

Corporate Planning and Financial Services Briefing to

Community Development Committee

2024 May 22

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Q2 Industry Update on Electricity, Natural Gas and Telecommunications

PURPOSE OF BRIEFING

This report provides a review of emerging policy issues for 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.

SUPPORTING INFORMATION

Falling energy prices will help make utility bills more affordable for Calgarians

This report's primary takeaways, as outlined in Attachment 1 are significant decreases in Alberta electricity prices and how this may affect the regulated rate option (RRO). Electricity is one of the many elements in the consumption basket for Calgarians that increased the overall cost of living in 2023. Natural gas prices have also fallen somewhat over the past year. A downward trajectory is expected for prices of both in 2024. Multi-year industry forecasts are also indicating significant declines in Alberta electricity and natural gas prices over the next 5 to 6 years. Declines in local electricity and natural gas prices will also help keep local access fees low for Calgarians while The City works to design and implement a new "quantity only" approach.

[Bill 19: Utilities Affordability Statutes Amendment Act, 2024](#) was announced by the Province of Alberta in 2024 April to "help make utility costs more affordable and predictable across the province by ending the use of variable rates when setting local access fees for electricity and natural gas service distribution." Bill 19 proposes to replace the monthly regulated rate option with the "Rate of Last Resort" that is expected to change only once every two years. Bill 19 is also expected to "prohibit the use of variable rates when calculating municipalities' local access fees." As the Province is anticipating that the proposed changes in Bill 19 will be effective 2025 January 1, this is expected to impact The City's plans to transition to a "quantity only" local access fee model (as directed by Council on [2024 March 18](#)) by 2027 January 1. A verbal update was provided at the [2024 May 14](#) Executive Committee meeting, and further updates will be provided when additional information becomes available.

Background

This briefing has a strong focus on trends in natural gas and electricity prices. For The Corporation, changes in these prices influence The City's utility costs and franchise fee revenue. There is also an additional focus on emerging utility industry developments. That's because changes in energy prices and policies may affect The City's budget and operations.

As a municipal government, The City monitors price changes to understand potential changes to what Calgarians pay for utility services. Electricity and natural gas are not discretionary items for Calgarians and businesses. Individuals, businesses, and the government consume relatively stable amounts annually. As a result, higher costs affect lower-income individuals and households disproportionately. These groups spend a significant share of their income on these essential goods. High utility bills also negatively impacts the cost of doing business in Calgary, and these higher costs flow through to Calgarians.

ATTACHMENT

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

BRIEFING

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General Manager Carla Male concurs with the information in this Briefing.