



NORTH RED DEER RIVER WATER SERVICES COMMISSION

SPECIAL MEETING AGENDA

Lacombe City Hall – Council Chambers

February 24, 2020

9:00 AM

1. Call to Order
2. Adoption of Agenda
3. Adoption of Minutes
4. Presentation
5. Reports
6. Correspondence
 - 6.1. Letter from the Honourable Rick Wilson, Minister of Indigenous Relations and
MLA for Maskwacis-Wetaskiwin (attached)
7. Old Business
 - 7.1. Board Decision on Water Line Extension
 - 7.1.1. Waterline Extension Feasibility Study Summary and Next Steps (attached)
8. New Business
9. In Camera
10. Next Meeting Date: April 6, 2020 at 9 AM
11. Adjournment

Mr. Ken Wigmore
Commission Chair
North Red Deer Regional Water Services Commission
5432 – 56 Avenue
Lacombe, AB T4L 1E9

Delivered via email to: kwigmore@lacombecounty.com

Dear Mr. Wigmore:

Thank you for your January 28, 2020 letter inviting me to attend the North Red Deer River Water Services Commission's board meeting on February 24, 2020, to discuss safe, reliable drinking water for the four First Nation communities of Maskwacis. As Minister of Indigenous Relations, I appreciate the opportunity to respond.

Clean, safe drinking water is something that every community should be able to offer its citizens, and I commend the Commission in its efforts to form a partnership with the four First Nations in Maskwacis. Our government continues to honour its commitments made to the First Nations Regional Drinking Water Tie-in Project by the previous government.

Although my schedule does not permit me to attend the Commission meeting on February 24, 2020. I understand that Chief Standingontheroad, Montana First Nation, is attempting to coordinate a meeting between the four Chiefs of Maskwacis, and the Commission, on March 12, 2020 that I would be happy to attend. Please contact my office at 780-422-4144 to confirm the details of my attendance.

Once again, thank you for your email.

Sincerely,



Rick Wilson
Minister of Indigenous Relations



**North Red Deer
River Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Jordan Thompson, Acting Administrator

DATE: February 24th, 2020

RE: Waterline Extension Update and Next Steps

PURPOSE:

To request direction from the Board regarding the next steps for the extension of the Commission's waterline.

ACTION/RECOMMENDATION:

1. THAT the Commission directs Administration to confirm the details with the office of the Minister of Indigenous Relations for the meeting with the Montana First Nation, the four Chiefs of Maskwacis and the Commission on March 12, 2020.
2. THAT the Commission directs Administration to proceed with Administration's recommendations #3 and #4 outlined in Administration's [December 9th](#) report:
 - a) THAT following confirmation from the Province that their funding commitment remains at 100%, the Commission directs Administration to proceed with the development of the financial model funded by the Facilitated Water Line Protocol Development grant from Municipal Affairs.
 - b) THAT following confirmation from the Province that their funding commitment remains at 100%, the Commission directs Administration to procure a qualified facilitator to plan, guide and manage an engagement process involving representatives with the Province, Ermineskin Cree Nation, and the Commission funded by the Facilitated Water Line Protocol Development grant from Municipal Affairs.

BACKGROUND:

In October 2018, the Commission met with Provincial and Ermineskin Cree Nation representatives to discuss the feasibility study and their need for safe reliable water. Subsequent to this meeting, the Commission met with Samson Cree Nation and Montana First Nation.

On February 5th, 2019, the Commission hosted a supper meeting for all 4 First Nations where, all bands were represented with regrets from Ermineskin Cree Nation.

On February 11th, 2019 Municipal Affairs notified the City of Lacombe its grant application, on behalf of the NRDRWSC, for a Facilitated Water Line Protocol Development project was approved (\$50,000).

In June, 2019, Administration and the Chair of the Commission met with Environment and Parks Alberta. This was a productive meeting and it was recommended that the representatives from the Province attend the September 9th 2019 meeting to further this discussion with the entire board.

At a [special meeting on July 15, 2019](#), the Commission authorized \$50,000 in interim funding to conduct a feasibility study to extend its regional water line to ultimately service the communities of the Samsung Cree Nation, the Ermineskin Cree Nation, the Louis Bull Tribe, and the Montana First Nation.

At its [regular meeting on September 9th, 2019](#) representatives from Alberta Environment and Parks discussed with the Commission their goals for the extension of the waterline and answered questions from the Board.

At its [regular meeting on November 4th, 2019](#), Stantec presented the draft results of their waterline extension feasibility study to the Commission.

At its [regular meeting on December 9th, 2019](#), the Commission accepted the North Red Deer River Water Services Commission (NRDRWSC) First Nation Feasibility Study as information. The Commission also directed Administration to request confirmation from the Province that their funding commitment remains at 100% and requests a meeting with the Minister of Indigenous Relations based on availability.

ISSUE ANALYSIS:

A representative from the Province confirmed in an e-mail that funding under the First Nations Water Tie-in Program is for 100% of the project costs including design, construction and capital buy-in requirements.

Unfortunately, the Minister has advised that he sends his regrets in not being available to meet with the Commission today and in his letter commended the Commission for its efforts to form a partnership with the four First Nations in Maskwacis. The provincial government states the importance of honouring its commitment made by previous

government to the First Nations Regional Drinking Water Tie-In Project. The Minister has requested that the Commission be in contact with his office to confirm details of his attendance to a meeting that Chief Standingontheroad is organizing for March 12, 2020.

At this time the Commission may also consider moving ahead with all or a portion of the proposed next steps outlined in [Administration's December 9th report](#) in advance of a meeting with the Minister or it may wish to defer its decision to after the March 12, 2020 meeting with the Minister and the Four Chiefs of Maskwacis.

FINANCIAL IMPLICATIONS:

Should the Board wish to proceed with steps #3, #4 outlined in the December 9th Report, Administration would work within the Facilitated Water Line Protocol Development grant from Municipal Affairs (\$50,000) to complete the financial model and procure a facilitator as described.

ALTERNATIVES:

Alternative 1

THAT the Commission directs Administration to confirm the details with the office of the Minister of Indigenous Relations for the meeting with the Montana First Nation, the four Chiefs of Maskwacis and the Commission on March 12, 2020.

Alternative 2

THAT The Commission defers its decision on the waterline extension until after a meeting with the Minister of Indigenous Relations.

Alternative 3

THAT The Commission accepts this report as information.

Alternative 4

THAT The Commission directs Administration how it wishes to proceed.

ATTACHMENTS:

Letter from Minister Wilson – February 20, 2020

Administration's Report: Waterline Extension Feasibility Study Summary and Next Steps – Presented at the December 9th Regular Meeting



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Jordan Thompson, Acting Administrator

DATE: November 29th, 2019

RE: Waterline Extension Feasibility Study
Summary and Next Steps

PURPOSE:

To summarize Stantec's waterline extension feasibility report and present next steps for the Commission's consideration and endorsement.

ACTION/RECOMMENDATION:

1. THAT the Commission accepts the North Red Deer River Water Services Commission (NRDRWSC) First Nation Feasibility Study as information.
2. THAT the Commission directs Administration to request confirmation from the Province that their funding commitment remains at 100%.
3. THAT following confirmation from the Province that their funding commitment remains at 100%, the Commission directs Administration to proceed with the development of the financial model funded by the Facilitated Water Line Protocol Development grant from Municipal Affairs.
4. THAT following confirmation from the Province that their funding commitment remains at 100%, the Commission directs Administration to procure a qualified facilitator to plan, guide and manage an engagement process involving representatives with the Province, Ermineskin Cree Nation, and the Commission funded by the Facilitated Water Line Protocol Development grant from Municipal Affairs.

BACKGROUND:

In October 2018, the Commission met with Provincial and Ermineskin Cree Nation representatives to discuss the feasibility study and their need for safe reliable water. Subsequent to this meeting, the Commission met with Samson Cree Nation and Montana First Nation.

On February 5th, 2019, the Commission hosted a supper meeting for all 4 First Nations where, all bands were represented with regrets from Ermineskin Cree Nation.

On February 11th, 2019 Municipal Affairs notified the City of Lacombe its grant application, on behalf of the NRDRWSC, for a Facilitated Water Line Protocol Development project was approved (\$50,000).

In June, 2019, Administration and the Chair of the Commission met with Environment and Parks Alberta. This was a productive meeting and it was recommended that the representatives from the Province attend the September 9th 2019 meeting to further this discussion with the entire board.

At a [special meeting on July 15, 2019](#), the Commission authorized \$50,000 in interim funding to conduct a feasibility study to extend its regional water line to ultimately service the communities of the Samson Cree Nation, the Ermineskin Cree Nation, the Louis Bull Tribe, and the Montana First Nation.

At its [regular meeting on September 9th, 2019](#) representatives from Alberta Environment and Parks discussed with the Commission their goals for the extension of the waterline and answered questions from the Board.

At its [regular meeting on November 4th, 2019](#), Stantec presented the draft results of their waterline extension feasibility study to the Commission.

ISSUE ANALYSIS:

Engineering Summary

Stantec has concluded its engineering analysis on the extension of the Commission's water transmission main to the Ermineskin Cree Nation, is technically feasible provided minimum water demands are met to ensure water quality.

The existing and proposed pipeline has capacity to accommodate the current and future potable water needs of Samson Cree Nation, Ermineskin Cree Nation, Louis Bull Tribe, and Montana First Nation through to at least 2048 without impacting the current and future capacity for the existing member communities and remain within the Commission's current water allocation.

Stantec has determined there is sufficient pressure in the pipeline from the City of Red Deer water treatment plant to pump water over a high point north of the Town of Ponoka and service additional demand equivalent to approximately one new community. Further demand, beyond approximately one new community, likely requires the construction of a new pump house to boost the pipeline pressure over the highpoint. At this time the Province has only indicated it has a funding agreement with Ermineskin Cree Nation and no other communities have formally requested membership with the Commission so a pump house will not initially be required. This will need to be reevaluated in the future based on actual demands and requests for membership from the other communities.

It is important to note that the actual “trigger point” for the new pump house is based on water demand on the system and is not related to any specific community connecting to the line – the references to community connections here and in the report are used for simplicity.

Example 1: Ermineskin Cree Nation may connect first which would not require a pump house initially. The need for a pump house may be triggered through either significantly higher water demands of Ermineskin Cree Nation in the future, the connection of a new community, or a combination of both.

Example 2: Ermineskin Cree Nation may connect first which would not require a pump house initially. Actual water demands may be significantly lower than estimated, allowing for a smaller community, say Louis Bull Tribe or Montana First Nation to connect to the system without the need for a pump house, at least initially.

Example 3: Ermineskin Cree Nation and Samson Cree Nation may initially connect at the same time requiring a pump house at the onset.

Water Quality

Based on actual chlorine residual levels recorded in the system to date Stantec was able to assess the minimum flow of water required to ensure the potability of water at the north end of the extension. Stantec indicates a volume of 800m³/day is required. This means that, at minimum, either Ermineskin Cree Nation or Samson Cree Nation must connect and draw at least 800m³/day at the onset to ensure the water remains potable their border. Less reliable water demand than 800m³/day from the Ermineskin Cree Nation means an additional infrastructure is required, such as a chloramine booster which is estimated to cost between \$0.25M – \$1.00M.

Alignment Options

Stantec explored the feasibility of 5 potential alignments outlined on page 11 of the report and found there is no material difference between options from an engineering perspective. Funding, proximity to the First Nation communities, and ultimately land owner approval will dictate the final alignment. The alignments will be analyzed further

during detailed design but at this point the Central-East alignment (option 3) appears to be the most likely candidate.

Capital Costs

In the final report, Stantec revised the northern terminus of the line to be the Ermineskin Cree Nation southern boundary based on discussions with Provincial representatives. The estimated capital cost for the Central-East alignment is \$28.1 - \$38.9M. Based on the high number of alignment conflict associated with this alignment (other pipelines, road crossing etc.) more drilling is expected so a budget number on the high end of this range, \$38.9M, would be appropriate.

Rate Impact Summary

Even though the Capital cost of the extension will be funded entirely through grants, Commission policy requires depreciation be included in its rates. The intent of the policy is to build a capital reserve to replace the Commission's pipeline when it is at the end of its life. With the pipeline terminating at the Ermineskin Cree Nation southern border Stantec estimates a rate increase, initially, of \$0.11m³ assuming Ermineskin Cree Nation connects at the onset. Stantec summarizes the reason for this nicely:

"While an additional 40%-60% of line length is being added to the Commission's utility base, system flows are projected to increase only 10%-15% with the connection of Ermineskin".

The net result is an estimated \$2.28 higher monthly cost per household. As more communities connect this rate increase will lessen. It is important to note that the additional line will also impact operating costs which is not reflected in Stantec's rate estimate.

However, if Ermineskin Cree Nation were to bear the full cost of depreciation on the line extension and existing members bear none, the water rates for Ermineskin Cree Nation would be \$6.25/m³ higher than the Commissions current rate. In 2020 this would equate to a rate of \$8.37/m³ which is exorbitantly disproportional and should not be considered a viable consideration. If the Commission wished to consider a differential rate structure it would need to be less drastic to be viable long term.

System Buy-in

Stantec summarizes this point well in their report:

"The NRDRWSC has made approximately half of the debenture payments on its capital infrastructure. While this infrastructure was generally sized for a future extension to Maskwacis (the line extension currently being studied), the added costs of this line sizing have been borne by the existing system users through the rate base. For example, Ermineskin's water allocation represents approximately

6% of the overall system water allocation, which would represent approximately \$2M of the total debenture payments made by the Commission to date.”

Stantec is saying here that if Ermineskin Cree Nation had been a member of the Commission from the onset they would have contributed \$2M toward the Commissions debt payments to date through either an agreement (as is the case with Lacombe County and Ponoka County), or through their purchase of water. To ensure the obligations of membership are fair and equitable, the Commission should consider a new member buy-in requirement that contemplates both debt and reserve contributions to date by existing members.

Next Steps

1. With the capital costs of the line extension expected to be contributed 100% by grants, the Commission is in the fortunate position of not having to consider the impacts of new debt on current rates. However, it is known that Stantec’s cost estimate exceeds the Province’s allocation for this project. Without full grant funding it is highly unlikely the Commission would consider taking on new debt to fund the extension of their system – the economics are unfavourable. **To mitigate this the Commission requires formal confirmation that the Province’s funding commitment remains at 100%.**
2. The positive impacts of reliable, clean drinking water to these four First Nations communities should be strongly weighed against the estimated rate increase to the existing members. However regardless, it is prudent of the Commission to explore ways to mitigate this rate increase such as:
 - Changes to the Commissions amortization policy
 - Differential rate scenarios for new members
 - Request rate stabilization funding from the Province and Federal Government to enable the Commission to phase in the new rate over time
 - Provincial/Federal ownership of the extended line – The Commission would not need to account for depreciation for an asset it does not own but it may be contracted to administer, and operate it.

To be able to analyze the different options and approaches in determining rates and the capital “buy-in” under various scenarios, the Commission needs to create a new financial model. The financial model would not only provide third party financial analysis for this particular study but would also be available to the Commission for future analysis. The model can also be used in the preparation of a revised Business Plan which will be needed with the addition of a new member community. **Based on quotes requested by Administration, the development of the financial model will cost \$5,5000 - \$7,500.** This is an eligible expense

under the Facilitated Water Line Protocol Development grant from Municipal Affairs.

3. Further engagement with representatives from the Provincial and Federal Government as well as the Ermineskin Cree Nation is required in order build an understanding of what's needed and more importantly develop viable solutions to move this project forward. For example, a major consideration for the Commission will be to ensure the water it delivers does not fall below current quality standards in transport north of Ponoka. Another major consideration will be waterline ownership, operating and maintenance responsibilities for the on-reserve portion of the pipeline (if Ermineskin Cree Nation contemplates the waterline continuing to its urban center). Finally, the rate impact to existing members needs to either be either accepted (unlikely) or a mitigating solution be adopted. Ermineskin Cree Nation very likely also has matters they wish to discuss with the Commission that are not yet known to the Commission. Working through these matters together in a facilitated and structured way is more likely to lead to mutually agreeable and sustainable solutions that will enable this project to move forward.

- a. **At this juncture Administration recommends the Commission access the grant funds under its Facilitated Water Line Protocol Development grant to procure a qualified facilitator to to plan, guide and manage an engagement process involving representatives with the Province, Ermineskin Cree Nation, and the Commission funded by the Facilitated Water Line Protocol Development grant from Municipal Affairs.**
- b. Alternatively, the Commission may wish to first complete the financial analysis reference in point 2 above. This option should be selected if the additional certainty on the potential rate impact and capital "buy-in" requirements is vital information that must be understood prior to making a decision to engage (or not) the Province and Ermineskin Cree Nation.

FINANCIAL IMPLICATIONS:

Administration would work within the Facilitated Water Line Protocol Development grant from Municipal Affairs (\$50,000) to complete the financial model and procure a facilitator as described.

ALTERNATIVES:

Alternative 1

If the Commission wished to first complete the financial analysis referenced in point 2 of the Next Steps section above, proposed motion #4 at the beginning of this report may be amended as follows:

1. THAT the Commission accepts the North Red Deer River Water Services Commission (NRDRWSC) First Nation Feasibility Study as information.
2. THAT the Commission directs Administration to request confirmation from the Province that their funding commitment remains at 100%.
3. THAT following confirmation from the Province that their funding commitment remains at 100%, the Commission directs Administration to proceed with the development of the financial model funded by the Facilitated Water Line
4. THAT the Commission directs Administration to report back to the Commission the outcome of the financial modeling.

The Commission may also provide alternate direction to Administration not listed here.

ATTACHMENTS:

- North Red Deer River Water Services Commission (NRDRWSC) First Nation Feasibility Study – FINAL REPORT