



AGENDA

GAS, POWER AND TELECOMMUNICATIONS COMMITTEE

March 14, 2019, 9:30 AM

LEGAL TRADITIONS COMMITTEE ROOM

Members

Councillor S. Chu, Chair
Councillor D. Farrell, Vice-Chair
Councillor J. Davison
Councillor J. Farkas
Acting Chief Financial Officer C. Male
Mayor N. Nenshi, Ex-Officio

1. CALL TO ORDER
2. OPENING REMARKS
3. CONFIRMATION OF AGENDA
4. CONFIRMATION OF MINUTES
 - 4.1 Minutes of the Regular Meeting of Gas, Power and Telecommunications Committee, 2019 February 14
5. POSTPONED REPORTS
(including related/supplemental reports)
None
6. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES
 - 6.1 Industry Update on Electricity, Natural Gas and Telecommunications, GPT2019-0265
 - 6.2 Status of Outstanding Motions and Directions, GPT2019-0264
 - 6.3 Federal Review of Telecom, Broadcasting and Radio Act – Verbal - GPT2019-0333
7. ITEMS DIRECTLY TO COMMITTEE
 - 7.1 REFERRED REPORTS
None

7.2 NOTICE(S) OF MOTION
None

8. URGENT BUSINESS

9. CONFIDENTIAL ITEMS

9.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

9.1.1 2019 Work Plan for Gas, Power and Telecommunications – Verbal - GPT2019-0334, GPT2019-0334

9.1.2 Status of Expenditures on Regulatory Interventions, GPT2019-0286
Review by 2022 March.

Held confidential pursuant to Section 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *FOIP Act*.

9.1.3 Update on Utility Regulatory Proceedings – Verbal - GPT2019-0335, GPT2019-0335

9.2 URGENT BUSINESS

10. ADJOURNMENT

Members may participate remotely if required.



MINUTES

GAS, POWER AND TELECOMMUNICATIONS COMMITTEE

February 14, 2019, 1:00 PM
LEGAL TRADITIONS COMMITTEE ROOM

PRESENT: Councillor S. Chu, Chair
Councillor D. Farrell, Vice-Chair
Councillor J. Davison
Councillor J. Farkas
Acting Chief Financial Officer C. Male

ALSO PRESENT: Director O. Shyllon
Senior Regulatory Analyst R. Holberton
Senior Regulatory Analyst B. Whyte
Acting City Clerk T. Mowrey
Legislative Assistant D. Williams

1. CALL TO ORDER

Councillor Chu called the Meeting to order at 1:00 p.m.

2. OPENING REMARKS

Councillor Chu provided opening remarks at today's Meeting.

3. CONFIRMATION OF AGENDA

Moved by Councillor Farkas

That the Agenda for the 2019 February 14 Regular Meeting of the Gas, Power and Telecommunications Committee be confirmed.

MOTION CARRIED

4. CONFIRMATION OF MINUTES

4.1 Minutes of the Regular Meeting of the Gas, Power and Telecommunications Committee, 2019 January 17

Moved by Councillor Davison

That the Minutes of the 2019 January 17 Regular Meeting of the Gas, Power and Telecommunications Committee be confirmed, **after amendment, on Page 2 of 4, Item 6.2, Industry Update on Electricity, Natural Gas and Telecommunications, GPT2019-0060**, as follows:

"That with respect to Report GPT2019-0060, the following be approved:

That the Gas, Power and Telecommunications Committee **recommend that Council receive this report for information.**

And further, that this Report be forwarded to the 2019 February 25 Combined Meeting of Council."

MOTION CARRIED

5. POSTPONED REPORTS

None

6. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

6.1 Status of Outstanding Motions and Directions, GPT2019-0136

A revised Attachment was distributed with respect to Report GPT2019-0136.

Moved by Acting Chief Financial Officer Male

That with respect to Report GPT2019-0136, the following be approved, **after amendment:**

That the Gas, Power and Telecommunications Committee:

1.Receive this report and **the Revised Attachment** for information.

MOTION CARRIED

7. ITEMS DIRECTLY TO COMMITTEE

7.1 REFERRED REPORTS

None

7.2 NOTICE(S) OF MOTION

None

8. URGENT BUSINESS

None

9. CONFIDENTIAL ITEMS

Moved by Councillor Farkas

That the Gas, Power and Telecommunications Committee move into Closed Meeting, at 1:08 p.m., to consider confidential matters with respect to the following items pursuant to Sections 23 (Local public body confidence), 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*:

- 9.1.1 Summary of Current Proceedings, GPT2019-0132; and
- 9.1.2 2019 Work Plan for Gas, Power and Telecommunications, GPT2019-0173.

MOTION CARRIED

Committee moved into Public Meeting at 1:43 p.m. with Councillor Chu in the Chair.

Moved by Councillor Farkas

That Committee rise and report.

MOTION CARRIED

9.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

9.1.1 Summary of Current Proceedings, GPT2019-0132

Administration in attendance during the Closed Meeting discussions with respect to Report GPT2019-0132:

Clerks: T. Mowrey, D. Williams. Advice: B. Whyte, O. Shyllon, K. Hess; B. Cullen. Observer: R. Holberton.

Moved by Councillor Davison

That with respect to Report GPT2019-0132, the following be approved:

That the Gas, Power and Telecommunications Committee:

1. Approve Administration Recommendations 1 and 2; and
2. Direct that the Report, Attachment and closed meeting discussions remain confidential pursuant to Sections 23 (Local public body confidence) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act* until three years after the proceedings and any related proceedings are complete.

MOTION CARRIED

9.1.2 2019 Work Plan for Gas, Power and Telecommunications, GPT2019-0173

Administration in attendance during the Closed Meeting discussions with respect to Report GPT2019-0173:

Clerks: T. Mowrey, D. Williams. Advice: R. Holberton, B. Whyte, O. Shyllon. Observer: K. Hess; B. Cullen.

That the Gas, Power and Telecommunications Committee:

1. Approve the 2019 GPT Work Plan as set out in the Attachment.
2. Direct that this report and Attachment remain confidential under Sections 24 and 25 of the *Freedom of Information and Protection of Privacy Act* until the proceedings are complete.

Moved by Acting Chief Financial Officer Male

That with respect to Report GPT2019-0173, the following be approved:

That the Gas, Power and Telecommunications Committee:

1. That the Administration Recommendation be approved;
2. Direct the Chair send out an invitation email to Council Members to attend the next Gas, Power and Telecommunications Meeting in regards to learning more about the Gas, Power and Telecommunications Work plan; and
3. Direct that this Report, Attachment and closed meeting discussions remain confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act* until three years after the proceedings are complete

MOTION CARRIED

9.2 URGENT BUSINESS

None

10. ADJOURNMENT

Moved by Councillor Davison

That this meeting adjourn at 1:47 p.m.

MOTION CARRIED

The next Regular Meeting of the Gas, Power and Telecommunications Committee Meeting is scheduled to be held on 2019 March 14.

CONFIRMED BY COMMITTEE ON

CHAIR

ACTING CITY CLERK

Chief Financial Officer's Report to
Gas, Power and Telecommunications
2019 March 14

ISC: UNRESTRICTED
GPT2019-0265

Industry Update on Electricity, Natural Gas and Telecommunications

EXECUTIVE SUMMARY

This report summarizes key developments in the electricity, natural gas, and telecommunications industries since 2019 January 17.

ADMINISTRATION RECOMMENDATION:

That the Gas, Power and Telecommunications Committee:

1. Receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

The Gas, Power and Telecommunications Committee has requested that this report be prepared every second month.

BACKGROUND

This report, with Attachment 1, provides a summary of relevant industry developments and policy issues.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Natural gas and electricity markets are analyzed to provide an understanding of energy prices which affect The City's utility costs and franchise fee revenue.

Policy issues in Alberta's regulated utilities and general utility industry developments that could have an impact on The City's interests are reviewed to keep committee members informed of issues that may require future regulatory intervention or impact The City's operations.

Attachment 1 provides details on recent developments in Alberta's Utilities industry.

Stakeholder Engagement, Research and Communication

N/A

Strategic Alignment

This report is in alignment with the mandate of the Gas, Power and Telecommunications Committee.

Social, Environmental, Economic (External)

This report aligns with The City's Triple Bottom Line Policy Framework. The analysis determined that no social, environmental or economic implications were applicable.

Financial Capacity

Current and Future Operating Budget:

This report does not propose a decision, and there is no direct budget or business plan implication.

Chief Financial Officer's Report to
Gas, Power and Telecommunications
2019 March 14

ISC: UNRESTRICTED
GPT2019-0265

Industry Update on Electricity, Natural Gas and Telecommunications

Current and Future Capital Budget:

No budget or business plan implications arise from this report.

Risk Assessment

This report has no specific risks associated with it. Any risks arising from energy utility developments reviewed in Attachment 1 will be addressed in a separate report if required.

REASON(S) FOR RECOMMENDATION(S):

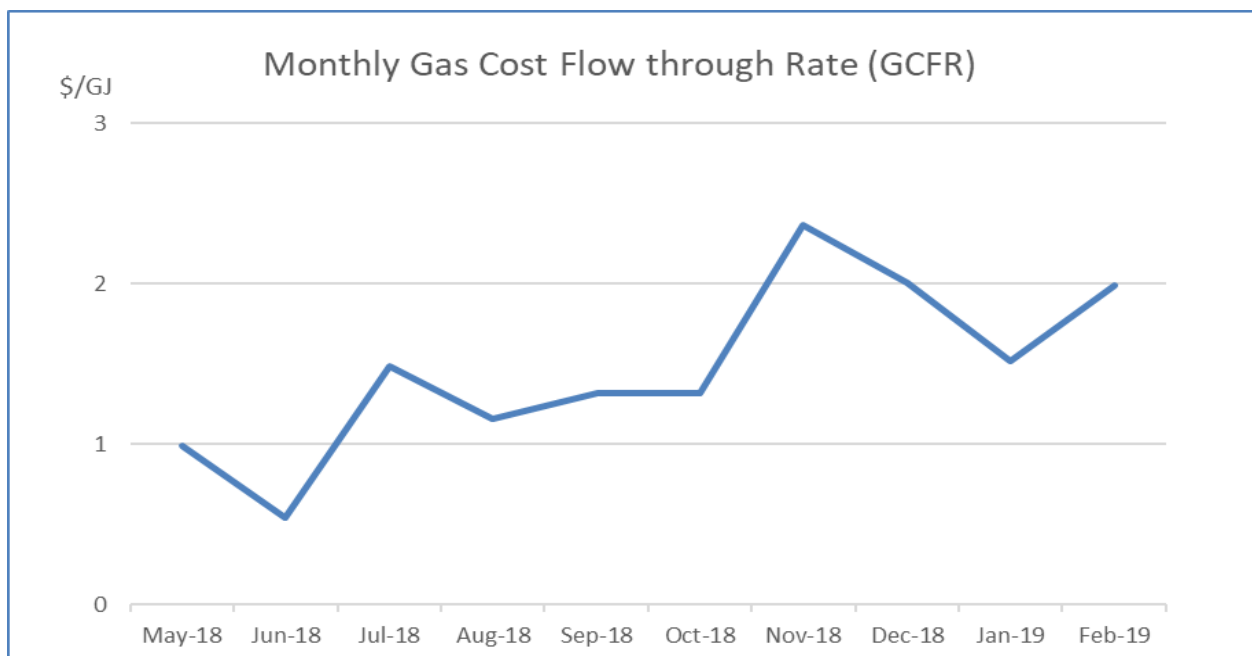
This report provides information to GPT Committee members to assist them in their understanding of regulatory issues that affect The City's interests.

ATTACHMENT(S)

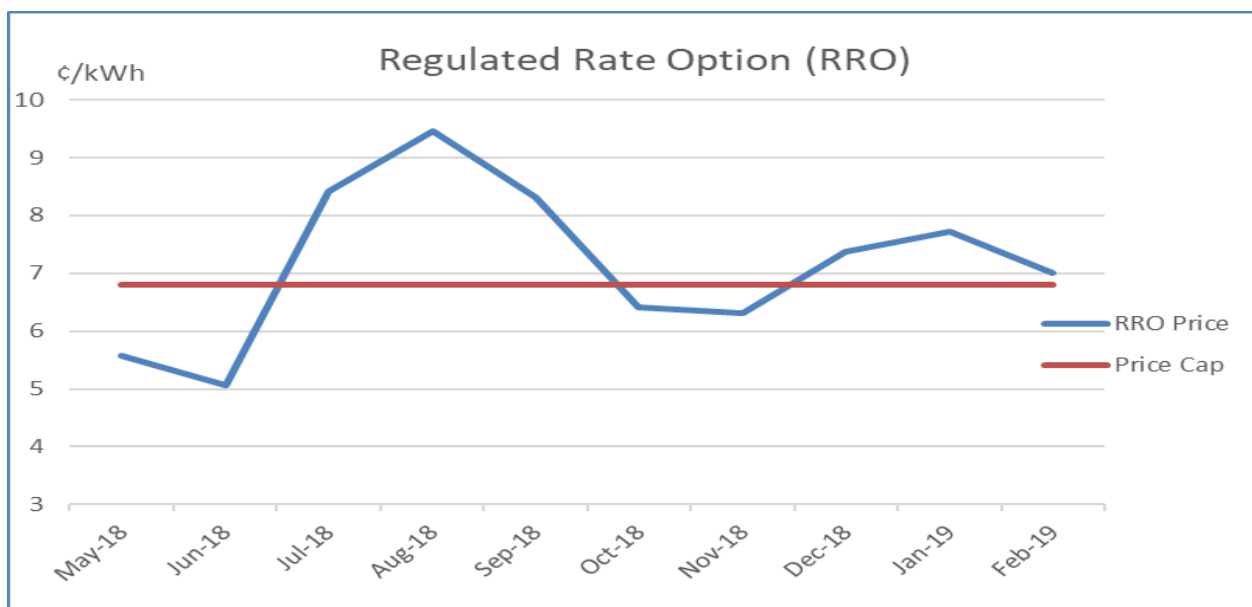
1. Attachment 1 - Industry Update on Electricity, Natural Gas and Telecommunications

ENERGY PRICES AND MARKETS**Natural Gas**

The 2019 February gas cost flow-through rate (GCFR) was \$1.99/GJ. The increased natural gas demand due to the extreme cold-weather conditions in Alberta during February has resulted in the actual daily prices staying well over \$2.00/GJ. Prices are still expected to drop closer to \$1.00/GJ once the weather warms up.

**Electricity**

The ENMAX regulated rate option (RRO) in 2019 February was \$70.090/MWh (7.01¢ per kWh).



The RRO has surpassed the Government of Alberta rate cap (which took effect 2017 June 1) of 6.8 cents seven times beginning in April of 2018. The provincial government protects RRO customers at 6.8 cents per kWh and pays the difference, to the utilities, using funds collected through its carbon levy. Customers with a retail contract such as ENMAX's Easymax will not benefit from the rate cap. The cost to Alberta taxpayers of the rate cap thus far is estimated at \$45 – \$55 million.

Power prices in February have also been affected by the cold snap. The month-to-date all-hours average price (as of 2019 February 18) was 12.6 cents/kWh. For reference, the prices for all of February 2018 averaged 3.1 cents/kWh. Power prices are forecast to remain strong in 2019 as a tight supply cushion will continue to promote price volatility.

Oil Price Spread

The Notice of Motion, Standing Up for Canada's Responsible Energy Industry (C2018-1448), discussed at the 2018 December 17 regular meeting of Council, directed Administration to develop a strategy for The City to advocate for improved market access on behalf of Canada's responsible energy industry. The discussion acknowledged the role of the oil price discount and additional background information on the oil price discount is available below.

Western Canada Select (WCS) is the most significant commercial stream of heavy oil in Canada. It includes:

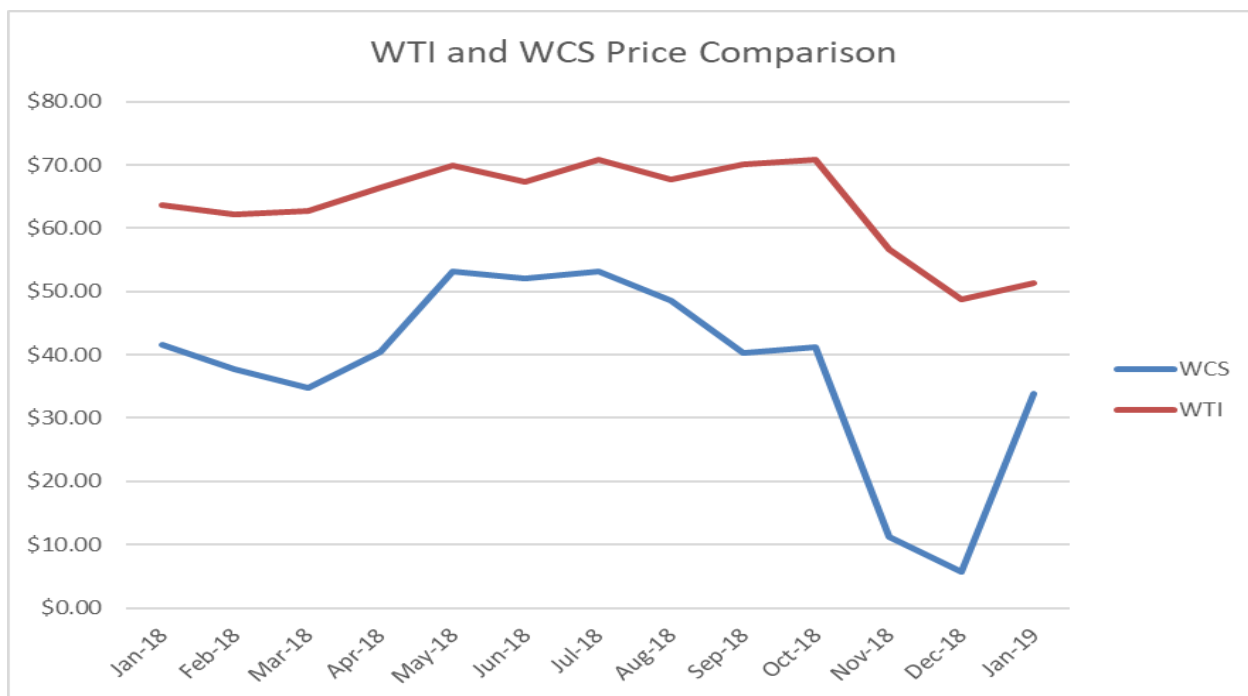
- Non-upgraded bitumen produced from the oil sands in Alberta;
- Twenty (20) heavy conventional oil streams produced in Western Canada;
- Upgraded bitumen, also known as light synthetic crude oil (SCO) usually from mining facilities; and
- Diluent or condensate to meet pipeline viscosity requirements for transportation.

West Texas Intermediate (WTI) is one of the three primary benchmarks (WTI, Brent, Dubai) frequently used as a reference price for buyers and sellers of crude oil around the world. Similar to WCS, WTI is a blend of several U.S. domestic streams of sweet light crude oils.

Production of most of the WTI streams is in landlocked regions of the United States, and collection is at facilities in Cushing, Oklahoma. Subsequently, there is oil shipment via pipeline to the Midwest and Gulf Coast for refining, sale and transport to global markets.

The differential between WCS and WTI is due to several factors including:

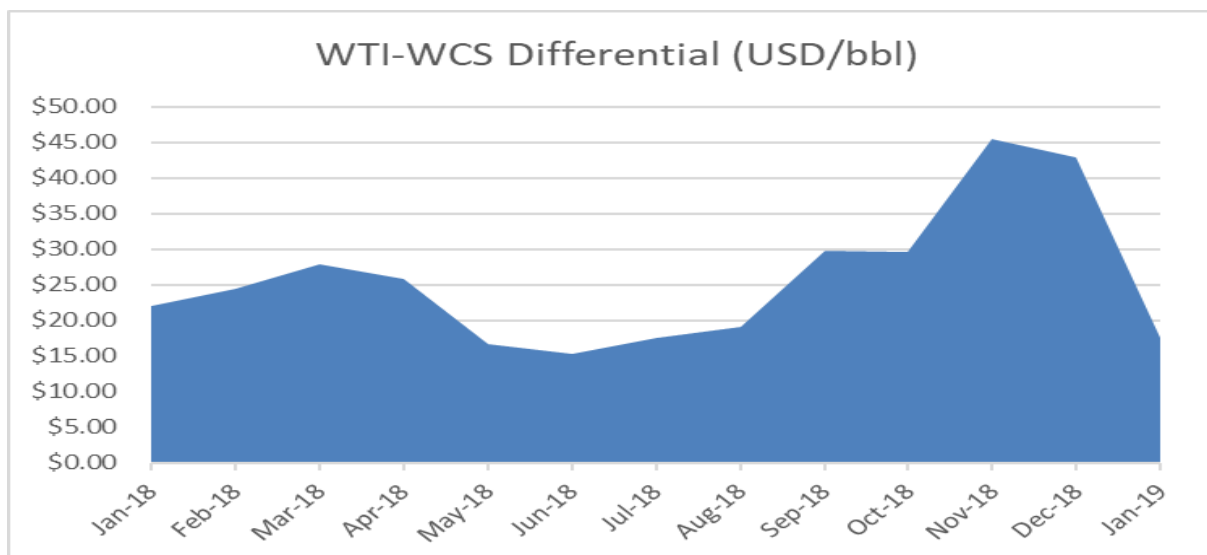
- increased production by Canadian energy companies;
- limited pipeline capacity to ship WCS to the United States market; and
- a lack of access to international markets other than the United States.



*Chart data from www.gljpc.com/price-charts

The United States buys around 98 per cent of the crude oil Canada sells. In late 2018 Canadian producers had to sell their product at a vastly discounted price primarily due to a lack of export capacity. There has been a massive financial loss for both governments and many oil companies. Interestingly, oil companies such as Imperial Oil, which can refine WCS oil and sell the refined product, have natural protection or hedge against the large differential.

The Government of Alberta has estimated that with the recent record-setting price differential (U.S. \$55 on 2018 October 12), the lost revenue was between \$80 and \$100 million a day at the peak. The price differential has narrowed recently, due primarily to the Alberta government's oil curtailment by 8.7 per cent (325,000 barrels/day) which began on 2019 January 1.



UTILITY REGULATION**Policy Uncertainty**

There is uncertainty about the future course of provincial electricity policy. Alberta's political parties have different views about future electricity related actions. Examples of vital elements of electricity policy that are under the spotlight are listed below:

- **Electricity Market Design**
 - Two policy options have received mention. The first is the retention of the current energy-only market. The second is a switch to the planned Capacity market.
 - The final policy choice will determine the extent to which ratepayers bear the cost of generation development.
 - The Alberta market currently has an excess of supply, and projections suggest that new additions can wait until the mid-2020s. The excess supply situation provides sufficient time to evaluate the options.
- **Renewable Sources of Electricity**
 - Electricity policy choices will determine the extent to which future growth in the reliance on renewable sources depends on market forces vis-a-vis public policy.
- **Carbon Levy or Carbon Tax**
 - There are different views on the need for a provincial carbon levy or a carbon tax.
 - Notwithstanding the differences, the federal government intends to impose a carbon tax (\$50/tonne by 2022) on those provinces which do not have one (currently Saskatchewan, Manitoba, Ontario and New Brunswick).
- **Changes in the phase-out of coal-fired generation**
 - The chart below details the current plan for coal-fired retirements in Alberta, which could change.
 - The current plan fast tracks retirement of over 4,000 MW of coal capacity retired in the two years between 2029 and 2030.

Coal-Fired Retirement Assumptions			
Unit	ISD Year	Retirement	Reason
Sundance #1	1970	2018	Retirement Due to Economics (Originally 2019)
Sundance #2	1973	2018	Retirement Due to Economics (Originally 2019, then 2021)
Battle River #3	1969	2019	50 th Year
HR Milner	1972	2019	2019 is before 50 th Year
Battle River #4	1975	2025	50 th Year
Sundance #3	1976	2026	50 th Year
Sundance #4	1977	2027	50 th Year
Sundance #5	1978	2028	50 th Year
Sundance #6	1980	2029	2029 Original Federal Deadline (Before 50 th Year)
Battle River #5	1981	2029	2029 Original Federal Deadline (Before 50 th Year)
Keephills #1	1983	2029	2029 Original Federal Deadline (Before 50 th Year)
Keephills #2	1984	2029	2029 Original Federal Deadline (Before 50 th Year)
Sheerness #1	1986	2029	2029 Amended Federal Deadline (Originally 2036)
Genesee #2	1989	2029	2029 Amended Federal Deadline (Originally 2039)
Sheerness #2	1990	2029	2029 Amended Federal Deadline (Originally 2040)
Genesee #1	1994	2029	2029 Amended Federal Deadline (Originally 2044)
Genesee #3	2004	2029	2029 Amended Federal Deadline (Originally 2054)
Keephills #3	2011	2029	2029 Amended Federal Deadline (Originally 2061)

TELECOMMUNICATION INDUSTRY ACTIVITY

TELUS Fibre to the Home

In 2017/2018 TELUS began again to place fibre in communities with aerial infrastructure, by wrapping the fibre lines over their existing copper infrastructure and installing small cabinets as needed. This development is proceeding at a steady pace, and TELUS is now ready to build out the remaining portions of the city where their current infrastructure is buried.

TELUS has approached Administration to enter an Memorandum of Understanding (MOU) which will set out process and obligations of The City and TELUS over the next 5 to 7 years as this work is completed.

TELUS is also inquiring about 5G/Small Cell agreements.

- Administration is currently mapping out the process for these placements on City assets to make Calgary 5G ready (meaning the necessary hardware and software upgrades to the radio access network) for 2020. This work includes the Wireless Service Providers in order to set out the best process possible. The timeline for this work should be finalized by the end of Q2 2019.
- Administration is also including ENMAX in this work to ensure their point of view is considered.

**Chief Financial Officer's Report to
Gas, Power and Telecommunications
2019 March 14**

**ISC: UNRESTRICTED
GPT2019-0264**

Status of Outstanding Motions and Directions

EXECUTIVE SUMMARY

This report details the outstanding items for the Gas, Power and Telecommunications (GPT) Committee from the meeting of 2019 February 14.

ADMINISTRATION RECOMMENDATION:

That the Gas, Power and Telecommunications Committee:

1. Receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

The GPT Committee has directed that this report be prepared for each meeting.

BACKGROUND

For the specific items listed in Attachment 1, the background is available in the original reports presented to GPT as well as the minutes of the applicable GPT meeting.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This report, and Attachment 1, provides a summary of outstanding items for the GPT Committee.

Stakeholder Engagement, Research and Communication

This report is in alignment with the mandate of the Gas, Power and Telecommunications Committee.

Strategic Alignment

This report is in alignment with the mandate of the Gas, Power and Telecommunications Committee.

Social, Environmental, Economic (External)

No implications arise from a review of the content of the report relative to The City's Triple Bottom Line (TBL) Policy Framework. The report aligns with The City's TBL Policy Framework.

Financial Capacity

Current and Future Operating Budget:

As the report does not propose a decision, there is no direct budget or business plan impacts.

Current and Future Capital Budget:

As the report does not propose a decision, there is no direct budget or business plan impacts.

Chief Financial Officer's Report to
Gas, Power and Telecommunications
2019 March 14

ISC: UNRESTRICTED
GPT2019-0264

Status of Outstanding Motions and Directions

Risk Assessment

This report tracks outstanding motions and directions from the GPT Committee to Administration. The report has no specific risk associated with it. Directions or motions with risk implications have those risks addressed in the context of a report on the directions or motions.

REASON(S) FOR RECOMMENDATION(S):

This report assists the Committee in tracking the regulatory work of the GPT Committee.

ATTACHMENT(S)

1. Attachment 1 - Status of Outstanding Motions and Directions.

STATUS OF OUTSTANDING MOTIONS AND DIRECTIONS

GPT 2019-0264 Attachment 1

ITEM	DATE OF REQUEST	REQUEST	COMMITTEE DIRECTION	STATUS
Forward GPT2019-0060 report to the next Council meeting	2019 February 14	Direction	"That with respect to Report GPT2019-0060, the following be approved: That the Gas, Power and Telecommunications Committee recommend that Council receive this report for information. And further, that this Report be forwarded to the 2019 February 25 Combined Meeting of Council. " GPT2019-0060 is an Industry Update on Electricity, Natural Gas and Telecommunications.	On-going
Email to Council regarding GPT2019-0173	2019 February 14	Direction	"Direct the Chair to send out an invitation email to Council Members to attend the next GPT meeting if they would like to learn more regarding the GPT Work plan." Work Plan details are available in GPT2019-0173 (Work Plan for Gas, Power and Telecommunications).	Completed