

Presented To:	City Council
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Type:	Managers' Reports

Request for Decision

City of Greater Sudbury Agreement with Vale Canada Ltd for Water Supply and Sewage Treatment

Recommendation

THAT the City of Greater Sudbury authorize the General Manager of Infrastructure Services to enter into an agreement with Vale Canada Limited, to allow the provision of Water Supply and Sewage Treatment by Vale Canada Limited for the City of Greater Sudbury, as outlined in the report from the General Manager of Infrastructure Services dated January 15, 2015.

Finance Implications

The estimated costs are provided in the 2015 operating and capital budgets.

Background

As Council is aware, a number of communities within Greater Sudbury were originally constructed by mining companies to house their workers. Two such communities, namely Copper Cliff and Lively, along with their associated sewer and water infrastructure, were built by INCO. While the former towns and Region acquired the sewer and water systems within the roadways in the early 1970's, the treatment facilities remained under the ownership and operation of INCO. These facilities have been and continue to be used by Vale (formerly INCO) to service its own facilities in the area.

Since 1972 INCO, and subsequently Vale has, by agreement, provided potable, fluoridated water from its Vermilion Water Treatment Plant to the former towns of Lively, Walden and Copper Cliff. Currently, the Vermilion Water Treatment Plant supplies a portion of its output to the City's Vermilion Municipal Drinking Water Distribution System which serves the communities of Copper Cliff, Lively, Naughton and Whitefish. Similarly, INCO, now Vale has, by agreement, used its Copper Cliff Sewage Treatment Plant to treat sewage from the community of Copper Cliff. The now expired agreements provided a rate structure to pay for the treatment of both potable water and sewage as well as cost sharing for specific equipment upgrades.

Signed By

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Division Review

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The Vale facilities are aging and Vale has put the City on notice that it is not in a position to continue to assist the City by providing potable water or sewage treatment indefinitely. As Council is aware, the City is undertaking a water and wastewater master plan which will review alternative delivery models for water and wastewater services, including these areas of the City. The water and wastewater master plan is anticipated to be complete in 2015. Recognizing that some time may be required to finalize investigations and design and construct the long term solutions recommended by the master plan, Vale has indicated a willingness to enter into a further agreement with the City for the provision of these important services.

City staff have been engaging in discussions with Vale and have now reached an agreement for a 5 year term, subject to Council approval. The agreement also contains provisions for renewal as required. It is important to note that while Vale has agreed to a 5 year term, the expectation is that the City will continue to work towards developing alternative solutions for the long term provision of both water and wastewater treatment. If a solution in either area can be developed prior to the end of the term, the agreement will terminate with respect to that service.

The terms of the proposed agreement are outlined below:

Water Supply (Vermilion Water Treatment Plant)

Under the terms of the proposed agreement, Vale will continue, as it has for many years, to supply fluoridated potable water from its Vermilion Water Treatment Plant. This water will continue to meet the standards of the Safe Drinking Water Act, 2002 and will ensure that the potable water is fluoridated in accordance with City policy and the Act. For 2015, water supplied will be paid at a fixed rate per cubic metre and will increase by the rate of inflation in each year thereafter, which is the same basis on which the City has historically increased rates. Over the 5 year term, the City will also pay Vale for fluoridation at a fixed rate per month. The City also commits that it will not, without prior notice to Vale, engage in a significant expansion of its distribution system which would materially increase the demand for water beyond the current demand, which represents about 30% of Vale's production. There is no expectation of any large scale new development in the area which would trigger a need for an expansion of this type.

Due to the way the distribution system evolved within the company towns, there is some uncertainty as to location and ownership of the components of the distribution system. Vale and the City have agreed to work together and to share the cost of the work necessary to identify the components of the system belonging to each party. As well, to improve the accuracy in the water billing to the City, the parties have agreed to move toward the installation of new meters on the system at key locations.

In addition to paying for the water supply, a consensus has been reached for payment of a contribution to capital works which need to be effected to ensure the continued viability of the Vermilion Water Treatment Plant so that the City's water needs can be met. Vale does not require water treated to potable standards for its own operational needs. As a result, capital costs which must be incurred have been divided into categories: for works that are required for the purposes of treating both the water used by Vale and the water to be supplied to the City, the City will contribute 30%, for works that are required solely for the purposes of treating the water supplied to the City and for fluoridation equipment, the City will contribute 100%.

Wastewater Treatment (Copper Cliff Sewage Treatment Plant)

Under the terms of the proposed agreement, Vale will continue, as it has for many years, to treat the City sewage at the Copper Cliff Sewage Treatment Plant, in accordance with applicable regulations as set out by the Ontario Ministry of the Environment and Climate Change. For 2015, the City will pay a fixed amount which is approximately 50% of the projected operating costs for 2015 and will increase by the rate of inflation in each year thereafter, which is the same basis on which the City has historically increased rates.

In addition to paying for the wastewater treatment, a consensus has been reached for payment of a contribution to capital works which need to be effected to ensure the continued viability of the Copper Cliff Sewage Treatment Plant so that the City's needs can be met. Capital costs which must be incurred have been divided into categories: for works that are required for the purposes of treating both the sewage from Vale and the City, the City will contribute 50% and for works that are required solely for the purposes of treating sewage from the City, the City will contribute 100%.

Summary

Vale and City staff have reviewed and agreed upon the water and wastewater treatment rate structures, as included in the proposed agreement. The parties have also reached consensus on the projected capital expenditures, categorized as above and established a protocol for monitoring.

It is therefore recommended that the General Manager of Infrastructure Services be authorized to enter into an agreement with Vale Canada Limited, to allow the provision of Water Supply and Sewage Treatment by Vale Canada Limited for the City of Greater Sudbury.