

TOWN OF BASSANO

VILLAGE OF ROSEMARY

VILLAGE OF DUCHESS

PATRICIA

CITY OF BROOKS

LAKE NEWELL RESORT

VILLAGE OF TILLEY

RAINIER

SCANDIA

ROLLING HILLS

NEWELL
REGIONAL
SERVICES
CORPORATION
ANNUAL
REPORT
2009



newell

REGIONAL SERVICES CORP.

Table of Contents

Board of Directors Photograph and Message from the Chairman of the Board	Page 3
Ministerial Order- Newell Regional Services Corporation	Page 4
NRSC Mission Statement	Page 5
Message from the General Manager	Page 6
NRSC- First Employees	Page 7
Project Report	Page 8
Summary of Grant Program Funding and Costs	Page 12
Corporate Information	Page 14
2008/2009 Start-up Costs	Page 15



Front Row L-R: Don Gibb (Rosemary); Noel Moriyama (Vice Chairman-City of Brooks); Bill Prentice (City of Brooks)
Back Row L-R: Dale Shantz (Duchess); John Timko (Tilley); Harold Wutzke (County of Newell No.4); Darrel McCoomb
(Bassano); Ike Schroeder (Chairman of the Board-County of Newell No.4)

It has been a very exciting time these last few years! From my time involved in the original discussions of a Regional Water System, to the Partnership Committee and now to nearing completion of the project and the founding of Newell Regional Services Corporation. The plan is coming together involving the safe and environmentally compliant supply of potable water, the economically and efficient operation of a Regional Water System and the cost savings of both capital and operational costs. Many thanks to the Province of Alberta for providing the funds to build the facilities and transmission mains. Thanks to our partner communities for the contributions and funding they have

provided as well as the support extended during the start-up of the Corporation. Many thanks go to the Board of Directors who have shown a continuation of the vision and who remain focused on the future success of guiding the Corporation to meet the founding goals. I would also like to extend appreciation to management and staff for work that they are engaged in operating and maintaining first class service to residents.

I am looking forward to the future and the challenges that are still ahead of us.

- Ike Shroeder
Chairman of the Board
Newell Regional Services Corporation



ALBERTA
MUNICIPAL AFFAIRS

Office of the Minister
MLA, Lac La Biche - St. Paul

MINISTERIAL ORDER NO. L:001/09

I, Ray Danyluk, Minister of Municipal Affairs, pursuant to sections 73 and 250 of the *Municipal Government Act*, make the following order:

The County of Newell No. 4, City of Brooks, Town of Bassano, Village of Tilley, Village of Rosemary, and the Village of Duchess may establish and control the Newell Regional Services Corporation for the purpose of providing a regional water and wastewater system to service municipalities and hamlets within the County of Newell No. 4.

Dated at Edmonton, Alberta, this 12th day of January, 2009.

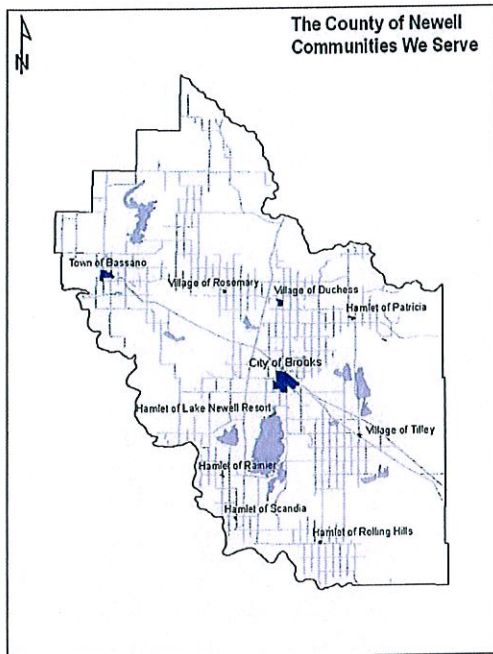
Ray Danyluk
Minister of Municipal Affairs

104 Legislature Building, Edmonton, Alberta Canada T5K 2B6 Telephone 780-427-3744 Fax 780-422-9550
4434 - 50th Avenue, St. Paul, Alberta Canada T0A 3A2 Telephone 780-645-6999 Fax 780-645-5787
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Newell Regional Services Corporation



Mission Statement:

Recognizing the planning, development, and vision of the member communities; and that water is a precious resource for the enhancement of life, public health and growth; the Corporation will strive to attain or exceed regulatory requirements, while seeking a balance to provide services, achieve reliability, protect the environment and maintain a financially sustainable utility system.

Vision Statement:

Newell Regional Services Corporation will provide safe, effective services within the County of Newell and member communities that will ensure all services meet rigid safety, quality, and reporting parameters of Federal, Provincial, Local and Water Industry Standards.

We will create relationships and enhance the quality of life for the communities, people and businesses by being committed to first class reliable service; being accountable to the people we serve, being leaders in environmental

stewardship and adopting best practices to economically achieve service reliability, water quality, operational efficiency and cost effective environmental compliance.

Values:

Our commitment to providing safe and reliable water and sewer services is historically grounded in the fundamental philosophy of the origin of the Corporation.

The Province of Alberta, the County of Newell, the City of Brooks and Member Communities saw the potential for mutual benefits under increasingly stringent guidelines and expectations. While it may be difficult for individuals to meet those expectations; together and with one focus, we can meet and exceed the opportunities to provide excellent services to our residents and business community.

Newell Regional Services Corporation is soundly committed to these values and our employees will be instrumental and dedicated to delivering those services.

Message from the General Manager

I consider it to be a great honour to present this report to the Shareholders at this first Annual General Meeting of Newell Regional Services Corporation.

I believe that the Board of Directors has given excellent direction and every decision has enabled Newell Regional Services Corporation (NRSC) to move in a forward direction. My thanks to the Board members for effective governance and excellent guidance and support.

I also want to thank the City of Brooks, Brooks Council, administration and all of Brook's staff for the cooperation, assistance and patience during the 2008 and 2009 start-up of the Corporation. NRSC would have had a difficult time in making progress to reach the goals of starting a new Corporation.

A word of thanks also to the County of Newell No. 4 for their patience and guidance. County Council, administration and staff have been exceptional in providing information and assistance to NRSC.

I would also be remiss if I did not thank the Province of Alberta and Alberta Transportation and Infrastructure for the contributions in funding the project, on a regional basis and to provide the vehicle for the concept of the regional water system to come to a reality.

The staff and employees of NRSC have also made a contribution to our goals considering that until January 2010, all employees worked for diverse employers. Now that NRSC is a live and separate entity we can focus our attention on operations and maintaining the system through engagement of our work, participation in programs and training and providing the services that members, regulators and customers expect. I and the staff of NRSC are proud to be at the launching of this Corporation and what we will stand for.

There is another group that deserves to be mentioned. The Eastern Irrigation District and the Board of Directors of the EID deserves applause for their participation in this endeavor. Without the presence and participation of the EID; this project would be at a standstill. I know that the expertise and guidance of the EID has been a large factor during the planning and development stages of the project and NRSC looks forward to continuing our good relationship.

Lastly, the landowners that have so graciously allowed the right-of-way for pipeline installation and occupancy; need to be acknowledged. It is the only way that communities can receive potable water. This is a permanent relationship that will last well into the future and NRSC will continue to maintain that relationship; striving to meet and exceed any concerns or issues.

The Unanimous Shareholders Agreement, By-law No.1 and the 5 year Business Plan have been documents that guide this Corporation. As the reality and practicality of progress motivates decisions, those documents may have to be discussed, re-examined and revised. The goal has been to provide safe, environmentally sound drinking water to residents. Water should be provided in a regulatory complaint manner, efficient and cost effective. Certain policies have been approved by the Board of Directors, to ensure that happens. Policies have been presented to the Board of Directors based on the guiding documents.

NRSC and member municipalities have developed a long term vision for a regional water system. The next step, upon completion of all of the construction projects, will be to develop an approved long term strategy to maintain the system, provide a framework for growth and development of the system and to maintain the system in an environmentally complaint manner. Reliance on grant funding may not be factor, in the future. Considering the updating and meeting of regulatory compliance, future accommodations to meet capacity and growth requirements, human resource and certification issues the strategy will provide a structure for future development of the Corporation.

I and the staff of Newell Regional Services Corporation are pleased to be a part of providing services to member communities as well as customers that require safe drinking water. Our life depends on it!



Ralph Havinga
General Manager

Newell Regional Services Corporation

First Employees of 2010

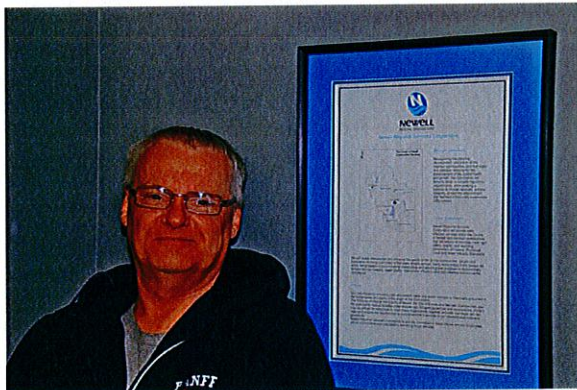
Executive Assistant- Carmen Chase



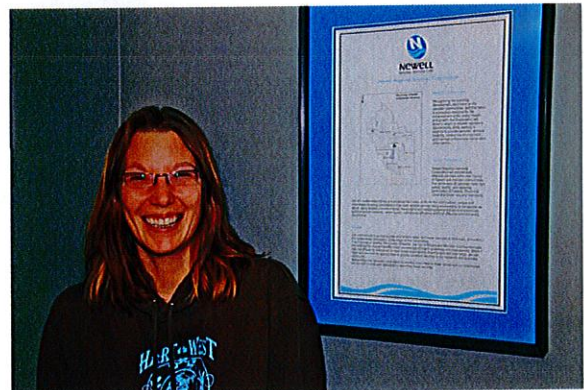
Operations Manager- Wayne Cooper



System Operator- Burt Flowers



System Operator- Lacey Hubka



Project Report and Summary



The first pipeline project (Phase 1-Contract #1- Pipeline to Tilley) was started in November 2008. Work progressed over the winter and the pipeline was completed in late summer of 2009. The reservoir in Tilley, as well as the distribution pump house clear-well and the water distribution system within the Village of Tilley had to be cleaned and flushed. Components in the old plant had to be removed and the transmission main connected to the old plant. MJB Enterprises Ltd. was awarded the project of Contract #3 (Upgrades to Treated Water Storage

Reservoirs) in each of the southern communities. A part of their work was to make the connection from treated water pipeline to the old WTP in Tilley. There was also work done on controls, monitoring equipment and the SCADA system. The Village of Tilley was on a temporary connection while this work was being performed. Sampling and testing of treated water was required in the reservoir, clear-well and water distribution system in order to provide this information to Alberta Health Services, as information to consider for removal of the Boil Water Order.



While the transmission main to Tilley was being constructed work had begun on the expansion of the Water Treatment Plant, in Brooks. In July of 2009, the City of Brooks turned over the asset of the WTP but continued to lease the plant from NRSC. This was done because of the liability during the performance of construction and the operation of the WTP had to continue without interruption. City of Brooks operators provided that necessary continuance in the performance of their duties and would be familiar with the new plant upon completion. Work has been progressing well and during the end of April, the plant will

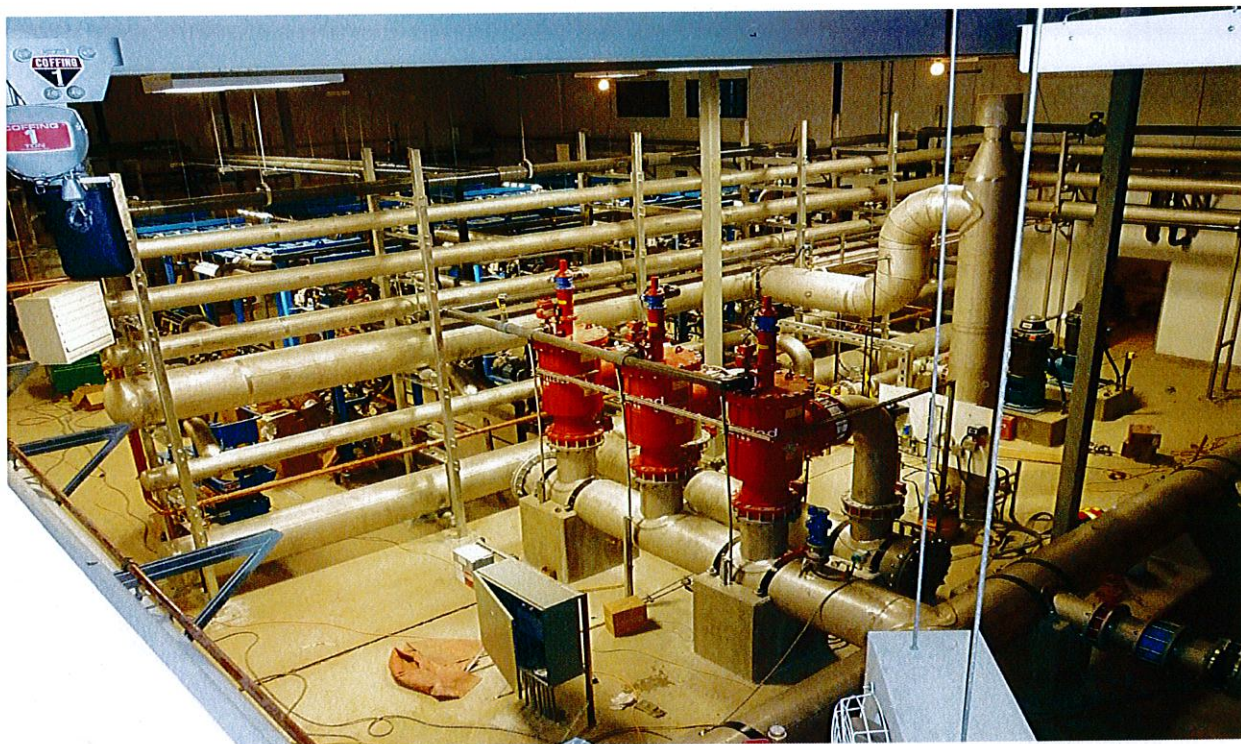
be producing water through the new system. Work will then begin on the demolition of the existing components of the WTP.



This is a photograph of the PALLS membrane rack. It will replace the existing sand filters. The vertical cartridges have yet to be installed. These units were purchased 2 years before construction of the new WTP was started.

The control room below, will have all lab testing equipment and the computers for the SCADA system. From this room we can remotely view what will be happening in each of the communities.





This photograph shows most of the filtration system as well as the strainers and the piping for raw and treated water. Under all of this equipment and piping is the treated water storage reservoir. Each of the 4 PALLS racks will treat up to 8,000,000 mld (8,000 m3) totaling 32,000 m3 per day.

While the WTP expansion was being constructed, Brute Force Oil Field Hauling, from Spruce Grove, Alberta was awarded Contract #2- Pipeline to Rolling Hills. The project got off to a great start, initially, but soon began to go off the rails by the end of September. On November 20, 2009, Brute Force was forced into receivership by the Courts. Since that time their bonding company and NRSC have been negotiating a Completion Contract to complete that project. Brooks Asphalt and Aggregate has been awarded the completion of the pipeline to Rolling Hills, Rainier and Scandia. We expect completion of that project by April 30, 2010.

Certain unpaid creditors of Brute Force have filed liens against land that the pipeline is on (and some lands where there is not a pipeline, in error). The bonding company and NRSC have been working diligently to have all liens removed, but it has been a slow and tedious legal process.

During the winter of 2009 and spring of 2010; Brooks Asphalt and Aggregate has been successful in almost completing Phase 2-Contract #1- Pipeline Through Brooks. That pipeline is connected to the WTP and passes through Brooks city limits ending at the City/County border. From that point, the last pipeline contract (closing on March 18, 2010) will be awarded and the anticipated completion date is December 2010. The will bring the transmission main to Patricia and Rosemary.



While each of the transmission main projects have been under construction, MJB Enterprises from Medicine Hat have been upgrading and renovating each of the Water Treatment Plants in Tilley, Lake Newell Resort, Rainier, Scandia and Rolling Hills; under Contract #3- Upgrades to Treated Water Reservoirs. An additional storage reservoir is being constructed at Lake Newell Resort; as well as a booster station to pump water to Rolling Hills.

The transmission mains, storage reservoirs and WTP in Brooks are all well under construction or have been completed. The completion date for the project is December 31, 2010. At that time Patricia and Rosemary will be connected to the system. Bassano Council has had a resolution to apply for a portion of Phase 4 of the project, which would be the transmission main to Bassano.

There has been a lot of interest from groups, residents and developers in connecting to the transmission mains. Future connections will be part of a Board of Directors approved strategy.

REGIONAL WATER SUPPLY SYSTEM - COUNTY OF NEWELL				
** Total Project Summary To December 31, 2009 **				
*** TOTAL PROJECT COST: \$45,452,000.00 ***				
TOTAL AMWWP GRANT FUNDING: \$37,107,012.80 (81.64% Of Total Project Cost)				
GRANT	GRANT FUNDING	OUTSTANDING AMWWP GRANT		
AMWWP (Capital Grant)	RECEIVED TO DECEMBER 31/09	TO DECEMBER 31/09		
	\$21,450,000.00	\$15,657,012.80		
MSI (Capital Grant)	\$5,661,104.00			
*** As per Mar. 24/09 meeting with Peter Brouwer (MPE) & Ralph Havinga (NRSC) WTP Funding Allocations changed from Jan/09 MPE Costing Document broken down by local share. All phases of WTP now allocated 74% to AIT and 26% to City of Brooks. Adj. made Jan./09. ***				
PROJECT COMPONENT	TOTAL AMWWP COSTS TO DEC. 31/09	AIT PORTION	BROOKS PORTION	NEWELL PORTION
Raw Water Pipeline	\$1,946,625.44	\$1,167,975.26	\$778,650.18	\$0.00
Treated Water Pipeline - Phase 1	\$7,015,019.90	\$6,313,517.91	\$0.00	\$701,501.99
Treated Water Pipeline - Phase 2	\$393,314.75	\$353,983.28	\$0.00	\$39,331.48
Upgrades To Treated Water Reservoirs	\$686,928.92	\$618,236.03	\$0.00	\$68,692.89
Water Treatment Plant - Phase 1 & 2	\$12,386,707.90	\$9,166,163.85	\$3,220,544.05	\$0.00
Water Treatment Plant - Phase 3	\$168,296.50	\$124,539.41	\$43,757.09	\$0.00
Other	\$541.30	\$487.17	\$0.00	\$54.13
Lake Newell Renovations	\$428.03	\$385.23	\$0.00	\$42.80
Rainier Renovations	\$428.03	\$385.23	\$0.00	\$42.80
Rolling Hills Renovations	\$428.03	\$385.23	\$0.00	\$42.80
Patricia Renovations	\$796.96	\$717.26	\$0.00	\$79.70
Scandia Renovations	\$428.03	\$385.23	\$0.00	\$42.80
TOTAL FUNDED BY AMWWP GRANT:	\$22,599,943.79	\$17,747,161.08	\$4,042,951.32	\$809,831.40
100% MSI GRANT COSTS TO DEC. 31/09				
PROJECT COMPONENT				
Business Plan	\$1,575.00			\$1,575.00
Lake Newell Misc.	\$80,576.90			\$80,576.90
Rural Piping Component - Rural H2O Users	\$11,370.50			\$11,370.50
Upgrades To Treated Water Res. (100% County)	\$572,042.28			\$572,042.28
100% FUNDED BY MSI CAPITAL GRANT:	\$665,564.68	\$0.00	\$0.00	\$665,564.68
TOTAL PROJECT COSTS/FUNDING:	\$23,265,508.47	\$17,747,161.08	\$4,042,951.32	\$1,475,396.08

April 6, 2010

Status of Funding Program

The original Grant was approved for the following:

- Phase 1: Construction of Water treatment Plant addition and treated water pipeline to the Village of Tilley
- Phase 2: Addition of treatment capacity for the City of Brooks and construction of treated water pipelines to the Village of Rosemary and the Hamlets of Rolling Hills and Patricia and to Lake Newell Resort
- Phase 3: Addition of treatment capacity for the City of Brooks and construction of treated water pipelines to the Hamlets of Rainier and Scandia
- Phase 4: Addition of Dissolved Air Flotation process equipment at regional plant and construction of treated water pipeline to Bassano.

The total of **Phase 1&2**, eligible for grant funding and approved was \$45,452,000.

Phases 3&4 were not approved.

Since beginning the first pipeline to Tilley and the work at the Water Treatment Plant the following changes and additions have occurred:

- ✓ Capacity increase from 32 MLD to 40 MLD- Bassano industrial demand and Duchess joining the project
- ✓ Incorporate backwash treatment pond into design
- ✓ Addition of perimeter fencing and vehicle access gate
- ✓ On-Line redundant PLC (Palls System)
- ✓ Added maintenance area to footprint of the WTP
- ✓ Addition of security features (swipe card door locks and monitoring cameras)
- ✓ Addition of 4 raw water pumps vs 1 raw water pump identified in the original study
- ✓ Addition of ammonia feed system
- ✓ Addition of second floor offices for NRSC
- ✓ Addition of metering chambers and PRV vaults
- ✓ Addition of pipeline for Scandia and Rainier (changed design route)
- ✓ Upsize additional capacity for pipeline through Brooks (additional 5 ¼ sections)
- ✓ Additional capacity for Duchess in the pipelines

The additions and incorporation of parts of Phase 3 have resulted in an increase to the program from \$45,452,000 to \$46,513,910. This also includes an estimate of all engineering costs and UROW costs for registration and land costs.

AT is aware of the increase due to additions to the program as well as the additional costs.

Summary of Corporate Information

Newell Regional Services Corporation was established on October 27, 2008, subject to a Minister of Municipal Affairs order. The order was received on January 12, 2009; thus legalizing the Municipal Controlled Corporation of Newell Regional Services.

With the establishment of the Corporation we could now move ahead into building the Corporation.

Finding an insurance provider to purchasing paper and pencils; from purchasing an accounting system to researching a benefits provider. These tasks were all required in order to become a functioning Corporation. Policies and procedures had to be developed, accounting systems put into place, procedures established and a plan for the work that was to be performed had to be identified. Those were just a few of the many tasks that had to be accomplished.

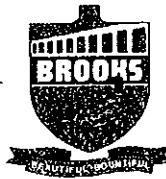
By December 31, 2009 everything was ready for Newell Regional Services Corporation to walk on its own. The City of Brooks has been instrumental in providing funds and services in order to bridge the gap and all Council, Administration and City staff deserves a round of applause for stepping up to the "water tap".

Without the City of Brooks support; NRSC would not be in the position it is today.

Newell Regional Services is meeting all lawful Corporate requirements of both the MGA and Business Incorporations Act. We have Board of Directors approved policies and procedures in place and are in the development stage of many more.

Next steps will be finalizing budgets and working towards establishing an effective water rate. In the next year we anticipate a 5 year strategic plan to be developed and approved by the Board of Directors, as a guideline for operating, maintaining and searching for a balanced and efficient budget.

CITY OF BROOKS
General Ledger Trial Balance



GL5030 (T)
 Date : Apr 05, 2010

Page : 1
 Time : 4:09 pm

Fiscal Year : 2009
 Account : 02-1-410110-??? To 02-2-410110-???
 od : 1 To 12

Account Code	CC1	CC2	CC3	Account Name	Balance	Budget Amt - FB
FUND	2					
CLASS	1			REVENUES		
CATEGORY	410110			NRSC - REGIONAL WATER		
02-1-410110-410				NRSC - SALE OF WATER - TILLEY	-8,664.50	0
02-1-410110-490				SUNDRY REVENUE	-246,502.86	-122,897
Category Total					-255,167.36	-122,897
REVENUES Total					-255,167.36	-122,897
CLASS	2			EXPENSES		
CATEGORY	410110			NRSC - REGIONAL WATER		
02-2-410110-111				SALARIES	272,767.50	213,000
02-2-410110-130				EMPLOYEE BENEFITS	55,184.31	51,930
02-2-410110-211				TRAVEL & SUBSISTENCE	12,054.15	16,800
02-2-410110-212				EDUCATION, MEM & SUBSCRIPTI	5,009.64	6,000
02-2-410110-216				POSTAGE COURIER	264.29	2,400
02-2-410110-217				TELEPHONE	3,994.61	9,000
02-2-410110-222				ADVERTISING & PRINTING	4,307.78	2,400
02-2-410110-252				EQUIPMENT MAINTENANCE	215.69	0
02-2-410110-253				CONTRACTED SERVICES	108,439.63	36,375
02-2-410110-262				RENTALS & LEASES	8,234.58	8,244
02-2-410110-274				INSURANCE	4,871.90	0
02-2-410110-278				WCB COSTS	4,794.00	0
02-2-410110-350				NRSC - PURCHASE OF WATER	0.00	0
02-2-410110-511				SUPPLIES	18,786.05	9,000
02-2-410110-512				MISCELLANEOUS SUPPLIES	2,087.81	0
02-2-410110-521				FUEL & OIL	5,960.38	0
02-2-410110-541				UTILITIES-WATER/GAS/POWER	0.00	4,200
Category Total					506,972.32	359,349
EXPENSES Total					506,972.32	359,349
WATER OPERATING FUND Total					251,804.96	236,452
REPORT TOTAL					251,804.96	236,452

NEWELL REGIONAL SERVICES CORPORATION

2009 RECAP

REVENUES:	2009	2008 Costs	2009 Costs	Total- note 1	Budgeted-note 2
City of Brooks Portion of Costs	\$251,804.96	\$ 57,934.39	\$251,804.96	\$309,739.35	\$ 292,810.00
Town of Bassano Portion of Costs	\$61,229.17	\$ 14,087.38	\$61,229.17	\$75,316.55	\$ 71,200.00
County of Newell Portion of Costs	\$42,095.05	\$ 9,685.08	\$42,095.05	\$51,780.13	\$ 48,950.00
Village of Duchess Portion of Costs	\$16,838.02	\$ 3,874.03	\$16,838.02	\$20,712.05	\$ 19,580.00
Village of Rosemary Portion of Costs	\$5,357.55	\$ 1,232.65	\$5,357.55	\$6,590.20	\$ 6,230.00
Village of Tilley Portion of Costs	<u>\$5,357.55</u>	<u>\$ 1,232.65</u>	<u>\$5,357.55</u>	<u>\$6,590.20</u>	<u>\$ 6,230.00</u>
Total Cost Sharing Revenues		\$382,682.30	\$382,682.30	\$470,728.48	\$ 445,000.00
County of Newell Service Revenue		\$115,625.52			
Village of Tilley Water Sales		\$8,664.50			
REVENUE GRAND TOTAL		\$506,972.32			

EXPENSES:

EXPENSES GRAND TOTAL **\$506,972.32**

Note 1- Amount to be billed to shareholders based on Feb 12, 2009 formula. Formula is calculated from average day water consumption
 Note 2- Estimated amount based on original start up costs budget approved in 2008