

Aquatera 2017/18 Utility Bylaw and Rate Change Summary

Aquatera Capital Plans have identified \$226M in growth related capital spending from 2013-2020. Major projects in this category include the upgrading of the Wastewater Treatment Plant (\$60M), Water Transmission line to Wembley (\$20M) and River Facilities (\$20M).

Projects that directly benefit the County of Grande Prairie over the next two years include potential construction of a Mercer Hill Water Reservoir and Clairmont Regional Lift Station, construction of a Clairmont Lagoon Discharge, and upgrades to the Clairmont pumphouse and Westlake lift station. The water transmission line to Wembley can incorporate oversizing to accommodate the Dimsdale area. A summary of short term capital investments follows.

Clairmont Water and Wastewater

Clairmont future projects total \$36M. The Clairmont Lagoon Discharge project estimated at \$15.8 million will accommodate long term growth and improved wastewater treatment. Other Clairmont projects like the Mercer Hill Water Reservoir and Regional Lift Station are subject to confirmed development demand, and funding.

The typical increase for the Clairmont water and residential wastewater charges as shown in Table 2, are \$9.50 per month in 2017 and \$4.35 per month in 2018. Clairmont wastewater residential variable rates will increase to match those in Grande Prairie and residential fixed charges will be \$1/month higher than the Grande Prairie system in 2017 and \$3/month higher in 2018 recognizing additional Clairmont specific costs. Clairmont non-residential wastewater rates will be see an additional 10% on their fixed and variable charges recognizing the impact of higher inorganic loadings and operating costs in the Clairmont system.

Table 2 – Rate Increases

	% Increase		Typical ¹ 2017 Monthly Charge(\$)	Typical Monthly ¹ Increase (%)	
	2017	2018		2017	2018
Grande Prairie System					
Water	2.3%	2.3%	41.13	0.92	0.95
Wastewater	2.4%	2.4%	50.21	1.18	1.20
Landfill Collection	-2.0%	0	19.48	-0.40	0
Recycling Charge	-2.0%	0	10.18	-0.21	0
Total			121.00	1.49	2.15
Clairmont System					
Water	2.3%	2.3%	41.13	0.92	0.95
Wastewater	19.4%	6.6%	51.10	8.58	3.40
Total			92.23	9.50	4.35
Sexsmith System					
Water	2.3%	2.3%	41.13	0.92	0.95
Wastewater	10.0%	10.0%	44.17	4.02	4.41
Total			85.30	4.94	5.36

Grande Prairie Water and Wastewater

As shown in Table 2, rates will increase to fund operational costs, and capital upgrades. The typical water and wastewater increases for residential customers connected to the Grande Prairie wastewater system are \$1.49 per month in 2017 and \$2.15 per month in 2018.

City of Grande Prairie Solid Waste:

City residents will see a decrease of 2% for 2017 and 0% for 2018 in both garbage collection and recycling services. This decrease in rates is a direct result from increasing disposal of industrial and commercial waste at the Aquatera landfill generating additional revenues.

Town of Sexsmith Water and Wastewater

As shown in Table 2, the typical increase for the Town of Sexsmith water and wastewater charges are \$4.94 per month in 2017 and \$5.36 per month in 2018.

Aquatera 2017/18 Business Plan Highlights

Capital Investments

The proposed 2017/18 capital budget totals almost \$93 million and the projection for five years is \$170 million. The capital plan includes investments to accommodate a growing region, upgrades to accommodate more stringent regulations, and achieve business goals. Major capital investments are summarized below.

Water Systems:

Wapiti River Upgrades: River bank protection is required to prevent ongoing erosion and protect storage cells and the pump station from flooding. This includes a new water intake to accommodate growth, regulatory requirements and a shifting river course, and increased raw water storage, which are estimated to cost \$20 million. This is the top priority for funding under the new federal / provincial Building Canada Fund and benefits all Aquatera customers.

Clairmont Pump House/Reservoir (Mercer Hill): Construction of a new pumphouse and reservoir atop Mercer Hill is needed to support growth in the northern sections of Clairmont including Clairmont Heights. It will also provide storage for fire protection and strengthen the existing water system for all of Clairmont. The initial size of the reservoir will be 3ML and is estimated a \$9M. This project is growth driven.

Clairmont Pump Station Overflow Piping: Installation of an overflow pipe on the reservoir at the Clairmont Pump House is necessary to prevent flooding the pump house, damage to electrical equipment and interruption in water supply. This work is schedule to take place in 2017 at a cost of \$60,000 and is risk related.

Downtown Infrastructure Upgrades: This project coincides with the City of Grande Prairie's downtown street scape improvement project. Water infrastructure replacement will be coordinated as part of the City's Project. It replaces some of our oldest infrastructure and upgrades to accommodate City plans for intensified redevelopment. Aquatera will be contributing \$1.9M towards water infrastructure.

Second Raw Water Transmission Line (Complete Twinning): This project involves the final section of twinning of approximately 600m of an existing raw water line to the Water Treatment Plant. Design will

Aquatera 2017/18 Business Plan Highlights

take place in 2017 with construction in 2018. The project is funded from the Infrastructure Charge, driven by growth and also improving overall reliability / redundancy.

West Transmission Trunk: The entire regional water system is fed by a single transmission line from the treatment plant across the South Bear Creek pipe bridge to 68 Avenue. A second water transmission line from the plant along 108 Street will provide improved flows and reliability of supply at an estimated cost of \$4.14 million.

Zone II Pump Station Upgrades: Upgrades at the Zone II Pump House and Reservoir Site include refurbishing the roof of the underground reservoir, replacement of vents, painting the exterior of the towers and installation of piping inside the towers to accommodate mixing of water and chlorine. Budget is \$1.2M in 2017 and 2018.

Water to Wembley: The Town of Wembley with support from Aquatera and neighbouring municipalities received grant funding commitments in 2016 totalling 90% of Phase 1 of the West Corridor Regional Water Transmission Line that would originate from the Aquatera Treatment Plant to the Town of Wembley estimated to cost \$20 million.

Wastewater Systems:

Clairmont Lagoon Discharge Project: The Clairmont lagoon has exceeded its treatment capacity and is close to reaching hydraulic capacity. This project will allow pump wastewater to the treatment plant in Grande Prairie via the 108 Street Trunk Sewer (on an interim basis), avoiding the need for further lagoon expansion. Land acquisition and detailed design began in 2016 followed by construction in 2017. The overall project cost is \$15.8M funded primarily by grants (\$12 million), contributions (County investment) and Infrastructure Charge funds and is driven by growth and regulatory requirements.

Clairmont Regional Lift Station/Force Main/Trunk (Phase 1): Continued growth in Clairmont is expected to consume any remaining lift station capacity in Clairmont in the short term. This project is necessary to provide wastewater pumping capacity to accommodate continued growth. Ultimately, this project will allow the abandonment of three existing lift stations. Detailed design is underway. The cost of the initial phase is estimated at \$12.9M and construction could start in 2017 if growth warrants. The project is growth driven. Funding sources remain to be confirmed.

Westlake Village Sanitary Lift Station Elevation Increase: The Lift Station located in Westlake Village in Clairmont was constructed too low and is subject to flooding during spring run-off and heavy rainfall. This project involves raising the lift station components and re-grade the site to prevent any future flooding. The estimated cost to complete this project is \$163K, funded from cash. This project is driven by risk management.

Wastewater Treatment Plant Second Sewage Dump Site: A second sewage dump site is needed to accommodate increased traffic and to provide a safer and more efficient facility for receiving and handling this type of waste. The project is to be constructed in 2018 at a cost of \$1.3M and is driven by risk management.

Downtown Infrastructure Upgrades: This project coincides with the City of Grande Prairie's downtown street scape improvements project. Sanitary infrastructure replacement will be coordinated as part of the City's Project. It replaces some of our oldest infrastructure and upgrades to accommodate City plans for intensified redevelopment. Aquatera will be contributing \$2.6M towards sewer infrastructure.

Aquatera 2017/18 Business Plan Highlights

92nd Ave Aerial Sewer Relocation – Trestle Demolition: Two aerial sewer lines crossing Bear Creek have been decommissioned with construction of a lift station and forcemain on the west side of the Creek. The wooden trestles that previously supported the sewer lines now require demolition due to unstable slopes which continue to threaten the integrity of the structures. This project is driven by risk management.

Shannon and Clearwater Lift Station Backup Generator and Building: These lift stations service the north half of Sexsmith and presently are without back-up power. This could result in sewer back-ups into buildings during a prolonged power outage. The Shannon facility is currently fitted with a small kiosk to house electrical equipment and controls and lacks sufficient space to work on these components. The cost to install back up generators and buildings on both facilities is \$100K, for each facility. The project is driven by risk management.

Sexsmith – 95 Avenue Sanitary Sewer: This project is growth driven and is estimated at \$1.1M. Detailed design is underway. Construction will be deferred if anticipated growth doesn't occur.

Solid Waste

New Bioreactor Landfill Cell: The current active Bioreactor Landfill Cell (Cell 8) is rapidly approaching final elevation. Once this elevation has been achieved, Landfill operations will shift to the older cells with garbage lifts and gas well extensions to bring them up to final elevation. A new Bioreactor Landfill Cell (Cell 9) will be designed and constructed in 2017. The budget for this project is \$2.8 million.

Landfill Gas to Energy: This project includes the drilling of additional landfill gas in Cell 8 and tie in to the existing landfill gas system in 2018. This will allow for the continued generation and capture of landfill gas to be used in further electricity production at the Energy Centre. The budget for this project is \$1.8 million.

Customer Satisfaction

Residential and commercial customer satisfaction surveys were conducted in July 2016. A Net Promoter Score (NPS) Survey asked residents three simple questions to gauge whether they would promote Aquatera as a company to do business with (rating of 9 or 10), be a detractor (score of 6 or less), or were a passive customer (score of 7 or 8). 78% of Aquatera customers told us they were either active promoters of Aquatera or satisfied customers (providing a score of 7 or higher when asked 'on a scale of 1-10, how likely would you be to refer Aquatera as a utility provider?').

The most common suggestion for improving the customer score is lower utility rates.

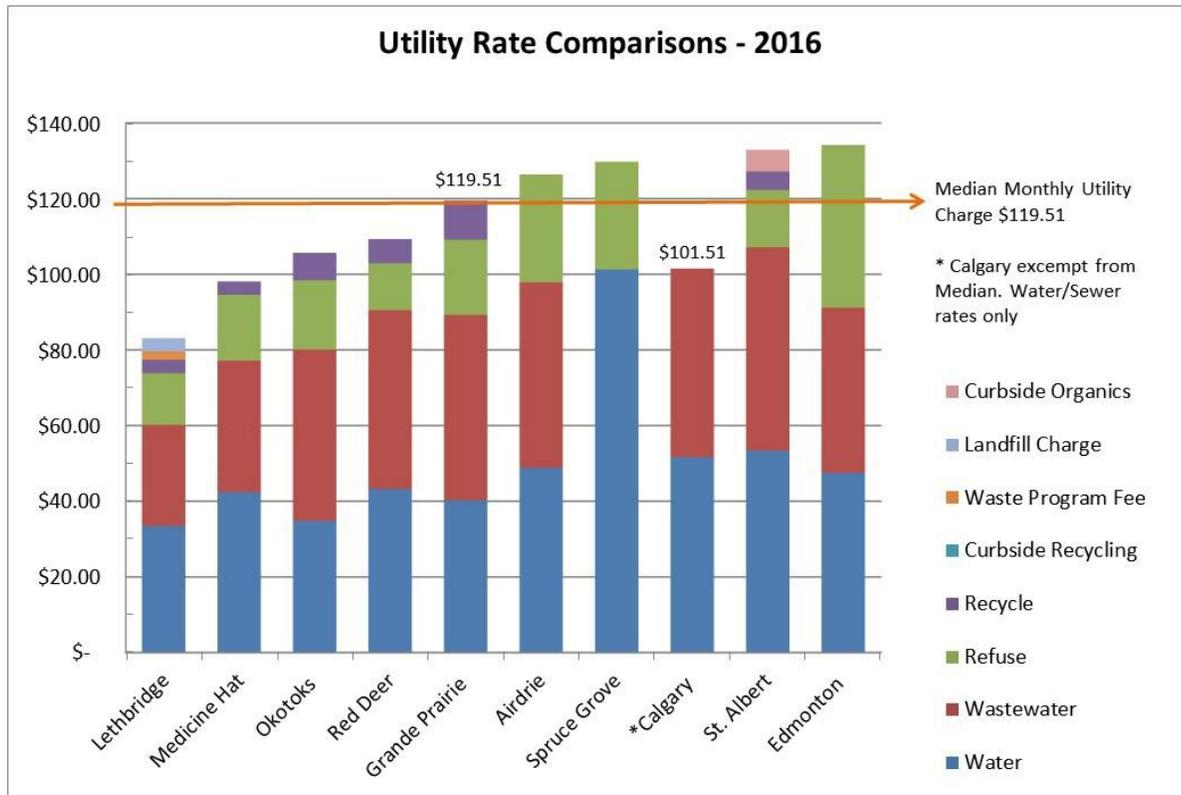
Shareholder Dividends

Aquatera declared \$3.7 million in 2015 including \$1.5 million in discretionary dividends. Dividends are planned to increase to \$3.9 million in 2018.

Utility Rate Comparison

Aquatera is committed to achieving utility rates below the provincial median among comparable Alberta cities. Grande Prairie monthly residential charges were \$119, earlier this year – the median of nine Alberta cities. Water and wastewater charges were below the median while solid waste charges were the second

highest. Further reduction of solid waste charges will occur with increasing capture of City generated waste for disposal at the Aquatera landfill generating revenues allowing for reductions in residential rates.



Support for Advocacy Efforts

Shareholders assist in advocacy efforts with the Province. These include advocacy with Municipal Affairs regarding favourable changes to the Municipal Government Act and regulations as well as updates and meetings with our MLA’s and MP regarding legislative changes and funding opportunities.

Amended Unanimous Shareholders Agreement (USA)

We’ll engage shareholders in a review of the USA to incorporate the ability to add new shareholders, and other potential changes to help achieve the growth vision of the company.

Customer Growth

The short term economic outlook locally and provincially is one of continued slowed growth through at least 2017 coupled with low interest rates. The following figure illustrates customer growth as new meter installations; with growth slowing in the short term to levels not seen in over a decade.

