

Request for Decision

Title	Industrial Heartland Process Water Initiative - Phase 1
Proposed Motion	1. That Council direct Administration to initiate “Phase One” of the Industrial Heartland Process Water Initiative, including the acquisition of all land required for the project in accordance with the selection criteria as outlined in item 6.9 of the July 15, 2025 Council Meeting Agenda; the procurement of engineering design work necessary to advance the project to Phase 2 in support of a design-build construction model, and the execution of the associated stakeholder Communications Plan, with all associated costs covered through the Funding Agreement in place between Sturgeon County and the Alberta Industrial Heartland Association.
Administrative Recommendation	Administration recommends that Council support the above proposed motion, which directs Administration to proceed with required land acquisition, procurement of a qualified engineering firm to complete the detailed design of the project and initiate the associated public communications plan.
Previous Council / Committee Direction	<u>January 28, 2025 Committee of the Whole Meeting</u> Motion 017/25: That the Committee receive the Industrial Heartland Utility Provision Strategic Initiative Update as information. <u>December 10, 2024 Regular Council Meeting</u> Motion 417/24: That Council direct Administration to take action as identified in the confidential Request for Decision of item 6.1 of the December 10, 2024 Regular Council Meeting Agenda. <u>October 22, 2024 Regular Council Meeting</u> Motion 327/24: That Council approve \$215,000 for legal services pertaining to the procurement of a partner, establishment of an agreement, and creation of a governance structure for a new Process Water Utility, funded from the General Operating Reserve. <u>November 22, 2023 Council Budget Meeting</u> Motion 420/23: That Council approve 1.5% of the tax rate increase to be transferred to the General Operating Reserve, to fund future priorities as identified by Council.

- Sturgeon County seeks to be an internationally competitive and supportive municipality to locate and conduct business. Improving water access and distribution to the Alberta Industrial Heartland directly supports this priority.
- Investment attraction serves to expand and diversify the County's assessment and tax base, which supports the provision of municipal services, stability of tax rates, and overall long-term financial sustainability.
- Alberta's Industrial Heartland (AIH) was identified as a provincial Designated Industrial Zone (DIZ) in 2022, to streamline regulatory approvals and support infrastructure development while maintaining world-class environmental standards.
- As part of the DIZ, rigorous environmental protection and management measures were put in place, including Water Quality Management Programs, Air Emissions Requirement Policies, and enhanced guidance for other environmental permitting processes.
 - This project will support future Heartland industrial sites to access process water, rather than potable (drinking) water, in their business processes. This provides potential cost savings in addition to significant community benefits in the form of reserving more of Sturgeon County's potable water system for resident consumption, especially during times of drought.
- No new water intakes have been developed in the AIH for over a decade, despite growing industrial demand. Reliable access to process water is essential for industries in the region to function effectively. Ongoing uncertainty around water availability can increase operational costs and deter new investments in sectors such as petrochemicals, hydrogen, ammonia, clean energy, data centers, and more.
- In May 2024, the Government of Alberta announced a \$50.5 million investment over five years to support the construction of three new water intake facilities and related infrastructure in the DIZ.
- The planned intake system aims to deliver affordable and equitable access to industrial water across all areas within the zone. These facilities will be strategically located in Lamont County, Strathcona County, and Sturgeon County.

Land Acquisition

- The County requires the acquisition of land to facilitate the location of the planned intake.
- The site selection process will be guided by a comprehensive land evaluation matrix to ensure the most strategic and effective site is identified and secured (See Attachment 2: Process Water Intake Location Assessment).
- Additional specifics on site selection could be provided to Council in closed session, relating to land acquisition.

Process Water Intake Conceptual Design and Engineering Outcomes

- In 2023/24, The Alberta Industrial Heartland Association (AIHA) sponsored a conceptual design of a Sturgeon County process water system. **The system's capacity was validated to sustainably draw up to 16 million cubic meters of water annually over a 50-year period** (accounting for seasonal fluctuations in the North Saskatchewan River).
 - Preliminary engineering of Sturgeon County's water intake and pipe infrastructure used historical water demand predictions, along with actual water hydraulics / seasonal water availability from the North Saskatchewan River to design the process water system in their 50-year forecasted demand model.
 - Additionally, the County has submitted several regulatory permit packages, with remaining federal approvals anticipated within 12 months, following the selection of a qualified engineering consultant's detailed design.
- Though the North Saskatchewan River has ample water supply to meet future DIZ demands, river water level variations require the intake design to utilize conservative levels during seasonal variations.
- Administration established a comprehensive intake location review to support the development of an efficient process water intake and distribution system within DIZ. The review confirms project alignment and long-term water demand delivery points.

Project Delivery Model

- Various project delivery models were investigated (see Attachment 1: Process Water Intake Project Delivery Analysis) to determine which approach would best serve the County's water intake project. This included a detailed consideration of a traditional Design Build model vs. a Public Private Partnerships (P3) model.
- After considering various risk categories, cost models, and expert advice, Administration recommends that the County proceed with a traditional design build model.

Grant Funding

- Sturgeon County secured a \$16.7 million equal portion grant from the total \$50 million grant available through the Government of Alberta (and administered through the AIHA). This funding fully supports the development of the County's water intake, with more details provided in the Financial Implications section of this report.

Project Milestones - Next Steps

- *Phase 1 – Initiation and Design*
 - Identification, negotiation, exploration of industry partnership opportunities, and purchase of land for infrastructure placement,

- Procurement and execution of detailed engineering design work to define technical specifications and prepare for regulatory submissions and construction planning,
- Continuation of permitting to finalize necessary environmental and construction approvals, and
- Launch of a communication plan to ensure transparent public information sharing with stakeholders.
- *Phase 2 – Regulatory and Industrial Offtake Agreement Development*
 - Submission and review of applications under the *Alberta Water Act* to obtain authorization for water intake and usage.
 - Finalization of offtake agreements with industrial customers who will access the intake’s processed water.
- *Phase 3 – Construction*
 - Finalize the Utility Rate Model, execute industrial offtake agreements, and initiate construction activities for Council consideration and pending approval.

External Communication

- Multiple discussions on the project have been held in public to date, and a project webpage on the County’s corporate website currently provides information on the Process Water Initiative (noting project status is reported as, “in progress” and will continue to be updated as new information becomes available).
- A comprehensive Communications Plan has been developed to proactively share information and keep the public informed over the three phases of the project. This plan has been summarized within Attachment 3: Industrial Heartland Process Water Initiative Communications Plan.
- The County also continues to meet directly with provincial regulators, the AIHA, and other key stakeholders as part of one-on-one communication efforts.

Relevant Policy/Legislation/Practices

Industrial Heartland Designated Industrial Zone Directive (2022)

2024 – 2027 Corporate Business Plan - identifies the ‘Industrial Heartland Utility Provision’ as a strategic initiative, noting the organization is securing, “an Alberta Industrial Heartland Process Water Intake to ensure future industry has the critical infrastructure needed to prosper.”

- It is noted that the County would “explore the development of water access and distribution to the Industrial Heartland” with an initial project timeline of Q3 2022 – Q4 2027.

**Implication of
Administrative
Recommendation**

Strategic Alignment

Diverse Business Hub—Sturgeon County is committed to reinforcing itself as an internationally competitive and supportive municipality to locate and conduct business. The Process Water Initiative will serve as a powerful business enabler, positioning the County for economic growth and enhanced competitiveness in the region.

Environmental Stewardship—Sturgeon County recognizes the critical importance of maintaining a healthy natural environment, including responsible use of water. The Process Water Initiative will provide some industries in the County with the ability to use non-drinking water in their processes (across Alberta today, industry still largely relies on potable water to do business, including in fabrication, cooling, dilution and cleaning).

Organizational

Administration has sufficient capacity to advance this strategic initiative, in consideration of prior Council resource approvals. Subsequent requirements will be identified where required, including resource requirements through each milestone update.

Financial

- Expected revenue from the intake will support the County’s long-term financial sustainability objectives, and the continuity of services to County residents, stakeholders, and business. Future confirmation of a rate model, aligned to provincial requirements for low cost water provision, will support confirmation of financial benefit.
- Sturgeon County received a \$16.7 million grant agreement for the design and construction of a water intake from the Government of Alberta, facilitated through AIHA. The \$16.7 million grant is split over four years, acceptance of the grant requires meeting the conditions set within each term. The County is eligible to receive \$6,666,666 based on the agreement schedule, which will financially support “Phase 1” and “Phase 2” project milestones with funds being carried into “Phase 3” of the project.
 - Funds available as of May 30, 2025: \$6,666,666
 - Additional funds available:
 - After April 1, 2026, \$3,333,333
 - After April 1, 2027, \$3,333,333
 - After April 1, 2028, \$3,333,333

Category	Description	Budget
Engineering	Includes final construction ready engineering and architectural design	\$1,666,666
Construction	Site development, general earthwork, concrete, mechanical equipment, piping, electrical and instrument installation	\$15,000,000
Total		\$16,666,666

Alternatives Considered	Council could defer approval of Phase One of the project milestones and direct Administration to develop further analyses on desired project elements.
Implications of Alternatives	<u>Strategic Alignment</u> N/A <u>Organizational</u> Administration would need to resource time for preparation of additional reports, analyses, or engagement activities to support future decision gates. <u>Financial</u> Potential delays in the project and/or preparation of new analyses could jeopardize the County's ability to meet grant condition timelines and may increase long-term project costing.
Follow up Action	Provide Council with an update on the project milestones (Utility & Waste Management Services, Q1 2026).
Attachment(s)	1. Attachment 1 – Process Water Intake Project Delivery Analysis 2. Attachment 2 – Process Water Intake Location Assessment 3. Attachment 3 – Industrial Heartland Process Water Initiative Communications Plan
Report Reviewed by:	Jeffrey Yanew, Manager, Utility and Waste Management Services Sabrina Duquette, Manager, Corporate Finance and Treasury Services Jennifer Lavallee, Director, Communications and Strategic Services Milad Asdaghi, General Manager, Development and Economic Services Andrew Hayes, General Manager, Financial Services and Chief Financial Officer Gord Cebryk, General Manager, Infrastructure and Operational Services Travis Peter, Chief Administrative Officer

Strategic Alignment Checklist

Vision: *Offering a rich tapestry of historical, cultural, and natural experiences, Sturgeon County is a municipality that honours its rural roots and cultivates desirable communities. Uniquely situated to provide world-class agricultural, energy, and business investment opportunities, the County prioritizes responsible stewardship and dreaming big.*

Guiding Principles: Collaboration | Accountability | Flexibility | Excellence | Safety | Future Readiness | Affordability | Innovation

Community Outcome	Not consistent	Consistent	N/A
Planned Growth			
• <i>Internationally competitive to attract, grow and sustain diverse businesses; tenacious focus on new growth and innovation</i>	☐	☐	☒
• <i>Modern broadband and digital capabilities</i>	☐	☐	☒
• <i>Low cost, minimal red-tape regulations</i>	☐	☐	☒
• <i>Reliable and effective infrastructure planning; comprehensive land use and infrastructure planning</i>	☐	☐	☒
Thriving Communities			
• <i>Beautiful, surprising places with high standards; integrated natural spaces & trail systems; healthy and resilient</i>	☐	☐	☒
• <i>Engaging cultural, historical, and civic amenities; strong community identity and pride</i>	☐	☐	☒
• <i>Safe, welcoming, and diverse communities; small community feel and personal connection; commitment to high quality of life</i>	☐	☐	☒
Environmental Stewardship			
• <i>Clean air, land, and water; Carbon neutral municipal practices; circular economy opportunities</i>	☐	☐	☒
• <i>Conservation of natural areas and agricultural lands; enhanced greening and biodiversity; safekeeping ecosystems</i>	☐	☐	☒
• <i>Sustainable development; partnerships with industry and others to drive emission reductions</i>	☐	☒	☐
Collaborative Governance			
• <i>Predictable and stable external relationships; volunteer partnerships</i>	☐	☐	☒
• <i>Meaningful connections with Indigenous communities</i>	☐	☐	☒
• <i>Ongoing community consultation and engagement; transparent and action-oriented decision making based on sound rationale</i>	☐	☐	☒
• <i>Respectful and informed debate; clear and supportive governance processes</i>	☐	☐	☒
Operational Excellence			
• <i>Engaged and effective people – Council, Admin and Volunteers; continuous learning and improvement mindset; nimble and bold, with strong leadership</i>	☐	☐	☒
• <i>Quality cost-effective service delivery; robust procurement and operational practices and policies; asset management and performance measurement; careful debt and reserve stewardship; long-term financial planning and sustainability</i>	☐	☐	☒
• <i>Future focused thinking to proactively respond to emerging opportunities and challenges</i>	☐	☒	☐
• <i>Alternative revenue generation and service delivery models integrated strategic and business planning</i>	☐	☒	☐