



ANNUAL REPORT **2014**





WATER EARTH

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FINANCIAL 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.

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 the public trust by prudently managing company risks

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 understanding, acceptance and support



CORE VALUES

We commit to the following **Core Values**, which guide our day-to-day operations and our interactions with our customers, partners, suppliers and each other.

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 increasing 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.



Quality
Teamwork
Respect
Safety

JIM SMITH, VICE CHAIR





2014 BOARD OF DIRECTORS

Our Board of Directors are members of the public from a variety of backgrounds. Board of Director appointments are approved unanimously by Aquatera's three shareholders—the City of Grande Prairie, County of Grande Prairie No. 1, and Town of Sexsmith—to represent the shareholders in overseeing the operations of Aquatera.

AT THE END OF 2014 OUR BOARD OF DIRECTORS INCLUDED:

ANDY BEAL BOARD CHAIR

JIM SMITH VICE CHAIR

DAVID URNESS SECRETARY

KEN CORY

DARLENE HALWAS

CHRIS LABOSSIERE

GERRY MARCOTTE

ABE NEUFELD

LIZ SORIA

MESSAGE FROM THE **BOARD CHAIR**

This was a very busy year for Aquatera. It was also a great year on so many levels. The successes of the year can primarily be credited to the work of our people.

Here are some of our stories:

- Our Eco Centre was recognized as the best in Alberta in 2014.
- Aquatera staff undertook several Lean initiatives, which resulted in an estimated savings of \$882,000.
- Our distribution and collection team followed up on some great ideas from 2013 to add income to the company in 2014 by expanding services.
- Our engineering team worked hard to streamline development processes.
- Our water and wastewater treatment team made significant design improvements to the \$60 million wastewater treatment facility currently under construction. In fact, they challenged the design engineers to place a greater emphasis on process and operations. These same people facilitated the provision of services to the towns of Grande Cache and Manning, and the Village of Rycroft.

- Our landfill team is actively streamlining our

operations, continually making improvements to customer service and developing a methane gas-to-energy program, which will reduce greenhouse gas emissions and result in savings for customers. Plus they hand out dog biscuits when customers bring their furry friends along to the landfill.

- Our administrative and management teams worked hard to streamline their processes and simplify a number of activities, including making it easier for customers to pay their bills online.
- In fact, every person in the company can be credited with working hard to improve the value that our customers receive. There are not many companies that can make such a boast.

Customer satisfaction rates were the highest in the history of the company last year. Our rates are at the median of rates charged to other Alberta cities and they are in the low range among rural areas. These are not easy achievements in the face of growing infrastructure demands. If you are meeting with one of our employees this upcoming year, or talking to them on the phone, please take some time to thank them. Their efforts are keeping your water safe, keeping your utility bills lower than half of the province, and helping protect the environment.

ANDY BEAL
AQUATERA BOARD CHAIR



MESSAGE FROM THE CEO

"Our goal is to increase value to shareholders while providing utility rates below the median of comparable Alberta cities."

Aquatera continued down a successful path in 2014 in meeting the needs of a growing region and providing reliable, quality services. We increased value to our shareholders and enhanced environmental stewardship. My thanks to everyone at Aquatera for their commitment to great service and for seeking ways to do our work better by incorporating Lean principles and in pursuing ways of expanding our customer base and generating new revenue.

We help grow healthy communities. In 2014, we continued to support strong growth in the region by streamlining our development processes and making plans for the long term. We continue to work on the upgrade of our wastewater treatment plant. When complete, the plant will provide 25 years of projected growth and improve upon the quality of water returned to the Wapiti River. We continue to respond to requests for service from other communities and help them improve the quality and reliability of their utility systems.

Our commitment to great service was recognized in an award from Alberta Recycling as the "Collection Site of the Year," something our

customers can appreciate on a daily basis. Customer billing is now available on the web and, combined with online payments, improves convenience to customers in managing their accounts. This commitment to service extends everywhere in Aquatera—as evidenced by our highest customer satisfaction levels ever.

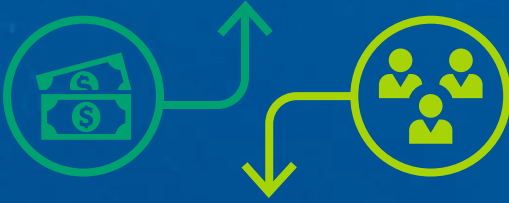
Our goal is to increase value to shareholders while providing utility rates below the median of comparable Alberta cities. The acquisition of Watchorn Rentals Ltd.—a company providing water and wastewater services to industry—resulted in a successful first year in generating revenues outside our traditional utility customer base.

Our success is a result of everyone's efforts. My thanks to Aquatera employees, board members and partners in contributing to a successful 2014!

BERND MANZ
AQUATERA CEO



NET INCOME OF
\$10 MILLION



\$3.5 MILLION
PAID TO SHAREHOLDERS
paid in cash dividends

ESTIMATED SAVINGS OF
\$882,000 
VIA LEAN INITIATIVES

 **PURCHASE OF**
Watchorn
Rentals Ltd.
via a subsidiary of Aquatera

\$86,000
INVESTED INTO
COMMUNITY
ORGANIZATIONS



through the Eco Centre Bottle Donation Program
and sponsorships

**INCREASE IN SALES
AND CASH FLOW
GENERATION**

**FROM 2013 OF
\$1.7 MILLION**

FROM BUSINESS 
DEVELOPMENT ACTIVITIES

ECO CENTRE AWARDED
ALBERTA RECYCLING'S
**COLLECTION SITE
OF THE YEAR** 

2014 HIGHLIGHTS

ALMOST
\$20 MILLION
 IN NEW DEVELOPMENT

water & wastewater infrastructure
 transferred to Aquatera



AQUATERA'S BLUE BAG
 RECYCLING PROGRAM
 USE REACHED 78%

EXCEEDING THE
 10 YEAR GOAL

FOR THE 3-YEAR-OLD PROGRAM



700+ 
SCHOOL CHILDREN
 PARTICIPATED IN OUR
 EDUCATIONAL
 PROGRAMS AND
 ECO CENTRE TOURS

OUR EVENT TEAM
 PARTICIPATED IN
50 EVENTS
 REACHING OVER
44,000 PEOPLE



90% OVERALL RESIDENTIAL 
CUSTOMER SATISFACTION

Very Satisfied (6,7 rating)

Moderately Satisfied (4,5 rating)



\$93 
MILLION

COMMITTED
 TO CAPITAL
 OVER THE
 NEXT 2 YEARS

OUR OPERATIONS

BALANCING PROFITABILITY WITH AFFORDABILITY

Aquatera provides regional water supply and distribution, wastewater treatment and collection, and landfill and recycling services to a residential, commercial and industrial population of approximately 72,000 people.

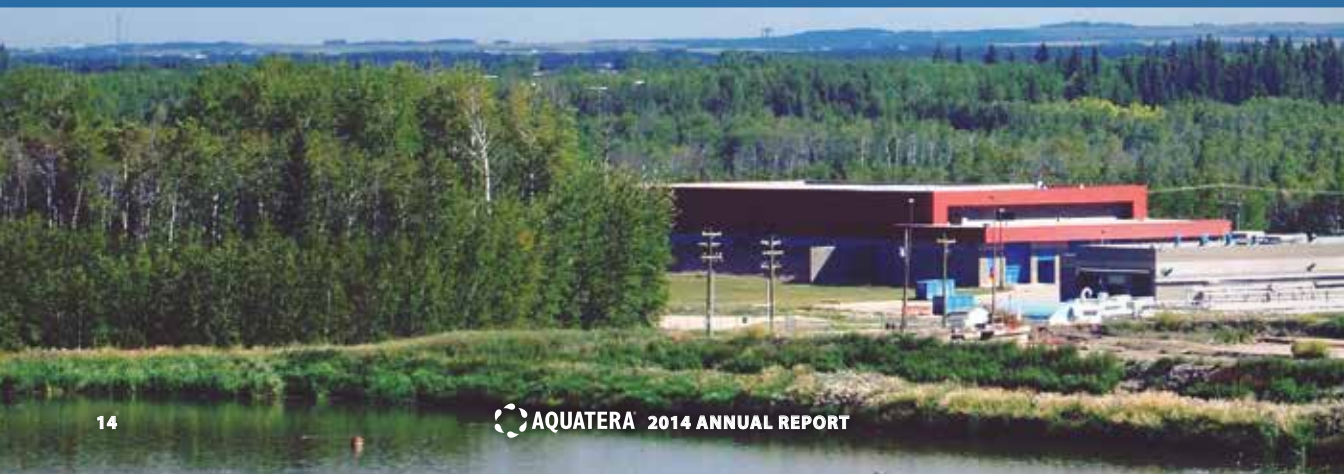
In our business, and among our people, providing our customers with reliable, quality and competitively-priced utility services is a priority. Our goal is to provide services at utility rates below the median of comparable Alberta cities.

In 2014, almost all revenue categories performed above target. Looking forward, the operating budget focuses on maximizing revenue from outside our core business. Controllable costs will be contained through sound business practices and Lean processes, which create operational efficiencies.

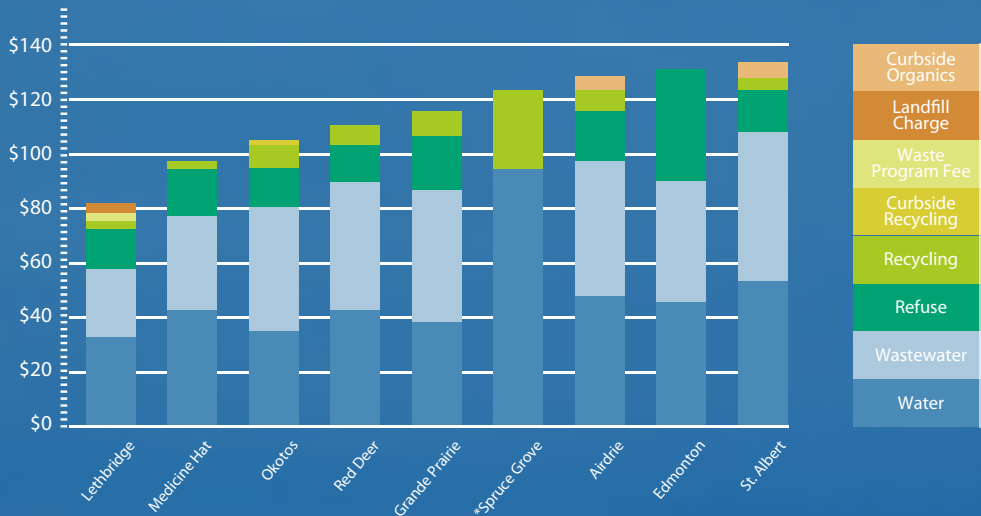
Over \$93 million is planned to be invested in

infrastructure upgrades over the next two years. Over \$150 million is projected for the next five years. This investment will help ensure we can meet the utility needs of our growing region. It also addresses upgrades to meet increasingly stringent regulations and to achieve our business goals.

Aquatera's Grande Prairie monthly utility charges in 2014 were at the median of nine comparable Alberta cities. Our rates fully recover cost of service. Municipalities commonly subsidize recycling programs from their general tax base. The graph on page 19 shows our regional water rate is well below the Alberta average.



UTILITY RATE COMPARISONS EARLY 2015



*COMBINED WATER/WASTEWATER RATES



EMPLOYEE IN THE
WATER TREATMENT PLANT



WATER

Aquatera's water system includes water treatment and distribution to customers' homes and businesses in the City of Grande Prairie, the Town of Sexsmith and areas within the County of Grande Prairie.

All of our customers receive high-quality drinking water. We also operate and maintain hydrants for fire protection in certain areas within our service region.

Aquatera's 25-year long-term diversion licence, secured in 2013, plays an important role in ensuring we have a safe and secure supply of water for our growing region. This new licence, like the interim licence, requires substantial monitoring and still requires Aquatera to operate under return flow compensation for water diverted under the new licence during lower flow periods.

As our region grows, Aquatera is making significant investments into infrastructure planning, expansions and upgrades. Our water treatment facility is capable of producing approximately 52 million litres per day (MLD). Average daily usage was 23.3 MLD, with a summer peak of 36.1 MLD.

We are working with communities to the west of Grande Prairie (County of Grande Prairie, Wembley, Beaverlodge, Hythe and Horse Lake First Nations) on options to provide a long-term sustainable water supply. The study, conducted by Associated Engineering, was completed in March 2015.

To the north, the existing water system in Clairmont is operating at capacity. Pump upgrades at the Clairmont distribution station were completed in 2014. The year prior, a new water line was constructed to provide greater reliability and meet required levels of service in the community.

FUTURE PLANNING

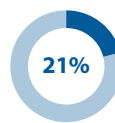
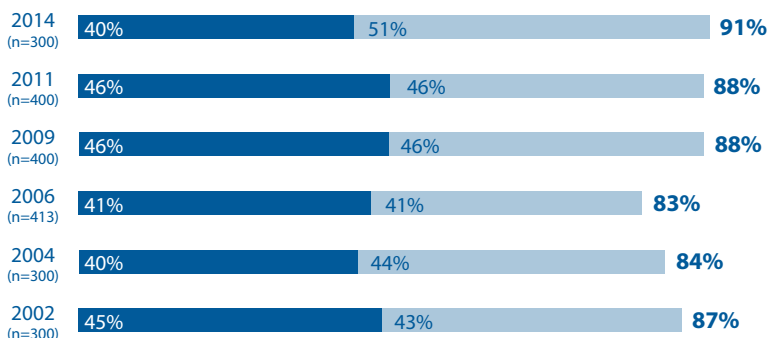
In 2013, the Province accepted return flow compensation (RFC) of high quality treated effluent as an alternative to building raw water storage, significantly reducing future capital costs. This is the first such licence in the Province.

As our water distribution systems extend into new rural subdivisions, some existing subdivisions have expressed interest in service. Servicing of these developments is dependent upon their success with petitions for Local Improvement Levies with the County of Grande Prairie. In 2014, the water system was extended to the County's Taylor Estates and Maple Ridge, with new service to Jersey Meadows.

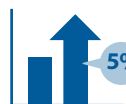
Updates for the Water and Wastewater Collection Master Plans for the City of Grande Prairie, Clairmont and surrounding areas in the County of Grande Prairie continue to be made. The Plan will define the infrastructure needed to support growth and development in our service area for the long term.

91% RESIDENTIAL WATER SATISFACTION

Overall Water Quality: **Very Good (6,7 rating)** **Good (4,5 rating)**



Customers are using **21% less water** than in 2006



Volumes of water billed were almost **5% above target**



Customer use of bottled water has **dropped 33% since 2011**

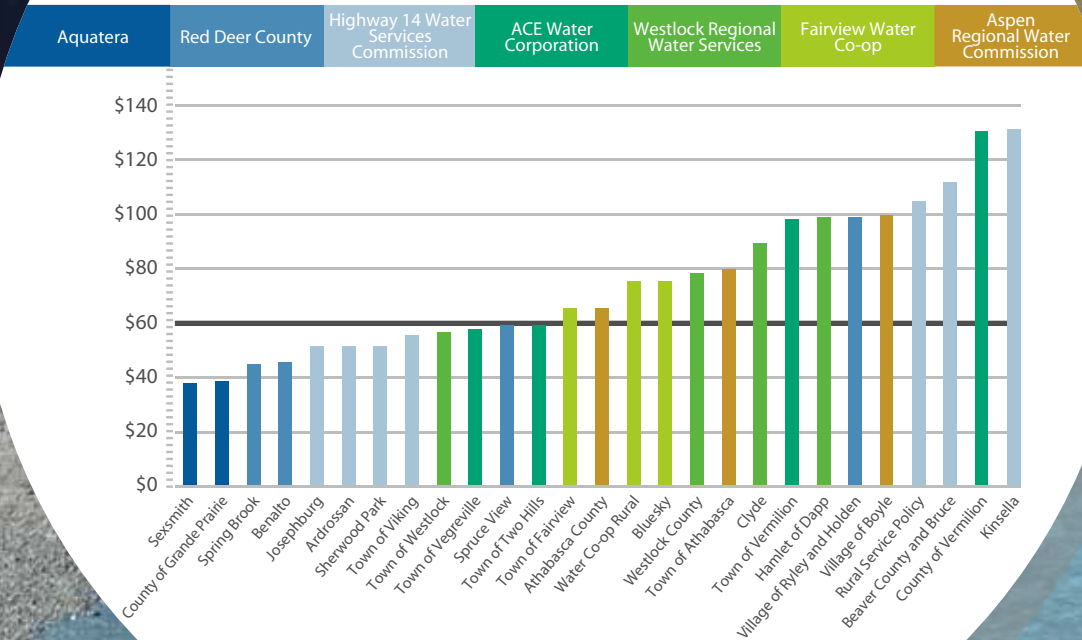


REGIONAL WATER SERVICES

Monthly Water Charges Early 2015

Regional Water Services, Commissions and Co-ops

Regional water comparisons in Alberta show Aquatera charges are well below the average.
(20m³ typical residential consumption—Franchise Fees excluded average charge \$74.39)





WASTEWATER

Aquatera owns and operates the wastewater treatment system in the City of Grande Prairie, the Hamlet of Clairmont, the Hamlet of Wedgewood and the Town of Sexsmith.

Our system includes wastewater collection mains with supporting facilities, sewage lagoons (Clairmont and Sexsmith) and a wastewater treatment facility (Grande Prairie).

The \$60 million in upgrades to our wastewater treatment plant, which will be completed in 2015, will address more stringent provincial regulatory requirements and expand capacity for our growing region—to a 25 year horizon.

Expansions and upgrading are underway in many areas. The most challenging areas are the north and west portions of the City of Grande Prairie. To lessen the financial burden of developing these areas, Aquatera often partners with developers. Acquisition of right of way to construct the 116 Street trunk sewer from O'Brien Lake to Centre West Business Park is now complete. We welcome the City's commitment to invest \$4 million in this project. With completion of construction in 2016, this will provide much needed wastewater capacity for the northwest quadrant of the City—a growing commercial and industrial area.

Plans are being developed to construct the new Regional Lift Station and related trunk sewers. This regional lift station will accommodate long term growth

in Clairmont and is needed in the short term to address existing capacity constraints. The County's commitment to invest \$4 million in this project is welcomed. Clairmont wastewater treatment facilities are at capacity. Plans are underway to pipe this effluent to the wastewater treatment plant as the most cost effective and environmentally preferable long term solution to treating Clairmont wastewater.

Further north in Sexsmith, preliminary design was completed for upgrades to the Heritage Park Lift Station. The \$550,000 construction project will commence in 2015 with support from the Building Canada Fund.





SOLID WASTE

Aquatera owns and operates Grande Prairie's Class II landfill site. We also manage the garbage collection process and recycling for the City of Grande Prairie, as well as the award-winning Eco Centre.

Aquatera is changing the way we think about waste. Our landfill gas collection system reduces greenhouse gas emissions by capturing landfill gas collected from decomposing landfill waste. We are furthering this technology with our Bioreactor Landfill Gas-to-Energy Project. When commissioned in the summer of 2015, technology will convert this landfill gas to energy, providing heat and electricity to our water and wastewater treatment plants. The project will substantially reduce greenhouse gases and help stabilize rates for Aquatera customers. Following an extensive public consultation process in 2014, Aquatera received formal approval that the project meets all requirements of the Alberta Utilities Commission.

Operational excellence and innovation is also delivered through the continued development of our skilled employees. Aquatera held a Solid Waste Association of North America Landfill Gas Basics courses at our waste

management facility for our employees and those of surrounding communities.

As an environmental leader in recycling, Aquatera provides many opportunities for recycling: curbside, the waste management facility (landfill) and the Eco Centre.

Curbside recycling saw a slight increase in 2014 of 0.8 percent. Aquatera monitors customer recycling practices and continues to look for opportunities to support our customers in protecting the environment through reducing and reusing, and limiting items sent to the landfill. At 16.4 tonnes, our Styrofoam recycling reached record numbers in 2014, with an 18 percent increase over 2013.

RECYCLING HIGHLIGHTS INCREASE/DECREASE FROM 2013



+21%
Electronics
(eligible)



+9%
Paint



+5%
Household
Hazardous Waste



+18%
Styrofoam



-45%
Tires



Aquatera's Eco Centre has **continually raised the bar** on recycling, demonstrating leadership and innovation in the recycling industry.

AQUATERA'S ECO CENTRE COLLECTION SITE OF THE YEAR

In 2014, our Eco Centre received the highly coveted "Collection Site of the Year" award for having the most pristine collection site in Alberta. Approximately 300 municipal collection sites are eligible for this award. The winner is selected by the Alberta Recycling Management Authority based on inspections that occur throughout the year.

Staff at the highly innovative Eco Centre have improved and expanded the site in recent years, and are continuing to look at offering more recycling services. Recycling options at the Eco Centre currently include a large range of items: electronics, paint, tires, Styrofoam, blue bag recycling items, fluorescent light bulbs and

tubes, used motor oil and filters and much more. We also continue to support Habitat for Humanity ReStore operations. In 2014, ReStore celebrated over one million pounds of diversion from the landfill.

Our seasonal Paint Give Away program, piloted in 2014, was a huge success with over 255 cans of paint and stain re-used by residents, business and the community. Used paint was also donated to the Graffiti Wipe Out Campaign and the Young Artist Camp.



REMOTE OPERATIONS
TEAM MEMBER



GROWING OUR BUSINESS BY THINKING OUTSIDE BOUNDARIES

ACQUISITION OF WATCHORN RENTALS

Aquatera is committed to expanding operations outside our traditional operating activities and boundaries to provide high quality services and optimize value to customers, shareholders and the environment. As part of this commitment, we acquired Watchorn Rentals Ltd., a private water and wastewater services company based in Fairview, Alberta that provides services to industry in Alberta and British Columbia. The acquisition was completed January 2, 2014 through a wholly-owned subsidiary of Aquatera.

"This is a historic day for a municipal corporation in Alberta. This will allow us to ensure we can have control over rates, costs and dividends." **ANDY BEAL, AQUATERA BOARD CHAIR**

Watchorn provides potable water and packaged wastewater treatment solutions, primarily for industrial work camps. Their services are uniquely different from those of Aquatera, though complimentary, and will be provided by Watchorn's employees and management as a separate business.

In 2014, Watchorn achieved strong growth. Throughout 2015, Watchorn will continue its focus on delivering high quality services to its customers.

REMOTE OPERATIONS

Northern Alberta is comprised of many small communities we call our "neighbours." When these nearby communities, and those across Alberta, are healthy and viable with safe drinking water, this is good for our region and our province. High employee certification levels and skills equip our company to provide expert support to smaller communities.

During 2014:

- Our Remote Operations Team, which services neighbouring communities, added four operators to help meet growing demand. The team also added a casual Accounting and Business Specialist.
- Aquatera signed a five-year service agreement with the Village of Rycroft, a six-month agreement with the Town of Grande Cache and a one-year agreement with the Town of Manning. We also provided services to Alberta Infrastructure in the Town of High Level and back-up support to the Town of Beaverlodge.
- Aquatera employees provided safety support to Grande Cache, Manning and Rycroft.

STAFF DONATING TO THE
HEART AND STROKE FOUNDATION



OUR COMMUNITIES

At Aquatera, we are committed to the **quality of life** in the communities where we do business.

Residents and businesses depend on a long term supply of high quality water. Aquatera makes it a priority to play meaningful roles in our communities and take responsibility for environmental stewardship.

As part of our involvement with the Mighty Peace Watershed Alliance and the Wapiti River Water Management Plan, Aquatera is undertaking an In-stream Needs Flow Study. The study, which began in 2014 and will be completed in mid-2015, will determine the flow necessary for the Wapiti River to maintain a healthy aquatic ecosystem. The Wapiti River supplies Aquatera with water for the region.

Aquatera is pleased to become a member of the Peace Air Shed Zone Association (PAZA), a non-profit that monitors air quality in northwestern Alberta. Emissions from the Bioreactor Landfill Gas to Energy power generator will be part of this monitoring system.

Aquatera invests in many worthwhile organizations and events, which help create healthier, more vibrant communities for our customers and employees. The total value of all corporate sponsorships for 2014, including gift-in-kind and cash, was \$86,000. Our events team attended 50 events in local communities,

reaching about 44,000 people.

We are committed to increasing environmental awareness among our youth. Aquatera reached 488 students through our school education program. An additional 241 students toured our Eco Centre.



OUR PEOPLE

Our company culture strongly supports ongoing employee training and development to enhance knowledge and skills, and to develop the expertise to deliver best-in-class services for our customers. Aquatera is sourcing more specialized training to continue the success of Lean initiatives and drive the continuous improvement culture.

Operator certification levels at Aquatera's water, wastewater and waste management facilities exceed provincial guidelines. Our company is proud to have some of the highest number of dual Level IV operators certified in water and wastewater in Alberta.

Our employees are committed to keeping abreast of current technologies and innovations through their leadership roles in industry organizations. In 2014, Aquatera employees were elected or appointed to the Alberta Water and Wastewater Operators Association Executive, the Recycling Council of Alberta Board and the Alberta Provincial Council of Western Canada Water Association.



rating achieved by an external audit of our Health & Safety Program



of our employees have completed an online safety program



13 students hosted in the Aboriginal Job Shadow program since 2008





A safe and healthy workplace is a top priority at Aquatera. Zero injuries is always the goal, and we continually strive for safety improvement. Aquatera uses Total Recordable Injury Rate (TRIR) to track safety performance. The lower the TRIR, the better the safety performance. A TRIR of less than 1 is considered world-class.

Through the ongoing commitment of everyone at Aquatera and initiatives to enhance workplace safety, our TRIR reduced from 2.88 in 2012, to: 2.68 (2013) and 2.59 (2014).

Aquatera's Worker's Compensation premiums have been reduced to the lowest premium available in our industry based on our improving safety experience.

2014 marked many achievements and new initiatives that support wellness and safety among our employees.

2014 FINANCIAL OVERVIEW

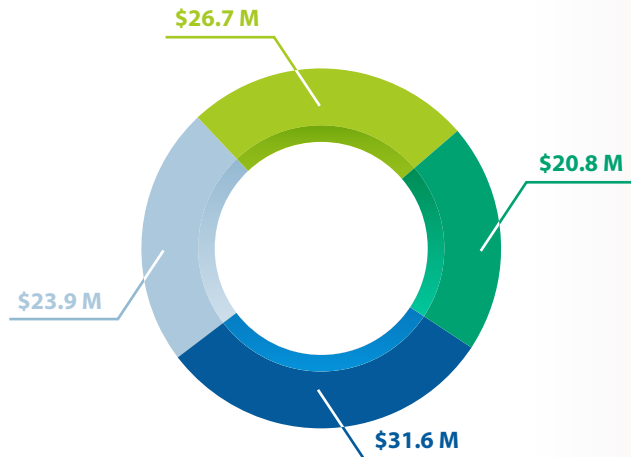
In 2014, Aquatera reported a net income of \$10 million and cash flow from operations of \$18.9 million, as calculated under International Financial Reporting Standards (IFRS).

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 2014 is 16 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, peaking at 0.73:1 in 2016.

2003–2014 SHAREHOLDER BENEFITS \$103 MILLION



SHAREHOLDER BENEFITS

SHARES

For any assets transferred to Aquatera from a shareholder, preferred shares are issued. Shareholders have received \$71 million in direct cash 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 \$3.3 million in franchise fees for 2014.

DIVIDENDS

Under the Unanimous Shareholder Agreement (USA), 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 2014, the total for mandatory dividends was \$2.2 million. The Board also declared discretionary dividends of \$1.3 million. Dividends to shareholders totalled \$3.5 million for 2014.

2014 CASH DIVIDENDS PAID TO SHAREHOLDERS







In Memory of Roy Bickell 1930–2015

AQUATERA BOARD OF DIRECTORS

FOUNDING MEMBER

DECEMBER 17, 2002–SEPTEMBER 19, 2007



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