
HALDIMAND COUNTY

Report WWE-01-2022 Norfolk County Water Supply Agreement For Consideration by Council in Committee on June 21, 2022



OBJECTIVE:

To obtain Council approval to proceed with finalizing a Water Supply Agreement with Norfolk County.

RECOMMENDATIONS:

1. THAT Report WWE-01-2022 Norfolk County Water Supply Agreement be received;
2. AND THAT Council approve the financial principles for the Water Supply Agreement with Norfolk Council relating to the supply of potable water from Haldimand County;
3. AND THAT such principles form the basis for any subsequent water supply agreements between Haldimand and other communities;
4. AND THAT the Mayor and Clerk be authorized to execute the finalized Water Supply Agreement with Norfolk County relating to the supply of potable water from Haldimand County.

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Respectfully submitted: Tyson Haedrich, M. Eng., P. Eng., General Manager of Engineering & Capital Works

Approved: Craig Manley, MCIP, RPP, Chief Administrative Officer

EXECUTIVE SUMMARY:

Since 2019, Haldimand County has been working in partnership with Norfolk County with the goal of establishing a regional water supply serviced from the Nanticoke Water Treatment Plant. Based on the technical feasibility and water rate studies it has been determined that a Haldimand water supply to Norfolk County will result in economies of scale as well as a more diversified customer base for Haldimand County contributing to a stabilized water rate for all users. The Haldimand water supply will also provide a cost effective and timely solution for Norfolk County's drinking water supply issues.

The project has now progressed to a point where the Water Supply Agreement with Norfolk County is in a final draft form. The Water Supply Agreement and supplemental rate calculation addresses the cost of new infrastructure construction, operating costs, phasing, governance and water supply volumes.

Through this report staff are recommending that the Norfolk County Water Supply Agreement be finalized and executed in accordance to the financial principles discussed in this report.

BACKGROUND:

At the December 8, 2020 Council in Committee meeting through Report ECW-10-2020 Norfolk County/Six Nations Water Supply Project Update (see Reference 1) Haldimand staff were given direction through the following resolutions:

2. AND THAT Council agree to supply water to Norfolk County and Six Nations subject to the successful negotiation of the draft water supply agreements;
3. AND THAT Council direct staff to negotiate a draft Water Supply Agreement with Norfolk County relating to the supply of potable water from Haldimand County;
6. AND THAT staff report back to Council with the draft Water Supply Agreements.

Based on this direction staff have worked with Norfolk County and have agreed on a final draft Water Services Agreement (see Attachment 1).

ANALYSIS:

Haldimand County's Nanticoke Water Treatment Plant (WTP) has a Permit To Take Water (PTTW) and supporting infrastructure capable of meeting the long term water servicing needs of both Norfolk County and potentially other communities including Six Nations. The Nanticoke WTP water supply can provide a cost effective and timely solution to both communities' drinking water supply issues.

An increase in the production and distribution of drinking water from the Nanticoke WTP will result in economies of scale as well as a more diversified customer base for Haldimand County, both of which are positive factors that contribute to a stabilized water rate for all users.

The goal of this initiative is to fulfill the long term drinking water supply needs for the communities of Norfolk County by establishing and constructing the necessary agreements, finances, approvals and infrastructure to connect to the Nanticoke drinking water system.

Based on discussions with Norfolk County their current water servicing strategy consists of three phases as follows:

- Phase 1 (2026) – construction of transmission system with two connection points, the first from Simcoe to Townsend and the second from Port Dover to Nanticoke. Additional water treatment capacity of 10,000 m³ at the Nanticoke water treatment plant (WTP).
- Phase 2 (2031) – Additional water treatment capacity of 15,000 m³ at the Nanticoke water treatment plant (WTP). Total Norfolk water supply capacity of 25,000 m³.
- Phase 3 (2041) – Additional water treatment capacity of 15,000 m³ at the Nanticoke water treatment plant (WTP). Total Norfolk water supply capacity of 40,000 m³.

A Haldimand County water supply to Norfolk County will have the following benefits to Haldimand County:

1. Long term positive impacts on Haldimand County's water rates. It is anticipated that Haldimand County's water rates will stabilize and/or decrease over the long term due to economies of scale of a larger user base and that the diversified user base will reduce Haldimand's dependence on large industrial users and will protect the County during recessionary economic cycles.
2. The County's current Permit to Take Water (PTTW) renewal application is currently in review with the Ministry of the Environment, Conservation and Parks (MECP) and there are conditions to the renewal that the County must be showing progress in the future usage of the excess capacity currently allocated in the PTTW. The County believes the work currently being undertaken on the regional water supply will satisfy these conditions.
3. Water supply projects such as the one to Norfolk County, may provide the County the long term ability to remove its dependence on the Hamilton water supply. A future scenario could see Haldimand County entirely self-sufficient on water from a Lake Erie supply thus avoiding potential issues related to the current inter-basin transfer between Lake Ontario and Lake Erie.

It should be noted that a Six Nations water supply is still actively being discussed but is not part of this initiative or agreement.

FINANCIAL/LEGAL IMPLICATIONS:

The financial component of the draft Water Services Agreement (see Attachment 1) was developed using the following principles that will ensure neither county will be subsidizing water costs for the other and that were derived from the Hamilton/Haldimand Water Supply Agreement:

1. Operating Cost Recovery

A proportionate share of the operating costs specific to the treatment and delivery of water is to be allocated to Norfolk. To calculate the operating rate each year, the total operating cost anticipated is divided by the total annual flow anticipated. The resulting rate is a charge per cubic metre of water volume utilized. At year-end, the actuals for operating costs and flows will be reviewed and the calculation adjusted and reconciled.

2. Lifecycle Cost Recovery

For the financial management of assets, lifecycle costing is used to identify the annual contribution required to replace an asset at the end of its useful life. Haldimand currently utilizes this approach for calculating water and wastewater rates for its users.

The cost for replacement of the assets is fixed (subject to inflationary factors) regardless of the volumes utilized. As a result, rather than estimating a rate per cubic metre, the lifecycle costs have been identified as an annual charge. This charge would be paid to Haldimand every year, irrespective of the volume of water utilized by Norfolk.

3. Up Front Capital Costs

The capital costs associated with the treatment and delivery of water “the servicing” to Norfolk will be completely funded by Norfolk. This includes the necessary expansions to the Nanticoke Water Treatment Plant, as well as the transmission main extensions to bring the water to Norfolk’s boundary. As a result, there would be no rate/fee charged to Norfolk for these works.

4. Administrative Cost Recovery

It is recognized that Haldimand will have additional administrative costs associated with administering the water supply agreement as well as the Water Operations agreement currently in place with the Ontario Clean Water Agency (OCWA). As a result, the calculated operating rate per cubic metre and annual lifecycle charges will have a 2.84% administrative charge applied to them for cost recovery purposes. This administrative charge is based on the rate established with the County’s service agreements with industry.

With these financial principles agreed to, both counties can proceed collaboratively in the detailed review of costs and values used to formulate an equation that will determine a Norfolk water rate going forward. Ongoing review of actual costs and regular review of the calculations will ensure that the established rate is transparent and that costs are appropriately allocated to Norfolk.

Norfolk requires the Nanticoke water solution in 2026. These principles will ensure that the rate calculations will be consistently applied and are reflective of operational and capital construction costs applicable at the time the water is required and indexed for inflation going forward.

Since Norfolk will be responsible for the up front capital costs, it was agreed that Norfolk should be considered a stakeholder in the design and be permitted to participate in the design process.

STAKEHOLDER IMPACTS:

Not applicable.

REPORT IMPACTS:

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

REFERENCES:

1. [Report ECW-10-2020 Norfolk County/Six Nations Water Supply Project Update](#)

ATTACHMENTS:

1. Draft Norfolk County Water Supply Agreement