

July 31, 2007

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

Dear Mr. Collins:

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Railway System Cost Modifiers to June 30, 2007

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In accordance with our contract to provide cost modifiers for the Provinces' railway plant, the contractor has calculated the revised cost basis and developed the cost modifiers as indicated in this memo.

I have developed Cost Modifiers to bring the assessment values to a June 30, 2007 cost base. The cost modifier is as follows:

- Per Mile of Track - 1.0270
- Bridges Greater than 30 meters - 1.0270

The above cost modifiers are based on an June 2006 to June 2007 inflation rate for labour of 4.0% and on increases in material costs of 2.4%. 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 fluctuated through the year. Furthermore, 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 2.4% for material was considered reasonable. These increases have been applied to the adjusted cost base for all cost categories as at June 30, 2007.

Respectfully submitted,

