



**2012**

**ANNUAL REPORT**



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# MESSAGE FROM THE BOARD CHAIR

Greetings on behalf of the Board of Directors.

2012 was a very exciting year for Aquatera.

A tender was awarded for our largest project to date - the \$58 million Wastewater Treatment Plant.

Studies were completed for a bioreactor to capture energy from the landfill.

Administration completed the migration of computing services from the City of Grande Prairie.

Looking forward, plans were initiated to develop new trunk lines in the City of Grande Prairie and to upgrade our systems in Clairmont.

Blue bag recycling came to schools and multi-family residents.

The Board approved a new Strategic Plan aimed at balancing the needs of customers and shareholders. Specifically, we approved a three-part strategy to grow our business outside of our main area of operation to keep our rates as low as possible:

- double our revenues by 2020 by growing our non-jurisdiction revenues to equal our core business revenues
- double our dividends to shareholders by 2020
- maintain our pricing at the median of rates charged by other communities in Alberta

This strategy is designed to bring additional revenues to the area while allowing us to continue providing first rate services at an affordable level.

Finally, as promised publicly, we created a capital fund from rate increases to allow us to build much needed infrastructure while staying within our debt limits. All of this was done with our rates staying at the median levels for comparable cities within Alberta. The result is that Aquatera is a forward-looking company with a very bright future.

**Andy Beal**  
**Chair, Aquatera Board of Directors**

***Our Board of Directors includes members from the public who are selected unanimously by our shareholders. At the end of 2012, our Board of Directors included:***

*Andy Beal, Chair*  
*Rick Pfliger, Secretary*  
*Abe Neufeld*  
*Jim Smith*

*Chris LaBossiere*  
*David Urness*  
*Gerry Marcotte*  
*Ken Cory*



# MESSAGE FROM THE CEO

2012 was a successful year that saw the launch of several key initiatives that will have a long lasting impact. Consolidation of staffing into a new head office was completed, providing a stronger identity, and improved collaboration and core support services.

The Board renewed its Strategic Plan creating an expanded vision for growing the company and increasing value to shareholders and customers. In response, we've begun to extend our reach in services and responded to needs in other communities, assisting them in ensuring they have a reliable supply of quality drinking water. I appreciate the enthusiasm with which Aquatera employees have embraced this renewed vision and continue to seek ways in which to grow services and improve overall effectiveness.

The focus on effectiveness coupled with modest increases in materials to the Waste Management Facility and water billings, that for the first time exceeded 2009 levels, resulted in a favourable financial outcome. We are pleased to declare additional dividends once again and provide \$3.5 million in cash dividends to shareholders. As a demonstration of service value, Grande Prairie utility charges were at the median of comparable Alberta cities surveyed.

The two year Business Plan and related budgets approved later in the year identify the activities and resources needed to accomplish our strategic priorities. A key component is the upgrading of the

Wastewater Treatment Plant. This \$58 million project will increase capacity to accommodate another 25 years of anticipated regional growth while improving water quality, reducing nutrient loadings on the Wapiti River in accordance with our operating approval. This major contract was awarded for completion by the end of 2015. The efforts of our MP, Chris Warkentin, resulted in \$10million in federal funding, reducing increases to residents and businesses to pay for the project through rates and charges.

A commitment was made to implement a Bioreactor Landfill Gas-to-Energy project. Starting operation in 2014, this innovation will significantly reduce greenhouse gas emissions and power costs at adjacent treatment plants – a big benefit to both the environment and operations.

Residents in multi-family dwellings and schools received blue bag recycling collection – an improved level of service beginning with single-family collection in 2011. The Eco Centre continues to see more visits and provides an expanded range of recyclable materials.

I appreciate Board members' collaboration, insights and direction in charting a new and exciting course for the company. My thanks to all Aquatera employees for their continued innovation and engagement!

**Bernd Manz, P.Eng.**  
CEO, Aquatera Utilities

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# MISSION AND VISION

## MISSION

**Our business is to provide high quality utility services and optimize value to the consumers, the environment and shareholders.**

- providing residents with clean, safe water - an essential foundation to our quality of life
- collecting and treating wastewater carefully and efficiently returning it to the environment responsibly
- managing solid waste collection, landfill and recycling operations
- capitalizing on new water, wastewater, solid waste and energy utility opportunities

## VISION

**Aquatera Utilities Inc. is a full service utility corporation - the provider of choice for governments, businesses and communities.**

### **We will:**

- grow our non-core business to equal our core business by 2020
- be below the median Alberta utility rate by 2020
- double the cash flow to shareholders by 2020

# 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

### We will:

- strive for the highest levels of workplace safety and employee satisfaction
- continually acknowledge that employees are our greatest strength and asset
- ensure our principles and values are practiced by everyone throughout our organization
- encourage best performance through:
  - fair compensation
  - regular evaluation
  - meaningful reward and recognition
  - supporting continuous learning and personal growth opportunities

## Model Environmental Stewardship

### We will:

- provide clean, safe drinking water
- protect, conserve and manage our water supply both now and for the future
- collect and treat wastewater carefully and efficiently and return it to the environment responsibly
- minimize the environmental impact of our services
- provide more opportunities for reducing, reusing and recycling, and educate consumers about available services
- always meet and strive to exceed environmental standards



## **Provide First Class Customer Service**

### **We will:**

- strive to understand and appreciate our customers' concerns, needs and expectations
- resolve service requests in a courteous and timely manner

**We are enabled to resolve customer requests expediently.**

## **Ensure an Appropriate Balance Between Profitability and Affordability**

### **We will:**

- work within our means, using resources efficiently
- conduct our business in a planned, proactive manner
- provide service value; a fair price for a quality product
- be a sustainable company providing a reasonable return to our shareholders

## **Innovate and Lead in the Development of Best Practices**

### **We will:**

- identify and adopt best practices where it makes sense
- explore and implement new methods and technology to attain better outcomes
- pursue complimentary and strategic alliances with others

## **Expand Markets Within the Bounds of a Sound Business Approach**

### **We will:**

- pursue new business opportunities and expand in areas where it makes good sense to do so
- assess and capitalize on our strengths
- establish priorities to control our future growth
- actively promote our services throughout Northwestern Alberta and beyond

**Communicate to enhance understanding, acceptance and support.**



# VALUES

In addition to these Principles, we commit to the following Values, which will guide our day-to-day operations and our interactions with our customers, partners, suppliers and with each other.

## WE WILL:

### Be Accountable By:

- taking responsibility for our actions
- acknowledging and building upon successes and learning from mistakes
- practicing confidentiality
- expressing a willingness to learn and accept help

### Communicate By:

- listening to understand
- contributing openly and honestly
- ensuring customers are aware of our service and the benefits of our initiatives
- eliciting new ideas and valuing the input and opinions of our staff

**Be flexible in adapting to changing circumstances and doing what needs to be done.**

### Practice Integrity By:

- honouring our commitments
- doing the right thing in addition to doing things right and providing consistent, reliable products and services on time

### Provide Quality Service By:

- striving to do the job right the first time
- demonstrating pride in our work
- always meeting our standards
- working and delivering our products and services safely

### Respect and value each other's differences and opinions

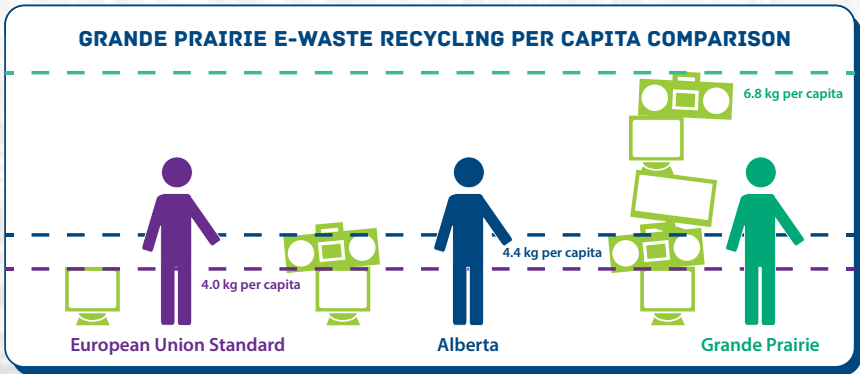
**Treat each other with courtesy and treat others the way they want to be treated**

### Measure Teamwork By:

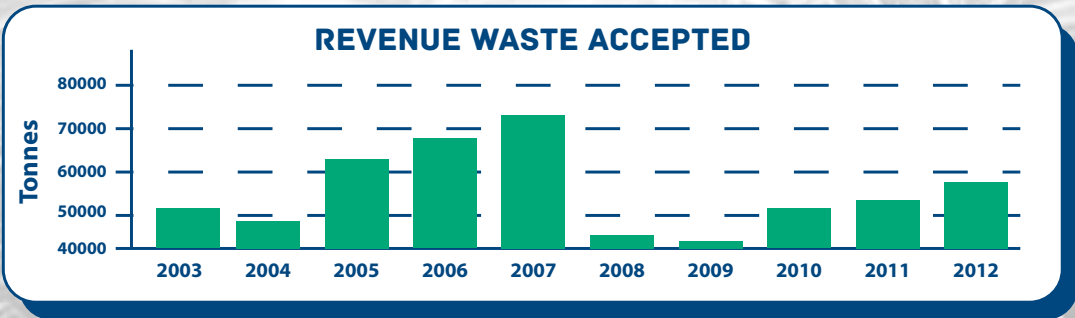
- helping and supporting each other
- working together to achieve our common goals
- recognizing that everyone's skills and abilities contribute to the competency and success of the team

# BE A MODEL OF ENVIRONMENTAL STEWARDSHIP; LEADING BY EXAMPLE

As a leader in electronic recycling, Aquatera collected 6.8 kg per capita of e-waste (old electronic equipment) for recycling (374,000 kg total) in 2012. This exceeds the 4.4 kg per capita of e-waste collected in Alberta, as well as the 4.0 kg per capita standard in the European Union.



Aquatera rolled out our blue bag recycling to single-family units, multi-family units and schools in less than 15 months – one of the first municipal programs in North America to achieve this. Single-family recycling was launched in 2011, with the launch of multi-family and school recycling following in 2012.



A new 10 year Waterworks approval was issued in early 2012, incorporating more stringent quality standards that include increased sampling and reporting.

Aquatera is increasing the effectiveness of our operations through Industrial Monitoring of sewer discharges. Industrial Monitoring aims to reduce industrial pollutants that enter our wastewater collection and treatment systems.



## BE COMMITTED TO FIRST CLASS CUSTOMER SERVICE

Customer surveys indicate that 83% of residential customers and 86% of commercial customers are moderately or very satisfied with water, wastewater and solid waste services. These ratings indicate positive and stabilizing trends regarding customer satisfaction.

Providing our customers with safe, quality water long into the future is one of Aquatera's key priorities. Continued system upgrades, process improvements, and staff training and development help ensure operating approval compliance.

Staff certification levels in our water and wastewater facilities are increasing, as our employees continue to develop the specialized skills necessary to deliver high quality products and services. Aquatera not only exceeds provincial certification requirements; we have the majority of Level 4 operators certified in both water and wastewater in the province. Our high certification levels also equip Aquatera with the ability to provide expert support to other communities and industries.

Operator certification levels among our Waste Management Facility staff also far exceed provincial guidelines.

# ENSURE AN APPROPRIATE BALANCE BETWEEN PROFITABILITY AND AFFORDABILITY

In 2012, Aquatera's Board of Directors committed to a new strategic direction, with a renewed vision of 25 by 20. The overarching goal of 25 by 20 is to achieve cash flow from operations of \$25 million by the year 2020. Key outcomes benefiting customers and shareholders are to:

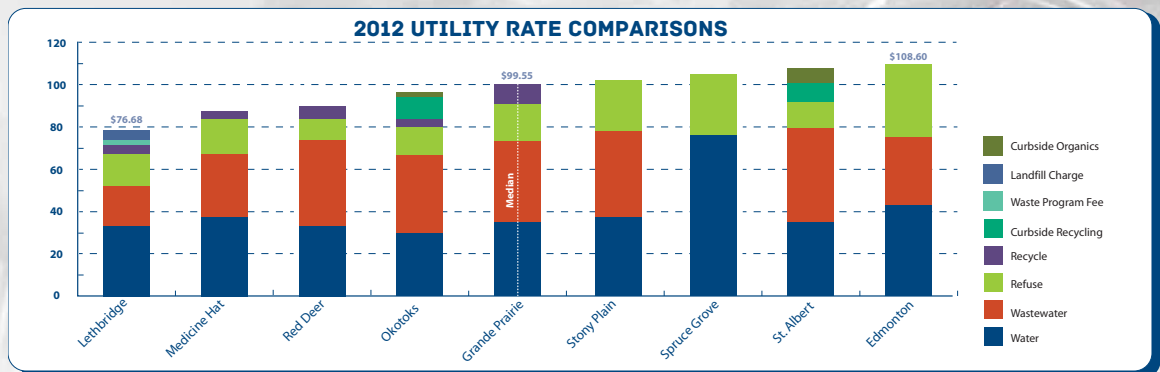
- grow our non-core business to equal our core business by 2020
- be below the median Alberta utility rate by 2020
- double the dividends to shareholders by 2020

Commercial Services activities generated an overall increase in revenue of \$748,592. Increases were most notable in the areas of operator assistance, bulk water sales and distribution/collection services.

The approved Capital Budget for 2013/14 totals \$73 million with a five year projection of over \$140 million. The Capital Plan includes investments to accommodate a growing region, as well as upgrades to meet new, more stringent regulations and to achieve overall business goals.

In November 2012, the Government of Canada announced it will commit up to \$10 million under the Building Canada Fund – Major Infrastructure Component for the construction of the second phase of upgrades to the Wastewater Treatment Plant. The total project cost is \$58 million and will be complete in 2015. The upgraded plant will accommodate 25 years of forecasted regional growth and meet more stringent nutrient removal standards, improving environmental performance.

Aquatera's Grande Prairie monthly utility charges in 2012 were at the median of eight comparable Alberta cities. We are making significant progress toward meeting our goal of being below the median Alberta rate by 2020.



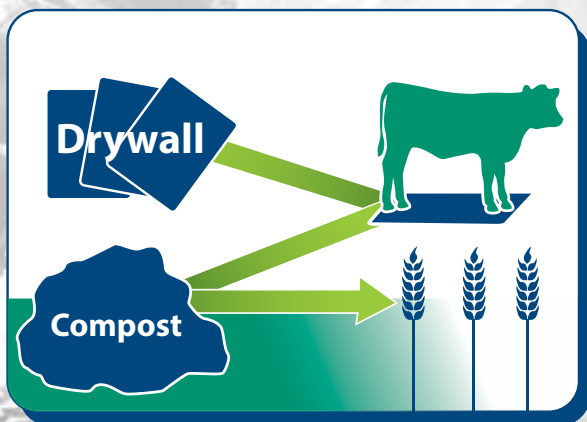
# INNOVATE AND INCORPORATE BEST PRACTICES

Aquatera launched our Landfill Gas-to-Energy project in 2012, which will see our Water and Wastewater Treatment Plants largely powered and heated by converting landfill gas to electricity and capturing the heat from conversion generators beginning in 2014. The project will provide an opportunity to stabilize rates for our customers by reducing power and heating costs and substantially reducing greenhouse gases.

The Waste Management Facility was successful in its search to find a recycling program for drywall. In early 2012, the first load of drywall was shipped to a feedlot in Ponoka, where it was spread into feedlot pens as bedding, then composted. Diversion of drywall reduces the formation of dangerous H<sub>2</sub>S in the landfill.

Aquatera has formed strong relationships with innovation organizations such as the Centre for Research & Innovation in Grande Prairie and Alberta Innovates Technology Futures in Edmonton.

Increased revenue was achieved with the opening of bulk water outlet franchise locations and through efforts to reduce unmetered water. These initiatives are focused on increasing market capture, while contributing to sustainable revenues in the future.



# EXPAND UTILITY MARKETS

Aquatera's new Business Development Team, created in 2012, will facilitate our efforts to expand operations outside of our traditional operating activities and geographical areas.

We continue to seek opportunities to expand our market reach through such initiatives as extending a regional water supply to the west to Wembley and beyond – a project currently in the feasibility stage. Potential expansions in other areas within our shareholder boundaries are also in the feasibility stage.

Aquatera provides operations support to several regional municipalities and has recently signed an operations contract with a municipality outside of our shareholder boundaries.

Extension of water distribution systems to service new rural residential subdivisions has created interest for service to other existing acreage developments. The County of Grande Prairie updated a servicing study for land east of Grande Prairie to determine how this can be achieved.

Efforts are currently underway to acquire utility right of way and develop a funding strategy to construct the 116 Street sewer from O'Brien Lake to Centre West Business Park. This would provide much needed wastewater capacity for the northwest quadrant of Grande Prairie and provide relief for the 108 Street trunk sewer – facilitating growth over a large area.

A photograph of two men in an office setting. The man on the left, wearing glasses and a brown jacket, is pointing upwards towards a bookshelf. The man on the right, wearing a dark shirt, is looking at the bookshelf. The image has a green tint and a dark blue banner at the bottom.

“

We **continue** to  
seek opportunities  
to expand...

”

# BE AN EXEMPLARY EMPLOYER

The Waste Management Facility held a SWANA (Solid Waste Association of North America) Landfill Operations Basics Certification course in 2012 and plans to hold another in 2013. SWANA Certification is recognized by numerous states and provinces as the standard for solid waste employees.

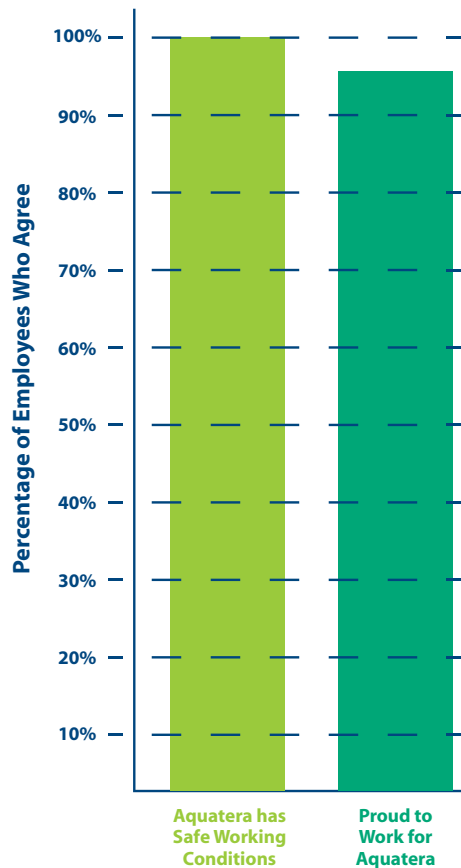
Employee safety is a continuous priority. Over the past three years (2010-2012), Aquatera has seen a 77% reduction in lost time accidents and an 84% reduction in lost work days over the three years prior (2007-2009).

In our new annual online employee survey, 100% of employees who participated agree that working conditions at Aquatera are safe, and 95% are proud to work for Aquatera.

Our Safety Program gained the support of a full-time Safety and Training Coordinator in January.

Our employees completed 80 health and safety courses through our online Aquatera Campus throughout the year. 2012 also saw on-going investment in staff development with employees attending courses from Grande Prairie Regional College, Northern Lakes College, and NAIT, as well as several courses and workshops through other organizations and institutions.

## AQUATERA EMPLOYEE SATISFACTION\*

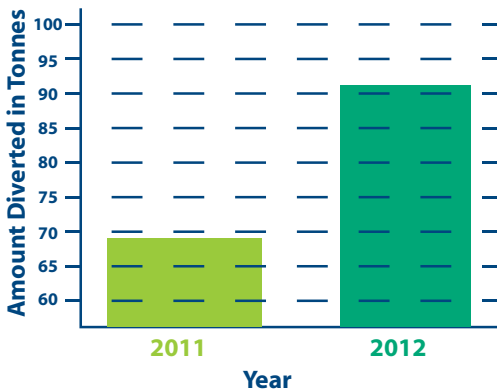


\*Percentage based on employees who participated in survey.



# COMMUNICATE AND ENHANCE UNDERSTANDING, ACCEPTANCE AND SUPPORT

## BUILDING MATERIALS DIVERTED FROM LANDFILL



Over 1,100 students participated in classroom presentations and facility tours of the landfill, Eco Centre, and Treatment Plant.

Aquatera continues to support Habitat for Humanity's ReStore operation, helping divert building materials from the landfill. Between 2011 and 2012, the building materials diverted from the landfill increased by 30%, from 69 tonnes in 2011 to 91 tonnes in 2012.

As an active partner in Partners Bridging Aboriginal Employment, Aquatera hosted two students in the 2012 Aboriginal Job Shadow program. The partnership strengthens our relationship with the Aboriginal community and enhances our attractiveness to an increasingly diverse workforce.

As a result of consistently improving customer service and commercial relationships, revenue waste accepted increased by 6% between 2011 and 2012.



**AVERAGE WEIGHT OF MATERIALS  
COLLECTED PER DWELLING**

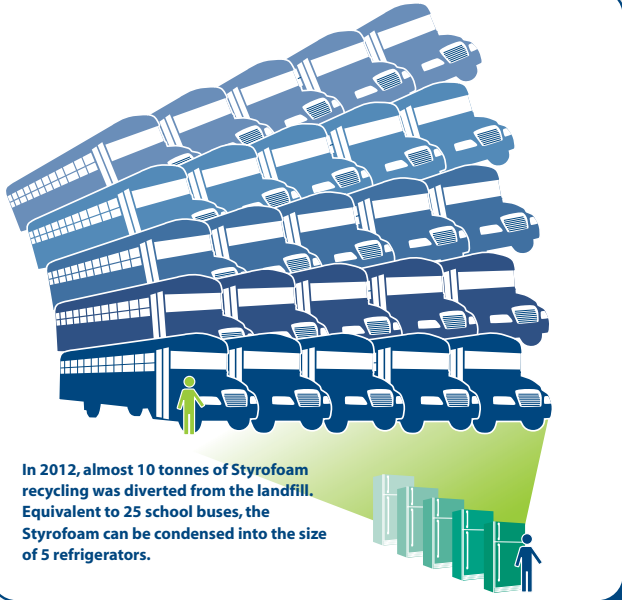


Since the rollout of carts in September 2010, the overall amount of curbside garbage collected in Grande Prairie has increased; however, the curbside garbage collected per customer in Grande Prairie is less than the average of 11 communities benchmarked nationwide.

In Spring 2012, Aquatera launched our multi-family recycling program, providing on-site recycling to condominiums, apartments and mobile homes. The program offers the same service single-family customers receive at the curb, including accepting materials together in a blue bag. The multi-family recycling program has a 79% participation rate and continues to grow.

With the transition to multi-unit recycling, the remaining community recycling depots in Grande Prairie were closed. The Eco Centre remains open as Aquatera's primary recycling drop-off centre. The Eco Centre saw a 38% increase in the number of visitors since the depots were decommissioned in June 2012.

The volume of residential (curbside) recycling increased from September 2012 to December 2012 by 38%, compared with the same period in 2011. The total recycling collected curbside in 2012 was 1,167 tonnes.



In 2012, almost 10 tonnes of Styrofoam recycling was diverted from the landfill. Equivalent to 25 school buses, the Styrofoam can be condensed into the size of 5 refrigerators.

Aquatera launched a school recycling program at all Grande Prairie schools. The program provides schools with no-cost access to recycling of the same items accepted in the blue bag program. Schools can choose to recycle by using either blue bags or by placing loose recycling into a bin conveniently located at each school.

Our yard waste program continues to grow. Total yard waste accepted at the landfill site and at the curbside in 2012 was 2,780 tonnes compared to 2,509 tonnes in 2011. These figures do not include branches dropped off at the landfill site.

Aquatera provides Styrofoam recycling free of charge to all City of Grande Prairie residents and businesses. Almost 10 tonnes of Styrofoam was diverted from the landfill in 2012. This equates to an approximate savings of 191 cubic metres of landfill space.

# WATER

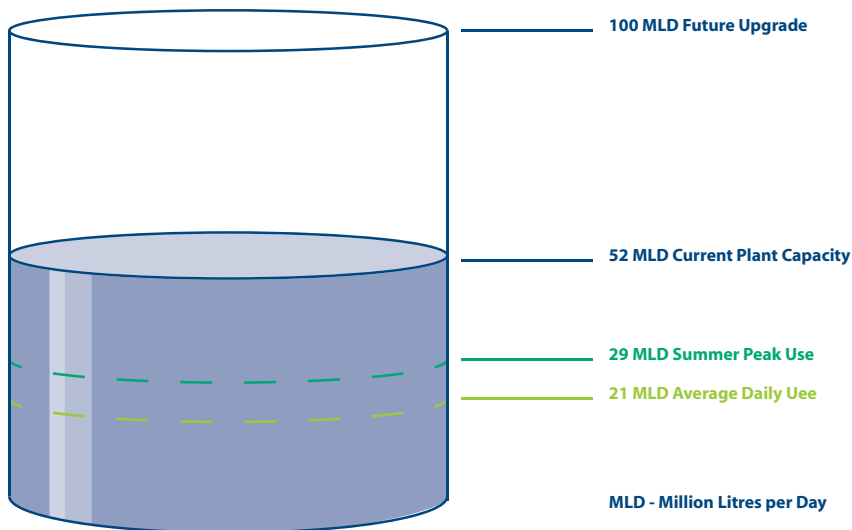
Approval of a new diversion license is expected by mid-2013, and will accommodate 25 years of projected regional growth.

Our Water Treatment Plant can produce approximately 52 million litres per day (MLD). In 2012, the average daily usage was 21 MLD, with a summer peak of 29 MLD. Aquatera is well-positioned to serve our current and new customers into the future.

Upgrades to the existing Clairmont Pump House are underway and will address peak hour demands for water.

A 2011 study determined the location, timing and cost of a dedicated water transmission line to accommodate continued growth on the west side of the City of Grande Prairie and into the County of Grande Prairie. Right of way acquisition got underway in 2012 and detailed design will follow in 2013, with construction taking place in 2014.

## AQUATERA WATERTREATMENT PLANT CAPACITY





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Aquatera is well-positioned to serve our current and new customers into the future.

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# WASTEWATER



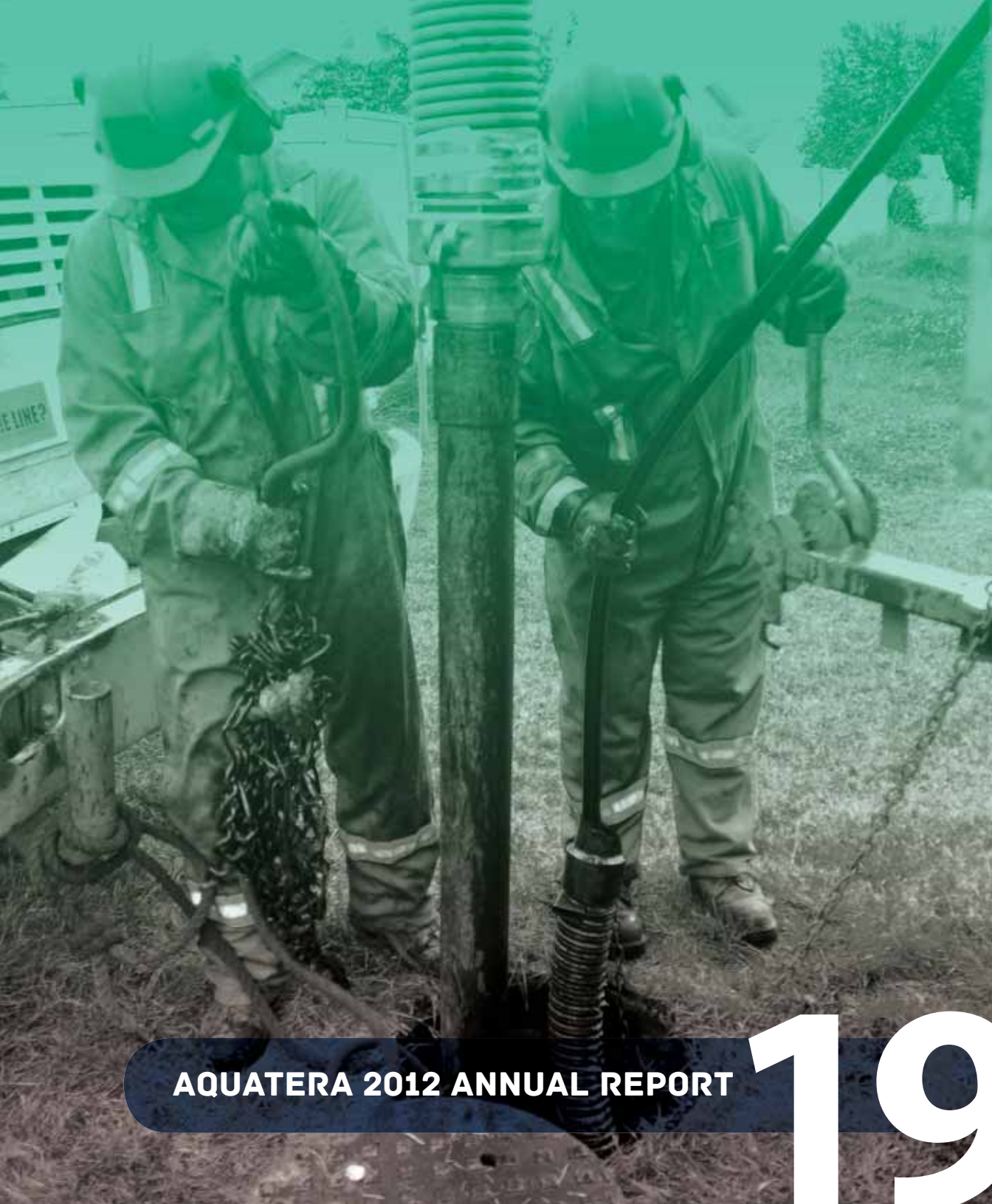
Detailed design was completed, and the contract was awarded for the \$58 million upgrade to the Wastewater Treatment Plant.

Segments of the 116 Street and 88 Street trunk sewers are being constructed gradually through oversizing agreements with developers.

Upgrading of the Clairmont Main Lift Station and Force Main is now complete, providing improvements to the operation and maintenance of the system and more capacity to support growth in Clairmont Heights.

Aquatera continues to participate in a partnership piloting the irrigation of fast-growing poplar trees from the Clairmont Lagoon to reuse treated effluent and reduce discharge volumes.

An assessment of wastewater infrastructure in the Clairmont Industrial area identified the need for immediate upgrades to the Industrial Lift Station, and accelerated the timing for construction of the new Regional Lift Station and an increase in treatment capacity. Preliminary and detailed design will be undertaken in 2013 to address these needs while Aquatera continues to seek grant funding and contributions to finance eligible projects.



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# LOOKING AHEAD

The Wastewater Treatment Plant upgrades, expected to be complete by 2015, will accommodate more stringent regulatory requirements and provide capacity for a projected 25 years of regional growth.

Wapiti River bank erosion is closely monitored. Bank protection, improved raw water storage and new water intakes will be needed as the river course changes.

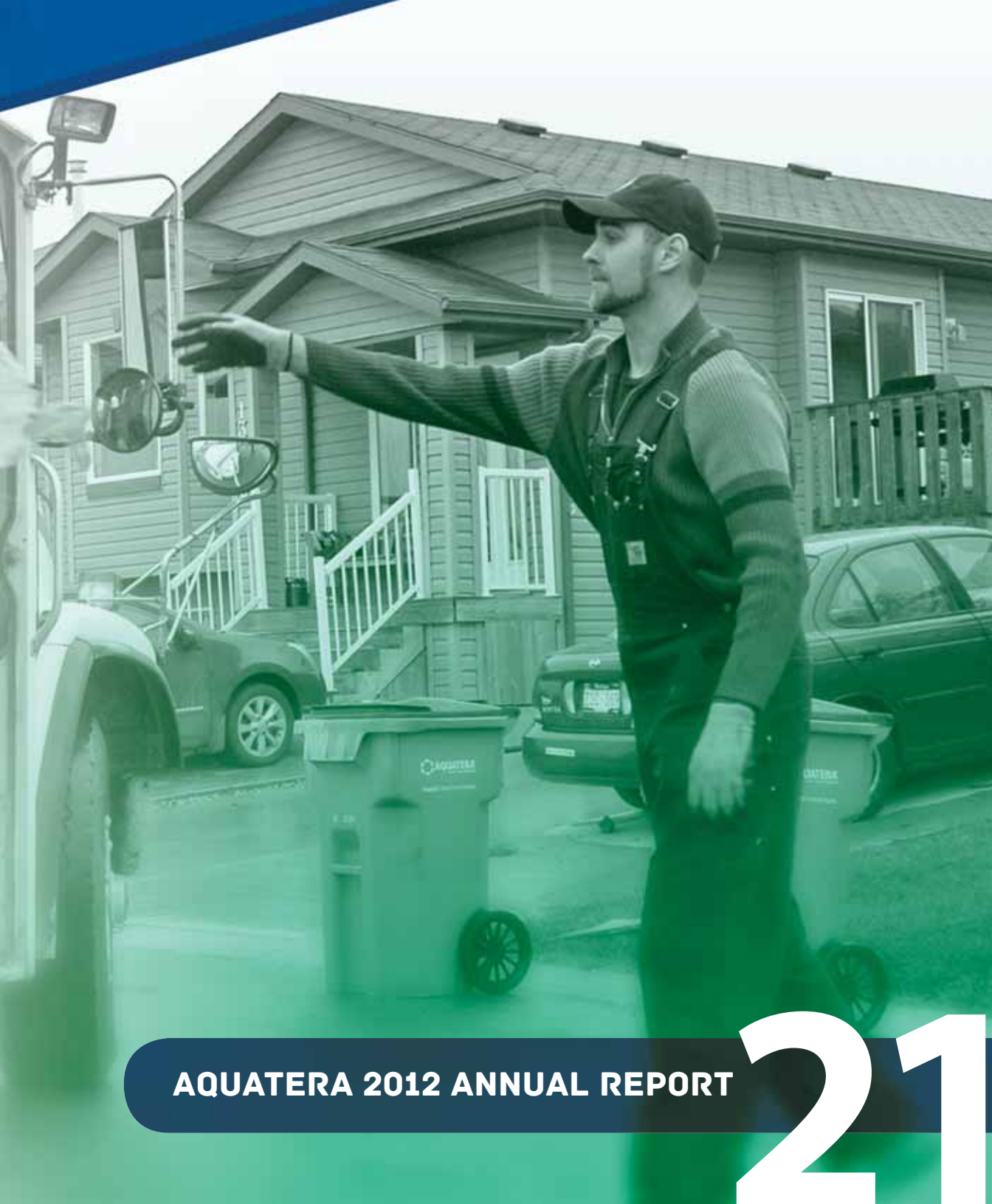
Currently our Water Treatment Plant is capable of producing approximately 52 million litres per day (MLD). Ultimately, it will be upgraded with membrane filtration to meet future quality requirements and regional potable water capacity. The upgrade will increase the treatment capacity to approximately 100 MLD.

The Aquatera water system is served from a single treated water line. A second feed for back-up and redundancy is planned beyond 2013.

New growth development ramped up in 2012, with 15 residential and 6 commercial/ industrial subdivision phases in the City of Grande Prairie, the County of Grande Prairie and Sexsmith. All indications point to a busy year of development in 2013.

Aquatera aims to grow the non-core business to equal the core business by 2020. Our new Business Development Team will help facilitate this strategic direction.





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# FINANCIAL OVERVIEW

In 2012, Aquatera reported a net income of \$5.8 million as calculated under International Financial Reporting Standards (IFRS).

Aquatera made a successful transition to reporting under IFRS for the 2012 year. The 2011 year has been restated under the same standards for comparison. The adherence to cash management policies (implemented in 2012) ensures that Aquatera retains sufficient cash flow to fund operations, infrastructure growth and business development.

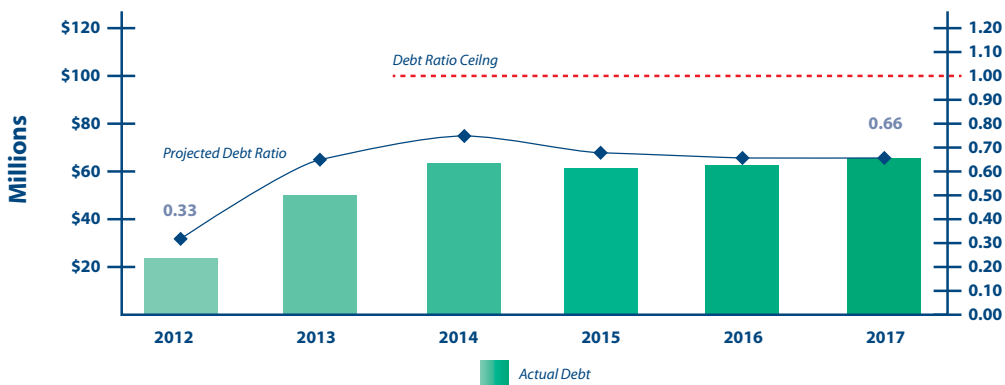
The cash flow from operations for 2012 was \$10.9 million, with \$3.5 million paid to shareholders in the form of cash dividends.

Aquatera funds its capital projects from cash (utility rates), infrastructure charges (development), debt (borrowing) and grants (government funding).

A debt to equity ratio of 1:1 is the maximum allowed under the Unanimous Shareholder Agreement (USA) with similar banking covenants.

To fund the major upgrade of the Wastewater Treatment Plant, Aquatera is utilizing a combination of cash, infrastructure charges, debt and grants to meet the \$58 million cost of the upgrade and ensuring compliance with our debt to equity limit.

## BORROWING AND DEBT: EQUITY



# SHAREHOLDER BENEFITS

## Shares

For any assets transferred to Aquatera from a shareholder, preferred shares are issued to the shareholder. Shareholders have received almost \$68 million in direct benefits from Aquatera since 2003.

Prior to asset transfers (other than systems assets or cash), a stock dividend is declared, and shareholders receive preferred shares to the value of their proportionate share of retained earnings.

## Dividends

Under the USA, cash dividends are paid at the mandatory rate of 5% on:

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

Additional cash dividends may be paid on any preferred shares at the discretion of the Board of Directors. The Board declared discretionary dividends for the second year in a row. Dividends to shareholders totalled \$3.5 million in 2012.

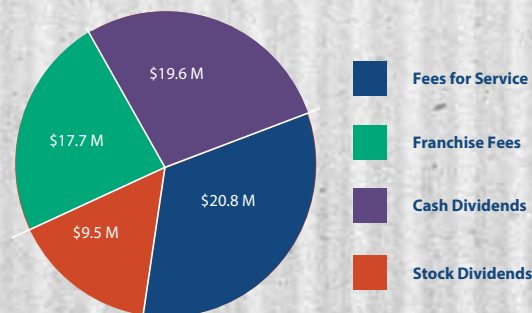
## Franchise Fees

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% of revenues collected in each respective area of operations. Shareholders received \$2.8 million in franchise fees in 2012.

## Fees for Service

"Fees for service" are fees paid to shareholders for the provision of any services to Aquatera. From 2003 through 2011, financial and administrative services were provided to Aquatera by the City of Grande Prairie.

**SHAREHOLDER BENEFITS 2003 - 2012**  
**\$67.7 MILLION**





Aquatera is the regional utility for water, wastewater, and solid waste.

Since 2003, Aquatera Utilities Inc. has contributed \$47 million in cash dividends, stock dividends, and franchise fees to tax revenues at the City, County and Town – a population in excess of 70,000

**[www.aquatera.ca](http://www.aquatera.ca)**  
**780.538.0348**

