



**Gannett Fleming**

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August 18, 2008

Alberta Municipal Affairs  
Shelia Young  
Director – Regulated Assessment Policy  
15<sup>th</sup> Floor, Commerce Place  
10155 – 102 Street  
Edmonton, Alberta, T5L 4L4

Dear Ms. Young:

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2008 Cost Modifiers

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In accordance with our contract LGS01291 (Telecommunication Property) and LGS01290 (Railway Property), please find enclosed two copies of the 2008 cost modifiers for each contract.

If you have any questions with regard to these cost modifiers, please call me at (403) 257-5946.

Respectfully submitted,

GANNETT FLEMING, INC.

LARRY E. KENNEDY.  
Director, Canadian Services  
Valuation and Rate Division



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August 18, 2008

Alberta Municipal Affairs  
Sheila Young  
Director – Regulated Assessment Policy  
15<sup>th</sup> Floor, Commerce Place  
10155 – 102 Street  
Edmonton, Alberta, T5L 4L4

Dear Ms. Young:

Telecommunication System Cost Modifiers to June 30, 2008

In accordance with our contract to provide cost modifiers for the Provinces' telecommunication plant, Gannett Fleming has calculated the revised cost basis and developed the cost modifiers as indicated in this memo. This cost modifier has been calculated in accordance with the procedures as set out in the procedures document entitled "Procedures followed in the Development of the Annual Update – Telecommunications Property" provided to Alberta Municipal Affairs in June 2006.

I have developed Cost Modifiers to bring the assessment values to a June 30, 2008, cost base. The following modifier is based on a modifier for inside plant of 1.02637341 and outside plant of 1.01585313. The overall cost modifier is as follows:

- Telecommunication Plant - 1.01690516

The above cost modifier is based on an June 2007 to June 2008 inflation rate for labour (specific to telecommunication workers) of 6.50% and on increases in material costs of for inside plant of 1.56%. However, the cost increases associated with the outside plant have been largely contained due to the continued strong performance of the Canadian dollar over the July 1, 2007 through June 30, 2008, and in fact have experienced a cost decrease for most of the outside cable plant. These decreases have been offset against the cost increases for the non cable outside plant categories. The inside plant components have witnessed a number of large inflationary related cost increases, particularly in the Alberta marketplace, which has led to the larger cost modifier as identified above.

In order to appropriately recognize the increasing costs of transportation, the material quotes include a 5.00% increased provision for the transportation surcharges

that are being applied due to the high costs of fuel. All transportation quotes received by Gannett Fleming during the development of these modifiers included a fuel surcharge of 40%. Gannett Fleming estimates that this surcharge will add an additional 5.00% to the installed value of the material.

If you have any questions with regard to these cost modifiers, please call me at (403) 257-5946.

Respectfully submitted,

GANNETT FLEMING, INC.

A handwritten signature in black ink, appearing to read 'L. Kennedy', written over the company name.

LARRY E. KENNEDY.  
Director, Canadian Services  
Valuation and Rate Division



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Shelia Young  
Director – Regulated Assessment Policy  
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Edmonton, Alberta, T5L 4L4

Dear Ms. Young:

Railway System Cost Modifiers to June 30, 2008

In accordance with our contract to provide cost modifiers for the Provinces' railway plant, Gannett Fleming has calculated the revised cost basis and developed the cost modifiers as indicated in this memo. The cost modifiers have been developed in accordance with the procedures as set out in the procedures document entitled "Procedures followed in the Development of the annual update – Railway Property" provided to Municipal Affairs in June 2006.

I have developed Cost Modifiers to bring the assessment values to a June 30, 2008 cost base. The cost modifiers are as follows:

- Per Mile of Track - 1.11680
- Bridges Greater than 30 meters - 1.09713

The above cost modifiers are based on an June 2007 to June 2008 inflation rate for labour of 6.50% and on increases in material costs of 19.34%. The main component in the material cost is the cost of steel. The Canadian, North American and World Wide steel prices all have an influence in the railway costs and have all significantly increased throughout the year. Supply quotes received from vendors have indicated costs increases in rail of up to 43% over the prices as at June 30, 2007. Gannett Fleming received no information of price increases of less than 8.51% during the completion of this assignment. Gannett Fleming has factored a purchasing power adjustment of .75 to recognize the powering power of Alberta Rail companies

during this period of large cost increases. However, significant increases are apparent over the reporting period.

Given the ability of rail companies to transport the material required no increase was applied for transportation surcharges. In the view of Gannett Fleming the required material can be transported by the rail companies at significantly reduced costs. The strong performance of the Canadian dollar has mitigated some of the world wide cost increases. After consideration was given to all influences, an annual cost increase of 19.34% for material was applied. These increases have been applied to the adjusted cost base for all cost categories as at June 30, 2008.

If you have any questions with regard to these cost modifiers, please call me at (403) 257-5946.

Respectfully submitted,

GANNETT FLEMING, INC.

A handwritten signature in black ink, appearing to read 'L. Kennedy', written over a horizontal line.

LARRY E. KENNEDY.  
Director, Canadian Services  
Valuation and Rate Division