

CITY OF CALGARY <b>RECEIVED</b> IN COUNCIL CHAMBER	
JUN 22 2015	
ITEM: <u>C2015-0543</u> <u>Distribution</u>	
CITY CLERK'S DEPARTMENT	

# Gas, Power and Telecommunications

## Strategic Planning Session

2015 June 22

C2015-0543



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## Acronyms

- GPT - Gas, Power and Telecommunications Committee
- AUC - Alberta Utilities Commission
- UCA - Utility Consumer Advocate
- MCAA - Municipal Consent and Access Agreements
- RRO - Regulated Rate Option (regulated price for electricity)
- GCFR - Gas Cost Flow-through Rate
- ROW's - Rights-of-Way
- CRTC - Canadian Radio-television Committee
- FCM - Federation of Canadian Municipalities
- ILECS - Incumbent Local Exchange Carrier
- CLEC - Competitive Local Exchange Carrier
- TUC - Transportation Utility Corridor

Page 2

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## Purpose of Strategic Planning Session

- Provide awareness of what GPT does:
  - Utility regulation
  - Oversight of Franchise Fees
  - Municipal Consent and Access Agreements
  - Telecommunications

Page 3

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## Calgary's GPT Committee

- Started in 1971 to provide Council with the ability to take action on regulated utility issues.
- GPT is unique in Canada and benefits The City and Calgarians
- Mandate: To participate in regulatory proceedings as necessary to protect the interests of The City.
  - Council determines what is in The City's interest
  - Utility Consumer Advocate cannot fully represent City's interests

Page 4

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## Gas, Power and Telecommunications Committee

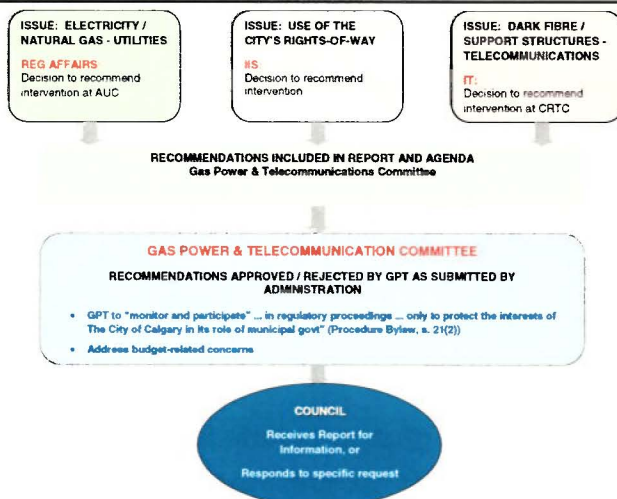
- Chair Councillor Andre Chabot
- Vice Chair Councillor Joe Magliocca
- Members Councillor Druh Farrell  
Councillor Sean Chu  
Councillor Shane Keating  
Mayor Naheed Nenshi, Ex-Officio  
CFO Eric Sawyer (non-voting)

Page 5

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## GPT Approval Process



Page 6

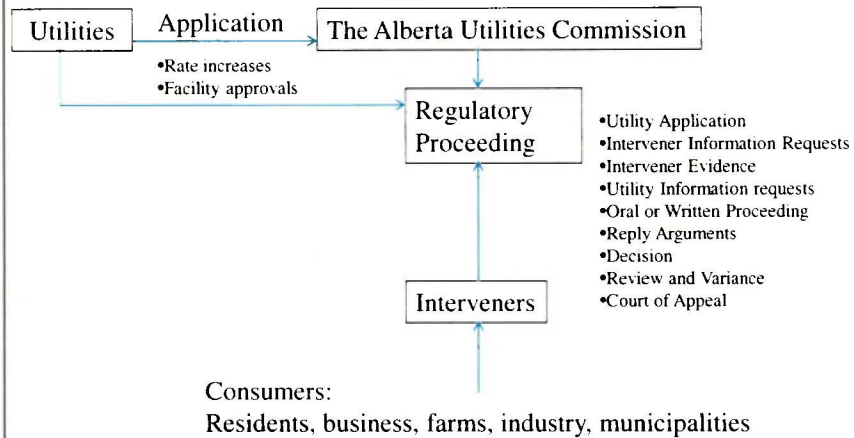
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	<h2>Utility Regulation</h2>	
	<ul style="list-style-type: none"> <li>■ GPT has oversight of the City's participation in regulatory proceedings of the Alberta Utilities Commission (AUC) and the CRTC</li> </ul>	
	Page 7	
	<small>C2015-0543 ISC: UNRESTRICTED</small>	THE CITY OF CALGARY

	<h2>Utility Regulation</h2>	
	<ul style="list-style-type: none"> <li>■ Utility Rates matter to Calgarians             <ul style="list-style-type: none"> <li>• <b>Many Calgarians pay more for utilities than property taxes.</b></li> </ul> </li> <li>■ Why the City participates in regulatory proceedings:             <ul style="list-style-type: none"> <li>• Just and reasonable utility rates</li> <li>• Protect franchise fees</li> <li>• Policy consultations to achieve best regulatory structure</li> <li>• Municipal input on appropriate infrastructure</li> <li>• Calgary economic competitiveness</li> </ul> </li> </ul>	
	Page 8	
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## The Regulatory Process



Page 9

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## Franchise Fees

- Franchise Fees – Fees charged to electricity, natural gas and water utilities providers on the provision of utility services within Calgary

Page 10

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	<h2 style="text-align: center;">Franchise Fees</h2>	
	<ul style="list-style-type: none"> <li>■ Authorized under Section 360 of the MGA.</li> <li>■ Franchise Fees are paid by the electricity, natural gas and water utilities in return for: <ul style="list-style-type: none"> <li>• Payment in lieu of property taxes;</li> <li>• Use of The City's Rights-of-Way (ROW)</li> <li>• Granting of a franchise within Calgary</li> </ul> </li> <li>■ Rate is 11.11% on utility bills (10% of total bill)</li> <li>■ Delivery and energy costs both included in City franchise fees <ul style="list-style-type: none"> <li>• Cost of energy based on regulated rates</li> </ul> </li> </ul>	
	<div style="display: flex; justify-content: space-between;"> <span>C2015-0643 ISC: UNRESTRICTED</span> <span>Page 11</span> <span>THE CITY OF CALGARY</span> </div>	

	<h2 style="text-align: center;">Franchise Fees</h2>	
	<ul style="list-style-type: none"> <li>■ <b>Benefits of The City's methodology</b> <ul style="list-style-type: none"> <li>• Higher amount of franchise fee revenue</li> <li>• Franchise fee revenue rise and fall linked to Calgary's economy</li> <li>• No need to adjust franchise fee rates annually</li> <li>• Franchise fee methodology is the same for electricity, natural gas and water</li> <li>• Consistent rate of 11.11% provides transparency and accountability to consumers</li> </ul> </li> </ul>	
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## Franchise Fee Revenues

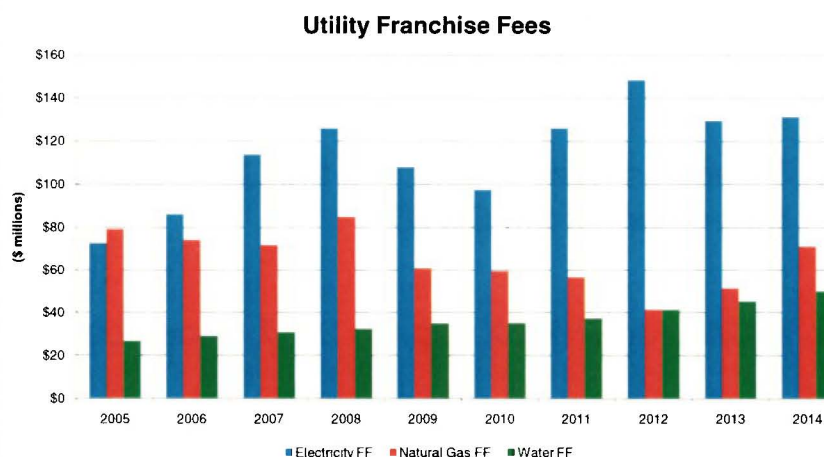
- Franchise Fees are about 8% of City revenues
- Electricity and natural gas franchise fees amounted to \$202 million in 2014; \$31 million over projections
- 2015 electricity and natural gas franchise fees forecast to be \$30 M under budget (\$42 million less than 2014 actual)
- Water franchise fees totaled \$50 million in 2014.
- Revenues above budget are used for future City capital projects in Calgary to benefit Calgarians
- Revenues volatile due to monthly commodity price fluctuations

Page 13

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## Franchise Fees - Revenue



Page 14

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	<h2 style="text-align: center;">Municipal Consent and Access Agreements (MCAA)</h2>	
	<ul style="list-style-type: none"> <li>■ Agreements that govern the use of The City's Rights-of-Way (ROW)-between The City and utilities/telecoms</li> </ul>	
	<div style="text-align: right;">Page 15</div> <div style="display: flex; justify-content: space-between; align-items: center;"> <span>C2015-0543 ISC: UNRESTRICTED</span> <span>THE CITY OF CALGARY</span> </div>	

	<h2 style="text-align: center;">Municipal Consent and Access Agreements</h2>	
	<ul style="list-style-type: none"> <li>■ New telecom MCAA template reviewed by GPT and approved by Council</li> <li>■ Telecoms have challenged the City's MCAA agreement at the CRTC</li> <li>■ MCAA for ENMAX expires 2017 December 31</li> </ul>	
	<div style="text-align: right;">Page 16</div> <div style="display: flex; justify-content: space-between; align-items: center;"> <span>C2015-0543 ISC: UNRESTRICTED</span> <span>THE CITY OF CALGARY</span> </div>	



## Telecommunications

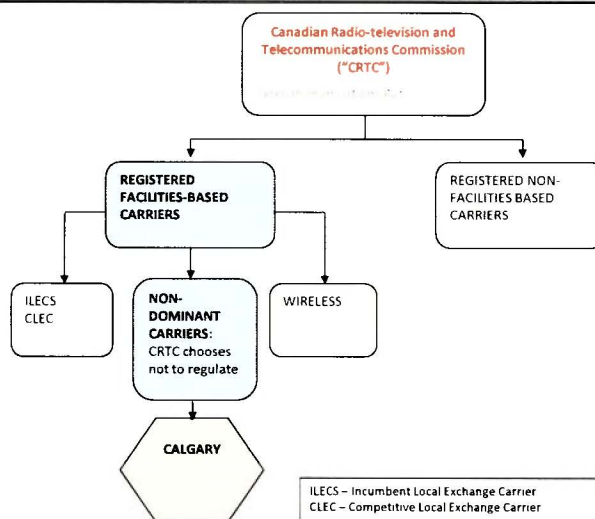
- Telecommunications are regulated by the Canadian Radio-television and Telecommunications Commission (CRTC)
- CRTC regulates City assets if they involve telecommunications facilities

Page 17

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## Regulatory Structure: Telecommunications



Page 18

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## City Involvement in CRTC Proceedings

- Part I Applications:
  - Telecom's challenge to City MCAA
  - Hamilton's challenge to Bell re MCAA
  
- Notices of Consultation (by CRTC):
  - Wholesale Services Proceeding – Network owners providing bandwidth to other telecoms
  - Basic Services Proceeding – review of consumer telecommunication services

Page 19

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## RECOMMENDATION

- That Council receive this report for information

Page 20

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