

NORTH RED DEER RIVER WATER SERVICES COMMISSION

NOTICE OF MEETING

REGULAR MEETING
December 11, 2017
9:00 AM
LACOMBE CITY HALL
LACOMBE AB

AGENDA

1. Call to Order
2. Adoption of Agenda
3. Adoption of Minutes
 - a. November 6, 2017 Regular Meeting - *attached*
4. Reports
 - a. Operations
 - b. Administrator
 - i) Monthly Report
 - c. Commission Chair
5. Old Business
 - a. 2018 Operational Budget
6. Correspondence
 - a. City of Red Deer – 2018 Water Supply Rates
7. New Business
8. Next Meeting Date
 - a. April 9, 2018 tentative
9. Adjournment

NORTH RED DEER RIVER WATER SERVICES COMMISSION
REGULAR MEETING MINUTES
November 6, 2017

In Attendance: Mayor Grant Creasey, City of Lacombe
Mayor Rick Bonnett, Town of Ponoka
Mayor Richard Poole, Town of Blackfalds
Councillor Ken Wigmore, Lacombe County
Councillor Mark Matejka, Ponoka County
Michael Minchin, NRDRWSC Administrator
Jennifer Peterson, Administrator Assistant

Others Present: Albert Frootman, CAO, Town of Ponoka
Tim Timmons, Manager of Corporate Services, Lacombe County
Myron Thompson, CAO, Town of Blackfalds
Preston Weran, Director of Infrastructure, Town of Blackfalds
Chris Huston, Utilities Manager, City of Lacombe
Jordan Thompson, Engineering Manager, City of Lacombe
Justin de Bresser, Chief Financial Manager, City of Lacombe

Regrets:

1. Call to Order:

Acting Chair Matejka called the meeting to order at 9:07 am.

2. Adoption of the Agenda:

MOVED by Mayor Bonnett that the agenda for November 6, 2017, be adopted as presented.

CARRIED

3. Governance

a. Annual Election

i. Chair

Acting Chair Matejka called for nominations from the floor.

Mayor Poole nominated Ken Wigmore for Chair. After three calls for attentional nomination, Mayor Bonnet moves ceased nominations.

Councillor Ken Wigmore is acclaimed as Chairman.

ii. Vice Chair

Acting Chair Matejka called for nominations from the floor.

Chair Wigmore nominated Richard Poole for Vice Chair. After three calls for attentional nomination, Mayor Bonnet moves to ceased nominations.

Richard Poole is acclaimed as Vice Chair.

Mr. Wigmore assumed the Chair position

4. Adoption of the Minutes:

MOVED by Mayor Poole that the minutes for September 25, 2017, be adopted as presented.

CARRIED

5. Presentation

a. Orientation

Each Commission member was presented with a binder containing material on the NRDRWSC. Mr. Minchin provided an overview to the content of each tab.

Copies of the following were included:

- Act
- Bylaw
- Policies
- Financial Statement for 2016
- Water Services Agreement
- Meeting Agendas
- Meeting Minutes

Mayor Poole and Mr. Timmons have asked for the information to be forwarded to them electronically.

Mayor Creasey disclosed that his wife is employed with BDO, the Commission's Auditors, and going forward she will not be working on the Commission's file. Mr. Minchin advised Mayor Creasey that there is a working agreement with BDO to ensure that there is no conflict with the file.

Mayor Creasey inquired about why there is only a three (3) years service contact between the City and the Commission. Mr. Minchin explained that with the Wastewater Commission starting they want to allow for some discretion between the two Commissions.

MOVED by Councillor Matejka to accept reports as information.

CARRIED

Reports

Operations Report

Mr. Huston discussed the recent operation activities.

In summary:

- The Alberta One-Call locate requests for October are on par with last year.
- The Operator and Endress & Hauser performed water meter verification testing on all meters with the expectation of 39th Ave and the Main Vault. All of the meters tested came back within AWWA requirements. The 39th Ave and the Main Vault will be tested in 2018.
- Stantec has been handling the SCADA review. They are to have a report to Operations within the month.

A question was raised regarding expiry dates to Crossing Agreements. Mr. Minchin advised the Commission that all crossing agreements put in place are perpetuity.

MOVED by Mayor Poole to accept reports as information.

CARRIED

Administrator Report

Mr. Minchin presented the Administrator's report.

In summary:

- Administration is in the process of transitioning Administrators on a temporary base.
- Administration has not received the 2018 water rates from the City of Red Deer. The City of Red Deer is in agreement to have the water rates to the Commission by November 1st of the current year. The Administrator will remind Red Deer of their commitment to the Commission
- The 5-year projection has been updated based on the current information provided to the Commission.

MOVED by Mayor Bonnett to accept reports as information.

CARRIED

Mr. Minchin presented the financial report.

In summary:

- Water sales remain to exceed 2017-budgeted amount. Water sales in the summer were high.
- Administration is projecting a surplus at the end of the year.
- Expenses remain in line with expectations.

Mr. Minchin recommended that once the 2017 Audit is complete and a surplus has been received, to ask for recommendation from the Commission on the allocation of the funds.

MOVED by Mayor Creasey to accept reports as information.

CARRIED

Chairperson's Report

Nothing to report at this time.

6. Correspondence/Information

7. Old Business:

8. New Business:

2018 Operating Budget Update

Mr. Minchin shared a copy of the provisional budget that was presented at the September 25, 2017 meeting based on an expected 5% increase from the City of Red Deer from \$1.38 to \$1.45. Based on this information Administration recommends that the water rate for the Commission be set at \$2.07 from \$2.03. The Commission has not had a rate increase since 2013. Should the 2018 water rate from Red Deer not increase by the expected 5%, Administration recommends leaving the Commission's rate at \$2.07.

Concerns of why there was a need for a SCADA review and the costs for the upgrade was expressed. Mr. Minchin advised the Commission that the systems is outdated and not supported anymore in areas, and the cost of the upgrade will be covered from capital reserves.

It was asked how often Administration reviews the rate model that Red Deer uses to set their rate. Mr. Minchin explained that the model is 190 pages and is reviewed every couple of years. Red Deer uses a cost recovery utility rate model.

MOVED by Councillor Matejka to accept reports as information.

CARRIED

2018 – 2022 Financial Projections

Mr. Minchin presented a working model of the 2018-2022 Project Operating Budget. He advise the Commission that this is a living document and changes once the Commission receives the projected water rates from the City of Red Deer.

This report will be posted on the North Red Deer River Water Services Commission website.

MOVED by Mayor Bonnett to accept reports as information.

CARRIED

Appointment of Acting Administrator

Mr. Minchin advised the Commission of his departure from the City of Lacombe and that under the agreement between the City and the Commission for Administration services, the City of Lacombe is required to provide staffing. Mr. Minchin recommends that the Commission appoint Justin de Bresser as acting Administrator.

MOVED by Mayor Creasey that the Board appoint Justin de Bresser as acting Administrator effective November 6, 2017.

CARRIED

9. Commission Signing Officers

Mr. Minchin asked that with the departing of all three existing signing officers, that the Commission approve the Administrators recommended members as the new signing authorities.

MOVED by Mayor Bonnet that the Board of Directors for the North Red Deer River Water Services Commission hereby appoint the following signing officers for the purpose of executing cheques, promissory notes, bills of exchange and other instruments, whether negotiable or not, on behalf of the Commission:

Chair: Ken Wigmore, Lacombe County

Vice Chair: Richard Poole, Mayor Blackfalds

Acting Administrator: Justin de Bresser, City of Lacombe

Alternative Administrator: Matthew Goudy, City of Lacombe

CARRIED

10. IN Camera

MOVED by Mayor Poole to go In Camera at 9:45 am

MOVED by Mayor Creasey out of In Camera at 10:05 am

MOVED by Mayor Creasey that the Board directs Administration to continue negotiations with the City of Red Deer concerning the potential sale of the portion of regional water line currently located within the City of Red Deer boundaries based on the Commission's previous approved terms.

11. Next Meeting:

Monday, December 11, 2017 at 9:00 am, City of Lacombe Council Chambers.

12. Adjournment:

MOVED by Mayor Bonnett to adjourn this Meeting at 10:07 am.

CARRIED

Chairperson

Administrator

DRAFT

M E M O R A N D U M



North Red Deer River
Water Services
Commission

5432 56th Avenue
Lacombe, Alberta T4L 1E9

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chuston@lacombe.ca

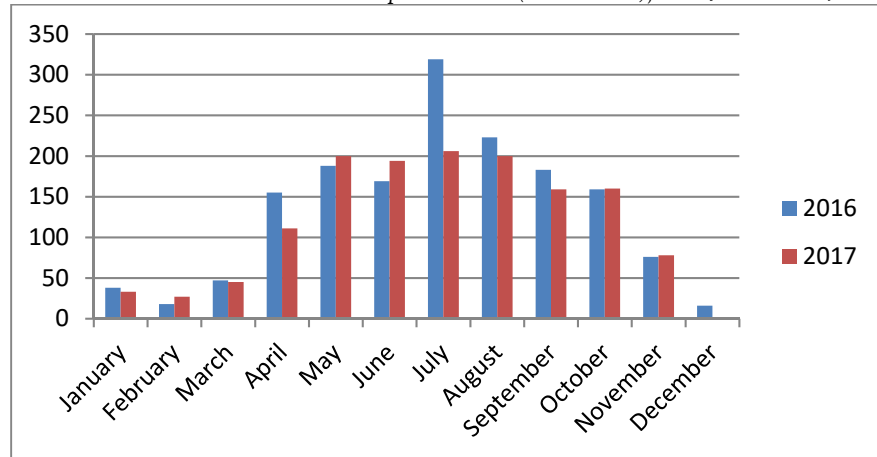
December 11th, 2017
Attn: NRDRWSC
Re: Operational Report since November 6th, 2017.

Since the last update provided to members of the Commission, the City of Lacombe has dealt with the following:

GENERAL INFORMATION

- Alberta One-Call Locate Requests:
 - November - 78 locates

Alberta One-Call Locate Requests 2016 (total 1591); 2017 to date 1413



Repair response charges:

- November 21 - Operator noticed that the sump pump in 39th Ave was not working, the pump was replaced the next day.

Call-Out:

- None

General Information:

- Operator continues to work with the various contractors that are digging in vicinity or are crossing the regional water line.
- SCADA Assessment - Dec.11 - meeting with CRD, Stantec and NRDRWSC to discuss implementation strategy at the treatment plant.

If you have any questions or comments regarding the operations described above please don't hesitate to call or email me.

Regards,

A handwritten signature in blue ink, appearing to read "L-H", is written over the typed name "Chris Huston".

Chris Huston
Operations Manager



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta
T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Justin de Bresser, Administrator

DATE: December 1, 2017

RE: Administrator's Report –November,2017 REF: 47/117
(2017)

The following is a summary of items Administration has been working on since the Board's last meeting:

1. Administration received the 2018 water rate from the City of Red Deer. As a result the budget is being presented for adoption. This item appears later on in the agenda.
2. Administration will be updating the 5 year projection for the Board's information based on the current information provided to the Commission. This includes the actual City of Red Deer rate increase for 2018.
3. Administration met with the City of Red Deer to further discussions on the sale of a portion of the water line. Further meetings will be held in the new year

North Red Deer River Water Services Commission



2018 Operating Budget
Draft

Prepared by Michael Minchin / Justin de Bresser
December 6 2017

2018 Operating Budget

The North Red Deer River Water Services Commission transports potable water from the City of Red Deer to its member municipalities. Currently, the Commission delivers water to all its members. The 2018 budget forecasts revenues based on the water demand estimates provided by the member municipalities. The largest costs to the Commission are the purchase of water from the City of Red Deer and debenture payments.

The following is a summary of changes included in the 2018 operating budget followed by the budget itself.

Water Costs

The 2018 operating budget is based on a 6.5% increase in water rates from the City of Red Deer. The rate from the City of Red Deer has increased from \$1.38 to \$1.47 per cubic metre effective March 1st, 2018. The Commission is received a formal letter from the City at the end of November. The details of the rate and impact on the budget are outlined on page 3.

Water Sales Volumes

Water sales volumes for 2018 have been increased slightly from the estimates from the 2017 budget. Actual consumption for 2017 was slightly lower than forecasted and Administration is forecasting slower growth in the coming years. Included in the estimate is a change to the water loss estimate. Water forecasts are outlined in page 4 of this document.

Other Operating Revenues and Expenditures

In addition to water purchases and sales volume estimate adjustments, Administration has also reviewed all expenses for the Commission and made a number of adjustments. The following is a summary of those adjustments. The operating budget starts on page 5.

Revenues

1. Adjust revenue from City of Red Deer to reflect projected water volumes and delivery charges. Cost of water is not charged to the Commission and therefore a lower rate is passed on to the City for Central Park. This change results in a reduction in revenue estimate of \$29,850. An offsetting charge to water costs to the Commission has also been made.
2. Increase in line crossing fees of \$500 to reflect growing income.
3. Increase of \$6,489 in interest revenue to reflect growing cash balances.

Expenses

4. Increase in Board travel and mileage of \$250 to reflect change in Board membership.
5. Increase of \$100 in Administration travel to cover miscellaneous travel, if required.
6. Increase in \$300 in Volunteer recognition for retiring board members in 2018.
7. Increase in Telephone – Office of \$680 to replace phone.
8. Increase of Management Fees based on a January 1st increase. A \$1,116 increase.
9. Decrease in Other Professional Services of \$30,000 to recognize completion of SCADA review.
10. Increase in Equipment Maintenance costs of \$2,000 to reflect ongoing maintenance costs.
11. Increase in SCADA costs to reflect monthly rate increase. Annual increase of \$725.

12. Increase Administration (accounting services) based on a January 1st increase of \$204.
13. Water purchases are based on projected water volumes and the new City of Red Deer rate.
14. Increase in Operations costs to reflect increased rates effective January 1st from \$121,300 to \$123,637 (\$2,337 increase).
15. No Change in electricity costs to factor in additional carbon tax increases in 2018.
16. Amortization remains unchanged. As this is a non-cash expense, the reserve policy will see this transferred to capital reserves at the end of the year in 2018.
17. Funding from rate stabilization reserve of \$215,000 to offset rate increase from City as per 5 year plan.
18. The operating surplus has been reduced to make up the increase in water rates from the City. The projected operating surplus has been reduced from 125,000 to 117,213 a reduction of \$7,787. The Commission will still access \$215,000 from the stabilization reserve.
19. There are no operating costs yet associated with the SCADA project. Capital installation is expected in 2018 with additional costs possible in mid 2018. The Commission's final draft would include this costs within the proposed rate increase.

Water Rates

Based on the 6.5% increase from the City of Red Deer, Administration is proposing a rate of increase of 1.97% effective March 1, 2018. The rate would increase for the first time since 2013 from \$2.03 to \$2.07 per cubic metre. This rate increase from the City of Red Deer was higher than anticipated (5%) but commission's rates could be maintained at \$2.07 per cube with a reduction in the operating surplus from \$117,213 to \$69,404 as a result.

2018 Capital Budget

The only proposed project for 2018 is the SCADA project. An initial estimate of \$200,000 is proposed funded from the Commission's Capital Reserves. The final estimate will be presented at the November Board meeting along with possible operating cost implications.

**North Red Deer River Water Services Commission
2018 Water Sales Forecast**

2017 City of Red Deer Rate	\$ 1.380
2018 City of Red Deer Projected Rate	\$ 1.470
 % Change	 6.50%

<u>Water Purchases</u>	<u>January</u>	<u>February</u>	<u>March to December</u>	<u>Total</u>
Lacombe	103,114	90,225	1,095,587	1,288,926
Ponoka	56,960	49,840	605,200	712,000
Blackfalds	60,405	52,854	641,802	755,062
Lacombe County (thru Blackfalds)	1,616	1,414	17,170	20,200
Ponoka County	966	845	10,264	12,076
City of Red Deer (Not included)	-	-	-	-
Water Loss	1,920	1,680	20,400	24,000
 Subtotal	 224,981	 196,858	 2,390,424	 2,812,263

Price per m3 (excludes Red Deer)	1.3800	1.3800	1.4700
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<u>Cost of Water</u>				
City	142,297.39	124,510.22	1,610,512.59	1,877,320.20
Ponoka	78,604.80	68,779.20	889,644.00	1,037,028.00
Blackfalds	83,358.79	72,938.95	943,449.40	1,099,747.14
Lacombe County (thru Blackfalds)	2,230.08	1,951.32	25,239.90	29,421.30
Ponoka County	1,333.17	1,166.52	15,088.71	17,588.40
City of Red Deer	-	-	-	-
Water Loss	2,649.60	2,318.40	29,988.00	34,956.00
 Subtotal	 310,473.83	 271,664.61	 3,513,922.60	 4,096,061.04

Other Expenses (Includes Amortization)	<u>2,003,979.14</u>
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Total Operating Costs	6,100,040.18
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Less non-water Revenue & Delivery Revenue from City of Red Deer	<u>414,470.00</u>
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Total Water Sale Revenue Required	5,685,570.18
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<u>Water Sales Required</u>				
City	209,321.52	183,156.33	2,267,864.66	2,660,342.51
Ponoka	115,628.80	101,175.20	1,252,764.00	1,469,568.00
Blackfalds	122,621.99	107,294.25	1,328,530.79	1,558,447.03
Lacombe County	3,280.48	2,870.42	35,541.90	41,692.80
Ponoka County	1,961.11	1,715.97	21,247.37	24,924.45
City of Red Deer	-	-	-	-

Subtotal	452,813.90	396,212.17	4,905,948.72	5,754,974.79
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Operating Surplus	69,404.61
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Price per m3	\$ 2.0300	\$ 2.0300	\$ 2.0700
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Rate Increase	1.97%
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**North Red Deer River Water Services Commission
2018 Water Sales Forecast**

	2017 Projected			2017	Variance
	Jan to Aug	Sep to Dec	Total	Budget	
City of Lacombe	872,452	403,712	1,276,164	1,265,640	0.82%
Town of Ponoka	471,390	234,950	706,340	708,380	-0.29%
Town of Blackfalds	554,525	189,378	743,903	741,610	0.31%
Lacombe County	-	-	-	23,625	0.00%
Ponoka County	7,818	3,160	10,978	9,350	14.83%
City of Red Deer	10,857	2,926	13,783	20,000	-45.11%
Water Loss	- 2,717	15,000	12,283	55,540	-352.17%
	1,914,325	849,126	2,763,451	2,824,145	-2.20%

2018 (Estimated)

	2018 (Estimated)			Total
	January	February	March to December	
City of Lacombe	103,114	90,225	1,095,587	1,288,926
Town of Ponoka	56,960	49,840	605,200	712,000
Town of Blackfalds	60,405	52,854	641,802	755,062
Lacombe County	1,616	1,414	17,170	20,200
Ponoka County	966	845	10,264	12,076
City of Red Deer	1,125	984	11,950	14,059
Water Loss	1,920	1,680	20,400	24,000
	226,106	197,843	2,402,373	2,826,322

Historical

	Actual <u>2010</u>	Actual <u>2011</u>	Actual <u>2012</u>	Actual <u>2013</u>	Actual <u>2014</u>	Actual <u>2015</u>	Actual <u>2016</u>	Projected <u>2017</u>
City of Lacombe	1,135,454	1,150,948	1,192,004	1,240,649	1,328,507	1,361,741	1,258,887	1,276,164
Town of Ponoka	703,634	700,402	699,781	699,205	706,460	715,080	696,163	706,340
Town of Blackfalds	524,584	526,983	564,434	593,449	678,191	752,324	737,533	743,903
Lacombe County	-	-	0	-	-	-	-	20,000
Ponoka County	2,705	3,560	4,662	5,771	7,336	8,383	9,721	10,978
City of Red Deer							-	13,783
Water Loss	48,296	39,407	11,252	49,987	37,509	52,169	14,696	12,283
	2,414,673	2,421,300	2,472,133	2,589,061	2,758,003	2,889,697	2,717,000	2,783,451
City of Lacombe	-6.90%	1.36%	3.57%	4.08%	7.08%	2.50%	-7.55%	1.37%
Town of Ponoka	-8.36%	-0.46%	-0.09%	-0.08%	1.04%	1.22%	-2.65%	1.46%
Town of Blackfalds	1.69%	0.46%	7.11%	5.14%	14.28%	10.93%	-1.97%	0.86%
Lacombe County								#DIV/0!
Ponoka County	-44.16%	31.61%	30.96%	23.79%	27.12%	14.27%	15.96%	12.93%
City of Red Deer								0.00%
Water Loss	-20.98%	-18.41%	-71.45%	344.25%	-24.96%	39.08%	-71.83%	-16.42%
Total	-6.02%	0.27%	2.10%	4.73%	6.53%	4.77%	-5.98%	2.45%

CITY OF LACOMBE
Provisional Budget Report



Account Code : 06-1-47-?????
 To 06-2-47-?????
 Fiscal Year : 2017

Account Code	Account Description	CC1	CC2	2016 ACTUAL VALUES	2017 ACTUAL VALUES	2017 FINAL BUDGET	2018 PROVISIONAL BUDGET
06 REGIONAL WATER COMMISSION							
REVENUES							
06-1-47-35110	Water Sales - City of Lacon			-2,555,541	-2,205,699	-2,569,249	-2,660,343
06-1-47-35120	Water Sales - Town of Ponok			-1,413,211	-1,186,527	-1,438,011	-1,469,568
06-1-47-35130	Water Sales - Town of Blac			-1,497,192	-1,380,581	-1,553,427	-1,600,139
06-1-47-35140	Water Sales - Ponoka Cour			-19,734	-18,469	-18,981	-24,923
06-1-47-35150	Water Sales - City of Red L			0	-6,034	-37,400	-7,550
06-1-47-42200	Line Crossing Agreement F			-250	-1,750	-1,000	-1,500
06-1-47-55100	Interest Revenue			-50,059	-63,261	-43,511	-50,000
06-1-47-55500	Rebates & Dividends			-348,371	0	-30	-30
06-1-47-85140	Lacombe County Contributi			-70,175	0	-70,195	-70,195
06-1-47-85150	Ponoka County Contributio			-70,175	0	-70,195	-70,195
06-1-47-92100	Transfer from Reserves			0	0	-158,000	-215,000
06-1-47-99000	Misc Revenue			-323	0	0	0
Total REVENUES				-6,025,031	-4,862,321	-5,959,999	-6,169,443
EXPENSES							
06-2-47-11110	Board Wages-City of Lacon			1,750	1,050	1,400	1,400
06-2-47-11120	Board Wages-Town of Ponok			750	600	600	600
06-2-47-11130	Board Wages-Town of Blac			750	600	600	600
06-2-47-11140	Board Wages-Lacombe Co			0	800	600	600
06-2-47-11150	Board Wages-Ponoka Cour			750	600	600	600
06-2-47-21100	Board Travel Expenses			0	11	0	0
06-2-47-21110	Board Travel-City of Lacom			0	0	0	250
06-2-47-21120	Board Travel -Town of Ponok			143	119	250	250
06-2-47-21130	Board Travel-Town of Black			74	59	250	250
06-2-47-21140	Board Travel-Lacombe Cou			0	32	250	250
06-2-47-21150	Board Travel-Ponoka Coun			89	119	250	250
06-2-47-21170	Travel-Administration			0	0	0	100
06-2-47-21180	Travel - Operations			11	0	0	0
06-2-47-21400	Membership Fees			377	328	300	300
06-2-47-21500	Postage & Freight			50	0	50	50
06-2-47-21600	Staff & Volunteer Appreciati			0	0	0	300
06-2-47-21700	Telephone - Office			307	252	400	1,080
06-2-47-21701	Telephone - Operations			8,080	6,691	8,072	8,072
06-2-47-23000	Management Fees			54,595	51,084	55,728	56,844
06-2-47-23100	Accounting and Auditor Fee			8,243	471	8,000	8,000
06-2-47-23200	Legal Fees			300	100	500	500
06-2-47-23900	Other Professional Services			10,100	5,324	46,800	16,800
06-2-47-25300	Equipment Repair & Mainte			861	6,850	7,500	9,500
06-2-47-25301	SCADA Maintenance			9,014	7,266	8,300	9,025
06-2-47-27400	Insurance & Bond Premiurr			3,903	3,551	3,889	3,889
06-2-47-34200	Administration			10,183	9,526	10,392	10,596
06-2-47-35100	Purchase of Water			3,510,318	3,237,001	3,863,404	4,096,061
06-2-47-35200	Operations			101,860	96,727	121,300	123,637
06-2-47-51000	Miscellaneous Expenses			0	200	250	250
06-2-47-51100	Meeting Supplies			15	138	50	50

CITY OF LACOMBE
Provisional Budget Report



Account Code : 06-1-47-?????
To 06-2-47-?????
Fiscal Year : 2017

Account Code	Account Description	CC1	CC2	2016	2017	2017	2018
				ACTUAL VALUES	ACTUAL VALUES	FINAL BUDGET	PROVISIONAL BUDGET
06-2-47-51400	Office Supplies			120	92	150	150
06-2-47-52400	General Materials & Supplie			295	8,210	500	750
06-2-47-54400	Utilities-Electricity			2,732	2,104	3,500	3,500
06-2-47-56400	Valves			2,877	0	5,000	5,000
06-2-47-81400	Bank Charges & Interest			20	5	25	25
06-2-47-83100	Debenture Interest			628,458	335,843	601,086	570,359
06-2-47-83200	Debenture Principal			644,428	368,369	673,815	704,542
06-2-47-99000	Amortization			465,610	0	465,610	465,610
Total EXPENSES				5,467,063	4,144,122	5,889,421	6,100,040
Total REGIONAL WATER COMMISSION				-557,968	-718,199	-70,578	-69,403



ENVIRONMENTAL SERVICES

November 6, 2017

Justin de Bresser, Commission Administrator
North Red Deer River Water Services Commission
c/o City of Lacombe
5432 – 56 AVE
Lacombe AB T4L 1E9

Dear Mr. de Bresser,

**Re: North Red Deer River Water Services Commission
2018 Water Supply Rates**

We have recently evaluated our water financial and rate allocation models and have tentatively established rates for 2018, subject to Council approval. Please be advised that the unit rate for the supply of water under the Water Supply Agreement with the North Red Deer River Water Services Commission (NRDRWSC) is expected to increase to \$1.47 per cubic metre, effective March 1, 2018.

The NRDRWSC rate was calculated on a cost of service basis, utilizing the principles set out in the American Water Works Association manuals of practice. The price was derived using an estimated volume of 2,812,263 cubic metres, which is a 0.3% increase over the forecast 2017 volume of 2,804,145. The 2018 rate is an increase of 6.5% above the 2017 rate of \$1.38 per cubic metre.

As per the Water Supply Agreement, we will prepare a "true-up" reconciliation following our 2018 year-end to develop an actual cost per cubic metre based on actual costs and supply volumes. We will then issue an invoice or credit if the actual unit cost is more than 10% above or below that used during the course of the year.

Should you have any questions or concerns, please contact me.

Sincerely,

Tim Ainscough, P. Eng.
Environmental Services Manager

jf/

c. Water Superintendent
Development Services Director
Environmental Services Administrative & Accounting Supervisor