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September 18, 2009

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

Dear Ms. Young:

Telecommunication System Cost Modifiers to June 30, 2009

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, 2009, cost base. The following modifier is based on a modifier for inside plant of 1.07831818 and outside plant of 1.0275672.. The overall cost modifier is as follows:

- Telecommunication Plant - 1.02831287

The above cost modifier is based on an June 2008 to June 2009 inflation rate for labour (specific to telecommunication workers) of 3.1% and on increases in material costs of for inside plant of 10.0%. 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, 2008 through June 30, 2009, and base prices in U.S dollars have been stable. The inside plant components have continued to witness a number of large inflationary related cost increases, which has led to the larger cost modifier as identified above. Gannett Fleming has verified this larger than expected cost increase for inside plant through the use of a weighting procedure wherein vendor pricing is weighted by 0.25 and the Statistics Canada information weighted by 0.75.

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 in a cursive style.

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