

From: Marisa Carpino
Chief Administrative Officer

Subject:

Municipal Infrastructure & Servicing Agreement between the City of Pickering and Ontario Power Generation
File: A-1440

Recommendation:

1. That Report CAO 06-26 regarding the Municipal Infrastructure & Servicing Agreement between the City of Pickering and the Ontario Power Generation be received;
2. That the Mayor and City Clerk be authorized to execute the Municipal Infrastructure & Servicing Agreement with Ontario Power Generation, set out in Attachment 1, subject to revisions that may be required by the Chief Administrative Officer and the Director, Corporate Services & City Solicitor; and,
3. That the appropriate City of Pickering officials be authorized to take the actions necessary to implement the recommendations in this report.

1.0 Executive Summary:

Ontario Power Generation (OPG) has been a significant presence in the City of Pickering for more than five decades through the Pickering Nuclear Generating Station (PNGS). Operating since 1971, PNGS uses CANDU reactors to produce nearly emissions-free power that supplies approximately 14 per cent of Ontario's electricity demand.

On November 26, 2025, the Ontario government approved OPG's plan to refurbish four CANDU nuclear reactors (units 5-8) at the PNGS which will extend the facility's operations to deliver affordable, reliable and clean power for up to 38 years.

As OPG continues to operate and plan for future activities at its Pickering site, a comprehensive Municipal Infrastructure & Servicing Agreement (MISA) has been negotiated between OPG and the City to formalize responsibilities, contributions, and coordination. The

Agreement reflects the outcomes of negotiations between City staff and OPG representatives and provides a framework for the following financial commitments and arrangements:

- a) **Financial Contribution Toward Fire Hall #5:** OPG has confirmed a financial contribution of up to \$10 million to the City of Pickering toward the City's design and construction of Fire Hall #5, to be located at the southeast corner of Bayly St. and Sandy Beach Rd.
- b) **Financial Contribution Toward the Acquisition of 591 Liverpool Road:** OPG has confirmed a financial contribution of up to \$10 million to the City of Pickering toward the City's acquisition of the property municipally known as 591 Liverpool Road.
- c) **Sandy Beach Road Rehabilitation and Montgomery Park Road Reconstruction Projects:** OPG has entered into a Road Servicing Agreement with the City of Pickering such that OPG is performing rehabilitation work on Sandy Beach Road and the reconstruction of Montgomery Park Road, at a cost of approximately \$16 million to support the PNGS B Refurbishment Project, Pickering Residents and community.
- d) **PNGS Property Tax Payments During the Refurbishment Period:** This agreement includes clauses whereby OPG will keep the City whole from a property tax payment perspective during the refurbishment period from 2027 up to and including 2031 with an annual indexing clause based on the annual Pickering budget levy increase. Staff are proposing that the agreement end in 2031, as this is the year that the first unit (Unit 5) and deep-water intake system at the facility are expected to be completed. By adopting this strategy, the City has balanced the benefit of keeping property tax payments (revenues) stable during the refurbishment period from 2027 up to and including 2031. For 2032 and beyond, if a further agreement is not reached, the property tax liability will be based on the current established business practice of MPAC's current value assessment multiplied by the applicable property tax rate.
- e) **Pickering Community Fund:** OPG will continue to support not-for-profit and community organizations with donations, sponsorships, awards and scholarships through its community investment program, the *Power for Change Project*, throughout the term of this Agreement.
- f) **Community Engagement & Communications during the PNGS B Refurbishment Project:** OPG will provide, in a timely and transparent manner, accurate information to stakeholders and the public, including the local business community, in the vicinity of OPG's PNGS facility, regarding PNGS events, activities, operations and projects, including the PNGS B Refurbishment Project.

The proposed Agreement establishes a clear framework to address municipal infrastructure, servicing, and related financial contributions arising from OPG's ongoing operations and future plans in Pickering. Approval of the MISA will provide certainty to both parties, protect the City's financial and operational interests, and support a collaborative long-term relationship with one of Pickering's largest employers and strategic partners.

2.0 Relationship to the Pickering Strategic Plan:

The recommendations in this report respond to the Pickering Strategic Plan Priority of [pick one or more of the following: Champion Economic Leadership & Innovation; Advocate for an Inclusive, Welcoming, Safe & Healthy Community; Advance Innovation & Responsible Planning to Support a Connected, Well-Serviced Community; Lead & Advocate for Environmental Stewardship, Innovation & Resiliency; Strengthen Existing & Build New Partnerships; Foster an Engaged & Informed Community.

3.0 Financial Implications:

A key component of the MISA is the establishment of financial contributions by OPG toward municipal infrastructure and services that support OPG's ongoing operations in the City of Pickering.

- a) **Fire Hall #5:** OPG confirmed a financial contribution equal to 68% of the expenses for the design and construction of Fire Hall #5, up to a maximum of \$10 million. Contributions may be made in instalments or aligned with defined project milestones, consistent with the City's capital planning and approval processes. Payments will start January 2027. Please note: the City's estimated cost for the design and construction of Fire Hall #5 is \$15 million.
- b) **591 Liverpool Road:** OPG confirmed a financial contribution of up to \$10 million that will be advanced in accordance with the conditions set out in a separate Agreement of Purchase and Sale and the associated Licence Agreement. This financial contribution will be conditional upon the completion of the City's purchase of 591 Liverpool Road from the Pickering Harbour Company (PHC) and its transfer to OPG. Thereafter, a Licence agreement between the City and OPG that would permit the use of 591 Liverpool Road for public City purposes (boat storage and public parking) at a nominal cost.
- c) **Sandy Beach Road Rehabilitation and Montgomery Park Road Reconstruction Projects:** As per the Road Servicing Agreement entered into with the City of Pickering, OPG committed to rehabilitate Sandy Beach Road and reconstruct Montgomery Park Road to support the PNGS B Refurbishment Project, Pickering residents and the community – resulting in a financial contribution of approximately \$16 million.

OPG agreed to undertake and fund the design, approvals and reconstruction of Montgomery Park Road in order to assure a completion date by the end of 2026. This work, performed by OPG at their cost of approximately \$8.17 million, removes the Montgomery Park Road reconstruction project entirely from the City's forecasted capital program.

In order to improve Sandy Beach Road to a standard suitable to support the increased traffic by the end of 2026, the City agreed to allow OPG undertake and fund the design, approvals and construction to provide a rehabilitated Sandy Beach Road as a rural

cross section with sidewalk provisions for pedestrian safety. This work, performed by OPG at their cost of approximately \$7.85 million, defers the City's Sandy Beach Road reconstruction and urbanization project estimated at \$12 million by about 10 years (to 2035), which will increase the City's future costs to \$20.45 million (2035\$) due to indexing. This results in approximately \$8.45 million in additional City costs.

In summary, OPG's financial contribution advances the rehabilitation of Sandy Beach Road and the reconstruction of Montgomery Park Road in 2026 for the benefit of PNGS, Pickering residents and businesses, and the community. However, the City's Sandy Beach Road reconstruction and urbanization project will be delayed for 10 years, resulting in an increased project cost due to indexing. As a result, this arrangement is relatively cost neutral with a net cost to the City of approximately \$280,000.

- d) **PNGS Municipal Tax Assessment:** The MISA agreement includes a section whereby the City will receive its annual property tax payments from 2027 up to and including 2031 with an indexing factor based on the City's annual levy increase. The base year for the agreement is the 2026 property tax payment for this site, which are the City Share of \$1,052,754 and the Educational Share of \$1,658,436 for a total of \$2,711,190. If the City's 2027 budget levy increase is 2.5%, the City would receive a total payment of \$2,778,970. OPG and the City will conduct a thorough inventory of the site from an assessment perspective to ensure that every building and structure is reflected in the Municipal Property Assessment Corporation's (MPAC) records. Under this agreement, there is no potential loss of property taxation revenues during the first five years of the construction period.
- e) **Pickering Community Fund:** OPG confirmed its financial commitment to continue to offer the community investment program, through the *Power for Change Project*, throughout the term of this agreement. Ontario Power Generation's (OPG) *Power for Change Project* offers different grant, awards, and scholarship programs to give back to the communities who do so much. This is a continuation of an existing community investment program and does not represent a new/additional financial contribution by OPG.
- f) **Community Engagement & Consultation:** In recognition that the PNGS B Refurbishment Project will result in increased on-site activities at PNGS and traffic to and from the facility for the duration of the project, OPG confirmed its commitment to provide, in a timely and transparent manner, accurate information to stakeholders and the public, including the local business community, in the vicinity of OPG's PNGS facility, regarding PNGS events, activities, operations and projects, including the PNGS B Refurbishment Project.

These contributions represent a significant financial commitment by OPG and support the City's broader objectives related to strategic infrastructure planning.

Approval of the MISA will result in direct and indirect financial benefits to the City of Pickering through confirmed and anticipated contributions by OPG. Overall, the Agreement strengthens the City's financial position by ensuring that major infrastructure costs associated with OPG

are addressed through a negotiated and transparent framework, thereby reducing potential financial impacts on City taxpayers.

4.0 Discussion:

4.1 Ontario Power Generation

Pickering is home to one of the largest nuclear generating facilities in the world, the Pickering Nuclear Generating Station (PNGS), operated by OPG. PNGS has been operating in Pickering for over 50 years and consists of eight nuclear units, with four currently in service. The station supplies approximately 14 per cent of Ontario's electricity demand and produces nearly emissions-free power.

OPG's Pickering operations support approximately 4,500 employees and play a critical role in the Regional and Provincial economy. As Ontario's other nuclear stations undergo refurbishment, OPG has sought regulatory approval to continue operating certain Pickering units through to 2026, with longer-term planning underway for potential refurbishment of Units 5 to 8, subject to regulatory approvals.

In November 2025, OPG publicly announced its intent to pursue the potential refurbishment of the Pickering Nuclear Generating Station's Units 5 to 8, subject to regulatory approvals. This planning follows OPG's request to the Canadian Nuclear Safety Commission (CNSC) to continue operating certain Pickering units through to 2026, while longer-term decisions regarding refurbishment are considered.

OPG has indicated that refurbishment of the Pickering station would enable the facility to continue producing safe, reliable, and nearly emissions-free electricity for Ontario for several additional decades. In fact, the project will secure 2,100 megawatts of low-carbon, reliable electricity for another 30-plus years to help meet Ontario's forecasted increase in energy demand and support its economic growth.

The potential refurbishment of the Pickering station represents a significant long-term investment in the community and region. The project is expected to create approximately 30,000 jobs during refurbishment phase of Pickering Units 5–8 (beginning in early 2027 and extending into the mid-2030s), while sustaining 6,700 jobs throughout the station's operation.

OPG's refurbishment will support the continuation of highly skilled employment, maintain Pickering's role as a critical contributor to Ontario's electricity system, and generate substantial economic activity across Durham Region and the province. These include a combination of on-site trades, engineers, project management, and supply-chain employment across Ontario, with peak workforce levels occurring during major construction and component replacement activities.

With a final budget of \$26.8 billion, more than 90 per cent of the project cost will be spent in Canada to support local businesses and deliver economic benefits across the Province.

4.2 Municipal Infrastructure & Servicing Agreement (MISA):

Given the scale and duration of OPG's presence, there is a clear need for a MISA to address municipal support and financial arrangements between OPG and the City. The MISA also recognizes the social licence with the City of Pickering as a supportive host community of the PNGS.

The MISA has been developed following a series of meetings and negotiations between City staff and representatives of OPG over the past year. The Agreement is intended to provide a comprehensive framework that governs:

- a) Municipal infrastructure and servicing considerations related to OPG's operations and lands within the City;
- b) Financial contributions by OPG toward municipal infrastructure and facilities impacted by or associated with its operations; and,
- c) Processes for ongoing communication and collaboration between OPG and the City & Stakeholders.

The Agreement reflects the outcomes of discussions held between City staff and OPG representatives through late 2025 and early 2026, with the shared objective of bringing a finalized agreement forward for Council consideration within the second quarter of 2026.

4.3 Financial Contributions in the MISA

The Agreement reflects the outcomes of negotiations between City staff and OPG representatives and provides a framework for the following financial commitments and arrangements:

- a) **Financial Contribution Toward Fire Hall #5:** OPG has confirmed a financial contribution of up to \$10 million to the City toward the City's design and construction of Fire Hall #5, located at the southeast corner of Sandy Beach Road and Bayly Street.
- b) **Financial Contribution Toward the Acquisition of 591 Liverpool Road:** OPG has confirmed a financial contribution of up to \$10 million to the City toward the City's acquisition of the property municipally known as 591 Liverpool Road. This financial contribution will be conditional upon the completion of the City's purchase of 591 Liverpool Road from the Pickering Harbour Company (PHC) and its transfer to OPG. Thereafter, a Licence agreement between the City and OPG that would permit the use of 591 Liverpool Road for public City purposes.

This contribution is conditional upon:

- i. the City's acquisition of the total PHC land holdings which includes 591 Liverpool Road;

- ii. the transfer of 591 Liverpool Road from the City to OPG through a separate Agreement of Purchase and Sale (APS) subject to a Licence Agreement enabling Pickering's ongoing use and occupation of 591 Liverpool Road, at nominal cost.
- c) **Sandy Beach Road Rehabilitation and Montgomery Park Road Reconstruction Projects:** OPG has entered into a Road Servicing Agreement with the City of Pickering such that OPG is performing rehabilitation work on Sandy Beach Road and the reconstruction of Montgomery Park Road to support the PNGS B Refurbishment Project, Pickering residents and local businesses, and the community.
- d) **PNGS Property Tax Payments During the Refurbishment Period:** The MISA agreement sub-section 3.4 relates to the property tax agreement. The goal of staff as it relates to property tax payments was to keep the property tax payments whole during the period of time the facility is not operating during the refurbishment. Absent an agreement, there is a risk that MPAC applies a much lower assessment value during the refurbishment construction phase, which would significantly reduce the property tax payments. In other words, an argument could be made that during refurbishment, the facility could be valued as vacant land or subject to a high obsolescence factor due to the fact the facility is not producing and or generating any power and therefore, no revenues. Under the agreement, if MPAC lowers the assessment value for the facility, that results in lower property taxes (for the City & Region), OPG would then make up the difference (by making an additional top-up payment) so that there is no loss in property tax revenues. In addition, there would be an indexing of the base amount every year based on Pickering's annual budget levy increase.

The first step in establishing the base amount for the agreement is to use the 2026 returned roll assessment values for the facility. In addition, the City and MPAC have committed to undertake an assessment audit of the entire facility (late spring or early summer of this year) so that the 2026 assessment records are accurate and reflect the true property tax liability for this property.

It should be noted that while this agreement protects the City from any property tax losses and includes an indexing factor, it also includes a clause that if MPAC returns a higher assessment for the facility during the duration of the agreement, that results in higher property tax payments then permitted under the agreement, the City would refund the difference (Sub-section 3.4 (d)).

As the portions of the facility's refurbishment are completed and occupied, it is more likely that MPAC will assess these portions of the facility. This timing permits the stabilization of property tax payments while the facility is likely not operational and also allows the City to capture value of the newly refurbished portions of the facility as they are completed in 2032 and onward.

- e) **Pickering Community Fund:** OPG will continue to support not-for-profit and community organizations through donations, sponsorships, awards and scholarships its community investment program, the *Power for Change Project*, throughout the term of this Agreement.

- f) **Community Engagement & Communications during the PNGS B Refurbishment Project:** OPG will provide, in a timely and transparent manner, accurate information to stakeholders and the public, including the local business community, in the vicinity of OPG's PNGS facility, regarding PNGS events, activities, operations and projects, including the PNGS B Refurbishment Project.

This includes regular outreach on OPG project updates and the following:

- i. direct, ongoing communication between OPG and City staff to maintain ongoing, proactive, and responsive two-way communications;
- ii. OPG's Public Information Centre will be staffed daily (Monday to Friday, excluding holidays) by staff who can respond to questions from the public, local residents and businesses, regarding OPG's operations, projects and the PNGS B Refurbishment Project;
- iii. public Telephone Line (905-832-7272) and web-based contact at opg.com; and,
- iv. 24/7 on-call staff for media and public inquiries.

It is important to note that OPG's financial contributions to the City for Fire Hall #5, the Sandy Beach Road and Montgomery Park Road Projects, PNGS Municipal Tax Assessment, as set out in the MISA, remain intact and unchanged should the City be unsuccessful in purchasing the PHC land holdings. The financial contribution related to 591 Liverpool Road represents the Provincial contribution toward the City's purchase of the larger Frenchman's Bay landholding. This serves the City's interests by reducing the cost of acquiring the Bay. It also serves the interests of OPG because 591 Liverpool Road lies within the nuclear exclusion zone surrounding PNGS. By taking title to 591 Liverpool Road, OPG ends the possibility of any private sector uses on 591 Liverpool Road that would be inconsistent with the ongoing refurbishment and operation of PNGS.

4.4 Benefits of the MISA

The proposed MISA provides several key benefits to the City:

- a) **Financial Protection:** By formalizing OPG's financial contributions toward municipal infrastructure, the Agreement helps ensure that City taxpayers are not disproportionately impacted by costs associated with OPG's operations.
- b) **Strategic Alignment:** The Agreement supports the City's broader objectives related to growth management, infrastructure planning, and long-term financial sustainability.
- c) **Strengthened Partnership:** Establishing a formal, Council-approved agreement reinforces the collaborative relationship between the City and OPG as a major employer and stakeholder in Pickering.

4.5 Conclusion

OPG has been, and will continue to be, a significant presence in the City of Pickering. The proposed MISA provides a necessary and appropriate framework to manage the municipal

impacts of OPG's operations while supporting a collaborative, transparent, and financially responsible relationship.

Attachment:

1. Municipal Infrastructure & Servicing Agreement between the City of Pickering and the Ontario Power Generation

Prepared By: Marisa Carpino, Chief Administrative Officer

Approved/Endorsed By: Fiaz Jadoon, Director, Economic Development & Strategic Projects

Approved/Endorsed By: Paul Bigioni, Director, Corporate Services & City Solicitor

Approved/Endorsed By: Stan Karwowski, MBA, CPA, CMA, Director, Finance

MC:sn

Recommended for the consideration of Pickering City Council By:

Marisa Carpino, M.A.
Chief Administrative Officer