

October 29, 2024

What is the Utility Governance Review all about?

The following FAQs are for the purposes of supporting in responses related to the utility governance review.

1. What is the Utility Governance Review?

The Utility Governance Review is a comprehensive assessment of The City's utilities governance and business models. Initiated in 2021, the review examines how our utilities can adapt to industry changes and best practices to serve the community effectively. Key areas include reviewing our current structures and exploring options to improve performance, flexibility, and response to industry trends.

The electric utility is the first utility to be reviewed as part of this process.

2. Why is The City reviewing its utility governance model now?

The City's electrical utility has been in existence as a City department since 1926, and has experienced many changes in the electrical industry:

- In 1995, the Electric Utilities Act introduced deregulation. This legislation established a competitive market for electricity generation eventually resulting in the Alberta Electric System Operator (AESO) and the Market Surveillance Administrator (MSA).
- With deregulation came large, sophisticated utility businesses with significant means who compete with The City for skilled workers, other resources, and who can readily take advantage of an evolving industry. To put it simply, businesses can pay more, offer more, and invest more in opportunities to benefit the interests of their owners.
- The energy landscape has been moving rapidly toward electrification and renewables, and there are a lot of future unknowns. This rapidly advancing industry coupled with increasingly complicated regulations has become much more complex and challenging to keep up with current trends.

Despite the above changes, the management and operation of the electrical utility has not made any substantive changes since 1928, when the utility stopped generating power to focus solely on construction, operation, and maintenance of the distribution grid.

Reviewing the governance model ensures we're positioned to meet future challenges, protect community interests, and deliver the highest value possible.

3. What options are being considered for the electric utility?

The review identified many different possibilities and narrowed the scope based on key criteria to focus on three potential governance models:

- **Department +:** Maintain the utility as a City department, but make significant improvements in operations, asset management, and customer service.
- **Municipally Controlled Corporation (MCC):** Legally separate the utility from The City and operate as an MCC, providing greater flexibility while still retaining municipal oversight and ownership.
- **Divest:** Sell the electric utility assets to a third party.

4. Has Council made any decisions on the electric utility's future?

No decisions have been made beyond the decision to continue gathering information. Council is in the early stages of considering these options, and extensive public input will be gathered before any final decisions are made.

5. Why is some information discussed in closed Council meetings?

Transparency is a core value; however, some topics must remain confidential due to legal, financial, or competitive reasons. The Freedom of Information and Protection of Privacy Act (FOIP) allows certain types of sensitive information to be discussed privately. Confidential topics include:

- **Utility valuation:** Financial information related to the utility's value.
- **Risk assessments:** Potential risks and their impacts.
- **Third-party data:** Information from other municipalities or businesses that The City must protect.

6. How and when can the public participate?

The City is committed to engaging the community. There will be opportunities for public input as we proceed, but we do not yet know exactly what this will look like. Currently, we expect the following to occur:

- **Hiring a Consultant (2024/25):** A consultant will help conduct engagement sessions and prepare a business plan.
- **Community Engagement (2025):** We will connect with the community in a variety of ways, sharing information and seeking input, where needed.
- **Public Hearing (2025):** In advance of any decision to potentially shift to an MCC, a public hearing would be held. This is an official forum for community members to share their opinions.
 - **Public Hearing Notice:** Notice will be provided with details on where and how to participate in the public hearing.
 - **Petition Period:** After the hearing notice, electors may submit a petition for a vote on establishing an MCC, if this option is chosen.
- **Final Council Decision (2025):** After hearing from the public, Council will make an informed decision based on all the community engagement and public input collected during the process.

7. What are the key milestones to date?

Here are a few milestones in the Utility Governance Review:

- **October 2021:** Consultant hired for initial study.
- **January 2023:** Deloitte LLP engaged for the in-depth review.
- **July 2024:** Council requested information on transitioning to an MCC.
- **October 2024:** The City's budget included funds for MCC investigation.

A detailed timeline and all public reports are available at www.reddeer.ca/utilitiesmodel

8. Is The City committed to creating an MCC?

No, an MCC is just one option under consideration. Establishing an MCC would require extensive public engagement, a business plan, and a public hearing to determine if this model is in the best interest of the community.

9. How can I stay updated on this process?

Visit www.reddeer.ca/utilitiesmodel for all reports, timelines, and future engagement opportunities.