

The cover features a dark blue background with a large circular inset. The inset shows a photograph of a river with a bridge, overlaid with a green circular graphic. The text 'ANNUAL REPORT 2015' is centered in the blue circle.

ANNUAL  
REPORT  
**2015**

# WATER EARTH

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BOARD CHAIR & CEO MESSAGES

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# INNOVATION

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# 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 support, understanding and acceptance







# CORE PURPOSE

Helping Grow Healthy Communities

## 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.

Jim Smith,  
Vice Chair



## 2015 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.

### 2015 Board of Directors

**ANDY BEAL** BOARD CHAIR

**JIM SMITH** VICE CHAIR

**DAVID URNESS** SECRETARY

**KEN CORY\***

**DARLENE HALWAS**

**CHRIS LABOSSIERE**

**GERRY MARCOTTE**

**ABE NEUFELD**

**LIZ SORIA**

\*Resigned July 2015

# MESSAGE FROM THE **BOARD CHAIR**

The 2015 review should start with a shout out to Aquatera employees for many positive initiatives within the company. What follows are a few examples of employee driven change.

Employees drove a variety of different Lean initiatives that created new standardized processes that eliminate waste in our organization. Seven major projects resulted in \$775,000 of annual savings of time and effort. Eight employees received “green belts” in recognition of the skills they developed in Lean processes. All employees received “yellow belt” training. The work in 2015 inspired a group of employees to chase their “black belts.” Employee driven continuous improvement is changing the culture of Aquatera.

The \$61 million Wastewater Treatment Plant was completed in 2015. The design and efficiencies in the plant were employee driven. Those using our

Eco Centre or landfill will note the

emphasis on efficiency and customer satisfaction. These stories only touch the surface of what our employees do to bring services to customers as seamlessly as possible.

Aquatera is fully committed to protecting of the environment. The Wastewater Treatment Plant further reduces our impact on the Wapiti River with higher quality return flows. We now use the methane gas produced by the landfill to generate power for the Water and Wastewater Treatment Plants. This is a double win: we reduce greenhouse gases from our landfill and require less power generated by greenhouse gas producing power plants. Aquatera’s Eco Centre continues to support environmental stewardship through innovative recycling initiatives.

Our business development people continue to strive to keep Aquatera’s rates at or below the median for Alberta. In addition to efficiencies driven by our employees for regular operations, we also earn income beyond our shareholders’ borders. This helps the bottom line. Given the size of capital projects on the horizon, business development funds are becoming increasingly important to the health of the company.

In closing, I want to commend the management team who are dedicated to continual improvements within our high performing municipal utility.

**ANDY BEAL,  
AQUATERA BOARD CHAIR**





# MESSAGE FROM THE **CEO**

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

2015 marked the successful completion of a multi-year upgrade of our Wastewater Treatment Plant and the Bioreactor Landfill Gas to Energy Project. Kudos to treatment and landfill team members who maintained services with major construction going on around them.

The upgraded plant now provides 25 years of projected regional growth and improves the quality of water returned to the Wapiti River through enhanced removal of nutrients – contributing to healthier aquatic life. The life of the landfill is further extended by more quickly digesting organics while the environment benefits with the capture of landfill gas (methane) that is used to power and heat our treatment plants – the equivalent of removing 12,000 cars from the road initially.

Long term growth in the City's west end and in Clairmont is supported with construction commencing on the 116 Street Sanitary Trunk Sewer. This regionally supported project garnered a commitment of \$6 million from the New Building Canada Fund, helping reduce the rate impact on customers. Completion of a water transmission line serving the Airport Reservoir will provide improved flows for fire protection and support further growth in the west.

Beginning in July and through the end of 2015, water billings were 10 percent below the previous year – an indication of a slowing local economy. My thanks to Aquatera team members for working to bring our expenses in line with reduced revenues while continuing to provide quality, reliable services.

The adoption of Lean principles of continuous improvement is taking root in our Aquatera culture. This has been driven by corporate-wide training, successful improvement projects with broad participation, and a “just do it” attitude to make smaller, immediate change.


We continue to pursue business opportunities to add value to shareholders and customers by expanding services to other communities and by exploring new industrial service possibilities and large scale water treatment.

Our success is a result of everyone's efforts. My thanks to Aquatera team members, our board directors and our partners in contributing to a successful 2015!

**BERND MANZ, P.ENG. ICD.D,  
AQUATERA CEO**



# 2015 HIGHLIGHTS



**\$8.2 million**  
net income

**\$3.7 million**  
to shareholders paid  
in cash dividends



**\$22 million**  
invested in capital



## \$8 million Bioreactor Landfill Gas to Energy Project construction completed

landfill waste will generate energy to power our Water and Wastewater Treatment Plants



**Over \$170 million**  
in capital investments identified  
over the next 5 years



**\$11.7 million**  
in new development water  
& wastewater infrastructure  
transferred to Aquatera



## \$61 million Wastewater Treatment Plant upgrade completed

accommodating 25 years of projected regional growth and greater nutrient removal for improved river water quality

0

lost time injuries



+25%

in overall residential recycling over 2014



16 students

hosted since 2008 in the Aboriginal Job Shadow Program



## Formed an alliance with WaterStone Energy Services

exploring large scale industrial wastewater treatment opportunities





# 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.

As the regional utility service provider of regional urban and rural services, Aquatera is a model of regional cooperation and growth. Our company, and our employees, are committed to providing our customers with reliable, quality and competitively-priced services.

Aquatera's 2015 plans focused on maximizing revenue from outside of our core business, and ensuring costs were contained through sound financial practices

and an enhanced focus on Lean processes. Lean is about creating the most value for the customer while minimizing resources, time, energy and effort.

Most revenue categories performed above target in 2015. Cash flow results were at \$16.5 million, only slightly below the original budgeted target.

Capital spending in 2015 was \$22 million, with over \$170 million in capital investments planned over the next five years. This investment not only helps ensure we can meet the utility needs of a growing region, but is an important driver for economic growth. Within the current economic

environment, Aquatera will continue to be prudent and closely monitor capital spending to ensure infrastructure is built when needed, and not before, and to look at staging and making the most of existing systems.



Aquatera is committed to a Lean culture as a critical tool to increase customer value and improve the fiscal health of our company. Lean is a customer-focused approach that puts the needs of the customer first and improves the safety, timeliness, efficiency and quality of our services.

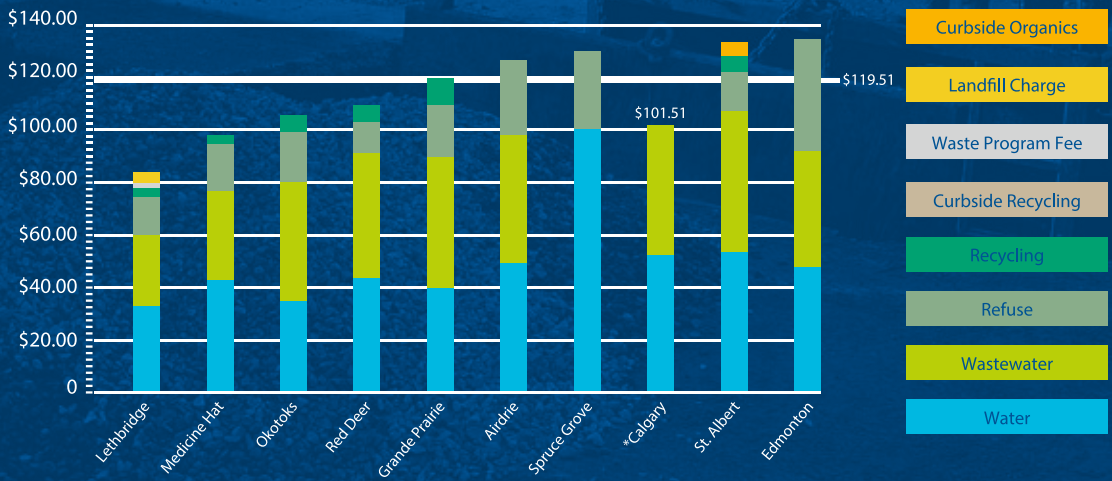
**100% OF OUR EMPLOYEES OBTAINED YELLOW OR GREEN BELT LEAN TRAINING**

**7 LEAN PROJECTS PROVIDED A SUBSTANTIAL SAVINGS OF TIME AND COSTS**

Utility rate comparisons among Alberta cities are shown in the figure below. Grande Prairie monthly charges, at \$119.51, are at the median among the cities shown. Our goal is to provide services at utility rates below the median of comparable Alberta cities.

Aquatera's rates fully recover the cost of service. In other municipalities, it is common to subsidize recycling and diversion programs from their general tax bases.

### UTILITY RATE COMPARISONS – EARLY 2016



Aquatera Median Monthly Utility Charge \$119.51 \* Calgary exempt from Median. Water/Sewer rates only







# WATER

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

In September, we turned the sod for our new Bulk Water Station, with an expected completion of summer 2016. The Bulk Water Station is being constructed in direct response to customer needs. It will provide a dedicated outlet for potable water that will reduce wait times for customers and provide plenty of space for trucks.

New development growth slowed in 2015, with 22 residential, commercial and industrial subdivision phases in the City and County. Development within the region continues, however, and water and wastewater infrastructure will continue to be essential to meet urban and rural growth needs.

In advance of extensive downtown streetscape improvements planned by the City in 2016–18, Aquatera conducted a study to assess the condition and capacity of water and wastewater infrastructure for the Downtown Enhancement Area and surrounding neighbourhoods.

A dedicated transmission line is required for the Airport Reservoir to support continued commercial

and industrial development on the west side of the City and improved water supply and fire flows. Right of way acquisition, detailed design and construction took place in 2015, with completion scheduled for 2016.

We model environmental stewardship within the region, ensuring the long term availability of high quality water. As a result of educating customers on how to reduce water leaks and waste, customers are using 28 percent less water on average since 2001. This benefits not only the environment and our customers, but also extends the time before system upgrades are required.

Aquatera, along with other stakeholders, participates in the Wapiti River Water Management Plan. Phase One of an Instream Flow Needs Study was completed in 2015. Phase Two will commence in 2016 to determine the flow that is necessary for the Wapiti River to ensure a healthy aquatic ecosystem is maintained while providing water needed for continued regional growth.



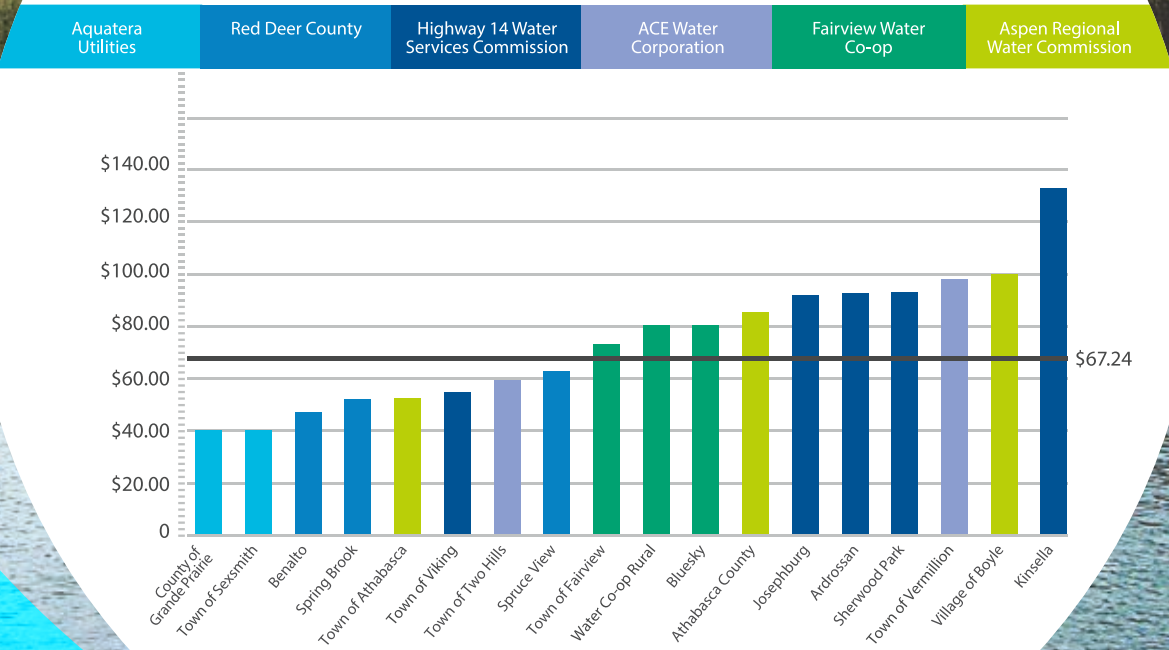


Aquatera's Water Treatment Facility is capable of producing approximately 52 million litres per day (MLD). In 2015, the average daily usage was 23 MLD with a summer peak of 33 MLD. Aquatera is well positioned with facility capacity to service our current and new customers into the future.

## Regional Water Services

### MONTHLY WATER CHARGES EARLY 2016 REGIONAL WATER SERVICES, COMMISSIONS AND CO-OPS

The chart shows a comparison of Aquatera's Clairmont and Sexsmith water rates. Aquatera's rates are at \$67.24, well below the median (*franchise fees excluded average charge*). 20m3 typical residential consumption.





# WASTEWATER

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

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

The \$61 million Wastewater Treatment Plant (WWTP) upgrade project was substantially complete in late 2015. It is an important project to help meet stringent provincial regulatory requirements, and is key to ensuring we have the capacity to meet a growing region.

The Clairmont wastewater lagoon is reaching capacity. The long term, most environmentally sound and cost effective solution is to pump the effluent to the Wastewater Treatment Plant. Both the City and County supported the 116 Street Trunk Sewer and Clairmont Forcemain connection. Six million dollars was committed from the New Build Canada Fund for this \$37 million wastewater infrastructure project that will serve growth in the County and City. The City invested \$4 million in this Trunk Sewer, its first cash investment in Aquatera since formation, to support long term commercial and industrial growth in the City's west side.

Detailed design is currently underway for a Regional Lift Station, Force Main and Interceptor Trunk Sewers in Clairmont. Ultimately, the project will replace three smaller lift stations and accommodate long term growth. Alternative staging of the project is underway to optimize capacity in existing infrastructure and reduce, or defer costs. The timing for construction will be aligned with confirmed funding, growth and development.

The Town of Sexsmith received grant funding approval from the Building Canada Fund for upgrades to the Heritage Park Lift Station. Detailed design and construction took place in 2015. The \$810,000 project includes wet well expansion and pump upgrades to improve reliability and extend the life of the Lift Station, which serves the entire community.





New development water and wastewater infrastructure valued at \$11.7 million was transferred to Aquatera in 2015.





# SOLID WASTE

Aquatera owns and operates Grande Prairie's Class II landfill with bioreactor cells. We also manage the residential garbage collection process and recycling for the City of Grande Prairie.

Aquatera's solid waste operations turn to innovation to look for ways to reduce our overall footprint and enhance our operations. The landfill gas collection system reduces greenhouse gas emissions by capturing landfill gas from decomposing waste. Our Bioreactor Landfill Gas to Energy Project, completed in December 2015, will convert this landfill gas to energy that will heat and power our treatment facilities.

Aquatera's Waste Management Facility (landfill) saw an approximate 8,000 tonne increase in revenue waste over 2014 through positive relationships with

commercial haulers. We are also pleased that changes within our curbside residential garbage collection process brought significant increased customer satisfaction.

As an environmental leader in recycling, Aquatera provides recycling opportunities at the landfill and our Eco Centre. Overall per dwelling unit recycling saw an increase of 25 percent over last year's total. At the curb, residential yard waste increased 30 percent over 2014.



**Curbside residential yard waste increased 30% over 2014.**

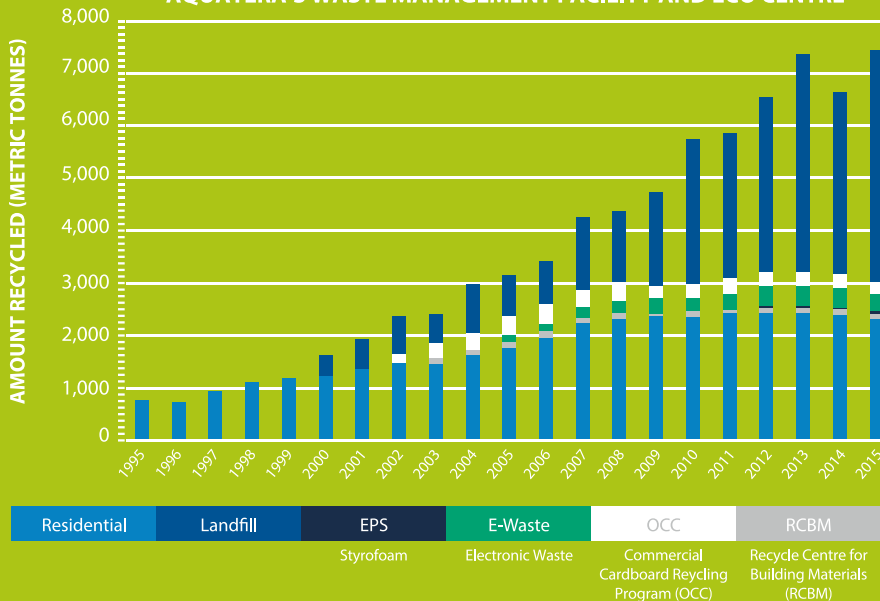


**In 2015, Alberta Environment and Parks issued Aquatera a new 10-year Landfill Operating Approval.**



**Overall per dwelling unit recycling increased 25% over 2014.**

## 1995–2015 RECYCLING AMOUNTS AT AQUATERA'S WASTE MANAGEMENT FACILITY AND ECO CENTRE



# ECO CENTRE

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

The Eco Centre is the largest recycling depot for City of Grande Prairie residents and commercial customers. The centre is constantly expanding and offers a range of recycling opportunities. A few highlights for 2015:

Styrofoam recycling again reached record numbers, with overall diversion since the inception of the program in 2011 of nearly 60 metric tonnes. That equates to space savings at the landfill of over 1,152 cubic metres. The success of this program has gained attention from the UK, China, Japan and Boston.

The Eco Centre capitalized on the successful 2014 pilot of the Paint Exchange and has incorporated it into a seasonal collection program. The results of our 2015 Seasonal Paint Exchange showed numbers tripled over the pilot program. This program not only promotes re-use, but reduces the amount of recycled paint shipped out for processing.



Electronic waste and condensed Styrofoam stored and prepared for shipping at Aquatera's Eco Centre.



Aquatera employees break ground at our new Bulk Water Station.



# GROWING OUR BUSINESS

Aquatera is growing our business outside our traditional operating activities and boundaries to ensure we can continue to provide high quality, affordable services and optimize value for our customers and shareholders. We are accomplishing this by expanding existing Aquatera services to other communities and businesses, and expanding services to industry.

## Exploring Potential for Large Scale Industrial Water Treatment

Significant amounts of water are consumed by industry. Through an alliance with WaterStone Energy Services, we are exploring opportunities to expand services in large scale industrial wastewater treatment so that industry can consume less water and recycle what they do use.

Aquatera continues to pursue the sale of treated effluent. Municipal wastewater is becoming a more popular option for industry to use in operations, reducing the demand for freshwater.

In 2014, Aquatera acquired Watchhorn Rentals, a private water and wastewater services company that provides services to industry in Alberta and British Columbia. Watchhorn will continue to focus on delivering high quality services to customers and grow their business.

## Remote Operations

Our remote operations team supports services to many small communities in Northern Alberta. A safe, secure source of drinking water and sound utility services within our region, and in the province, are imperative to support healthy communities and economic development.

### In 2015:

- We reached a full complement of operators and increased our business specialist staff to support both remote operations and core treatment operations.
- We confirmed a multi-year agreement to provide treatment operations to the Town of Manning.
- We provided services in High Level and treatment support the Village of Hythe and Towns of Beaverlodge and Grande Cache.
- We provided a water and wastewater rate review for the Town of Grande Cache.

# OUR COMMUNITIES

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

Aquatera takes seriously our responsibility to be a good corporate citizen and neighbour. We believe in giving back to the communities in which we operate, to enhance the quality of life of those who live and work there.

We show our commitment to the well-being of communities by investing into many worthwhile local organizations. The total value of our sponsorships for 2015 was \$249,000 including gift-in-kind and cash. Since its beginnings, our Bottle Donation Program, a partnership between Aquatera and Recycle Plus, has raised over \$700,000 for local youth charities within the Aquatera service area.

Aquatera continues to support Habitat for Humanity ReStore Operations. ReStore has diverted over 454 tonnes of re-usable building materials from the landfill, and received an additional 2 tonnes of materials for re-use this year.

We are committed to promoting an ethic of environmental responsibility in local communities.

Our school education program reached 2,000 students, with an additional 289 touring the Eco Centre. Our Aquatera Events Team reached 60,000 people at over 50 events in local communities.

Aquatera is involved in an Alberta Environment and Parks (AEP) led initiative to develop a Wapiti River Water Management Plan (WRWMP). The WRWMP will provide a regulatory context for balancing water demands for the growing economic, social and environmental needs. It will help AEP make water resource decisions under the Water Act and where appropriate, the Environmental Protection and Enhancement Act. The Plan will provide greater clarity, consistency and transparency regarding water allocation decisions. It will also provide guidance on water allocation for direct human consumption and industrial use, while ensuring that the requirements for healthy aquatic ecosystems are met.

As part of this initiative, Aquatera also contributed to the development of an Instream Flow Needs Study to determine the relationship between streamflow and hydraulic habitat for selected fish species and life stages within a study area from the confluence of the Redwillow River to the confluence of the Smoky River. Aquatera will be the first to implement the outcomes of the WRWMP once finalized and approved.





# THE BOTTLED WATER INDUSTRY

22% of tested bottled water brands contain CHEMICAL



Aquatera Utilities Inc  
PO Bag 4000  
Grande Prairie Alberta T8V-6V3

Date June 13, 2015

to the Order of Foundation For Prader-Willi Research \$1,000.00

Sum of One Thousand XX /100 Dollars

Board Chairman \_\_\_\_\_

General Manager Debra May



Aquatera supporting the community.

# OUR PEOPLE

## Safety

Aquatera believes an investment in our people is truly an investment in their families, our customers and our community. Safety is a core value and zero injuries is always the goal. In 2015 we experienced no lost time incidents and we continue to work towards lowering our total recordable injury rate (TRIR). This year's TRIR was 4.85 (a TRIR of less than 1 is considered world-class). Planning is underway for new initiatives to support employee wellness and safety. Aquatera's Workers' Compensation premiums have been reduced to the lowest premium available in our industry.

## Training

We support our employees through a variety of training opportunities so they have the skills to deliver operational and service excellence. Our water and wastewater operators have some of the highest certification levels in Alberta. The diversity of skills and knowledge among all of our employees equips our company with the expertise needed to support local communities, as well as provide services to other communities and industries.



**NO LOST TIME INCIDENTS**



**HOSTED 3RD ANNUAL WATER WEEK NORTH CONFERENCE**



**PARTNERSHIP WITH LOCAL SCHOOL DISTRICTS, CAREERS THE NEXT GENERATION AND NAIT TO PROVIDE A DUAL CREDIT WATER AND WASTEWATER PROGRAM FOR HIGH SCHOOL STUDENTS**





## Training for the Region & Our Future

Aquatera believes in promoting training opportunities for our region, as expertise improves our region's competitiveness and makes our communities healthier.

Our Waste Management Facility held specialized training courses, providing expertise throughout the region.

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.

We hosted the 3rd Annual Water Week North conference, to provide water and wastewater learning opportunities and expertise to the region.

We hosted three students in the Aboriginal Job Shadow Program through the Indigenous Employment Coalition.

We participated in the Water North Coalition – a group of Northern Alberta water and wastewater utility stakeholders.



# 2015 FINANCIAL OVERVIEW

In 2015, Aquatera reported a net income of \$8.2 million and cash flow from operations of \$16.5 million, as calculated under International Financial Reporting Standards (IFRS)

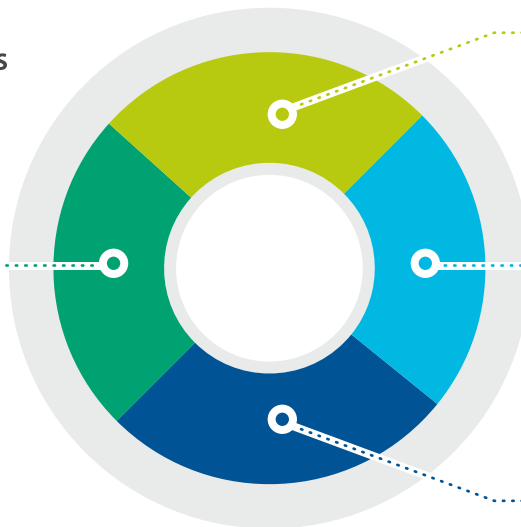
The adherence to internal cash management policies ensures that Aquatera retains sufficient cash flow to fund operations, infrastructure growth and business development. Aquatera funds its capital projects from cash (utility rates), infrastructure charges (development), debt (borrowing) and grants (government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

Return on equity for 2015 is 8.4 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.

*Audited financial statements are available on our website at [aquatera.ca](http://aquatera.ca)*

**2003-2015  
SHAREHOLDER BENEFITS  
\$110.3 MILLION**

**\$28.5 MILLION**  
Fees for Service



**\$30.4 MILLION**  
Cash Dividends

**\$27.9 MILLION**  
Franchise Fees

**\$31.6 MILLION**  
Stock Dividends

## Shareholder Benefits

### SHARES

Shares are issued for any assets transferred to Aquatera from a shareholder or cash invested. Shareholders have received \$110.3 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 \$3.5 million in franchise fees for 2015.

### DIVIDENDS

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

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

For 2015, the total for mandatory dividends was \$2.2 million. The Board also declared discretionary dividends of \$1.5 million. Dividends to shareholders totaled \$3.7 million for 2015.

### 2015 CASH DIVIDENDS PAID TO SHAREHOLDERS





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