

Industry Update on Electricity, Natural Gas and Telecommunications

RECOMMENDATION:

That with respect to Report CD2022-0731, the following be approved:

That the Community Development Committee receive this Report for the Corporate Record.

HIGHLIGHTS

- This report summarizes industry developments in electricity, natural gas, and telecommunications of interest to The City of Calgary (The City) since 2022 April 27.
- What does this mean to Calgarians? Natural gas and electricity prices affect The City's utility costs, what Calgarians pay for utility services, and franchise fee revenue.
- Why does this matter? Changes in energy prices and policies may affect The City's budget and operations.
- Natural gas and electricity markets are analyzed to understand the directional change in energy prices and the potential financial implications for The City and Calgary community.
- Attachment 1 provides a review of policy issues in Alberta's regulated utilities and general utility industry developments that could impact The City's interests. It informs committee members about those that may require future regulatory intervention or impact The City's operations.
- Strategic Alignment to Council's Citizen Priorities: A well-run city

DISCUSSION

This update highlights Alberta's historical and current regulated rates for electricity and natural gas. It also offers an overview of the recent drivers of change in energy markets.

Attachment 1 identifies emerging developments in the natural gas, electricity and telecommunications industries. For 2022 June, there is an overview of:

- **Regulatory involvement in the setting of just and reasonable natural gas distribution rates in 2023 by the Alberta Utilities Commission.** On 2022 May 25, Regulatory staff testified to the Alberta Utilities Commission (AUC) on the prudence of IT costs being proposed by ATCO Gas. This proceeding is important because ATCO Gas has consistently exceeded its approved earnings amount set by the Commission. The difference between the approved earnings and actual earnings represents millions of dollars paid by natural gas distribution ratepayers.
- **A proposed Bill by the Alberta Government to provide electricity and natural gas rebates to ratepayers.** The Government of Alberta has recently drafted Bill 18, which proposes refunds to ratepayers to help with very high (relative to recent years) natural gas and electricity costs. Electricity ratepayers in Alberta could receive a total rebate of \$150. Natural Gas ratepayers will see an unspecified refund if regulated natural gas rates exceed \$6.50 per gigajoule next winter.
- **The proposed acquisition of Shaw Communications by Rogers Communications.** The Competition Bureau recently announced it is proceeding with a "Full Block" of the acquisition. The Bureau cited higher prices, poor service quality and fewer choices

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(particularly in wireless services). Rogers plans to file a formal response and has extended its acquisition date to 2022 July 31.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

Public Communication or Engagement was not required

IMPLICATIONS

Social

High Utility Bills negatively impact the well-being of Calgarians. Natural Gas and Electricity are not discretionary items for consumers. Higher costs affect lower-income individuals and households disproportionately. Regulatory staff will continue to provide evidence and testimony to the Utility Regulator to help lower costs for The City and its citizens.

Environmental

The content of this report aligns with The City's Triple Bottom Line Policy Framework. The analysis determined that no environmental implications were applicable.

Economic

ATCO Gas has continued to earn more than its approved rate of return throughout the pandemic. This is particularly concerning when many other businesses suffered through various restrictions (or even forced shutdowns) due to public health restrictions.

Service and Financial Implications

Increase in rates or fees

The City is a large consumer of natural gas. The City is intervening in regulatory proceedings before the Alberta Utilities Commission to attempt to minimize any cost increases borne by both The City and municipal taxpayers. High utility bills negatively impact City finances. For the first four months of 2022, energy prices for The Corporation were 21.9 per cent higher than the first four months of 2021. Regulatory staff will continue monitoring and reporting on the link between utility prices and ongoing regulatory proceedings with the Alberta Utilities Commission

RISK

No business plan implications arise from this report.

ATTACHMENT(S)

- Attachment 1 - Industry Update on Electricity, Natural Gas and Telecommunications
- Attachment 2 - Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor	CFOD	Approve