

December 16, 2013

Resolution Number 2013-1157

Mr. Denis Kelly
Regional Clerk
Region of York
17250 Yonge Street, 4th Floor
Newmarket, ON L3Y 6Z1



Dear Mr. Kelly:

Subject: York-Peel Water Supply Agreement Update

I am writing to advise that Regional Council approved the following resolution at its meeting held on Thursday, December 12, 2013:

Resolution 2013-1157:

Moved by Councillor Carlson,
Seconded by Councillor Fennell;

That the Region of Peel reduce the volume of water provided to the Region of York from an annual maximum water flow of 388.32 MLD to an annual maximum water flow of 331.0 MLD;

And further, that the Region of Peel partially reimburse the Region of York, by way of credit on future capital contributions as outlined in the report of the Commissioner of Public Works, dated November 26, 2013, titled "York-Peel Water Supply Agreement Update", for its contributions to the existing Peel system;

And further, that the duly authorized signing officers of the Regional Corporation execute an amended Water Supply Agreement and Minutes of Settlement with the Region of York to provide for the matters described in the subject report and such related matters as may be desirable to implement the negotiated settlement which it describes;

And further, that a copy of the subject report be forwarded to the Clerk of the Region of York, for information.

A copy of the subject report is provided for your information.

Sincerely,



~~Stephanie~~ Stephanie Jurrius
Legislative Specialist

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Enclosure

c: Mark Schiller, Executive Director, Water & Wastewater Division, Region of Peel
Andrew Farr, Acting Director, Water Division, Region of Peel

DATE: November 26, 2013

REPORT TITLE: YORK-PEEL WATER SUPPLY AGREEMENT UPDATE

FROM: Dan Labrecque, Commissioner of Public Works

RECOMMENDATION

That the Region of Peel reduce the volume of water provided to the Region of York from an annual maximum water flow of 388.32 MLD to an annual maximum water flow of 331.0 MLD;

And further, that the Region of Peel partially reimburse the Region of York, by way of credit on future capital contributions as outlined in this report, for its contributions to the existing Peel system;

And further, that the duly authorized signing officers of the Regional Corporation execute an amended Water Supply Agreement and Minutes of Settlement with the Region of York to provide for the matters described in the report of the Commissioner of Public Works, dated November 26, 2013, titled "York-Peel Water Supply Agreement Update" and such related matters as may be desirable to implement the negotiated settlement which it describes;

And further, that a copy of the subject report be forwarded to the Clerk of the Region of York, for information.

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| <p>REPORT HIGHLIGHTS</p> <ul style="list-style-type: none">• In 2001 Peel entered into a Long Term Water Supply Agreement with York Region.• The subject Agreement stipulates a maximum day flow of 388.32 MLD (Million Litres per Day) in 2031.• The subject Agreement involves the construction of cost-shared infrastructure which provide mutual benefit to each municipality.• Capital costs are shared based on the capacity of each section of infrastructure and the portion used by each party.• As part of negotiations for the cost-share on the Hanlan Feedermain the terms of settlement involve a reduction in York's overall maximum day flow by 14.76%, beginning in 2014, from 388 MLD to 331 MLD in 2031.• This results in credits to York of \$85 million and the assumption by Peel of approximately \$40M in additional Capital commitments by Peel.• Benefits to Peel include additional capacity in the East Trunk System to accommodate amendments to the Region's Official Plan in 2014 without triggering significant infrastructure projects prior to 2031. |
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YORK-PEEL WATER SUPPLY AGREEMENT UPDATE**DISCUSSION****1. Background**

In 2001, the Region of Peel ("Peel") entered into a Long Term Water Supply Agreement ("Agreement") with the Region of York ("York") to supply potable water. The Agreement stipulates a maximum day water demand in each year with staged increases up to a daily maximum of 388.32 MLD to be supplied to York in 2031.

Under this Agreement, significant infrastructure has been constructed and utilized in the East Trunk Water System to the mutual benefit of both Regions. Components of infrastructure which pre-existed the Agreement have also been used to meet water servicing requirements.

New infrastructure used jointly by Peel and York has been funded through agreed cost-sharing based on allocating the flow capacity available to each Region on a project by project basis. York compensated Peel for the use of existing infrastructure through a "buy-in" provision at the outset of the agreement.

As reported to Council in May 2013, staff have been negotiating with York on the cost-share split for the Hanlan Feedermain. These negotiations are now complete and it has been determined that there are mutual benefits to reviewing the overall maximum day demand for York as part of the cost-share calculation. The final resolution of the cost-share negotiation is presented in this report for Council's consideration and includes both the proposed cost-share settlement and a recommendation to decrease the maximum day volume Peel will supply York going forward.

2. Results of Hanlan Feedermain Cost-Sharing Negotiations

The recommended terms of the revised cost-share for the Hanlan Feedermain project result in a reduction in the York water supply requirements of 14.76% starting in 2014 and continuing to 2031. The overall 2031 reduction is from 388.32 MLD to 331 MLD, or 57.32 MLD.

The reduction in flow requirement impacts the majority of the infrastructure which forms part of this Agreement. As such, a credit for the investment made by York to this jointly used infrastructure is warranted. In return for the financial credit, Peel will gain 57 MLD of capacity in the East Trunk Water System for use in supporting Peel's long term growth needs.

Staff have reviewed the impact which a reduction in York flow will have on system planning in the long term. The Water and Wastewater Master Servicing Plan update is nearly complete and will be filed with the Ministry of the Environment (MOE) early in 2014. The plan shows, based on current 2013 population projections, that key infrastructure such as the Lakeview Water Treatment Plant are sufficient to meet projected 2031 demands once current expansions are completed.

However, an increase in population projections for 2031 from 1.64 million (2013 Master Plan) to 1.77 million, is expected to be proposed in the next amendment to the Region's Official Plan in 2014. This increase would trigger an expansion to the Lakeview Water Treatment Plant as early as 2026. The addition of 57 MLD of capacity to the East System provides the buffer required to keep this expansion, with an estimated capital cost of \$500 Million, outside the 2031 planning period.

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Peel will see other long term benefits of not having to advance the expansion of key infrastructure (based on proposed 2014 Official Plan):

- The Hanlan and Beckett Sproule Pump Stations and Reservoirs will not require expansions until at least 2041.
- The additional 57 MLD allows for servicing of a population of approximately 2.4 million by the Hanlan Feedermain, which approaches the ultimate Region of Peel buildout condition.
- The Beckett Sproule and Airport Road Feedermain would have capacity to service approximately 2.6 million, which is beyond the currently contemplated Region buildout.

FINANCIAL IMPLICATIONS

The recommended reduction in water supply results in cost adjustments to the financial contribution of both Regions to the shared infrastructure required as part of the Agreement. The impacts of the recommendations are as follows:

- An \$81 million credit to York for capital investments made in cost shared projects under Schedule B;
- A \$4 million credit to York for the "buy-in" of existing infrastructure;
- Additional cost share for Peel for future projects, including the Hanlan Feedermain, of \$40 million; and
- Adjustments to Schedule C, Annual Maximum Day Volume Demands, to reflect the 14.76% decrease. See Appendix I for an updated Schedule C.

In general, the credits and additional costs are established by the following means:

- The Annual Maximum Day Supply Volume provided by Peel will be reduced by 14.76% for the years 2014 to 2031, with a maximum of 331 MLD in 2031.
- A credit to York for payments made to date will be calculated based on the above noted reduction in supply volumes. No credit will be applicable to payments made on York Only components and credits will be applied to York's current and future obligations.
- Future payments by York will be calculated based on the reduced volumes.
- York will make no contribution to the new South Hanlan Feedermain including the constructed section from the Lakeview Water Treatment Plant to Lakeshore Road East.
- York's share of costs of the new North Hanlan Feedermain will be based on the revised 2031 volume entitlement (331 MLD) as a proportion of the North Hanlan Feedermain capacity. York Region will be funding 47.7% of the North Hanlan Feedermain.
- The Capital Repair and Replacement Reserve Account as part of York's contribution to the York Wholesale Rate will be adjusted to reflect the reduced supply volume of 331 MLD.
- Should service interruptions occur in the new South Hanlan Feedermain, Peel's Water requirements will be met before providing water to York.

The Region of Peel's \$125 million investment is not currently eligible for inclusion in its Development Charges By-law. This is because the 57 MLD capacity which the Region of Peel obtains would primarily service growth currently planned to occur after 2031. This will soon change however. It is anticipated that increased population to 2031 will be projected in a 2014 amendment to the Regional Official Plan in order to conform to Amendment 2 to the Province's Places to Grow Plan. The 57 MLD will then primarily be required to service growth planned to occur before 2031 and will be eligible for inclusion in the Region of Peel's Development Charges By-law. The additional capacity gained by Peel as a result of the investment will also

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eliminate the need for an anticipated \$500 million in water system projects to be brought forward from 2031 to 2026, financially offsetting the upfront borrowing cost resulting from credits to York while providing a more efficient delivery of the capital program.



Dan Labrecque
Commissioner of Public Works


Approved for Submission:



D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Andrew Farr at extension 4761 or via email at andrew.farr@peelregion.ca

Authored By: Andrew Farr

- c. Legislative Services
- N. Trim, Chief Financial Officer and Commissioner of Corporate Services
-  P. O'Connor, Regional Solicitor

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YORK-PEEL WATER SUPPLY AGREEMENT UPDATE

APPENDIX I

Proposed Revision to Schedule C

(Reduction of 14.76% beginning in 2014 and ending with 331.00 ML/D in 2031)

York Water Flow, Projected Requirements

Annual Max Day Values (ML/Day)

Year	Original Agreement	As per Mediation
2004	5.287	No change - same as original
2005	19.432	
2006	33.577	
2007	50.926	
2008	69.632	
2009	89.697	
2010	111.119	
2011	133.899	
2012	149.220	
2013	164.540	
2014	179.861	153.31
2015	195.182	166.37
2016	210.502	179.43
2017	222.795	189.91
2018	235.087	200.39
2019	247.379	210.87
2020	259.672	221.34
2021	271.964	231.82
2022	282.494	240.80
2023	293.024	249.77
2024	303.555	258.75
2025	314.085	267.73
2026	324.615	276.70
2027	337.356	287.56
2028	350.097	298.42
2029	362.838	309.28
2030	375.579	320.14
2031	388.320	331.00