

...from your Chairman

NORTH PARKLAND POWER REA BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2018

The last year has seen the steady growth in membership with nineteen new services built, while in years past we have seen more new services, this number reflects a bit slower economy in our service area. We feel the changes made to new service incentive's have helped bring these new members to the REA. Growth in membership is always important as it helps reduce operating costs for all members.

With less new construction our staff have spent more time working on maintaining the system making sure it is as efficient as possible. With lots of rainfall in our area over the last season brushing will need to be a priority again for the coming year that will include contracted services as well as some trimming by our own staff.

Cost control is always top of mind when making decisions about the REA's operations and this year's budget reflects that by such things as extending equipment life and keeping a close eye on inventory as well as liquidating assets that are not being fully utilized.

As always, the electricity market has been a challenge again over the last year. In last years report we talked about the 6.8 cent price cap and how that would affect power purchases for the RRO as well as the REA's contract rate. In 2018 we will see increases due to the province's carbon levy as well as increases in transmission charges. While these are flow thru charges on your bill we will work to keep the costs that we can control as reasonable as possible. Over the last several months the REA have reduced the power hedges held to reduce the risk exposure and uncertainty of the upcoming electricity market. These uncertainties, market fluctuations and regulatory changes have prompted us to change the way we procure electricity for the RRO; our formula is aligned with the government approved Act, Regulations and processes. These changes will keep prices closer to the current market with pricing 120 days ahead. The hedge price is showing an increase as early as April with prices rising over the summer as a result of the change of the base load due to plant retirements and conversions; from coal to natural gas and an increase in wind coming to the market. The introduction of the capacity market will also likely have some effect on prices over the next few years.

With a lot of gloom in the energy market, the Board sees an even bigger benefit of being a member owned co-op as we can offer better value and timely service to our members. The REA is a member of the Alberta Federation of REA's; we benefit from their lobby efforts with the province. Some of the things being worked on currently is the municipal boundary challenge by Fortis and changes to the rural utilities act, these efforts should help secure our future.

As always, we appreciate the work the staff contribute to the efficient operation of our systems as well as their ongoing effort to work safely. The Board would also like to thank the membership for your support over the past year and in the future.



Charles Newell
Chairman