
EUB

BUSINESS PLAN 2007-2010

DETAILED PLAN

ALBERTA ENERGY AND UTILITIES BOARD

The Minister of Energy and the Government of Alberta, through legislation, ensure that the Alberta Energy and Utilities Board (EUB or Board) is an independent and quasi-judicial regulator. In this capacity, the EUB is responsible for regulating Alberta's energy resources and utility sectors. The EUB also provides geoscience information and expertise needed by government, industry and the public for the stewardship and development of Alberta's earth resources. The EUB serves all Albertans – citizens, industry and government – in the performance of its statutory duties and responsibilities. Quasi-judicial Board decisions regarding energy and utility applications are made independently of government and pursuant to the EUB's enabling legislation. On other matters, the EUB often works cooperatively with government departments where areas of mutual responsibility or concern are more effectively addressed through a joint effort.

VISION

To have a regulatory framework that inspires public confidence.

MISSION

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.

VALUES

- **Fairness** -encompasses objectivity, impartiality, openness, independence, respect, integrity and honesty
- **Competence** -includes knowledge, experience, understanding, commitment and accountability
- **Quality Service** - means helpfulness, timeliness, efficiency, accessibility, and being proactive and adaptive.
- **Teamwork** -embraces trust, diverse opinion, inclusion, selflessness, commitment, accountability, principled excellence and results.

STRATEGIC PRIORITIES

1. Public Safety and Reliability

The EUB's energy and utility regulatory responsibilities, including, public safety, environmental protection, resource conservation and regulatory compliance, continue to be priorities for Albertans despite the challenges posed by intense industry activity. Public Safety and Reliability addresses a series of initiatives designed to improve regulatory requirements and operational practices thereby enhancing public and environmental safety. The priority is to ensure that regulatory and operational gaps are filled and the regulatory system remains relevant and effective, reflecting today's realities and tomorrow's new challenges.

2. New and Unconventional Energy Resources

The EUB, as well as stakeholders, will continue to experience challenges and opportunities as a result of increased industry activity, rising public expectations, regulatory changes and a broadening client base. This priority includes projects and initiatives intended to ensure that the EUB's regulatory framework is responsive to stakeholder needs and effectively addresses the unique issues and technical challenges associated with developing Alberta's oil sands and unconventional energy resources. Examples include Coalbed Methane, shale gas, "tight" gas, and low productivity oil and gas.

3. Technical Expertise

Activity in the Alberta energy and utility industry has grown to record levels. There is increased competition for staff and the EUB must attract and retain qualified people in this environment. The EUB is experiencing increased turnover and greater difficulty in sourcing technical and professional people with the required skills and knowledge to maintain technical competency and fulfill our mandate. The EUB recognizes the need to improve and maintain a competitive market position relative to industry on base pay.

4. IT Reinvestment

The Information Technology Re-investment priority is focused on:

- Improving EUB business process efficiency to handle increased activity volumes,
- Improving information management capabilities to access and deliver information to EUB stakeholders, and
- Reducing risks to EUB business process using unsupported information technology.

This encompasses a series of initiatives necessary to support the EUB's current and future business activities. The primary re-investment focus is to modernize and reengineer 40+ EUB business processes, currently supported by 20 year old legacy mainframe information systems. These reengineering efforts, supported by new information systems, will streamline information management processes and improve the quality of information collected from, and exchanged with our stakeholders.

The EUB, in coordination with the Department of Energy, is executing a six-year program to modernize our legacy systems.

CORE BUSINESSES

In the Ministry of Energy Business Plan, the EUB is identified as one core business, Regulation of Energy Development by the EUB. In the EUB business plan, this core business has been separated into two EUB core businesses, Adjudication and Regulation, and Information, Knowledge and Advice. In addition, the Ministry and EUB business plans share a goal of organizational capacity.

Core Business One:	Adjudication and Regulation - The Board 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 Board balances the interests of consumers and utilities in establishing regulated rates and terms and conditions of service. The Board provides this assurance of the public interest through its activities in the application and hearing process, regulation, monitoring, and surveillance and enforcement.
Linkage:	
Objective 1,2,3,4,5	
Core Business Two:	Information, Knowledge and Advice - The information and knowledge responsibility of the Board 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 Board and stakeholders to make informed decisions about energy and utility matters. This responsibility will result in the Board discharging its advisory role with respect to matters under the jurisdiction of the Board.
Linkage:	
Objective 6	
Organizational Capacity:	Organizational Capacity - Organizational Capacity 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, processes and tools to deliver the EUB's two core businesses.
Linkage:	
Objective 7,8,9	

OBJECTIVES, STRATEGIES AND MEASURES

OBJECTIVE ONE	1	The EUB will supply sound economic regulation of utilities.
What it means		<p>A key function of the EUB is to ensure that the rates utilities charge their customers are just and reasonable. In doing so, the Board must strike an appropriate balance between the economic viability of the utility and the interests of its customers. These interests are not mutually exclusive. The right outcome will benefit all participants as the interests of the lenders, shareholders and customers are more closely aligned than the adversarial process might indicate. Appropriate utility profitability will provide access to capital and foster investment in infrastructure and supply which in turn should result in the provision of safe and adequate service.</p> <p>Rate regulation has been dynamic for several years. For example, competition has been introduced in the wholesale and retail sectors of the electricity industry and natural gas industries. This has led to an increased focus on issues such as cross-subsidization and cost allocation. Even in cases where competition is not viable, the Board has been challenged to consider competitive principles, such as incentive rates. While it may be appropriate to provide utilities with incentives to increase efficiency, such incentives must not result in an erosion of the safety and quality of service provided.</p>

In addition, the Board will have a continuing role in establishing default supply rates which will have a significant impact on the development of a competitive retail sector.

In natural gas and electricity, long term supply forecasts indicate Albertans will be challenged with higher commodity prices highlighting the importance of appropriate investment in utility infrastructure.

Strategies

- 1.1 Continue to scrutinize inter-affiliate transactions through monitoring of code of conduct plans to prevent cross-subsidization
- 1.2 Conduct audits of identified selected utility activities to ensure integrity of financial information, and to identify areas of concern
- 1.3 Enhance quality of service reporting to ensure appropriate measures and standards are in place to detect erosion trends in service levels and safety.
- 1.4 Monitor investment climate to ensure that utility returns remain adequate to maintain financial viability and to maintain continued investment in infrastructure.
- 1.5 Facilitate the development of competition by providing clear market signals and encouraging the development of a level playing field.
- 1.6 Explore the use of alternative regulatory mechanisms to foster greater utility efficiency.

Performance Measure

		Last Actual 2005	Target 2007	Target 2008	Target 2009
1.a	Service Standards of Utility Companies - Percentage of utility companies' performance measure results that meet the EUB target for service standards to utility customers.	99%	92%	94%	94%

2

The EUB will achieve high standards of public safety, environment protection, and energy resource conservation through effective and efficient EUB energy regulation.

What it means The EUB has achieved a reputation as a world-class energy and utility regulator. However, to maintain this reputation in a very dynamic regulatory environment it must continue to review its requirements and proactively make changes where necessary. Requirements must be communicated and be complied with. Performance results must be communicated to the EUB’s many customers to illustrate the effectiveness of the EUB in meeting its vision.

- Strategies**
- 2.1 Ensure that existing and new EUB regulatory requirements are relevant and needed, well understood, and accepted.
 - Incorporate best practices for safe energy resource development operations.
 - Minimize the impact and potential for environmental damage from energy resource developments.
 - Effect conservation and prevent the waste of energy resources while having an appreciation for a healthy investment climate.
 - Prevent the transfer of unfunded industry decommissioning and abandonment liabilities to the public and government.
 - Review existing regulations and make any changes necessary to ensure regulatory requirements for the sequestration of CO₂ are adequate.
 - 2.2 Implement processes that effectively assess industry regulatory performance and assure compliance with all regulatory requirements.
 - Review and enhance the compliance strategy.
 - 2.3 Communicate regulatory requirements and performance results and expectations to all EUB customers with expedient action taken by the EUB to address issues that arise.
 - Explore the development of a comprehensive public performance reporting framework.

Performance Measure

		Last Actual 2005-06	Target 2007-08	Target 2008-09	Target 2009-10
2.a	Protection of Public Safety - Percentage of high risk unsatisfactory field inspections of regulatory noncompliance.	1.8%	Less than 3.5%	Less than 3.5%	Less than 3.5%

Note: A high risk inspection is one that finds a contravention of regulation(s) that an operator has failed to address and is having, or may have, a significant impact on the public and/or environment. The total number of inspections for 2006-07 is projected to be about 16,000.

3

The EUB will be proactive in identifying and addressing emerging issues that face the industries it regulates and stakeholders who are affected by these issues.

What it means

Some of Alberta's energy resource bases are maturing while others are experiencing significant growth. Stakeholders' needs and interest in regulatory services are constantly changing. The EUB is challenged to maintain or enhance the efficiency of its processes while continuing to deliver effective regulation. A challenge facing the EUB is to shift effort from operations into understanding the trends and environment in which it regulates. In some cases, existing services can simply be enhanced. In others, the EUB may need to redesign services to be more effective for the EUB and stakeholders. The task is to ensure a respected regulatory system that provides certainty for energy resource and utility infrastructure investment while at the same time protecting other valued resources and the interests of Albertans into the future.

Strategies

- 3.1 Implement a process to identify and assess the significance of current and emerging business and technical factors that will influence the EUB over one to 10 year planning horizons.
- 3.2 Develop and maintain an EUB energy plan for Alberta that anticipates future regulatory challenges.
- 3.3 Continue to work with stakeholders to address the Public Safety and Sour Gas recommendations on a sustainable, measurable and reportable basis.
- 3.4 Implement an EUB strategy to ensure effective regulation of Coalbed Methane (CBM).
 - Ensure appropriate regulations are in place for CBM development.
 - Ensure industry submission of required CBM data and develop a database to manage this data.
- 3.5 Continue to work with Alberta Environment to revise regulations, establish protocols, and determine information requirements to ensure the protection of groundwater.
- 3.6 Effect appropriate change to ensure regulatory requirements continue to meet the needs of increasing mining and in situ oil sands activity.
 - Enhance stakeholder relations in the region.
 - Continue development of a coordinated regulatory approach with other government stakeholders (AENV, SRD, DOE, federal and municipal governments).
 - Clarify regulatory requirements.
- 3.7 Work with stakeholders to develop root cause solutions to address the growing competition for land for industrial, private and public use.
- 3.8 Participate in the development of an improved regulatory framework for energy development and the role and structure of the EUB within this framework.

4

EUB decision making processes will be fair, efficient, and adaptable to the circumstances and achieve a respected public interest balance.

What it means

Alternatives and improvements to the traditional application/hearing process will assist the Board in maintaining its respect as an impartial, responsive decision maker as well as to address the increasing volume of energy and utility applications filed each year.

EUB decision-making, with respect to energy applications, must adequately consider and appropriately balance site-specific, regional/community and broader provincial interests taking into account the purpose of the Board's enabling legislation and the benefits and costs associated with energy development.

Efficiency, effectiveness, consistency, flexibility to adapt to specific circumstances, engagement of stakeholders and appropriate scope are all components of good decision processes. Depending on the scope of the project and the nature of issues involved, the EUB must select appropriate processes that will arrive at respected and credible public interest decisions. Non-routine decision-making processes may include the traditional hearing, a Board public inquiry or proceeding into a generic issue, a single Board member or delegate inquiring into an issue and making a recommendation to the Board, an oral first stage review and variance proceeding, and continued use of delegations to senior EUB employees.

With respect to utility decision making, high volumes of applications are generating increased numbers of oral and written proceedings in an environment that is subject to constant change as a result of deregulation. The EUB is mindful of the time and costs associated with this process and its overall efficiency. Alternatives to the traditional hearing include negotiated settlements, continued delegation to senior staff of decisions where requirements and policy is clear, and the incorporation of requirements such as the generic cost of capital formula in rate cases.

Strategies

- 4.1 Promote and improve the Appropriate Dispute Resolution and Negotiated Settlements processes.
- 4.2 Expand the use of routine decision-making processes into the energy and utility areas where rules and requirements are clear and issues are well understood.
- 4.3 In collaboration with our stakeholders, review pre-hearing filing and process requirements of utility applicants and interveners with a view to making pre-hearing disclosure more efficient, including minimum filing requirements, information request streamlining, technical meetings, and budgets.
- 4.4 Selectively use non-routine decision processes to resolve outstanding conflicts and address situations where rules and practices may not be sufficient, precedents/policies have not been established, and/or greater understanding and review of public interest benefits and impacts is necessary.
- 4.5 Consider the implementation of project-based (versus individual facility based) application/hearing, impact assessment, and decision processes for significant oil and gas developments that have regional scale public and environmental effects.

- 4.6 In collaboration with our stakeholders, clarify the role of all stakeholders including industry, public and land owners in EUB decision making processes so as to allow for the development of rules respecting standing and costs to appropriately deal with increasing expectations for participation and funding.
- 4.7 Continue to issue credible, reasoned decision reports which instill public respect and confidence and are issued in a timely manner.

Performance Measure

		Last Actual 2005-06	Target 2007-08	Target 2008-09	Target 2009-010
4.a	Application Resolution – Percentage of oil and gas facility and resource applications filed with objections resolved (disposed or closed) without a hearing.	97%	95%	95%	95%
	Note: Less than 2 per cent of the approximately 54,000 oil and gas facility and resource applications in 2005-06 were filed with objections.				

OBJECTIVE FIVE

5

The EUB will protect Albertan’s from exposure to long term industry abandonment and decommissioning liabilities.

What it means

The EUB is working collaboratively with Alberta Environment (AENV), Alberta Energy, Alberta Sustainable Resource Development, and industry stakeholders to develop and implement appropriate liability management programs for all energy sectors regulated by the EUB. The EUB recognizes its responsibility to Albertan’s to protect the public from significant potential environmental issues and costs associated with abandonment and decommissioning of those sites that have been involved in petroleum resource recovery by ensuring licensee and owners are responsible for proper abandonment and decommissioning.

Strategies

- 5.1 Work with stakeholders through various channels, including the Liability Management Advisory Committee to develop sustainable liability management programs that prevent liabilities from flowing to the public and government.
- Implement the large facility liability management program including a recommendation for the necessary legislative changes.
 - Review the Alberta Oilfield Treatment and Disposal Association proposed risk based liability management program as an alternative to the current 3-phase full security liability management program for oilfield waste management facilities.
 - Assess the need for development of a transmission pipeline liability management program.
 - For the mining sector, continue to participate in AENV-led initiative to develop a risk-based liability management program to ensure the EUB public interest tests are recognized; and that suspension and abandonment costs are included in methodologies developed to estimate potential liability.

- For the utilities sector, assess the need for a liability management program.
- 5.2 Develop mechanisms to ensure regular, open, and transparent reporting of all abandonment and decommissioning liabilities for energy sectors regulated by the EUB
- 5.3 Ensure the licensee will be responsible for decommissioning and abandonment liabilities through appropriate regulatory requirements.
- 5.4 Promote/advocate progressive liability management by licensees/approval holders.
- 5.5 Ensure liability management related programs are current.
- 5.6 Screen licence or approval transfers to assess the risk posed to the orphan program and collect a financial security as may be required.
- 5.7 Expand rigorous license liability monitoring capabilities to include all sectors regulated by the EUB.

OBJECTIVE
SIX

6

The EUB will provide our customers with easily accessible, relevant and high quality data, information, knowledge, and advice relative to the energy and utility sectors.

What it means

All data¹ required and determined appropriate for the EUB to perform its own functions and activities should be collected and in turn made available to customers. This data assists customers to plan resource development, make investment decisions, and understand current and potential industry activity levels; the information also assists with monitoring and reporting of industry performance. Where feasible and appropriate, additional data that is relevant to the industries that the EUB regulates and is deemed useful to the EUB's customers may also be collected and made available. Any expansion of the current scope to include data related to the industries that the EUB regulates, but not required specifically by the EUB, must be considered carefully.

The EUB provides significant value-added information¹ components through the technical analysis of data and information submitted to it. Ultimately, this takes the form of interpreted and/or created information and knowledge that is needed to allow the EUB to effectively conduct its business and make sound decisions. However, an important aspect is the availability of this information as a service to industry, the public, and other Government agencies. The EUB uses its assets of information, knowledge, and experience to proactively inform and provide advice to all customers.

Strategies

- 6.1 Review data submission requirements to ensure they are relevant to existing and anticipated regulatory needs.
- 6.2 Establish data quality standards for all public data required.
- 6.3 Convert hard copy physical information (microfiche, paper reports, tours, etc) to electronic format based on priority.
- 6.4 Collect and disseminate as much data as appropriate electronically.
- 6.5 Develop and implement a new data/information sales policy.

¹ Data is considered to be basic information submitted by industry to the EUB according to EUB requirements (e.g. well logs, core, production data, information submitted in applications). Value-added information is information resulting from a technical analysis performed by EUB employees and made available through reports, maps, by electronic means (CD, website) or through presentations.

- 6.6 Develop a coordinated strategy for the development and dissemination of data and value-added information.
- 6.7 Establish strong relationships with customers of data value-added information to ensure needs are understood and being met.
- 6.8 Where appropriate, partner with other organizations in the development and dissemination of value-added information.
- 6.9 Investigate the need for information management tools.
- 6.10 Provide geoscience information to meet the needs of the energy, mineral and environmental sectors and to maintain an understanding of Alberta's resource/reserves supply and demand potential.
- 6.11 Continue to provide advice to stakeholders and the Government of Alberta.

Performance Measure

		Last Actual 2005-06	Target 2007-08	Target 2008-09	Target 2009-10
6.a	Availability of Data and Information – To be developed	n/a		To be developed	

Organizational Capacity

Successful delivery of the EUB'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. Separate EUB Organizational Capacity objectives, which support the EUB's two core businesses, have been established to address this requirement.

OBJECTIVE SEVEN 7 **Provide effective cross organizational capabilities to empower the organization and position it for success.**

What it means The breadth, volume, and velocity of the EUB's activities dictates that the organization operates at a high level of capability in all areas. In order for this to happen, the organization requires a set of common capabilities across the organization that are consistent and that all areas of the organization can leverage. By doing this, the EUB will be able to use its resources efficiently and provide a common, effective suite of capabilities across the organization.

- Strategies**
- 7.1 Establish an effective strategic business planning capability based on the Business Execution Model (BEM) to ensure alignment between a consistent and coordinated set of directions and the organization's prioritized activities. This would include a portfolio management capability to enable the organization to support and steward the major activities and initiatives underway in a coordinated manner.
 - 7.2 Maintain a current and effective Information Technology environment to provide the organization with the infrastructure, tools and solutions required to deliver business results. This includes:
 - Migrate away from the legacy Mainframe computing environment to be able to provide a computing environment capable of meeting current and future business requirements.

- Continued re-investment in EUB tools, skills and infrastructure to an appropriate degree to ensure the EUB is current and capable.
- Establishing capabilities that are on par with industry as required.

OBJECTIVE
EIGHT

8

The EUB will provide exceptional customer service in all its activities.

What it means

A customer service approach and attitude is a fundamental principle behind all aspects of EUB activity.

A fair, effective, and respected regulator will incorporate a quality service approach and attitude which will support the understanding of requirements and decisions. The EUB will balance the competing interests of its various customer groups while ensuring they are listened to, their needs recognized, and that they are respected. The development of a service approach and attitude has the following underlying principles; listening, professionalism, quick responses, accessible information, collaboration, and integration.

Strategies

- 8.1 Develop processes to ensure the EUB can promptly deliver accurate, consistent information or assistance.
- 8.2 Establish communication mechanisms to facilitate the development of positive working relationship with all customers.
 - Enhance the EUB's service approach through field offices, continue meeting with industry, stakeholders and the public, focus on enhancing relationships with government, conducting open houses, and utilize additional mechanisms to engage the public.
- 8.3 Provide EUB employees with an understanding of service excellence in a regulatory environment.
- 8.4 Recognize and reward excellent service delivered by EUB employees.
- 8.5 Provide effective delivery of integrated customer services for all EUB internal and external customers.
- 8.6 Establish a leadership role for the Board which will ensure efficient and effective regulation of utility rate and facility applications, through early identification of issues specific to each application.

9

The EUB will have competent and engaged people in place now and into the future.

What it means The EUB requires competent and engaged people to fulfill its mandate. The EUB must continue to source and attract technical and professional people with the required skills and knowledge to maintain technical competency on par with industry. The EUB also needs to retain these people in a workplace that encourages high productivity by providing a positive and engaging work environment.

Strategies

- 9.1 Maintain competitive compensation program(s) including pension and benefit plans.
- 9.2 Employ aggressive staffing strategies including expanded new professional programs, target the non-traditional workforce, hire talent when it presents itself, and make recruiting everyone's business.
- 9.3 Continue development and continuity strategies to plan for workforce change.
- 9.4 Provide opportunities for people to build technical and leadership capacity.
- 9.5 Ensure that people have a clear line of sight between day to day activity and larger corporate strategy.
- 9.6 Enhance workforce planning to strategically allocate resources.
- 9.7 Enhance people capacity to respond to change.
- 9.8 Continue strategies to provide a positive work environment and provide non monetary recognition.

ALBERTA ENERGY and UTILITIES BOARD
STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2007-08 Estimates	2008-09 Target	2009-10 Target
	2005-06 Actual	2006-07 Budget	2006-07 Forecast			
REVENUE						
Levies	74,097	82,700	84,500	89,950	95,250	96,750
Transfers from dept	45,975	55,293	54,793	59,743	64,043	61,743
Investment Income - Other	1,335	1,250	2,750	2,500	2,500	2,500
Other Revenue	10,016	9,809	10,809	9,809	9,809	9,809
Total Revenue	131,423	149,052	152,852	162,002	171,602	170,802
EXPENSE						
Energy Regulation	116,906	133,052	135,852	146,002	155,602	158,302
Orphan Abandonment	13,561	13,000	13,500	13,000	13,000	13,000
Total Expense	130,467	146,052	149,352	159,002	168,602	171,302
Gain/(Loss) on Disposal		-				
Net Revenue (Expense)	956	3,000	3,500	3,000	3,000	(500)
Capital Investment	10,034	14,500	14,000	14,500	14,500	11,000
Less: Disposal of Capital Assets						
Less: Capital Amortization	(9,739)	(11,500)	(10,500)	(11,500)	(11,500)	(11,500)
Increase/(Decrease) in Capital Assets	295	3,000	3,500	3,000	3,000	(500)
Surplus (Deficit)	661	-	-	-	-	-