

March 10, 2025

Electric utility modernization

The City is exploring the possibility of transitioning our electric utility governance model to a City-owned Municipally Controlled Corporation. We are currently working to develop a business plan, financial analysis and regulatory review in advance of a legislated public hearing to assist City Council in making a decision. It is important to note that no decisions have been made at this point. We are still in exploration stages to further determine and understand the benefits and risks.

1. What is a Municipally Controlled Corporation?

A Municipally Controlled Corporation (MCC) is a corporation that is owned by a municipality to provide specific services or functions that benefit the municipality and its residents, while operating at arm's length from municipal administration. In this case, the MCC would oversee The City's electric utility.

2. Why is The City considering changing the governance model for the electric utility?

The City has been providing utilities for over a century, but our governance and business models have remained largely unchanged. As industries evolve and regulatory requirements shift, our current model is reaching practical limitations. This review is meant to explore options that will allow us to continue providing reliable, cost-effective services while ensuring long-term economic sustainability.

Some of the key drivers of the change include:

- **Strategic investment in aging infrastructure:** A long-term strategic investment is essential for modernizing aging infrastructure and ensuring reliability. However, our current governance model restricts proactive planning for growing electricity demands and electrification.
- **Enhancing governance for growth and compliance:** A future-focused governance model is needed to improve decision-making, regulatory compliance, and business agility. The current structure limits alignment with industry best practices and access to shared resources, restricting growth, innovation, and operational efficiency.
- **Strengthening business competitiveness:** To stay competitive in the evolving energy sector, we need a governance model that fosters business development and strategic partnerships. Current limitations hinder our ability to capitalize on emerging market opportunities.
- **Attracting and retaining top talent:** A modern governance model is key to attracting and retaining top talent. Evolving compensation structures and workforce strategies will ensure competitiveness with industry trends and expectations.
- **Positioning the utility for future growth:** A forward-thinking governance model is key to unlocking opportunities in smart grids, renewable energy, and new technologies. Strategic collaboration and investment will drive leadership in broadband and connectivity, boosting economic development and community well-being.

3. How could an MCC affect customers?

The fundamental goal is to maintain and improve service levels. The transition to an MCC, if approved, would aim to make service delivery more efficient while ensuring customers continue to receive the reliable utility services they expect.

4. What electricity services does The City provide?

Alberta's electricity sector is made up of four sectors: generation, transmission, distribution and end user (retail). The City provides transmission and distribution services for customers within The City of Red Deer.

5. Are you looking at the governance structure of other City utilities?

While the current focus is on the electrical utility, preliminary work is being done to assess governance structures for other utilities. Any future changes would be carefully studied and communicated before decisions are made.

6. Are you considering selling the electric utility or other City utilities at this time?

No, at this point, we are only investigating the option of an MCC model for our electric utility. An earlier scoping study identified three potential options for the electric utility: MCC, divest (sell) and Department+ (enhancing the current municipal service delivery model). In July 2024, Council gave direction to administration to explore the option of transition to an MCC.

7. Have other municipalities transitioned to an MCC or other governance models?

Many municipalities in Alberta and across Canada have successfully transitioned to MCCs to provide more efficient, financially stable utility services. Research and benchmarking from those municipalities will help inform Red Deer's approach.

8. How would an MCC be funded? Would this result in a rate increase for customers (residents)?

The financial strategy for an MCC is being developed as part of this phase of the project. The goal is to create a model that is financially sustainable for customers and The City.

9. How was the consultant selected for this phase of the project?

An open and competitive Request for Proposal process was held to select a consultant for this phase of the project. Notice of procurement opportunities with The City are posted publicly on the Alberta Purchasing Connection (APC) website. When a contract has been executed the names of the respondents and the awarded vendor are also posted on the APC website. The City adheres to all legal requirements and professional standards in its procurement practices.

10. What previous work occurred before this phase of the project?

Work in this area has been ongoing since 2021. Check out the [project milestones](#).

11. How would an MCC differ from the current service delivery model?

	Municipally Controlled Corporation (MCC)	Municipal Utility
Governance	Has a board of directors and runs like a private business	Managed by the city under municipal administration and council
Decision-Making	Decisions made by the board and executives, with some city oversight	Decisions made by city council and administration
Financial Model	Earns revenue, may reinvest profits or pay dividends to owners	Funded by utility fees, taxes, or city budget and pays money to the city via multiple routes
Regulatory Framework	Follows relevant legislation, corporate laws and agreements with the city and public utility regulations	Follows relevant legislation, city rules and public utility regulations
Operational Flexibility	Can make business decisions faster, sign contracts, and manage risks	Follows city procedures and processes, often constrained by organizational capacity or funding limits (ex: debt)
Accountability & Transparency	Reports to council as an owner; financial details may be public	Fully accountable to council and follows city transparency laws

12. How can citizens and other interested parties contribute their feedback?

Citizens and other interested parties can share their feedback through the public hearing process. In advance of the public hearing, The City will be sharing education materials to ensure citizens understand why we are considering an MCC, the potential impacts and what it could mean for the community. Information sessions will also be held.

13. Why are you holding a public hearing?

A public hearing is required under the Municipally Controlled Corporation Regulation prior to a Council decision to establish an MCC. The public hearing provides an opportunity for citizens and other interested parties to provide their feedback to Council to assist them in their decision making.

14. How can I participate in the public hearing?

Anyone wishing to share their feedback with Council can share with feedback in person at the public hearing or in writing in advance:

- In person:
 - June 23, 5 p.m., Council Chambers, City Hall
 - In writing: visit reddeer.ca/publichearing for full details

The MCC business plan will be made available to the public in mid May, so those wishing to provide feedback may want to wait until it is available to ensure they have full details before providing their feedback.

15. Why is some information relation to this project been discussed in closed Council meetings?

Transparency is a core value of The City; 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.

For more information, contact:

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