

Definitions

1. In this Policy:

- A.** “As-Adjusted Data” for a Depot for any particular HC review process, means the modified and adjusted data for such Depot resulting after the DCA has made all of the modifications and adjustments to the As-Reported Data for such Depot for that particular HC review process which are outlined in Clause 7 of this Policy;
- B.** “As-Reported Data” for a Depot for any particular HC review process, means the actual data for such Depot for its fiscal year ending in the Selected Reporting Period for that particular HC review process, as contained in such 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. The BCMB is a management board within the meaning of the Environmental Protection and Enhancement Act (Alberta) whose mandate is to regulate and enhance a leading beverage container system that protects Alberta’s environment;
- D.** “Container” means a bottle, can, plastic cup or paperboard carton or a package made of metal, plastic, paper, glass or other material, or a combination of them, that contains or has contained a beverage;
- E.** “Container Stream Cost Allocation” means the allocation of the Revenue Requirement to each of the Material Streams identified in the Handling Commission Review;
- F.** “Container Volume Forecast” means the determination made by the DCA, based on actual or forecast volumes, of the total volume of Containers to be processed by all of the 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 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.** “Data Collection Agent” or “DCA” means the person appointed by the BCMB for the purpose of collecting and analyzing information about the beverage container system in Alberta and reporting on that information;

- I. “Depot” means a place operated as a business for the collection of empty Containers;
- J. Depot Viability Handling Commission” is the amount payable to a Depot in addition to the Handling Commission for the first 1.5 million containers shipped to the CSA by that Depot in every calendar year commencing January 1, 2022, excepting refillable containers and regardless of whether there is a change in effective control of the Depot or a change of Permit Holder at the Depot location;
- K. “Facilitated Negotiations” means the negotiations between the Interested Parties with the assistance of a Facilitator in accordance with the rules set out in the Handling Commission By-law, in an effort to reach an agreement setting Handling Commissions;
- L. “Handling Commission” or “HC” means the amount payable for each Container collected from a Depot in accordance with section 13(b) of the Regulation;
- M. “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;
- N. “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;
- O. “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;
- P. “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;
- Q. “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;

- R. “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 Depots in determining the HCs for that particular HC review process;
- S. “Study System” for any particular HC review process, means all those 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;
- T. “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;
- U. “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;
- V. “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;
- W. “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 and Depot Viability Handling Commissions to be approved by the BCMB for that Target Year;
- X. “Total System” for any particular HC review process, means all Depots operating within Alberta during the Selected Reporting Period for that particular HC review process; and
- Y. “Uniform Code of Accounts” or “UCA” means the series of forms identified as such and provided to each Depot by the Data Collection Agent for the purpose of collecting financial and operational data on an annual basis.

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 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, a return margin expert report, and an indices 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 Depot in the Study System so as to align such As-Reported Data with all BCMB by-laws and policies, all applicable regulatory precedents, and all applicable principles of utility rate setting, as applied to the 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 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 Depots;
- B. The second adjustment to be undertaken by the DCA is to escalate the As-Adjusted Data for each and every Depot in the Study System so that the As-Adjusted Data for such 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;" and
- 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 Depots in Alberta, including those 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."

DCA Determines Recommendations for Target Year Revenue Requirement and Target Year Container Stream Cost Allocation

- 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, including the use of actual data where reasonable;
 - 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;

- D.** Additionally, the DCA shall allocate the Target Year Container Stream Cost Allocation into a Handling Commission and a Depot Viability Handling Commission for each container stream. The Depot Viability Premium will add 1.5 cents for each of the first 1.5 million containers shipped to the CSA by every Depot, other than a Class D Depot, in every calendar year commencing January 1, 2022, excepting refillable containers and regardless of whether there is a change in effective control of the depot or a change of permit holder at the depot location.
- 9.** 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 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 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

DCA Determines Recommendations for Implementation Year Revenue Requirement, Implementation Year Container Stream Cost Allocation

- 10.** 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.
- 11.** 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 evaluations 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.

General Provisions

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