

Energy

BUSINESS PLAN 2007-10

ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2007 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 26, 2007 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

The Ministry's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

original signed by

Mel Knight, *Minister of Energy*
March 28, 2007

THE MINISTRY

Alberta owns 81 per cent of the province's mineral rights. The Ministry of Energy manages the development of these resources on behalf of the people of Alberta, within the province's framework for sustainable resource and environmental management.

The Ministry of Energy consists of the Department of Energy, the Alberta Petroleum Marketing Commission, and the Alberta Energy and Utilities Board.

The Department manages the development of provincially owned energy and mineral resources by industry and the assessment and collection of resource revenue in the form of royalties, freehold mineral taxes, rentals and bonuses. The Department promotes development of Alberta's energy and mineral resources, recommends and implements energy and mineral policy, grants rights for industry exploration and development and establishes and administers fiscal and royalty systems. The Department's resource portfolio includes natural gas, conventional oil, oil sands, petrochemicals, electricity, coal and minerals, renewable energy (wind, bio-energy, solar, hydro, geothermal, etc.) and energy efficiency and conservation.

The Alberta Petroleum Marketing Commission accepts delivery of the Crown's royalty share of conventional crude oil and sells it at current market value. Unlike other energy commodities, conventional crude oil royalties are paid with "in-kind" product which are sold in the market. The Commission's operations are fully integrated within the Department and funded by the Crown.

The Alberta Energy Utilities Board is an independent, quasi-judicial agency of the Government of Alberta with responsibility to regulate Alberta's energy resource and utility sectors. While the Board reports to the Minister of Energy, it makes its formal decisions independently in accordance with statutes and various regulations. The Board's operations are jointly funded by the Crown (43 per cent) and by industry (57 per cent). The Board has delegated the authority for management of the abandonment and reclamation of oil and natural gas sites deemed by the Board to be orphans to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association. The Board Chairman has governance responsibility for the Market Surveillance Administrator, which monitors Alberta's electricity market to ensure it operates fairly, efficiently and in an open and competitive manner.

VISION

Alberta is a global energy leader, using its world class knowledge, expertise and leadership to develop the vast energy resources of the province and to market these resources and abilities to the world.

MISSION

Optimize the sustained contribution from Alberta's energy and mineral resources in the interests of Albertans.

ALBERTA'S INTEGRATED ENERGY VISION

Energy introduced a long-term vision for the integrated development of Alberta's energy resources in 2006. Energy's vision for integration is about developing Alberta's vast energy resources and world class expertise, positioning Alberta as a globally recognized energy supplier, using an environmentally responsible approach to energy development and meeting the expectations of Albertans as owners of their energy and mineral natural resources.

In August 2006, Energy released a discussion document titled *Alberta's Integrated Energy Vision*. Stakeholders and the general public commented on the document. Energy will now work with other ministries and stakeholders to develop comprehensive energy strategies to implement the new vision. Implementation of the Energy vision will also be guided by other key initiatives presently being undertaken by the Government of Alberta. These include the results of consultation on future oil sands development; the provincial Land-use Framework, Hydrocarbon Upgrading Task Force recommendations; Water for Life strategy implementation; and Alberta's climate change plan.

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

The Ministry of Energy is committed to the Government of Alberta's Strategic Business Plan. The key linkages and contributions of the Ministry to the Government of Alberta goals and Government Priorities and are highlighted below:

Goal 1: Alberta will have a prosperous economy

The Ministry promotes expansion of production from Alberta's oil sands, enhanced energy infrastructure, increased recovery of conventional oil and natural gas, development of unconventional gas, renewable energy sources, and increased value added upgrading of Alberta's energy resources. In partnership with industry, the Ministry supports technological innovation that enhances environmentally sustainable development.

Goal 3: The high quality of Alberta's environment will be sustained

Goal 4: Alberta will have a financially stable, open and accountable government and maintain its strong position nationally and internationally

Goal 10: Alberta will have effective and efficient transportation infrastructure

The Ministry assesses and collects resource revenue from the development of Alberta's energy and mineral resources. In 2005-06 non-renewable resource revenue accounted for about 40 per cent of the provincial government's total revenue. The contribution of the energy and mineral sectors to provincial revenue will continue to support having no provincial sales tax, low personal and corporate income tax rates, and the provision of priority programs and services on which Albertans depend. The Ministry regulates the development and delivery of energy resources and energy utilities in Alberta having regard for social, economic and environmental effects, including resource conservation.

Government Priorities

Energy's priorities directly support two of the five Government of Alberta's priorities. Under the Government Priority: Manage Growth Pressures, Energy will develop a comprehensive strategy for the development of renewable and non-renewable energy and energy conservation and support development of the provincial Land-use Framework. Energy will contribute to: Building a stronger Alberta by supporting a review of royalties by a government mandated external panel.

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

Opportunities:

Alberta's Energy Supply – Alberta has a vast and diverse supply of natural resources. Huge non-conventional oil sands and coalbed methane resources complement our existing large conventional resource base. Abundant coal reserves offer expanded opportunities for increased exports as well as value-added processing, electricity generation and gasification. Alberta also has extensive wind, solar and bio-energy resources. Future energy development in Alberta must build on the strengths of all of these resources, employing integrated strategies that maximize synergies and value-added opportunities for the benefit of Albertans.

Growing Global Markets – While the United States will continue to be the principal non-Canadian consumer of Alberta's energy products, new global markets are emerging and presenting new market opportunities for Alberta's energy products and expertise.

Alberta's Competitive Energy Advantage – Alberta provides an attractive energy investment climate. Its policy, fiscal and regulatory environment provides a high level of certainty and stability. Alberta has superior environmental technology, a large petrochemical sector and well developed pipeline infrastructure to access North American markets. Alberta provides a highly developed financial infrastructure of head offices, major branch offices and financial centres. Our workforce has world-class expertise, knowledge, and experience excelling in energy exploration, development of world-scale energy projects, research, energy training, financial assessment and practices, energy infrastructure planning and building, energy policy and governance.

Adding Value – Refining and upgrading raw energy resources, as well as further petrochemical processing to produce a diversity of products that can be sold for higher value in the world marketplace can greatly expand work and business opportunities for Albertans. Alberta has the potential to be a world leader in transforming hydrocarbons into a vast array of marketable products.

Research and Innovation – A renewed emphasis on energy research and development is crucial to unlocking the full potential of Alberta's energy resources. The oil sands hold enormous potential, but will require new technologies to achieve its full production potential. New technologies will expand the use of Alberta's abundant coal resources in low emission/clean power generation, coal gasification and industrial feed stocks. We also need to use innovative approaches to improve our capture and use of carbon dioxide (CO₂), reduce the use of natural gas and water in both oil sands operations and ethanol production, reduce emissions from oil sands operations, and develop Alberta's renewable energy sources.

Environmentally Sustainable Energy Development – Albertans expect their energy and mineral resources to be developed in a manner that sustains the environment. Alberta has the opportunity to be a North American and global leader in the environmentally sustainable development of its energy and mineral resources and in implementing energy conservation.

Challenges:

Energy Prices and Revenue Forecasts – Volatility and uncertainty about oil and natural gas prices continue to present a challenge in forecasting this Government of Alberta revenue. A majority of analysts generally agree that oil supply will grow faster than demand and oil prices will trend lower over the long term. They differ on how much and how fast the price will fall depending on the relative difference between global supply and demand.

Royalties – Albertans expect to receive a fair share of revenues from the development of their energy resources and the Government of Alberta has committed to conducting a review of energy royalties.

Electricity Generation and Transmission Capacity – Installed generating capacity will need to increase in order to keep pace with Alberta's growing demand for electricity. The outlook is for generation reserve margins to tighten. Proposed investments in new generation additions are dependent on enhancements to Alberta's transmission system to ensure access to markets. Timely regulatory approval will be critical to ensuring adequate future transmission capacity.

Access, Regulation and Public Support – Competition for the use of Alberta's land base is increasing, driven by strong economic and population growth. Effective management of the competing interests of surface and subsurface activity, is critical to sustained economic growth and quality of life for Albertans. Increased industry activity also means increased public concern about safety, pace of development and environmental protection. Albertans must be confident that the regulations and policies related to safety, energy development, access, and environmental standards and protection are effective, reasonable and consistently applied.

Pace of Development – Market conditions and global recognition of Alberta's oil sands resource are drivers of current levels of investment and development. Rapid oil sands industry growth has put significant pressure on social and physical infrastructure in oil sands development regions. The pace and scale of development of Alberta's oil sands is also raising concerns about greenhouse gas emissions, fresh water use, and cumulative effects. In other parts of the province, conventional oil and gas activity also reached record levels in 2006. Alberta will need to continue to address the consequences of high growth levels and manage the impacts on Albertans.

Capacity and Expertise – The Ministry faces strong competition from the energy industry when recruiting and retaining skilled employees. The energy business is complex and knowledge intensive, requiring expertise and skill. Ministry employees typically develop skills that are attractive to industry. The Ministry is experiencing increased turnover and greater difficulty in finding technical and professional people with the required skills and knowledge to maintain technical competency and fulfill our mandate.

STRATEGIC PRIORITIES 2007-10

Through the Ministry's review of external and internal challenges, the strategic priorities described below have been identified. These are in addition to the important ongoing core activities of the Ministry.

GOVERNMENT PRIORITY – MANAGE GROWTH PRESSURES

- 1. Comprehensive Energy Strategy**
Linkage:
Goals 1, 2, 3, 4, 5, 6 and 7
Work with other government Ministries and industry to build on Alberta's integrated energy vision to develop comprehensive strategies for the development of Alberta's renewable and non-renewable energy sources and for the conservation of energy use.

- 2. **Alberta's Electricity System** Develop recommendations to ensure the effective operation of Alberta's electricity system to meet Alberta's growing needs.

Linkage:
Goals 5 and 6
- 3. **Provincial Land-use Framework** Work with other ministries to develop a Land-use Framework for the province to address conflicts over competing uses of land and provide a vision for an integrated sustainable land use approach that addresses economic, environmental and social concerns.

Linkage:
Goals 2, 3, 4 and 6
- 4. **Sustainable Resource and Environmental Management** Continue to partner with Environment, Sustainable Resource Development and other ministries and stakeholders to improve sustainable resource and environmental management. This will include developing integrated sustainable resource and environmental management policies and regulatory processes, and improved coordination/integration of inter-departmental operations.

Linkage:
Goals 2, 3, 4, 5 and 6

GOVERNMENT PRIORITY – BUILD A STRONGER ALBERTA

- 5. **Value Added Strategy** Develop a strategy to increase value added opportunities from Alberta's energy resources.

Linkage:
Goals 2 and 4
- 6. **Royalty Review** Support a review of Alberta's royalties by providing information and analysis as required.

Linkage: Goal 1

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

Core Business One: Securing Benefits for Albertans – *Secure Albertans' share and benefits from energy and mineral resource development*

This core business includes all Department operations involved in the calculation, assessment, collection, and audit of royalties, freehold mineral taxes and other revenue from the energy and mineral industry. It includes all Alberta Petroleum Marketing Commission operations related to the marketing and sale of the Crown's in-kind oil royalty share. The core business also includes the Department's analysis and review of existing royalty features and systems and the development of revised or new royalty policy and features. It also includes tenure operations involved in disposition of Crown mineral rights, including: the posting and sale of oil sands, petroleum and natural gas, and other mineral rights, issuing and maintaining mineral rights agreements; reviewing well licenses and oil sands projects and handling transfers and continuations of leases.

GOAL ONE **1** **Optimize Albertans' resource revenue share and benefits from the development of their energy and mineral resources over the long term**

What it means Albertans receive their share of energy and mineral resource development through royalties, rentals and bonuses paid by industry and collected by the Ministry. Alberta's resource development system is designed to capture a fair share of industry revenue from the development of provincial resources, while ensuring industry retains sufficient revenue to continue to invest in the future development of these resources. In 2005-06 non-renewable resource revenue accounted for about 40 per cent of the

Government of Alberta's total revenue. Other benefits from a strong energy industry include jobs, business opportunities, investment and innovative technologies and research.

Strategies

- 1.1 The Ministry will continue to review royalty regimes and recommend changes needed to address changing economic circumstances and opportunities and will support a government mandated external review of royalties by providing information and analysis as required.
- 1.2 Improve assurance of the completeness and accuracy of well and production data and continue to provide clear communication to industry with regard to filing information and accurate reporting to reduce the number of audit amendments.
- 1.3 Continue to develop, maintain, enhance and manage in-house the Ministry's information technology systems and infrastructure that are critical to ensuring Albertans continue to receive their share of resource revenue.

Performance Measures	Last Actual (year)	Target 2007-08	Target 2008-09	Target 2009-10
1.a Sharing the Revenue from Resource Development: Crown Revenue Share – portion of oil and gas industry's annual net operating revenue that is paid to the Crown as royalty (three-year moving average) ¹	19% (2005)	20-25% (2007)	20-25% (2008)	20-25% (2009)
1.b Audit adjustments to industry filing and reporting: Absolute adjustments as a percentage of Department resource revenue (three-year moving average) ²	2.4% (2005-06)	Less than 2.0%	Less than 2.0%	Less than 2.0%

Notes:

- 1 **This measure is under review by the department and any proposed changes will be informed by the findings of the public review of royalties.**
This measure aggregates results from conventional oil, natural gas, and oil sands royalties. It is intended to indicate overall performance and not the performance of individual royalty programs. The Alberta government also receives bonuses from the sale of Crown mineral rights. These are not included in the measure. Bonuses collected by the Department amounted to \$3.49 billion in 2005-06.
- 2 The measure is based on absolute adjustments which reflect total error rates.

Sources:

- 1.a Canadian Association of Petroleum Producers (CAPP) and Alberta Department of Energy
- 2.b Alberta Department of Energy

Core Business Two: Resource Development – *Ensure Alberta's energy and mineral resources remain accessible, competitive and attractive to investment and development*

This core business includes all Department operations involved in managing the development of Crown energy and mineral resources and attracting investment. It includes work undertaken to promote development in Alberta, maintain access to the resources, and encourage development of new technologies, new sources of energy (including renewables) and energy efficiency and conservation. It also involves monitoring and assessing the competitiveness of Alberta's energy and mineral development policies to ensure Alberta continues to attract investment.

What it means Global demand for energy and growing recognition of Alberta's vast energy potential means increasing interest in Alberta as a place to invest in energy development. Alberta maintains competitive fiscal and regulatory regimes that are intended to attract industry investment and ensure that Albertans, the resource owners, benefit from resource development. Predictability, certainty, stability, and an efficient regulatory system combined with an extensive energy infrastructure and ready market access are all features that make Alberta a strong competitor for industry investment. The Ministry is the principal advocate nationally and internationally for Alberta's interests and rights to develop and manage energy and mineral resources.

Strategies

- 2.1 Work in partnership with Alberta Environment and Sustainable Resource Development to implement improved integration of upstream oil and gas policy and regulatory integration that results in regulatory processes that are effective, efficient and timely.
- 2.2 Contribute to the development of a Provincial Land-use Framework.
- 2.3 Lead Alberta's strategic participation in regional, national and international energy initiatives, promoting energy trade, development of North American electric reliability standards, provincial participation in international energy discussions and negotiations, and improved access to international markets.
- 2.4 Advocate for optimal tolls, tariffs and access to existing and new pipelines and wires that transport Alberta energy resources to North American markets.
- 2.5 Develop and implement strategies that will maximize benefits to Alberta from northern gas development.
- 2.6 Maintain jurisdiction over Alberta's energy infrastructure and minimize regulatory duplication arising from overlapping federal and provincial responsibilities.
- 2.7 Work with other Ministries and stakeholders to update the provincial action plan on climate change.

Performance Measure	Last Actual (2005)	Target 2007-08	Target 2008-09	Target 2009-10
2.a Resource Development:				
Upstream industry investment in Alberta – Annual capital expenditure in Alberta on exploration and development of oil, oil sands and gas resources ¹	\$35.4 billion	Equal to or greater than \$15 billion (2007)	Equal to or greater than \$15 billion (2008)	Equal to or greater than \$15 billion (2009)

Note:

- 1 The target for this measure is under review by the department. Bonuses from the sale of mineral rights are included in this measure as industry includes these as capital expenditures. Bonuses for the calendar year 2005 were \$2.3 billion.

Source:

Canadian Association of Petroleum Producers

What it means Alberta has long enjoyed an abundant supply of oil and natural gas. In the future, new sources of energy will be developed to ensure Alberta has a continued supply of energy to meet growing Alberta and global demand. New energy sources represent the future and include expanded oil sands production, clean burning coal technologies, coalbed methane and the development of renewable energy sources (wind, hydro, biofuels). There is also significant potential to improve the recovery of existing conventional resources remaining in the ground through technologies such as CO₂ injection. Maintaining resource access is essential for future energy development and the Ministry works within the province's framework of sustainable development to maintain or enhance resource exploration and development opportunities in a responsible manner that protects the environment and public safety.

Strategies

- 3.1 Energy will work with other government Ministries and industry to develop a comprehensive strategy for the development of Alberta's renewable and non-renewable energy sources and for the conservation of energy use.
- 3.2 Develop a long-term strategy for the future development of Alberta's oil sands based on public consultations held by the Multi-Stakeholder Committee in 2006 and 2007.
- 3.3 Draft a policy framework for the future development of renewable energy sources in Alberta.
- 3.4 Coordinate the implementation of approved recommendations to enhance regulatory processes and policies for the responsible development of coalbed methane.
- 3.5 Support the development of a policy framework for CO₂ capture, utilization and sequestration and study CO₂ supply and demand in Alberta.
- 3.6 Work with the Alberta Energy Research Institute, the Alberta Agricultural Research Institute, other research organizations and industry, through initiatives such as Energy INet, the Alberta Energy Innovation Fund and the Innovative Energy Technologies Program, to develop an integrated, coordinated approach to research that supports clean coal technology, increased recovery and upgrading of conventional and unconventional resources, CO₂ management, water management, and renewable energy development.
- 3.7 Work with other ministries on initiatives such as the implementation of Water for Life, sustainable resource environmental management, integrated land management, biodiversity strategy, species at risk recovery plans, rural development and regional access management planning initiatives.
- 3.8 Work with Aboriginal communities, resource developers and other levels of government to create opportunities for Aboriginal people to participate in Alberta's energy economy.

Performance Measure	Last Actual (2005)	Target 2007-08	Target 2008-09	Target 2009-10
3.a Energy Resource Portfolio Diversification:				
Production from new sources or extended production from existing sources				
Oil Production (thousands of bbl/d):				
• Extended Oil Recovery	159			
• Oil sands	966	Additional Production	Additional Production	Additional Production
Natural Gas Production (Bcf/year):				
• Coalbed Methane ¹	47			
Electricity Generating Capacity (MW):				
• Natural Gas (cogeneration)	3,127			
• Renewables (hydro, wind, biomass)	1,361			

Note:

1 Total gas production from all wells with completion in coal seams in 2005 was 102 Bcf. Coalbed methane production from these wells was 47 Bcf.

Source:

Alberta Department of Energy and the Alberta Energy and Utilities Board

Supplemental Information:

Energy Resource Portfolio Diversification: Production from new sources or extended production from existing sources	Outlook 2010
Oil Production (thousands of bbl/d):	
• Extended Oil Recovery	123
• Oil sands	1,825
Natural Gas Production (Bcf/year)	
• Coalbed Methane ¹	463
Electricity Generating Capacity (MW)	
• Natural Gas (cogeneration)	4,888
• Renewables (hydro, wind, biomass)	3,709

Note:

1 Outlook volume reflects all gas produced from wells completed in coal seams; the outlook for coalbed methane production only is not available.

Source:

Alberta Department of Energy and the Alberta Energy and Utilities Board

GOAL FOUR **4** Expand value-added energy development in Alberta

What it means The Ministry encourages industrial integration and increased value-added resource upgrading in Alberta. Extracting the most value from our energy resources by increasing the level of processing secures additional benefits for Albertans. The oil sands provide the potential for new refining capacity, and for growing a petrochemical industry based on petroleum. These new opportunities, when combined with Alberta's natural gas liquid based petrochemical industry, create significant potential for more value-added development in Alberta.

Strategies

- 4.1 Develop a strategy to increase value added opportunities from Alberta's energy resources.
- 4.2 Work with Employment, Immigration and Industry to promote and market Alberta's energy resource development and value-added opportunities to secure new investment, market growth, employment and business opportunities.

Performance Measure	Last Actual (2005)	Target 2007-08	Target 2008-09	Target 2009-10
4.a Upgrading of Bitumen in Alberta: The share of bitumen upgraded in Alberta, to the total amount of bitumen produced in Alberta (three-year moving average).	62%	Increasing percent upgraded in Alberta (2007)	Increasing percent upgraded in Alberta (2008)	Increasing percent upgraded in Alberta (2009)

Source:

Alberta Department of Energy and the Alberta Energy and Utilities Board

Core Business Three: Energy for Albertans – *Ensure Alberta consumers have a choice of reliable and competitively priced energy*

This core business includes all Departmental operations related to policy and market (wholesale and retail) design for electricity as well as retail market design for natural gas. The aim is to provide an efficient, competitive marketplace that maintains reliable energy supplies and provides fair and equitable prices to consumers. It also includes the department's involvement with consumer energy efficiency, conservation and demand management.

GOAL FIVE

5

Maintain a competitive market framework that provides Albertans with competitively priced and reliable electricity and natural gas

What it means Alberta restructured its electricity industry to provide a fair, efficient and openly competitive marketplace that encourages the development of new power generation and offers all consumers choice and reliable supply. Retail natural gas has been open to choice since 1996 and retail electricity since 2001. The Ministry continues to strengthen its provisions for retail consumer choice, working to further harmonize the rules for the natural gas and electricity retail markets. Through the *Natural Gas Price Protection Act*, the Alberta government also shares the benefits of resource ownership with consumers by providing relief from high natural gas prices during periods of high consumption.

Strategies

- 5.1 Develop recommendations to ensure the continuing effective operation of Alberta's electricity system to meet Alberta's growing needs.
- 5.2 Harmonize the regulatory requirements for electricity and natural gas retail markets to ensure that a consistent set of rules apply to both.
- 5.3 Research, gather and publish metrics and tools to assess the performance of the retail electricity market.
- 5.4 Develop metering policy recommendations to support advanced metering technology development for the retail market.
- 5.5 Implement Alberta's transmission policy in planning, rule-making and tariffs, and facilitate the development of new electricity infrastructure to ensure Albertans continue to receive safe, reliable and open-access service.

- 5.6 Develop and implement mandatory reliability rules for the North American transmission grid, in collaboration with other governments, the Alberta Electric System Operator and the Alberta Energy Utilities Board.
- 5.7 Develop an integration framework to allow additional wind resources to be added to the Alberta electric system.
- 5.8 Work with other ministries and industry to encourage energy efficiency and conservation and the choice of a range of energy sources, including both renewable and non-renewable.
- 5.9 Participate with government agencies and regulated electricity and natural gas retailers to provide consumers, industry and other government agencies with clear and timely communication to increase consumer understanding of Alberta's competitive marketplace for natural gas and electricity.

Performance Measures	Last Actual (2005)	Target 2007-08	Target 2008-09	Target 2009-10
5.a Power Generation: Margin (MW) between supply and peak demand ¹	17%	Maintain a minimum 7% margin over peak load. (2007)	Maintain a minimum 7% margin over peak load. (2008)	Maintain a minimum 7% margin over peak load. (2009)
5.b Annual Residential Natural Gas Price (ARGP): Difference between the annual average price Albertans pay for natural gas and the price paid by other Canadian jurisdictions ²	-\$2.36	Annual ARGP not to exceed annual NRGP (2007)	Annual ARGP not to exceed annual NRGP (2008)	Annual ARGP not to exceed annual NRGP (2009)

Notes:

- 1 The methodology for this measure has been changed. Wind power is not included as it is not dispatchable on a consistent basis. Tie line capacity is also not included.
- 2 Methodology and source for determining the difference between ARGP and NRGP has been revised and is now based on Statistics Canada data. National Residential Natural Gas Price (NRGP) is \$/GJ. Does not include Alberta's natural gas rebates.

Sources:

- 5.a Alberta Energy and Utilities Board, Alberta Electric System Operator and Alberta Department of Energy
- 5.b Statistics Canada and Alberta Department of Energy

Core Business Four: Regulation of Energy Development by the Alberta Energy and Utilities Board – *Ensure that the discovery, development and delivery of Alberta's energy resources and utility services take place in a manner that is fair, responsible and in the public interest*

The Energy and Utilities Board is an independent, quasi-judicial body that regulates the development and delivery of energy resources in Alberta. It also applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects. The Board conducts inspections to ensure compliance with regulations and provides geo-science information and expertise needed by government, industry and the public. In the utility sector, the Board ensures that regulated electricity and natural gas utilities provide Albertans with reliable service at reasonable prices that also give the owners of regulated utilities an opportunity to recover costs and earn a fair return on their investment.

A regulatory framework for the energy and utility sectors that is fair, responsible and in the public interest

What it means The Government of Alberta has established in legislation and policy, a regulatory framework intended to ensure that the discovery, development and delivery of Alberta's energy resources and utility services take place in a manner that is fair, responsible and in the public interest. The development of broad energy policy and oversight of this framework rests with the government, particularly the Minister of Energy, which is responsible for the related legislation. The Alberta Energy and Utilities Board is responsible for implementing the regulatory process within this framework. While the Board reports administratively to the Minister of Energy, its formal regulatory decisions are made independently, in accordance with the governing legislation and regulations. The Board regulates the development and delivery of energy resources in Alberta. It establishes and applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects, including resource conservation. The Board conducts inspections to ensure compliance with the regulations it administers. It also provides geoscience information and expertise needed by government, industry and the public for the stewardship and development of energy resources in Alberta. In the utility sector, the Board ensures that regulated electricity and natural gas utilities provide consumers with reliable service at just and reasonable prices that also provide the owners of the regulated utilities with a reasonable opportunity of earning a fair return on their investment and recovering their costs. The Board does not regulate the wholesale commodity prices for gas and electricity.

A detailed Energy and Utilities Board Business Plan is available from the Energy and Utilities Board website http://www.eub.gov.ab.ca/docs/eubinfo/BusinessPlan_2007-10.pdf.

Strategies

- 6.1 Participate in the development of an improved regulatory framework for energy development and the role and structure of the Board within this framework.
- 6.2 Improve the effectiveness and efficiency of decision making processes through improved use of Appropriate Dispute Resolution (ADR) and negotiated settlements, expansion of routine decision processes for areas where the requirements are clear, more efficient utility pre-hearing disclosure and improved non-routine decision making processes used to settle conflicts.
- 6.3 Maintain high standards of public safety, environmental protection and energy resource conservation by ensuring Board regulatory requirements are relevant, understood and complied with.
- 6.4 Work with stakeholders to develop sustainable liability management programs which ensure licensees are responsible for decommissioning and abandonment liabilities conflicts.

Performance Measures	Last Actual (year)	Target 2007-08	Target 2008-09	Target 2009-10
6.a Application Resolution: Percentage of oil and gas facility and resource applications filed with objections resolved (disposed or closed) without a hearing ¹	97% (2005-06)	95%	95%	95%
6.b Protection of Public Safety: Percentage of high risk unsatisfactory field inspections of regulatory noncompliance	1.8% (2005-06)	Less than 3.5%	Less than 3.5%	Less than 3.5%
6.c Service Standards of Utility Companies: Percentage of utility companies performance measure results that meet the EUB target for service standards to utility customers	99% (2005)	92% (2007)	94% (2008)	94% (2009)

Note:

1 Less than 2 per cent of the approximately 54,000 oil and gas facility and resource applications in 2005-06 were filed with objections.

ORGANIZATIONAL CAPACITY AND EFFECTIVENESS

Successful delivery of the Ministry's core businesses depends on building and maintaining a strong organization with the knowledge and capacity to respond to changing future business and economic circumstances. A separate goal has been established to address this requirement.

GOAL SEVEN **7** Build an organizational environment for success

What it means Organizational capacity and effectiveness addresses the challenge and importance of maintaining and building organizational capacity to respond to changing business needs. Organizational capacity means having the right resources, people, finances, information, technology, processes and tools to deliver the Ministry's mission.

Strategies

- 7.1 Implement human resource development and workforce planning strategies that enable the Ministry to retain, attract and develop our employees to ensure a competent and committed workforce that meets current and future needs. Develop strategies for succession planning, protection of information assets and corporate information and knowledge management and transfer.
- 7.2 Information will be managed to optimize the value of investment in information assets, support effective operations and improve the delivery of services to Albertans and other stakeholders. Energy will optimize the use of, and access to, its information assets through an integrated and secure electronic environment required by both industry and government.
- 7.3 Deliver human resource, financial management, information management and technology business solutions that address emerging business needs and technology drivers in support of crucial business operations, and allow the retirement of aged business solutions.
- 7.4 Provide easily accessible, relevant and high quality data, information, services, knowledge and advice relative to the energy and utility sectors.

Performance Measure	Last Actual (2005)	Target 2007-08	Target 2008-09	Target 2009-10
7.a Industry satisfaction:				
• with Department services	84%	80% or higher (2007)	n/a (2008)	80% or higher (2009)
• with Department electronic information management	90%	80% or higher (2007)	n/a (2008)	80% or higher (2009)

Note:

n/a All surveys are conducted every second year.

Source:

7.a Banister Research and Consulting

New Performance Measure under development: Availability of data and information for the Alberta Energy Utilities Board.

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable					
	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Securing Benefits for Albertans	45,058	48,009	48,009	54,110	54,790	56,269
Resource Development	19,921	20,655	25,655	81,964	101,568	80,987
Energy for Albertans	3,461	3,804	3,804	4,822	4,925	5,014
Regulation of Energy Development	130,467	146,052	149,352	159,002	168,602	171,302
MINISTRY EXPENSE	198,907	218,520	226,820	299,898	329,885	313,572

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable					
	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
REVENUE						
Non-Renewable Resource Revenue						
Natural Gas and By-Products Royalty	8,387,920	7,146,000	5,501,000	6,023,000	5,233,000	4,601,000
Crude Oil Royalty	1,462,504	954,000	1,389,000	1,060,000	927,000	815,000
Synthetic Crude Oil and Bitumen Royalty	950,253	1,716,000	2,374,000	1,795,000	1,821,000	1,163,000
Bonuses and Sales of Crown Leases	3,490,142	1,479,000	2,434,000	1,214,000	1,119,000	1,045,000
Rentals and Fees	156,222	150,000	169,000	153,000	151,000	148,000
Coal Royalty	11,072	11,000	16,000	15,000	15,000	15,000
Alberta Royalty Tax Credit	(111,453)	(102,000)	(183,000)	-	-	-
Total Non-Renewable Resource Revenue	14,346,660	11,354,000	11,700,000	10,260,000	9,266,000	7,787,000
Freehold Mineral Rights Tax	334,079	386,000	319,000	333,000	352,000	307,000
Investment Income	1,335	1,250	2,750	2,500	2,500	2,500
Industry Levies and Licences	74,097	82,700	84,500	89,950	95,350	96,850
Other Revenue	40,531	10,309	11,309	10,309	10,309	10,309
MINISTRY REVENUE	14,796,702	11,834,259	12,117,559	10,695,759	9,726,159	8,203,659
EXPENSE						
Program						
Ministry Support Services	1,891	1,892	1,892	2,006	2,081	2,156
Resource Development and Management	66,073	70,541	75,541	138,855	159,167	140,079
Energy and Utilities Regulation	116,906	133,052	135,852	146,002	155,602	158,302
Orphan Well Abandonment	13,561	13,000	13,500	13,000	13,000	13,000
Valuation Adjustments and Other Provisions	476	35	35	35	35	35
MINISTRY EXPENSE	198,907	218,520	226,820	299,898	329,885	313,572
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
NET OPERATING RESULT	14,597,795	11,615,739	11,890,739	10,395,861	9,396,274	7,890,087

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable			2007-08 Estimate	2008-09 Target	2009-10 Target
	2005-06 Actual	2006-07 Budget	2006-07 Forecast			
Ministry Revenue	14,796,702	11,834,259	12,117,559	10,695,759	9,726,159	8,203,659
<i>Inter-ministry consolidation adjustments</i>	(1,204)	-	(673)	-	-	-
Consolidated Revenue	14,795,498	11,834,259	12,116,886	10,695,759	9,726,159	8,203,659
Ministry Expense	198,907	218,520	226,820	299,898	329,885	313,572
<i>Inter-ministry consolidation adjustments</i>	(1,204)	-	(673)	-	-	-
Consolidated Expense	197,703	218,520	226,147	299,898	329,885	313,572
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	14,597,795	11,615,739	11,890,739	10,395,861	9,396,274	7,890,087