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DATE: May 17, 2021

TO: Depot Network

RE: **New Variable Rate for Handling Commissions Effective July 1, 2021**

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### What is changing?

At the April 21, 2021 Board Meeting, the BCMB's Board of Directors approved a new variable rate for Handling Commissions. The revenue requirement (total handling commissions established through the HC review process) for depots will remain the same. However, the variable rate will provide the opportunity for more depots to achieve the return margin (the ability to recover prudently incurred fixed costs, expenses, and taxes, thus earning a fair return) set by the BCMB's Data Collection Agent (DCA) and approved by the BCMB Board.

### What is the new variable rate for handling commissions?

Handling Commissions are being recalculated so that the **first 1.5 million containers collected by a depot in a calendar year will be allocated an additional 1.5 cents**. Handling commissions have been set to account for this change. The change will redistribute revenues from larger depots to smaller depots to support the viability of Alberta's depot network.

The list of new Handling Commissions can be found in the Handling Commission By-law on the BCMB website: <https://www.bcmb.ab.ca/about/governing-documents/>

### Why is a new variable rate for handling commissions being introduced by the BCMB?

The variable rate is addressing the issue of depot viability within Alberta's common collection system, with a focus on the challenge faced by depots handling volumes less than 18 million containers to recover fixed costs.

Industry stakeholders requested a review of depot viability during the 2019-2020 Handling Commission Review process, and the establishment of a BCMB Depot Viability Committee to review the issue and make recommendations to the Board was built into the HCR negotiated agreement in 2020. The Committee's consultation and review were extensive and involved all industry stakeholders.

### When is the new variable rate being implemented?

The implementation date for the variable rate is **January 1, 2022**. However, the Board has approved a two-phase approach to adopt the new variable rate. Phase I is a half-year introduction that will see the variable rate applied between **July 1 and December 31, 2021** and an adjustment to handling commissions for that period. Phase 2 will be full implementation of the variable rate and will begin on **January 1, 2022**. The BCMB is working closely with industry stakeholders in the development and deployment of this plan.

The pandemic and its significant impact on an already struggling economy in Alberta is making the issue of depot viability, particularly in smaller rural areas, more acute than ever. Small/low volume depots close or change ownership at higher rates than urban/high volume depots and the Board felt it was imperative the variable rate be implemented as soon as possible to prevent further hardship or closures for small depots.



Where can I find more information on the new variable rate?

**Detailed information on the variable rate can be found in the attached FAQs.** This includes information on the administration of the rate(s), compliance, expected outcomes, and evaluation.

For questions regarding this information, please contact Brent Campbell, Director of Operations at:

Email: [bcampbell@bcmb.ab.ca](mailto:bcampbell@bcmb.ab.ca)





BEVERAGE CONTAINER MANAGEMENT BOARD

## New Variable Rate for Handling Commissions Frequently Asked Questions

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### New Variable Rate for Handling Commissions

#### 1. What is changing?

Handling commissions for beverage containers are changing with the introduction of a variable rate that will provide an opportunity for more depots to achieve the return margin (the ability to recover prudently incurred fixed costs, expenses, and taxes, thus earning a fair return) set by the BCMB's Data Collection Agent (DCA). The revenue requirement for depots (total handling commissions established through the Handling Commission Review (HCR) process) will remain the same.

#### 2. What is the new variable rate for handling commissions?

While the revenue requirement remains unchanged, handling commissions are being recalculated so that the first 1.5 million non-refillable containers collected by a depot in a calendar year will be allocated an additional 1.5 cents. Handling commissions have been set to account for this change. The change will redistribute revenues from larger depots to smaller depots to support the viability of Alberta's depot network.

#### 3. When is the new variable rate being implemented?

The implementation date for the variable rate is **January 1, 2022**. However, the Board has approved a two-phase approach to adopt the new variable rate. Phase I is a half-year introduction that will see the variable rate applied between **July 1 and December 31, 2021** and an adjustment to handling commissions for that period. Phase 2 will be full implementation of the variable rate and will begin on **January 1, 2022**. The BCMB is working closely with industry stakeholders in the development of this plan.

The move to a variable rate was approved by the BCMB's Board of Directors at its April 21, 2021 meeting. Handling commission rates are contained in the [Handling Commission By-law](#).

- Rates effective January 1, 2022 were approved by the Board at the April 2021 Board meeting.
- Rates effective July 1, 2021 to December 31, 2021 are currently in a draft form and will be presented to the BCMB Board for approval at the June 23, 2021 Board meeting.

**4. Why did the Board approve the handling commission adjustment for July 1 to December 31, 2021?**

The pandemic and its significant impact on an already struggling economy in Alberta is making the issue of depot viability, particularly in smaller rural areas, more acute than ever. Small/low volume depots close or change ownership at higher rates than urban/high volume depots and the Board felt it was imperative the variable rate be implemented as soon as possible to prevent further hardship or closures for small depots.

**5. What specific problem is the variable rate addressing and how does it solve it?**

The variable rate is addressing the issue of depot viability within Alberta's common collection system, with a focus on the challenge faced by depots handling volumes less than 18 million containers to recover fixed costs. The cost per container is higher for small volume depots because fixed operational expenses cannot be distributed over container volumes as effectively as it is by larger volume depots. An increase to the rate for the first 1.5 million containers will continue to provide funds to enable depots as a group to recover prudently incurred fixed costs, expenses, and taxes, and to earn a fair return.

The current approach of paying handling commissions based on a single set rate per container payable to all depots, currently set in a BCMB bylaw, has not resulted in an equitable distribution of the revenue requirement, preventing a large number of depots from having the opportunity to reach the return margin as set by the Data Collection Agent. This issue has been identified through enhanced learning and data analysis. Currently, 29% of depots are achieving the return margin and the change in rates will give approximately 42% of depots the opportunity to reach the return margin. It will also put depots on more equal footing, reducing the number of depots either significantly below or significantly above the return margin. This has always been the intent of the beverage container recycling legislation in Alberta.

**6. What else is being done to address depot viability?**

In addition to the variable rate, the BCMB has begun a review of depot siting criteria that is expected to be complete by the end of 2022 and is further exploring the issue of depot viability.

**What the New Variable Rate Means for Depots**

**7. What does the change (the new variable rate) mean for depots?**

The new variable rate will:

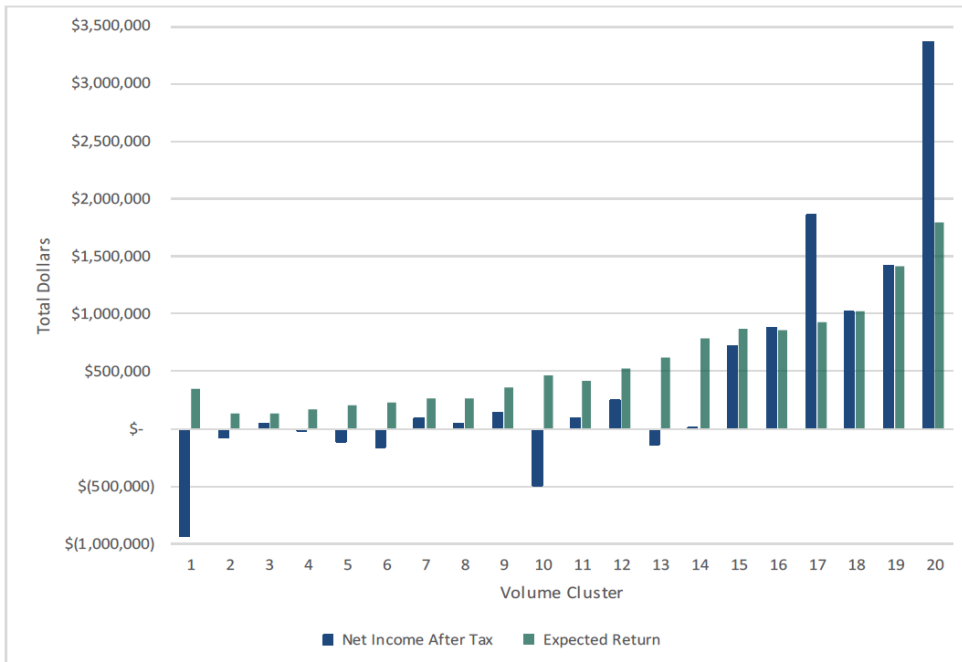
- Increase depot viability by increasing the number of depots reaching or exceeding the return margin.
- Provide a solution to depot viability that works within the existing system revenue (through revenue redistribution).
- Help meet the regulatory requirement to provide Albertans with an accessible depot network.

**Return margin equitability:** The number of depots reaching or exceeding the return margin is expected to increase from approximately 29% of depots to 42% of depots. This means depots of various sizes will have an opportunity to reach the return margin (currently 3.85%) as set through the handling commission review process.

The table below depicts the 2018 *total net income after tax* (blue bars) compared to *total expected return given a 3.76% return margin target (previously set return margin)* (green bars), by volume cluster.

- Volume clusters 1 and 10 incurred significant aggregate losses.
- Volume clusters 15 through 20 earned aggregate gains near or above their total expected returns, with clusters 17 and 20 earning returns far above expectations.
- All volume clusters 14 and lower failed to achieve expected returns.

### 2018 Volume Cluster Total Net Income and Expected Return



| Volume Cluster | Number of Depots | Minimum Volume | Maximum Volume |
|----------------|------------------|----------------|----------------|
| 1              | 33               | 383,685        | 2,242,553      |
| 2              | 9                | 2,287,058      | 2,519,642      |
| 3              | 8                | 2,569,217      | 2,781,209      |
| 4              | 9                | 2,856,561      | 3,166,086      |
| 5              | 9                | 3,231,891      | 3,686,470      |
| 6              | 8                | 3,846,418      | 4,734,787      |
| 7              | 9                | 4,770,379      | 5,159,166      |
| 8              | 8                | 5,172,680      | 5,969,927      |
| 9              | 9                | 6,260,424      | 7,431,633      |
| 10             | 9                | 7,466,263      | 8,187,812      |
| 11             | 8                | 8,207,748      | 8,859,815      |
| 12             | 9                | 8,937,185      | 10,969,024     |
| 13             | 8                | 11,060,401     | 13,051,574     |
| 14             | 9                | 13,239,075     | 14,878,423     |
| 15             | 9                | 15,463,063     | 16,940,812     |
| 16             | 8                | 17,458,444     | 18,341,448     |
| 17             | 9                | 18,466,757     | 20,482,255     |
| 18             | 8                | 20,733,909     | 22,957,526     |
| 19             | 9                | 23,619,187     | 30,287,673     |
| 20             | 9                | 31,775,470     | 40,613,221     |

**Revenue redistribution:** There will be sufficient redistribution of the revenue requirement. While this may mean a reduction in revenue for some larger depots, it will also mean an increase in revenue for approximately twice as many smaller depots. Three data tables have been provided in Appendix A analyzing the impacts of the variable rate by volume cluster:

- Table 1 uses the average volume within the cluster;
- Table 2 uses the minimum volume within the cluster; and
- Table 3 uses the maximum volume with the cluster.

**Accessibility/Economies of scale:** The legislation under which the beverage container recycling system in Alberta was established clearly identifies the need to maintain an accessible depot network for Albertans. This includes depots of all sizes and locations throughout Alberta and requires a need to balance excellent customer service and accessibility with the cost of the collection system (economies of scale).

## Establishing the Variable Rate

### 8. What was the process that led to the variable rate decision?

As part of the 2019-2020 Handling Commission Review, the agreement reached by the Interested Parties (Alberta Bottle Depot Association (ABDA), Alberta Beverage Container Recycling Corporation (ABCRC), Alberta Beer Container Corporation (ABCC), and small depot representative, New Norway Bottle Depot) required the creation of a Depot Viability Committee (composed of BCMB Board Members). The Committee's mandate was to establish the parameters necessary to maintain a viable depot network in Alberta, with particular reference to the challenges of depots with volumes less than 18 million containers.

The Committee consulted with the Interested Parties to identify challenges to the current system, review recommendations to address those challenges, and to explore the impacts of implementing each of the various recommendations or remaining status quo.

A number of options for revenue redistribution were assessed including a flat fixed fee, a variable rate, and a hybrid of the two. Various ranges were considered within each of these options. The Committee recommended a change to the current approach of paying handling commissions based on a single set rate per container payable to all depots, regardless of the volume of containers handled by each depot.

The Committee, and subsequently the Board, determined the variable rate would be the most effective way to achieve return margin equitability and maximize the number of depots reaching the return margin and being able to continue operating.

With the variable rate, depots will earn revenue through container collection rather than through a guaranteed payment mechanism (fixed fee). This further strengthens the existing methodology of depots "earning their return" and provides incentive for them to collect as many containers as possible. As a result, it is expected that a high standard of customer service and integrity will be maintained at depots which will benefit both customers and depots.

### 9. How did the BCMB determine the actual amount for the variable rate?

Data and analysis were based on the 2018 UCAs used for the 2019-2020 Handling Commission Review and included 223 depots. Of the 223 depots, 197 depots completed a UCA; the following assumptions were made to complete the dataset of the remaining 26 depots to be as representative of the 2018 depot system as possible:

- a. Depots' actual 2018 volumes and handling commission revenues were compiled.
- b. It was assumed that none of the 26 depots had miscellaneous revenue.
- c. For each of the 26 depots (Depot A), a depot of similar size was chosen (Depot B). The actual cost per container for Depot B was multiplied by Depot A's actual 2018 volumes to attribute labour, building, vehicle, equipment, office, and tax costs.



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**Change in Number of Depots Earning Return Margin: Variable Rate\***

| Volume Cluster |            | Number of Depots | Current State          | Variable Rate<br>1.5 cents |
|----------------|------------|------------------|------------------------|----------------------------|
| Min.           | Max.       |                  | Above Return<br>Margin | Above Return<br>Margin     |
| 0              | 999,999    | 18               | 11%                    | 33%                        |
| 1,000,000      | 1,999,999  | 36               | 8%                     | 36%                        |
| 2,000,000      | 2,999,999  | 28               | 18%                    | 50%                        |
| 3,000,000      | 3,999,999  | 13               | 15%                    | 62%                        |
| 4,000,000      | 5,999,999  | 24               | 29%                    | 38%                        |
| 6,000,000      | 9,999,999  | 31               | 35%                    | 35%                        |
| 10,000,000     | 15,499,999 | 22               | 23%                    | 23%                        |
| 15,500,000     | 50,000,000 | 51               | 57%                    | 55%                        |
| <b>Totals</b>  |            | <b>223</b>       | <b>29%</b>             | <b>42%</b>                 |

\* Based on 2018 UCAs used for the 2019-2020 Handling Commission Review. Includes 223 Depots.

**Change in Revenue Summary: Variable Rate (first 1.5 million containers) \***

| Volume Cluster |            | Number of<br>Depots | Change in revenue for each<br>volume cluster (variable<br>rate) |
|----------------|------------|---------------------|---|
| Min.           | Max.       |                     | 1.5 cents   |
| 0              | 999,999    | 18                  | \$127,126   |
| 1,000,000      | 1,999,999  | 36                  | \$611,530   |
| 2,000,000      | 2,999,999  | 28                  | \$459,473   |
| 3,000,000      | 3,999,999  | 13                  | \$187,907   |
| 4,000,000      | 5,999,999  | 24                  | \$261,154   |
| 6,000,000      | 9,999,999  | 31                  | \$125,159   |
| 10,000,000     | 15,499,999 | 22                  | (\$152,639)   |
| 15,500,000     | 50,000,000 | 51                  | (\$1,619,760)   |
| <b>Totals</b>  |            | <b>223</b>          | <b>\$0</b>  |

\* Based on 2018 UCAs used for the 2019-2020 Handling Commission Review. Includes 223 Depots.



**Recent & Upcoming Handling Commission Rate Changes**

**10. How have handling commissions changed since the 2019-2020 Handling Commission Review?**

| Effective Date                | Handling Commissions/Rates   |
|-------------------------------|--|
| <p><b>May 1, 2020</b></p>     | <p>New Handling Commission rates approved following 2019-20 Handling Commission Review:</p> <ul style="list-style-type: none"> <li>• Increase of 9.9%</li> <li>• Notice circulated to depots and industry on April 23, 2020 following BCMB Board approval on April 21, 2020</li> </ul>   |
| <p><b>January 1, 2021</b></p> | <p>Change in Handling Commission rates due to removal of BCMB operating fee from revenue requirement:</p> <ul style="list-style-type: none"> <li>• Depots no longer required to pay BCMB operating fee (\$0.0008 per container, or half the total operating fee of \$0.0016 per container); cost removed from the system revenue requirement</li> <li>• Full fee now administered by manufacturers on each container sold instead of each container collected (user pays system)</li> <li>• Rates adjusted according to the reduced revenue requirement (revenue requirement reduced from \$108.7 million to \$107 million)</li> <li>• Notice circulated to depots and industry on November 26, 2020 following BCMB Board approval on November 25, 2020</li> </ul> |
| <p><b>May 1, 2021</b></p>     | <p>Handling Commission Annual Update:</p> <ul style="list-style-type: none"> <li>• HCR Annual Update review was conducted by the Data Collection Agent in November 2020 per the Handling Commission By-law (this review was previously negotiated by the Interested Parties to ensure rates stay current)</li> <li>• The by-law states that if the amount calculated by the DCA during the Annual Update differs by +/- 0.3 of 1%, the Board has to approve the new rates, to be effective the following May 1</li> <li>• Review resulted in decrease of 5.5% (compared to January 1, 2021 rates) due to economic conditions, requiring Board approval of the new rates</li> </ul>   |





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|--|--|
|  | <ul style="list-style-type: none"> <li>• Notice circulated to depots and industry on March 4, 2021 following BCMB Board approval on February 24, 2021</li> </ul>   |
| <p><b>May 1, 2021</b></p>  | <p>COVID-19 Relief Payment</p> <ul style="list-style-type: none"> <li>• 3% (\$0.0015 per container) payment from manufacturers in recognition of economic challenges related to the pandemic</li> <li>• In effect until April 30, 2023</li> <li>• Not considered a handling commission, is not part of the revenue requirement, and will be reported as a separate line item on pay statements from ABCRC<sup>1</sup></li> <li>• Notice circulated to depots and industry on March 4, 2021 following BCMB Board approval on February 24, 2021</li> </ul> |
| <p><b>NEW</b></p> <p><b>July 1, 2021 to December 31, 2021 – Phase 1</b></p> <p><b>January 1, 2022 to April 30, 2023 – Phase 2*</b></p> | <p>Variable Rate</p> <ul style="list-style-type: none"> <li>• Half-year rates effective July 1, 2021 to December 31, 2021</li> <li>• Full-year rates effective January 1, 2022</li> <li>• About 150 depots should see an increase in revenue (on average, those collecting up to 8-9 million containers)</li> <li>• About 75 could see a decrease in revenue (on average, those collecting over 9 million containers)</li> </ul>   |

*\* The rates effective January 1, 2022 will be in place until April 30, 2023 as the Annual Update received from the DCA in November 2021 will be for information only and therefore will not result in rate changes regardless of the calculation results.*

**11. There have been four handling commission rate changes in the last year. Why did the BCMB’s Board of Directors make the decision to implement the variable rate at this time when new (lower) rates have just recently gone into effect (May 1, 2021) as a result of the Annual Update process?**

A lot has changed in the past year, including the completion of the 2019-2020 Handling Commission Review (HCR), and the coinciding and unprecedented pandemic that resulted in an economic crisis and need for our industry to adapt. By way of the HCR Negotiated Agreement, Interested Parties (industry stakeholders) directed the review of depot viability, and the establishment of a committee to review the issue and make recommendations by March 1, 2021, for consideration at the BCMB’s April 2021 Board meeting.

At the same time, the BCMB sees opportunity in moving forward as soon as possible with addressing depot viability across Alberta and making the changes needed to ensure the common collection system is accessible and effective. The new variable rate is an important step in that direction while a further review of depot siting criteria takes place. That review is expected to be complete by the end of 2022.

<sup>1</sup> See sample ABCRC statement in question 21.

While depot viability and accessibility are the focus of the new variable rate, the Board also feels it is a way for our industry to show leadership and support the Government of Alberta in ensuring the province's economic recovery and long-term fiscal sustainability for Albertans. We can best do this by ensuring operations in our industry are as cost-effective, fair, and reasonable as possible.

**12. Why is the variable rate being introduced so quickly (July 1, 2021) and why is another set of handling commission rates coming into effect January 1, 2022? Why not wait until January 1 to simply introduce one new set of rates?**

The Board considered a January 1, 2022 implementation, especially given the number of changes in handling commission rates over the past year. However, the pandemic and its significant impact on an already struggling economy in Alberta is making the issue of depot viability, particularly in smaller rural areas, more acute than ever. Small/low volume depots change ownership or close at much higher rates than urban/high volume depots and the Board felt it was imperative the variable rate be implemented as soon as possible to prevent further hardship or closures for small depots.

**13. How will be handling commission rates for Phase 1 (July 1 – December 31, 2021) differ from those for Phase 2 (January 1, 2022)?**

Phase I handling commissions will apply for the time-period of July 1, 2021 to December 31, 2021. The 1.5 cent variable rate on the first 750,000 containers (referred to as the "premium" and reflective of a half year of the premium) will be paid to each depot by ABCRC on a monthly basis for the indicated six-month period. This premium has been precalculated by the DCA based on past and forecasted volumes and will not be reflective of actual container volumes processed by each depot. Specifically, the premium paid will reflect the percentage collected by each depot for that specific month utilizing 2019 data, however volume data has been adjusted to reflect forecasted 2021 returns.

During this period of time there will be a specific set of handling commissions that will apply. Handling commission rates are contained in the [Handling Commission By-law](#).

- Rates effective January 1, 2022 were approved by the Board at the April 2021 Board meeting.
- Rates effective July 1, 2021 to December 31, 2021 are currently in a draft form and will be presented to the BCMB Board for approval at the June 23, 2021 Board meeting.

The variable rates being implemented on January 1, 2022 will be attributed to actual volumes and will be applied to the first 1.5 million containers for each depot.

## Administration of the Variable Rate & Compliance

**14. How will volumes be tracked to determine when a depot reaches the 1.5 million container threshold and the variable rate no longer applies?**

The variable rate will only apply to non-refillable containers that are shipped to ABCRC (the first 1.5 million). Non-refillable containers represent approximately 98% of the containers in the common collection system. This application is simplistic and eliminates the need to work with two separate entities for payment of containers. ABCRC's usual process for transporting and tracking containers will still apply.

**15. What Point of Return (POR) system changes will depots need to make to accommodate the new variable rate?**

There will be changes required to POR systems. ABDA and POR vendors will need to conduct software analysis and updates for their systems. These updates are expected to be completed by the ABDA and other POR vendors in time for the January 1, 2022 implementation date. Since the software updates will not be completed by the July 1, 2021 implementation of half year rates, the period of July 1, 2021 to December 31, 2021 will use the methodology as discussed in question 13.

**16. Are bylaw or policy changes required for the new variable rate and handling commissions?**

Yes, the variable rate will require changes to BCMB bylaws and policies. The Board approved the January 1, 2022 handling commissions at its April 2021 meeting and the July 1, 2021 handling commissions (half-year adjustment) will be approved at its June 23, 2021 meeting.

Handling commission rates are contained in the [Handling Commission By-law](#).

- Rates effective January 1, 2022 were approved by the Board at the April 2021 Board meeting.
- Rates effective July 1, 2021 to December 31, 2021 are currently in a draft form and will be presented to the BCMB Board for approval at the June 23, 2021 Board meeting.

**17. Is the variable rate (revenue requirement redistribution) a pilot and will it have an end date?**

Included in the Board resolution to approve the variable rate was a mandatory Board review within four years of implementation of the variable rate. That time frame is needed to ensure that sufficient data can be collected to assess the revenue requirement redistribution against the principles/parameters of the variable rate and the evaluation criteria, and to evaluate any unintended consequences or outcomes. In the event there are unintended consequences or outcomes, the Board and BCMB management can choose to introduce mitigating controls and/or review the policy and by-law amendment prior to four years.

The data that will be critical in evaluating the impact of the variable rate will be derived from depot Uniform Code of Account (UCA) submissions. Depot UCA data has a lag of six months for the collection of full fiscal year data as UCAs are not due until six months after a depot's fiscal year end. Fiscal year-end dates for depots vary, with over one-third of them being in December. Therefore, a depot with a fiscal year-end date in December of 2020 will submit its UCA by June 2021; its UCA will include data from January 2020 through December 2020. This means that January 2020 data is not actually collected until June of 2021. This illustrates why an extended period of time will be needed to review the new rate and its impact on depot viability.

**18. How will the BCMB ensure that higher volume depots do not move containers to lower volume depots as a way of maximizing the variable rate collected on the first 1.5 million containers?**

The BCMB has existing compliance processes and controls to monitor and prevent non-compliance activities that can also be applied to potential issues such as the undesirable movement of containers from higher volume depots to lower volume depots. Existing compliance tools that will be used include: the Request for Applications process for siting all new depots; the change of ownership application process; monthly depot volume tracking and review; and UCA reporting. This type of activity will not be



tolerated by the BCMB and will be strongly enforced. Amendments are being made to BCMB bylaws to reflect this.

**19. If a depot completes a change of ownership, will the volume threshold reset and the variable rate apply to the first 1.5 million containers collected by the new Permit Holder?**

No. The variable rate will be applied on volumes per depot location on a calendar year basis and does not reset with a new owner. The variable rate only resets at the start of a calendar year regardless of ownership.

**Measuring the Effect of the Variable Rate**

**20. What are the desired outcomes that will be used to measure the success of the revenue redistribution?**

The following desired outcomes will be used to consider the impact and success of the application of the revenue redistribution variable rate:

- a. Increased sustainability of Alberta’s common collection system.
- b. Increased viability of small depots.
- c. Maximizing beverage container returns.
- d. The public has convenient and reasonable access to depots for deposit refunds.

In addition, the BCMB has identified the measures in the chart below that may be used to evaluate the variable rate against the desired outcomes. The measurements were designed in tandem with the DCA, and appropriate targets will be developed by the BCMB.

| Data Point                         | Measure  |
|------------------------------------|--|
| Return Margin                      | Equitable percentage of Depots reaching or exceeding the Return Margin within each volume cluster.                           |
| Profitability                      | The percentage of profitable Depots within each volume cluster <sup>2</sup>  |
| Depot volumes/collection rate      | Percentage change to the volume of containers processed per volume cluster and in total.                                     |
| Depot closures/change of ownership | The number of Depot closures or ownership changes attributed to loss of revenue, bankruptcies, or not reaching Return Margin |
| Service levels                     | Changes in customer wait times and overall experience  |

The outcomes, measures, and targets may be assessed and further adapted between now and the four-year period the Board set to review the variable rate.

<sup>2</sup> If this data point does not show a material change, further analysis of other cost/expense data will be undertaken (including labor).



COVID-19 Relief Payment

21. What is the COVID-19 Relief Payment?

The Interested Parties (industry stakeholders) recognize the challenge most depots are facing due to the COVID-19 pandemic and handling commission decrease as a result of the Annual Update process, and they wanted to help mitigate some of the financial burden. The manufacturers, represented by ABCRC and ABCC, entered into an agreement with the ABDA and New Norway Bottle Depot whereby the manufacturers have offered a payment of \$0.0015 per unit recovered that will be payable to depots on shipments made after May 1, 2021 and will provide over \$3 million dollars annually above the handling commission rates recommended by the Data Collection Agent (DCA) and approved by the BCMB.

This relief payment is intended to help support Alberta depots through the current economic challenges and will be in effect from May 1, 2021 until April 30, 2023. The COVID-19 Relief Payment is now included on all loads processed by ABCRC and will be identified and included on regular statements from ABCRC as a separate line item, so it is easily identifiable (see sample statement that follows).



Depot Statement

Electronic File Transfer



| R-Bill   |                            |                 |                 | Received      |     | 2021-05-04 |                |                |
|----------|----------------------------|-----------------|-----------------|---------------|-----|------------|----------------|----------------|
| Pro-Bill |                            |                 |                 | Approved      |     | 2021-05-05 |                |                |
| Units    | Description                | Deposit         | Handling        | GST           | VAF | BCMB       | ABDA           | POR            |
| 39900    | Aluminum 0 -1 Litre        | 3,990.00        | 1,425.19        | 69.48         |     |            | (26.03)        | (9.50)         |
| 48       | Covid Relief Gift          | 93.33           |                 |               |     |            |                |                |
| 900      | Gable Top 0 -1 Litre       | 90.00           | 61.20           | 3.02          |     |            | (0.59)         | (0.22)         |
| 720      | Gable Top Over 1 Litre     | 180.00          | 92.54           | 4.59          |     |            | (0.46)         | (0.18)         |
| 3,600    | Glass 0 -1 Litre           | 360.00          | 276.66          | 13.66         |     |            | (2.34)         | (0.86)         |
| 1,680    | HDPE Natural Over 1 Litre  | 420.00          | 250.32          | 12.46         |     |            | (1.12)         | (0.42)         |
| 9,600    | PET 0 -1 Litre             | 960.00          | 424.48          | 20.79         |     |            | (6.24)         | (2.32)         |
| 720      | PET Over 1 Litre           | 180.00          | 88.34           | 4.39          |     |            | (0.46)         | (0.18)         |
| 300      | Plastic Other Over 1 Litre | 75.00           | 42.83           | 2.13          |     |            | (0.20)         | (0.07)         |
| 2,400    | Plastics Other 0 - 1 Litre | 240.00          | 125.00          | 6.15          |     |            | (1.56)         | (0.58)         |
| 2,400    | Tetra Brik 0 -1 Litre      | 240.00          | 124.12          | 6.10          |     |            | (1.56)         | (0.58)         |
| 62,268   | <b>Total</b>               | <b>6,828.33</b> | <b>2,910.68</b> | <b>147.43</b> |     |            | <b>(40.56)</b> | <b>(14.91)</b> |

Covid Relief Payment - the 48 reflects the number of the bags on the load. The payment is calculated on the containers received on a per bag basis so if you were to calculate the total 62,268 x \$0.0015/unit then it would show total payment would be \$93.40. We need to have this amended to a handling commission so that GST is applied on the handling commission (as opposed to be shown in the "Deposit Column").

|                      |                 |
|----------------------|-----------------|
| Subtotal:            | 9,683.54        |
| GST                  | 147.43          |
| <b>Grand Total:</b>  | <b>9,830.97</b> |
| <b>Report Total:</b> | <b>9,830.97</b> |

## Additional Information on Handling Commissions

### Handling Commissions

#### 22. What are Handling Commissions?

Handling Commissions are the rates paid by the Collection System Agent or a Collection Service Provider to a depot operator for collecting, sorting, and preparing containers for shipment. Each type of container has its own rate, and the Handling Commissions are set in the BCMB's [Handling Commission By-law](#).

The Handling Commission structure results in depots earning revenue through container collection rather than through a guaranteed payment mechanism (fixed fee). This is an important structure as having depots 'earn their return' and be compensated based on containers collected is a strong motivator and is essential to maintaining the high standard of customer service at depots. This methodology retains the incentive to increase collection rates and maintains the integrity of the common collection system.

#### 23. How do Handling Commission Reviews work?

Historically, Handling Commission Reviews (HCR) have occurred every three years. The review, negotiation, and approval period last about one year and results in the approval of new Handling Commissions by the BCMB Board of Directors. Interested Parties participate in the review and negotiation of the Handling Commissions.

In 2018, prior to the commencement of the last HCR in 2019, the Board approved a new process that allows for an extension of the time between HCRs if all Interested Parties agree. Part of this new process includes the addition of an annual Handling Commission assessment by the BCMB's Data Collection Agent (DCA), called the DCA's **Annual Update Report**. The Report is submitted to the BCMB and Interested Parties by November 15 of each year.

If the DCA determines that the average Handling Commission has changed by more than +/- 0.3% then the Board is required to approve new rates that reflect those changes. Prior to Board approval, Interested Parties have an opportunity to make comment on the report in relation to clerical, typographic, or calculation errors. The Handling Commission By-law requires the rates to take effect on May 1 of the following year. This process repeats and after the second DCA's Annual Update Report is released (the most recent one being November 15, 2021), Interested Parties have 30 days to determine if they would like to enter into a full HCR or repeat the Annual Update process for another two years.

#### **24. When is the next Handling Commission Review (HCR)?**

There are two Annual Update Reports provided by the DCA between each HCR. Since the conclusion of the last HCR in April 2020, the DCA provided the first Annual Update Report on November 15, 2020 and rates were updated accordingly and became effective May 1, 2021 as noted in the table in Question 6. The second Report will be provided on November 15, 2021. As negotiated by the Interested Parties during the 2020 Annual Update and approved by the BCMB Board, the 2021 Annual Update will be received by the BCMB Board for information only. This means that regardless of the results of rate calculations, the handling commission rates will not be updated in May 2022.

Following receipt of the second Annual Update Report on November 15, 2021, Interested Parties have 30 days to review the findings of the Report and determine whether to commence a full HCR or to extend the current cycle for another two-year term. Interested Parties may extend the cycle by two such two-year terms before a full HCR must be conducted.

- If any or all Interested Parties wish to commence an HCR after the second Annual Update Report, the BCMB Board will commence the HCR at the following February 2022 Board meeting. The HCR will then proceed as noted in Question 23.
- In order to extend the current cycle for another two years, all Interested Parties must unanimously agree. If the cycle is to be extended, the DCA will continue to provide Annual Updates, each November 15 for the next two years at which time Interested Parties will decide whether to commence an HCR or extend for an additional two years (after these additional two years, an HCR would have to commence).

### **Additional Information on the BCMB Operating Fee**

#### **BCMB Operating Fee**

##### **25. What is the BCMB Operating Fee?**

The BCMB is responsible for regulating Alberta's beverage container recycling system and leads the development of policy and programs that enable the recycling of beverage containers in Alberta. To continue regulating and enhancing the system an operating fee from the system is collected and is based on a rate per container sold in the Province of Alberta. The operating fee allows the BCMB to support a beverage container registration process, coordinate and develop meaningful programs and policy with industry stakeholders, analyze handling commission rates, and carry out a compliance function within the industry.

## 26. How much is the Operating Fee and Who Pays It?

The BCMB Board undertakes a three-year budget review on an annual basis and determines what the operating fee must be for the next year to cover the costs of the projected budget. At the November 25, 2020 Board meeting, the Board approved an operating fee of \$0.0018 to be administered by the manufacturers via ABCRC and ABCC, on behalf of consumers, on a per container sold basis (user pays system), effective January 1, 2021. Prior to January 2021, the fee was administered by both depots and manufacturers on a per container collected basis, with each paying 50% of the fee. Since depots were no longer required to administer a portion as of January 1, 2021, this cost was removed from the revenue requirement, resulting in a recalculation of handling commissions which became effective January 1, 2021 as discussed in the table in Question 10.

### Contact for More Information

#### Who do I contact if I have questions about the new variable rate?

Brent Campbell, Director of Operations

[bcampbell@bcmb.ab.ca](mailto:bcampbell@bcmb.ab.ca)

For questions related specifically to the Interested Party Agreement, please contact the Alberta Bottle Depot Association:

Phone: (780) 454-0400

Email: [info@albertadepot.ca](mailto:info@albertadepot.ca)



## Appendix A

Variable Rate Analysis by Volume Cluster  
Provided by the Data Collection Agent

**Table 1: Variable Rate Impact Analysis by Volume Cluster - Cluster Average**

Prepared by: MNP, May 4, 2021

| Cluster | Volume Cluster Information<br>(Target Year Forecast) |                           |                           |                          | Average Depot Revenues <u>Before</u> Variable Rate Adjustments |  |   |   |  | Average Depot Revenues <u>After</u> Variable Rate Adjustments |   |   | Average Depot Revenue Changes From Before to After Variable Rate Adjustments |                                 |                                  |                                 |
|---------|--|---------------------------|---------------------------|--------------------------|--|--|---|---|--|---|---|---|--|---------------------------------|----------------------------------|---------------------------------|
|         | Number of Depots                                     | Minimum Volume by Cluster | Maximum Volume by Cluster | Average Volume per Depot | HC Revenue @ Jan 1 2021 Rates (5.31 cents/unit)                | HC Revenue @ May 1 2021 Rates (4.949 cents/unit) | COVID-19 Relief Revenue (0.15 cents/unit) | Total Revenue @ May 1 2021 (HC + COVID-19 Relief) | Decrease from Jan 1 2021 to May 1 2021 | Proposed HC (6.194 & 4.718 over 1.5M)                         | COVID-19 Relief Revenue (0.15 cents/unit) | Total Revenue @ Variable Rates (HC + COVID-19 Relief) | Revenue Change from May 1st (\$)   | Revenue Change from May 1st (%) | Revenue Change from Jan 1st (\$) | Revenue Change from Jan 1st (%) |
| Column: | (a)  | (b)                       | (c)                       | (d)                      | (e)  | (f)  | (g)                                       | (h)   | (i)                                    | (j)   | (k)                                       | (l)   | (m)  | (n)                             | (o)                              | (p)                             |
| 1       | 16   | 176,440                   | 1,118,942                 | 622,349                  | 33,084   | 30,800   | 934                                       | 31,734  | -\$ 1,350                              | 38,548  | 934                                       | 39,482  | 7,748  | 25.2%                           | 6,398                            | 19.3%                           |
| 2       | 18   | 1,144,090                 | 1,608,907                 | 1,344,602                | 71,479   | 66,544   | 2,017                                     | 68,561  | -\$ 2,918                              | 83,285  | 2,017                                     | 85,302  | 16,740   | 25.2%                           | 13,823                           | 19.3%                           |
| 3       | 13   | 1,632,483                 | 2,058,302                 | 1,881,226                | 100,006  | 93,102   | 2,822                                     | 95,924  | -\$ 4,082                              | 110,896   | 2,822                                     | 113,718   | 17,794   | 19.1%                           | 13,712                           | 13.7%                           |
| 4       | 9  | 2,122,952                 | 2,301,831                 | 2,188,241                | 116,327  | 108,296  | 3,282                                     | 111,578   | -\$ 4,748                              | 125,381   | 3,282                                     | 128,664   | 17,085   | 15.8%                           | 12,337                           | 10.6%                           |
| 5       | 14   | 2,355,636                 | 2,687,886                 | 2,508,499                | 133,352  | 124,146  | 3,763                                     | 127,908   | -\$ 5,443                              | 140,491   | 3,763                                     | 144,254   | 16,345   | 13.2%                           | 10,902                           | 8.2%                            |
| 6       | 9  | 2,820,606                 | 3,136,641                 | 2,976,812                | 158,247  | 147,322  | 4,465                                     | 151,788   | -\$ 6,460                              | 162,586   | 4,465                                     | 167,051   | 15,264   | 10.4%                           | 8,804                            | 5.6%                            |
| 7       | 7  | 3,158,348                 | 3,454,522                 | 3,262,180                | 173,417  | 161,445  | 4,893                                     | 166,339   | -\$ 7,079                              | 176,050   | 4,893                                     | 180,943   | 14,604   | 9.0%                            | 7,525                            | 4.3%                            |
| 8       | 18   | 3,594,892                 | 4,561,094                 | 4,137,080                | 219,927  | 204,744  | 6,206                                     | 210,950   | -\$ 8,977                              | 217,327   | 6,206                                     | 223,533   | 12,583   | 6.1%                            | 3,606                            | 1.6%                            |
| 9       | 8  | 4,735,410                 | 5,362,207                 | 5,013,803                | 266,534  | 248,133  | 7,521                                     | 255,654   | -\$ 10,880                             | 258,691   | 7,521                                     | 266,212   | 10,558   | 4.3%                            | 322                              | -0.1%                           |
| 10      | 11   | 5,689,256                 | 7,040,425                 | 6,345,195                | 337,311  | 314,024  | 9,518                                     | 323,541   | -\$ 13,769                             | 321,506   | 9,518                                     | 331,024   | 7,483  | 2.4%                            | 6,286                            | -1.9%                           |
| 11      | 5  | 7,213,255                 | 7,702,748                 | 7,483,104                | 397,802  | 370,339  | 11,225                                    | 381,563   | -\$ 16,238                             | 375,193   | 11,225                                    | 386,418   | 4,854  | 1.3%                            | 11,384                           | -2.9%                           |
| 12      | 9  | 7,757,082                 | 8,692,228                 | 8,231,633                | 437,594  | 407,384  | 12,347                                    | 419,731   | -\$ 17,863                             | 410,508   | 12,347                                    | 422,856   | 3,125  | 0.8%                            | 14,738                           | -3.4%                           |
| 13      | 17   | 8,725,037                 | 10,738,483                | 9,624,408                | 511,634  | 476,312  | 14,437                                    | 490,749   | -\$ 20,885                             | 476,220   | 14,437                                    | 490,656   | 92   | 0.0%                            | 20,977                           | -4.1%                           |
| 14      | 10   | 11,137,195                | 13,511,774                | 12,131,110               | 644,890  | 600,369  | 18,197                                    | 618,565   | -\$ 26,325                             | 594,486   | 18,197                                    | 612,682   | 5,883  | -1.0%                           | 32,207                           | -5.0%                           |
| 15      | 9  | 14,133,495                | 15,518,882                | 14,992,596               | 797,006  | 741,984  | 22,489                                    | 764,472   | -\$ 32,534                             | 729,491   | 22,489                                    | 751,980   | 12,493   | -1.7%                           | 45,027                           | -5.6%                           |
| 16      | 15   | 15,799,104                | 17,398,358                | 16,672,611               | 886,316  | 825,128  | 25,009                                    | 850,136   | -\$ 36,180                             | 808,754   | 25,009                                    | 833,763   | 16,374   | -2.0%                           | 52,553                           | -5.9%                           |
| 17      | 6  | 17,825,364                | 18,732,335                | 18,240,299               | 969,654  | 902,712  | 27,360                                    | 930,073   | -\$ 39,581                             | 882,717   | 27,360                                    | 910,078   | 19,995   | -2.2%                           | 59,577                           | -6.1%                           |
| 18      | 8  | 19,962,896                | 21,658,276                | 20,900,933               | 1,111,094  | 1,034,387  | 31,351                                    | 1,065,739   | -\$ 45,355                             | 1,008,246   | 31,351                                    | 1,039,597   | 26,141   | -2.5%                           | 71,496                           | -6.4%                           |
| 19      | 12   | 21,996,786                | 28,616,335                | 24,568,889               | 1,306,082  | 1,215,914  | 36,853                                    | 1,252,768   | -\$ 53,314                             | 1,181,300   | 36,853                                    | 1,218,154   | 34,614   | -2.8%                           | 87,929                           | -6.7%                           |
| 20      | 10   | 29,226,501                | 39,853,723                | 34,062,467               | 1,810,761  | 1,685,751  | 51,094                                    | 1,736,845   | -\$ 73,916                             | 1,629,207   | 51,094                                    | 1,680,301   | 56,544   | -3.4%                           | 130,460                          | -7.2%                           |
| Totals  | 224  |                           |                           | 2,040,980,468            | \$ 108,498,522   | \$ 101,008,123                                   | \$ 3,061,471                              | \$ 104,069,594                                    | -\$ 4,428,928                          | \$ 101,004,266  | \$ 3,061,471                              | \$ 104,065,737  | -\$ 3,857  | 0.0%                            | 4,432,785                        | -4.1%                           |

**Inputs (cents per container)**

- 5.316 January 1, 2021 average HC per container
- 4.949 May 1, 2021 average HC per container (pre variable rate adjustment)
- 0.150 COVID-19 Relief payment
- 4.718 Proposed May 1, 2021 average HC per container (after variable rate adjustment)
- 1.476 Variable Rate adjustment for first 1.5 M containers (average, accounts for non-refillable only)

**Notes**

In columns (a) through (d), Volume Clusters are assigned according to depots' Target Year forecasts in the HCR 2020 Annual Update.

Note that in column (d) there is a minor discrepancy in total Target Year volume from the Annual Update due to a small amount of volumes not assigned to a depot (0.01%).

In columns (e) through (p), it is assumed that depots will collect a container mix consistent with the weighted average of total system containers. In practice, individual depots' results will vary according to the volumes and container mix that they collect.

In columns (j) through (p), the table accounts for the 1.5 cent per container variable rate being applied to non-refillable containers only.

Figures in columns (d) through (p) are based on the average volume per depot within that respective volume cluster.

Table 2: Variable Rate Impact Analysis by Volume Cluster - Cluster Minimum

Prepared by: MNP, May 4, 2021

| Volume Cluster Information<br>(Target Year Forecast) |                                 |                                 |                                | Revenues <u>Before</u> Variable Rate Adjustments, by Cluster Minimum |  |   |   |  |   | Depot Revenues <u>After</u> Variable Rate Adjustments, by<br>Cluster Minimum |   |  | Depot Revenue Changes From Before to After Variable<br>Rate Adjustments, by Cluster Minimum |  |                                       |    |           |    |            |    |         |      |    |           |       |
|--|---------------------------------|---------------------------------|--------------------------------|--|--|---|---|--|---|--|---|--|---|--|---------------------------------------|----|-----------|----|------------|----|---------|------|----|-----------|-------|
| Number<br>of<br>Depots                               | Minimum<br>Volume by<br>Cluster | Maximum<br>Volume by<br>Cluster | Average<br>Volume per<br>Depot | HC Revenue @<br>Jan 1 2021 Rates<br>(5.31 cents/unit)                | HC Revenue @<br>May 1 2021 Rates<br>(4.949 cents/unit) | COVID-19 Relief<br>Revenue<br>(0.15 cents/unit) | Total Revenue @<br>May 1 2021 (HC +<br>COVID-19 Relief) | Decrease from<br>Jan 1 2021 to<br>May 1 2021 | Proposed HC<br>(6.194 & 4.718<br>over 1.5M) | COVID-19 Relief<br>Revenue<br>(0.15 cents/unit)                              | Total Revenue @<br>Variable Rates (HC +<br>COVID-19 Relief) | Revenue<br>Change from<br>May 1st (\$) | Revenue<br>Change from<br>May 1st (%)   | Revenue<br>Change from<br>Jan 1st (\$) | Revenue<br>Change from<br>Jan 1st (%) |    |           |    |            |    |         |      |    |           |       |
| Column:  | (a)                             | (b)                             | (c)                            | (e)  | (f)  | (g)   | (h)   | (i)  | (j)   | (k)  | (l)   | (m)                                    | (n)   | (o)                                    | (p)                                   |    |           |    |            |    |         |      |    |           |       |
| 1  | 16                              | 176,440                         | 1,118,942                      | 622,349  | 9,380  | 8,732   | 265   | 8,997  | 17,510                                      | 265  | 17,775  | 8,778                                  | 100.5%  | 8,395                                  | 89.5%                                 |    |           |    |            |    |         |      |    |           |       |
| 2  | 18                              | 1,144,090                       | 1,608,907                      | 1,344,602  | 60,820   | 56,621  | 1,716   | 58,337                                       | 73,824                                      | 1,716  | 75,541  | 17,203                                 | 30.4%   | 14,721                                 | 24.2%                                 |    |           |    |            |    |         |      |    |           |       |
| 3  | 13                              | 1,632,483                       | 2,058,302                      | 1,881,226  | 86,783   | 80,792  | 2,449   | 83,240                                       | 99,161                                      | 2,449  | 101,609   | 18,369                                 | 22.7%   | 14,826                                 | 17.1%                                 |    |           |    |            |    |         |      |    |           |       |
| 4  | 9                               | 2,122,952                       | 2,301,831                      | 2,188,241  | 112,856  | 105,065   | 3,184   | 108,249                                      | 122,301                                     | 3,184  | 125,485   | 17,236                                 | 16.4%   | 12,629                                 | 11.2%                                 |    |           |    |            |    |         |      |    |           |       |
| 5  | 14                              | 2,355,636                       | 2,687,886                      | 2,508,499  | 125,226  | 116,580   | 3,533   | 120,114                                      | 133,279                                     | 3,533  | 136,812   | 16,698                                 | 14.3%   | 11,587                                 | 9.3%                                  |    |           |    |            |    |         |      |    |           |       |
| 6  | 9                               | 2,820,606                       | 3,136,641                      | 2,976,812  | 149,943  | 139,592   | 4,231   | 143,823                                      | 155,216                                     | 4,231  | 159,447   | 15,624                                 | 11.2%   | 9,504                                  | 6.3%                                  |    |           |    |            |    |         |      |    |           |       |
| 7  | 7                               | 3,158,348                       | 3,454,522                      | 3,262,180  | 167,898  | 156,307   | 4,738   | 161,044                                      | 171,151                                     | 4,738  | 175,888   | 14,844                                 | 9.5%  | 7,991                                  | 4.8%                                  |    |           |    |            |    |         |      |    |           |       |
| 8  | 18                              | 3,594,892                       | 4,561,094                      | 4,137,080  | 191,104  | 177,911   | 5,392   | 183,304                                      | 191,747                                     | 5,392  | 197,139   | 13,836                                 | 7.8%  | 6,035                                  | 3.2%                                  |    |           |    |            |    |         |      |    |           |       |
| 9  | 8                               | 4,735,410                       | 5,362,207                      | 5,013,803  | 251,734  | 234,355   | 7,103   | 241,459                                      | 245,557                                     | 7,103  | 252,660   | 11,201                                 | 4.8%  | 925                                    | 0.4%                                  |    |           |    |            |    |         |      |    |           |       |
| 10   | 11                              | 5,689,256                       | 7,040,425                      | 6,345,195  | 302,441  | 281,561   | 8,534   | 290,095                                      | 290,595                                     | 8,534  | 299,093   | 8,998                                  | 3.2%  | 3,348                                  | -1.1%                                 |    |           |    |            |    |         |      |    |           |       |
| 11   | 5                               | 7,213,255                       | 7,702,748                      | 7,483,104  | 383,457  | 356,984   | 10,820  | 367,804                                      | 362,461                                     | 10,820   | 373,281   | 5,477                                  | 1.5%  | 10,175                                 | -2.7%                                 |    |           |    |            |    |         |      |    |           |       |
| 12   | 9                               | 7,757,082                       | 8,692,228                      | 8,231,633  | 412,366  | 383,898   | 11,636  | 395,534                                      | 388,119                                     | 11,636   | 399,755   | 4,221                                  | 1.1%  | 12,612                                 | -3.1%                                 |    |           |    |            |    |         |      |    |           |       |
| 13   | 17                              | 8,725,037                       | 10,738,483                     | 9,624,408  | 463,823  | 431,802   | 13,088  | 444,890                                      | 433,787                                     | 13,088   | 446,875   | 1,985                                  | 0.5%  | 16,948                                 | -3.7%                                 |    |           |    |            |    |         |      |    |           |       |
| 14   | 10                              | 11,137,195                      | 13,511,774                     | 12,131,110   | 592,053  | 551,180   | 16,706  | 567,886                                      | 547,593                                     | 16,706   | 564,299   | 3,587                                  | -0.7%   | 27,755                                 | -4.7%                                 |    |           |    |            |    |         |      |    |           |       |
| 15   | 9                               | 14,133,495                      | 15,518,882                     | 14,992,596   | 751,337  | 699,467   | 21,200  | 720,667                                      | 688,958                                     | 21,200   | 710,159   | 10,508                                 | -1.5%   | 41,178                                 | -5.5%                                 |    |           |    |            |    |         |      |    |           |       |
| 16   | 15                              | 15,799,104                      | 17,398,358                     | 16,672,611   | 839,880  | 781,898   | 23,699  | 805,596                                      | 767,542                                     | 23,699   | 791,240   | 14,356                                 | -1.8%   | 48,640                                 | -5.8%                                 |    |           |    |            |    |         |      |    |           |       |
| 17   | 6                               | 17,825,364                      | 18,732,335                     | 18,240,299   | 947,596  | 882,177   | 26,738  | 908,915                                      | 863,141                                     | 26,738   | 889,879   | 19,037                                 | -2.2%   | 57,718                                 | -6.1%                                 |    |           |    |            |    |         |      |    |           |       |
| 18   | 8                               | 19,962,896                      | 21,658,276                     | 20,900,933   | 1,061,228  | 987,964   | 29,944  | 1,017,908                                    | 963,989                                     | 29,944   | 993,934   | 23,974                                 | -2.4%   | 67,294                                 | -6.3%                                 |    |           |    |            |    |         |      |    |           |       |
| 19   | 12                              | 21,996,786                      | 28,616,335                     | 24,568,889   | 1,169,349  | 1,088,621                                       | 32,995  | 1,121,616                                    | 1,059,948                                   | 32,995   | 1,092,944   | 28,673                                 | -2.6%   | 76,406                                 | -6.5%                                 |    |           |    |            |    |         |      |    |           |       |
| 20   | 10                              | 29,226,501                      | 39,853,723                     | 34,062,467   | 1,553,681  | 1,446,420                                       | 43,840  | 1,490,259                                    | 1,401,046                                   | 43,840   | 1,444,886   | 45,373                                 | -3.1%   | 108,795                                | -7.0%                                 |    |           |    |            |    |         |      |    |           |       |
| Totals   | 224                             |                                 | 2,040,980,468                  | \$   | 98,965,985   | \$  | 92,152,303  | \$   | 2,793,058                                   | \$   | 94,945,361  | \$                                     | 4,040,624   | \$                                     | 92,561,801                            | \$ | 2,793,058 | \$ | 95,354,859 | \$ | 409,498 | 0.4% | \$ | 3,631,126 | -3.7% |

Table 3: Variable Rate Impact Analysis by Volume Cluster - Cluster Maximum

Prepared by: MNP, May 4, 2021

| Volume Cluster Information<br>(Target Year Forecast) |                                 |                                 |                                | Revenues <u>Before</u> Variable Rate Adjustments, by Cluster Maximum |  |   |   |  |   | Depot Revenues <u>After</u> Variable Rate Adjustments, by<br>Cluster Maximum |   |  | Depot Revenue Changes From Before to After Variable<br>Rate Adjustments, by Cluster Maximum |  |                                       |    |           |    |             |    |         |       |    |           |       |
|--|---------------------------------|---------------------------------|--------------------------------|--|--|---|---|--|---|--|---|--|---|--|---------------------------------------|----|-----------|----|-------------|----|---------|-------|----|-----------|-------|
| Number<br>of<br>Depots                               | Minimum<br>Volume by<br>Cluster | Maximum<br>Volume by<br>Cluster | Average<br>Volume per<br>Depot | HC Revenue @<br>Jan 1 2021 Rates<br>(5.31 cents/unit)                | HC Revenue @<br>May 1 2021 Rates<br>(4.949 cents/unit) | COVID-19 Relief<br>Revenue<br>(0.15 cents/unit) | Total Revenue @<br>May 1 2021 (HC +<br>COVID-19 Relief) | Decrease from<br>Jan 1 2021 to<br>May 1 2021 | Proposed HC<br>(6.194 & 4.718<br>over 1.5M) | COVID-19 Relief<br>Revenue<br>(0.15 cents/unit)                              | Total Revenue @<br>Variable Rates (HC +<br>COVID-19 Relief) | Revenue<br>Change from<br>May 1st (\$) | Revenue<br>Change from<br>May 1st (%)   | Revenue<br>Change from<br>Jan 1st (\$) | Revenue<br>Change from<br>Jan 1st (%) |    |           |    |             |    |         |       |    |           |       |
| Column:  | (a)                             | (b)                             | (c)                            | (e)  | (f)  | (g)   | (h)   | (i)  | (j)   | (k)  | (l)   | (m)                                    | (n)   | (o)                                    | (p)                                   |    |           |    |             |    |         |       |    |           |       |
| 1  | 16                              | 176,440                         | 1,118,942                      | 622,349  | 59,483   | 55,376  | 1,678   | 57,055                                       | 69,307                                      | 1,678  | 70,986  | 13,931                                 | 25.2%   | 11,503                                 | 19.3%                                 |    |           |    |             |    |         |       |    |           |       |
| 2  | 18                              | 1,144,090                       | 1,608,907                      | 1,344,602  | 85,529   | 79,625  | 2,413   | 82,038                                       | 98,048                                      | 2,413  | 100,462   | 18,423                                 | 23.1%   | 14,932                                 | 17.5%                                 |    |           |    |             |    |         |       |    |           |       |
| 3  | 13                              | 1,632,483                       | 2,058,302                      | 1,881,226  | 109,419  | 101,865   | 3,087   | 104,953                                      | 119,251                                     | 3,087  | 122,338   | 17,385                                 | 17.1%   | 12,919                                 | 11.8%                                 |    |           |    |             |    |         |       |    |           |       |
| 4  | 9                               | 2,122,952                       | 2,301,831                      | 2,188,241  | 122,365  | 113,918   | 3,453   | 117,370                                      | 130,740                                     | 3,453  | 134,193   | 16,823                                 | 14.8%   | 11,828                                 | 9.7%                                  |    |           |    |             |    |         |       |    |           |       |
| 5  | 14                              | 2,355,636                       | 2,687,886                      | 2,508,499  | 142,888  | 133,023   | 4,032   | 137,055                                      | 148,954                                     | 4,032  | 152,986   | 15,931                                 | 12.0%   | 10,098                                 | 7.1%                                  |    |           |    |             |    |         |       |    |           |       |
| 6  | 9                               | 2,820,606                       | 3,136,641                      | 2,976,812  | 166,744  | 155,232   | 4,705   | 159,937                                      | 170,127                                     | 4,705  | 174,832   | 14,894                                 | 9.6%  | 8,088                                  | 4.9%                                  |    |           |    |             |    |         |       |    |           |       |
| 7  | 7                               | 3,158,348                       | 3,454,522                      | 3,262,180  | 183,642  | 170,964   | 5,182   | 176,146                                      | 185,124                                     | 5,182  | 190,306   | 14,160                                 | 8.3%  | 6,664                                  | 3.6%                                  |    |           |    |             |    |         |       |    |           |       |
| 8  | 18                              | 3,594,892                       | 4,561,094                      | 4,137,080  | 242,468  | 225,729   | 6,842   | 232,570                                      | 237,332                                     | 6,842  | 244,174   | 11,604                                 | 5.1%  | 1,706                                  | 0.7%                                  |    |           |    |             |    |         |       |    |           |       |
| 9  | 8                               | 4,735,410                       | 5,362,207                      | 5,013,803  | 285,055  | 265,376   | 8,043   | 273,419                                      | 275,129                                     | 8,043  | 283,172   | 9,753                                  | 3.7%  | 1,883                                  | -0.7%                                 |    |           |    |             |    |         |       |    |           |       |
| 10   | 11                              | 5,689,256                       | 7,040,425                      | 6,345,195  | 374,269  | 348,431   | 10,561  | 358,991                                      | 354,307                                     | 10,561   | 364,868   | 5,877                                  | 1.7%  | 9,401                                  | -2.5%                                 |    |           |    |             |    |         |       |    |           |       |
| 11   | 5                               | 7,213,255                       | 7,702,748                      | 7,483,104  | 409,478  | 381,209   | 11,554  | 392,763                                      | 385,556                                     | 11,554   | 397,110   | 4,347                                  | 1.1%  | 12,368                                 | -3.0%                                 |    |           |    |             |    |         |       |    |           |       |
| 12   | 9                               | 7,757,082                       | 8,692,228                      | 8,231,633  | 462,079  | 430,178   | 13,038  | 443,217                                      | 432,239                                     | 13,038   | 445,278   | 2,061                                  | 0.5%  | 16,801                                 | -3.6%                                 |    |           |    |             |    |         |       |    |           |       |
| 13   | 17                              | 8,725,037                       | 10,738,483                     | 9,624,408  | 570,858  | 531,448   | 16,108  | 547,555                                      | 528,782                                     | 16,108   | 544,889   | 2,666                                  | -0.5%   | 25,968                                 | -4.5%                                 |    |           |    |             |    |         |       |    |           |       |
| 14   | 10                              | 11,137,195                      | 13,511,774                     | 12,131,110   | 718,286  | 668,698   | 20,268  | 688,965                                      | 659,625                                     | 20,268   | 679,893   | 9,072                                  | -1.4%   | 38,393                                 | -5.3%                                 |    |           |    |             |    |         |       |    |           |       |
| 15   | 9                               | 14,133,495                      | 15,518,882                     | 14,992,596   | 824,984  | 768,029   | 23,278  | 791,308                                      | 754,321                                     | 23,278   | 777,599   | 13,709                                 | -1.8%   | 47,385                                 | -5.7%                                 |    |           |    |             |    |         |       |    |           |       |
| 16   | 15                              | 15,799,104                      | 17,398,358                     | 16,672,611   | 924,897  | 861,045   | 26,098  | 887,142                                      | 842,995                                     | 26,098   | 869,092   | 18,050                                 | -2.1%   | 55,805                                 | -6.0%                                 |    |           |    |             |    |         |       |    |           |       |
| 17   | 6                               | 17,825,364                      | 18,732,335                     | 18,240,299   | 995,811  | 927,063   | 28,099  | 955,162                                      | 905,932                                     | 28,099   | 934,030   | 21,132                                 | -2.3%   | 61,781                                 | -6.2%                                 |    |           |    |             |    |         |       |    |           |       |
| 18   | 8                               | 19,962,896                      | 21,658,276                     | 20,900,933   | 1,151,354  | 1,071,888                                       | 32,487  | 1,104,355                                    | 1,043,977                                   | 32,487   | 1,076,465   | 27,891                                 | -2.6%   | 74,889                                 | -6.5%                                 |    |           |    |             |    |         |       |    |           |       |
| 19   | 12                              | 21,996,786                      | 28,616,335                     | 24,568,889   | 1,521,244  | 1,416,222                                       | 42,925  | 1,459,147                                    | 1,372,259                                   | 42,925   | 1,415,183   | 43,964                                 | -3.1%   | 106,061                                | -7.0%                                 |    |           |    |             |    |         |       |    |           |       |
| 20   | 10                              | 29,226,501                      | 39,853,723                     | 34,062,467   | 2,118,624  | 1,972,361                                       | 59,781  | 2,032,141                                    | 1,902,439                                   | 59,781   | 1,962,219   | 69,922                                 | -3.5%   | 156,405                                | -7.4%                                 |    |           |    |             |    |         |       |    |           |       |
| Totals   | 224                             |                                 | 2,040,980,468                  | \$   | 119,582,153  | \$  | 111,326,576   | \$   | 3,374,214                                   | \$   | 114,700,790   | \$                                     | 4,881,363   | \$                                     | 110,999,655                           | \$ | 3,374,214 | \$ | 114,373,869 | \$ | 326,921 | -0.3% | \$ | 5,208,284 | -4.4% |

Inputs (cents per container)

- 5.316 January 1, 2021 average HC per container
- 4.949 May 1, 2021 average HC per container (pre variable rate adjustment)
- 0.150 COVID-19 Relief payment
- 4.718 Proposed May 1, 2021 average HC per container (after variable rate adjustment)
- 1.476 Variable Rate adjustment for first 1.5 M containers (average, accounts for non-refillable only)

Notes

In columns (a) through (d), Volume Clusters are assigned according to depots' Target Year forecasts in the HCR 2020 Annual Update.  
 Note that in column (d) there is a minor discrepancy in total Target Year volume from the Annual Update due to a small amount of volumes not assigned to a depot (0.01%).  
 In columns (e) through (p), it is assumed that depots will collect a container mix consistent with the weighted average of total system containers. In practice, individual depots' results will vary according to the volumes and container mix that they collect.  
 In columns (j) through (p), the table accounts for the 1.5 cent per container variable rate being applied to non-refillable containers only.  
 Figures in columns (d) through (p) are based on the minimum volume (Table 2) or maximum volume (Table 3) per depot within that respective volume cluster.