

Black & White Report



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May 29, 2013

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“Alberta” has no utility debt...

Big whoop, Albertans sure do

This one drives me nuts, every time I hear it: “Alberta has no utility debt”.

If by “Alberta” you mean the Government of Alberta and only the Government of Alberta, strictly speaking, this is perfectly true.

Any reasonable interpretation of “Alberta” to include the citizens, businesses and institutions in the province and that statement is complete rubbish.

The Alberta that includes Albertans has the 4th highest utility debt in the country and is solidly on the way to number 3. **In fact, Alberta will more than double its utility debt in the next 10 years.**

Utility Debt and Crown Corporations

Thank the 1912 Alberta Liberals

The [piece of propaganda that offends me so](#) is essentially a map of the different approaches to utilities that have been taken across Canada. In most provinces, governments decided to create Crown Corporations for their electric utilities. The history of each of them is

unique, but in Ontario, Quebec, Manitoba, BC and Saskatchewan, provincially-owned utilities became the dominant or sole electricity suppliers.

When a Government owns a utility, it will often back the credit requirements of the utility, keeping the bankers happy and keeping interest rates down on the required borrowing. This is how the Government of Ontario finds itself in the position of backing \$62.6 billion in debt from old Ontario Hydro.

The Government of Alberta decided not to get into the utility business. It did this back in 1912 with the first version of the Utilities Act. From that point on the stage was set in Alberta for private companies and municipal utilities to provide electricity to Albertans.

These companies still have debt that must be repaid. As of 2011 this was \$5.3 billion. By mid 2012 it was at least \$6.4 billion (not all 2012 results are posted yet).

To compare apples to apples with provincial Crown Corporations, the total rate base for all Alberta regulated electric utilities is now over \$10 billion.

Alberta Electric Utility Debt and Rate Base 2012 **\$ Millions**

Company	Debt	Total Rate Base
ATCO Electric	2,177.1	3,939.8
Fortis Alberta Inc.	1,181.7	2,002.6
ENMAX (2011)	880.5	957.1
EPCOR (2011)	555.5	915.5
AltaLink L.P.	1,577.8	2,504.0
TransAlta, Lethbridge, Red Deer (2011)	26.0	47.6
	6,398.6	10,366.6

\$100,000,000 a Month for the Next 10 Years

No, this is not the latest lottery jackpot.

This is the amount projected by the Transmission Facilities Cost Monitoring Committee to be spent on transmission projects alone in Alberta. Just between ATCO Electric and Altalink, Alberta utility debt has gone up \$1.2 billion from 2011 to 2012.

Including equity investments by those companies, their total rate base numbers increased by \$150 million a month.

So where does that put us?

On the road to a higher per capita utility debt than Ontario.

Suck it Ontario

Right now there is about \$4,850 of utility debt for every resident of Upper Canada. After the projected transmission build, Albertans will each have somewhere around \$5,700 of utility debt to deal with. Clear evidence of the ongoing Alberta Advantage...

Utilities are a Public Policy Matter, Even When They're Private Companies

The conceit of claiming that the Alberta has no utility debt is that the Government of Alberta is directly responsible for this ferocious increase in spending on utility infrastructure.

The two largest transmission projects (at over \$3 billion) are the twin DC transmission lines between Calgary and Edmonton that were put into law to be built, no questions allowed. I will deal with the history of these projects in a subsequent Report, but I will put out one thing for discussion: If the critical need for new transmission lines between Edmonton and Calgary was first noted in 2005 (see [AEUB Decision 2005-031](#)), why are the lights still on?

The Government of Alberta has decided that we as ratepayers need to pay for this new debt. When you cut those bigger cheques in the future, at least you can sleep better knowing "Alberta" is utility debt free.

Small business, are you going to duck the new transmission charges?

Sorry, you can't.

Transmission charges are divvied up every month based on the share of peak demand in the peak hour of use each month. Transmission connected customers include big industrials and the local distribution companies.

It's hard to know when the peak hour is going to occur, but if you can avoid it, you pay bupkiss for transmission for the month. For a typical business, you are going to be lumped in with everyone on your distribution utility and can't do much to change things.

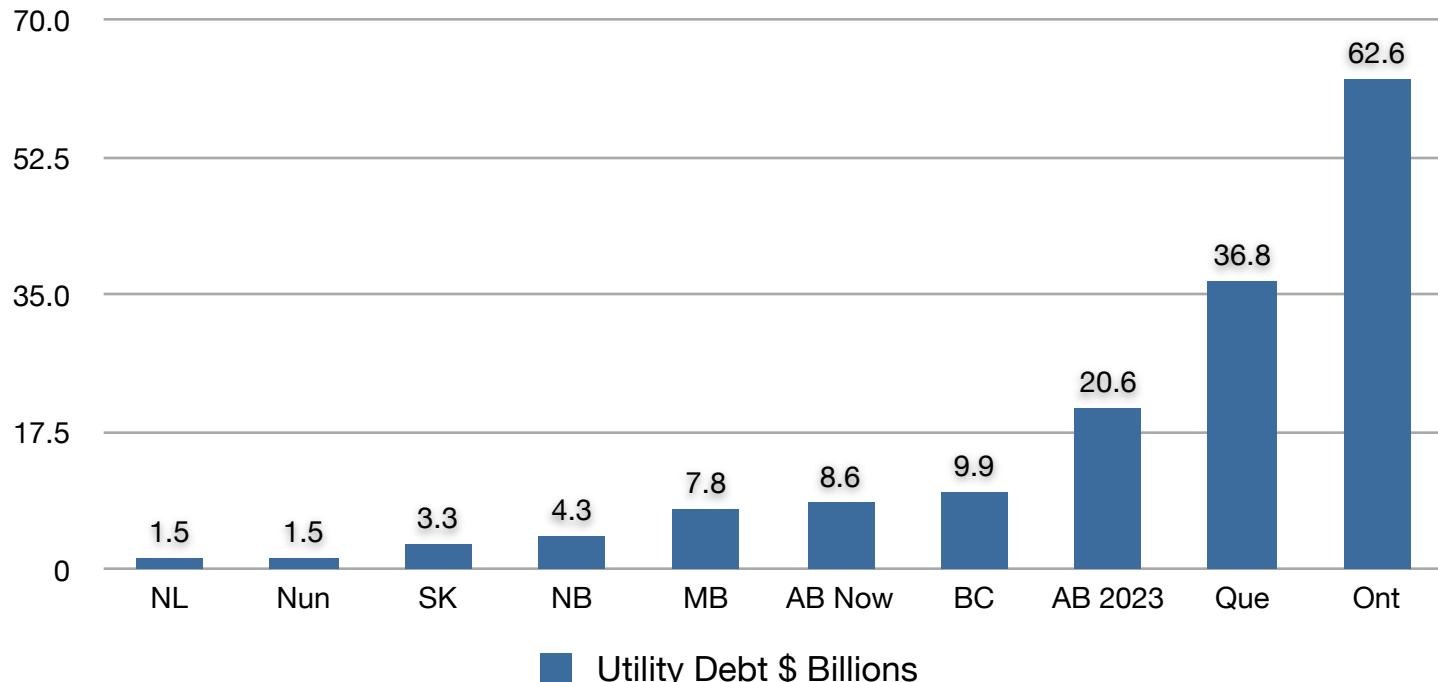
But industrial consumers will be actively trying to avoid the peak and will succeed.

I expect commercial transmission charges to climb 4 to 5 cents per kWh.

Sorry.

Dave Gray
May 29, 2013

Utility Debt by Province



Energy Markets Outlook

7 x 24 Base Load Forward Electricity Prices—Alberta

Term	MTD Average (\$/MWh)	YTD High (\$/MWh)	YTD Low (\$/MWh)
Q3 13	\$75.10	\$75.33	\$60.75
Q4 13	\$59.60	\$60.25	\$55.00
CAL 14	\$52.05	\$52.50	\$48.00
CAL 15	\$48.40	\$49.50	\$47.00
CAL 16	\$51.10	\$52.25	\$50.00
CAL 17	\$54.60	\$55.00	\$52.00
CAL 18	\$55.60	\$56.25	\$54.25

NGX Natural Gas Prices

Term	MTD Average (\$/GJ)	YTD High (\$/GJ)	YTD Low (\$/GJ)
Q3 13	\$3.44	\$3.55	\$2.76
Q4 13	\$3.66	\$3.74	\$2.99
CAL 14	\$3.69	\$3.70	\$3.33
CAL 15	\$3.77	\$3.82	\$3.61
CAL 16	\$3.85	\$3.98	\$3.70
CAL 17	\$4.05	\$4.24	\$3.88
CAL 18	\$4.24	\$4.67	\$4.39

Note: The above prices do not reflect any bid/ask spread associated with real time procurement transactions.

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Electricity Forward Market

Businesses on the Default Supply Rate have just received their highest bills ever. Don't let your profits fly out the socket.

Sellers are looking for large buyers that are able to commit to forward purchases.

Contact markets@geeinc.ca for more information.

Natural Gas Forward Market

Gas prices have been leveling out between prompt and forward years. The market is still contango, but near term prices have risen dramatically.

There is still a significant premium on fixed vs. market, but locking in may make sense at historically low gas prices.



Energy Economics Inc.

Gray Energy Economics Inc provides expert advice and advocacy services for Alberta commercial gas and electricity consumers.

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