
For Information

REPORT TITLE: 2022 Annual Performance Review of the South Peel Water and Wastewater Agreement with the Ontario Clean Water Agency

FROM: Kealy Dedman, Commissioner of Public Works

OBJECTIVE

To report on the performance of the Management, Operations and Maintenance Agreement between the Ontario Clean Water Agency and the Region of Peel as per Council Resolution 2018-321.

REPORT HIGHLIGHTS

- Region of Peel (Region) staff completed the first full year of the annual performance evaluation to track the Ontario Clean Water Agency (OCWA) performance based on the Region's Vendor Performance Evaluation template.
 - Over the 2022 calendar year OCWA and Region staff focused on maintenance management performance and the implementation of an asset management technology solution to achieve consistency with the Region's Enterprise Asset Management (EAM) Program.
 - Energy efficiency at the water and wastewater facilities continues to be a top priority for both the Region and OCWA. Peel and OCWA continue to explore and implement energy efficiencies and advancements in renewable energy.
-

DISCUSSION

1. Background

Ontario Clean Water Agency (OCWA) operates and maintains the lake-based water and wastewater treatment facilities and water transmission system in South Peel on behalf of the Region of Peel (Region) under a ten-year service agreement (Agreement) which began January 1, 2020. Council Resolution 2018-321 requires staff to report to Council on the overall performance of the Agreement on an annual basis. The regulatory compliance performance of the Agreement is reported to Council in March each year, as required by drinking water legislation.

Evaluation Process

In 2022, Region staff used a performance evaluation process, developed last year, based on the Region's Vendor Performance Evaluation template which includes (3) triannual interim evaluations along with an overall annual evaluation. Fifteen criteria were used to evaluate OCWA's performance throughout the year. The criteria are based on the

2022 Annual Performance Review of the South Peel Water and Wastewater Agreement with the Ontario Clean Water Agency

Agreement's scoping statement which is aligned with the Council's priorities and the Region's Strategic Plan. The evaluation criteria are as follows:

- Business Plan and Efficiency Improvement Commitments
- Regulatory Compliance
- Effectiveness of Quality Management Systems
- Wastewater Effluent Performance Criteria
- Drinking Water Performance Criteria
- Reporting Requirements
- Maintenance Performance
- Capital Improvement Support
- Major Capital Maintenance and Replacement Support
- Energy Use and Energy Code of Practice
- Process Chemical Use
- Cost of Service
- Indemnification of Peel and Insurance Claims
- Health and Safety
- Reliability and Continuity of Service

Agreement Oversight

Region staff and OCWA staff continue to collaborate daily on operational, maintenance, compliance, energy management, continuous improvement, and capital projects as both parties share water and wastewater service delivery responsibilities with the exception of capital construction. The Agreement requires OCWA to provide monthly, quarterly, and annual performance reports which enable Region staff to effectively monitor and regulate OCWA's performance. In addition to the reports, reoccurring meetings are held to ensure effective communication and clear expectations.

2. Findings

Region staff undertook a thorough review of OCWA's 2022 performance. The results from the evaluation are summarized into three main categories described below.

a) Quality, Capital Improvements Support, Continuity of Service and State of Good Repair

Drinking water and wastewater effluent quality continue to meet the Region's expectations. Detailed information on the regulatory compliance performance of the Region's drinking water systems was included in the Council Report "Drinking Water Systems 2022 Annual Drinking Water Systems Summary Report" and presented to Regional Council (For Information) at its meeting held on March 23, 2023 (Resolution 2022-176).

Compliance requirements of the Region's wastewater systems were also successfully fulfilled in 2022. A summary of the wastewater monitoring data and maintenance programs, including any deviation from the prescribed conditions of environmental approval requirements was prepared and made available through the Region website at peelregion.ca/wastewater. This report is not required by legislation to be made available to the public; however, Region staff publish the report annually to keep residents and

2022 Annual Performance Review of the South Peel Water and Wastewater Agreement with the Ontario Clean Water Agency

business owners informed and to increase public awareness and confidence in the Region's wastewater services.

The Region continues to benefit from the application of quality management system principles for the operations of the water and wastewater facilities OCWA operates on the Region's behalf. OCWA is required to maintain Drinking Water Quality Management System (DWQMS) accreditation. DWQMS focuses on progressive enhancement of existing processes, improved documentation, and the application of best management practices which continually improve the operation and management of the South Peel Drinking Water System.

Continuity of water and wastewater services has been effectively maintained throughout the 2022 calendar year including through the COVID-19 pandemic. In 2022, OCWA continued with the COVID-19 screening, enhanced security and cleaning. Additional costs, over and above the Agreement base fee, were incurred due to these safety measures and recovered through available provincial COVID-19 response funding. The Region and OCWA worked collaboratively on a Business Continuity Plan (BCP) during the pandemic. The BCP ensured staff was isolated from the public and limited visits to the water and wastewater facilities by non-essential workers. Regular meetings took place between the Region and OCWA at a management level to ensure alignment with the provincial guidelines, and effective response to the evolving pandemic.

The Agreement requires OCWA to report to the Region on their employee training and development programs, including succession planning. Succession and workforce planning is reviewed as part of OCWA's performance management. Region staff reviews Staffing Optimization Plans provided by OCWA on an annual basis to ensure a proactive succession management program is in place. The review also ensures alignment with business priorities and the Region's needs.

OCWA continues to effectively support the Region's extensive capital expansion projects and improvements. The South Peel water and wastewater facilities continue to be some of the most modern and technologically advanced in the world. Over the next 3-5 years OCWA will continue to support a robust capital expansion at the Region's main wastewater treatment facilities in addition to supporting the Region's enterprise asset management program.

b) Asset Protection

The South Peel Water and Wastewater Systems consist of more than 48,000 assets with an insured replacement value of \$4.5 billion. An additional \$1.5 billion in asset value is expected to be added as part of the Region's 10-year capital program. Therefore, asset protection is a top priority for the Region in the Agreement with OCWA and as an organization through the Enterprise Asset Management (EAM) Program.

In 2022, the Region and OCWA continued with the planning and implementation of IBM Maximo, a modern enterprise-wide and integrated EAM system to manage assets effectively.

OCWA and the Region were able to initiate the implementation of IBM Maximo for the South Peel water and wastewater facilities in 2022 to achieve the Region's desired EAM business capabilities, consistent asset management, asset information and technology

2022 Annual Performance Review of the South Peel Water and Wastewater Agreement with the Ontario Clean Water Agency

solution standards for all of the Region's assets. Having a modern asset management technology solution will also enable Region staff to monitor OCWA's asset protection performance more effectively and efficiently.

c) Energy Management and Environmental Impact

Annual electricity consumption for 2022 was 283.3 MWh, at a cost of \$34,380,485.81 which represents 66.9 per cent of the total annual electricity consumed by the Region owned and operated facilities. The 2022 electricity consumption was approximately 2.12 per cent lower than 2021 mainly due to lower water demand, enhanced energy management programs and efficient lighting retrofits. The 2022 electricity cost was approximately 2.56 per cent higher than 2021 due to an increase in electricity rates in 2022.

The 2022 natural gas cost was 27.9 per cent higher than 2021 due to rate increases as well as consumption increases.

Peel and OCWA are working towards optimizing the natural gas consumption in 2023 to lower the overall gas consumption and financial cost to the Region. Overall, there was a 3.42 per cent increase in total energy costs between 2021 and 2022.

	2021	2022	Variance
Electricity Consumption (MWh)	289.3 MWh	283.3 MWh	-2.12%
Electricity Cost	\$33.5M	\$34.3M	2.56%
Natural Gas Cost	\$0.86M	\$1.2M	27.92%
Total Energy Cost	\$34.3M	\$35.5M	3.42%

The Region and OCWA continue to explore and implement energy conservation, electricity demand management, and renewable power generation technologies to offset increases to electricity rates and lower environmental emissions. Energy use in the South Peel water and wastewater facilities continues to be managed well and metrics related to energy use per volume of water and wastewater treated continues to trend in a positive direction.

OCWA, in collaboration with the Region, resumed participation in the ICI demand response program in 2022 and achieved Global Adjustment (GA) cost avoidance. GA represents the portion of electric utility bills that is used to recover the costs to build new electrical infrastructure, maintain existing resources and fund renewable energy projects. GA cost avoidance is achieved by voluntarily reducing electricity loads at the water and wastewater facilities during peak electricity demand periods in the province. The table below summarizes the electrical loads that Peel and OCWA reduced during the top five electricity demand peak periods and associated cost avoidance.

2022 Annual Performance Review of the South Peel Water and Wastewater Agreement with the Ontario Clean Water Agency

System	No. of Peaks Captured*	Total Load Reduced (MW)	Approx. Cost Avoidance
Water (Treatment & Transmission)	5	32.5	\$ 1.84M
Wastewater (Treatment at Clarkson Only)	5	4.7	\$ 0.27M
Total		37.2	\$ 2.11M

**Period captured is from May 1, 2022 to April 30, 2023.*

3. Proposed Direction

Region staff will continue to utilize the evaluation process to measure performance and discuss contract deliverables and service delivery with OCWA at regular intervals. Interim evaluations will be conducted, and results will be shared with OCWA staff to provide full transparency of their performance and to provide ample opportunity to improve.

Region staff will also meet with internal stakeholders on a regular basis to ensure the evaluation process captures the necessary criteria and to continuously improve the process.

RISK CONSIDERATIONS

The Agreement with OCWA includes the strategic sharing of risk. The Region and OCWA agreed that specific risks should be borne by the party best able to manage and mitigate risks. This performance review identified opportunities for improvement and risk mitigation to ensure the Region’s objectives continue to be met over the long-term including asset maintenance service level optimization.

Initiatives to further reduce risk and enhance operations form part of OCWA’s Three-Year Business Plan. The challenges and opportunities identified in the first three years of the agreement are being managed successfully by the Region and OCWA.

BILL 112 RISKS AND IMPLICATIONS

On May 18, 2023, the Province introduced Bill 112, *the Hazel McCallion Act (Peel Dissolution)*, 2023 that will dissolve the Region of Peel and make the Cities of Brampton and Mississauga and the Town of Caledon single-tier municipalities, effective January 1, 2025. The proposed legislation provides for the establishment of a Transition Board to make recommendations on implementing the restructuring. Details of the transition including matters as they relate to Regional roles and responsibilities are not known at this time and are to be addressed in future reporting to Regional Council. Additional assessment to support the transition under Bill 112 will be provided as further details become known.

2022 Annual Performance Review of the South Peel Water and Wastewater Agreement with the Ontario Clean Water Agency

FINANCIAL IMPLICATIONS

The Service Fee is the fixed annual cost for OCWA's services and any adjustments to their scope of services approved by the Region. The Annual Fee represents the Service Fee plus the pass-through costs of chemicals, fuel and insurance costs. Costs for electricity and natural gas are not included in the Annual Fee as the Region will continue to pay these costs directly. As part of the Agreement, OCWA provided annual projections of the Service Fee for 2020 to 2029.

The Service Fee for the second year of the Agreement (2021) was \$42,718,677 and the Service Fee for the third year of the Agreement (2022) was \$42,996,220. The slight increase to the Service Fee is as per the conditions outlined in the contract. Furthermore, the actual annual invoices received from OCWA for the second year and third year of the Agreement have been under budget. The table below demonstrates the variance between the years 2021 and 2022 for both projected fees and actual fees:

	2021	2022	Variance
Projected Service Fee	\$43,198,154	\$44,448,641	+ 2.8
Actual Service Fee	\$42,718,677	\$42,996,220	+ 0.6%

CONCLUSION

Region staff found that the objectives of the Agreement, for the third year (2022) of the ten-year term of the Agreement, have been satisfied, and further, that risk is being managed appropriately. Region staff continue to foster the partnership with OCWA to seek areas where continuous improvement initiatives can further reduce risk and to ensure required control over the South Peel water and wastewater facilities.

Region staff will continue to report to Regional Council on the performance of the agreement on an annual basis.



Kealy Dedman, Commissioner of Public Works

Authored By: Mark Ferreira, Project Manager, Contract Administration and Oversight