



AGENDA

GAS, POWER AND TELECOMMUNICATIONS COMMITTEE

May 9, 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 the Gas, Power and Telecommunications Committee, 2019 April 11
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, GPT2019-0536
 - 6.2 Status of Outstanding Motions and Directions, GPT2019-0554
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
None

9.2 URGENT BUSINESS

10. ADJOURNMENT
Members of Council may participate remotely, if required.



MINUTES

GAS, POWER AND TELECOMMUNICATIONS COMMITTEE

April 11, 2019, 9:30 AM

LEGAL TRADITIONS COMMITTEE ROOM

PRESENT: Councillor D. Farrell, Vice-Chair
Councillor J. Davison
Councillor J. Farkas
Acting Chief Financial Officer Designate T. Nguyen

ALSO PRESENT: Director B. Cullen
Regulatory Lead O. Shyllon
Senior Regulatory Analyst R. Holberton
Senior Regulatory Analyst B. Whyte
Acting City Clerk D. Williams
Legislative Advisor J. Palaschuk

1. CALL TO ORDER

Councillor Farrell called the Meeting to order at 9:30 a.m.

2. OPENING REMARKS

Councillor Farrell provided opening remarks at today's Meeting.

3. CONFIRMATION OF AGENDA

Moved by Councillor Farkas

That the Agenda for the 2019 April 11 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 March 14

Moved by Councillor Davison

That the Minutes of the Regular Meeting of the Gas, Power and Telecommunications Committee, held 2019 March 14, be confirmed.

MOTION CARRIED

5. POSTPONED REPORTS

None

6. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

6.1 Shaw Communications Presentation, GPT2019-0467

Speaker:

Ian Phillips, Manager, Government & Regulatory Affairs, Shaw Communications

Moved by Councillor Davison

That with respect to Report GPT2019-0467, the following be approved:

That the Gas, Power and Telecommunications Committee:

1. Receive this report for information.

MOTION CARRIED

6.2 Status of Outstanding Motions and Directions, GPT2019-0383

Moved by Acting Chief Financial Officer Designate T. Nguyen

That with respect to Report GPT2019-0383, the following be approved:

That the Gas, Power and Telecommunications Committee:

1. Receive this report 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 in accordance with Sections 23 (local public body confidence) and 24 (advice from officials) of the *Freedom of Information and Protection of Privacy Act*, the Gas, Power and Telecommunications Committee now move into Closed Meeting, at 10:07 a.m., in the Legal Traditions Committee Room, to consider confidential matters with respect the following:

- 9.1.1 Summary of Current Proceedings, GPT2019-0385.

MOTION CARRIED

Committee moved into Public Meeting at 10:30 a.m. with Councillor Farrell in the Chair.

Moved by Councillor Davison

That Committee rise and report.

MOTION CARRIED

9.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

9.1.1 Summary of Current Proceedings, GPT2019-0385

Administration in attendance during the Closed Meeting discussions with respect to Report GPT2019-0385:

Clerk: D. Williams, J. Palaschuk. Advice: B. Whyte, O. Shyllon, R. Holberton, K. Hess, B. Cullen. Observer: L. Shannon.

Moved by Councillor Davison

That with respect to Report GPT2019-0385, the following be approved:

That the Gas, Power and Telecommunications Committee:

1. Receive this report for information;
2. Direct that the Report, Attachment and Closed Meeting discussions be held confidential pursuant to Sections 23 (local public body confidence) and 24 (advice from officials) of the *Freedom of the Information and Protection of Privacy Act*, until 2022 April.

MOTION CARRIED

9.2 URGENT BUSINESS

None

10. ADJOURNMENT

Moved by Acting Chief Financial Officer Designate T. Nguyen

That this meeting adjourn at 10:31 a.m.

MOTION CARRIED

The next Regular Meeting of the Gas, Power and Telecommunications Committee is scheduled to be held on 2019 May 09.

CONFIRMED BY COMMITTEE ON

CHAIR

ACTING CITY CLERK

UNCONFIRMED

Chief Financial Officer's Report to
Gas, Power and Telecommunications
2019 May 09

ISC: UNRESTRICTED
GPT2019-0536

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 March 14.

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

None

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 May 09

ISC: UNRESTRICTED
GPT2019-0536

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):

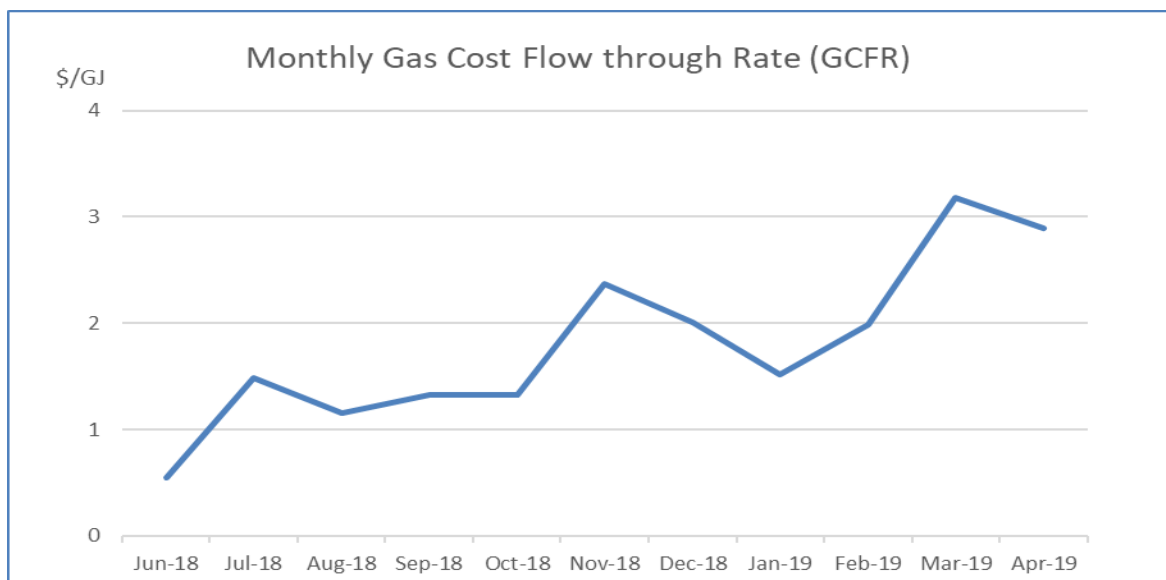
This report provides information to GPT Committee members to assist them in their understanding of regulatory issues that affect The City's interests.

ATTACHMENT(S)

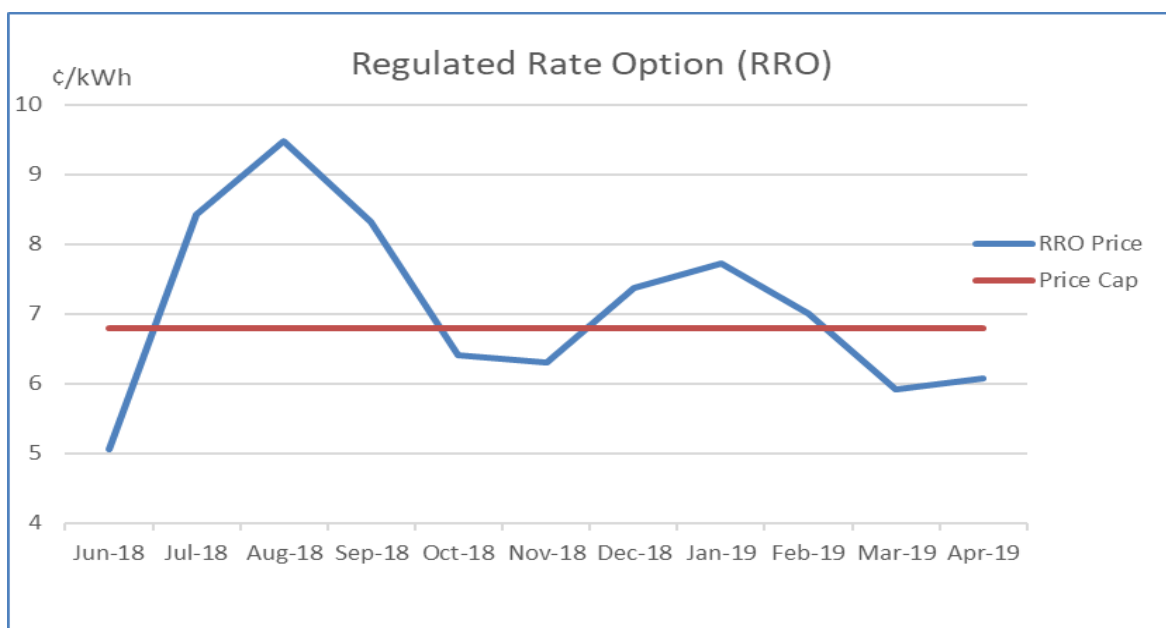
1. Attachment 1 – Industry Update on Electricity, Natural Gas and Telecommunications.

ENERGY PRICES AND MARKETS**Natural Gas**

The 2019 April gas cost flow-through rate (GCFR) was \$2.89 per gigajoule. Natural gas market prices have decreased significantly thus far in April. As the GCFR is set largely based on the one-month forward market, the May GCFR rate should be much lower. For the week ending April 12, the Alberta daily price averaged \$1.31 per gigajoule.

**Electricity**

The ENMAX regulated rate option (RRO) in 2019 April was 6.07 cents per kilowatt hour (\$60.67 per megawatt hour).



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 kilowatt hour 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 since its inception. The incoming United Conservative Party (UCP) provincial government has not communicated on whether or not it will cancel this rate cap.

Power prices in April have decreased relative to the first quarter of 2019. The month-to-date all-hours average price (as of 2019 April 15) was 4.15 cents per kilowatt hour. For reference, the prices for all of 2018 April averaged 4.06 cents per kilowatt hour.

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. Intergovernmental and Corporate Strategy prepared a report on this matter for the March IGA Committee meeting. 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:

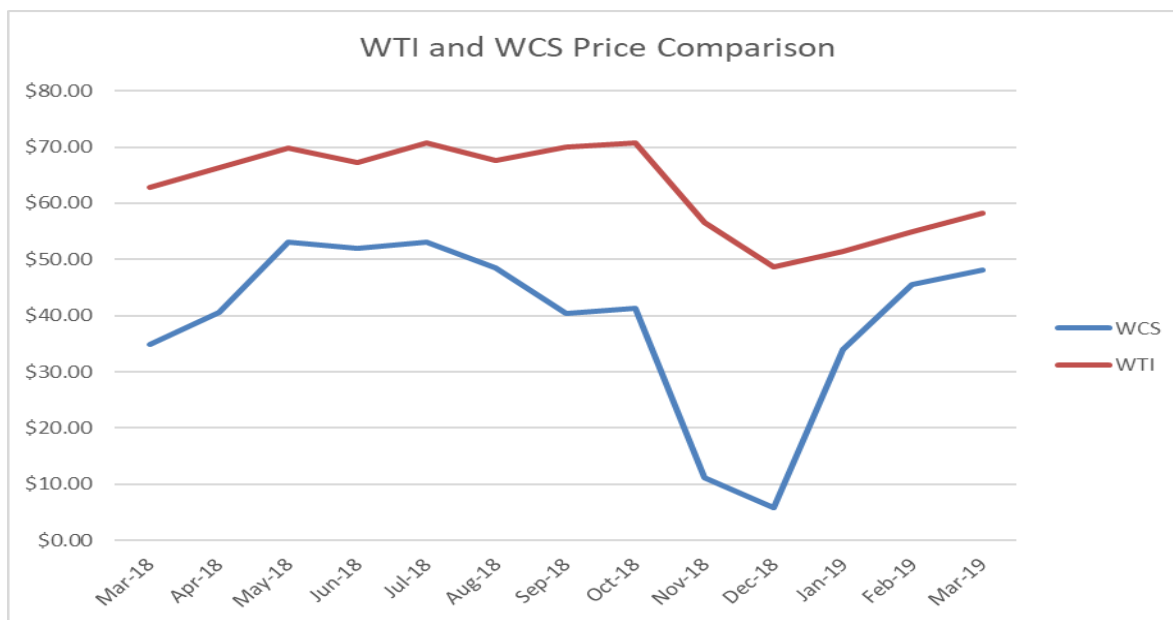
- Non-upgraded bitumen produced from the oil sands in Alberta;
- Twenty (20) heavy conventional oil streams produced in Western Canada;
- Upgraded bitumen, also known as light synthetic crude oil (SCO) usually from mining facilities; and
- Diluent or condensate to meet pipeline viscosity requirements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

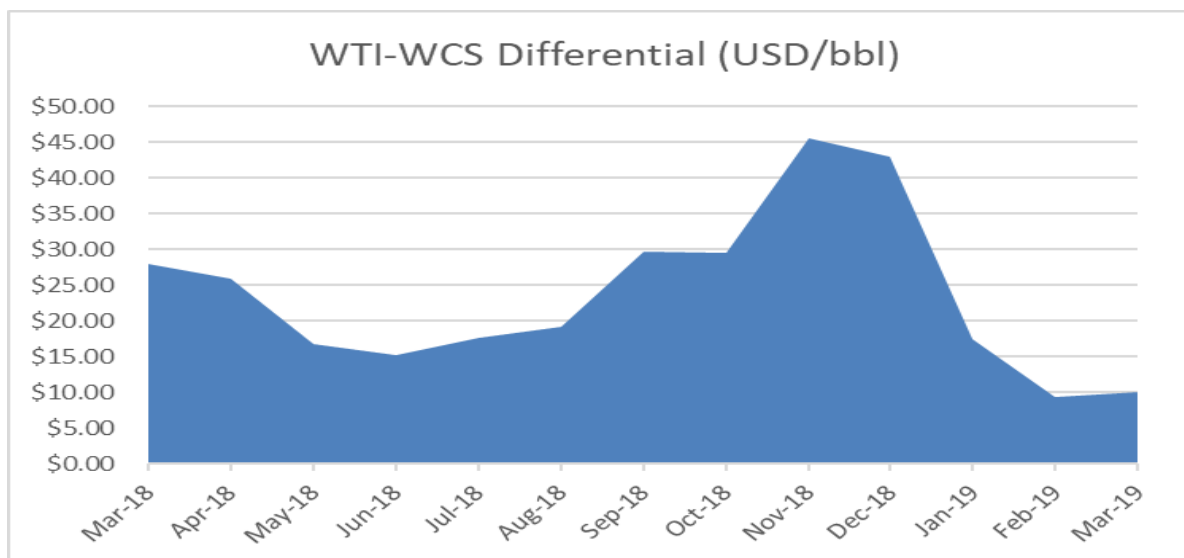


*Chart data from www.glipc.com/price-charts

**WTI and WCS monthly prices are set based on the weighted average of all trades that occur in that month.

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. Over the weeks when a significant discount occurred, many oil companies suffered substantial losses. Royalty payments to the provincial government declined substantially too. Interestingly, oil companies such as Imperial Oil, that 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

Election of United Conservative party (UCP)

Several policy changes to the energy and utilities sector could occur soon due to the results of the provincial election on 2019 April 16.

Carbon tax – The first bill for the new government is expected to be a repeal of the carbon tax. The UCP also stated they would amend the *Alberta Taxpayer Protection Act* to require a referendum before any carbon or sales tax can be introduced in the future. Work is currently underway to determine what impact this change will have on the City. For reference, the City paid an estimated \$6.4 million in carbon taxes on associated fuels in 2018.

The capacity market for electricity – The UCP platform states that a consultation would occur within 90 days on whether to proceed with the capacity market. It is unclear at this time what sort of consultation the new government has planned.

Regulatory changes to stimulate the oil industry – The UCP has identified several policy changes designed to help the oil and gas industry in Alberta. Highlights include;

- Intervention in all National Energy Board hearings that affect Alberta oil and gas.
- Appoint a new Board of Directors to the Alberta Energy Regulator with a focus on improving well licensing timelines.
- Establishment of an energy “war” room designed to respond to anti-oil and gas rhetoric.

Building Pipelines – The UCP has identified the two stalled pipelines projects (Keystone XL and Trans Mountain) as priorities. The new government has committed to the following actions to help get pipelines built.

- File a constitutional challenge to Bill C-69 (Impact Assessment Act) should it become law.
- Institute “Turn off the Taps” legislation for other provinces (specifically British Columbia). This legislation would create a licensing scheme whereby Alberta producers would have to apply for a licence to provide BC with bitumen. The Alberta government would have the ability to deny these licenses. Most of the gasoline consumed in BC comes from Alberta, primarily delivered through the Trans Mountain Pipeline.

**Chief Financial Officer's Report to
Gas, Power and Telecommunications
2019 May 09**

**ISC: UNRESTRICTED
GPT2019-0554**

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 April 11.

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 report 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

None

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 May 09

ISC: UNRESTRICTED
GPT2019-0554

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 2019-0554
Attachment 1

ITEM	DATE OF REQUEST	REQUEST	COMMITTEE DIRECTION	STATUS
Communication on AUC Decision on AUC Proceeding 20514 – ATCO Utilities Common Matters	2019 April 11	Direction	Prepare a public release on the non-confidential ATCO Utilities Common Matters decision released by the AUC. It is expected this decision will be released prior to May 10.	On-going