies, methodologies, indices, formulas and other valuations which resulted from that particular HC review process. The BCMB must first approve any Implementation Date for a particular HC review process that is to be different from the Target Date for that particular HC review process; and

- B. subject to Clause 9(f) of this Policy, further revise the applicable Mid-Term Adjustment Formulas, if and to the extent required, as a result of such Target Date being different from such Implementation Date, incorporating all decisions regarding the policies, methodologies, indices, formulas and other valuations which resulted from that particular HC review process, and confirm to the BCMB that such further revised Mid-Term Adjustment Formulas can be applied by the DCA on the applicable Mid-Term Date; or
- C. subject to Clause 9(f) of this Policy, advise the BCMB that such further revision is not possible and that, as a result, no Mid-Term Adjustment Formulas for that particular HC review process are available for application by the DCA on the applicable Mid-Term Date.

Mid-Term Review and Possible Mid-Term Adjustment of HCs

- 13. For any particular HC review process (hereinafter called the “PHCR”), the following requirements shall apply:
 - A. The purpose of the mid-term review for that PHCR (hereinafter called the “Mid-Term Review”) is to determine if the new HCs which resulted from that PHCR should be adjusted, effective as of the Mid-Term Date and in accordance with this Policy, as a result of changes in expenses, costs, revenues, and volumes of beverage containers handled by Bottle Depots, which have occurred after the applicable Implementation Date and up to and including the applicable Mid-Term Date. The Mid-Term Adjustment Formulas approved by the BCMB for that PHCR would be applied to determine if any mid-term adjustment of such new HCs should occur;
 - B. The intent of the Mid-Term Review is to reduce the incentive for interested parties to trigger more frequent HC reviews, and to minimize regulatory lag. Current utility rate setting practice uses formula-based methodologies to minimize regulatory lag;
 - C. Once the new HCs determined as a result of that PHCR have been approved and implemented by the BCMB effective as of the applicable Implementation Date, the maximum three-year period of time before a new HC review process must be triggered will be established.
 - D. If Mid-Term Adjustment Formulas have been approved by the BCMB for that PHCR, but subject however to Clause 13(e) of this Policy, then:
 - i. the BCMB shall conduct the Mid-Term Review of the new HCs determined as a result of that PHCR, all in accordance with the provisions of this Policy;

- ii. the applicable Mid-Term Adjustment Formulas will be used by the BCMB as the basis for the Mid-Term Review to be conducted by the BCMB in accordance with this Policy; and
- iii. subject to Clause 13(l) of this Policy, the new HCs determined as a result of that PHCR will be adjusted by the BCMB effective as of the Mid-Term Date for that PHCR if such mid-term adjustment is appropriate and required in accordance with the provisions of Clause 13 of this Policy.

Any such mid-term adjustments of such new HCs to be made by the BCMB pursuant to the provisions of Clause 13 of this Policy are intended to be automatic and mechanistic. As a result, such mid-term adjustments do not require any further HC review process or any other regulatory review except for confirmation by BCMB Management that the applicable Mid-Term Adjustment Formulas, which were applied by the DCA in determining such mid-term adjustments, were used and applied by the DCA correctly. Accordingly, the Mid-Term Review and any resulting mid-term adjustments to such new HCs done pursuant to and in accordance with Clause 13 of this Policy would be done in the absence of a HC review and would not be subject to the BCMB's HC review process.

- E. Notwithstanding that Mid-Term Adjustment Formulas have been approved by the BCMB for that PHCR, if a new HC review process for the BCMB has been triggered prior to the applicable Mid-Term Date, then the Mid-Term Review shall not take place or be continued if already commenced, and no automatic mid-term adjustment of the new HCs resulting from that PHCR shall occur pursuant to the provisions of Clause 13 of this Policy.
- F. If, pursuant to Clause 9(f) of this Policy, the BCMB decides, by at least a 2/3rds majority, that no Mid-Term Adjustment Formulas for that PHCR will be adopted or approved, then no automatic Mid-Term Review and no automatic mid-term adjustment of the new HCs resulting from that PHCR shall occur pursuant to the provisions of Clause 13 of this Policy;
- G. If, pursuant to Clauses 9(d) or 9(e) of this Policy, no Mid-Term Adjustment Formulas for that PHCR are approved by the BCMB, then no Mid-Term Review and no automatic mid-term adjustment of the new HCs resulting from that PHCR shall occur pursuant to the provisions of Clause 13 of this Policy;

- H. If and when the Mid-Term Adjustment Formulas for that PHCR are approved by the BCMB in accordance with this Policy, then at that same time the BCMB will approve the Mid-Term Review and the possible automatic mid-term adjustment of the new HCs resulting from that PHCR, all to be done in accordance with the terms, conditions and restrictions of this Policy;
- I. Approximately two months before the applicable Mid-Term Date, provided that Mid-Term Adjustment Formulas have been approved by the BCMB for that PHCR, and subject to Clause 13(e) of this Policy, the DCA will be directed by the BCMB to apply the applicable Mid-Term Adjustment Formulas in order to determine the Mid-Term HCs for that PHCR. The DCA will also determine if the difference is material between the aggregate total of the new HCs resulting from that PHCR and the aggregate total of the applicable Mid-Term HCs for that PHCR;
- J. The DCA will confirm and demonstrate to the satisfaction of BCMB Management that the applicable Mid-Term Adjustment Formulas which were used by the DCA to determine the Mid-Term HCs for that PHCR have been applied by the DCA properly, appropriately and accurately;
- K. The Mid-Term Review calculations made by the DCA using the applicable Mid-Term Adjustment Formulas and the resulting Mid-Term HCs for that PHCR determined by the DCA, shall be distributed to all parties who were involved in that PHCR for the sole purpose of confirming that such calculations have been completed correctly and in accordance with the applicable Mid-Term Adjustment Formulas;
- L. In accordance with the provisions of Clause 13 of this Policy, but subject to Clause 13(e) of this Policy, the BCMB shall automatically adjust the new HCs determined as a result of that PHCR, effective as of the applicable Mid-Term Date, but only if all three of the following conditions are satisfied:
 - i. the aggregate total of the Mid-Term HCs derived from the Mid-Term Adjustment Formulas for that PHCR differs in a material way from the aggregate total of the new HCs determined as a result of that PHCR and approved by the BCMB. For this purpose, a material difference would be a difference between the aggregate total of such Mid-Term HCs and the aggregate total of such approved HCs of more than +/-0.3 of 1%;
 - ii. the DCA confirms and demonstrates to the satisfaction of BCMB Management that such adjustment can be done automatically, mechanistically, and in accordance with the applicable Mid-Term Adjustment Formulas; and

- iii. BCMB Management, after seeking input from all parties involved in that PHCR, is convinced that the applicable Mid-Term Adjustment Formulas have been properly, appropriately and accurately applied by the DCA to produce the applicable Mid-Term HCs.

If all three of the foregoing conditions cannot be satisfied immediately following the Mid-Term Review, then the BCMB shall not adjust the new HCs determined as a result of that PHCR effective as of the applicable Mid-Term Date, and no such mid-term adjustment shall occur.

- M. Subject to Clause 9, Clause 13(e) and Clause 13(l) of this Policy, the Board shall approve the applicable Mid-Term HCs which have been determined in accordance with this Policy.

General Provisions

- 14. The provisions of this Policy shall apply to all BCMB HC reviews.