

Staff Report



Infrastructure Services Department

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REPORT TO: Special Council

DATE OF MEETING: May 27, 2024

SUBMITTED BY: Greg St. Louis, Director, Utilities Gas & Water, 519-741-2200 ext. 4538

PREPARED BY: Kate Daley, Senior Strategist, Carbon and Energy Planning, 519-741-2200 ext. 4246

WARD(S) INVOLVED: All

DATE OF REPORT: May 27, 2024

REPORT NO.: INS-2024-224

SUBJECT: Phase 2 Update – Kitchener Utilities Clean Energy Transition Strategy

RECOMMENDATION:

For discussion

REPORT HIGHLIGHTS:

- The purpose of this report is to provide a progress update on Phase 2 of the Kitchener Utilities Clean Energy Transition Strategy.
- The key finding of this report is that staff have identified several types of potential energy business activities under four main themes. More information is needed about each type of business activity in order to determine whether and how it might play a role in the integrated approach that will be recommended in the strategy. Investigation considerations will be informed by the project's guiding principles and objectives, and these considerations are the focus of the scheduled strategic session of Council.
- There are no financial implications of the report at this time.
- Community engagement in Phase 1 of the project included customers, community members, stakeholders, Kitchener committees, staff, and councillors. Phase 2 engagement to date has included stakeholder and staff engagement, and the breadth of contributions from both phases has guided the development of the list of potential business activities.
- This report supports **Cultivating a Green City Together: Focuses on a sustainable path to a greener, healthier city; enhancing & protecting parks & natural environment while transitioning to a low-carbon future; supporting businesses & residents to make climate-positive choices.**

Executive Summary:

Phase 2 of the Kitchener Utilities Clean Energy Transition Strategy project consists of collaboratively assessing options for the City's community-facing energy businesses in light of the clean energy transition, and recommending an integrated business approach based on the information gathered.

Staff have identified several types of potential energy business activities under four main themes, which have been built from the results of engagement submissions from both phases

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of the project to date. More information is needed about each type of business activity in order to determine whether and how it might play a role in the integrated approach that will be recommended in the strategy.

Investigation will be guided by the project’s guiding principles and objectives. The focus of the Council strategic session will be to discuss information gathering considerations to support Council’s decision making on the investigation outcomes of the business opportunities.

For this strategic session discussion with City Council, staff have identified the following questions:

1. What are your reflections on the business activity themes and what theme are you most curious about?
2. Referring to Appendix A, are there any considerations for investigation that you feel:
 - a. Should be prioritized or de-prioritized
 - b. Should be added

BACKGROUND:

This three-phase project will develop a strategy to guide us as we evolve our energy business to continue to be financially successful and provide valued services throughout the energy transition. The project’s scope includes the City of Kitchener’s community-facing energy businesses, which are housed in the Gas and Water Division in Infrastructure Services.

Table 1: Project Phases

Project Phase	Timing	Focus on...	Achieved through...
Phase 1	Complete (2023)	building relationships and understanding around values, goals, and scope of the strategy	relational engagement with Council, staff, stakeholders, community members, and customers
Phase 2	2024	determining the way forward together	detailed, collaborative option assessment and recommendation of an approach
Phase 3	2025	building consensus on the implementation plan to 2030	developing a phased long-term implementation strategy to 2050 and a detailed first phase implementation plan to 2030

In December of 2023, Council endorsed guiding principles for the project that were based on diverse engagement with the public, stakeholders, City committees, staff, and councillors:

Table 2: Guiding Principles and Objectives

As we evolve our energy business to continue to be financially successful and provide valued services throughout the energy transition, we will...		
Guiding Principles	Our intention	Objectives
1: Make responsible, accountable, and financially rewarding business decisions	“We will work to responsibly position our community-owned business for success as things change around us.”	1.1: Follow sound business practices 1.2: Take action quickly to manage risk and maximize opportunity 1.3: Assess value holistically to find our best contribution

2: Serve customers as an affordable and reliable partner in the energy transition	“We will work to empower customers and community members as their trusted partner in the energy transition.”	2.1: Pursue affordable, reliable, and predictable energy services 2.2: Empower customers with choice and with trustworthy, accessible information 2.3: Bring people along as things change
3: Contribute to a thriving community	“We will work to make our community even stronger.”	3.1: Collaborate with partners 3.2: Do our part to address climate change 3.3: Use clear metrics and align them with community-scale goals
4. Plan for multiple energy futures with flexibility and focus	“We will work to prioritize solutions that can adapt to and provide value in all energy futures.”	4.1: Rely on safe bet technologies and prepare for long shot technologies 4.2: Prepare for a broad range of net-zero carbon futures 4.3: Iterate, experiment, and learn

REPORT:

Engagement to date

At the beginning of Phase 2 in January 2024, dedicated engagement workshops were held with external stakeholders and internal Kitchener Utilities staff members to identify and explore potential business activities that could be investigated. From these, 237 submissions were received.

Suggestions were added from the extensive comments that were received last year during engagement with community members, stakeholders, City committees, staff, and councillors, which resulted in 371 suggestions in total. After removing duplicates, 135 ideas were reviewed by staff.

Business activities

Matching the breadth of ideas that were received, staff have identified a broad range of potential energy business activities, which fit under four main themes:

We could... (themes)	provide energy products and services.	plan for and report on our gas distribution system.	provide the gaseous fuels of tomorrow.	provide system-scale energy services.
This might look like... (types of potential business activities)	<ul style="list-style-type: none"> • providing energy equipment services. • providing energy transition support services. • running a district or neighbourhood utility. • helping commercial and industrial customers meet their energy needs. 	<ul style="list-style-type: none"> • developing policies and programs for our assets. • evaluating and future-proofing our gas rates. • developing forecasts, scenarios and models to help us plan. 	<ul style="list-style-type: none"> • making, buying, or delivering biofuels (e.g. renewable natural gas). • making, buying, or delivering hydrogen. • advancing our work to track and contain gas in our system. 	<ul style="list-style-type: none"> • generating and selling renewable energy at a large scale.

Investigation to build a strategy

It is expected that an integrated business approach will be recommended in the proposed strategy at the end of Phase 2, and that this approach could include a combination of different business activities. Staff have identified that each of the potential business activities that have been identified requires some amount of additional investigation to determine whether it could form a part of this integrated business approach. Conducting this investigation for the strategy is a significant body of work.

Considerations for Investigation

As part of this investigation, many different considerations need to be examined. These considerations will be strongly informed by the guiding principles for the project, which were endorsed by Council last year.

Each guiding principle has three identified objectives. As detailed in the 2023 Discussion Paper, each of these objectives includes a range of considerations that were raised in the extensive Phase 1 engagement for the project, and identified in the Phase 1 Discussion Paper. Considerations proposed to be included in the investigation of each potential business activity are outlined in Appendix A.

Next steps

Staff are proceeding with the work, and currently convening individual project sub teams to advance the investigation of each of these business activities, with support as needed from consultants. Investigating the range and complexity of the potential business activities is expected to continue into early 2025, with the integrated strategy to follow.

Discussion with City Council

1. What are your reflections on the business activity themes and what theme are you most curious about?
2. Referring to Appendix A, are there any considerations for investigation that you feel:
 - a. Should be prioritized or de-prioritized
 - b. Should be added

STRATEGIC PLAN ALIGNMENT:

This report supports **Cultivating a Green City Together: Focuses on a sustainable path to a greener, healthier city; enhancing & protecting parks & natural environment while transitioning to a low-carbon future; supporting businesses & residents to make climate-positive choices.**

FINANCIAL IMPLICATIONS:

The recommendation has no impact on the Capital Budget or Operating Budget at this time.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City’s website with the agenda in advance of the council / committee meeting.

CONSULT – As noted above, during Phase 1 of the project in 2023, extensive consultation took place with customers, community members, stakeholders, Kitchener committees, staff, and councillors. This engagement, combined with stakeholder engagement in January of 2024, has provided a large list of energy business activities that could be pursued.

PREVIOUS REPORTS/AUTHORITIES:

- INS-2023-199 Kitchener Utilities Clean Energy Transition Update
- INS-2023-508 Phase 1 report and guiding principles for the Kitchener Utilities Clean Energy Transition Strategy

APPROVED BY: Denise McGoldrick, GM Infrastructure Services

ATTACHMENTS:

None.

Appendix A: Objectives and Considerations for Investigation

Principle 1: Make responsible, accountable, and financially rewarding business decisions

Objectives	Investigation of each business activity will include considerations such as...
1.1: Follow sound business practices	<ul style="list-style-type: none"> • business viability • safety, regulatory, legal, and risk considerations and implications fit with other business activities
1.2: Take action quickly to manage risk and maximize opportunity	<ul style="list-style-type: none"> • how time-sensitive it is and how long it takes to implement • possible and expected changes to customer base, context, and market over time
1.3: Assess value holistically to find our best contribution	<ul style="list-style-type: none"> • high-level social and financial risks/costs/benefits • alignment with the City's and Kitchener Utilities' strengths • business competition profile • whether other parties are better suited to do the work • practicality of implementation

Principle 2: Serve customers as an affordable and reliable partner in the energy transition

Objectives	Investigation of each business activity will include considerations such as...
2.1: Pursue affordable, reliable, and predictable energy services	<ul style="list-style-type: none"> • cost and value of service to current and potential customers • affordability implications for diverse groups • compatibility with a reliable energy system and customer experience • ability to provide predictable service levels
2.2: Empower customers with choice and with trustworthy, accessible information	<ul style="list-style-type: none"> • potential for customization • considerations for customer trust • opportunities for sharing information and stories • compatibility with supporting customers through their energy transitions
2.3: Bring people along as things change	<ul style="list-style-type: none"> • potential to incorporate educational supports • potential customer and community buy-in • staff development and training needs and opportunities

Principle 3: Contribute to a thriving community

Objectives	Investigation of each business activity will include considerations such as...
3.1: Collaborate with partners	<ul style="list-style-type: none">• compatibility and alignment with existing, developing, and potential partnerships
3.2: Do our part to address climate change	<ul style="list-style-type: none">• GHG and energy use implications• potential for “locking in” future emissions• scale of contribution to the transition off fossil fuels
3.3: Use clear metrics and align them with community-scale goals	<ul style="list-style-type: none">• financial, energy, and GHG performance expectations• benefits and limitations for affordability, equity, prosperity, resilience, and environment

Principle 4: Plan for multiple energy futures with flexibility and focus

Objectives	Investigation of each business activity will include considerations such as...
4.1: Rely on safe bet technologies and prepare for long shot technologies	<ul style="list-style-type: none">• reliance on safe bet technologies• compatibility with long shot technologies and level of preparation required
4.2: Prepare for a broad range of net-zero carbon futures	<ul style="list-style-type: none">• compatibility with a broad range of modelled net-zero pathways• near-term flexibility• alignment with long-term goals• intergenerational fairness
4.3: Iterate, experiment, and learn	<ul style="list-style-type: none">• opportunities to iterate, experiment, and try new things