

**Corporate Planning and Financial Services Report to
Community Development Committee
2022 September 27**

**ISC: CONFIDENTIAL
CD2022-1012
Page 1 of 3**

Status of Expenditures on Regulatory Proceedings

RECOMMENDATIONS:

That the Community Development Committee recommends that Council:

1. Direct Administration to provide a full year update to the Community Development Committee, in closed session, on the status of 2022 expenditures on regulatory proceedings by 2023 Q1; and
2. Direct that the report and attachment be held confidential pursuant to Section 23 (Local public body confidences) and Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed 2026 September 27.

**RECOMMENDATIONS OF THE COMMUNITY DEVELOPMENT COMMITTEE, 2022
SEPTEMBER 27:**

That Council:

1. Direct Administration to provide a full year update to the Community Development Committee, in closed session, on the status of 2022 expenditures on regulatory proceedings by 2023 Q1; and
2. Direct that the report and attachment be held confidential pursuant to Section 23 (Local public body confidences) and Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed 2026 September 27.

HIGHLIGHTS

- This report provides financial expenditure data for utility regulatory interventions to the Community Development Committee. This report includes 2022 expenditures through to 2022 June 30.
- **What does this mean for Calgarians?** This report is an accountability reporting mechanism to demonstrate the prudent use of taxpayer dollars. It supplements the standard City financial reporting by providing more information specific to regulatory proceedings.
- **Why does it matter?** The Alberta Utilities Commission's 2008 revision to Rule 022 made the professional fees associated with expert opinion and legal counsel incurred by interveners no longer eligible for cost recovery. Calgary City Council deemed it appropriate to deploy taxpayer dollars to promote consistent and effective City of Calgary participation in Commission proceedings. The goal is to slow the pace of utility cost increases for The City and Calgarians.
- The Community Development Committee provides oversight for City Administration's work to monitor and participate as necessary in regulatory proceedings only to protect the interests of The City in its role of municipal government.
- Attachment 1 provides details confirming a mid-year favourable variance. It informs committee members that City Administration's efforts to manage regulatory interventions' costs have been successful.
- Strategic Alignment to Council's Citizen Priorities: A well-run city.

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DISCUSSION

This report provides a mid-year update on the costs associated with consistent and effective City of Calgary participation in Alberta Utilities Commission proceedings.

The schedule in Attachment 1 is the standard reporting format for capturing budget and actual expenditures through to 2022 June 30.

Expenditures on outside legal counsel and consulting services amounted to \$325,281 as of 2022 June 30. Adding the internal charge from the Law Department of \$45,000 brings the 2022 mid-year expenditures to \$370,281. That is a favourable variance of \$74,719 or 17 per cent relative to the mid-year budget of \$445,000.

The proceedings with the most significant expenditures as of 2022 June 30 are the two 2023 rate application proceedings for ATCO Gas and Electric. They account for 89 per cent of the costs before internal charges.

As of 2022 June 30, the year-to-date spending on these proceedings amounted to \$289,737.

The Commission released its decision on the 2023 Cost-of-Service review on the deadline day of 2022 September 1. In line with regular practice, City Administration will provide an AUC decision memo as an attachment to the 2022 Q4 summary of current proceedings update in closed session. The decision memo will include an overview of the costs and benefits associated with City intervention in this proceeding.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

Public Communication or Engagement was not required

IMPLICATIONS

Social, Environmental and Economic Implications

Advancing City interests in utility regulation contributes to achieving utility cost competitiveness with other jurisdictions and an appropriate level of investment in utility infrastructure in Calgary. These are vital for long-term economic growth in Calgary and Alberta. The City supports timely AUC decisions for the social goal of intergenerational equity. There has been an increased focus on the environmental impacts of the activities of utilities in recent proceedings.

Service and Financial Implications

Cost savings

As of 2022 June 30, expenditures for interventions in regulatory proceedings (Corporate Program 621) are within budget and lower than anticipated. Expenditures are expected to rise as two important proceedings – the 2024 Generic Cost of Capital and the determination of the structure of the “third generation” of performance-based regulation – get underway in 2022 H2. These two proceedings would likely account for most of the expenditures for the remainder of 2022.

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RISK

Two primary risks are associated with this report – financial and reputational risk. They arise due to an intervener’s lack of control over proceeding initiation and the absence of cost recovery opportunities.

Financial risk refers to the possibility of program expenditures exceeding the budget. It arises because the process and timing of regulatory proceedings are controlled primarily by the applicant (a Utility) and the AUC. It also stems from the limited ability to manage expenditures in any specific regulatory proceeding without cost recovery. Together, these two factors reduce The City’s ability to shift work from one fiscal year to another to align with budgetary capacity. Risk mitigation occurs through a timely committee update requesting extra-budgetary approvals when the need arises. The risk of triggering mitigation is very low and has happened only once in the last decade.

Reputational risk arises because consistent and effective City intervention in Commission proceedings requires a long-term commitment. Beyond adequate funding for the selection of proceedings where Council directs City intervention, it requires maintaining the integrity of information about available funds for City interventions. It is an essential element of regulatory intervention strategy. Utilities could work to alter the schedule of an intervention to halt City participation. They could achieve this by extending the evidence gathering and oral hearing components of the intervention until City funding resources run out. It would impair The City’s reputation as a credible and committed intervener. Risk mitigation occurs through a carefully developed annual regulatory work plan every February that guides intervention in regulatory proceedings.

ATTACHMENTS

1. CONFIDENTIAL - Schedule of Expenditures on Regulatory Interventions
2. CONFIDENTIAL - Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	CPFS	Approve