

Regional Water Allocation Report

RECOMMENDATION:

That the Intergovernmental Affairs Committee recommend that Council direct Administration to:

Allocate 11,300 million litres of water for the 2023-2026 business cycle within The City of Calgary's Annual Water Licence capacity to provide water services to existing customers outside The City in accordance with their Master Servicing Agreements.

HIGHLIGHTS

- In alignment with The City's *Policy on Regional Water, Wastewater and Stormwater Servicing* (CP2018-01) which indicates that The City of Calgary (The City) will continue to provide water servicing to regional customers consistent with existing Master Servicing Agreements (Agreements), the purpose of this report is to secure Council approval for the use of City water licences to support the provision of regional water service for the 2023-2026 business cycle.
- What does this mean to Calgarians? Regional water servicing demonstrates The City's commitment and obligation to being a regional partner by providing safe, reliable potable water servicing to its regional customers.
- Why does this matter? The City's been providing water services outside of its municipal boundaries since 1961. Regional water servicing aligns with several Council policies and supports efficient growth and development of the Calgary Metropolitan Region. The City manages its water licences diligently given the Bow River Basin is closed to new water licence applications.
- Water use by regional customers accounts for 2.5 per cent of Calgary's total annual water licence capacity in 2026. The proposed 11,300 million litres (ML) for 2023-2026 is almost the same as regional customer allocations for 2019-2022 (11,400 ML).
- Regional water servicing aligns with provincial mandates and policies, supports public health in the region, and helps reduce The City's water security risks by promoting water conservation, protecting source water in the Bow River Basin, supporting a regional integrated watershed management approach, and contributing to the efficient use of land and water in the region.
- Previous Council Direction: Council approved the allocation of 11,400 ML of water per year for the 2019-2022 period within The City's annual water licence capacity to provide water services to existing regional customers in accordance with their Agreements (UCS2018-1050). Council also approved, in principle, proposed regional water licence allocations from 2019-2034, including 16,500 ML per year in 2023-2026.
- Strategic Alignment to Council's Citizen Priorities: A healthy and green city.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The City is committed to ensuring reliable water servicing for Calgary and its regional customers. It has been providing water services outside of its boundaries since 1961. The

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Policy on Regional Water, Wastewater and Stormwater Servicing (CP2018-01) states that The City of Calgary is dedicated to achieving the Province's *Water for Life Strategy*, will ensure regional planning efforts align with an integrated watershed management approach, and will continue to provide regional water servicing to existing customers as per existing agreements subject to Council approval.

Currently, water services are provided to seven customers outside The City's municipal boundary: Airdrie, Chestermere, China National Offshore Oil Corporation (CNOOC) Gas Plant, CNOOC Balzac Power Plant, Strathmore, Foothills County, and the Tsuut'ina First Nation (Attachment 2). Airdrie and Chestermere draw upon The City's water licence capacity for their service. Tsuut'ina Nation holds its own water rights sufficient to meet all of its water supply needs. Strathmore holds its own water licence sufficient to meet their current needs. CP2018-01 states that The City will continue to retain full ownership of its water licences to accommodate future growth and will not transfer its water licences to any entity.

The Utility's *Cost of Service Study* for 2023-2026 (EC2022-0861) confirmed the annual water servicing volumes requested by regional customers for the upcoming business cycle to be 11,300 ML, representing a 32 per cent decrease from the 16,500 ML per year that was previously proposed in 2018 for 2023-2026 (Attachment 3). This decrease for 2023-26 is due to improved regional customer demand forecasting. This continues to align with Council's direction in C2014-0790 to reserve, in principle, up to 27,200 ML of water from the City's water licence capacity to provide water services to Airdrie, Strathmore and Chestermere for 20 years in accordance with their Agreements (2015 to January 1, 2035), subject to confirmation and Council approval every four year business cycle.

The City has Agreements in place with CNOOC gas plant and power plant until December 2038 and July 2047 respectively, and with Foothills County until February 2040. These Agreements also rely on The City's water licences (Attachment 2).

The proposed 11,300 ML accounts for 2.5 per cent of The City's total water licence allocation in 2026 (Attachment 3). This may increase by 2034, which is the end of the current term of Agreements with Airdrie, Chestermere, and Strathmore. Administration will continue to report to Council prior to each four year business cycle for approval of the use of City licences for regional customer servicing.

Following Council's approval of this report's recommendation, Administration would amend the Agreements with each regional customer to reflect the approved contracted capacities for 2023-2026.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

Public/Stakeholders were informed

Regional customers were engaged through the 2023-2026 Cost of Service Study. Each regional customer provided their projected volume requirements which were used to inform regional customer class rates.

Administration also works closely with regional customers on a regular basis on the servicing provisions identified in the Agreements.

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IMPLICATIONS

Social, Environmental and Economic Implications

Regional water servicing supports the Province of Alberta's *Water for Life Strategy* goals, particularly a "Safe, secure drinking water supply" and "Reliable, quality water supplies for a sustainable economy." The City of Calgary supports the Calgary Metropolitan Region Board and its Growth and Servicing Plans. Regional water servicing demonstrates Calgary's commitment to being a regional partner.

Regional water servicing supports The City's *Social Wellbeing Policy* by fostering the distribution of safe, reliable drinking water now and in the future. Providing safe, reliable drinking water to surrounding municipal communities' advances Council's vision, as reaffirmed in The City's *Triple Bottom Line Policy* (LUP003), to "create and sustain a vibrant, healthy, safe and caring community."

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

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. Working with the Province and regional stakeholders on an adaptive long term water supply strategy is vital to achieving the Water Security Framework's priority action number 3: "Ensure collaboration on a regional solution for water security."

Service and Financial Implications

No anticipated financial impact

This report recommendation has no financial implications to The City's capital budget. CP2018-01 indicates that The City will fully recover the water treatment and transmission costs through regional fixed and variable rates recommended by the Cost of Service Study (EC2022-0861) and approved by Council. The City operates on a 100 per cent cost recovery basis with regional customers.

RISK

Not approving the recommended allocation within The City's annual water licence capacity for 2023-2026 to service existing regional customers would result in The City being in breach of its contractual obligations as outlined in the various Agreements.

A perceived risk associated with approving the allocation might be overextending The City's water licence capacities thus not having that volume available to Calgarians during peak demand periods. Water use requests by current regional customers, however, account for a small portion of Calgary's total annual water licence capacity, 2.5 per cent by 2026.

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Long term risks to The City's future water security include increasing growth, water licence limits, and climate change. These are outlined in *One Calgary One Water Framework* (USC2019-1539) and continue to be actively managed by Administration through a suite of current and future actions including taking steps to increase the City's maximum instantaneous water diversion rate, studying how a changing climate affects water yields from the Bow River watershed, and investing in and developing programs such as The City's *Source Water Protection Plan and Policy* and *Drought Resilience Plan*.

ATTACHMENT(S)

1. Attachment 1 – Background and Previous Council Direction
2. Attachment 2 – Regional Water and Wastewater Servicing Summary
3. Attachment 3 – Regional Water Licence Allocations Figures
4. Attachment 4 – Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carolyn Bowen	PDS – Climate and Environment	Approve
Josh White	PDS – City and Regional Planning	Consult
Stuart Dalgleish	PDS – GMO	Approve
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