



REPORT

To: Electoral Area Directors Committee

Report Number: ENV-EADC-008

From: Kari Bondaroff, Environmental Services Manager

Date: December 17, 2020

Subject: Area B Water – Boundary Whitecap 2019 Amending Agreement

RECOMMENDATION:

That the Electoral Area Directors Committee recommend that the Regional Board approve the “2019 Amended Agreement: Water Supply License Agreement” with Whitecap Resources Inc. for the Boundary Lake Tankloader Facility which amends the “2005 Water Supply License Agreement” to reflect updated stakeholder names, related payment terms, termination notice, and clauses regarding discontinuance of site operations; further, that the Chair and Chief Administrative Officer be authorized to sign the agreement.

BACKGROUND/RATIONALE:

On October 22, 2020, the Regional Board passed the following resolution:

MOVED, SECONDED, and CARRIED

That the Regional Board authorize that the concerns of the Electoral Area ‘B’ Director regarding the “Modification of Water Supply License Agreement” for the Boundary Lake Tankloader Facility, be presented to the operator, Whitecap Resources Inc., to discuss the possibility of re-negotiation of agreement terms; further, that the Electoral Area Directors’ Committee be provided with a post-meeting report.

The PRRD operates four potable water tankloader facilities that supply water to Electoral Area B residents. One of these systems is located at 1105 Cecil Lake Road and is known as the Boundary Lake Tankloader Facility. This system is unique as it is supplied by an adjacent facility, independent from the PRRD, through a raw water line. The system has been in place for many years, and in that time both the raw water supplier and secondary user downstream of the station have changed hands. The PRRD does not hold the water license for this water source. Whitecap Resources Inc. (Whitecap) holds the water license and the PRRD is provided water through the original 2005 Water Supply License Agreement. The PRRD holds a valid operating permit for the Boundary Tankloader Station, as provided by Northern Health, which allows for potable water to be provided to the public. The PRRD and Whitecap are amending the 2005 Water Supply Licensing Agreement and not entering into a new contract. This explains why the amendments still refer to the 2005 Water Supply License Agreement. There are many conditions within the 2005 water supply license that will remain unchanged.

The 2005 Water Supply License Agreement has been amended as follows:

1. Historical transitions of the 2005 agreement have been described within the amending agreement.

2. The names of the various stakeholders have been updated.
3. New water use rates are to be paid to Whitecap:
 - a. \$1.50/m³ of raw water paid by the PRRD to Whitecap Services for the raw water supply. This is described as a contribution towards Whitecap's operating costs. Whitecap has offered to include the power usage by the tankloader with the water rate.
4. Section 13 (Discontinuance of Plant Operations) has been updated such that if Whitecap discontinues its Plant Operations, negotiations will occur with the PRRD for transfer of the water pipeline and associated facilities or, if Whitecap changes water source, it will continue to provide fresh water to the tankloader facility subject to the PRRD's approval.
5. Section 17 (Termination) now allows for 12 months' written notice, on the part of Whitecap or the PRRD, to end the contract.

ALTERNATIVE OPTIONS:

1. That the Electoral Area Directors Committee provide further direction.

STRATEGIC PLAN RELEVANCE:

- ☒ Organizational Effectiveness

FINANCIAL CONSIDERATION(S):

The 2019 Amending Agreement: Water Supply License Agreement includes a section that refer to payment structures. The PRRD is being requested to pay Whitecap \$1.50 per cubic meter that is dispensed through the station. The fee is to cover operation and maintenance of the supply line pumps, the supply line, and the handling of the reject water produced following treatment. Historically, when Whitecap provided water to the PRRD at no charge, the PRRD was providing free raw water to the residents. Now that the PRRD is offering potable water to the residents the demand for water has increased. The increase is due to the treatment. Through treatment, approximately 75% of the water is produced for dispensing to the public, the remaining 25% is called reject water. There is another 2500L sent through the rejection lines following each production cycle. Whitecap now handles and disposes of all of the reject water coming from the Tankloader. The approximate Whitecap annual fee to provide the PRRD water, based on historical use, is \$15,000. This has been budgeted as a rent/lease expenditure and is similar to the Rose Prairie Tankloader Lease amount. This payment structure also includes electricity usage. For reference, the following other Area B tankloader stations have incurred power charges in 2020, as of December 1, as follows:

- Buick: \$4,800
- Fey Spring: \$3,676
- Rose Prairie: \$6,238
- Prespatou: \$7,523

COMMUNICATIONS CONSIDERATION(S):

None at this time.

OTHER CONSIDERATION(S):

The 2005 Construction Agreement with CCS, now Tervita, is attached for review. This document completes the 2019 Amending Agreement with Whitecap and is for historical reference.

Attachments:

1. Attach – 2019 Amending Agreement with Whitecap.pdf
2. Attach – 2005 Water Supply License Agr - Boundary.pdf
3. Attach – 2005 Construction Agrmt – CCS - Boundary.pdf