



AQUATERA[®]
WATER EARTH INNOVATION

YEAR IN REVIEW

2019





Photo Credit: Wendy Kempert



TABLE OF CONTENTS

| | |
|---|----|
| Message from the Chief Executive Officer | 4 |
| Message from the Interim Board Chair | 5 |
| Corporate Overview | 6 |
| Highlights | 8 |
| Stakeholder Engagement | 10 |
| Community | 10 |
| Shareholder Engagement | 11 |
| Continuous Improvement | 12 |
| Utility Rates | 13 |
| Drive our Culture | 14 |
| Safety | 14 |
| Employee Engagement | 15 |
| Environmental Stewardship | 16 |
| Financial Overview | 17 |
| Our Business - Financial and Business Plan Objectives | 17 |
| Capital Projects | 18 |
| Growing the Business | 19 |

Message from the Chief Executive Officer

When I became Aquatera's Chief Executive Officer in September 2019, I joined an organization in the midst of both growth and transformation.

This was a direct result of our continued focus on enriching the communities we serve through a culture of environmental stewardship, community investment, and customer value.

Aquatera had a strong start in 2019. After successfully onboarding the Town of Wembley as our fourth municipal shareholder in 2018, Aquatera assumed the Town's water assets in January 2019 and wastewater assets in July 2019. On August 1, 2019, after more than a decade of working toward this with our stakeholders and partners, Aquatera officially began providing water to the Town of Wembley.

Our success continued through the expansion of our Landfill Gas-to-Energy Project. The construction of a new bioreactor landfill cell at the solid waste facility enabled us to further develop our landfill gas collection system. This cell will accommodate approximately 10 years of service life, allowing us to capture increased methane gas to generate heat and power for our adjacent treatment plants and provide significant

benefits to the environment.

Aquatera continued to invest in and support the communities we serve through a variety of initiatives.

In 2019, \$146,065 was invested directly back into our community through sponsorships and donations, and an additional \$40,711 was invested into non-profit organizations in our service region through the Bottle Donation Program, a partnership between Aquatera and Recycle Plus Bottle Depots.

We are pleased to announce that we were able to provide our Shareholders with \$4.5 million in both mandatory and discretionary dividends even though we were slightly below our annual targets. We have plans in place going forward to continually enhance Aquatera's strong financial position. In addition, as a demonstration of service value, Grande Prairie utility charges were below the median of comparable Alberta cities surveyed.

Aquatera's Total Recordable Incident Rate (TRIR) for 2019 was 3.24 which exceeded our target rate of two. The health and safety of both our employees and the communities we serve are extremely important to me and will be a key focus area for significant improvement in 2020.

Aquatera continues to collaborate with the communities we serve to pursue opportunities to facilitate growth, value and environmental stewardship.

I would like to thank the Aquatera family for their enthusiasm and engagement as we work together to provide trusted quality, valued service and peace of mind to our customers and communities.

I look forward to a strong, vibrant future!

**Vaughn Bend,
Chief Executive Officer**



Message from the Interim Board Chair

2019 was a challenging yet rewarding year.

The Board of Directors initiated changes that would positively impact the communities we serve and provide value to our Shareholders.

The organizational culture continues to reflect positively on the transition in leadership we experienced in 2019. Our growth in meeting our obligations as team members persists, and a strategy for sustaining excellence, operations and business growth is being developed to further increase value to Shareholders.

Despite a year of change, and challenging weather conditions, the attention to excellence in operations did not waver.

While we once again saw Aquatera services meet or exceed customer expectations, and met our dividend obligations to our Shareholders, our financial results did not meet all targets. As well, our safety results slipped from the previous years and are a primary focus for leadership moving forward.

The extraordinary challenges that have been created in the first months of 2020 will undoubtedly test the resolve and abilities of the organization. The Board has full confidence that our company will respond and adapt to maintain the health and integrity of our employees and communities, while continuing to meet the expectations of our customers.

On behalf of myself and the Board of Directors, it has been a pleasure to serve Aquatera and the Grande Prairie region in 2019.

**Jim Smith,
Interim Board Chair**



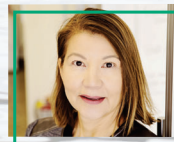
2019 BOARD OF DIRECTORS



Rita Andreone
Director



Mary Bulmer
Director



Jude Daniels
Director



Andy Fraser
Director



Lionel Laflamme
Director



Rob Mackin
Director



Abe Neufeld
Director



Liz Soria
Director



Dave Urness
Director

CORPORATE OVERVIEW

A photograph of an office desk. On the left is a large black computer monitor. In the center, there is a small penguin figurine. To the right, there is a white printer, a blue cup, a purple cup, and a calculator. The desk is light-colored wood. The background is a light blue wall with a calendar or notice board.

CORE VALUES

SAFETY

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

TEAMWORK

Working together to achieve common goals and ensuring ongoing communication with customers and stakeholders.

QUALITY

We provide quality customer service by delivering high-quality products and services.

RESPECT

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



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 service and optimize value to consumers, the environment and Shareholders.

CORE PURPOSE

Growing Healthy Communities.

VISION

Trusted experts delivering ideal solutions and services essential to growing healthy communities.

2019 HIGHLIGHTS

\$4.5 million paid to Shareholders
in cash dividends



\$21 million in capital investment

52+ continuous improvement initiatives

40,000 tonnes in carbon credits

22.3 million litres per day
(MLD) average daily water usage



8,165,957m³ / 22,372m³ average daily
potable water flow

8,476,416m³ raw water diverted

130,760m³ volume of sump and septic

\$146,065 in sponsorships
(cash and gift-in-kind)



\$40,711 donated through the Bottle
Donation Program, over \$890,000
donated to date

\$7500 through the Litter Pickup Program

2.6 tonnes of clothing diverted from the
Landfill through Drop n' Swap event

15,792,070 kgs of garbage
collected curbside



1,597,280 kgs of recycling diverted from
Landfill

1,421,700 kgs of recycling collected
curbside

12.4 tonnes of Styrofoam processed at
the Eco Centre and diverted from the
Landfill

Zero lost time injuries



2.2% low employee turnover rate

86% internal safety audit score

Achieved world class staff engagement
results

4 students mentored through the
Student Internship Program



//
We have an amazing culture of continuous improvement in our organization, and we're always looking for ways to improve the way we operate. I'm proud to be a part of the Aquatera family. //

**Bob Savidan,
Landfill Supervisor**

STAKEHOLDER ENGAGEMENT

COMMUNITY

Aquatera is committed to the communities we serve. We invest in programs and initiatives that demonstrate goodwill, positively contribute to our environment and support our Core Purpose of Growing Healthy Communities.

Giving Back

In 2019, Aquatera contributed \$146,065 to our service region through cash and gift-in-kind sponsorships.

It was also a successful year for our Bottle Donation Program. In 2019, we raised and donated over \$40,000 to local youth organizations and, since inception, have raised and donated more than \$890,000. The Bottle Donation Program is a partnership between Aquatera and Recycle Plus Bottle Depots.

Win OR Give

Aquatera introduced a new Win OR Give campaign, a revised adaptation of our Win Your Water campaign, inviting residential and commercial customers to participate in our monthly NPS survey. This campaign allowed us to engage with customers on a consistent basis while providing an opportunity to contribute feedback regarding changes they would like to see. This input guided the development of targeted marketing campaigns, addressing specific topics that are important to customers.

Every month, a recipient is randomly selected and has the choice to Win their water or Give their water to a local, non-profit organization.

Drop n' Swap

In the fall of 2019, we partnered with the City of Grande Prairie, Goodwill Industries of Alberta, and Mama's for Mama's to offer a community Drop n' Swap event.

This free event encouraged waste reduction by providing the community with an avenue to drop off clothing items that no longer served them and swap them for clothing items that would.

This was a highly successful event that resulted in 2.6 tonnes of clothing being diverted from the landfill.

In Memory of Claude Lagace

In 2018, Aquatera was saddened by the loss of Claude Lagace, long-time Mayor of the Town of Sexsmith. As Mayor, Claude represented the Town of Sexsmith as a Shareholder for Aquatera and on the Board of Directors from 2008-2011. During his tenure as Mayor, Claude was dedicated to serving his community and played an integral role in seeing Arbour Park come to life.

In October 2019, Aquatera recognized Claude, and his efforts in the community, by providing the Arbour Park Memorial Waterfall Feature to the Town.

SHAREHOLDER ENGAGEMENT

A key focus for Aquatera in 2019, was to increase Shareholder communications and engagement activities.

Engagement activities included the drafting of new policies, a Lean 101 session, showcasing our lean journey; a Finance 101 session, to provide information and brief Shareholders on how revenues are obtained and allocated; and facility tours.

As our fourth Shareholder, Aquatera welcomed the Town of Wembley to the Aquatera family in 2018.

In August 2019, Aquatera began providing the Town of Wembley with clean, safe, reliable drinking water.



For over a decade, Aquatera and the Town of Wembley have worked in partnership toward a solution that would see Aquatera providing clean, safe, reliable drinking water. It's an incredible achievement for Aquatera and the Town.

Jeff Johnston,
Chief Operating Officer

Ralph Wohlgenuth, Noreen Zhang, Chris Turnmire and Jeff Johnston



Wembley Groundbreaking

Yad Minhas, Isak Skjaveland, Leanne Beaupre, Wayne Drysdale, Ross Sutherland, Jeff Johnston, Chris Turnmire, Chris Warkentin, Travis Toews, Wade Pillat and Jim Smith



CONTINUOUS IMPROVEMENT

Aquatera consistently focusses on continuous improvement initiatives to provide more value to our customers and stakeholders. In 2019, Aquatera undertook four major initiatives that included internal process improvements and the implementation of new technology to better manage our assets, infrastructure and mapping.

The Contractor Orientation initiative resulted in the development of site-specific orientations for contractors to complete prior to arrival on site. This significantly improved orientation and maintenance turnover times for both our contractors and employees.

The Water/Wastewater Service Connection initiative resulted in an improved application process and standardized communication procedures, reducing the amount of time to connect customers to water and wastewater services.

Aquatera completed the development and implementation of its new asset management and computer maintenance management system, Cityworks. Cityworks allows operations employees to better manage, track and analyze our assets and infrastructure. Employees are also able to access and capture asset information in real-time, and predict asset lifecycles to efficiently plan asset replacement, resulting in significant time-savings and increased production. Development of Asset Management Plans for the Water and Wastewater Treatment Plants and Waste Management Facility were finalized in 2019.

As part of the implementation of Cityworks, Aquatera's GIS team facilitated the seamless migration of GIS data, the configuration of asset mapping, and the design of asset data for our critical network facilities.

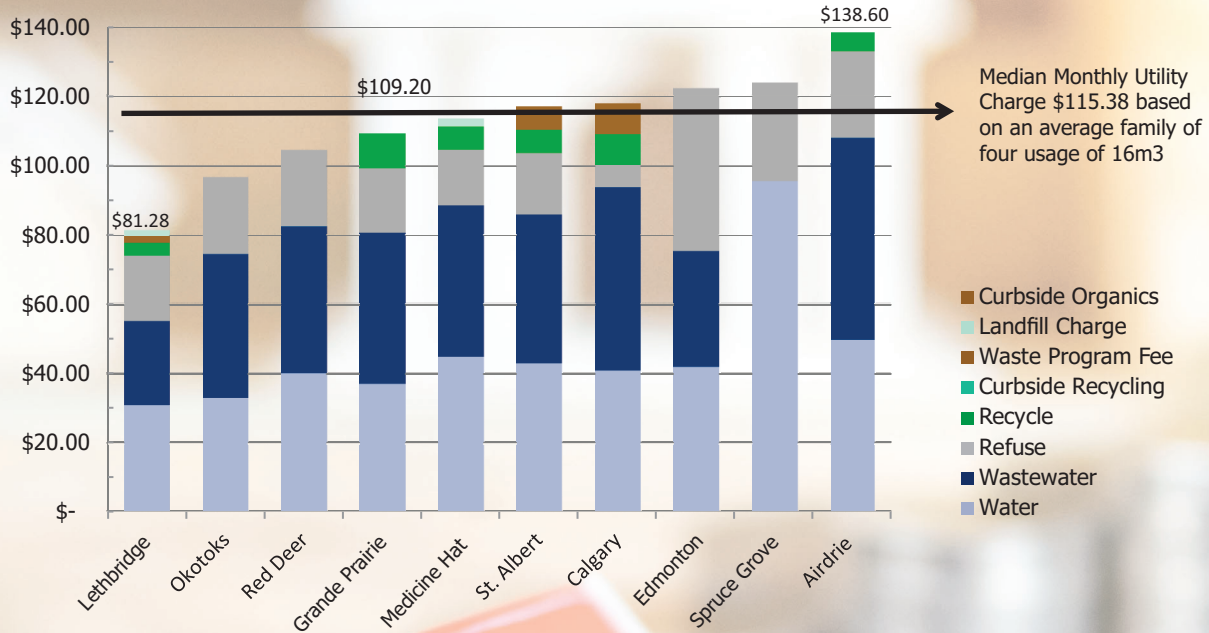
The GIS team also played an integral role in Curb Stop Data Collection, surveying approximately 20,000 sites and collecting missing curb stop data from more than 6,000 sites within Aquatera's service region. Collecting this data provides us with exact coordinates of our customers' service valves, allowing us to relocate and operate them in the field, and assign work activities to the specific GIS data points.

Throughout 2019, we saw a tremendous commitment from all our staff who have taken the initiative to drive improvements that yield high-impact results for our company and, in turn, our customers.

2019 UTILITY RATE COMPARISONS

2019 UTILITY RATE COMPARISONS

Franchise Fees Excluded



Municipal Water Franchise Fee - Reflects 10% of both fixed and variable rates for water revenue that is collected and goes directly to our Shareholders.
 Municipal Sewer Franchise Fee - Reflects 10% of both fixed and variable rates for wastewater revenue that is collected and goes directly to our Shareholders.
 Solid Waste Franchise Fee - Reflects charges that allow us to build and maintain our infrastructure in Grande Prairie only.

UTILITY RATES

We establish fair and affordable rates, while ensuring that our operational requirements are protected, and our investments allow us to continue providing trusted quality, valued service and peace of mind to our customers.

Our goal is to increase customer value by providing utility rates below the median of comparable Alberta municipalities and 2019 saw us trending toward that goal. Aquatera rates for 2019 were below the median at \$109.20.

DRIVE OUR CULTURE

SAFETY

In 2019, we worked toward improving many aspects of our safety performance.

Our focus this year was on employing standard processes such as Root Cause Analysis (RCA) to identify the root causes of incidents and implement solutions to manage and prevent them.

We also made internal improvements based on legislative changes to worker safety, specifically regarding the prevention of workplace violence and harassment. Employees have embraced

these improvements, playing an integral role in sustaining our safety performance, and resulting in zero Loss Time Injuries.

The success of our safety focus was also demonstrated through the completion of our Certificate of Recognition (COR™) internal audit. Aquatera achieved a score of 86 per cent, maintaining our Partnership in Injury Reduction Certificate of Recognition.

Along with these successes, we also experienced

challenges and shortfalls in our safety performance. We documented four recordable incidents, resulting in a Total Recordable Incident Rate (TRIR) of 3.24, exceeding our goal of two.

Each challenge presented is an opportunity to learn and improve for the benefit of our employees, customers and communities. For us, safety comes first, and we continue to focus our efforts on creating a safer work environment and reducing our TRIR.

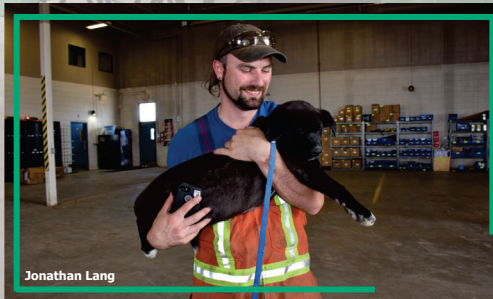
2019 HEALTH AND SAFETY BBQ



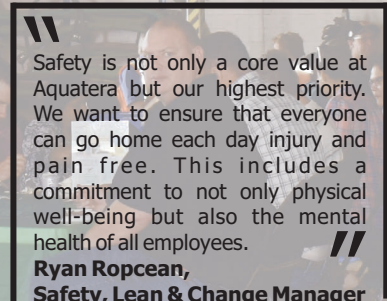
Safety Champions
Chris Kulchyski and Julie Spilger



Danny Rolling



Jonathan Lang



Ryan Ropcean,
Safety, Lean & Change Manager

“Safety is not only a core value at Aquatera but our highest priority. We want to ensure that everyone can go home each day injury and pain free. This includes a commitment to not only physical well-being but also the mental health of all employees.”

EMPLOYEE ENGAGEMENT

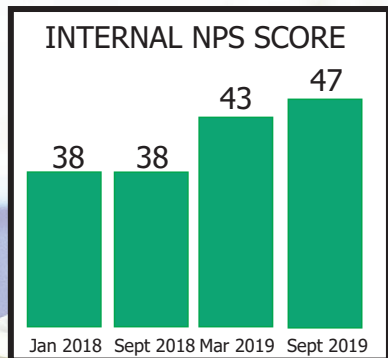
Aquatera continues to invest in the development of our employees. When our employees are enthusiastic about their work and working toward achieving their ambitions, it enhances their motivation and well-being resulting in improved productivity, increased value and enhanced customer satisfaction.

A Net Promoter Score (NPS) survey conducted in March and September of 2019

indicated that Aquatera employees are highly engaged. Through qualitative and quantitative data, the NPS measures employee engagement and satisfaction, allowing us to identify positive qualities of Aquatera's culture and environment, as well as areas for improvement.

In 2019, we focussed our training efforts on Leadership Development, Change Management, Continuous

Improvement, Safety, Mental Health First Aid and continuing education for our operators, including new technology training. Enhancing our employees' skills and upholding our operator certifications ensures that we have the capacity to meet the needs of our growing customer base and provide expert support to other communities and industries.



“Aquatera provides many valuable programs to our communities such as our Student Internship Program and I really enjoy being a mentor to the students. I love all the relationships I’ve created with not only my coworkers but with all our customers.”

Jodey Johnson,
Administrative Assistant

ENVIRONMENTAL STEWARDSHIP

Aquatera remains a model of environmental stewardship and we continually look for opportunities to reduce our environmental impact.

Our goal is to ensure Alberta Environment regulatory requirements are met at all times, to maintain our ability to provide clean, safe drinking water. This commitment resulted in no material non-compliances in 2019, a goal that we continue to pursue.

Our work with the Mighty Peace Watershed Alliance and Wapiti River Water Management Plan led to the development of a watershed management process to ensure appropriate management and stewardship of the water resources in the Wapiti River.

In 2019, Aquatera and a number of stakeholders formed a project team to identify potential hazards to the water source within the Wapiti Watershed. Several engagement items were developed in 2019, with the work carrying over into 2020.

Aquatera is a member of the Peace Airshed Zone Association, a non-profit organization that conducts ambient air quality monitoring in northwestern Alberta.

In 2019, as part of the Wastewater Works Operating Approval, Aquatera conducted an Environmental Performance Review of both raw wastewater influent and treated wastewater effluent. Results show the potential for Aquatera to implement UV disinfection within the Wastewater Treatment Plant in the near future.

Aquatera is also a member of the Water North Coalition (WNC), a non-profit organization that seeks to ensure that sustainable water systems are available to all northern communities.

As well, we are represented on the Board of Directors for the Alberta Water and Wastewater Operators Association (AWWOA). This organization is a source for expert information and training designed for

Alberta's utility system operators. The AWWOA is dedicated to providing education, networking, promotion and ongoing support that operators need to supply Alberta communities with safe drinking water and a protected environment.

Efforts to protect our raw water supply continue. In 2019, Aquatera initiated the preliminary design and permitting study for a new raw water intake. We also completed the conceptual design for an expansion of our raw water storage pond, including the acquisition of land to accommodate this expansion. These projects will increase Aquatera's ability to meet future growth and demands.

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We take our pride in our responsibility as environmental stewards. Our team is constantly working to meet and exceed all environmental standards, while striving to minimize the impact to the environment.

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**Tamara Wuttunee-Campbell,
Treatment Operations
Assistant Manager**

FINANCIAL OVERVIEW

OUR BUSINESS - FINANCIAL AND BUSINESS PLAN OBJECTIVES

Aquatera continues to maintain a strong financial foundation that promotes long-term sustainability. Our investments and borrowings are structured to ensure appropriate cash flows are available to support capital planning and growth.

Operational efficiency and customer service remain key areas of focus. Our 2019 operating budget concentrated on these by maximizing revenues outside of our core business and

expanding our capacity to serve our Shareholders as growth in their respective regions continues.

Under the Unanimous Shareholders Agreement (USA), annual dividends are paid at the mandatory rate of five per cent. In addition to the mandatory dividend of \$2.4 million, the Board declared a discretionary dividend of \$2.1 million. Dividends to Shareholders in 2019 totalled \$4.5 million.

The return on equity for 2019 is 6.1 per cent. Debt levels are projected to rise slightly to fund capital investments, indicated in the Capital Plan. Debt to equity levels will remain within the established limit of 1:1 into the future.

To date, Aquatera has provided \$207.9 million in benefits to Shareholders directly in the form of cash dividends, franchise fees and payment for service, and indirectly with stock dividends.

2019 DIVIDENDS PAID TO SHAREHOLDERS



City of Grande Prairie
\$3,398,065



County of Grande Prairie
\$748,441



Town of Sexsmith
\$353,712

CAPITAL PROJECTS

As the Grande Prairie region continues to grow, Aquatera anticipates the needs of our communities and prioritizes investments that support future growth and capacity.

To accommodate this, we will invest over \$100 million in growth-related capital projects over the next four years. Through targeted capital investments, and collaboration with our Shareholders and development community, we are working to improve and develop infrastructure to facilitate this growth.

Detailed design of the West Water Transmission Line was completed in 2019, with the project expected to be complete in 2020. This will provide a second water feed to the City of Grande Prairie, providing redundancy for the existing water supply line.

Construction of a new cell at our Landfill was completed in early 2019, providing approximately 10 years of service. Waste placement in the new cell commenced in the second quarter of 2019. Relative to this, Aquatera completed the expansion of

the Landfill Gas Collection System, which enhances the production of electricity at the Energy Centre.

Construction of the Regional Transmission Line connecting the Town of Wembley to Grande Prairie was completed on August 1. The water line was built to extend west in the future, potentially serving Beaverlodge, Hythe and Horse Lake First Nations.

Construction of the Hawkers Booster/Chlorination Station was completed in the fall of 2019, providing water pressure and maintaining chlorine residuals to the Hawkers Business Park.

The Clairmont Lagoon Discharge Project was completed in early 2019. The project addresses capacity issues and provides a higher level of sewage treatment by pumping Clairmont's wastewater to Aquatera's Wastewater Treatment Plant in Grande Prairie. This project included the installation of a lift station at the Clairmont Lagoon and a trunk sewer extension to accommodate future development.

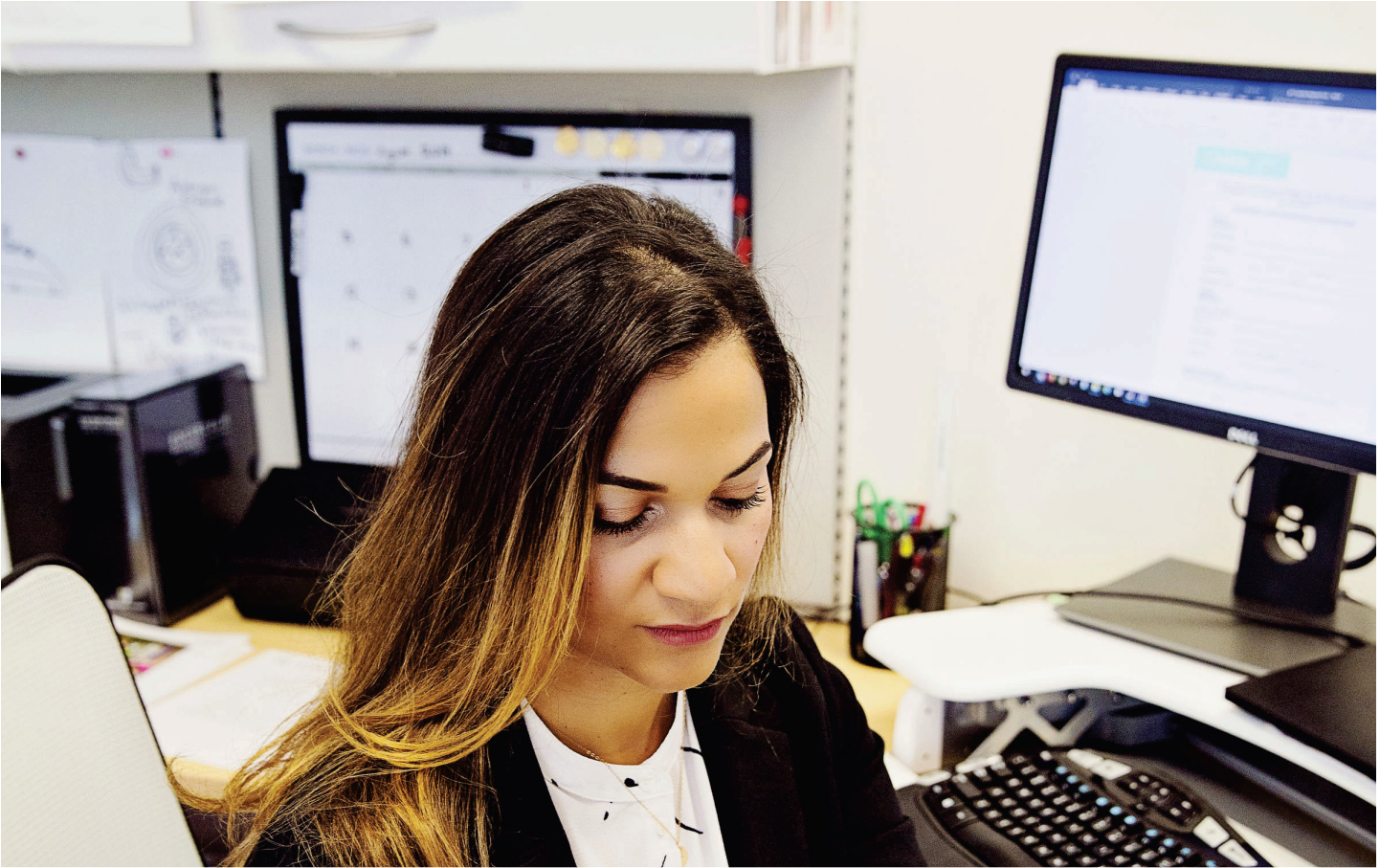
Aquatera completed a Water and Wastewater Master Plan for the Town of Sexsmith which identified short-term upgrades to reduce risks within the current system and to support future development. These upgrades will be completed in 2020, including the extension of these services across Highway 2 and 95 Avenue.

In 2019, Aquatera implemented a new asset management software program, Cityworks. This program allows operations employees to track, maintain and report on assets, and update asset information in real-time.



Aquatera is committed to the success and growth of the economy in our region. Some of the ways we do this is by growing healthy communities through cooperation, innovative partnerships and projects. //

Jeff Pieper,
Chief Financial Officer



GROWING THE BUSINESS

In 2019, Aquatera continued to focus efforts on growing our business through service expansion and enhancement. Priorities included Municipal Services and Service to Industry.

Aquatera's Treatment Plant Remote Operations Team continues to provide contracted services to the Town of Hinton and the Town of Manning.

In 2019, Aquatera extended the service contract with the Town of Manning until 2024.

The Town of Hinton has contracted services until 2023.

Aquatera focussed on strengthening our subsidiary companies, Advanced Trenchless Inc. (ATI) and Sustainable Water Solutions (SWS). ATI experienced gains in safety performance, worker competency and process efficiency; however, operations were not sustainable. As a result, Aquatera ceased operations of ATI in June 2019.

SWS continues to provide services to two key customers, Right Choice Camps and Catering (RCCC) and Atco at Site C in British Columbia. SWS continues to leverage the capabilities of Aquatera with the integration of key supports including Operations Management, Human Resources, Communications, Safety, Finance, Information Technology and a General Manager.

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