



4	Board Chair & CEO Messages
6	Board of Directors
8	Corporate Overview
12	Our Operations
24	Growing Our Business
26	Our Communities
27	Our People
30	Financial Overview

TABLE OF CONTENTS

Message from the Board Chair



There is one word that best describes 2016 at Aquatera: Innovation. At Aquatera, we pride ourselves on continually striving for excellence in all areas of our company. This year saw the emergence of the Aquatera Way, which empowers and challenges every employee to look for opportunities to improve the way work gets done. The end result is the best people providing the best service for the best value.

How do we accomplish this? We are focusing on improving efficiencies by eliminating waste through Lean initiatives. We are looking at new ways to improve safety. We value our employees, and are empowering them by growing their talents and equipping them with learning and development opportunities to expand their knowledge-base. And we are focused on understanding our customers' needs and what is most important to them.

Our people have been dedicated to these goals and to our overall vision. As one employee said, "Our culture has changed and there is no going back." What has not changed, however, is the solid foundation upon which we are building these practices of innovation. Our culture of environmental stewardship continues. Our culture of excellence in producing high quality water and providing excellence in water, wastewater, landfill and recycling services remains at the heart of the company.

On behalf of myself and the Board of Directors, it is a pleasure to serve Aquatera. It has been both exciting and humbling to be part of a company so engaged and committed to driving excellence and innovation throughout the organization.

Andy Beal Aquatera Board Chair



Message from the CEO

My thanks to all Aquatera team members that are Helping Grow Healthy Communities by providing essential services contributing to the quality of life of our customers!

Significant progress occurred towards ingraining Lean into our culture. Major Lean initiatives focused on safety, asset management and supply chain management. Processes were formalized encouraging 'Just Do Its' for staff to make changes that improve their day-to-day jobs directly.

Removing 'waste' from a customer's perspective is a main focus of Lean initiatives. This, along with intentional cost containment efforts by everyone at Aquatera, contributed to improving financial performance from the prior year despite falling utility billings — a symptom of a slowing economy. Thanks to all Aquatera team members for these efforts.



Safety results improved quarter to quarter with major program restructuring and increased accountability. Our goal is zero injuries and for everyone to go home pain free.

Services were expanded in projects like installation of over 500 water meters in the Town of Wembley and storm cleaning and video inspections for the City of Grande Prairie. We're pleased to provide water to the Town of Wembley through a new water transmission line from the Aquatera system to be built in 2018, with support of major federal and provincial grant funding.

The upgraded Wastewater Treatment Plant and new Bioreactor Landfill Gas-to-Energy system are operating as intended, providing 25 years of projected regional growth and reduced environmental impacts.

Long term growth in the City of Grande Prairie's west end and in the Hamlet of Clairmont is supported with completion of the 116 Street Sanitary Trunk Sewer south of 100 Avenue. Completion of a water transmission line serving the Airport Reservoir now provides improved flows for fire protection and supports further growth in the west. Plans neared completion to convey Clairmont wastewater for treatment at our upgraded plant, creating a regional wastewater system.

Long term intensified redevelopment in the City's Downtown is supported with the replacement of some of our oldest infrastructure as part of the Downtown enhancement upgrades and the diversion of wastewater from west of Bear Creek away from the downstream Swanavon neighbourhood.

Upgrading of the Heritage Park Lift Station in Town of Sexsmith improves reliability and supports growth in the Town and our new Bulk Water Station more efficiently and safely supplies potable water to both residential customers not directly connected to us as well and many industrial customers. We continue to pursue business opportunities to add value to shareholders and customers by expanding services to other communities.

Our success is a result of everyone's efforts. My thanks to Aquatera team members, our Board of Directors and our partners!

Bernd Manz, P.Eng. ICD.D Aquatera CEO Our Board of Directors are a professional group of people with varied backgrounds. Board of Director appointments are approved unanimously by Aquatera's three shareholders to represent the shareholders in overseeing the operations of Aquatera.

2016 Board of Directors

ANDY BEAL - Chair

JIM SMITH - Vice Chair

DAVID URNESS - Secretary

CATHERINE CONNOLLY - Director

DARLENE HALWAS - Director

CHRIS LABOSSIERE - Director

GERRY MARCOTTE - Director

ABE NEUFELD - Director

ELIZABETH (LIZ) SORIA - Director







Corporate Overview

Who We Are

Aquatera is a full-service utility corporation – the provider of choice for governments, businesses and communities. Our business is to provide high quality utility services and optimize value to consumers, the environment and shareholders.

What We Do

- We provide safe drinking water for community health
- We provide utility services that foster regional prosperity
- We are stewards of air, land and water

Our Principles

All Aquatera employees endorse and commit to exemplifying the following principles that have been established by our board.

These principles will guide our actions and ensure our success:

- Be an exemplary employer
- Model environmental stewardship
- Ensure an appropriate balance between profitability and affordability
- Innovate and lead in the development of best practices
- Provide first class customer service
- Expand markets within the bounds of a sound business approach
- Communicate to enhance support, understanding and acceptance

Vision

To be the most innovative municipal company in Canada by 2020. By 2020, we will:

- Generate \$25 million in cash flow

- Be below the median Alberta utility rate

- Double our dividends to shareholders

Enhance public trust by prudently managing company risks

Brand Promise

Trusted Quality | Valued Service | Peace of Mind

Core Purpose

Helping Grow Healthy Communities



Our Core Vaues

Quality

We provide quality customer service by:

- Doing the right job right the first time
- Demonstrating pride in our work
- Always meeting our standards
- Delivering high quality products and services

Our Lean culture of continuous improvement provides increased customer value and effectiveness.

Teamwork

We practice teamwork by:

- Helping and supporting each other
- Working together to achieve common goals
- Recognizing that everyone's skills and abilities contribute to the competency and success of the team
- Ensuring that we are flexible in our approach to work
- Listening to understand
- Contributing openly and honestly
- Ensuring ongoing communication with customers and other stakeholders
- Eliciting new ideas and valuing the input and opinions of employees and stakeholders

Respect

We are environmental stewards, always meeting and striving to exceed environmental standards while seeking to minimize the environmental impact of our services.

We practice respect by:

- Honouring our commitments and providing consistent, reliable products and services on time
- Being accountable for all we do
- Acknowledging and building upon successes and learning from mistakes
- Practicing confidentiality
- Expressing a willingness to learn and accept help
- Valuing the differences and opinions of all stakeholders
- Treating others the way they want to be treated

Safety

We value each other's safety and the safety of our community and customers.

2016 Highlights



\$3.7 million paid to shareholders in cash dividends

\$10.2 million net income



\$18 million in capital investments

+80 metric tonnes
of Styrofoam
diverted from
the Landfill
since 2011

\$665,000 savings from Lean initiatives





\$8.3 million new development water & wastewater infrastructure transferred to Aquatera



22 million litres per day average daily water usage



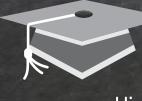
5 kg per dwelling recycling increase over 2015

\$169,035 in sponsorships

17 students hosted since 2008 in the Aboriginal Job Shadow Program



9 students



hosted in the Industry Partner for a Dual Credit High School Program

+\$750,000 **Bottle Donation Program** charitable donations over 12 years

OUR OPERATIONS

Aquatera is a leader in the water, wastewater and solid waste industries bringing extensive experience and proven expertise to the public (rural and urban), private and industrial sectors.

In business since 2003, Aquatera is a model of regional cooperation between our municipal shareholders – the City of Grande Prairie, County of Grande Prairie No. 1 and the Town of Sexsmith – and serves over 80,000 people in one of the country's fastest growing regions. This model is both profitable and sustainable, and consistently delivers value to our shareholders.

We provide a full-range of options for the clients we serve, including the ownership and/or maintenance and management of water, wastewater and solid waste services, contracted services and consulting.

Our 2016 operating budget maintained a focus on maximizing revenue from outside of our core business while ensuring controllable costs were contained through sound financial practices and an enhanced focus on Lean processes. Lean principles aim to create the most value for the customer while minimizing resources, time, energy and effort. In 2016, savings from Lean projects totalled \$665,000 in time and money.

Through close attention to operational efficiencies, Aquatera reduced our operational expenses by \$2.6 million. Cash flow results in 2016 were \$18.7 million, \$2.3 million better than the results achieved in 2015.

Updates for the Water Distribution and Wastewater
Collection Master Plans for the City of Grande Prairie,
Hamlet of Clairmont and surrounding areas in
the County of Grande Prairie are now complete.
The Plans will define the infrastructure

needed to support growth and development in our service area for the next 50 years – including the annexation area.

Capital spending in 2016 was \$18 million, with over \$170 million in capital investments planned over the next five years. This investment in our communities is an important driver for economic growth, helping ensure we can meet the needs of a growing region and can continue to meet regulatory requirements.



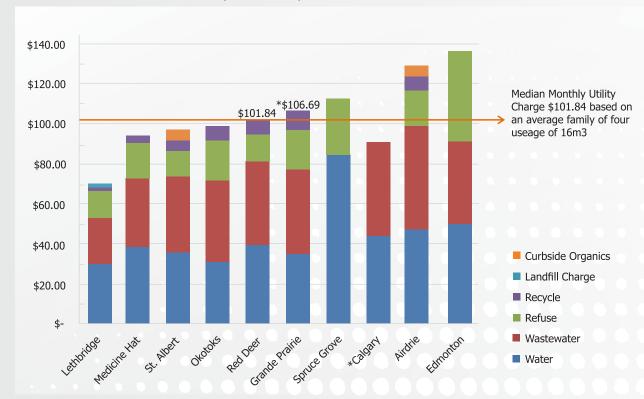
UTILITY RATES

Aquatera remains a sustainable utility rate model by fully recovering the cost of our services. In other municipalities, it is common to subsidize solid waste recycling and diversion programs from the general tax base.

Our goal is to provide services with utility rates below the median of comparable Alberta cities. In 2016, monthly water and sewer charges were below the median of the cities shown, while total monthly charges of \$106.69 were above the median with solid waste charges added.

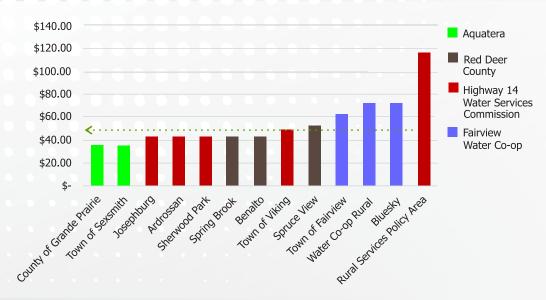
Solid waste charges (garbage collection and recycling) are second only to the City of Edmonton's. Generating more revenue through increased disposal at the Aquatera Landfill will help reduce these charges going forward.

Utility Rate Comparisions: Alberta Cities



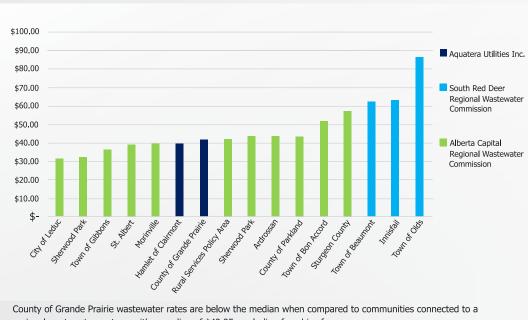
^{*}City of Calgary is exempt from the median as Calgary garbage collection charges are tax supported and there is no indication that Calgary recycling charges are full cost recovery.

Regional Water Services, Commissions and Co-ops 16m3 typical residential consumption



County of Grande Prairie and Town of Sexsmith water rates are the lowest of communities connected to regional water systems. Franchise fees excluded median charge of \$45.45.

Regional Wastewater Services, Commissions per 16m3



County of Grande Prairie wastewater rates are below the median when compared to communities connected to a regional wastewater system, with a median of \$42.25, excluding franchise fees.

Wastewater Services



WATER

Aquatera's water system includes water treatment and distribution to our customers' homes and businesses. We serve the City of Grande Prairie, Town of Sexsmith, Hamlets of Clairmont and Wedgewood, as well as areas within the **County of Grande Prairie.**

Providing our customers with a long term, secure, high quality water supply is our primary concern. A safe and sustainable source of drinking water supports the growth of healthy communities and economic development in our region.

Investment in infrastructure sets a strong foundation for the future

Construction of our new Bulk Water Station was completed in 2016. This dedicated outlet for potable water reduces wait times for customers, with an increase in the number of bays and designated "drinking water haulers only" lanes.

Construction of a dedicated transmission line to the Airport Reservoir was also completed. This line will support continued commercial and industrial development in the City of Grande Prairie's northwest and improve water supply and fire flows.

The Town of Wembley received federal-provincial grant funding for construction of a water transmission line from Grande Prairie to Wembley. Construction will commence in 2017, with completion in 2018.

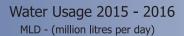
Detailed design of Mercer Hill Pump House and Reservoir is complete. Construction timing will be driven by growth and subject to funding confirmation and will support long term growth in north Clairmont.

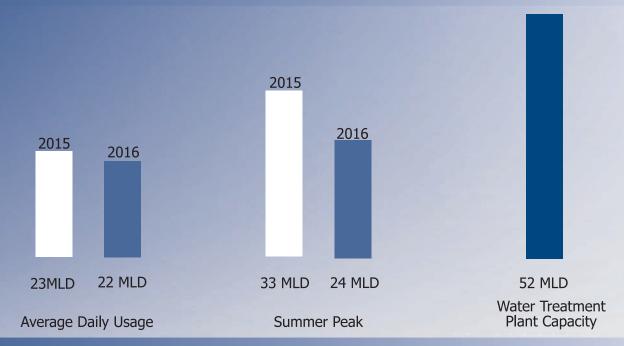


......

Extension of water distribution systems to service new rural residential subdivisions in the County of Grande Prairie has created interest for extension into existing acreage developments. Servicing of existing developments will be dependent upon success with petitions for Local Improvement Levies.

Our customers continue to use less water, the results of both a slower economy in 2016 and a commitment to water conservation among our customers. This both benefits the environment and extends the time before system upgrades are required.





WASTEWATER

Aquatera owns and operates the wastewater systems in the City of Grande Prairie, Town of Sexsmith, Hamlets of Clairmont and Wedgewood, as well as other areas within the County of Grande Prairie.

Capital projects support environmental and community growth

The 116 Street Trunk now connects Centre West Industrial Park and the O'Brien Lake neighborhood terminating north of 104 Avenue in Westgate West in the City of Grande Prairie. This upgrade included the de-commissioning of two temporary lift stations and provides ready servicing of commercial and industrial lands in the City's west. It also accommodates the future connection of flows from Clairmont, forming a regional wastewater system.

Clairmont is nearing capacity and upgrades are required to support growth. Construction of the Clairmont Lagoon Discharge will begin in 2017, conveying wastewater for treatment at the Aquatera plant, providing a long term wastewater treatment solution for Clairmont and improving treatment quality. Detailed design is now complete for a Clairmont Regional Lift Station and related Trunk Sewers, replacing three smaller lift stations.



Replacing and upsizing of Aquatera water and sewer mains in Grande Prairie's Downtown to occur in conjunction with the City Downtown Enhancement Plan began with the initial phase along 101 Street. The 2016 construction of a Forcemain and Lift Station west of Bear Creek will also accommodate intensified redevelopment in the Downtown by diverting sewage flows away from the downstream Swanavon neighborhood.

Ongoing development in west-central and southwest Clairmont created a need to upgrade the Four Mile Corner Lift Station. Construction is underway and scheduled for completion in 2017.

Further extension of the wastewater system occurred in the County of Grande Prairie, east of the City, in Sandy Ridge.

Design of the 95 Avenue sewer is complete in Sexsmith. A forcemain diversion from the Shannon Lift Station design began in 2016, with construction scheduled for 2017.

The Combined Heat and Power Plant constructed as part of the \$60.8 million Wastewater Treatment Plant (WWTP) Phase II upgrades was commissioned in early 2016, generating power and heat largely from captured landfill gas. The WWTP upgrades will help meet stringent provincial regulatory requirements and ensure we have the capacity to meet a growing region.

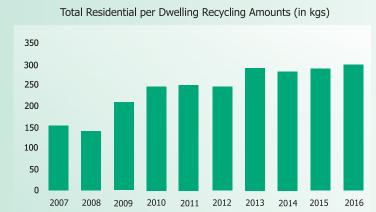


SOLID WASTE

Aquatera is an experienced solid waste service provider, offering landfill and recycling services. Our operations are leading-edge. We own and operate an innovative Bioreactor Class II Landfill and an award-winning Eco Centre recycling facility, and provide curbside garbage and recycling collections for the City of Grande Prairie.

Aquatera's Bioreactor Landfill Gas-to-Energy Project is complete, with captured methane gas used by the adjacent Treatment Plants to generate onsite power and heat. The sale of emissions credits will provide revenue beginning in 2017. The Landfill Gas-to-Energy Project aligns with Aquatera's commitment to environmental stewardship and innovation; it will increase the life of the Landfill, reduce greenhouse gases, and reduce operational costs and raise new revenues, helping stabilize rates.

With a solid commitment to recycling, Aquatera provides recycling opportunities with curbside residential collection at our Landfill and Eco Centre. Overall, per dwelling unit recycling continues to increase surpassing 2015 numbers by five kgs per household. A contributing factor is the increase in recycling received at the Waste Management Facility.



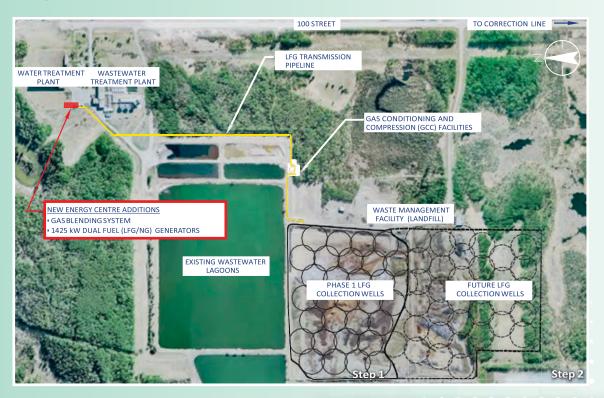
The Aquatera Landfill is home to many species of wildlife, including many Bald Eagles. Up to 33 have been spotted on a single day by Aquatera operators.

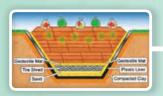


Landfill Bioreactor

We have changed the way we think about waste

Through the use of leading-edge technology, Aquatera's Landfill is able to capture naturally occurring methane gas from decomposing waste and convert it into the gas to heat and power the Water and Wastewater Treatment Plants. This significantly reduces Greenhouse Gas (GHG) emissions as well as utility costs, while improving air quality. Bioreactor technology allows us to reduce our (GHG) emissions by 63,000 tonnes of carbon dioxide annually, equivalent to removing 13,500 vehicles from the roads each year.









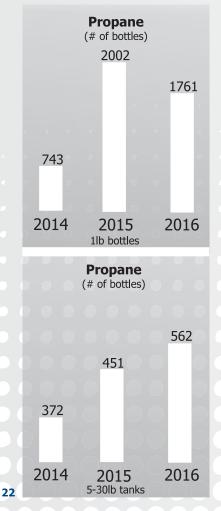
ECO CENTRE

Aquatera is an environmental leader in waste diversion, and our Eco Centre exemplifies excellence and leadership in the recycling industry. This award-winning facility is Grande Prairie's largest recycling depot for both residents and commercial customers.

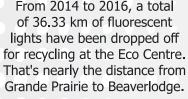
We offer an extensive range of recycling options including electronics, paint, tires, Styrofoam, paper, cardboard, fluorescent light bulbs and tubes, used motor oil and filters and much more.

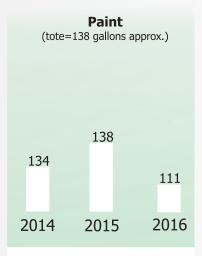
The Eco Centre continues to process high volumes of Styrofoam. Since 2011, more than 80 metric tonnes of Styrofoam processed at the Eco Centre was diverted from the Landfill, thus extending its life.

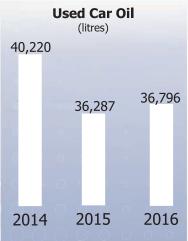
Recycling Highlights











DISTRIBUTION AND COLLECTION

A well-maintained water distribution and wastewater collection system means customers always have running water and receive excellent customer service when they need it most.

In 2016, Aquatera initiated a level of service review for both water and wastewater infrastructure, focusing on areas of critical infrastructure or areas that are known to have issues (e.g. grease build up or root intrusion). Sewer blockages and water main breaks remained consistently low. 2016 was a record for the lowest number of overall sewer service blockages in a decade, with zero main blockages or breaks.

Aquatera maintained and flushed approximately 2700 yellow hydrants in 2016, as per National Fire Protection Association (NFPA) requirements. All yellow hydrants are owned and maintained by Aquatera.

Aquatera purchased a Combo Unit in 2016 to clean, flush and maintain sewer and storm lines. The Combo Unit allows operators to hydrovac an area, rather than requiring a backhoe for shallow excavation. This means less ground disturbance and less downtime if services must be shut off during maintenance.



GROWING OUR BUSINESS

SHAREHOLDER OPPORTUNITIES | CONTRACTED SERVICES | CONSULTING SERVICES

Municipal Services

Aquatera owns and operates utilities for rural and urban municipalities. In return, investor municipalities have input into our business planning and receive dividends for their investment. Aquatera continues to pursue new shareholders as a sustainable method of growing our business.

Aquatera's diverse team of professionals offers a range of consulting expertise and contracted services, bringing innovation and efficiencies to water, wastewater or landfill projects.

We are committed to ensuring that resources, both people and equipment, are available to meet customer demand. We maintain a Remote Treatment Operations Team to support services to other communities. In 2016, our team provided services under contract to the Village of Rycroft and the Town of Manning. We also added a new contract with the Village of Hines Creek for short term operational services.

Our Customer Billing and Meter Services Team provided the Town of Wembley with residential meter installation services, installing approximately 500 new water meters.

In 2016, we focused on growing our Distribution and Collection (D/C) Services through the completion of private and public contracts, expanding services to storm line cleaning and video inspection.

Landfill services also continue to be a Business and Corporate Development priority. Aquatera has the expertise to assist in establishing cost-effective and efficient operations, navigating the regulatory environment and extending landfill life through maximizing landfill airspace.

Services to Industry

Services to industry are a significant part of our growth strategy. Revenues generated help contribute to our Core Purpose of Helping Grow Healthy Communities and our goal of providing utility rates below the median.

In 2016, we shifted our acquisition focus to companies aligned with Aquatera which are already providing a municipal service. This shift in strategy ensures we have significant knowledge to support sustainable, long term business operations in these industries.

Within the region, industry consumes significant amounts of water. Aquatera offers an alternative to using raw or potable water in the sale of treated effluent to industry.

In 2014, Aquatera acquired Watchorn Rentals, a private water and wastewater services company. Watchorn provides water storage, wastewater treatment and other equipment rentals to industry, with a focus on industrial work camps in Alberta and British Columbia.

Watchorn will continue to focus on delivering high quality services to customers to help grow their business.

OUR COMMUNITIES

Aquatera believes in strengthening our communities and our region. One of the ways we do this is by investing in programs and initiatives that have a positive impact on the environment and on the well-being of the people who live and work here.

In 2016, we contributed to our service region and our customers with \$169,035 in Aquatera sponsorships (cash and gift-in-kind). Aquatera also celebrated 12 years of support and \$750,000 in donations to local youth charities through our Bottle Donation Program. The Bottle Donation Program is a partnership between Aquatera and Recycle Plus.

Aquatera continues to support Habitat for Humanity ReStore operations. The Grande Prairie ReStore accepts donations of new and gently used building materials and home improvement items and sells them to the public. The social enterprise keeps reusable and resalable materials out of the Landfill and supports Habitat for Humanity's mission.



Managing and Protecting Our Water Source

Aquatera, along with other stakeholders, participates in the Wapiti River Water Management Plan. Phase One of an Instream Flows Needs Study was completed in 2015. Phase Two began in 2016 to determine river-specific flows for both a healthy aquatic ecosystem and a high quality water source for continued regional growth.

Aquatera is also involved with the Mighty Peace Watershed Alliance. The Mighty Peace Watershed Alliance is a watershed protection advisory council formed to plan an ecologically healthy watershed, while ensuring environmental, economic and social sustainability.

OUR PEOPLE

Aquatera continually invests in the training and development of our employees to enhance their knowledge and specialized skills necessary to deliver high quality products and services to our customers. Our high certification levels also equip Aquatera with the ability to provide expert support to communities and industries. Aquatera employees are committed to keeping abreast of current technologies and innovations through their leadership roles in industry organizations.

Safety

Safety is a core value at Aquatera. Our goal is zero injuries and for everyone to go home at the end of a workday injury and pain free.

In 2016, we launched our Lean Safety Program with the goal to standardize, streamline and create a safer work environment. This renewed emphasis and staff effort saw quarter to quarter safety improvements throughout the year. We continue to work towards lowering our Total Recordable Incident Rate.



We participate in the Partnerships/Partners in Injury Reduction Program, a joint initiative between the Alberta Municipal Health and Safety Association, Workers' Compensation Board and Alberta Human Services. Aquatera's Workers' compensation premiums have been reduced to the lowest premium available in our industry.

Lean is a Way of Leading Our Business

Aquatera's Core Purpose is Helping Grow Healthy Communities and incorporating Lean into our company culture is an important way to help us be successful in achieving that. Lean is customer focused: it ensures that we know what's important to customers and what they value.

We accomplish this by having the best people providing the best service for the best value.



Training to Support Excellence in the Industry

Our operators are some of the most qualified in Alberta and our employees deliver best-in-class services. Aquatera encourages innovation through training opportunities, and we highly value knowledge-sharing with other communities.

Operator certification training and our very high certification levels equip the company to provide expert support to communities and industry.

Our Landfill held specialized training with operators from across the province in attendance.

We are an Industry Partner for a Dual Credit High School Program, providing local students with work experience to complement their water and wastewater courses from NAIT. In 2016, we hosted nine local interns for the summer months in Treatment and in Distribution and Collection.

We also hosted a student in the Aboriginal Job Shadow Program through the Indigenous Employment Coalition.

Water Week North Conference

Water Week North, an event hosted by Aquatera, continues to see strong attendance. The networking and educational event brings together operators, industry professionals and municipal administrators from across the province to gain insights about the industry, learn about new technology and access training opportunities.

WATER WEEK NORTH ** GRANDE PRAIRIE

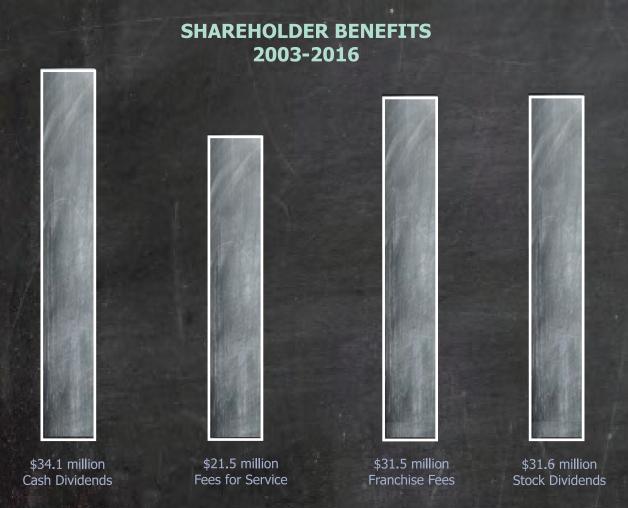


2016 Financial Overview

In 2016, Aquatera reported a net income of \$10.2 million and cash flow from operations of \$18.8 million, as calculated under International Financial Reporting Standards (IFRS).

The adherence to internal cash management policies ensures that Aquatera retains sufficient cash flow to fund operations, infrastructure growth and business development. Aquatera funds its capital projects from cash (utility rates), infrastructure charges (development), debt (borrowing) and grants (government funding).

Return on equity for 2016 is 9.4 percent. Debt levels are projected to rise to fund Aquatera's capital investments. Debt to equity levels will remain within the established limit of 1:1 into the future.



SHAREHOLDER BENEFITS

SHARES

Shares are issued for any assets transferred to Aquatera from a shareholder or cash invested. Shareholders have received \$118.7 million in direct benefits from Aquatera since 2003.

FRANCHISE FEES

Aquatera pays a franchise fee to shareholders for the right to administer water, wastewater and solid waste services on behalf of the shareholder. The current rate paid is 10 percent of revenues collected in each respective area of operations. Shareholders received \$3.6 million in franchise fees for 2016.

DIVIDENDS

Under the Unanimous Shareholder Agreement, cash dividends are paid at the mandatory rate of 5 percent on:

- preferred shares from assets transferred prior to 2010
- preferred shares issued after 2010 based on the contribution of system assets or cash

For 2016, the total for mandatory dividends was \$2.2 million. The Board also declared discretionary dividends of \$1.5 million. Dividends to shareholders totalled \$3.7 million for 2016.

2016 CASH DIVIDENDS PAID TO SHAREHOLDERS

City of Grande Prairie **\$2,715,942**



County of Grande Prairie No. 1 **\$651,180**



Town of Sexsmith **\$299,985**



