

REGIONAL SEPTAGE FACILITY – CAPITAL, OPERATING & MAINTENANCE AGREEMENT

THIS AGREEMENT is made effective as of April 1, 2023

BETWEEN:

REGIONAL DISTRICT OF CENTRAL OKANAGAN

1450 K.L.O. Road, Kelowna BC, V1W 3Z4

(the "RDCO")

AND:

DISTRICT OF LAKE COUNTRY

10150 Bottom Wood Lake Road, Lake Country, BC, V4V 2M1

(the "DLC")

WHEREAS:

- A. The RDCO and DLC entered into a Memorandum of Understanding dated October 22, 1999 regarding septage waste receiving, treatment and disposal at the Wastewater Treatment Plant located at 4062 Beaver Lake Road, Lake Country, BC (the "MOU", attached as Schedule "D" hereto).
- B. Pursuant to the MOU referred to in Recital A, the DLC and RDCO have performed the following obligations up until the commencement of the Term of this Agreement:
- i. The DLC has constructed, operated and maintained a facility (the "Septage Facility") to receive and process regional septage waste from pre-approved Septage Users operating within the boundaries of the Central Okanagan Regional District;
 - ii. The RDCO has collected tipping fees from Septage Users, and has paid the DLC annual fees to cover the DLC's costs of operation and maintenance plus capital repairs and improvements to the Septage Facility; and
 - iii. The RDCO and DLC have worked collaboratively in accordance with the MOU, which has included among other things, arrangements regarding the transport and processing of biosolids.
- C. The parties wish to enter into this Agreement to set forth the terms and conditions by which DLC and RDCO shall continue to perform their obligations regarding regional septage waste services (the "Services", as defined in Schedule B hereto) at the Septage Facility, and the financial model to be used for funding such services (the "Fees & Costs", as defined in Schedule C hereto).

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements set forth in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties), the parties hereby agree as follows:

1. INTERPRETATION

1.1 Defined Terms. In this Agreement:

- (a) "3rd Party Biosolids Processing Facility" has the meaning set out in Schedule "B".

- (b) **“Capital Improvement Works”** has the meaning set out in Schedule “B”.
- (c) **“Capital Renewal Works”** has the meaning set out in Schedule “B”.
- (d) **“Central Okanagan Regional District”** means the geographical area within the boundaries of the Regional District of Central Okanagan, as defined in the BC Local Government Act and Community Charter.
- (e) **“Fees & Costs”** means the remuneration amounts, costs and funds that each party is responsible for under this Agreement, as set out in Schedule “C” hereto.
- (f) **“Force Majeure Event”** has the meaning set out in Section 2.4(f) hereof.
- (g) **“Government Approvals”** means any licences, permits, consents, authorizations, certificates, operating certificates and other approvals of any kind from any Governmental Authority that are required for or in connection with the performance of the Services.
- (h) **“Government Authority”** means any federal, provincial, local or other government or governmental agency, authority, board, bureau or commission.
- (i) **“Material Compliance Change”** means a change required to the Services or operations of either party, which is required or mandated by a change in applicable law or order of a court, board, or regulator during the Term hereof, and which results in a material change to the Services or operations of either party in fulfillment of this Agreement.
- (j) **“Material Septage Service Cost Change”** has the meaning set out in Schedule “C” hereof.
- (k) **“Septage Facility”** means the regional septage facility located at 4062 Beaver Lake Road, Lake Country, that receives and processes septage waste from Septage Users within the Central Okanagan Regional District in accordance with the Services, as detailed further in Schedule “B”.
- (l) **“Septage O&M Services”** has the meaning set out in Schedule “B”.
- (m) **“Septage Tipping Fees”** has the meaning set out in Schedule “B”.
- (n) **“Septage Users”** means septic waste users located within the Central Okanagan Regional District and/or their 3rd party septage haulers, that use the Services.
- (o) **“Service”** means the regional septage services and related obligations, including the responsibilities and obligations of both RDCO and DLC, as listed in Schedule “B”.
- (p) **“Standards”** means any and all laws, enactments, bylaws, statutes, regulations, rules, orders, permits, licences, codes, professional standards and specifications (including Canadian Standards Association standards) applicable to the provision of the Services, as they are in force from time to time or in the latest current version, as the case may be.
- (q) **“Term”** has the meaning set out in Section 6.1 hereof.

2. CONTRACT FOR SERVICES

2.1 Contract for Services. The RDCO and DLC hereby enter into a contract for services whereby both parties shall work together to deliver a sustainable Service for Septage Users, located within the Central Okanagan Regional District.

2.2 DLC Responsibilities. As part of its obligations under this Agreement, the DLC will:

- (a) Provide the land, assets, equipment and fixtures that comprise the Septage Facility for use in the Services;
- (b) Provide Septage O&M Services, for the benefit of Septage Users, in accordance with the terms of this Agreement and all relevant Government Approvals and Standards;
- (c) Manage and implement Capital Renewal Works for the Septage Facility in accordance with the mutually agreed 20-Year Financial Model stated in Schedule “C”;
- (d) Manage and implement Capital Improvement Works for the Septage Facility in accordance with the mutually agreed 20-Year Financial Model stated in Schedule “C”;
- (e) Be responsible for the provision of reporting and data to the RDCO as required for the Services, which shall include updates to the 20-Year Financial Model stated in Schedule “C”; and
- (f) Transport and tip biosolids that are generated by the Septage Facility at those 3rd Party Biosolids Processing Facilities contracted by the RDCO; and
- (g) Make payments to the RDCO in accordance with the Fees & Costs required under Schedule C of this Agreement.
- (h) Establish a Septage Facility reserve fund to be used for expenses related to Capital Improvement Works and Capital Renewal Works.

2.3 RDCO Responsibilities. As part of its obligations under this Agreement, the RDCO will:

- (a) Provide one or multiple 3rd Party Biosolids Processing Facilities for the DLC to use for disposal of biosolids that are generated by both the Septage Facility and DLC’s own sewage;
- (b) Set, manage and communicate the Septage Tipping Fees that will apply to Septage Users in accordance with RDCO Bylaws and Government Approvals;
- (c) Invoice and Collect Septage Tipping Fees from Septage Users;
- (d) Make payments to the DLC in accordance with the Fees & Costs required under Schedule C of this Agreement; and
- (e) Strive to partner with DLC wherever possible regarding the preparation and submission of grant applications to Provincial, Federal or other government / non-profit organizations for the benefit of the Service.

2.4 Service Level.

- (a) The parties shall each perform their obligations under this Agreement, including Septage O&M Services, planning and execution of Capital Renewal Works and Capital Improvement Works, in order to achieve the Service levels and Daily Septage Limits listed in Schedule “B”.
- (b) DLC will ensure that all Services provided by it under this Agreement meet the Standards generally accepted in British Columbia for such services, except that if there is any conflict with or inconsistency between such generally accepted Standards and the terms of this Agreement, then the terms of this Agreement will prevail to the extent of such conflict or inconsistency.
- (c) DLC will not be responsible or liable in any way for any delays or inability to achieve Service levels caused by (a) Acts of God; (b) restrictions, regulations or orders of any Governmental Authority or agency or subdivision thereof or delays caused by such authorities or agencies; (c) strikes or labour disputes; (d) fires or other loss of facilities; (e) the RDCO’s material breach or delay (f) utility, communication (excluding communication delays caused by the negligence of DLC) or transportation delays or failures; (g) acts of war (whether declared or undeclared), terrorism, sabotage or the like; (h) pandemic, including the COVID-19 pandemic, or (j) any other causes beyond the reasonable control, and not the result of the fault or neglect, of DLC (collectively, a “Force Majeure Event”) provided that DLC shall take reasonable commercial efforts to avoid or limit the duration or impact of a Force Majeure Event.
- (d) DLC shall have the option of suspending the Services for periods required that are due to;
 - (i) Septage Facility equipment failure or other issues which prevent the Septage Facility from operating; or
 - (ii) As part of a planned Service outage for facility maintenance, upgrades or construction.

Except for those suspensions that result from a Force Majeure Event, there shall be no other impact on the Service obligations under this Agreement, except for a lack of Service during the days of the said suspension. DLC shall take reasonable commercial efforts to limit the duration of any suspension of Services.

2.5 Personnel. All operators providing Septage O&M Services will be employees or contractors or agents of DLC, and not employees or contractors or agents of the RDCO; and as such will be subject to DLC policies and practices, as determined by DLC from time to time.

2.6 Compliance with Laws. In the performance of their obligations hereunder, both parties will comply with the provisions of any statute, regulation, bylaw or other enactment that may from time to time apply to the Services.

2.7 Indemnification.

- (a) DLC Indemnity: DLC shall indemnify, defend and save harmless the RDCO from and against all expenses, claims, losses, damages, actions, causes of action, costs or proceedings by third parties arising from or caused by the negligence of DLC and its directors, officers, employees, agents and contractors in providing its obligations under the Services, including those listed in this Agreement as ‘DLC Responsibilities’.

- (b) RDCO Indemnity: RDCO shall indemnify, defend and save harmless the DLC from and against all expenses, claims, losses, damages, actions, causes of action, costs or proceedings by third parties arising from or caused by the negligence of RDCO and its directors, officers, employees, agents and contractors in providing its obligations under the Services, including those listed in this Agreement as 'RDCO Responsibilities'.
- (c) Limitations on Liability: In no event will either party be liable to the other party for incidental, indirect, special or consequential damages suffered or incurred by either RDCO or DLC, including but not limited to such damages resulting from:
 - (i) loss of use, loss of anticipated revenue and/or savings, cost of capital, down-time costs, costs of substitute products, facilities, services or replacement power, loss of time or any other similar losses incurred;
 - (ii) any action taken or permitted to be taken by either party in good faith in reliance upon instructions, orders or information received from or on behalf of the other;
 - (iii) any property damage external to any Services provided pursuant to this Agreement, and loss arising out of such damage; or
 - (iv) a Force Majeure Event,

whether a claim for such liability is asserted on the basis of contract, tort (including negligence or strict liability) or otherwise, in all cases even if the party knew or should have known of the possibility or likelihood of such loss, liability or damage. For the purposes of this Section, each "party" is defined as the party and its directors, officers, shareholders, employees and agents.

- 2.8 Insurance. Both RDCO and DLC shall obtain comprehensive general liability insurance providing coverage against third party bodily injury, personal injury and/or property damage.
- 2.9 Right of Access. RDCO representatives may at any time during Septage O&M Services hours as shown in Schedule B, enter upon the Septage Facility for the purposes of inspecting the Septage Facility and ensuring compliance with the terms of the agreement.

3. PAYMENT

- 3.1 Service Fees & Costs. Each party shall pay the Fees & Costs as set out in Schedule "C" hereto in consideration of the Services and obligations provided by the other under this Agreement.

4. 3RD PARTY BIOSOLIDS PROCESSING FACILITY PROVIDERS

- 4.1 DLC Authority to Deal with RDCO Contractors. Subject to the prior approval of 3rd Party Biosolids Processing Facility Providers, the RDCO agrees that DLC may contact and deal directly with 3rd Party Biosolids Processing Facility Providers that are in contract with RDCO with respect to those matters listed in Schedule B hereto.

5. CHANGES TO THE SERVICES OR AGREEMENT

- 5.1 Changes. Either party may request the other to make amendments to the Service requirements specified in Schedule “B” or Agreement terms and conditions a “Change”), however no Change to this Agreement shall take effect unless such Change is approved in amendment to this Agreement (a “Contract Amendment”) which:
- (a) is in writing and entitled “Contract Amendment”;
 - (b) describes the amendment to the Service Requirements in Schedule “B” or Agreement terms and conditions and identifies them as a “Change”; and
 - (c) is signed by an authorized signatory of both parties.

6. TERM AND RENEWAL

- 6.1 Term. Subject to Section 6.2, the term of this Agreement (the “Term”) will commence as of on April 1, 2023 and shall continue for a period of twenty years, expiring on March 31, 2043.
- 6.2 5-Year Fee & Cost Periods. Notwithstanding the Term of this Agreement as specified in Section 6.1, the Fees & Costs as specified in Schedule “C” shall be agreed for 5 (five)-year periods only (a “5-Year Fee & Cost Period”), which shall be based on a rolling 20-Year Financial Model, also detailed in Schedule “C”. No later than 1-year prior to the expiry of each 5-Year Fee & Cost Period, the parties shall in good-faith begin to negotiate and seek to mutually agree the Fees & Costs applicable to the next 5-Year Fee & Cost Period. Upon agreement of Fees & Costs for the next 5-Year Fee & Cost Period, the parties shall record this through a Contract Amendment. Should a 5-Year Fee & Cost Period expire without the parties having mutually agreed the Fees & Costs for the next consecutive 5-Year Fee & Cost Period, then both parties shall continue to perform the Services and their obligations hereunder until the Fees & Costs for a new 5-Year Fee & Cost Period are agreed. For any period of the Term without agreed Fees & Costs in accordance with this section, the Fees & Costs applicable shall be; those that applied during the final year of the last-agreed 5-Year Fee & Cost Period, plus those extra direct costs that are being incurred by either party and that are not reflected in the 20-Year Financial Model upon which the Fees & Costs of the last-agreed 5-Year Fee & Cost Period was based. Extra direct costs shall be evidenced by ‘open-book’ cost documentation sharing, as may be requested by either party.
- 6.3 Term Expiry. Commencing at least 60-months prior to expiry of the Term, and concluding no later than 36-months prior to expiry of the Term, the parties shall enter into good-faith negotiations for a new agreement for the Service to commence April 1, 2043. Should the parties not conclude a new agreement at least 36-months prior to expiry of the Term (by March 31, 2040) then either party may issue an “Advance Notice of Termination” and the parties shall follow the provisions of Section 6.4 and 6.5 in order to ensure an orderly transition and termination of the Services effective on the Term expiry date.
- 6.4 Termination Rights. During the Term, either party will have the right to terminate this Agreement by giving not less than 36 months’ written notice (“Advance Notice of Termination”) to the other party. Should the DLC terminate the Agreement in accordance with this section, within the first five-years of the Term, then the Capital Reserve Transfer fee, as detailed in Schedule “C”, shall be repaid to the RDCO.

- 6.5 Obligations Upon Termination or Term Expiry. In addition to any other obligations of the either party upon termination or Term expiry specified in or required under this Agreement, the following provisions apply to any termination or Term expiry of this Agreement:
- (a) Within 30 days after issuance by party of an Advance Notice of Termination, the parties shall meet and cooperate fully with each other to develop and implement a plan for ceasing the Services effective from the termination or Term expiry date.
 - (b) The obligations of DLC, to be completed prior to the termination or Term expiry date shall include:
 - (i) Reduce all plans for further Capital Renewal Works or Capital Improvement Work to a minimum amount required to continue the Service until the termination or Term expiry date.
 - (ii) Make arrangements for decommissioning of the Septage Facility and restoring of the septage site as required at DLC's cost, using funds from the Septage Facility reserve fund, if available.
 - (iii) Manage all arrangements for terminating its obligations under the Services, including all required administration with Government Authorities as required under Government Approvals or Standards.
 - (iv) Transfer any remaining funds from the Septage Facility reserve fund back to the RDCO. The RDCO shall not be responsible for any shortfall in the DLC's Septage Facility reserve fund.
 - (c) The obligations of RDCO, to be completed prior to the termination or Term expiry date shall include:
 - (i) Make arrangements for an alternate delivery model for regional septage services, and communicate those arrangements to Septage Users.

7. CONFIDENTIAL INFORMATION & FREEDOM OF INFORMATION

- 7.1 Confidentiality. Subject to applicable law, any information, including any and all written documentation provided by either party to the other, or by their respective employees, servants, agents, assigns and/or contractors pertaining to this Agreement is confidential, and will be provided only to such persons who have a need to know for the purposes of this Agreement. Neither party will permit any of their employees, servants, agents, assigns and/or contractors to duplicate, reproduce or otherwise copy any such confidential information for any purpose whatsoever, except as may be required by any such employees, servants, agents, assigns and/or contractors with a need to do so for the purposes of this Agreement.
- 7.2 Access to Information Requests and Protection of Privacy. The RDCO and DLC both acknowledge and agree that the printed, electronic, and other records produced and maintained by both parties for the purpose of, or in connection with, the provision of the Services are records that for the purpose of the *Freedom of Information and Protection of Privacy Act (B.C.) ("FIPPA")* are in the custody and under the control of the RDCO and/or DLC, and that either party shall be responsible to process any request for access to those records under *FIPPA* that are received from third parties by the RDCO or DLC. Both parties

will comply with all federal and provincial legislation applicable with respect to the protection of privacy as is in effect from time to time.

8. DISPUTE RESOLUTION

- 8.1 Procedure. If there is any dispute arising out of or relating to this Agreement, then the parties will use reasonable good faith efforts to resolve such dispute, first by direct negotiation and then, if that is not successful, by mediation with a neutral third party mediator acceptable to both parties. Each party will bear its own costs and expenses in connection with any mediation and all costs and expenses of the mediator will be shared equally by the parties. In the unlikely event that any dispute arising out of or relating to the Agreement is not settled by agreement between the parties or mediation within a reasonable time, the dispute will be settled either by determination of the Province of British Columbia or through alternative means to be mutually agreed between the parties.

9. GENERAL PROVISIONS

- 9.1 Assignment. Neither party will have the right to assign, transfer (whether directly or indirectly by way of a change of control) or otherwise dispose of any of its interest in all or any part of the Agreement, whether gratuitously or for consideration, without the prior written consent of the other party.
- 9.2 Notices. Any notice required pursuant to this Agreement will be in writing and delivered personally, by courier or sent by registered mail (with proper postage) to the addresses listed hereafter. In the event of a strike or other disruption of postal service, delivery personally or by courier only will be effective;

A. RDCO

Corporate Officer
Regional District of Central Okanagan
1450 K.L.O. Road
Kelowna, B.C. V1W 3Z4
Phone: (250) 763-4918

B. DLC

Corporate Officer
District of Lake Country
10150 Bottom Wood Lake Road,
Lake Country, B.C. V1V 2M3
Phone: (250) 766-5650

or to such other address or contact person as either party may indicate in writing to the other.

- 9.3 Benefit. This Agreement will enure to the benefit of and be binding upon the parties and their respective successors and assigns.
- 9.4 Entire Agreement. This Agreement constitutes the entire agreement of the parties relating to the Septage Facility and the Services, and supersedes any previous agreement between the parties (including the MOU), whether written or verbal.
- 9.5 Severability. If any provision of this Agreement is held to be unenforceable, then such provision will be severed from this Agreement and the remaining provisions will remain in full force and effect. The parties will in good faith negotiate a mutually acceptable and enforceable substitute for the unenforceable provision, which substitute will be as consistent as possible with the original intent of the parties.

- 9.6 Waiver. The failure of either party to require the performance of any obligation hereunder, or the waiver of any obligation in a specific instance, will not be interpreted as a general waiver of any of the obligations hereunder, which will remain in full force and effect.
- 9.7 Relationship of Parties. This Agreement will not create nor will it be interpreted as creating any association, partnership or any agency relationship between the parties.
- 9.8 Governing Law. This Agreement will be governed by the laws of British Columbia and the laws of Canada applicable therein. The parties attorn to the exclusive jurisdiction of the courts of British Columbia.
- 9.9 Electronic Signature. This Agreement may be executed electronically through the use of digital signatures.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first set forth on page one.

<signature block on next page>

**REGIONAL DISTRICT OF CENTRAL
OKANAGAN**

DISTRICT OF LAKE COUNTRY

Per:

Per:

Name:

Name:

Title:

Title:

Per:

Per:

Name:

Name:

Title:

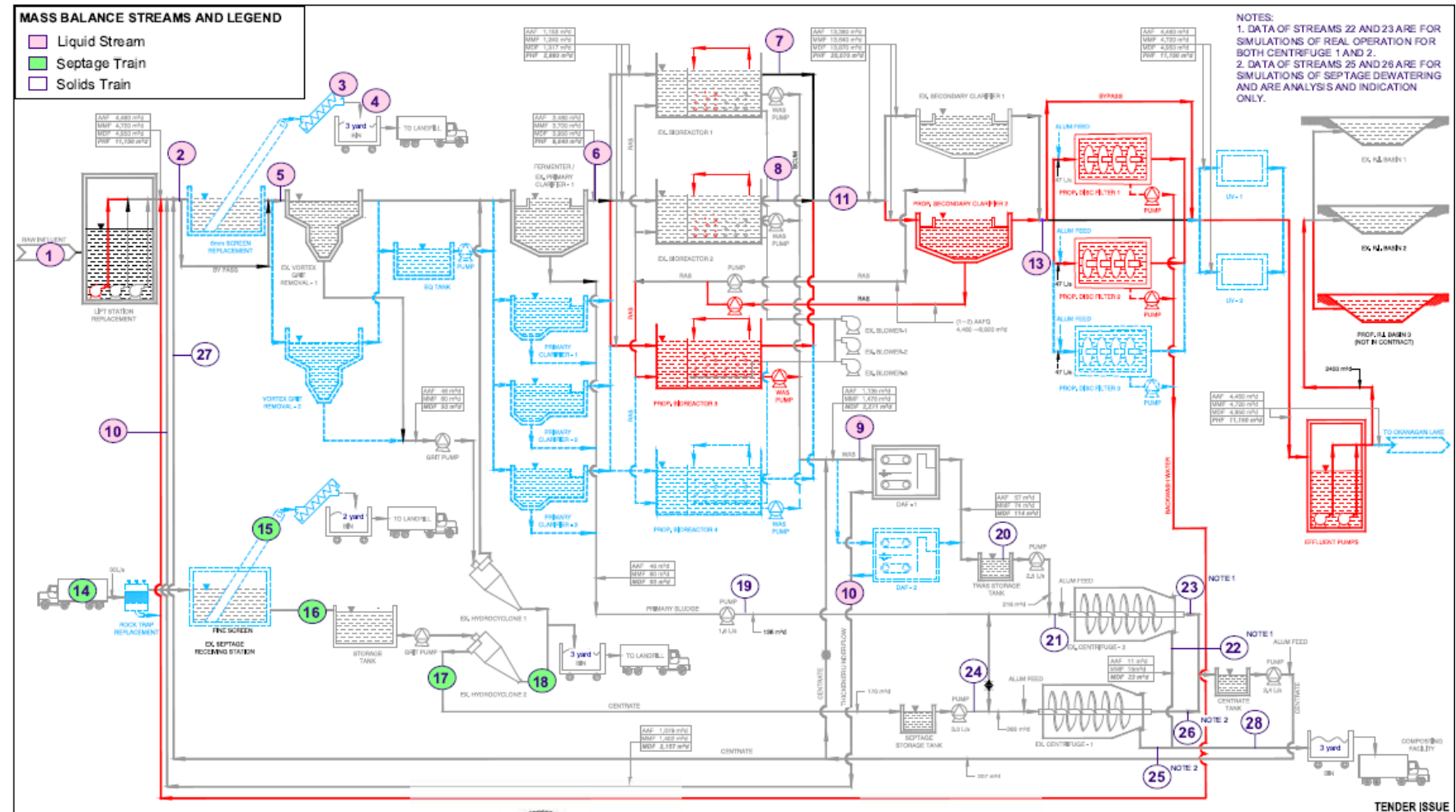
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SCHEDULE “A”

SEPTAGE FACILITY

Septage Facility Process Diagram:

The sections labelled as “Septage Train” in following diagram provide an overview of the assets, equipment, and process that form part of the Services, that are located at the Septage Facility:



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List of Septage Facility Capital Equipment:

The following table provides a more detailed list of the Septage Facility capital assets and equipment functions. Capital items (excluding operating services) listed herein are those assets that are to be maintained as part of the Capital Renewal Works:

Note: % of the asset that is attributable to the Septage Service is also indicated.

	% Septage	% Sewage	Delineation Method	Misc. Comments
General DLC Costs To Operate				
Access Road	50	50	If either facility were a stand-alone process, they would both require an access road. Additionally, the consistent use of heavy trucks to bring septage into the plant is offset by construction activities related to the WWTP expansions, therefore, this asset was ultimately determined to have a 50/50 split based on estimated utilization and necessity for both waste streams. This delineation was primarily based on DLC Staff and WWTP Operator interviews.	Renewal Costs includes removal and inestatement of ashaplt paving.
Site Security	25	75	If either facility were a stand-alone process, they would both require site security measures, however, due to the greater quantity of sewage related assets at the facility compared to septage, sewage users have a higher ownership allocation to site security needs. This delineation was primarily based on DLC Staff and WWTP Operator interviews.	Includes site fencing, security gate, cameras, alarm systems, access controls-
Site Maintenance	25	75	If either facility were a stand-alone process, they would both require site maintenance measures, however, due to the greater quantity of sewage related assets at the facility compared to septage, sewage users have a higher ownership allocation to site maintenance needs. This delineation was primarily based on DLC Staff and WWTP Operator interviews.	Includes Snow and ice, sweeping, potholes, mowing, line painting, drainage systems, services, renewal
Headworks Building	5	95	Delineation calculated from septage contributions based on composite process utilization of the DAF and HW channel. Calculated value rounded to the nearest 5% to account for peak loading conditions that are not captured in the high-level analysis using average process conditions.	Includes structural, electrical, and building mechanical components
Dewatering Building	50	50	Delineation calculated to a 45/55 septage/sewage split based on solids processing demands from average loading conditions, and averaged to 50/50 due to the importance of dewatering for both waste streams and the mutual benefits the waste streams provide each other during the process (all three waste streams are needed to balance solids loadings to the machines with the filter cake solids content after dewatering, no other process requires the addition of the other waste stream (septage vs. sewage) to operate well like the dewatering process)	Includes structural, electrical, and building mechanical components

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	% Septage	% Sewage	Delineation Method	Misc. Comments
Septage Receiving Building	85	15	Delineation calculated as a composite percent loading to process equipment in which septage has 100% utilization of all equipment except the grit classifier where septage only contributes 1.7% of grit loading.	Includes structural, electrical, and building mechanical components
Polymer Building	50	50	Delineation calculated through the operational analysis for polymer utilization by process.	Includes structural, electrical, and building mechanical components
Blower Building	10	90	Delineation calculated as a composite percentage using delineation between peak and normal ammonia loading conditions from septage based on percent of time under each condition, then rounded up to the nearest 5%.	Includes structural, electrical, and building mechanical components
Filter Building	10	90	Delineation calculated as the percent contribution from septage using secondary effluent loadings for flow and TSS (filtration is not biological so nutrient loading not used)	Includes structural, electrical, and building mechanical components
Electrical Building	20	80	Delineation calculated as a percentage of the total connected load from PH4 Equipment List	Includes structural, electrical, and building mechanical components
Admin Building	25	75	Delineation provided by the DLC based on input from Operations staff based on building utilization for necessary components of each process.	Includes structural, electrical, and building mechanical components
Hydro Costs (2020 Value)	15	85	Delineation calculated based on percent use of power from Ops Analysis	2020 Bill Value
Natural Gas Heating Costs (2020 Value)	35	65	Delineation calculated by taking the natural gas bill divided by air volume per process room and average heating load per building, and multiplying by the percent utilization based on mass and loading contributions from the Ops Analysis.	2020 Bill Value
Sampling and Analysis	20	80	Allocation by Sample Type from Lab Data	
Compliance Reporting	25	75	Delineation provided by the DLC based on input from Operations staff.	
Billing	100	0	All O&M associated with billing was directly related to septage processing.	
Managing Haulers	100	0	All O&M associated with managing haulers is directly related to septage processing.	This value is difficult to quantify, potentially unallocated and aggregated
Risk Premiums	100	0	Risk associated with septage management and processing at the WWTP.	Operating contingency, difficult to quantify, potentially unallocated and aggregated
Project Delivery Fees				10% of Professional Services Fees
DLC Admin Overhead				10% of total Sewage Costs
Direct Septage Processing Costs				

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	% Septage	% Sewage	Delineation Method	Misc. Comments
Offloading Bay	100	0	100% Septage	O&M includes manually shoveling out area and washdown (unmetered flow to oil and grit separator).
Septage Receiving System	100	0	100% Septage	
Offload Piping System			100% Septage- part of integrated system	
Card Lock System			100% Septage- part of integrated system	
Rock Trap			100% Septage- part of integrated system	
Septage Screen			100% Septage- part of integrated system	
Oil Grit Separator	100	0	100% Septage	100% Septage
Septage Grit Pumps	100	0	100% Septage	100% Septage
Grit Cyclones	50	50	1 Dedicated cyclone to each waste stream	
Primary Clarifier	5	95	Delineation calculated from TSS loading in the centrate contributed from septage and rounded to the nearest 5% to account for peak conditions that are not properly reflected in an analysis based on average conditions	
Grit Classifier	5	95	Delineation calculated based on solids loading to classifier and rounded to the nearest 5% to account for peak conditions that are not properly reflected in an analysis based on average conditions	
Septage Tank	100	0	100% Septage	
Centrifuge Macerator and Pump	100	0	100% Septage	
Centrifuges	70	30	Delineation calculated as a percentage of hydraulic loading	
Centrate Tank	70	30	Delineation calculated as a percentage of hydraulic loading	
Centrate Pump	70	30	Delineation calculated as a percentage of hydraulic loading	
Polymer System	70	30	Delineation calculated a percent production of dry solids and utilization of dry weight of polymer.	
Grit Vortex Unit	5	95	Delineation calculated as a percentage of solids loading from septage in the centrate.	centrate loadings
Bioreactors (x3)	10	90	Delineation calculated as a composite percentage using peak and average ammonia loading conditions based on percent of time under each condition and rounded to the nearest 5%.	Composite percentage using delineation between peak and normal ammonia loading conditions based on percent of time under each condition
Secondary Clarifiers (x2)	5	95	Delineation calculated as a percent contribution from septage based on TSS loading and rounded to the nearest 5% to account for peak TSS conditions not included in the analysis.	

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	% Septage	% Sewage	Delineation Method	Misc. Comments
Disk Filters	10	90	Delineation calculated as a percent contribution from septage using secondary effluent loadings for flow and TSS (filtration is not biological so nutrient loading not used). Rounded to the nearest 10% after conversations with the DLC in which tertiary filtration implementation was determined to be dependent upon septage treatment and its affects on effluent quality.	
Low Lift Pumps (x3)	5	95	Delineation calculated as a percent contribution from septage using secondary effluent loadings for flow and TSS (filtration is not biological so nutrient loading not used). Rounded to the nearest 5%.	
RI Basins (x3)	5	95	Delineation calculated as a percent contribution from septage using secondary effluent loadings for flow and TSS (filtration is not biological so nutrient loading not used). Rounded to the nearest 5%.	
DAF Thickening	5	95	Delineation calculated based on max flow and TSS/solid loadings to the DAF and rounded to the nearest 5%.	max flow and TSS/solid loadings
Blowers (x3)	10	90	Delineation calculated as a composite percentage using peak and average ammonia loading conditions based on percent of time under each condition. This value was rounded to the nearest 10% because under peak loading conditions septage is estimate to have 11.3% ownership of this asset, but under normal conditions only 3%.	
SCADA	10	90	Delineation calculated as a percentage of total connected process- 314 total PLC operated processes in which 12% are for septage or shared processes (most for bioreactors). Rounded to nearest 5%.	
Genset	0	100	The genset current does not power septage processes.	
Foul Air System	50	50	Foul air is primary from FPS, TWAS, and Septage, but septage foul air is more concentrated than the sewage waste streams.	
Biosolids Disposal Bin	50	50	Delineation calculated from hauling data and rounded to the nearest 5%.	
Biosolids Hauling	50	50	Delineation Calculated by loads hauled provided by the DLC.	2020 Bill Value
Garbage Hauling	50	50	Delineation Calculated by loads hauled provided by the DLC.	2020 Bill Value

SCHEDULE “B”

THE SERVICES & OBLIGATIONS OF EACH PARTY

Pursuant to Section 2 of the Agreement, the RDCO and DLC shall for the duration of the Term, work together to deliver the following Regional Septage Service for Septage Users located within the Central Okanagan Regional District. This Schedule “B” details the responsibilities of each party in delivering the Services.

A. Responsibilities of DLC:

In addition to those responsibilities identified elsewhere in the Agreement, the DLC shall perform the following obligations as part of the Services:

1. Septage O&M Services: The DLC will manage, operate and maintain the Septage Facility and associated functions; including the provision of all labour, contractors, equipment, Governmental Approvals, and other things necessary; to provide the following Service for Septage Users and the RDCO:

a) Pre-registered and approved Septage Users shall be able to unload septage waste at the Septage Facility during the following days and times:

- During the period November 1 – March 15:
 - Monday to Friday: 7:30AM to 4PM
 - Saturday: 9AM to 12PM
 - No unloading on Sundays or on statutory holidays.
- During the period March 16 – October 31:
 - Monday to Friday: 7AM to 4PM
 - Saturday and Sunday: 8AM to 12PM
 - No unloading on statutory holidays.

b) Receive and process septage waste, in accordance with the process identified in Schedule “A”, based on the following Daily Septage Limits:

Daily Septage Limits	2023	2024	2025	2026	2027
Daily Average (M ³ per day)	36.3	36.5	36.7	36.9	37.1
Daily Maximum (M ³ per day) *	80.0	80.0	80.0	80.0	80.0
* Although daily maximum does not increase incrementally annually, the intention is that long term peak capacity is adjusted for demand growth.					

c) Communicate with Septage Users regarding service interruptions.

d) Transport biosolids derived from the septage process, to the RDCO’s designated 3rd Party Biosolids Processing Facilities.

2. Capital Renewal Works: Provide all labour, financial arrangements, and inputs necessary to plan, administer, manage and implement a program of works to renew all capital equipment at

the Septage Facility (the “Capital Renewal Works”). The capital equipment to be maintained and renewed under this element of the Service is as per the capital equipment, plus associated appurtenances, listed in Schedule “A”. This element of the Services shall be conducted in way that ensures all Septage O&M Services are performed optimally and in accordance with all requirements of this Agreement, which shall include the requirements to meet Daily Septage Limits as identified in 1 b) of this Schedule.

3. **Capital Improvement Works:** Provide all labour, financial arrangements, and inputs necessary to plan, administer, manage and implement a program of works to complete the following mutually agreed capital upgrades and improvement plan (the ‘5-Year Capital Improvement Plan’):

Capital Improvement Project:	Total Project Budget	% Septage	% Sewage	Anticipated Year of Improvement
Oil/Grit Separator/Hot Load Diversion	\$129,764	100%	0%	2027
Replacement Septage Grit Pump Skid	\$58,944	100%	0%	2027
Automated Grit Cyclone Plug Valves	\$65,780	50%	50%	2027
Redundant Septage Macerator	\$160,023	100%	0%	2027
Redundant Centrate Tank	\$335,453	70%	30%	2027
Redundant Centrate Pump	\$14,548	70%	30%	2027
Biosolids Disposal Building	\$502,508	50%	50%	2027
Rock Trap	\$300,000	100%	0%	2023
Grit Cyclones	\$100,355	50%	50%	2027
Grit Classifier	\$195,696	5%	95%	2027
DAF Thickening	\$1,660,500	5%	95%	2027
Biosolids Disposal Bin	\$48,070	50%	50%	2027
Card Lock System	\$67,000	100%	0%	2023
Total:	\$3,638,641	\$1,411,898	\$2,226,743	

4. Prepare and submit grant applications to Provincial, Federal, or other government / non-profit organizations for the benefit of the Service, including partnership and cooperation with RDCO to achieve these objectives wherever possible.
5. Monitor, collect data, and provide reports to the RDCO on the following items regarding the Services:
 - a) An annual service level commitments report in a mutually agreed format.
 - b) Updates to financial models.
 - c) Updates to the Capital Improvement Plan.
 - d) Tracking of costs, so that costs related to the Service can be differentiated from DLC sewer costs.

6. Partner with the RDCO to seek cost effective solutions related to the hauling and processing of biosolids at 3rd party biosolids processing facilities. DLC shall be responsible for all aspects related to biosolids hauling.
7. Retain ownership of those assets, equipment and fixtures of the Septage Facility that are defined in Schedule “A”. Note: through the execution of this Agreement, the parties acknowledge that; notwithstanding statements made in the MOU; all Septage Facility assets, equipment and fixtures are 100% owned by the DLC.
8. Make payments to the RDCO as required in accordance with Schedule “C” of this Agreement.
9. Other: Provide reports and data as may be reasonably required by RDCO or Government Authorities for the effective delivery of the Services.

B. Responsibilities of RDCO:

In addition to those responsibilities identified elsewhere in the Agreement, the RDCO shall perform the following obligations as part of the Services:

1. 3rd Party Biosolids Processing Facilities: The RDCO shall make arrangements with one or multiple “3rd Party Biosolids Processing Facilities”, for DLC to use for tipping of biosolids that are generated from both; a) the septage Service, and b) DLC’s own sewage. The RDCO shall directly pay to each 3rd Party Biosolids Processing Facility the costs incurred for processing of biosolids tipped at each facility by DLC. For biosolids tipped to a 3rd Party Biosolids Processing Facility that are related to DLC sewage, the RDCO shall pay the 3rd party cost and then invoice DLC such costs plus an RDCO Overhead Charge. 3rd Party Biosolids Processing Facility costs related to the septage Services shall be paid for by the RDCO.
2. Septage Tipping Fee Administration: The RDCO will set, manage, and communicate the Septage Tipping Fees that will apply to Septage Users in accordance with RDCO Bylaws and Government Approvals. The RDCO shall provide all labour and inputs necessary for the management and administration of Septage Tipping Fee collection from Septage Users. This will include, but not be limited to;
 - a) Administration and communication related to RDCO Bylaws and other Government Approvals having jurisdiction over collection of Septage Tipping Fees within the Central Okanagan Regional District.
 - b) Analysis of usage data received from DLC or software at the Septage Facility in order to facilitate collection of Septage Tipping Fees.
 - c) All invoicing and collection of Septage Tipping Fees from Septage Users.
3. Make payments to the DLC as required in accordance with Schedule “C” of this Agreement.
4. Other: Partner and cooperate with DLC wherever possible regarding the preparation and submission of grant applications to Provincial, Federal or other government / non-profit organizations for the benefit of the Service.

SCHEDULE “C”

FEES & COSTS

Pursuant to Section 3 of the Agreement, each party is responsible for the Fees & Costs as detailed in this Schedule “C”.

Fees & Costs will be agreed for 5-Year Fee & Cost Periods (the “5-Year Fee & Cost Period”) using a twenty-year rolling financial model (the “20-Year Financial Model”) in accordance with Section 6.2 of the Agreement. The 20-Year Financial Model will be continually updated throughout the Term. A 5-Year Fee & Cost Period shall be fixed for the 5-year term stated, and will only be amended, by mutual agreement following good-faith negotiation of the parties, due to one of the following:

- a) The current 5-Year Fee & Cost Period is due to expire, and a new 5-Year Fee & Cost Period must be agreed, in accordance with the timeline specified in Section 6.2 of the Agreement.
 - b) New capital assets have been added to the Service equipment by way of Capital Improvement Works, which were not factored in the 20-Year Financial Model, and therefore require an adjustment to both the model plus Fees & Costs.
 - c) An ‘Adjustment for Annual CPI’, in accordance with the terms of sub-section 2 b) of this Schedule C.
 - d) A Material Septage Service Cost Change has occurred. A ‘Material Septage Service Cost Change’ is defined as a change to the assumptions of the 20-Year Financial Model that is caused by one of the following events:
 - i) A change in DLC or RDCO costs caused by a Material Compliance Change; or
 - ii) Capital Improvement Works are required in a timeline that was not factored into the 20-Year Financial Model; or
 - iii) A change in DLC or RDCO costs occurs that is caused by an event that was not reasonably foreseeable by the parties upon agreement of the 20-Year Financial Model.
- A party claiming a Material Septage Service Cost Change shall provide notice to the other party within 90 calendar days of becoming aware of the causing event.
- e) New grant funding is received which changes the 20-Year Financial Model.

5-Year Fee & Cost Period 2023 to 2027:

The 5-Year Fee & Cost Period applicable for the 5-Year term commencing April 1, 2023 and expiring on December 31, 2027 is based on the 20-Year Financial Model contained in the accompanying Microsoft Excel Workbook titled “Regional Septage Facility 20-Year Financial Model 29MAR23.xls”, key parts of which are included in the following subsections:

1. Key Principles: the following key principles apply to this 5-Year Fee & Cost Period 2023 to 2027:
 - a) O&M Septage Service Fees are paid by RDCO to DLC, and shall be the sum of the following:
 - i. O&M Base Fee; plus
 - ii. O&M Variable Fee per cubic meter (M³) of septage waste received.

- b) Capital Renewal Work Fees are paid by RDCO to DLC, and shall be the amounts shown in the table of section 2 below. The amounts shown are based on the Average Annual Investment 'AAI' Model of the 20-Year Financial Model.
- c) Capital Improvement Work Fees are paid by RDCO to DLC, and shall be the amounts shown in the table of section 2 below.
- d) The Capital Reserve Transfer will be paid by RDCO to DLC as a one-time payment within 90 days of the execution date of this Agreement.
- e) Biosolids Processing Fees: pursuant to Schedule B, Section B.1; the DLC shall pay to RDCO those costs charged to RDCO by 3rd Party Biosolids Processing Facilities for the processing of biosolids attributable to DLC sewage, plus a 20% RDCO Overhead Charge.

2. 2023 to 2027 Fees & Cost:

The Fees & Costs applicable for the 5-Year Fee & Cost Period 2023 to 2027 are as follows:

a) **Estimated 2023 to 2027 Fees & Costs:**

The following table provides an estimate only of the 2023 to 2027 Fees & Costs, based on an inflation projection for the years 2024 to 2027. Fees & Costs for 2024, 2025, 2026, and 2027 will be adjusted to account for actual inflation over the prior year in accordance with sub-section b). Fees & Costs shown for 2023 are fixed, except that the actual amounts paid will be pro-rated to account for a 9-month period only, due to a Term start date of April 1, 2023.

	ANNUAL FEES & COSTS				
	2023	2024 (est.)	2025 (est.)	2026 (est.)	2027 (est.)
O&M Septage Service Fees					
O&M Base Fee	\$ 150,880	\$ 158,424	\$ 164,761	\$ 169,704	\$ 173,098
O&M Variable Fee (per M ³)	\$ 10.42	\$ 10.94	\$ 11.38	\$ 11.72	\$ 11.95
Capital Renewal Work Fees	\$ 169,936	\$ 178,433	\$ 185,570	\$ 191,137	\$ 194,960
Capital Improvement Work Fees	\$ 315,427	\$ 331,198	\$ 344,446	\$ 354,779	\$ 361,875
Capital Reserve Transfer	\$ 300,000	N/A	N/A	N/A	N/A
Biosolids Processing Fees	As incurred	As incurred	As incurred	As incurred	As incurred

b) **Adjustment for Annual CPI (Consumer Price Index):**

Applicable to Annual Fees & Costs for the years 2024, 2025, 2026, and 2027 only, the Fees & Costs shown in sub-section a) will be adjusted from the Fees & Costs for the prior year, by applying the Consumer Price Index 'Annual Percent Change' (British Columbia) for the prior calendar year, as published in the Statistic Canada Table 18-10-0005-01 in January of each year. This Index can be found at the following Statistics Canada website location:

https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi_annual_averages.pdf

The value for the above-mentioned Index (the “Index Value”) for 2022 is: ‘145.5’.

This Adjustment for Annual CPI shall be completed during the month of January each year of the 5-Year Fee & Cost Period, and recorded in an update to the 20-Year Financial Model. The Adjustment for Annual CPI for subsequent years will use the updated Fees & Costs documented in the 20-Year Financial Model.

Example Calculation:

If;

- ‘O&M Base Fee’ in 2023 is: \$150,880; and
- The Annual Percent Change in Statistic Canada Table 18-10-0005-01 for 2023 is: ‘4.0’

then,

- the ‘O&M Base Fee’ for 2024 shall be \$156,915 ($\$150,880 \times 1.04$)

3. Payment Periods/Terms:

Invoices for payment of Fees & Costs shall be submitted at the ‘Period’ frequencies shown below:

	Period	Paid Within
O&M Septage Service Fees		
O&M Base Fee	Annual	30 days
O&M Variable Fee (per ³ M)	Quarterly	30 days
Capital Renewal Work Fees	Annual	30 days
Capital Improvement Work Fees	Annual	30 days
Capital Reserve Transfer	One time	30 days
Biosolids Processing Fees	Quarterly	30 days

Note: The first annual payment shall be invoiced within 30 days of Agreement execution date. Subsequent annual invoices shall be submitted on the 1-year anniversary of the first annual invoice.

SCHEDULE "D"

MOU



Engineering Services
Telephone: (250) 868-5241
Fax: (250) 762-7011

1450 K.L.O. Road
Kelowna, British Columbia
V1W 3Z4

October 22, 1999

Stephen Banmen
District of Lake Country
Lakewood Park Mall
11852 Highway 97, Unit #17
Lake Country, B.C. V4V 1E3

BY FAX: 766-0116

Dear Sir:

Re: Septage Facility – Memorandum of Understanding

Please accept this Memorandum of Understanding as the basis on which a contract will be established between the District of Lake Country and the Regional District of Central Okanagan for the septage waste receiving, treatment and disposal at your Waste Treatment Plant located on Beaver Lake Road.

Until a contract document is finalized, this Memorandum of Understanding obligates each party to fulfil its responsibilities in order to ensure that the facility is constructed and in operation as quickly as possible. It is the intent of both parties to work expediently towards that goal and to ensure completion of the facility by January 31, 2000. The commitment of both parties is as follows:

The Regional District of Central Okanagan will:

1. Prepare a contract document acceptable to both parties which recognizes the commitment of the parties to enter into a five year renewable contract. The contract will be structured such that there will be both an obligation and a desire by both parties to renew the contract, as it is the desire to establish a commitment based on a 20 year period.
2. The Regional District will seek out legal opinion to determine if there is a mechanism to include in the contract an initial longer term lease to ensure protection for both parties entering into this agreement.
3. The Regional District will work closely with the District's engineers, Reid Crowthers & Partners, and their operating subsidiary Aquatrol Technology Ltd. to ensure that all information that is required by the consultants is provided expediently. It is the desire of the Regional District, to ensure that the system is operating as quickly as possible.

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4. Despite revenues received by the Regional District in any year, the Regional District will guarantee to the District of Lake Country a stream of revenues over the term of the contract, and future renewed contracts, to cover the cost of operations and maintenance, annualized capital and maintenance repair allocation, as per the Reid Crowther memo dated August 19, 1999 and attached as Schedule 'A'.
5. As a regional service, the Regional District will be responsible for setting septage rates, as well as billing and collecting from customers.
6. The Regional District is committed to entering into this contract and recognizes that the payment of service to the District of Lake Country will be identified in the Reid Crowther memo dated August 19, 1999 attached as Appendix 'A'.
7. The Regional District will make separate arrangements for the transport of the dewatered sludges generated from the dewatering facility, as well as the costs associated with the composting of these dewatered sludges.
8. If required by the District of Lake Country, the Regional District will pay the cost of decommissioning the septage facility and restoring the septage site after the renewal terms have expired. Equipment removed at the time of decommissioning will become the property of the Regional District. The works considered to be part of the septage facility are limited to those works installed specifically to accommodate the septic wastes.

The District of Lake Country will:

1. Retain Reid Crowthers & Partners Ltd. to complete the design of the required facility.
2. Amend the current sewer operation and maintenance agreement between the District of Lake Country and Aquatrol Technology Ltd. to include the operation of the proposed additional facilities. In any subsequent renewal term, the District of Lake Country may operate the septage facility in a manner it deems appropriate, whether it is an extension to the Aquatrol contract, a different company/organization or in house.
3. Immediately commit to commence with design and construction of the facility to accommodate the receipt of the septage and washwater wastes by January 30, 2000.

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4. Ensure that all appropriate permits are in place including, but not limited to, appropriate land use, building and plumbing permits, as well as permits as may required by the Ministry of Environment.

That both the Regional District and the District of Lake Country mutually agree to:

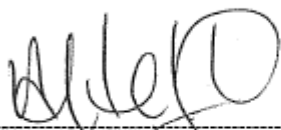
1. Remain in close contact with each other, as well as the design engineers to ensure the process moves along as quickly as possible.
2. That the final contract amount may be somewhat modified as reasonably required from the amount estimated by Reid Crowther depending on final capital costs, operational and borrowing costs.
3. In the event that the Regional District does not exercise any of the renewal terms prior to the expiration of twenty years, it will pay the District of Lake Country an amount as calculated by the Municipal Finance Authority of British Columbia, to fully redeem the remaining debt, including accrued interest, penalties and associated costs. The amount payable shall be based on the borrowing incurred, plus any future borrowings incurred, directly related to the septage facility. This amount shall not include the allocation of pre-existing infrastructure and capacity in the District of Lake Country's plant.
4. In the event the District of Lake Country does not exercise any of the renewal terms prior to expiration, the Regional District is under no obligation to make any further payments for operations and maintenance, annualized capital and maintenance repair allocation for septage facility; and further, the District of Lake Country will pay to the Regional District a portion of the costs to re-establish an alternative treatment facility. The portion to be paid by the District of Lake Country shall be 25% of the total cost of a new facility for each 5 year term the contract is not renewed, less the capital costs which would have otherwise been paid by the Regional District should the contract have been renewed.

This Memorandum of Understanding is binding by both parties. It is clearly the intent and understood that the District of Lake Country is not in a position to take a risk to expend funds without this commitment from the Regional District.


We trust this Memorandum of Understanding clearly indicates the commitment of both parties from this point forward to ensure that this contract is completed and entered into. The Regional District of Central Okanagan is not evaluating any other alternatives for its dewatering of septage wastes and is committed by means of signing and acknowledging this Memorandum of

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Understanding that it will enter into an agreement with the District of Lake Country for a long term commitment for the receipt, treatment and discharge of all wastes currently being delivered to its operations on Eldorado Ranch.



H.J. Hettings, P.Eng.
Director of Engineering Services
Regional District of Central Okanagan



Stephen Banmen
Treasurer
District of Lake Country

Att.

c.c. Rick Bitcon
Reid Crowther & Partners Ltd.
Fax No. 762-7789

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