Alberta recycling MANAGEMENT AUTHORITY

EPR OVERSIGHT FEE GUIDE

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A. General

i. Introduction

Alberta Recycling Management Authority ("ARMA") is a not-for-profit organization incorporated under the Societies Act. As a Delegated Administrative Organization, ARMA is accountable to the Government of Alberta Minister of Environment and Protected Areas (the "Ministry").

ARMA is appointed by the Government of Alberta as the oversight authority for the Extended Producer Responsibility system in Alberta ("EPR System") for Single-use Products, Packaging and Paper Products ("PPP") and Hazardous and Special Products ("HSP"), established pursuant to *Extended Producer Responsibility Regulation,* Alta Reg 194/2022 (the "EPR Regulation"). The Extended Producer Responsibility Agreement on Administration and Oversight between the Ministry and ARMA further prescribes ARMA's EPR mandate and oversight scope.

ii. Purpose of Oversight Fee Guidance Document

In its EPR oversight role, ARMA has the regulatory authority to set oversight fees that provide revenue for it to carry out its mandate, including to establish and maintain resources and a prudent reserve to respond to liabilities, ongoing and emerging risks and priorities. A Fee Setting Policy sets out the objectives and principles when establishing a methodology to assess, charge, and collect regulatory fees.

The purpose of this document is to provide information to Producers and Producer Responsibility Organizations ("PROs") on oversight fees assessed to Producers and PROs within the PPP and HSP mandates.

B. Calculations of Oversight Fees for Producers

i. Cost Recovery Objectives (components included in rate setting)

For each calendar year, ARMA will establish an estimated budget for which oversight fees need to be set to recover the costs. This estimated budget will be composed of various components:

a. Annual operating budget – The estimated budget for a calendar year will include amounts sufficient to support the operating budget for ARMA's fiscal year starting April 1 of the calendar year. Costs in the operating budget include both direct and indirect costs of oversight (see section iii below).
b. Capital budget – The estimated budget for a calendar year may include amounts for capital expenditures related to the operation of the EPR mandate, including direct expenditures (e.g. system build / enhancement projects) or indirect expenditures (e.g. ARMA office space expenditures). Funding for capital expenditures may be spaced across multiple years based on an applicable amortization period for the expenditure.

c. Amortization of start-up costs (capital and non-capital) – The costs incurred by ARMA during the 27-month stand-up period for EPR (January 2023 to April 2025) will be recovered through the initial years of billing of annual fees.
d. The establishment of reserve funds for each of PPP and HSP – Reserve funds are guided by ARMA's Fund Policy.

ii. Use of Estimates

Oversight fee calculations are based on budget estimates. As such, it is expected that actual cost recoveries through annual oversight fees will not be equal to the estimated budget, and that the financial results for each year will differ from the cost recovery objective.

Oversight fee calculations are based on supply quantity estimates.

Any recovery of operating costs that exceeds or falls short of actual operating costs as a result of differences between budgeted and actual expenditures, differences between supply quantity estimates and final supply quantities or due to back-billing free-riders would be applied towards the operating costs for the next billing cycle (in effect increasing or lowering the oversight fees in the next fee cycle).

Any recovery of start-up costs that exceeds or falls short of the amortized start-up costs to be recovered in the period as a result of differences between supply quantity estimates and final supply quantities or due to back-billing free-riders would be applied in the following manner:

a. Applied towards or added to the unamortized start-up costs, resulting in higher or lower start-up cost charges for the final year(s) of the recovery of these costs; and once start-up costs are fully recovered
b. Applied towards the operating costs for the next billing cycle (in effect increasing or lowering the oversight fees in the next fee cycle.

iii. Direct and Shared Costs of EPR Oversight

The costs of oversight for PPP and HSP will include both direct and shared costs.

a. <u>Direct costs of oversight</u>
Direct costs for overseeing the PPP and HSP mandates will be charged to the applicable mandate.

b. <u>Shared costs of oversight</u>
Where costs incurred in oversight benefit both the PPP and HSP mandates, a standard allocation formula will be utilized to allocate a share of the costs between the two mandates. The formula will be set annually by ARMA.

c. <u>Shared corporate costs</u>
Various costs incurred by ARMA will benefit both the EPR and Stewardship mandates of ARMA. Standard allocation formulas will be utilized to allocate a

share of these costs between the stewardship mandates and the PPP and HSP mandates. The formula will be set annually by ARMA.

Examples of shared costs benefiting stewardship and EPR mandates:

1. Corporate staff costs
2. Shared service staff costs
3. Physical space costs
4. Governance costs (board, etc.)
5. Other costs

iv. Allocation of Oversight Fees to Producers

A Producer will be obligated to pay oversight fees for each calendar year in which it is obligated under the Regulation.

The following table shows the year of supply data used for the allocation of oversight fees to Producers for each calendar year of oversight fee invoicing. With the exception of annual fees related to calendar 2024, fees will be allocated based on supply data from the period two calendar years prior.

Annual fees Related to Calendar Year:	Based on Supply Data For:
2024	2023
2025	2023
2026	2024
2027	2025
2028	2026

C. Annual Oversight Fee Invoicing for PPP and HSP

i. Parties to be invoiced (Producers and PROs)

a. Producer Annual Oversight Fees

1. Each Producer obligated under the EPR Regulation for all or a portion of a calendar year shall be assessed an oversight fee for that calendar year.
2. Oversight fee rates shall be set annually.
3. Producers that supply a total weight of material that is under a minimum threshold (set separately for HSP and PPP) will be charged only a flat oversight fee.
4. Producers obligated under PPP and HSP shall be assessed separate annual oversight fees.
5. See Appendix 1 for annual oversight fees for PPP and Appendix 2 for annual oversight fees for HSP.

b. PRO Annual Oversight Fees

1. Each PRO registered with ARMA for all or a portion of a calendar year shall be assessed an oversight fee for that calendar year.
2. Oversight fee rates shall be set annually.
3. Oversight fees shall be flat fees.
4. PROs registered under PPP and HSP shall be assessed separate oversight fees.
5. See Appendix 1 for annual oversight fees for PPP and Appendix 2 for annual oversight fees for HSP.

ii. Invoice Issuance Dates

Annual oversight fee invoices will be issued in April of the calendar year.

iii. Oversight Fee Setting Cycle

The annual cycle for fee setting is as follows:

Time Frame	Activity
June 30	Supply data for previous calendar year due from Producers
Late Summer/Early Fall	Next year's proposed rate calculations will be completed by ARMA based on the supply data
September/October	Notice of Proposed Oversight Fees posted
Mid to Late Fall	Consultation Period (45 days)
By March 8	Notice of Final Oversight Fees posted (minimum of 30 days prior to invoicing)
April 8	Invoicing of Oversight Fees

Example for 2026 Oversight Fee Setting Cycle:

- June 30, 2025 – Supply data for the calendar year of 2024 is due from Producers
- September 2025 – ARMA calculates proposed 2026 oversight fees based on the 2024 supply data
- October 2025 – Notice of the Proposed 2026 Oversight Fees are posted and consultation with Producers are open between October and December 2025
- By March 8, 2026 – Notice of Final Oversight Fees are posted
- April 8, 2026 – 2026 Oversight Fees are invoiced to Producers

iv. Payment Terms and Interest Policy

The standard payment terms for oversight fee invoices will be 60 days.

These terms will be reduced for invoices issued later than the standard invoice issue date due to non-compliance issues by the Producer (or their PRO) that delayed the issuance of the oversight fee invoice (see table below for details).

ARMA will assess interest charges where full payment of annual fees is invoiced or received later than the invoice due date, and where the issuance of an oversight fee invoice is delayed due to non-compliance by a Producer.

The following table summarizes payment terms and provides examples.

Scenario:	Payment Terms	Example
For oversight fee invoices issued on the standard annual cycle dates	Payment of annual oversight fees is due 60 days after the invoice issue date	Invoice Issued: April 1, 2026 Payment Due: May 30, 2026 Interest will apply if full payment is received later than May 30, 2026
For oversight fee invoices issued after the annual cycle dates*, but within the first 60 days following the standard annual cycles dates	Payment of annual oversight fees is due on the same date as invoices issued on the standard invoice issue date	Invoice Issued: May 1, 2026 Payment Due: May 30, 2026 Interest will apply if full payment is received later than May 30, 2026
For oversight fee invoices issued after the annual cycle dates* and after the first 60 days following the standard annual billing cycles dates	Payment is due immediately upon invoice issuance	Invoice Issued: October 1, 2026 Payment Due: October 1, 2026 Back interest from May 30, 2026, to October 1, 2026 will be calculated and included in the oversight fee invoice Additional interest will apply from October 1, 2026, to the date of full payment

*Where invoices are issued late due to the non-compliance of a Producer for registration and/or reporting obligations

Interest will be applied at a rate set and reviewed by the ARMA Board of Directors. The current rate of interest is 15% per annum.

v. Payment Options

For Producers and PROs located within Canada, or those outside Canada holding a bank account with a Canadian financial institution, the following payment options are available:

- **Online or telephone banking** bill payment through most major Canadian financial institutions (payee: ARMA EPR Oversight – HSP for HSP invoices or ARMA EPR Oversight – PPP for PPP invoices)
- **Electronic Funds Transfer (EFT)** – Through your EFT payment system (*for initial set-up, contact ARMA at hsp_payments@albertarecycling.ca* for HSP invoices and at *ppp_payments@albertarecycling.ca* for PPP invoices, *and provide your organization's EFT agreement form*)
- **Interac e-Transfer** (*subject to daily and transaction limits set by your financial institution. Send to hsp_payments@albertarecycling.ca* for HSP invoices and to *ppp_payments@albertarecycling.ca* for PPP invoices.)
- **Cheque, money order or bank draft** payable to:

HSP Invoices	PPP Invoices
ARMA EPR Oversight – HSP	ARMA EPR Oversight – PPP
PO Box 189	PO Box 189
Edmonton, AB T5J 2J1	Edmonton, AB T5J 2J1

vi. Conditions for PROs invoicing Producers for Annual Oversight Fees

PROs may choose to offer an invoicing service to the Producers they represent, where the PRO will collect annual oversight fees from the Producer and submit the funds to ARMA on the Producer's behalf.

The following guidelines apply to any such invoicing service:

a. The PRO must disclose the specific amount invoiced by ARMA for an individual Producer to that Producer.
b. The payment terms for invoices issued by ARMA will be the same regardless of whether a PRO is involved in collecting the funds from the Producer and submitting those funds to ARMA or if the Producer is paying ARMA directly.
c. The same interest and penalties will apply whether late payments are the result of Producer or PRO action / inaction.
d. ARMA will issue interest or penalties for late payment or other Producer non-compliance issues to the Producer's account, and collection activity will occur on individual Producer accounts.
e. Any disagreements between a PRO and Producer on the responsibility for late payments resulting in interest or penalty charges are to be managed between the PRO and the Producer.