

Municipality of Chatham-Kent

Community Development

To: Mayor and Members of Council

From: Bruce McAllister, MCIP, RPP
General Manager, Community Development

Date: September 14, 2022

Subject: Community Support Agreement with Hydro One Networks Inc. on the Priority Transmission Projects in Southwestern Ontario

Recommendations

It is recommended that:

1. The Mayor and Clerk be authorized to execute a **Community Support Agreement** with Hydro One Networks Inc., on the terms outlined in the agreement and subject to the approval of the final terms by the General Manager, Community Development and Director, Legal Services.
2. A specific reserve account be created for the annual \$1,000,000 **Community Benefit Contribution** and that any unspent funds be transferred to the reserve at year end.
3. A specific reserve account be created for the annual \$30,000 **Donation** and that any unspent funds be transferred to the reserve at year end.
4. The General Manager, Infrastructure & Engineering Services and Chief Administrative Officer be authorized to execute a Road Use Agreement with Hydro One Networks Inc., subject to the approval of the final terms by the Director, Engineering and Transportation Services and Director, Legal Services.

Background

On January 20, 2022, through a public posting on the Environmental Registry of Ontario (ERO) titled "Supporting critical transmission infrastructure in Southwestern Ontario", the Province proposed the following:

- Prioritize certain transmission projects (The Chatham to Lakeshore Line, the St. Clair Line and the Longwood to Lakeshore Line);
- Designate Hydro One Networks Inc. (Hydro One) as transmitter of these 3 priority projects in order to prevent delays to project development;

- Require Hydro One to undertake early development work on future projects (A second 500-kV transmission line from Longwood to Lakeshore and a 230-kV line that would run from Windsor to Lakeshore).

The posting was open for comments until March 7, 2022.

The Municipality submitted a formal response through the ERO by the March 7, 2022 deadline.

On April 4, 2022, the Ministry of Energy issued an Order-In-Council to Hydro One to meet the forecasted rapid electricity demand growth in Southwestern Ontario. Specifically, the Ministry of Energy recommended that Hydro One build three priority electricity transmission lines and commence the early development of one additional line within Chatham-Kent; herein referred to as “the **Projects**” as follows:

- a) Chatham to Lakeshore Line – a 230-kilovolt transmission line that will run 48 kilometres from Chatham Switching Station (in Chatham) to the new Lakeshore Transformer Station (located in the Municipality of Lakeshore), and related station work;
- b) St. Clair Line – a 230-kilovolt transmission line that will run approximately 60 kilometres from Lambton Transformer Station (south of Sarnia) to Chatham Switching Station (in Chatham), and related station work;
- c) Longwood to Lakeshore Line – a 500-kilovolt transmission line that will run approximately 120 kilometres from Longwood Transformer Station (west of London) to Lakeshore Transformer Station (in the Municipality of Lakeshore), and related station work; and
- d) The early development of a Longwood to Lakeshore Line Phase Two – a 500-kilovolt transmission line that will run approximately 120 kilometres from Longwood Transformer Stations (west of London) to Lakeshore Transformer Station (in the Municipality of Lakeshore).

The Ministry of Energy issued a letter to Hydro One setting out expectations for Hydro One to work closely with affected Indigenous communities, municipalities, and stakeholders as it moves forward to develop these projects.

Since that time, the Municipality, has had numerous discussions with Hydro One on the framework of a **Community Support Agreement**.

Through those discussions, Hydro One has acknowledged that strong community and local government support and partnerships are fundamental organizing principles that guide all of Hydro One’s project development efforts. Further, Hydro One recognizes that transmission projects and large-scale public infrastructure are most successfully developed, constructed, and operated in communities that want to host such projects and that see the tangible and intangible benefits of providing such support.

Given this, Hydro One, and Chatham-Kent have come to agreement on a proposed terms of a **Community Support Agreement**, which are discussed in more detail below and which are being proposed for Council approval.

Comments

Community Support Agreement

The **Community Support Agreement** will provide the following benefits to Chatham-Kent:

- a) Hydro One will provide funding to Chatham-Kent for a dedicated full-time project manager who will be responsible for coordinating all **Project**-related matters, marshalling municipal approvals in a timely manner, and acting as Chatham-Kent's primary point of contact for Hydro One. Hydro One will pay to Chatham-Kent an annual fee of ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000.00). This amount may be adjusted in the future, with agreement of both parties, depending on the work required in the future.
- b) The Municipality may, acting reasonably, determine that additional external resources are required to meet its obligations with respect to the **Projects**. In order to cover such costs, Hydro One agrees to reimburse the Municipality up to FIFTY THOUSAND DOLLARS (\$50,000.00) per project, that make up the **Projects**, for expenses that are reasonably incurred (including but not limited to third party consultant and legal expenses) and that are directly related to the **Projects** ("**Initial Contingency Fund**"). The Initial Contingency Fund may be modified, or further contingency funds may be made available, upon mutual written agreement of the parties.
- c) Hydro One agrees to pay Chatham-Kent ONE MILLION DOLLARS (\$1,000,000.00) per year for ten (10) years, referred to as the "**Community Benefit Contribution**". This **Community Benefit Contribution** is provided for recreational and cultural purposes within Chatham-Kent, to be allocated and distributed by Chatham-Kent. Where appropriate, Hydro One will receive recognition for the **Community Benefit Contribution** and benefits will be made available to Hydro One. This amount will increase with inflation based on CPI.
- d) To support building safe communities, Hydro One agrees to donate to the Municipality a further THIRTY THOUSAND DOLLARS (\$30,000.00) per year for ten (10) years, with the first payment due upon execution of the Agreement and subsequent payments due on each anniversary of the Effective Date (the "**Donation**"). Hydro One and the Municipality will cooperate with identifying organizations to fund with the **Donation**, with the goal of ensuring that the **Donation** is distributed equally across the municipality of Chatham-Kent.

- e) In the event that Chatham-Kent identifies future capacity needs within the community, as a result of economic development opportunities or otherwise, Hydro One commits to review and provide options to address those needs.
- f) Hydro One will enter into a road use agreement which will address remediation costs for any damages caused to Chatham-Kent roads.

There are also obligations of Chatham-Kent under the **Community Support Agreement**:

1. Chatham-Kent will be committed to working closely with Hydro One and other impacted stakeholders through the various environmental assessment processes to determine the most appropriate routing for the Projects and to examine options and, to the extent possible, minimize impacts on the community, and Chatham-Kent will be committed to not publicly opposing, and where reasonable, publicly supporting, the **Projects**. Administration has clarified that Chatham-Kent shall have the right to express preference for a particular route for the lines in order to reflect community priorities.
2. Chatham-Kent will work with Hydro One to advocate for an integrated approach to planning and building transmission infrastructure in the province to allow for prioritization of work, more transparency during the environmental assessment process, strategic community partnerships, and visibility to the benefits of expanding transmission in the province.
3. Chatham-Kent agrees to undertake the following actions:
 - a) Liaising and consulting with community leaders, landowners and other stakeholders to review community benefits and project route options and preferences;
 - b) Attending Hydro One's Transmission Technical Advisory Committee meetings and community consultation events in Essex County, whenever practical;
 - c) Supporting transmission-related community events in Essex and Elgin counties by, whenever practical, attending meetings with administrators, local landowners and Council members to present project concepts; and
 - d) Providing continued support to Hydro One during the Ontario Energy Board processes and the construction phases of the **Projects**, including providing permits in a timely manner.

Administration is supportive of Chatham-Kent entering into the proposed **Community Support Agreement**. This transmission project will provide important electrical capacity within the Province, provide tangible benefits to the communities of Chatham-Kent and avoid costs that Chatham-Kent would otherwise potentially incur as a result of the **Projects**.

Use of Community Benefit Contribution

As discussed in the preceding section, the **Community Benefit Contribution** of \$1,000,000 annually for ten years is to be used for recreational and cultural purposes within Chatham-Kent. Administration intends to provide Council with recommendations via future reports on how the funds could be distributed to achieve benefits across the Municipality for recreational and cultural purposes. Administration anticipates recommending a process by which Councillors will have a say in the use of a portion of that funding towards recreational and cultural priorities within their respective wards. Administration also intends to perform community engagement on the appropriate use of these funds. To date, various groups have identified tennis, rugby, cricket, pickleball, basketball and ball hockey facilities as priorities. The community engagement process will allow for an assessment of those recreational needs, and any other recreational and cultural priorities of our citizens.

Areas of Strategic Focus and Critical Success Factors

The recommendations in this report support the following areas of strategic focus:

- Economic Prosperity:**
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:**
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:**
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:**
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendations in this report support the following critical success factors:

- Financial Sustainability:**
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:**
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors**

Neutral issues (does not support negatively or positively)

Consultation

Members of the Executive Management Team and the Director, Legal Services were consulted and agree with the recommendations.

Financial Implications

The proposed Community Support Agreement would result in significant financial contributions to the Municipality over the next 10 years.

Prepared by: Bruce McAllister, General Manager, Community Development

Reviewed by: Dave Taylor, Director, Legal Services

Reviewed by: Gord Quinton, MBA, CPA, CGA, Chief Financial Officer / Treasurer / GM,
Finance, Budget, Information Technology & Transformation

Reviewed by: Michael Duben, Chief Administrative Officer