
Energy

BUSINESS PLAN 2003-06

ACCOUNTABILITY STATEMENT

The Business Plan for the three years commencing April 1, 2003 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 19, 2003 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]

Murray Smith, *Minister of Energy*
March 21, 2003

INTRODUCTION

Albertans own their oil, natural gas, and mineral resources. The Ministry of Energy manages the development of these resources in a responsible manner, within a framework of sustainable development, that maximizes investment in resource development and benefits for Albertans.

The Ministry of Energy contributes significantly to the Alberta government's three core businesses of People, Prosperity and Preservation:

People – The department is a significant generator of provincial revenues, which support the provision of programs and services in priority areas. Over the past 20 years annual non-renewable resource revenues have averaged approximately \$3.5 billion, with annual non-renewable resource revenues contributing between 14% and 42% of total government revenues. Global and North American price volatility and production levels are primary factors affecting revenues.

Prosperity – The oil and gas industry is a cornerstone of Alberta's economy and a major contributor to the current and future prosperity of Albertans. The Ministry maintains a competitive fiscal and regulatory regime to encourage continued investment in Alberta's energy resources. Oil and gas industry investment reached record levels in 2001, with \$14.7 billion invested in conventional oil and gas development and \$5.9 billion in oil sands development. Investment is a key driver of job creation, business opportunities and overall prosperity for Albertans. In 2001, there were approximately 98,000 people directly employed in Alberta's upstream oil, gas and mining industries. In 2001, energy exports, valued at \$45.8 billion, accounted for 50% of the value of all Alberta exports.

Preservation – The Ministry works within the government's framework of sustainable development to ensure access to, development and production of energy resources occurs in a responsible manner that protects the environment and public safety. The Ministry maintains a fair and responsible regulatory framework for the energy and utility sectors that is based on the public interest of all Albertans.

The Ministry consists of the Department of Energy (the Department), and the Alberta Energy and Utilities Board (EUB). Business plan details for each of these organizations are presented below.

DEPARTMENT OF ENERGY

VISION

Alberta's competitive environment attracts investment in its energy and mineral resources, for the benefit of present and future Albertans.

MISSION

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

CORE BUSINESSES

The Department has responsibility for a diverse resource development portfolio that includes natural gas, conventional oil, oil sands, petrochemicals, electricity, coal, and minerals.

The Department's core businesses are:

Securing Benefits for Albertans

Secure Albertans' share and benefits from energy and mineral resource development.

Resource Development

Ensure Alberta's energy and mineral resources remain competitive, and attractive to investment and development.

Awareness and Understanding

Inform Albertans about energy and mineral resource development and related policies, and the significance of these resources to Alberta's economy.

Energy for Albertans

Ensure Alberta consumers have a choice of reliable and competitively priced energy.

The Department has responsibility for a diverse resource development portfolio that includes natural gas, conventional oil, oil sands, petrochemicals, electricity, coal, and minerals. To effectively manage the development of these commodities, the department has organized itself around eight business lines. This structure builds knowledge and strengthens communication between Alberta Energy business areas, and Alberta's resource industries. Importantly, this structure also allows for the direct allocation of resources and fiscal accountability by each business line and the direct linkage of department spending with revenues generated by each of the business lines.

The department's business lines are:

- Natural Gas
- Oil
- Oil Sands
- Petrochemicals
- Coal and Minerals
- Electricity
- Tenure
- Resource Land Access and Aboriginal Affairs

PERFORMANCE MEASURES

The department's business plan focuses on outcome measures. This is consistent with Government's direction of shifting from measuring the activities of government, to measuring outcomes or effects related to its activities. Department outcomes are the desired collective effect of our actions, processes, programs and outputs on the Alberta public – the owners of Alberta's resources – and the energy and mineral industries who develop the resources on their behalf. The department's performance measures track our progress towards achieving these outcomes.

While the department does not directly control outcomes, it does attempt to achieve desired results through the actions and outputs of its various programs. External factors outside the department's influence, such as market prices for commodities, will affect the department's ability to achieve some outcomes.

ORGANIZATIONAL CAPACITY AND EFFECTIVENESS

The department recognizes the challenge and importance of maintaining and building organizational capacity to respond to changing future business and economic circumstances affecting the development of Alberta's energy and mineral resources. A separate Department Organizational Capacity goal has been established to address this requirement.

STRATEGIC PRIORITIES

Climate Change Action Plan

Implementation of the Kyoto Protocol by the Federal Government will continue to be a concern for the department. Significant progress has been made to ensure Alberta, and the energy sector in this province will not be unfairly burdened by federal actions. Alberta will continue to implement its action plan on climate change. As part of this plan, the department of Energy will participate in a number of activities, including the negotiation of sectoral agreements for the energy sector.

Aboriginal Relations

The department continues to focus on developing consultation guidelines and on fostering capacity building in Aboriginal communities to ensure they are able to participate in, and benefit from, energy resource development.

Land Access

The Western Sedimentary Basin (WSB) is becoming a mature basin from a conventional oil and gas perspective. As a result, pool sizes are becoming smaller and harder to find. To sustain future production we need to encourage exploration and development in areas which, to date, have seen limited development. The department will complete a review of opportunities for new exploration and development in the eastern slopes (front ranges) and consult with tenure holders to encourage new energy development, as well as to reduce or manage barriers to energy development.

Resource Development Regulatory Review

A cross Ministry review of the environment, energy and resource regulatory framework used by the Government of Alberta to develop and manage Alberta's natural resources is underway. Revisions to Alberta's regulatory approval framework will be aimed at improving delivery of regulations, improving Alberta's business climate, and reducing costs of regulatory requirements for all parties over time, while maintaining Alberta's high environmental standards. The current review includes regulatory and administration processes delivered by Alberta Energy, the Energy and Utilities Board, and the Ministries of Environment and Sustainable Resource Development.

Royalty Review

The department reviews its royalty systems to ensure Albertans continue to receive a fair share of the maximized value of commodities over the next two decades. These reviews examine changes in resource quality and cost trends, effectiveness of fiscal regimes, fair share under different future scenarios, markets, changes required to effectively maximize value and capture a fair share, and comparisons with other jurisdictions. Alberta's royalty systems are designed to maximize and capture a fair share of the value of mineral and energy resources for the benefit of Albertans. It is government practice to promote fiscal regime stability so that changes are made only when necessary and only when in the interest of Albertans.

Electricity and Natural Gas Customer Choice

Government is pursuing structural changes to enhance electricity market operations and to ensure that there is a level-playing field for all market participants. The electricity and gas industries and government are committed to providing a retail market framework that benefits consumers and eliminates barriers to entry. The government will continue to assess the functioning of the gas and electricity markets, to encourage competitive market conditions that benefit Albertans.

DEPARTMENT OF ENERGY - CORE BUSINESSES, GOALS, STRATEGIES AND PERFORMANCE MEASURES

The following goals, strategies and performance measures have been established for each of the Department's core businesses.

CORE
BUSINESS
ONE

1 Securing benefits for Albertans

Secure Albertans' share and benefits from energy and mineral resource development.

GOAL 1.1 Optimize Albertans' resource revenue share and benefits from the development of their energy and mineral resources over the long term.

Key Strategies

- Ensure Albertans continue receiving their share of resource revenue within a fiscal regime (royalties, bonuses, taxes, rentals) that responds to changing industry, government, public and economic conditions.)
- Ensure Alberta's royalty regime is competitive and provides predictability and certainty to industry to encourage continued investment in, and development of, Alberta's resources.
- Directly develop, manage and support, in-house, those department information management systems that are critical to ensuring that Albertans continue to receive their share of resource revenues.
- Ensure business continuity through development, testing, and maintenance of plans for the resumption of all business processes and associated personnel, information, infrastructure, and equipment.

Performance Measures

- **Sharing the Profits from Resource Development** - Target: 20% to 25% of industry's annual net operating revenue

Alberta's resource development system is intended to capture a fair share of the revenue from the development of resources, for the benefit of Albertans, while encouraging continued investment in and development of Alberta's resources. For oil and natural gas, an indicator of this balance is the portion of industry's annual net operating revenue that is paid to the Crown as royalty.

	1996 Actual	1997 Actual	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002-06 Target
Crown Revenue Share (Three-year moving average – calendar year)	23%	23%	22%	21%	22%	24%	20-25%

Source: Developed from information in *Energy Update* published by ARC Financial Corp.

- **Crown Revenue Assurance** - Target: To ensure the completeness and accuracy of Albertans resource revenues - audit adjustments to be less than 2.0%.

The department audits Crown resource revenues and allowable costs to ensure these are complete, accurate and fairly valued. As a result of these audits, adjustments may be made resulting in a refund or the assessment of additional revenue. This performance measure expresses the annual total dollar value of audit adjustments as a percentage of reported Department of Energy resource revenues. It is a measure of industry's understanding of, and compliance with, Alberta's resource revenue regime.

Indicator	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Actual	2002-06 Target
Audit Adjustments as a percentage of Department resource revenues (three-year moving average)	2.0%	2.2%	1.7%	1.6%	Less than 2.0%

Source: Compliance and Assurance, Alberta Department of Energy

Notes: Resource revenues are based on the fiscal revenues as reported in the externally audited Annual Report. Audit adjustments are accumulated on the basis of completed audits in the current year. These audits consist of prior year's filings subject to the limitations of the *Mines and Minerals Act*.

Ensure Alberta's energy and mineral resources remain competitive, and attractive to investment and development.

GOAL 2.1 Maintain the competitiveness of Alberta's energy and mineral resources.

Key Strategies

- Work with Alberta Environment and industry to implement Alberta's action plan for climate change. As part of this plan, the department of Energy will participate in the negotiation of sectoral agreements for the energy sector.
- Advocate nationally and internationally for Alberta's interests and rights to develop and manage energy and mineral resources, including related emissions.
- Work with Aboriginal communities, resource developers, stakeholders and other levels of government to implement the Aboriginal Policy Framework and create opportunities for Aboriginal people to participate equitably in the resource economy of Alberta. [CM - Aboriginal Policy Initiative]*
- Implement Oil and Gas Consultation Guidelines for resource development on Crown land in areas of traditional use by aboriginal people.
- Work with Alberta Environment, Alberta Sustainable Resource Development and others to streamline regulatory processes for resource development, while maintaining Alberta's high environmental standards.
- Assess the current and future state of Alberta's resource commodities, identify development opportunities, encourage industry integration and maximize resource value to Albertans. [CM - Economic Development Strategy]
- Position and market Alberta as the 'hub' for moving northern gas transportation to markets.
- Advocate and encourage resource-upgrading opportunities in Alberta. [CM - Economic Development Strategy]
- Advocate for optimal tolls, tariffs and access to pipelines and wires that transport Alberta energy resources to North American markets.
- Work with industry and other departments to implement the Mineral Development Strategy.

GOAL 2.2 Secure future energy supply and benefits for Albertans, within a growing and competitive global energy marketplace.

Key Strategies

- Work with other ministries to develop Alberta's natural resources in a sustainable, integrated, and environmentally responsible manner through the water strategy and through Integrated Resource Management (IRM) initiatives for the Front Range and Southern Alberta.
- Ensure full energy and mineral resource development opportunity costs are considered in land use decisions.
- Expand our natural gas reserves by encouraging exploration in areas which have not received sufficient evaluation to date (e.g., front range).
- Analyze economics and implement changes, where appropriate, to the fiscal and tenure regimes to encourage further development of conventional and non-conventional resources. [CM - Economic Development Strategy]
- Complete a consultation process with stakeholders to identify issues and appropriate strategies for future development of Alberta's coalbed methane resource.
- Provide strategic research direction to the Alberta Energy Research Institute (AERI) and other research institutions aimed at improving recovery from conventional energy resources or enabling development of non-conventional and alternative energy sources.

* Ministry involvement in a current cross-ministry priority policy initiative is denoted by "CM" followed by the name of the initiative.

- Encourage field demonstration projects, and technology applications aimed at improving the economic recovery of energy resources, reducing emissions, and geologic storage of CO₂.
- Work with other ministries and industry to ensure the security of Alberta's energy resources and infrastructure.

Performance Measures

- **Resource Development** - *Target: Annual industry investment in the upstream oil and gas industry will be equal to or greater than, \$15 billion.*

Alberta Energy maintains a fiscal regime whose aim, over the long term, is to generate continued development of Alberta's energy resources and collect a fair share of resource development profits. Fair share is presently a department performance measure. The department's fiscal regimes are adjusted for each different commodity to recognize specific development needs and circumstances, as well as the department's current objectives for development of the commodity. For example, in recognition of the capital investment costs of oil sands projects, and to encourage development of this important future resource, the current oil sands fiscal regime encourages investment while deferring royalties.

Continued investment in Alberta's energy sector demonstrates the competitiveness and attractiveness of resource development in Alberta. Investment by the oil and gas industry is affected by a number of considerations: accessibility to the raw resource, finding and development costs, royalty rates, approval processes, corporate tax rates, environmental impact, work force, infrastructure (highways, housing, education, health, etc.), accessibility to refining and upgrading, pipelines and markets. The department has the ability to influence industry's decisions through the royalty and tax regime, approval processes, land and market access, and regulatory environment. Industry levels of investment will also vary due to factors such as available cash flow and commodity prices, over which the department has no influence.

	1993-2000 Baseline	2001 Actual	2002-06 Target
Upstream Industry Investment*	\$15 billion**	\$20.6 billion	Equal to or greater than \$15 billion

* Upstream investment includes expenditures made during the exploration and development of the resource. These costs include geological and geophysical, land, drilling, field equipment, enhanced oil recovery, plants and miscellaneous development expenses.

** Based on the average of 8 years 1993 to 2000 (inclusive). All in constant, year 2000, Canadian dollars. Target is conservative to allow for effect of unknown price volatility. Target will be reviewed annually.

Source: Canadian Association of Petroleum Producers

- **Energy Resource Portfolio Diversification** - *Target: Diversification of energy production*

This measure reflects the need for increasing diversification of Alberta's energy resource portfolio to meet future energy demands. To increase supply will require utilization of a full range of conventional and non-conventional fossil energy resource assets and the development of alternative energy sources of supply. This will mean development of non-conventional sources such as coal bed methane, as well as the application of new technologies to improve the rate of recovery of existing conventional oil. Diversification of energy sources will be largely market driven. The department can influence development through the adoption of specific royalty features that encourage commodity development or the application of new technologies. Increasing diversification reflects the opportunities industry has seized to diversify Alberta's energy resource base.

	2000 Actual	2001 Actual	2002 Estimate	2003 Target	2004 Target	2005 Target	2010* Outlook
Oil Production							
Conventional	50%	48%	44%	37%	33%	30%	16% *
Non-conventional (oil sands, pentanes / condensate)	50%	52%	56%	63%	67%	70%	84% *
Natural Gas Production							
Conventional	100%	100%	99.7%	99.5%	99.0%	98.5%	92% *
Non-conventional (coal bed methane)	0%	0%	0.3%	0.5%	1.0%	1.5%	8% *
Electricity Production**							
Coal	56.0%	53.2%	51.1%***	45.1%	44.4%	51.6%	N/A
Natural Gas (cogeneration)	21.5%	24.3%	26.7%***	27.8%	27.6%	25.0%	N/A
Natural Gas (conventional)	13.0%	13.0%	12.4%***	15.7%	16.6%	13.6%	N/A
Renewable Sources	9.5%	9.5%	9.8%***	11.4%	11.4%	9.8%	N/A

Note: Percentage indicates proportion of each individual commodity's total production.

* Source: Alberta's Reserves 2000, Supply and Demand Outlook 2010, Alberta Energy and Utilities Board

** Electricity targets based on industry projects planned or under development.

***Actuals for 2002.

3 Awareness and Understanding

Inform Albertans about energy and mineral resource development and related policies, and the role these resources play in Alberta's economy.

GOAL 3.1 Increase public awareness about Alberta's energy and mineral sectors.

Key Strategies

- Work with industry and the education sector to increase awareness of Alberta's energy and mineral resources, industry practices and the importance and economic significance of the energy and mineral sectors, today and in the future.
- Inform Albertans about the opportunities for a continuing supply of Alberta's energy and mineral resources from conventional and non-conventional sources.
- Work with the Alberta electricity industry to increase consumer understanding of Alberta's competitive electricity marketplace.

Performance Measures

- **Albertans' Understanding of Alberta's Energy and Mineral Resources and their Economic Significance** - *Target: To increase Albertans' awareness and understanding of energy resources.*

As resource owners Albertans need to be aware of Alberta's supply of energy and mineral resources and the importance of these resources to Alberta's economy and society. Alberta Energy will focus on improving Albertans knowledge through improved communication and information.

	2001-02 Baseline	2002-03 Target	2003-04 Target	2004-06 Target
Albertans' overall knowledge of the role of energy and mineral resources in Alberta's economy	39%*	Increasing over time		60% or higher
The provincial government is doing a good or very good job providing Albertans with energy information	62%	Increasing over time		70% or higher

* This represents the overall average response to five questions pertaining to Albertan's understanding of energy and mineral resource matters.

Source: IPSOS Reid Survey, September 2001

Note: The baseline calculation has been adjusted at the recommendation of the Office of the Auditor General (OAG) to separate the results of a sixth question. The sixth question asked respondents to assess whether the provincial government was doing a fairly good or very good job at providing Albertans with energy information (result was 62%). The OAG felt this question did not relate to public awareness and biased the baseline upwards. Removal of the sixth question resulted in the knowledge baseline dropping from 46% to 39%. The sixth question has been included as a separate element within the measure to track how well the department is doing in providing energy information.

4 Energy for Albertans

Ensure Alberta consumers have a choice of reliable and competitively priced energy.

GOAL 4.1 **Establish a competitive market framework that provides Albertans with competitively priced and reliable electricity and natural gas.**

Key Strategies

- Enable and foster a competitive retail market for electricity and natural gas to provide Alberta consumers with choice, innovative services and competitive prices.
- Provide consumers, industry and other government agencies with clear and timely communication of changes in the natural gas and electric industries.
- Develop and implement effective legislation, policy and processes to ensure predictability and certainty to industry, and reliable supply to consumers.
- Ensure that the electricity transmission and distribution systems are reliable, and sufficient, and provide fair and open access.
- Work with other ministries, industry and the education sector to encourage energy conservation, and the choice of a range of energy sources, including renewable and non-renewable.

Performance Measures

- **New Power Generation** - *Target: Alberta's net supply of electricity will increase through industry investment.*

Growth in electricity capacity is an indication of investor confidence in the new competitive market. Additional electricity supply will be needed to meet Alberta's growing demand.

Indicator	2000	2001	2002	2003	2004		2005		2006		
	Actual	Actual	Actual	Target	Total	Average	Total	Average	Total	Average	
	Total	Total	Total	Total	Average	Annual	Total	Annual	Total	Annual	Average
					Growth	Growth		Growth		Growth	Growth
Installed Capacity* (MW)	10,032	10,640	10,801	11,440	400	11,840	400	12,240	400	12,640	400
Peak Demand** (MW)	7,785	7,934	8,570	8,834	250	9,084	250	9,334	250	9,584	250
Margin (MW)	2,247	2,706	2,231	2,606	150	2,756	150	2,906	150	3,056	150

* Installed Capacity: The sum of the maximum continuous ratings of all electricity generation facilities that are connected to the Alberta interconnected electric system, excluding the capacity of the interties with British Columbia and Saskatchewan, which totals 950 MW.

** Peak Demand: The highest recorded system demand (in Megawatt-hours/hour) in a year as recorded by the System Controller at the Power Pool of Alberta. These numbers have been adjusted upward by 400 MW to reflect a change in reporting of demand by the Power Pool of Alberta, effective June 17, 2002. The Power Pool now reports on-site industrial load in their calculation of total system load. This increases the reported load by approximately 400 MW. This has not affected the actual growth in peak demand.

Source: Alberta Department of Energy, August 2002. MW = Megawatts

- **Electricity Restructuring** - *Target: Alberta will remain a leader in implementing a competitive marketplace for electricity.*

The RED (Retail Electricity Deregulation) Index compiled by the Center for the Advancement of Energy Markets (CAEM), ranked Alberta as first in Canada, fifth in North America and sixth in the world as of March 2002 for electric industry restructuring performance. A total of 64 U.S. and Canadian jurisdictions were assessed in 2001 and 2002. CAEM continues to refine its Red Index methodology. In 2002, changes were made to the characterization and weights assigned to some of its measured attributes. Changes to the methodology and progress made in other jurisdictions affect Alberta's ranking.

	2001 Actual	2002 Actual	2003 Target	2004 Target	2005 Target
CAEM - Red Index					
Ranking of Alberta's Restructuring in North America	1	5	Top 10	Top 10	Top 10

- **Annual Residential Natural Gas Price** - *Target: Annual average residential natural gas price for Alberta is less than the annual average national residential price.*

This measure compares the price Albertans are paying for natural gas with other jurisdictions by comparing the annual average Alberta Residential Natural Gas Price (ARGP) with the annual average National Residential Natural Gas Reference Price (NRGRP). To remain competitive, Alberta's price should not exceed the national price.

The ARGP is determined using an average of the delivered cost of natural gas from the major utilities to Alberta residents. The average cost is determined annually and excludes taxes and franchise fees. The NRGRP excludes Alberta and is determined using an average of the delivered cost of natural gas, excluding taxes and franchise fees, from utilities serving the cities of Toronto, Sarnia, Winnipeg, Regina, and Vancouver.

	2001 Actual	2002 Actual	2003 Target	2004 Target	2005 Target	2006 Target
Alberta Annual Average ARGP (\$/GJ)	8.92	6.11	Annual ARGP not to exceed Annual NRGRP			
National Annual Average NRGRP (\$/GJ)	10.89	9.21	Annual ARGP not to exceed Annual NRGRP			

Source: Alberta Department of Energy

Note: Numbers are quoted in \$/GJ and are inclusive of gas cost recovery rates (commodity charge), variable and fixed delivery rates. Rates include various rate riders (i.e. company owned storage and production rate riders). Rates exclude GST, PST, franchise fees, government rebates and proceeds from sale of ATCO's producing properties. This measure is calculated on a calendar year basis using a simple average of monthly rates and annual consumption of 150GJ. Information for the chart was obtained from utility company Web pages. The method used to calculate this measure was changed this year to include fixed delivery charges. The 2001 numbers have been restated to reflect this change.

Organizational Capacity and Effectiveness

GOAL 5.1 Build an organizational environment for success.

Key Strategies

- **Fiscal** - Align the department's organization, processes and budget with the strategic direction of our business.
- **Resources:**
 - Implement human resource and workforce planning strategies that enable us to retain, attract and develop our employees resulting in improved staff knowledge, competencies and skill sets.
 - Safeguard the department's staff and physical assets through development, testing and maintenance of plans for emergency preparedness, prevention, response, and evaluation.
- **Knowledge and Information:**
 - Ensure easier access and exchange of information required by industry and government.
 - Continued enhancement to information management through the implementation of increased electronic service delivery (e-Business) processes.
- **Stakeholder Consultation:**
 - Continue to provide clear communication and consultation with industry on business rules and processes.

Performance Measures

- **Industry Satisfaction** - *Target: Industry satisfaction 80% or higher.*

The department monitors industry satisfaction to identify opportunities for improvement and ensure services keep pace with changing requirements in the resource sectors. Industry satisfaction is an indication of staff competence, knowledge, satisfaction and service. The department applies the Government of Alberta's service excellence framework, focusing on courteous, competent and timely service to clients. In 2001-02 the department reached its target of "80% by 2003" two years early. Results were based on annual industry surveys. As a result, the department has now set a target of maintaining its high level of industry satisfaction. Surveying will now be conducted every second year.

	1998 Actual	1999 Actual	2000 Actual	2001 Target	2003 Target	2005 Target	2007 Target
Average satisfaction	75%	79%	76%	81%		80% or higher	

Source: Environics West surveys. The survey reliability is based on a confidence interval of 95% +/- 4.5%.

Note: In 1998, a Citizens First survey was conducted by Erin Research Inc. to establish a benchmark of Canadian public and private sector services. The average general rating for public sector services was 47% and 60% for private sector services.

- **Information Management (IM)** - *Target: Maintain the level of industry satisfaction with e-business conducted with the department.*

In an increasingly global business environment, where partnerships and information sharing is a key to success, effective use of information technology to deliver business products/services and manage information is essential to competitiveness. The department will monitor industry satisfaction with electronic information management including: systems availability, accuracy, timeliness of information, security, and ease of use of services. Surveying will be conducted every two years.

	2001 Baseline	2003 Target	2005 Target	2007 Target
Industry satisfaction with energy and mineral development information management	92%		90% or higher	

ALBERTA ENERGY AND UTILITIES BOARD

INTRODUCTION

The Alberta Energy and Utilities Board (EUB) is an independent, quasi-judicial agency of the Government of Alberta with responsibility to regulate the safe, responsible, and efficient development of Alberta's energy resources. The EUB regulates oil, natural gas, oil sands, coal, electrical energy development, and the associated infrastructures - pipelines, transmission lines and distribution services that move the resources to market. The EUB regulates rates and terms of service of investor-owned gas, electric, and water utility services in Alberta, as well as the major intra-Alberta gas transmission system.

The EUB is continuing to focus on seven strategic areas, which further build, reinforce and strengthen our business. These strategic areas are Landowner and Industry Relations, Applications and Hearing Processes, Information Management, Investing in People, Public Safety and Compliance, Utility Regulation, and Conservation.

VISION

The EUB's vision is to have a regulatory framework that inspires public confidence.

MISSION

To ensure that the discovery, development and delivery of Alberta's energy resources and utilities services takes place in a manner that is fair, responsible and in the public interest.

CORE BUSINESSES

The EUB's core businesses are:

Adjudication and Regulation

The EUB adjudicates and regulates matters related to energy and utilities within Alberta to ensure that the development, transportation and monitoring of the province's energy resources are in the public interest. In addition, the EUB balances the interests of customers and investor-owned utilities in establishing rates, terms and conditions of services. The EUB provides this assurance through its activities in the application and hearing process, standards setting and regulation, monitoring, and surveillance and enforcement.

Information and Knowledge

The information and knowledge responsibility of the EUB includes the collection, storage, analysis, appraisal, dissemination and stakeholder awareness of information. Open access to information develops awareness, understanding, and responsible behavior and allows the EUB and stakeholders to make informed decisions about energy and utility matters.

PERFORMANCE MEASURES

The EUB utilizes a tier system of measures. The first level focuses on outcome measures. This is consistent with Government's direction of shifting from measuring the activities of government, to measuring the outcomes or effects of its activities. EUB outcomes are the desired collective effect of our actions, processes, programs and outputs on the Alberta public - the owners of Alberta's energy resources. The EUB's performance measures track our progress towards achieving these outcomes.

While the EUB does not directly control outcomes, it does attempt to achieve desired results through the actions and outputs of its various programs. External factors outside the EUB's control may affect the achievement of the outcome.

The second level of measures (supplemental measures) focuses on the EUB's efficiency in meeting its responsibilities. These measures are of interest to Albertans and are available on the EUB website at www.eub.gov.ab.ca. Supplemental measures include: Application Turnaround Time for Routine Energy Facility Applications; Progress Reports on Incorporation of Public Safety and Sour Gas Recommendations; Surficial Map Coverage per year for the Northern Half of the Province.

ORGANIZATIONAL CAPACITY AND EFFECTIVENESS

The EUB recognizes the challenge and importance of maintaining and building organizational capacity to respond to changing future business and economic circumstances affecting the development of Alberta's energy, utility and mineral resources. A separate EUB Organizational Capacity section has been established to address this requirement.

STRATEGIC PRIORITIES

Increased activity levels, rising public expectations, regulatory changes and a broadening client base place different, and additional, demands on the EUB. The EUB's key business initiatives in 2003-2006 focus on challenges that are considered of greatest need. These strategic priorities are:

Public Safety and Compliance

Public safety and compliance is a priority for the citizens of Alberta and the EUB. We will continue to address public safety and compliance concerns through continued incorporation of the recommendations of the Provincial Advisory Committee on Public Safety and Sour Gas and continued compliance and enforcement operations.

Utility Regulation

With the restructuring of Alberta's electric industry to a deregulated market, the EUB will continue to fulfill additional regulatory responsibilities regarding municipal utilities and the Market Surveillance Administrator function.

Application and Hearing Process

The scale and pace of the development of Alberta's oil sands resource has increased dramatically in recent years. Industry estimates it will invest up to \$85 billion over the next decade. The EUB must respond to this industry activity in an effective and timely manner.

Investing in People

The EUB recognizes the need to attract and retain well-qualified staff in a very competitive market.

ALBERTA ENERGY AND UTILITIES BOARD - CORE BUSINESSES, GOALS, STRATEGIES AND PERFORMANCE MEASURES

CORE
BUSINESS
ONE

1 Adjudication and Regulation

Adjudicate and regulate on matters relating to the development, transportation and monitoring of energy resources and utility rates and services.

GOAL 1.1 A fair and responsible regulatory framework for the energy and utility sectors.

Key Strategies

- Ensure energy and utility hearings are efficient, effective and open to broad public participation.
 - Conduct an internal review on a sample of decisions for communication quality.
 - Examine the use of a "public interest advocates" model.

- Review appropriateness of intervener funding, including possible implementation of a means test for utility hearings.
- Ensure responsible applications are advanced through the use of appropriate economic incentives.
- Work with stakeholders to implement Appropriate Dispute Resolution (ADR).
- Review innovative incentive ratemaking approaches for utilities, including Performance Based Regulations (PBR).
- Continue to review existing regulations and requirements for continued relevance and streamlining opportunities. This includes the regulatory review program and application guide reviews.
- Continue to work with other Alberta government departments on gaps, overlaps and inconsistencies in the regulatory process.
- Develop and implement appropriate regulation for emerging issues.
 - Continue incorporation of recommendations of the Provincial Advisory Committee on Public Safety and Sour Gas and complete by 2005.
 - Review EUB's roles regarding the regulation of oil and gas development on First Nations land. [CM - Aboriginal Policy Initiative]
 - Oil sands initiatives.
 - Municipal utilities and Market Surveillance Administrator.
 - Continue to support movement to greater customer choice in the deregulation of natural gas.

GOAL 1.2

Industry complies with energy and utility regulatory requirements.

Key Strategies

- Continue focus on high-risk operations, problem operators and areas of intense development, to address public concerns with energy operators.
 - Conduct investigations on all high risk pipeline failures and ensure adequate corrosion mitigation programs are in place.
- Develop mechanisms for effective monitoring of the financial and service performance of regulated utilities.
 - Refine quality of service standards for electric utilities and develop standards for gas utilities.
 - Enhance financial scrutiny of electric utilities through annual reporting.
 - Develop auditing procedures to monitor financial and service performance of utilities, and compliance with Codes of Conduct.
 - Explore appropriate enforcement measures for non-compliance, including potential licensing of utilities.
- Develop and implement surveillance information management and compliance reporting systems (FIS) to ensure compliance, cost effective and efficient surveillance by September 2003.
- Ensure industry has effective response plans in place to appropriately respond to emergencies by developing an emergency response planning guide and updating internal processes and regulatory requirements.
- Continue to refine and apply our enforcement processes on non-compliant operators to effect continuous improvement.
- Continue to conduct well control and abandonment operations as needed, for safety, environmental and resource conservation reasons.

GOAL 1.3**Prompt and appropriate resolution of landowner, public and industry conflicts.****Key Strategies**

- Continue to focus on the EUB's facilitative role to improve landowner/public/industry relations. This includes working with stakeholders to implement Appropriate Dispute Resolution (ADR).
- Ensure customer complaints respecting utility rates and service are adequately addressed.
 - Ensure adequate resourcing of the Board's internal complaint function.
 - Track and identify issues which need to be rectified by the EUB.

Performance Measures

- **Timeliness of Hearing Decisions** - *Target: Maintain at least 95% of decisions issued in 90 days or less from the end of the hearing.*

This indicator measures the timeliness of the decision making process providing consistent timeline expectations to affected parties.

	2001-02 Actual	2002-03 Estimate	2003-04 Target	2004-05 Target	2005-06 Target
Percent of decisions issued in 90 days or less from the end of the hearing	99%	95%	95%	95%	95%

- **Reduction in Percentage of Incidents of Regulatory Non-Compliance** - *Target: Maintain less than 3.5% major and serious unsatisfactory incidents of regulatory non-compliance as identified by field inspections.*

This indicator measures our ability to monitor industry's compliance with regulatory requirements to ensure public safety and environmental protection.

A major unsatisfactory inspection is a contravention of regulation(s) that an operator has failed to address and is causing or may cause a significant impact on the public and/or environment. A serious unsatisfactory inspection is a major unsatisfactory inspection where the operator has shown a total disregard for regulation(s). Field inspections cover drilling and service rigs, oil and gas production facilities, pipeline, spill, waste management facilities, and drilling waste. Total number of inspections for 2001-2002 was 8,343. Total number of inspections for 2002-2003 is projected to be more than 8,500.

	2001-02 Actual	2002-03 Estimate	2003-04 Target	2004-05 Target	2005-06 Target
Percent of major and serious unsatisfactory incidents of non-compliance related to field inspection results	4.4%	3.5%	3.5%	3.5%	3.5%

- **Flaring and Venting Reduction** - *Target: Reduction in solution gas flared and vented in accordance with current and future Clean Air Strategic Alliance (CASA) recommendations.*

This measure demonstrates the effectiveness of regulatory requirements and industry practices in achieving an appropriate degree of conservation of solution gas by reducing flaring and future flaring and venting thus ensuring public safety and environmental protection. Targets established by CASA are on a calendar year basis.

In June 2002 CASA released new recommendations to help further reduce solution gas flaring and venting. The Board issued a General Bulletin (GB 2002-05) requiring evaluation of larger solution gas vent sources over the next 2 years and subsequent conservation where these are shown to be economic.

	2001 Actual	2002 Target	2003 Target	2004 Target	2005 Target
Reduction in solution gas flared (base year 1996)	53%	50%		Minimum 50%	
				-under review by CASA	
Reduction in solution gas vented (base year 2000)	15%	Targets to be set - under review by CASA			

- **Percent of Applications Filed Without Landowner/Public Objections** - *Target: Maintain at least 95% of applications filed without objections related to new facilities.*

Maintain the percentage of applications filed without objections relating to new energy and utility facilities and resource development applications. This measure is an indicator of the EUB's ability to facilitate and resolve landowner, public and industry conflict before applications are filed.

The application process includes processing and ruling on new applications for energy and utility activities or amending existing approvals. A basic requirement of the EUB's application process is that significant and meaningful public consultation takes place between the applicant and residents/landowners who may be directly impacted by the applicant's energy development project. If residents and landowners have concerns or questions following discussions with the company, matters may be resolved with EUB assistance.

	2001-02 Actual	2002-03 Estimate	2003-04 Target	2004-05 Target	2005-06 Target
Percent of applications filed without landowner/ public objections	Not available	95%	95%	95%	95%

CORE
BUSINESS
TWO

2 Information and Knowledge

Ensure the collection and accessibility of energy, mineral resource and utility information.

GOAL 2.1 **Ensure accurate, comprehensive and current information is readily available to stakeholders.**

Key Strategies

- Increase the use of technology to convey information.
 - Enhance the collection and dissemination of information to stakeholders through secure electronic service delivery (e-business) processes.
 - Enhance capabilities to access information using Geographic Information Systems (GIS) technology.
 - Continue to evaluate information delivery strategies and methods to best align with the Service Alberta initiative.
- Provide a complete picture of reserves, supply and demand to support applications and long term planning. [CM - Economic Development Initiative]
 - Develop and maintain credible energy resources and reserves estimates of ultimate potential and annual supply/demand forecasts for coal, bitumen, natural gas, oil sands and crude oil.
 - Ensure oil sands reserves information is accurately communicated to relevant international bodies by presenting information/papers at seminars and conferences and meeting with individuals in other jurisdictions.
- Provide information to stakeholders to enhance the understanding of Alberta's energy and mineral resource base. [CM - Economic Development Initiative]
 - Complete a mineral mapping plan of northern Alberta for stakeholders' use.

- Work with other government agencies offering programs and services aimed at youth to provide public safety awareness associated with energy development to youth in high energy activity regions of the province. [CM - Children and Youth Services Initiative]*
- Continue to inform Albertans on the key issues surrounding energy and utility development to include continued open house sessions in Alberta.
- Ensure continued compliance with information requirements.

Performance Measures

- **Increase Stakeholders' Satisfaction with EUB Information** - *Target: Increase the business value of information to stakeholders.*

This indicator measures our ability to provide useful and reliable information to stakeholders to aid in making more informed decisions about energy and utility matters. Information includes free and for-fee information available to stakeholders, such as energy resource reports on Ultimate Gas Potential, Crude Bitumen Atlas & Reserves Supply/Demand. Elements to be assessed include availability, accuracy, timeliness of information, and ease of use of services.

	2002-03	2003-04 Target	2004-05 Target	2005-06 Target
Stakeholder satisfaction with EUB information	Establish baseline	To be set once baseline established		

Organizational Capacity and Effectiveness

GOAL 3.1 Build an organizational environment for success.

Key Strategies

- Ensure administration, management, and accountability mechanisms are in place to enable the EUB to effectively manage and continually improve its business.
- Prepare and complete the Business Resumption Plan to support the Government of Alberta Crisis and Consequences Management Plans.
- Ensure a quality workforce that meets the EUB needs now and into the future by implementing leadership process plans, staffing and compensation strategies. [CM - Aboriginal Policy Initiative]
- Continue to revise delivery processes to improve services focused on information technology projects and infrastructure.
- Continue to examine shared information management opportunities within Government.

Performance Measures

- **Staff Retention** - *Target: By 2005-2006 contain the level of regrettable turnover to 150 person years annually.*

The goal is to contain the level of regrettable staff turnover to ensure that the required appropriate resources are retained by the organization. Regrettable turnover is defined as all terminations other than retirements, board initiated terminations, resignation of individuals with current performance issues where documentation of the issue is in place, and resignations or terminations of individuals in positions targeted for downsizing. The year 2001-2002 was an exceptionally low year compared to previous years' regrettable turnover when the EUB lost many mid-career technical staff.

	2001-02 Actual	2002-03 Estimate	2003-04 Target	2004-05 Target	2005-06 Target
Person years of regrettable turnover	122	150	150	150	150

* Ministry involvement in a current cross-ministry priority policy initiative is denoted by "CM" followed by the name of the initiative.

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable 2001-02 Actual	Comparable 2002-03 Budget	Comparable 2002-03 Forecast	2003-04 Estimates	2004-05 Target	2005-06 Target
EXPENSE						
Core Business						
Securing Benefits for Albertans	31,098	41,799	41,715	40,762	41,262	41,762
Resource Development	20,030	19,507	18,971	22,004	22,504	23,004
Awareness and Understanding	2,202	1,522	1,450	1,678	1,678	1,678
Energy for Albertans	11,140	11,453	13,580	11,790	10,790	9,790
Adjudication and Regulation	50,022	53,113	57,373	63,967	62,947	63,547
Information and Knowledge	31,981	33,958	38,248	42,534	41,554	41,954
Orphan Well Abandonment	2,622	4,000	8,000	8,000	8,000	8,000
MINISTRY EXPENSE	149,095	165,352	179,337	190,735	188,735	189,735

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable 2001-02 Actual	Comparable 2002-03 Budget	Comparable 2002-03 Forecast	2003-04 Estimates	2004-05 Target	2005-06 Target
REVENUE						
Non-Renewable Resource Revenue						
Natural Gas and By-Products Royalty	4,029,611	2,573,000	4,584,000	3,480,000	2,658,000	2,408,000
Crude Oil Royalty	986,788	469,000	1,120,000	502,000	358,000	272,000
Synthetic Crude Oil and Bitumen Royalty	185,019	78,000	135,000	103,000	107,000	141,000
Bonuses and Sales of Crown Leases	969,644	609,000	539,000	679,000	561,000	541,000
Rentals and Fees	148,171	142,000	156,000	144,000	142,000	138,000
Coal Royalty	16,745	12,000	11,000	11,000	13,000	13,000
Alberta Royalty Tax Credit	(108,453)	(169,000)	(117,000)	(143,000)	(130,000)	(125,000)
Total Non-Renewable Resource Revenue	6,227,525	3,714,000	6,428,000	4,776,000	3,709,000	3,388,000
Freehold Mineral Rights Tax	319,116	127,000	196,000	214,000	161,000	150,000
Investment Income	1,550	1,400	1,400	1,250	1,250	1,250
Industry Levies and Licences	60,336	65,991	71,991	70,511	70,511	70,511
Other Revenue	21,146	5,773	9,302	9,498	6,498	6,498
MINISTRY REVENUE	6,629,673	3,914,164	6,706,693	5,071,259	3,948,259	3,616,259
EXPENSE						
Program						
Ministry Support Services	2,748	2,383	2,383	2,355	2,355	2,355
Resource Development and Management	61,051	71,863	73,298	73,844	73,844	73,844
Energy Regulation	82,003	87,071	95,621	106,501	104,501	105,501
Orphan Well Abandonment	2,622	4,000	8,000	8,000	8,000	8,000
Valuation Adjustments and Other Provisions	671	35	35	35	35	35
MINISTRY EXPENSE	149,095	165,352	179,337	190,735	188,735	189,735
Gain (Loss) on Disposal of Capital Assets	-	-	253	-	-	-
NET OPERATING RESULT	6,480,578	3,748,812	6,527,609	4,880,524	3,759,524	3,426,524

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable 2001-02 Actual	Comparable 2002-03 Budget	Comparable 2002-03 Forecast	2003-04 Estimates	2004-05 Target	2005-06 Target
Ministry Revenue	6,629,673	3,914,164	6,706,693	5,071,259	3,948,259	3,616,259
<i>Inter-ministry consolidation adjustments</i>	-	-	(530)	-	-	-
Consolidated Revenue	6,629,673	3,914,164	6,706,163	5,071,259	3,948,259	3,616,259
Ministry Program Expense	149,095	165,352	179,337	190,735	188,735	189,735
<i>Inter-ministry consolidation adjustments</i>	-	-	(530)	-	-	-
Consolidated Program Expense	149,095	165,352	178,807	190,735	188,735	189,735
Gain (Loss) on Disposal of Capital Assets	-	-	253	-	-	-
CONSOLIDATED NET OPERATING RESULT	6,480,578	3,748,812	6,527,609	4,880,524	3,759,524	3,426,524