



**DISTRICT OF HUDSON'S HOPE**  
**AGENDA – SPECIAL COUNCIL MEETING**  
Council Chambers  
August 8, 2024

**First Nations Acknowledgement**

**The District of Hudson's Hope would like to respectfully acknowledge that the land on which we gather is in the traditional territory of the Treaty 8 First Nations.**

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- 1. Call to Order**
- 2. Adoption of Agenda by Consensus**
- 3. Declaration of Conflict of Interest**
- 4. In-Camera Session**

ICSR1 Notice of Closed Session – August 8, 2024

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- 10. Adjournment**



## STAFF REPORT

**TO:** Mayor and Council  
**FROM:** Crystal Brown, Chief Administrative Officer  
**DATE:** August 8, 2024  
**SUBJECT:** Notice of Closed Session – August 8, 2024

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### RECOMMENDATION:

That Council receives the report titled “Notice of Closed Session – August 8, 2024”; further, that Council recess to a Closed Meeting for the purpose of discussing **Agenda Item ICC1 - Community Charter Section 90(1)(k)**, negotiations and related discussions respecting the proposed provision of a municipal service.

### ALTERNATIVE OPTIONS:

1. That Council recess to a Closed Session to discuss whether the proposed agenda items properly belong in a Closed Meeting (*Community Charter Section 90(1) (n)*).

Prepared By: *Crystal Brown, Chief Administrative Officer*



**DISTRICT OF HUDSONS'S HOPE**  
**SPECIAL IN-CAMERA COUNCIL MEETING**  
**District Office – Council Chambers**  
**August 8, 2024**

1. Call to Order
2. Adoption of Agenda by Consensus
3. Declaration of Conflict of Interest
4. Correspondence  
ICC1 BC Hydro Response Letter
5. Rise and Report
6. Adjournment

June 14, 2024

WITHOUT PREJUDICE

Crystal Brown  
Chief Administrative Officer  
District of Hudson's Hope  
9904 Dudley Drive  
Hudson's Hope, BC V0C 1V0

*Sent via email*

Dear Mrs. Brown,

Thank you for your letter of June 4, 2024, which provides additional information and clarity regarding the District's request for a new Supplementary Water Services Agreement with BC Hydro.

Based on the figures included in your letter, BC Hydro understands that the District is requesting BC Hydro provide the District with approximately \$8 million, which includes the value of the raw water intake recently installed as part of BC Hydro's shoreline protection project. This request is approximately \$2 million more than the amount BC Hydro has already provided to the District (\$6 million).

As you are aware, BC Hydro and the District of Hudson's Hope entered into the Partnering Relationship Agreement (PRA) in January 2017. As part of the PRA, BC Hydro committed to mitigating the effects of the dam and reservoir on the community's drinking water infrastructure by funding the relocation or reconstruction of affected components of the District's municipal water supply system (the 'Like for Like Replacement').

At the request of the District, the PRA was amended to allow the District to construct a new water treatment plant sourcing water from an underground aquifer (the 'Preferred Solution') instead of the Like for Like Replacement. The original budget established under the 2019 Water Agreement for the Preferred Solution was \$2.87 million, which included a 28% project contingency (\$629,900). BC Hydro later approved a budget increase of \$1.9 million for a total of \$4.8 million. These funds have been fully paid by BC Hydro to the District.

In the 2019 Water Agreement (the "Agreement") the District acknowledged and agreed that:

- it had complete and sole responsibility for all underlying decisions associated with the design, construction, and operation of the new water treatment plant;
- BC Hydro has no liability whatsoever with respect to the District's decision to proceed with the Preferred Solution, or the choice of contractors to do the work, or the manner in which the work was completed, and,
- BC Hydro's funding of the Preferred Solution satisfied its obligations under Condition 47 of the Project's Environmental Assessment Certificate.

BC Hydro reiterates to the District that while it recognizes that the District’s new water treatment plant did not work as envisioned, the District’s request for a Supplementary Water Services Agreement needs to be considered within the legal framework of the PRA and the Agreement, and notes that several binding commitments of the District within the Agreement were not completed by the District.

BC Hydro’s position is that it has gone above and beyond our legal and financial obligations to the District under the Agreement, including a recent payment of over \$1 million for emergency response and other costs incurred by the District related to the failure of the aquifer water treatment plant.

If the District feels that BC Hydro has not already fulfilled its commitments to the District in either the PRA or the Agreement, there are dispute resolution mechanisms built into these agreements.

With that said, because of the historical and ongoing connection BC Hydro has to the community, in the spirit of collaboration and on a without prejudice basis, BC Hydro offers the additional funds set out in the table below to the District on the following conditions:

- the District agrees to a full and final release of BC Hydro under both the PRA and the Agreement;
- the District and BC Hydro amend Schedule C of the PRA to reflect that BC Hydro has met its obligations regarding replacement of the District’s water treatment plant;
- The District confirms by letter to BC Hydro that BC Hydro has met its obligations to the District under EAC Condition 47, and,
- The District agrees that all issues, concerns, and actual or potential impacts of the Site C Project on the District’s municipal drinking water system have been fully addressed and compensated by BC Hydro, and the District will not seek any further payments associated with any real or perceived impacts of the Site C Project, whether identified now or in the future.

Subject to the conditions set out above, BC Hydro offers the following in response to the District’s request:

	Amount
The remaining funds from the \$2.5 million offered to the District in 2022 for emergency response measures and repairs to the water treatment plant	\$1,470,000
Funds towards the purchase of a permanent clarifier	\$800,000
Transfer ownership of BC Hydro’s Raw Water Intake to the District	\$838,749 (value)
<b>Total Value</b>	<b>\$3,108,749</b>

To summarize, this offer would consist of a cash payment of \$2,270,000 plus the transfer of tenure of the raw water intake constructed by BC Hydro.

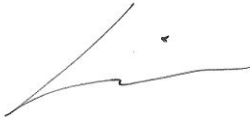
Given BC Hydro has met its obligations under the Agreement and provided additional and significant contributions to the District on a without prejudice basis, in BC Hydro's opinion, this further offer of a cost share reflects a fair, reasonable and concluding measure of financial support on the part of BC Hydro that will assist the District in moving forward with a new permanent water treatment system.

While BC Hydro's contribution may be less than what the District is seeking, the District will soon receive additional revenue from BC Hydro once the Site C Project becomes operational. Under the Regional Legacy Benefits Agreement (RLBA) signed with the Peace River Regional District (PRRD), the District is scheduled to receive 10.99% of BC Hydro's annual RLBA payment in accordance with the funding formula established by the PRRD.

The RLBA is an annual payment of \$2.4 million per year over the next 70 years and the payments will increase with inflation. Before inflation is factored in and based on a 10.99% share of the payment, the District will receive \$263,760 annually, \$1,318,800 over a 5-year period and a total \$18.5 million over the term of the agreement.

We trust this offer helps meet the needs of the District and BC Hydro looks forward to your response.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jerry Muir', with a stylized flourish at the end.

Jerry Muir  
Manager of Social and Community Programs, Site C  
BC Hydro



**HUDSON'S  
HOPE**  
PLAYGROUND OF THE PEACE

9904 Dudley Drive  
Hudson's Hope BC  
Telephone: 250-783-9901  
Fax: 250-783-5741

July 10, 2024

WITHOUT PREJUDICE

Jerry Muir  
Manager of Social and Community Programs, Site C  
BC Hydro

Via email: [Jerry.Muir@bchydro.com](mailto:Jerry.Muir@bchydro.com)

**Re: Request for Funding for Hudson's Hope Water Treatment Plant**

Dear Mr. Muir,

Thank you for your prompt response letter dated June 14, 2024, regarding the District of Hudson's Hope's (District) request for BC Hydro to provide additional funding for the design and construction of a permanent water treatment system.

As mentioned in my previous correspondence, the District fully understands and appreciates that BC Hydro has already made a significant contribution to the District in an attempt to meet its commitment under the Environmental Assessment Process. As mentioned in your response letter, the District signed the 2019 Water Agreement, which stated that:

- a. The District had complete and sole responsibility for all underlying decisions associated with the design, construction, and operation of the new water treatment plant;
- b. BC Hydro has no liability whatsoever with respect to the District's decision to proceed with the Preferred Solution, or the choice of contractors to do the work, or the manner in which the work was completed, and,
- c. BC Hydro's funding of the Preferred Solution satisfied its obligations under Condition 47 of the Project's Environmental Assessment Certificate.

However, it should be further noted that the 2019 Water Agreement further states that the District is excused from performance of the Preferred Solution if performance is prevented or materially hindered by events or circumstances beyond the reasonable control of the District and which by the exercise of reasonable diligence by such Party could not have been prevented provided that prompt notice is given to the other Party. As discussed, many times in previous communications from the onset of the water treatment plant failure, through no fault of the District, the aquifer-based water system failed in multiple capacities.

As such, in the June 4, 2024, letter to BC Hydro, the District requested that BC Hydro commit to making the District whole and provide additional funding as follows:

- a. \$1,626,778.50 for costs occurred by the District in 2022 and 2023 related to the Water Treatment Plant failure and implementation of a temporary Water Treatment Plant;
- b. \$515,000 for preliminary and final design for both the intake and permanent Water Treatment Plant;

- c. \$4,756,000 for costs incurred for the construction of the permanent Water Treatment Plant and intake work;
- d. Costs incurred by the District to maintain and operate the temporary Water Treatment Plant, including clarifier costs for 2024, until the new permanent Water Treatment Plant is operational; and
- e. Transfer of ownership of the BC Hydro constructed raw water intakes at no cost to the District, including statutory right away, as required to protect our interests.

In your letter dated June 14, 2024, you reiterate BC Hydro's position that they have gone above and beyond their legal and financial obligations to the District. However, recognizing the historical and ongoing connection BC Hydro has to the community, BC Hydro countered the District's request by offering the following:

- a. The remaining funds from the \$2.5 million offered to the District in 2022 for emergency response measures and repairs to the water treatment plant at a value of \$1,470,000;
- b. An additional \$800,000 to be used to fund the purchase of a permanent clarifier; and
- c. \$838,749 (value) for transferring ownership of BC Hydro's Raw Water Intake to the District.

The total value of BC Hydro's counteroffer is \$3,108,749, which includes a cash payment of \$2,270,000 and the transfer of tenure of the raw water intake constructed by BC Hydro. Additionally, BC Hydro's offer is subject to the following conditions:

- a. That the District agrees to a full and final release of BC Hydro under both the PRA and the Agreement;
- b. That the District and BC Hydro amend Schedule C of the PRA to reflect that BC Hydro has met its obligations regarding the replacement of the District's water treatment plant;
- c. The District confirms by letter to BC Hydro that BC Hydro has met its obligations to the District under EAC Condition 47; and,
- d. The District agrees that all issues, concerns, and actual or potential impacts of the Site C Project on the District's municipal drinking water system have been fully addressed and compensated by BC Hydro, and the District will not seek any further payments associated with any real or perceived impacts of the Site C Project, whether identified now or in the future.

On June 19, 2024, Councillor Winnicky, Councillor Beattie, and I met with you and Shanna Mason to discuss BC Hydro's counteroffer. At that time, BC Hydro further communicated that should the Parties come to an agreement for additional funding, BC Hydro would require that the District hire a project manager to oversee the project.

After careful consideration, on behalf of the District, I would like to propose the following adjustments to help bridge our respective positions:

- a. The District acknowledges and accepts BC Hydro's offer to release \$1,470,000 from the original \$2.5 million offered in 2022 for emergency response measures and repairs to the

Water Treatment Plant. The District is willing to cover the remaining costs incurred by the District in 2022 and 2023.

- b. The District will continue to absorb escalating expenses incurred due to increased staffing costs, chemical costs, and emergency repairs resulting from the inherently fragile nature of the temporary water treatment plant.
- c. The District accepts that the \$515,000 for preliminary and final design for both the intake and permanent Water Treatment Plant are the responsibility of the District and will not seek to recover these costs from BC Hydro if an agreement is met.
- d. The District agrees in principle to appoint a project manager to oversee all activities related to the construction of the Water Treatment Plant. The District intends to engage McElhanney for this role paid for by the District. However, the District is also open to BC Hydro providing a project manager of their choice at their cost.
- e. The District is not willing to provide BC Hydro with a full and final release under both the PRA and Water Agreement; however, the District is willing to consider releasing BC Hydro from mutually agreed-upon sections.
- e. The District is not willing to agree to amend Schedule C of the PRA to reflect that BC Hydro has met its obligations regarding the replacement of the District's water treatment plant as we do not see how it is relevant.
- f. The District is not willing at this time to confirm by letter that BC Hydro has met its obligations to the District under EAC Condition 47.
- g. The District does not agree that all issues, concerns, and actual or potential impacts of the Site C Project on the District's municipal drinking water system have been fully addressed and compensated for by BC Hydro; however, the District is willing to consider a release from the liability and any further requests for financial compensation for the development of a functioning permanent water treatment plant. This release would be based upon both Parties agreeing on the expected water quality range of the Site C Reservoir.
- f. The District is willing to accept the transfer of ownership of BC Hydro's Raw Water Intake to the District, valued at \$838,749, once Northern Health has approved it for use in the permanent water treatment. Furthermore, the District again requests that the transfer of ownership of the BC Hydro-constructed raw water intakes be provided at no cost to the District and that BC Hydro include statutory right away to the District to protect both of our interests.

- g. The District acknowledges and accepts BC Hydro's offer of \$800,000 to fund the purchase of a permanent clarifier.
- h. Based on the funding offered for the clarifier, the District is revising their original request of \$4,756,000 to \$3,956,000 for the construction of the permanent Water Treatment Plant.

The conditions set above are subject to BC Hydro and the District coming to a mutually agreed-upon Supplementary Water Services Agreement.

Based on the District's financial position, if BC Hydro and the District are able to agree upon the adjusted terms of this offer, the District will not be required to move forward with the public borrowing process.

If an agreement less than the proposed adjustments in this letter are mutually agreed upon, the District will need to continue to move forward with the public borrowing process to secure the remaining costs required for the construction of the permanent Water Treatment Plant and intake work.

The District has submitted our application to the Province and is anticipating to receive approval to move forward with the next steps. Upon receipt of approval from the Province, the District has 80 days to hold the assent vote. An expedited response would be appreciated.

Your support in this matter is highly valued, and we look forward to continued discussions to finalize the details of the supplementary water services agreement. Should you require additional information or clarification, please do not hesitate to contact me at [cao@hudsonshope.ca](mailto:cao@hudsonshope.ca).

Sincerely,

*Crystal Brown*

Crystal Brown  
Chief Administrative Officer

Cc. Shanna Mason, Director Regulatory, Environment, Social & Properties Program Site C Project, BC Hydro, [shanna.mason@bchydro.com](mailto:shanna.mason@bchydro.com)  
Chris O'Riley, President & CEO, BC Hydro, [chris.oriley@bchydro.com](mailto:chris.oriley@bchydro.com)

July 30, 2024

WITHOUT PREJUDICE

Crystal Brown  
Chief Administrative Officer  
District of Hudson's Hope  
9904 Dudley Drive  
Hudson's Hope, BC V0C 1V0

*Sent via email*

Dear Mrs. Brown,

Thank you for your letter of July 10, 2024, which provides a counter-offer to BC Hydro's without prejudice offer of June 14, 2024 to assist the District of Hudson's Hope (District) with additional funding towards completion of a new water treatment plant and the transfer of ownership of the raw water intake to Hudson's Hope in exchange for certain releases. BC Hydro rejects the counter-offer contained in your letter of July 10, 2024.

At the District's request, the Partnering Relationship Agreement (PRA) was amended by the September 2019 Water Agreement (Water Agreement) to facilitate the District's decision to construct a new water treatment plant sourcing water from an underground aquifer (the 'Preferred Solution') instead of a Like for Like Replacement. As stated in the Water Agreement signed by both BC Hydro and the District, by funding the Preferred Solution, BC Hydro has satisfied its obligations under the PRA and Condition 47 of the Project's Environmental Assessment Certificate.

Further, the District acknowledged and agreed by signature on the Water Agreement that it had complete and sole responsibility for the new water treatment plant, including all underlying decisions associated with the Preferred Solution as well as the design, construction and operation of the new plant.

Under Section 10 of the Water Agreement, the District also acknowledged and agreed that BC Hydro does not bear any liability whatsoever with respect to the District's decision to proceed with the Preferred Solution, or the choice of contractors to do the work, or the manner in which the work was completed.

Nevertheless, in September 2023, the District requested BC Hydro enter into a Supplementary Water Services Agreement, and again fully fund the completion of a permanent water system and fund the operations of the District's temporary water system.

Since that time, BC Hydro and the District have continued to engage in constructive dialogue and BC Hydro has offered additional financial support that goes far above and beyond our legal and financial obligations.

While we appreciate receiving the counter-offer of July 10, 2024, BC Hydro was discouraged that it did not include the provision of releases in exchange for additional funding. Without providing BC Hydro with a final release, the District is essentially asking BC Hydro to act as a guarantor of the District's new water treatment plant. This is not acceptable to BC Hydro. The District, advised by independent experts, created the plan for the new water treatment plant and the District is responsible for all decisions related to the design, construction and operation of the new plant in perpetuity.

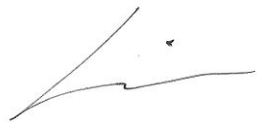
If the District wishes BC Hydro to contribute additional funds towards the capital cost of the permanent water system, BC Hydro must obtain the certainty it requires in terms of the proposed releases set out in our June 14, 2024 letter.

Accordingly, BC Hydro proposes that any further discussion regarding a contribution towards the permanent water system be paused while the District and BC Hydro first agree in principle to the terms of the releases that the District will provide to BC Hydro. For clarity, BC Hydro cannot justify providing further funding to the District unless the release language has been agreed to between the District and BC Hydro.

BC Hydro proposes that if the District is willing to negotiate the terms of a release in principle, this can be accomplished through our respective legal counsel, and once that issue has been resolved to our mutual satisfaction, our respective commercial teams can discuss additional funding from BC Hydro towards a funding amount that helps address the financial challenge faced by the District.

BC Hydro looks forward to your response and further discussion on these items.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jerry Muir', with a long horizontal stroke extending to the right.

Jerry Muir  
Manager of Social and Community Programs, Site C  
BC Hydro