

Background and Previous Council Direction

Background

Regional water servicing and regional customers

Calgarians value healthy rivers and clean drinking water. The City of Calgary (The City) is committed to supporting a healthy, resilient watershed that provides reliable, clean water for current and future generations. Watersheds are interconnected and water is an essential resource that is shared between multiple and diverse users in the Calgary Metropolitan Region. Providing reliable, safe, and affordable treatment and delivery of drinking water to surrounding municipalities contributes to public health and long-term sustainability in the Calgary Metropolitan Region.

The City has been providing water services outside its corporate boundaries since 1961. The City operates a regulated bulk water service to some customers outside The City's municipal boundaries delivered through bi-lateral Master Servicing Agreements (MSAs) and per City Council policies. City Council holds authority for approving new servicing agreements and for setting regional customer rates.

The City's *Policy on Regional Water, Wastewater and Stormwater Servicing* (CP2018-01) is meant to manage cumulative effects on the watershed, protect The City's water licences and provide direction on new and expanded regional servicing applications. CP2018-01 indicates that Council will only consider potable water servicing on a case-by-case basis to new customers outside The City's boundaries that either: have their own water license capacity; or could be accommodated under The City's licence and are aligned with The City's future growth plans. Any extension of regional water servicing must be done in a fiscally responsible manner, be based on regional planning and sustainable growth principles, and maintain service reliability, high quality treatment, effective service disruption response, and affordability for existing and future customers.

Regional Water Master Servicing Agreements and Rate Setting

The City has a MSA with each regional customer to establish the legal obligations associated with the provision of regional water and wastewater servicing by The City. The MSAs are designed to be updated with each business cycle to update the annual contracted volumes to be provided by The City to each customer for the upcoming four years. These contracted volumes are a critical input into the Utility's Cost of Service Study that attributes utility costs to each customer class to inform customer rates, including the regional customer rate class. Rates charged by The City to regional customers are designed to recover 100% of the cost of providing the regional service. Rates must align with The City of Calgary's Guiding Principles for Utility Rates: financial sustainability; fairness and equity to customers; and water resource management.

Following Council approval of the COSS, Administration is required to obtain Council approval for the use of specific amounts of The City's water licences to provide potable water services to regional customers for the upcoming four year business cycle. Once approved, the Master Servicing Agreements with each regional customer are amended to document the contracted flow rates agreed upon and approved by Council for the upcoming business cycle.

Water Security and Water Licence Pressures

The allocation of 11,300 million litres of water for 2023-2026 within The City of Calgary's Annual Water Licence capacity to provide water services to existing customers represents a low risk to The City's current licence portfolio. However, water security and water licence pressures are important

considerations in the broader management of water supply and demand and will continue to be carefully managed for future infrastructure and growth.

Water security is having enough safe water for human well-being, ecosystem resilience, and economic opportunities now and in the future. The *One Calgary One Water Framework* (USC2019-1539) states that careful management of Calgary's water supply and demand is necessary to ensure there is a secure water supply for The City's customers now and in the future. The City will achieve water security by protecting its source water, reducing demand through water conservation, and investing in operational efficiencies in the water treatment and distribution system.

The City's water supply is changing. Flows in the Bow River seen in the past, on which current water licence/diversion allocations are based, will be different in the future due to climate change. Changes to the timing of river flows and increasing drought conditions are expected as temperatures increase and shifts in seasonal weather patterns occur. The risk of drought in summer or early fall when daily demand tends to peak is likely to increase. Population and economic growth in the region increase water demand and can decrease water quality. This creates uncertainties for all water licence holders in the region.

The Bow River Basin has been closed to new water licence applications since 2006. While The City holds relatively large and senior licences compared with smaller municipalities on the Bow and Elbow Rivers, municipalities in the Bow River Basin hold only about 20 per cent of the total water allocations. Most of The City's water allocation is held in relatively junior licences compared with non-municipal holders. This priority is important during water shortages when The City's access to water through its licences may be constrained.

The City's water licences have annual and instantaneous withdrawal limits. One risk to The City's future water security is the maximum instantaneous water withdrawal limit on its licences, particularly during times of peak water demand. Another risk is that the Province has wanted The City's historical water licences updated to delineate specific geographical boundaries. Initiating such an update could open the water licences to other requested changes from the Province beyond specifying geographical boundaries. The process to amend a water licence is public and resource intensive for The City but will be necessary in specific instances to improve operational efficiencies and support future water infrastructure required for growth.

Previous Council Direction

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
2001 November 22	N/A	Water and sanitary services agreement between City of Calgary, Nexen and Calpine signed for the Nexen Gas Plant.
2009 May 18	C2009-35	Council endorsed the proposed regional water and wastewater servicing approach.
2010 June 21	C2010-37	Council directed Administration to pursue bilateral servicing agreements with Chestermere, Okotoks and Strathmore.
2011 June 20	C2011-57	Council directed Administration to pursue an updated Master Servicing Agreement with the Tsuut'ina First Nation for water and wastewater servicing and return to Council with the terms of a proposed agreement prior to the expiry of the current servicing agreement.

2012 June 25	C2012-0299	<p>Council directed Administration to:</p> <ul style="list-style-type: none"> • Approve the term sheet for a Master Servicing Agreement for regional servicing as the basis to commence negotiations of individual Master Servicing Agreements with existing regional customers including Airdrie, Chestermere, Strathmore, Cochrane and the Tsuut'ina First Nation. • Maintain an interim agreement with the Tsuut'ina First Nation which extends current terms and conditions of City water and wastewater services to Buffalo Run. • Report to SPC on Utilities and Corporate Services no later than Q4 2012 with a policy on water licence allocations, prior to finalizing Master Servicing Agreements with existing regional customers.
2013 February 4	C2013-0126	<p>Council directed Administration to:</p> <ul style="list-style-type: none"> • Continue to provide water and wastewater services to Airdrie, Chestermere, Strathmore and Cochrane under interim servicing agreements pending implementation of Master Servicing Agreements in 2015. • Develop a Water Resource Plan for Council approval prior to 2015, which addresses a long term sustainable approach to sharing Calgary's water licences with the region in alignment with the Calgary Metropolitan Plan, that would inform finalization of Master Servicing Agreements for Council approval prior to 2015. • Negotiate Master Servicing Agreement term sheets for Airdrie, Chestermere, Strathmore and Cochrane for Council approval prior to 2015, based on Cost of Service and a Council approved Water Resource Plan.
2013 June 24	C2013-0536	<p>Council directed Administration to extend the interim agreements with Airdrie, Cochrane, Chestermere and Strathmore to 2014 December 31.</p>
2013 December 16	C2013-0850	<p>Council directed Administration to provide an update to Council on regional customer water usage under contract and overall security of water supply prior to each business cycle and commencing in 2014 for the 2015-2018 business cycle.</p>
2014 February 24	C2014-0160	<p>Council approved an amendment of the proposed term of the Master Servicing Agreement with the Tsuut'ina Nation from 20 years to 25 years, and authorized Administration to execute it based on the revised term sheet.</p>

2014 May 26	C2014-0353	<p>Council directed Administration to:</p> <ul style="list-style-type: none"> • Reserve, for 2015 – 2018, 10,410 ML of water from Calgary’s Water Licence capacity to provide water services to Airdrie, Strathmore and Chestermere in accordance with their Master Servicing Agreements. • Negotiate and execute MSAs with Airdrie, Strathmore; Chestermere and Cochrane based on the term sheets. • Report to Council prior to each business cycle for approval of regional customer water allocation under contract and overall security of water supply.
2014 July 21	C2014-0564	Council amended the 2015-2018 annual water allocation for Airdrie, Strathmore and Chestermere to 11,000 ML.
2014 October 27	C2014-0790	Council directed Administration to reserve, in principle, up to 27,200 ML of water from the City of Calgary’s Water Licence capacity to provide water services to Airdrie, Strathmore and Chestermere for 20 years in accordance with their new Master Servicing Agreements from 2015 to 2035, subject to confirmation and Council approval every four year business cycle.
2017 June 26	IGA2017-0463	Council directed Administration to, once it is confirmed that the City of Calgary’s existing wastewater system has capacity, enter into an updated Master Servicing Agreement with the MD of Foothills for the provision of water and wastewater servicing to Spruce Meadows based on the approved term sheet.
2018 February 26	IGA2018-0089	Council adopted a new Policy on Regional Water, Wastewater and Stormwater Servicing (CP2018-01) and directed Administration to return to Council, through the SPC on Utilities and Corporate Services, in Q2 2018 on the 2019-2022 Regional Water Allocations.
2018 February 28	N/A	Signed a new Master Servicing Agreement with Nexen Energy ULC, who later legally changed their name to CNOOC Petroleum North America ULC on January 2, 2019. The original agreement to supply water to this plant was between The City and Petrogas and dated September 11, 1961.
2018 October 10	UCS2018-1050	Council approved the allocation, for 2019-2022, of 11,400 ML of water within The City of Calgary annual water licence capacity to provide water services to existing regional customers in accordance with their Master Servicing Agreements. Council also approved, in principle, proposed regional water licence allocations from 2019-2034, specifically 16,500 ML in 2023-2026, 18,800 ML in 2027-2030, and 21,200 ML in 2031-2034.
2021 November 1	N/A	Rockyview County consents to The City to continue to provide water and wastewater servicing to Balzac Power Plant service area through a Master Service Agreement between the City and CNOOC Balzac Power Station. The original water and sanitary

		agreement between The City, Nexen and Calpine dated November 22, 2001.
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Council Policies

Regional water servicing aligns with or supports several Council Policies, including the following:

Triple Bottom Line Policy (LUP003, EM003, CS003)

Regional water servicing is consistent with the following themes of The City's *Triple Bottom Life Policy Framework*:

- provides affordable and cost-effective infrastructure
- supports sports/leisure activities (e.g., Spruce Meadows)
- supports efficient land use
- conserves and protects The City's water resources
- promotes collaboration with neighbouring municipalities to ensure effective delivery of services and shared responsibility for future sustainability
- supports the long-term viability of The City and the region by collaborating with its regional partners on servicing and watershed issues

Source Water Protection Policy (CP2020-04)

Regional water servicing aligns with The City's Source Water Protection Policy (CP2020-04), which states that The City is committed to delivering safe, clean, high quality drinking water to our city and regional customers.

The City of Calgary's Environmental Policy (UEP001)

Regional water servicing is consistent with The City's *Environmental Policy* (UEP001) by promoting water conservation, minimizing water and land consumption, and partnering with other governments to enhance environmental sustainability.

Policy on Regional Water, Wastewater and Stormwater Servicing (CP2018-01)

Regional water servicing aligns with The City's *Policy on Regional Water, Wastewater and Stormwater Servicing* (CP2018-01) which states that regional servicing supports fiscally responsible regional planning that balances economic and social development with environmental protection.