



DRUMHELLER

COUNCIL POLICY



COUNCIL POLICY C-05-03⁰³⁻⁰⁵

Utility Cost of Capital Policy

Purpose:

To establish a mechanism for setting the annual cost of equity when determining the annual revenue requirements for the Town's water utility customers.

Policy:

When determining the annual revenue requirement from water customers the Town shall include a provision for the cost of capital. Cost of capital will include the cost of outstanding debt, the cost of no cost capital and the cost of equity (hereinafter called the "established rate of return on equity") used in the water utility system.

The established rate of return on equity shall be equal to the Return on Equity rate established by the Alberta Energy and Utilities Board (AEUB) in accordance with AEUB decision #2004-052 issued on July 2, 2004.

The established rate of return on equity shall be applied to all water customers outside of the Town's corporate boundaries. Council shall have the discretion to set a lower rate of return on equity but shall not approve a rate above the established rate of return.

Town Council shall have the discretion in applying this rate of return to water customers within the Town's corporate boundaries.

The rate for 2005 shall be 9.50% as per AEUB Utilities Order U2004-423.

Responsibilities:

The Director of Corporate Services is responsible for ensuring this policy is applied uniformly and is responsible for recommending any revisions to this policy.

References:

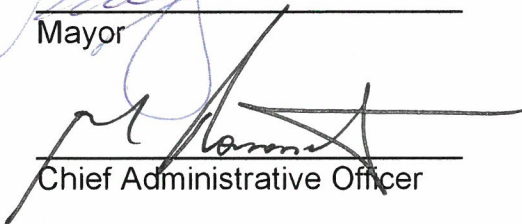
1. Alberta Energy and Utilities Board "Generic Cost of Capital" Decision, Decision 2004-052, July 2, 2004, Calgary, Alberta, Canada.
2. Alberta Energy and Utilities Board "Board Initiated Proceeding 2005 Return on Equity", Other Utilities Order U2004-423, November 30, 2004, Calgary, Alberta, Canada.

Adopted by Council

Date: October 3, 2005



Mayor



Chief Administrative Officer