

Risk Summary

The following risks aligned to The City of Calgary's Principal Corporate Risks have been identified and represent **current** and **important** key risks related to the recommendations in report IP2022-0018.

Principal Corporate Risk	Risk Area Description	Key Current Risk Response(s)
Environmental	<p>Processing of organics is regulated by Alberta Environment and Parks. All facilities must meet strict requirements to ensure environmental compliance is maintained. Non-compliance may cause disruption to collections, operations, and service delivery.</p> <p>Reducing overall emissions of The City is a key goal in the Climate Resilience Strategy.</p>	<ul style="list-style-type: none"> By expanding the facility and maintaining the partnership and agreement it has with AIM Environmental Group, The City can ensure environmental regulations are followed and any impacts to surrounding communities is minimized. The environmental credentials of the facility will be enhanced through the addition of a biogas refining component.
Financial	<p>The affordability of the project could be impacted by scope, schedule, and cost uncertainty, which will evolve through detailed design and construction.</p> <p>Interest rate and available financing structures may impact cost of indebtedness incurred by The City.</p>	<ul style="list-style-type: none"> The City commissioned detailed Class 4 cost estimates to support a feasibility assessment of the expansion and the business case. These estimates will continue to be refined through design. By partnering with an industry leader to develop, build, and operate the gas upgrading facilities, The City can reduce the amount of debt financing required and the amount of exposure to fluctuations in the debt capital markets. Ongoing monitoring of market interest rates, market conditions and available financing structures, while maximizing the use of available fixed rate financing structures where possible.
Commodity	<p>Operating cost forecasts include commodity price projections over an extend period that are subject to fluctuations in market pricing (merchant risk).</p>	<ul style="list-style-type: none"> The City will look to pursue a long-term fixed price contract with an industry leader for the marketing of the biogas to provide improved revenue and budget certainty during the operations period.

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Re-contracting	The Project Agreement that exists between The City and the Project Company will expire in 2027.	<ul style="list-style-type: none"> The City will develop a re-contracting strategy during the planning and delivery phases of the expansion for the operation of the facility following expiry of the Project Agreement.
Infrastructure	Excess material has required the facility to operate longer hours than intended, resulting in less time for regular maintenance and increasing the chance of early failure of the equipment.	<ul style="list-style-type: none"> Additional capacity will bring the facility back to the original operations and lifecycle maintenance plan.
Legal and Compliance	Adherence to procurement policies to ensure an open, fair, and transparent process.	<ul style="list-style-type: none"> The Project Agreement which is in effect until the end of 2027 resulted from a Request for Proposals to Design, Build, and Operate the Composting Facility (RFP) which was open to four (4) prequalified Proponents. This was a competitive process in 2015 which contemplated the possibility of needing to modify the Facility once it was operational, including to provide for additional capacity. The recommendations are relying on the process incorporated in the RFP and agreed to in the Project Agreement with Project Co. for capital improvements to the Facility within the Operations, Maintenance and Rehabilitation Period (while Project Co. is operating the Facility) to achieve the expanded capacity. Article 11 of Project Agreement Schedule 18 provides that The City has the right to expand, improve or otherwise change the Facility and has the right to include additional quantities and types of materials to be accepted, processed, recovered, packaged, marketed, and shipped by the Facility during the Operations, Maintenance, and Rehabilitation period.

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Operations	Organics processing and the upgrading of biogas into renewable natural gas require specialized knowledge of the technologies, marketing, and sales specific to those markets.	<ul style="list-style-type: none"> • The Public-Private Partnership developed through the original Composting Facility has provided The City with an expert in the field of composting and anaerobic digestion. • By partnering with another industry leader to construct and operate biogas upgrading, storage and transport systems, The City can transfer operational and market fluctuation risks to an experienced partner.
Reputation	<p>Maintaining uninterrupted service delivery of the Green Cart Program to Calgarians.</p> <p>Partnership risk.</p>	<ul style="list-style-type: none"> • By expanding and continuing with the Public-Private Partnership developed with AIM Environmental Group, The City will ensure that the processing of the material collected through the Green Cart Program continues to meet the strict standards set by Alberta Environment and Parks. • The City will look to partner with industry leaders who have proven experience and success in their fields of expertise to reduce risk of negative impacts to the economy, environment, and Calgarians.