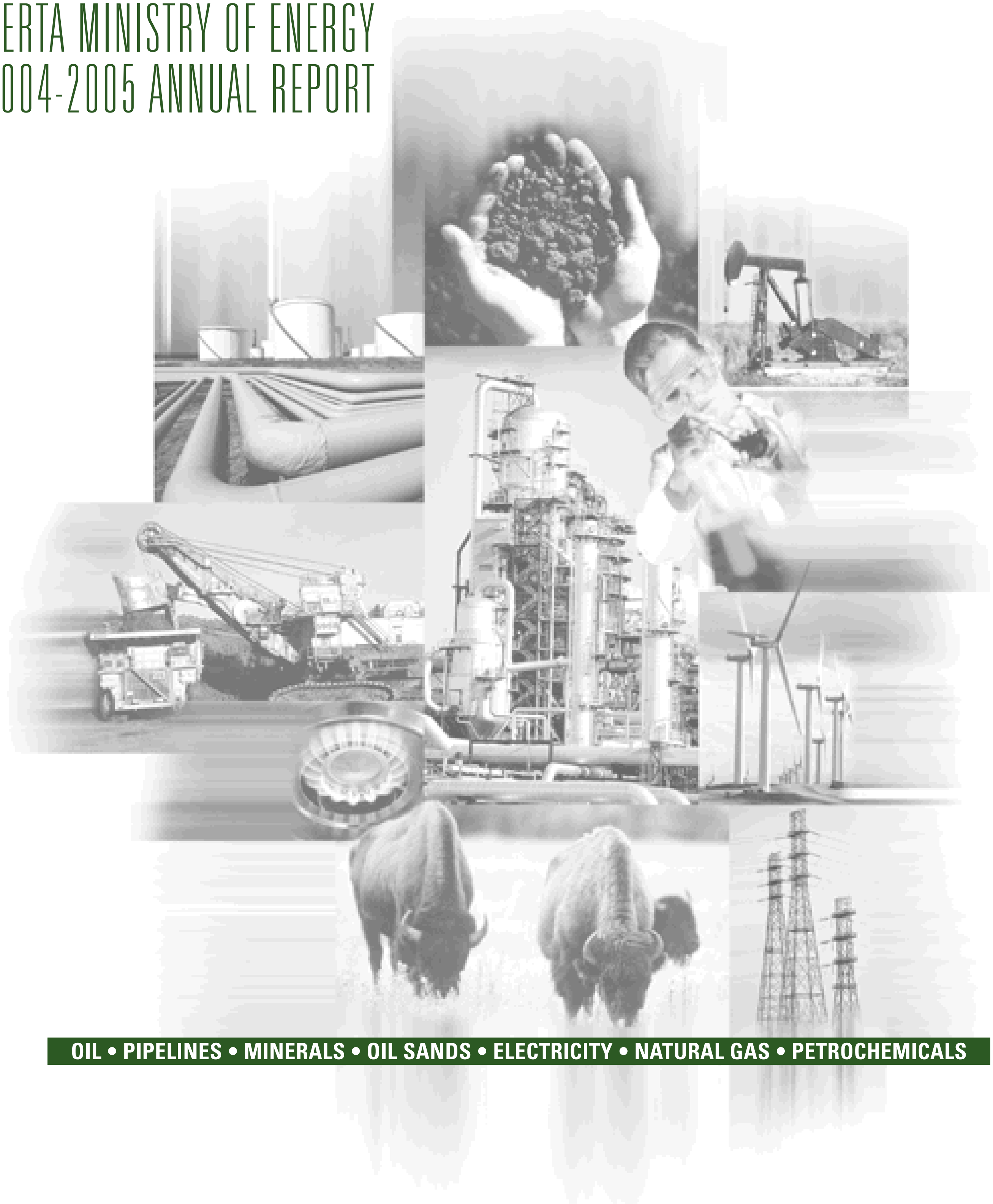
ALBERTA MINISTRY OF ENERGY
2004-2005 ANNUAL REPORT



OIL • PIPELINES • MINERALS • OIL SANDS • ELECTRICITY • NATURAL GAS • PETROCHEMICALS

Alberta

Public Accounts 2004-2005 Preface

The Public Accounts of Alberta are prepared in accordance with the Financial Administration Act and the Government Accountability Act. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 23 Ministries.

The annual report of the Government of Alberta released June 30, 2005 contains the Minister of Finances accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the Measuring Up report.

This annual report of the Ministry of Energy contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- the financial statements of entities making up the Ministry including the Department of Energy, the Alberta Energy and Utilities Board and the Alberta Petroleum Marketing Commission;
- other financial information as required by the Financial Administration Act and Government Accountability Act, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report; and
- the financial information relating to trust funds.

Table of Contents

Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2005, 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 at September 1, 2005, with material economic or fiscal implications of which I'm aware have been considered in the preparation of this report.

Greg Melchin, MLA

Minister of Energy

Message from the Minister

Since becoming the Minister of Energy in November 2004, I wanted to see for myself what is currently happening in the energy industry in Alberta. My first hand look has included refinery row in Edmonton, the oil sands developments near Fort McMurray, electricity infrastructure, gas plants, natural gas in coal developments and coal mines all over Alberta. The sheer magnitude of Alberta's energy resources and the current level of activity have resulted in record outputs and revenues, and those are expected to increase. Non-renewable resource revenues reached almost $10 billion in 2004-05, an increase of almost $2 billion from the previous year.

From the amount of development taking place, it is obvious Alberta's energy sector is not declining. It is on the verge of great changes that could see Alberta emerge as a world energy capital for centuries to come. Our world class resources are attracting attention around the world, including the United States, Asia and Europe.

The oil and gas sector continues to be Alberta's primary economic driver for investment, jobs and revenues in Alberta. January through to December, 2004 saw 16,447 oil and gas well completions reported in Alberta. In 2004-05 we also achieved a new record for mineral rights bonuses. Over $1.25 billion was collected, surpassing the previous high of $1.16 billion.

This year also saw the completion of our public consultation on natural gas in coal. Sessions to collect input regarding the opportunities and challenges of developing this resource were held in eight communities. A multi-stakeholder advisory committee is guiding the process, and recommendations will be presented to government later this year.

Coal demand saw resurgence in 2004-05, particularly from China. The Grande Cache Coal Corporation reopened the former Smoky River coal mine, which will employ up to 300 permanent staff once the mine is in full production.

Albertans continued to be shielded from high natural gas prices in 2004. This past winter we saw a rebate implemented in November ($2.50 per gigajoule), and December through March ($1.50/GJ).

The new Electricity Transmission Regulation was approved in 2004, providing guidance on how new transmission infrastructure will be developed in the coming years to ensure Albertans of a safe, reliable electric system. The entry of two new gas and electricity retailers, Direct Energy and Alberta Energy Savings Corp, is further evidence the government's efforts to develop a competitive market are working.

Alberta continues to lead the country, and in some instances, the world, in many innovative technologies developed for the energy industry. A recent example is clean coal - clean air technologies and the offset of CO_2 emissions to the level of a natural gas combined cycle plant - the first commitment of its kind in Canada.

Development is key to the success of the energy industry in Alberta, but it has to be done in an environmentally sound way. We, as your government, are committed to seeing our resources realized to full potential, in a balanced and environmentally sound manner.

Albertans have world-class knowledge and expertise in the development of our vast energy resources. They excel in all aspects of energy and environmental research, innovation, training, related financial assessment and practices, energy infrastructure, energy project planning and management, energy policy and governance. As Albertans become energy leaders, they are building on their energy inheritance in such a way as to sustain the resources and this great quality of life we enjoy. The Alberta Department of Energy has a new Vision which we will be building on over the coming years. A Vision that will ensure a legacy for Albertans' children, grand children and generations to come.

Thank you to all ministry staff, energy sector stakeholders, and many of my MLA colleagues who contributed to the success of the Ministry in 2004-2005.

Greg Melchin, MLA

Minister of Energy

Management's Responsibility for Reporting

The Ministry of Energy includes:

- Alberta Department of Energy (DOE)
- Alberta Energy and Utilities Board (EUB)
- Alberta Petroleum Marketing Commission (APMC)

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Energy. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report including consolidated financial statements and the performance results of necessity, include amounts that are based on estimates and judgments.

The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money, provide information to manage and report on performance;
- safeguard the assets and properties of the Province under the Ministry administration;
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Energy any information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the Government Accountability Act.

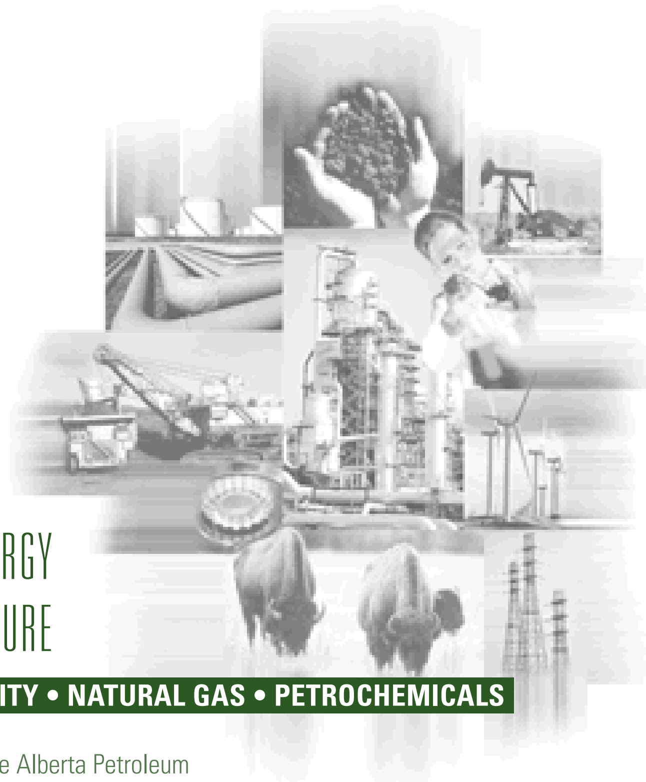
In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

K. R. Smith

Ken Smith

Deputy Minister

Department of Energy



MINISTRY OF ENERGY ORGANIZATIONAL STRUCTURE

OIL • PIPELINES • MINERALS • OIL SANDS • ELECTRICITY • NATURAL GAS • PETROCHEMICALS

The Ministry of Energy consists of the Department of Energy (DOE), the Alberta Petroleum Marketing Commission (APMC), and the Alberta Energy and Utilities Board (EUB).

The department manages the private sector development of provincially-owned energy and mineral resources and the assessment and collection of non-renewable resource revenues in the form of royalties, freehold mineral taxes, rentals and bonuses. The department promotes development of Alberta's energy and mineral resources, recommends and implements energy and mineral related policy, grants rights for exploration and development to industry and establishes and administers fiscal regimes and royalty systems. The APMC accepts delivery of the Crown's royalty share of crude oil and sells it at current market value. Unlike other energy commodities conventional crude oil royalties are paid with 'in-kind' product.

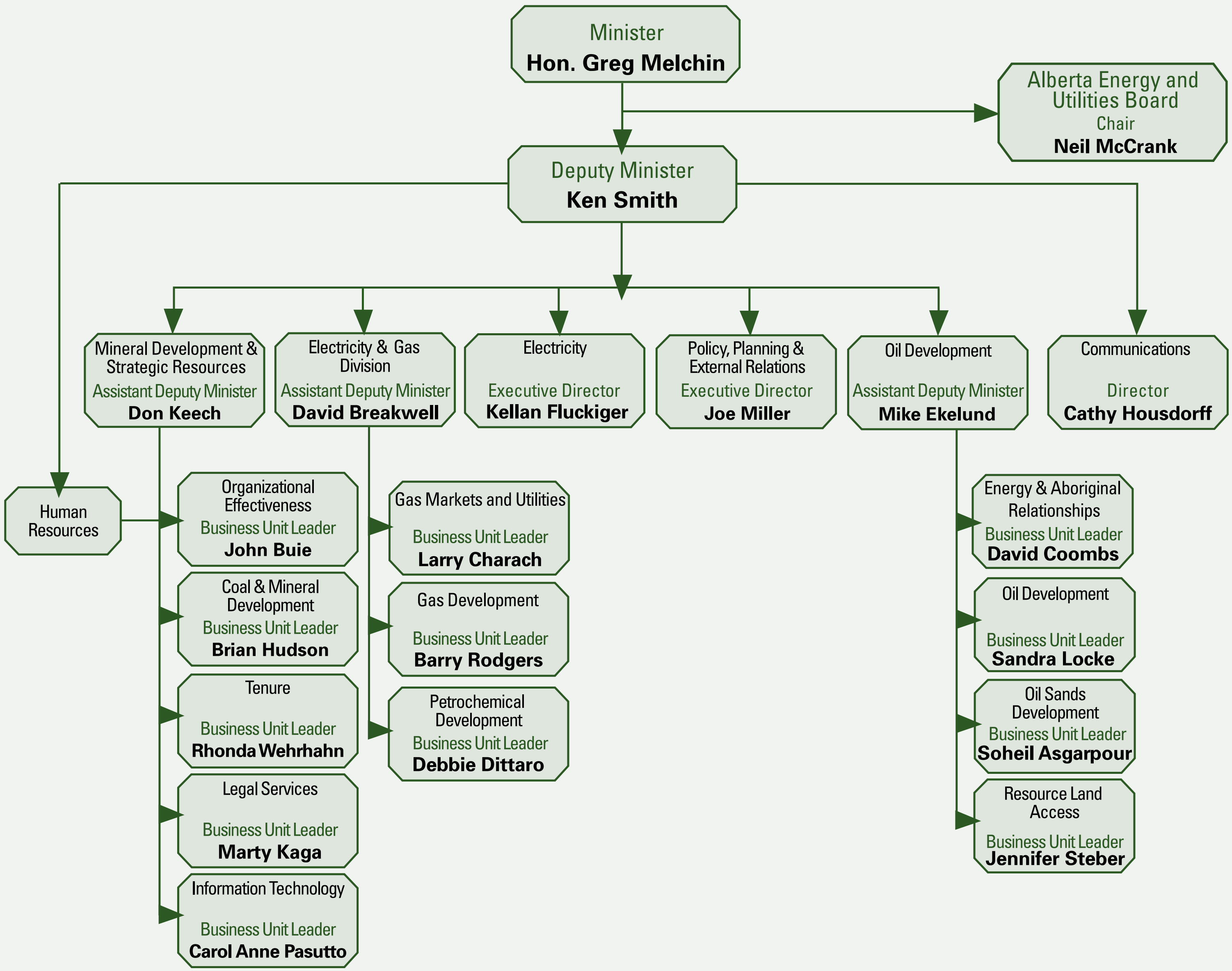
The department and the APMC's operations are integrated and fully funded by the Crown.

The EUB is an independent, quasi-judicial agency of the Government of Alberta with responsibility to regulate Alberta's energy resource and utility sectors. While the EUB reports to the Alberta Minister of Energy, it makes its formal decisions independently in accordance with various statutes and regulations. The EUB's operations are jointly funded by the Crown and a mandatory administrative levy applied to industry.

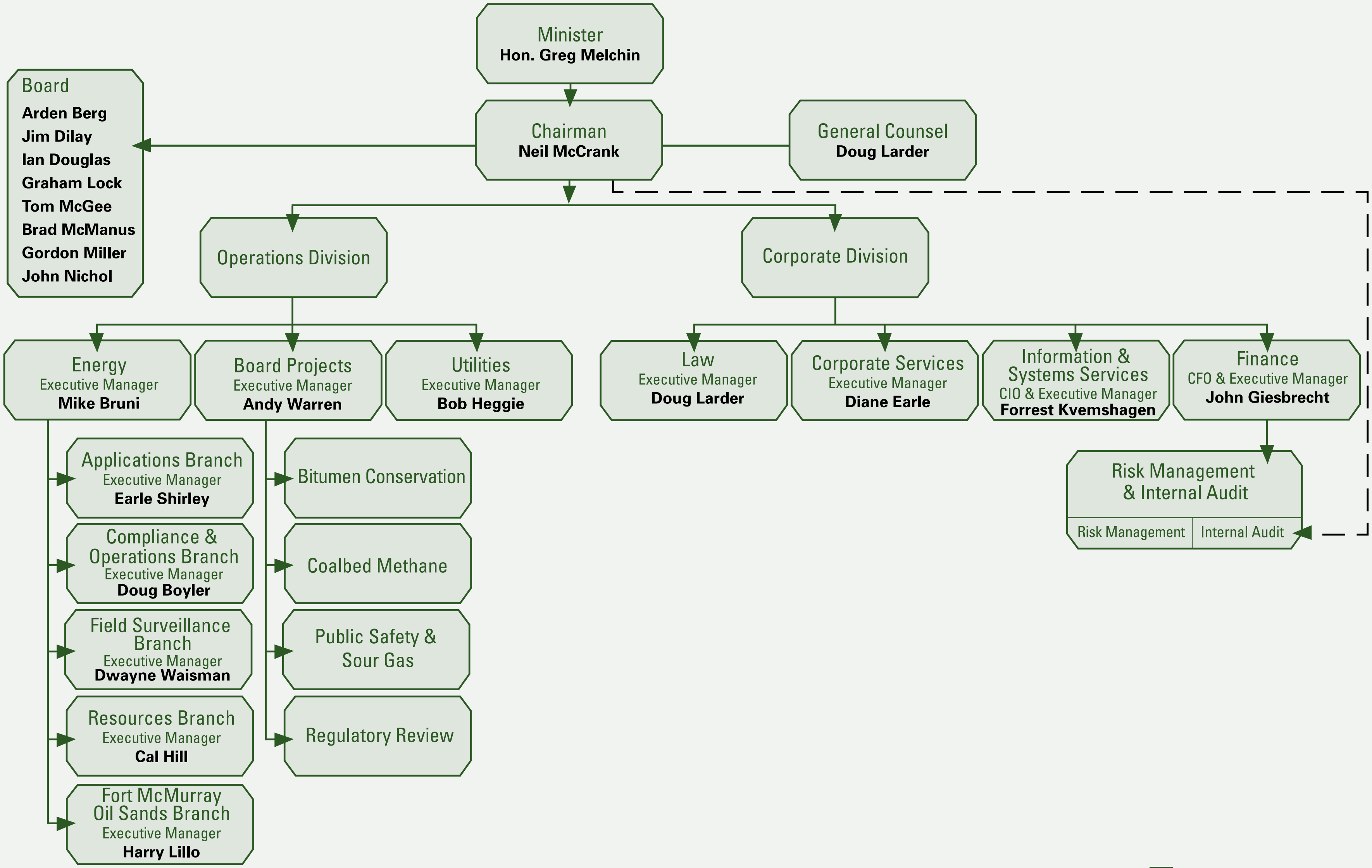
In addition, the EUB Chairman has governance responsibility for the Market Surveillance Administrator (MSA). The MSA monitors Alberta's electricity market for fairness and balance in the public interest and oversees the performance of Alberta's electricity market to ensure it operates fairly, efficiently, and in an openly competitve manner.

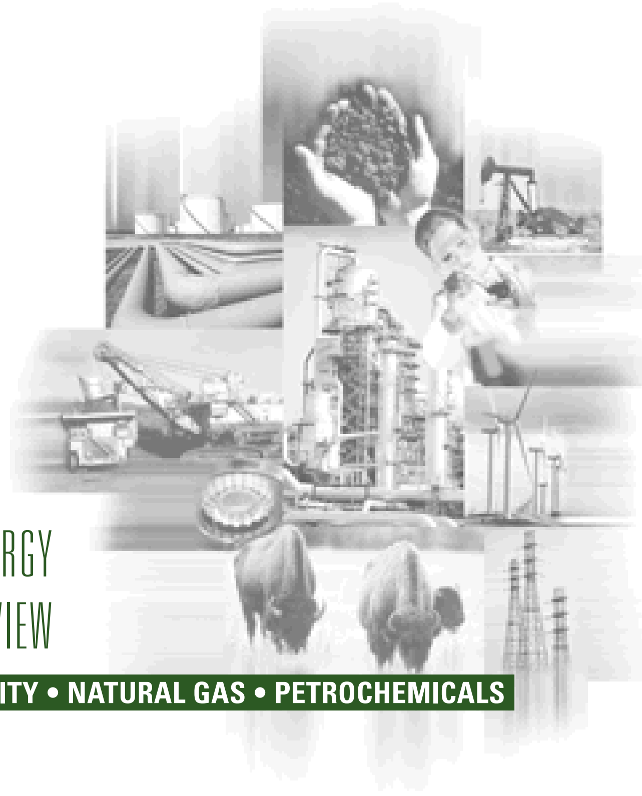
Alberta

Department of Energy (As of March 31, 2005)



Alberta Energy and Utilities Board (As of March 31, 2005)





DEPARTMENT OF ENERGY
OPERATIONAL OVERVIEW

OIL • PIPELINES • MINERALS • OIL SANDS • ELECTRICITY • NATURAL GAS • PETROCHEMICALS

Alberta

Department Operational Overview

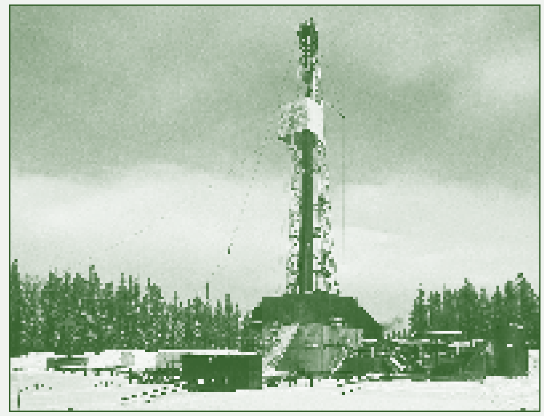
The Alberta Crown owns 81 percent of the province's mineral rights. The Ministry of Energy manages the development of these resources on behalf of the people of Alberta. The remaining 19 percent are owned by individuals and companies or by the federal government in National Parks or on behalf of First Nations.

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

To effectively manage the development of these commodities, the department has organized itself along commodity business lines. This structure builds knowledge and strengthens communication between business areas and Alberta's resource industries. Over 500 employees effectively manage a wide range of functions including revenue calculation and collection, the sale and administration of agreements, policy development and external relationships. The department works within the province's framework of sustainable resource and environmental management to maintain or enhance resource exploration and development opportunities.

2004-05 was a year of high oil and gas prices, and significant industry investment and activity, bringing both challenges and opportunities in the management of Alberta's energy resource portfolio. Alberta's energy sector continues to be a key driver of Alberta's economy and this year the department embarked on several key long-term initiatives aimed at sustaining this contribution for decades to come. The department collected almost $10 billion in non-renewable resource revenues this year, our second highest year to date. Non-renewable resource revenues accounted for about 33 percent of the government's total revenue this fiscal year. This revenue is critical to keeping taxes low and to providing necessary funding for important public programs, such as education, health and infrastructure.

Oil and gas industry investment in Alberta was again strong in 2004. The Canadian Association of Petroleum Producers (CAPP) estimates investment reached a record level of $22.6 billion for 2004, with $16.5 billion invested in conventional oil and gas development and $6.1 billion in oil sands development.



Increased industry investment and activity mean increased pressures on department staff. Our workforce requires a high level of expertise and we face challenges in attracting, retaining and developing our staff. Despite these pressures department staff remain highly motivated. They recognize the importance of the work they do on behalf of Albertans. This is demonstrated in the results of the 2004 Government of Alberta Corporate Employee Survey in which our employees ranked the Department of Energy as one of the best departments in the Government of Alberta to work for.

Department Core Businesses (2004-05)

Our 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.

Department Highlights for 2004-05

Crown Revenue (Cdn $ millions)	Actual 2004-05	Actual 2003-04	Actual 2002-03	Actual 2001-02	Actual 2000-01
Natural gas and by-products	6,439	5,450	5,125	4,030	7,200
Conventional crude oil royalties	1,273	981	1,177	987	1,500
Bonuses for sale of Crown leases	1,252	967	565	970	1,159
Synthetic crude oil and bitumen	718	197	183	185	712
Rentals and fees	153	154	153	148	147
Coal	11	9	10	17	12
Alberta Royalty tax credit	-102	-82	-83	-109	-144
Total Non-Renewable Resource Revenue	9,744	7,676	7,130	6,228	10,586
Freehold Mineral Tax	306	288	202	319	256
Other Revenue	13	5	10	15	4
Total Revenue	10,063	7,969	7,342	6,562	10,846
Operating Expenses*	109	109	91	87	72
Write-Down of Capital Assets	-	-	1	-	-
Net Department of Energy Revenue	9,954	7,860	7,250	6,475	10,774

* includes grant to EUB

NOTE: The department collected $9.74 billion in non-renewable resource revenue in 2004-05. When Freehold Mineral Tax revenue and other revenue is taken into account, the Department of Energy collected $10.06 billion in the 2004-05 fiscal year.

Strategic Priorities and Activities

In 2004-2005, high levels of investment and industry activity brought both challenges and opportunities in the management of Alberta's energy resource portfolio. The energy sector continues to be a key driver of Alberta's economy and this year the department embarked on several key long-term initiatives aimed at sustaining this contribution for decades to come.

Royalty Review – A royalty review (both internal and external) was initiated to provide an assessment of the competitiveness of Alberta's petroleum resources. This is part of the department's ongoing commitment to collect a fair share of royalties and to royalty regimes for natural gas, oil and oil sands that remain appropriate.

Gas in Association with Bitumen – The department developed regulations and implemented procedures to address industry concerns related to the Alberta Energy and Utilities Board's (EUB) decisions to shut in natural gas reserves impacting the potential recovery of bitumen. Through a lengthy consultation process with producers, a solution was developed that achieved a workable balance of all concerns.

Electricity and Natural Gas Retail Markets – An integrated review of wholesale and retail electricity markets was conducted to identify appropriate refinements to enhance the current market structure, support new investment and ensure Albertans continue to receive reliable service at competitive prices. The department completed a consultative review of its transmission policy and obtained government approval for a Transmission Regulation in August 2004. The department participated in the EUB North-South transmission public hearing during December and January to clarify the intent of Alberta's transmission policy and regulation. From December through to March the department worked with the Independent System Operator to develop a plan and schedule to implement the provisions of the Transmission Regulation. Natural gas rebates were provided to consumers from November 2004 through March 2005. The Natural Gas Rebate Program will be reviewed in 2005-06.

Land Access and Aboriginal Relations – The department continues to make a significant contribution towards the process of integrated resource management. The department led a fundamental redrafting of the Integrated Land Management Program charter. In addition, as part of Phase 1 of the Southern Alberta Sustainability Strategy, an assessment of the economic, social and environmental implications of future development scenarios was evaluated using leading-edge analytical tools developed by the department and industry.

The department continued to be heavily involved in the policy development, planning and implementation components of *Water for Life: Alberta's Strategy for Sustainability*, released to the public in Fall 2004. In particular, department participation influenced the Advisory Committee on Water Use Practice and Policy adopting a strategic approach to long term reduction of industry's non-saline water use.

The department continues to support increased water conservation, but also works to ensure that proposals for further reductions in water use maintain the significant benefits generated from the use of a relatively small volume of fresh water. The energy industry as a whole uses less than half of its allocation of water. Use of saline groundwater for oilfield injection continues to expand and now equals the amount of non-saline groundwater injected.

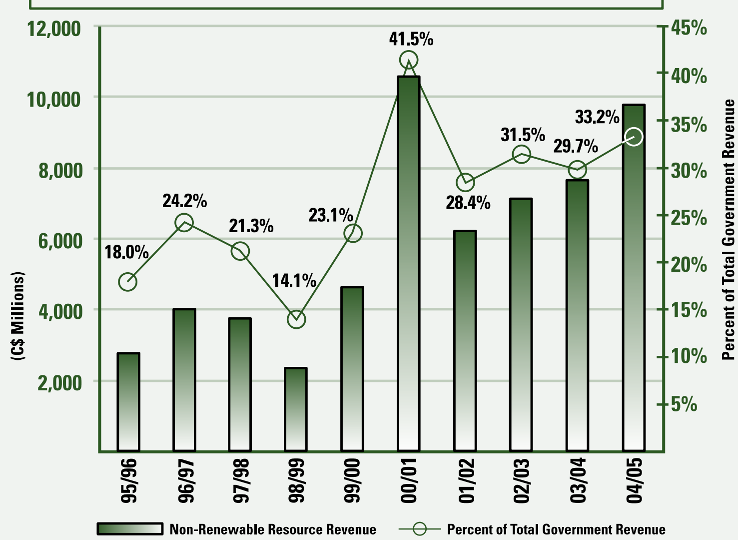
As a member of the Endangered Species Coordinating Committee, the department is working to effectively balance the surface access impacts of species recovery plans.

The department worked with other Alberta government departments, industry and First Nations, to develop a First Nations consultation policy on resource development. The policy will be used to guide the development of individual department and sector specific guidelines which will implement Aboriginal consultation in a manner that continues to encourage efficient resource development on Crown lands while protecting First Nations rights and traditional land uses.

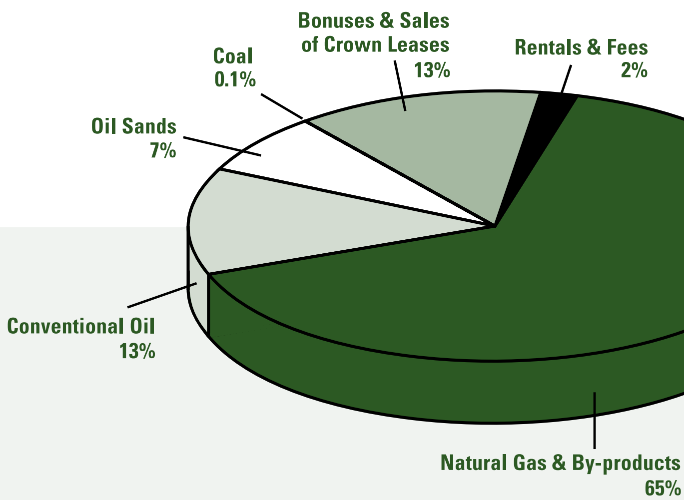
Implementing an Improved Resource Development Regulatory Framework – Alberta is facing increasingly complex environmental challenges compounded by strong economic and population growth. The human 'footprint' and the cumulative impact on water, air and land are becoming more evident and cut across ministries, sectors and jurisdictions. To help address this, 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 was completed. In August 2004, government approved a phased in implementation plan to advance government-wide action on outcome-based management systems, integrated policy and streamlined regulatory processes.

Climate Change Action Plan – The department is working closely with Alberta Environment and the Alberta Energy Research Institute (AERI) to implement Alberta's Climate Change plan. Four CO_2 demonstration projects approved by the department in fiscal 2003-04 have proceeded with facility development and injection. This co-operative effort with industry and the federal government has led to the initial stages of a commercial project anchored at one of the demonstration projects. It is hoped that this will have the intended effect of leading to large scale commercial use and sequestration of CO_2 in Alberta.

Non-Renewable Natural Resource Revenue



Fiscal 2004-05 Non-Renewable Resource Royalty Sources



Resources – by the numbers

High levels of industry activity and high prices for oil and gas enabled the department to collect non-renewable natural resource revenues of about $9.74 billion this fiscal year, the second highest year in the province's history. This represented approximately 33 percent of total provincial government revenues. Industry investment was substantial with an estimated $22.6 billion invested in 2004.

Natural Gas

Total marketable natural gas production increased slightly in 2004 to 5.03 trillion cubic feet (Tcf), from 4.97 Tcf in 2003. In 2004, average natural gas prices, at C$5.98/GJ, were slightly higher than in 2003, when they averaged C$5.81/GJ. As a result of high prices and record industry activity, natural gas royalties were about $6.44 billion in the fiscal year 2004-05, up from $5.45 billion in the previous fiscal year. Natural gas royalties accounted for about 65 percent of Alberta's 2004-05 non-renewable resource royalty revenue.

Remaining established natural gas reserves declined from 40 Tcf in 2003 to 39 Tcf in 2004.

Conventional Crude Oil and Oil Sands

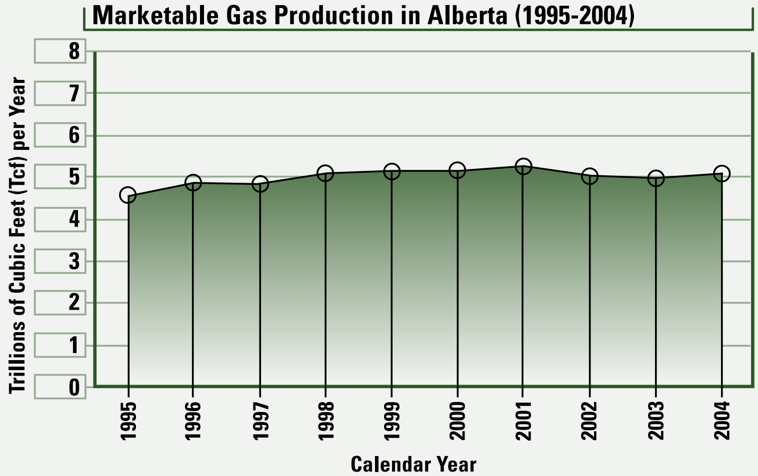
Alberta's oil royalties, from both conventional oil and oil sands, reached $1.99 billion dollars in 2004-05 fiscal year. This is up significantly from 2003-04 due mainly to the increase in oil sands royalties from $197 million in 2003-04 to $718 million in 2004-05. Conventional crude oil royalties also increased by almost $300 million.

Remaining established crude oil and bitumen reserves in Alberta in 2003 were reported at 1.6 billion barrels and 174.5 billion barrels respectively.

Crude bitumen production exceeded one million barrels per day in 2004. Marketable bitumen (which is upgraded from crude bitumen) reached a new all time high of 962,300 barrels per day (bbl/d), up from the previous peak of 853,400 bbl/d in 2003.

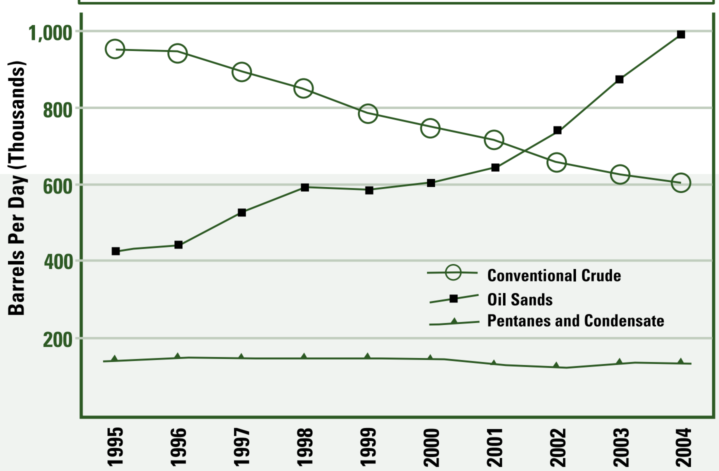
Oil sands industry investment was estimated to reach $6.1 billion in 2004, and has been forecast to reach $8.5 billion in 2005.

Marketable Gas Production in Alberta (1995-2004)



NOTE: Data includes conventional natural gas and natural gas in coal.

Marketable Oil Production in Alberta (1995-2004)



Bonuses and Sale of Crown Leases

Overall in 2004-05, the department received a record $1.25 billion from the sale of oil sands, petroleum and natural gas mineral rights.

Electricity

Due to Alberta's continued strong economic growth, peak demand for electricity in 2004 increased by 269 MW to a record high of 9,236 MW.

Coal

Alberta's marketable coal production decreased to 27.2 million tonnes in 2004, down from 28.2 million tonnes in 2003.

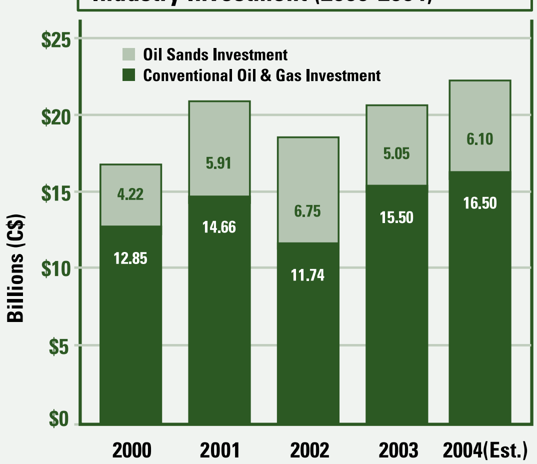
Alberta had two export bituminous thermal coal mines in 2003 but only one in 2004, as the Obed Mountain mine closed. Production of marketable export thermal coal declined to 1.6 million tonnes in 2004, from nearly 2 million tonnes in 2003. Alberta's production of marketable bituminous metallurgical coal, all of which is exported, declined to 0.4 million tonnes from 1.3 million tonnes in 2003. This was the result of reduced operations at Luscar's Cardinal River mine due to the exhaustion of coal reserves. Mining was re-established toward the end of 2004 in the Grande Cache area of the province.

Alberta's coal reserves can support current production and consumption levels for hundreds of years.

Wells Drilled and Licenses Issued

The province issued 21,680 well licenses in 2004, setting a new annual record. This was an increase of nearly 2,500 from 2003. 2004 also saw record drilling activity, with 16,447 wells completed, an increase from 14,848 in 2003.

Alberta Annual Oil and Gas Industry Investment (2000-2004)

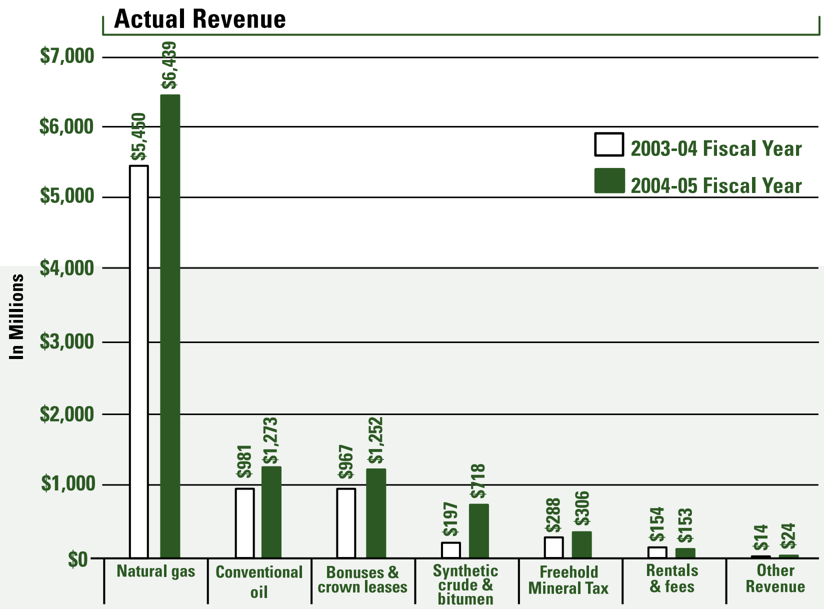


Source: Canadian Association of Petroleum Producers.

Minerals

The Ammonite Shell Regulation was revised in 2004 and the moratorium on leasing lifted, allowing the resumption of applications for leases. The lifting of the moratorium also facilitated the clearance of a backlog of applications.

2004-05 royalty revenues for the major industrial and metallic minerals (i.e., limestone, salt, gold, and shale and stone) were $386 thousand.



Change in Actual Revenue from Prior Year*

Revenue (+$2.07 billion) Non-renewable resource revenue for the year ended March 31, 2005 was $9.74 billion, an increase of about $2.07 billion from the previous fiscal year. Non-renewable resource revenue accounted for approximately a third of total Alberta government revenue during 2004-05.

Natural gas and by-products royalty (+$989 million) The Alberta Gas Reference Price (ARP) averaged $6.05/GJ for fiscal year 2004-05, setting a new fiscal year record. It was $0.60/GJ higher than the average ARP of $5.45/GJ for the fiscal year 2003-04. As a result, natural gas royalty increased from $5,450 million in 2003-04 to $6,439 million in 2004-05, a $989 million increase.

Bonuses and sales of Crown leases (+$285 million) The increase in revenue is due to an average higher price per hectare in the year ended March 31, 2005, compared to the previous year. The average price per hectare paid at petroleum and natural gas mineral rights sales was $310.90 during fiscal year 2003-04 and $398.56 during 2004-05. Petroleum and natural gas mineral rights for 3,031,702 hectares were sold at public auction in 2003-04, and for 2,825,319 hectares in 2004-05.

Likewise, the average price per hectare paid at oil sands mineral rights sales was higher in 2004-05 than in 2003-04. In 2003-04, the price per hectare was $200.55; in 2004-05, it went up to $314.04. Oil sands mineral rights for 104,704 hectares were sold in 2003-04, and for 291,518 hectares in 2004-05.

Crude oil royalty (+$292 million) Price of West Texas Intermediate (WTI) averaged $US 45.08/barrel (bbl) during 2004-05, $US 13.72/bbl higher than in 2003-04, when the average price was $US 31.36/bbl. This increase in price (strength of Canadian dollar vis-à-vis the US dollar) and increased demand, was more than enough to offset the declining conventional production.

Oil Sands royalty (+$521 million) With the record high oil prices, and continuously increasing oil sands production, oil sands royalty reached $718 million in the fiscal year 2004-05, a $521 million increase from its 2003-04 level of $197 million.

Freehold Mineral Tax (+$18 million) The increase in revenue was due to higher oil and gas prices in the 2004-05 fiscal year compared to the 2003-04 fiscal year.

*Change in actual versus budget: see Government of Alberta 2004-2005 Annual Report.

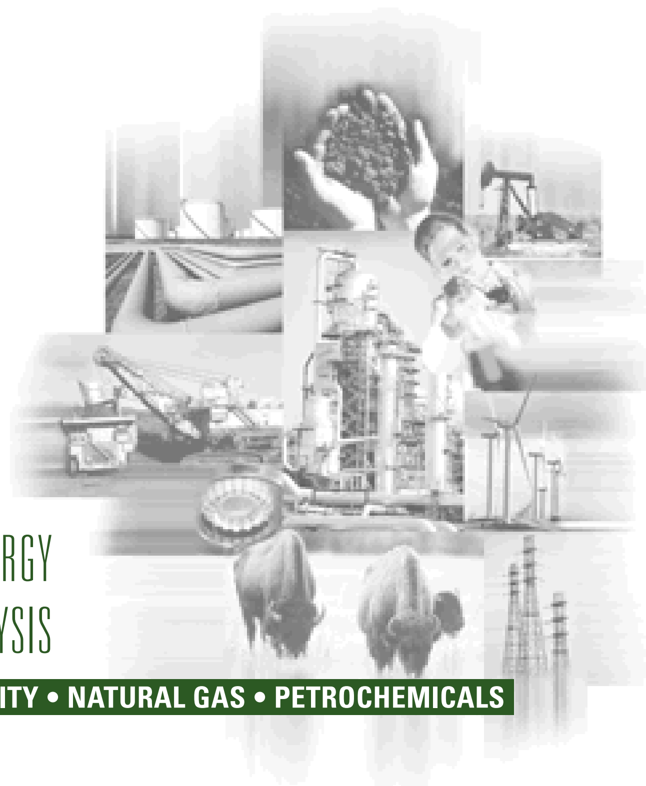
Expenses by Core Business

(in thousands of dollars)

Expense	2004-05 Actual	2004-05 Budget	2003-04 Actual
Core Business			
Securing Benefits for Albertans	33,519	35,628	36,845
Resource Development	27,100	28,539	27,745
Awareness and Understanding	2,469	2,560	2,520
Energy for Albertans	4,768	4,817	4,186

Actual operating expenses for the department for the fiscal year ended March 31, 2005 were about the same as they were during the 2003-04 fiscal year.

2004-05 actuals have decreased from 2003-04 actuals and 2004-05 budget due to a Government of Alberta policy change with respect to capitalization thresholds. Effective fiscal year 2004-05 all capital purchases exceeding $5,000 were capitalized (compared to $15,000 in 2003-04). This policy change has resulted in a reallocation of funds to capital from operating expense.



DEPARTMENT OF ENERGY
RESULTS ANALYSIS

OIL • PIPELINES • MINERALS • OIL SANDS • ELECTRICITY • NATURAL GAS • PETROCHEMICALS

Alberta

AUDITOR'S REPORT

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Measures

To the Members of the Legislative Assembly

In connection with the Ministry of Energy's performance measures included in the *2004 - 2005 Annual Report of the Ministry of Energy*, I have:

1. Agreed information from an external organization to reports from the organization or where information is reported as not available, confirmed that the information is not available.
2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets, and information presented in prior years.
5. Checked that the key performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2004.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit and therefore I express no opinion on the performance measures included in the *2004 - 2005 Annual Report of the Ministry of Energy*.

Fred J Dunn FCA

Auditor General

Edmonton, Alberta

August 18, 2005

Core Business 1: Securing Benefits for Albertans

Albertans own the majority of the province's oil, natural gas and other mineral resources. The Department of Energy manages the development of these resources in an environmentally responsible manner that maximizes long-term benefits to the province and the people of Alberta. Albertans receive their share of energy and mineral resource development through royalties, freehold mineral taxes, rentals and bonuses paid by industry and collected by the department.

Goal 1:

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

Introduction

The Department of Energy has created one of the most respected resource royalty regimes in the world. It is price sensitive and accounts for geological and economic characteristics unique to Alberta's natural gas, oil, and oil sands resources. The department collects a fair share of revenues generated from mineral resource development on behalf of the people of Alberta.

Highlights

Non-renewable resource revenue collected by the department reached $9.74 billion in 2004-2005, the second highest level recorded in Alberta. Non-renewable resource revenue in 2004-2005 represented approximately one-third of total revenues paid to the Alberta government, providing a significant portion of the funds necessary to deliver public programs and services important to Albertans. Oil prices set an annual record in fiscal year 2004-2005. The department also saw record revenue through bonuses and sales of Crown leases. Oil sands royalty revenue increased from $197 million in 2003-04 to $718 million in 2004-05. Over the past 5 years, non-renewable resource revenues have averaged $8.3 billion per year.

Natural gas has always been an important commodity in the economic health of the province and for the past number of years has represented the greatest portion of non-renewable resource revenue to the province. Natural gas in coal (NGC) will be an important future source of natural gas for Alberta. A Multi-Stakeholder Advisory Committee (MAC) comprised of representatives from environmental organizations, landowners, agriculture, local government, the energy industry and provincial government departments was established in 2003 to review the development of NGC in Alberta. In 2004, information sessions were held in numerous locations across Alberta to provide information about the resource, current regulations and to identify issues. Over 750 Albertans attended these sessions. Four multi-stakeholder-working groups that were established to study NGC issues have completed their analysis and developed preliminary recommendations on water, royalty, tenure, and surface/air issues for the Multi-stakeholder Advisory Committee and public comment.

A royalty review was initiated to provide an assessment of the competitiveness of Alberta's petroleum resources. This is part of the department's ongoing commitment to collect a fair share of royalties and ensuring that the royalty regimes for natural gas, oil and oil sands remain appropriate.

The Internet-based Petroleum Registry of Alberta (PRA) won The Premiers Award of Excellence (Gold), in recognition of three years of work by industry and government aimed at improving the management and flow of energy information. This system has improved efficiencies for both industry and government, resulting in on-time and improved data with far less re-filing. PRA currently handles approximately one million transactions per month. Industry satisfaction with the Petroleum Registry is high as demonstrated by industry support of additional functionality on the Registry.

Performance Measure
Sharing the Profits from Resource Development

Target
20 percent to 25 percent of industry's annual net operating revenue.

Results

	Actual 2001	Actual 2002	Last Actual 2003
	Year Ending December 31		
Crown Revenue Share	23%	23%	21%

(Three year moving average - calendar year)
Source: Canadian Association of Petroleum Producers
Note: Results for 2001 and 2002 were restated to conform with data provided by the Canadian Association of Petroleum Producers.

Discussion of Results
The above results are the most current available and reflect a three year rolling average of industry net operating revenue that is paid to the province as Crown royalty. Results in 2003, indicate that Alberta collected 21 percent of industry's net operating revenue from conventional oil, gas and oil sands production. This is the percentage collected after operating costs, administration expenses and taxes were deducted from gross revenues. This falls within the department's target range of 20-25 percent.

In fiscal year 2004-05, Alberta collected the second highest dollar amount of Crown royalty from energy resources. Strong prices for non-renewable resource commodities over the past several years, and high levels of industry activity have resulted in increased industry net operating revenues and higher Crown royalties. 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 industry investment. For oil and natural gas, an indicator of this balance is the portion of industry's net operating revenue that is paid as Crown royalty.

The Department of Energy's royalty regime is price and production sensitive. Commodity prices and industry operating costs are beyond the control of the department. An external review of the appropriateness of potential changes to the oil, gas and oil sands royalty systems was completed during the fiscal year. The review concluded that Alberta's non-renewable resource royalty regime was tough but fair and that Albertans continue to receive their fair share of revenue from the development of Alberta's resources.

Canadian Association of Petroleum Producers (CAPP) data has replaced Ross Smith Energy Group's economic model as a source for this measure. The results for 2001 and 2002 have therefore been restated to conform to data provided by CAPP. 2003-04 Annual Report reported 24 percent as actual figures for the years 2001 and 2002; both of these figures have been revised to 23 percent.

Methodology
The measure reports Alberta's fair share of resource development profits. The performance measure is the three-year moving average of the following formula:

$$\frac{\text{Gross Royalties} - \text{Alberta Royalty Tax Credit}}{(\text{Revenues} - (\text{Current Taxes, Operating costs and General and Administrative costs}))}$$

Industry financial data, such as revenues, operating costs and royalties, comes from the Canadian Association of Petroleum Producers. CAPP revenue data reflects the value of producers' sales from energy resources making up the upstream oil and gas industry – crude oil and condensate, natural gas, oil sands, pentanes plus, propane, butanes, sulphur and ethane. Operating expenses and royalties result from the development of these resources.

The Alberta Royalty Tax Credit (ARTC) figures are prepared by the Department of Energy.

The measure was revised in the 2004-07 business plan to rely directly on CAPP data. This change was made to allow the department to report the fair share results closer to the time when CAPP releases its industry statistics to provide greater understanding of the influential factors.

Performance Measure:

Crown Revenue Assurance

Target:

To ensure the completeness and accuracy of Albertans' resource revenues - audit adjustments to be less than 2.0 percent.

Results:

			Year Ending March 31	
	Actual 2002	**Actual 2003**	**Actual 2004**	**Last Actual 2005**
Audit Adjustments as a Percentage of Department Resource Revenues (three-year moving average)	1.9%	2.0%	2.6%	2.4%

Source: Compliance and Assurance, Alberta Department of Energy
Note: Results for 2002, 2003 and 2004 have been restated to conform with new methodology for the Gas Reference Price portion of the calculation.

Discussion of Results

The department audits industry filings used to calculate non-renewable resource revenues to ensure that it is complete and accurate. Audit adjustments are an indicator of industry's understanding of, and compliance with, the department's reporting requirements.

Audits completed or processed in the current fiscal year resulted in a percentage of absolute value audit adjustments of 2.4 percent. While these results exceed the target they are lower than reported in 2003-04. Results exceeded the 2 percent target in two areas: natural gas and by-products and synthetic crude and bitumen. With reference to the natural gas and by-products resource stream, the largest area of filer complexity remains in the filing of information related to the information required to calculate the Alberta Gas Reference Price. With reference to the work initiated in the prior years in regards to this area, the department has increased the training provided to filers and is working with industry to reduce the complexity of the filing requirements. Actual adjustments in this area have declined from accounting for 61 percent of the adjustments in the last fiscal year to 48 percent in the current fiscal year.

Adjustments related to synthetic crude and bitumen increased largely due to one time errors made by a single client.

In response, the department will continue to expand its program of information workshops to increase filer knowledge. Joint government and industry teams are also continuing to review opportunities to clarify the reporting requirements for both the Alberta Gas Reference Price and synthetic crude and bitumen areas.

Methodology

This measure tracks adjustments arising from audits conducted by the department to information filed by industry in accordance with department requirements. The measure expresses the three year moving average of the annual total absolute dollar value of audit adjustments as a percentage of reported Department of Energy resource revenues from conventional oil, natural gas, oil sands, coal and Freehold Mineral Tax. The absolute value of audit adjustments is the sum of all adjustments, both in the Crown's favor and in industry's favor and as such is an indicator of total error rates.

Audit adjustments are based on audits completed or processed in the current year. Total adjustments include current year adjustments, adjustments to prior years' filings (based on the current year audit and subject to statutory limitations of the Mines and Minerals Act) and, where applicable, also include the estimated future impact of amendments. Audit adjustments are assessed for conventional oil, natural gas, oil sands, coal and Freehold Mineral Tax revenues.

The audit result is a measure of industry's understanding of, and compliance with, the department's reporting requirements. The value of Crown royalty is influenced by commodity prices and production that are beyond the control of the department. Resource revenues are based on the fiscal revenues as reported in the department's Annual Report.

Historical numbers presented in this annual report have been restated to reflect a change in methodology adopted in 2004-05 to improve the valuation of audit adjustments related to the calculation of the Alberta Gas Reference Price (AGRP) portion of this measure. In the past, AGRP audit adjustments were estimated based on the results of the test months audited. After comparing estimated impacts against the actual value of processed audits it was determined that the estimation method did not accurately reflect the value of adjustments. Therefore, the methodology for calculating the value of AGRP portion of the audit adjustments has been revised from using estimates to reporting the actual value of amended submissions for audit adjustments made during the fiscal year (arising from current and prior year adjustments).

Core Business 2: Resource Development

Alberta maintains competitive fiscal (royalty and taxation) and regulatory regimes that attract industry investment. Predictability, certainty, stability and a well-developed infrastructure are all features that continue to make Alberta's resource development system a strong competitor for industry investment. Attracting industry investment creates economic growth and prosperity for Albertans in the form of new business opportunities and employment.

Goal 2:

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

Introduction

The department maintains a fiscal regime that aims, over the long term, to sustain industry investment in the development of Alberta's energy resources, while collecting a fair share of resource development profits for Albertans. From 1998 to 2004, upstream oil and gas industry investment (including oil sands) averaged an estimated $17.4 billion per year. Investment has increased dramatically in recent years, and has remained at more than $17 billion per year since 2000, as high commodity prices, combined with Alberta's favorable investment climate, led to increased levels of exploration, drilling and development. The department assesses the current and future state of Alberta's resource commodities, identifies opportunities for development and industrial integration and encourages maximization of in-province resource upgrading and value added processing.

Highlights

In 2004 Alberta's conventional oil, oil sands and gas industry capital investment was estimated to be $22.6 billion, with oil sands investment accounting for $6.1 billion of that total. In 2004, total estimated upstream oil and gas investment accounted for about 47 percent of Alberta's total capital investment. Continued high oil and natural gas prices, along with Alberta's clear development rules and regulations combined to sustain high levels of energy industry activity.

Drilling activity, which makes up the bulk of conventional capital expenditures, reached record highs in 2004. 21,680 well licenses were issued by the province in 2004, an increase of nearly 2,500 from 2003. A record high 16,447 wells were completed in 2004, compared to 14,848 in 2003.

In fiscal year 2004-05, mineral rights for petroleum and natural gas were sold for 2,825,319 hectares at public auction. Mineral rights for oil sands were sold for 291,518 hectares. Overall, the province received $1,252 million from the sale of oil, natural gas and oil sands mineral rights.

To advance oil sands development, the department completed 24 oil sands project amendments and approvals, including approval of the large and complex $10 billion Horizon Project. This is a large number of approvals and represents a significant effort by the department. A government/industry task force is working on business rules and policies for a Bitumen Valuation Methodology, and recommendations made last year for solution gas/off-lease fuel gas are being revised and finalized with industry. Draft policy position papers regarding grandfathering, cross-boundary well, and road costs have been posted to the Website for industry comment and presented to the Oil Sands Royalty Steering Committee.

Strategic support was provided during the year on a number of high profile events such as the first Oil Sands Investment Symposium held on February 3, 2005, in London, England and for the opening of Alberta's new office in Washington DC. This work is being done to continue to promote Alberta's natural resources and investment potential, internationally. The department has begun work on a significant new initiative to support the government's 20-year plan and provide a new vision for the integrated development of energy resources in Alberta. In response to the plan to construct a $20 billion Alaska pipeline, which could interconnect with Alberta's infrastructure, an Alaska/Alberta Technical Working Committee was set up and through this a positive working relationship was established with the state of Alaska. Relationships were also enhanced with British Columbia and the Yukon through the development of energy-related Memorandums of Understanding. The department also provided leadership in bringing together other government departments, industry leaders and the Canadian military to plan for the royal visit to Alberta's oil sands as part of Alberta's centennial celebrations. On-going support was also provided to trade missions undertaken by the province.

The department developed and implemented procedures to address industry concerns related to the Energy and Utilities Board's (EUB) decisions to shut in natural gas reserves, the production of which impacts the potential recovery of bitumen. Through a lengthy consultation process with affected producers, a solution was developed that achieved a workable balance of all concerns. The resolution sent a strong message to stakeholders and investors in the oil and gas industry, that the Province had acted with the best interests of all concerned.

Performance Measure:
Resource Development

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

Results:

	Year Ending December 31		
	Actual 2001	**Actual 2002**	**Last Actual 2003**
Upstream Industry Investment	$20.6 billion	$18.5 billion	$20.5 billion

Source: Canadian Association of Petroleum Producers

Discussion of Results
The most current actual investment numbers are for the calendar year 2003. In 2003, oil and gas industry investment in Alberta was $20.5 billion, which was the second highest ever, and accounted for about 71 percent of Canada's total oil and gas industry spending of nearly $29 billion. Conventional oil, natural gas and oil sands investment accounted for about 46 percent of Alberta's total investment in 2003. Albertans benefit from industry investment through jobs, business opportunities and resource revenues in the form of royalties, bonuses for sale of Crown leases, and mineral taxes.

In 2003, Alberta's conventional oil and gas investment, fuelled by increases in drilling and mineral rights sales, reached a record level of $15.5 billion, a $3.8 billion, or 32 percent increase from its 2002 level. Oil sands investment declined in 2003 by about $1.7 billion to $5.0 billion from its record-high level of about $6.75 billion in 2002 due to a major oil sands project moving from the development stage in 2002 to production in 2003. However, this decline was not sufficient to offset an overall increase in the oil and gas industry investment.

Commodity prices for oil and gas are the most significant factors in determining drilling activity. Investment by the natural gas and oil industries is affected by a number of other considerations, including accessibility of the resource, the costs of finding the resource, royalty rates, approval processes, corporate tax rates, environmental impacts, workforce skills and costs, infrastructure (highways, housing), accessibility to refining and upgrading, pipelines and markets. The department has the ability to influence industry investment decisions to varying degrees through royalty policy, land and market access, and the regulatory environment. Industry decisions regarding investment also vary in response to cash flow levels and commodity prices over which the department has no influence.

Methodology
This measure relies on data from the Canadian Association of Petroleum Producers (CAPP) annual investment expenditures (finding and development capitalized costs) by the upstream Alberta petroleum industry. The data set is collected by Statistics Canada through a survey of industry, which includes 95 percent of the industry by production.

Upstream investment includes costs and expenses incurred 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. The target is reviewed annually.

Continued investment in Alberta's energy sector demonstrates the competitiveness and attractiveness of resource development in the province.

Goal 3:
Secure future energy supply and benefits for Albertans, within a growing and competitive global energy marketplace.

Introduction
Alberta has long enjoyed abundant sources of conventional oil and gas. In the future, as conventional sources decline, other sources of energy must be developed to ensure Alberta has a continued supply of energy. These may include natural gas in coal (coalbed methane), expanded oil sands development and cogeneration of electricity, the application of clean burning technologies to coal, and the development of alternative sources of energy (wind, small scale hydro, biomass). The department works within the province's framework of sustainable development to maintain or enhance resource exploration and development opportunities, while ensuring that development occurs in a responsible manner that protects the environment and public safety.

Highlights
The department continues to encourage industry to develop new technologies that will result in increased recovery from maturing pools of conventional oil and natural gas. The limitations of present day technology mean that only an estimated 26 percent of available oil is currently recovered, leaving 74 percent of the resource in the ground. The current level of natural gas recovery is 59 percent.

The department this year introduced the Innovative Energy Technologies Program. The department developed policies, procedures and evaluation criteria for the implementation and administration of the program. This program provides up to $200 million in royalty adjustments (over five years), to help offset the cost of implementation of innovative technologies to maximize recovery of Alberta's oil, natural gas, and oil sands resources. For successful applicants, the program will provide funding of up to a maximum of 30 percent of approved project costs. Industry must provide the remaining 70 percent or more of total project costs, meaning the total industry/government commitment to important new technologies, assuming full subscription of the program, will be at least $667 million. Industry interest in the program is high, and this program could produce significant benefits for Alberta.

The department made significant progress on transferring its process for the identification and issuing of mineral rights for public auction onto an electronic platform. Developed jointly with industry, this project will streamline processes between industry and the department by converting an intensive manual process to an electronic one. When completed, Alberta will be the first jurisdiction in the world to manage this process electronically and its successful implementation will enable companies from around the world to participate in auctions for Alberta's mineral rights. Phase 1 of this three phase project was successfully implemented in April 2004, on time and within budget. It has resulted in a significant reduction in turn around time for processing land transfers and has reduced errors in information submitted to the department. Phase 2 of this project was implemented on March 31, 2005 and has fully automated industry's ability to request petroleum and natural gas and oil sands rights for public auction. Phase 3 involves on-line electronic bidding and is scheduled for implementation in 2006. Service to clients was further enhanced through the release of on-line interactive maps that show land availability for metallic and industrial minerals, coal and ammonite shell. These maps allow clients to check land status 24 hours a day from their own computers.

In support of Alberta's Climate Change Action Plan significant progress was made on CO_2 injection. The four CO_2 pilot projects approved by the department in 2003-04 proceeded with facility development and CO_2 injection in 2004-05. This co-operative effort with industry and the federal government to kick-start the market has led to the initial stages of a commercial project anchored at one of the demonstration projects. This could lead to large-scale sequestration and commercial use of CO_2 in Alberta, such as value-added uses of CO_2 to improve oil and natural gas recovery. The federal government recently announced a companion $15 million in funding for CO_2 pilot projects in Alberta.

The department continues to make a significant contribution to integrated resource management. The department led a fundamental redrafting of the Integrated Land Management Program charter. In addition, as part of Phase 1 of the Southern Alberta Sustainability Strategy, an assessment of the economic, social and environmental implications of future development scenarios was evaluated using leading-edge analytical tools developed by the department and industry.

As a member of the Endangered Species Coordinating Committee, the department is working to balance surface access and its impact on species recovery plans.

The department continued to be heavily involved in the policy development, planning and implementation components of *Water for Life: Alberta's Strategy for Sustainability*, released in the fall of 2004. In particular, the department participated on and influenced the Advisory Committee on Water Use Practice and Policy to adopt a strategic approach to long-term reduction of oil and gas industry non-saline water use. This was achieved by educating stakeholders and advocating for the need and benefits of industry's continued use of water and facilitating discussions to address strongly held positions to completely eliminate the use of water in enhanced oil recovery. These efforts also resulted in several recommendations focusing on voluntary measures rather than additional regulatory instruments. The department also worked with the Alberta Energy Research Institute to improve knowledge of injection technologies and create a publicly accessible database.

The department completed the leasing of a large parcel of coal rights to Grande Cache Coal Corporation. This allowed the company to move forward and re-start mining operations. The first export coal shipments were made in November 2004.

The department continued to demonstrate leadership and action with Alberta Aboriginal Affairs and Northern Development in the development of a "made-in-Alberta" Aboriginal consultation policy and supporting treaty land entitlement negotiations by taking a lead role in bringing parties together. The department committed $250,000 in funding for traditional use studies in approximately 20 First Nation communities and contributed funding to the Aboriginal-specific Labor Force Survey in 2004-05. Support was also provided to Alberta Human Resources and Employment in developing 10 Aboriginal training and employment projects.

Performance Measure:
Energy Resource Portfolio Diversification

Target:
Diversification of energy production.

Results:

	Year Ending December 31			
	Baseline 2000	**Actual** 2002	**Actual** 2003	**Last Actual** 2004
Oil Production* (thousands of bbl/d)				
Conventional+	591.3	512.4	483.4	456.9
Extended Oil Recovery++	156.8	148.1	146.1	143.0
Pentanes/condensate	144.5	128.7	135.4	133.4
Non-conventional (oil sands)	604.7	740.3	853.4	962.3
Natural Gas Production (Tcf/yr)				
Conventional**	5.16	5.09	4.96	5.01
Non-conventional (natural gas in coal)***	0.0	0.0005	0.004	0.02
Electricity Generating Capacity (MW)+++				
Coal	5,638	5,659	5,520	5,509
Natural Gas (conventional)	1,319	1,353	1,667	1,670
Natural Gas (cogeneration)	1,658	2,769	3,227	3,226
Fuel Oils	8	8	8	8
Renewables (hydro, wind, biomass)	1,047	1,109	1,218	1,328

Sources:

* Alberta Energy and Utilities Board, Statistical Reports.

** Alberta Energy and Utilities Board, Alberta's Reserves and Supply/Demand Outlook.

*** Alberta Energy and Utilities Board and Alberta Department of Energy.

\+ Conventional oil figures in the above table are net of extended oil recovery.

++ Extended oil recovery data is compiled by the Alberta Department of Energy and includes all department programs aimed at extending the productive life of mature conventional oil fields.

+++ Electricity Generating Capacity is compiled by the Department of Energy based on EUB, Independent System Operator (ISO) and industry information.

Discussion of Results

The energy resource portfolio is being tracked to reflect the need for increasing diversification of Alberta's energy resources to meet future energy demands. The department can influence development through the adoption of specific royalty features that encourage improved resource recovery, the development of new energy sources, or the application of new technologies.

Progress is being made on the cross-ministry strategy 'Sustaining Tomorrow's Prosperity,' through The Hydrocarbon Upgrading Task Force (HUTF). This is an ongoing cross-ministry initiative with a focus on bitumen upgrading and integrated development of Alberta's hydrocarbon resources. This is a significant part of the province's economic development strategy.

Conventional oil production continued its gradual decline, with marketable oil sands production accounting for an increasing share of Alberta's total oil production. In 2004, conventional oil declined to 456,900 barrels per day (bbl/d), from 483,400 bbl/d in 2003. On the other hand, marketable oil sands production has set a new annual record in 2004, at 962,300 bbl/d, a 13 percent increase from the 2003 level of 853,400 bbl/d.

There was a slight increase in conventional natural gas production from 2003 to 2004, from 4.96 trillion cubic feet (Tcf) to 5.01 Tcf.

Alberta's electricity generation portfolio became more diversified in 2004 with the addition of 110 megawatts (MW) of renewable energy. Two wind power projects and two wind test turbines totaling 103 MW were brought online, and a 7 MW hydroelectric facility commenced operation.

Methodology

Crude oil and natural gas production reports using volumetric data submitted by industry to the EUB are used to determine conventional and non-conventional oil and natural gas production. Conventional crude is classified as light, medium and heavy crude oil, and non-conventional crude products include bitumen and synthetic crude oil (upgraded from bitumen). Both conventional and non-conventional natural gas production data is obtained from the EUB. Natural gas and oil results are subject to amendment due to revisions to volumetric data supplied to the EUB and department. The department and the EUB monitor electricity capacity. New capacity is added to existing generation as approvals, announcements, and updates are submitted to both the EUB and the department. Information regarding new electricity generation facilities connected to the Alberta Interconnected Electric System (AIES) is made available to the department and EUB by the Independent System Operator (ISO). The reported installed capacity data is subject to amendment based on re-ratings by facility operators. Renewable energy sources include wind, hydro and biomass.

In the 2005-08 Business Plan the presentation of results was changed to highlight production from new and extended sources of energy. Going forward, data for conventional oil, natural gas, coal and pentanes/ condensates will not be shown in the table. In addition, the label *Fuel Oils* was renamed *Oils (crude, fuel and bitumen)* to be more descriptive of the data.

Core Business 3: Awareness and Understanding

This core business underscores the department's role in informing Albertans about energy and mineral resource development and related policies, and the significance of these resources to Alberta's economy.

Goal 4:

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

Introduction

As resource owners, Albertans should be aware of the province's supply of energy and mineral resources and the importance of these resources to Alberta's economy and society. Albertans also need to be informed about the critical importance of ongoing resource development, the need to access future resources, and technological advances made by the energy industry.

Highlights

The department continued to place a strong emphasis on public communication and awareness. The department remains a key contributor to cross-ministry initiatives such as the Climate Change Action Plan, the implementation of Alberta's Water for Life Strategy, and development of the Resource Development Regulatory Framework.

The department's Public Information Centre (PIC), created to provide a central source of information to the public about energy related matters, again provided a high level of service to Albertans. In 2004-05, PIC responded to 752 letters, 1,265 e-mails and 7,167 telephone calls on topics related to electricity restructuring, natural gas prices and rebate programs, utility billing issues and general department information.

The department is a founding member and champion of the Energy Education Forum. The Forum, whose members include government, educators, industry, and non-profit organizations, began actively working on inserting energy-related elements into the new Alberta Social Studies curriculum and related classroom materials. Discussions with Alberta Education have begun to identify additional opportunities for energy information in the science curriculum. Classroom materials were also developed regarding the province's oil sands resource and for electricity. The department was also a major sponsor of the first "Energy Education Institute". The institute provided teachers from across Alberta with a full week of exposure to, and learning about, energy in Alberta.

The public consultation process for development of natural gas in coal that was started in 2003, continued in 2004. Information sessions held in the spring, provided Albertans interested in natural gas in coal development an opportunity to learn more about the resource, local development, provincial regulations and the consultation process. Participants were invited to share suggestions and provide input on natural gas in coal issues. To accommodate those unable to attend public meetings, the publication Natural Gas in Alberta's Coal Seams was made available to all Albertans upon request. The department also conducted an advertising campaign to raise awareness of these meetings.

The Department of Energy is a strong supporter of the Canadian Centre for Energy Information, an alliance of industry, government and others committed to fostering awareness and understanding about the Canadian energy sector. The Centre operates a Web site portal located at: *http://www.centreforenergy.com*. The department is also a member of Climate Change Central and the Alberta Water Council.

Performance Measure:

Albertans' Understanding of Alberta's Energy and Mineral Resources and their Economic Significance

Target:

To increase Albertans' awareness and understanding of energy resources.

Results:

	Year Ending December 31	
	Baseline* 2001	**Last Actual** 2003**
Albertans' knowledge of the role of energy and mineral resources in Alberta's economy	36%	37%
The provincial government is doing a good or very good job of providing Albertans with energy information	62%	60%
Albertans who recognize the role of the energy sector in the provinces' economic health as very important	83%	81%

Source: *IPSOS Reid Survey, **Banister Research Group Survey.

Discussion of Results

Reported results are from the survey conducted in 2003. The department's target is to increase awareness over the long-term. Thirty seven percent of those surveyed in 2003 were knowledgeable about the role of energy and mineral resources in Alberta's economy. Sixty percent of Albertans felt the provincial government was doing a good or very good job of providing Albertans with energy information. An additional element was added to this measure in the 2004-07 business plan to track public recognition of the importance of the energy sector to Alberta's economic health.

After review in 2004-05 it was determined that Awareness was not a stand alone core business of the department and it was not included in the 2005-08 Business Plan. Instead, awareness is considered to be an integral part of the work done in the department across all our core businesses. The measure was discontinued and no surveying was conducted in 2005. Improving awareness and understanding will continue to be a strategic priority for the department in future years.

Methodology

In November 2003, Banister Research Group telephoned 800 randomly selected Albertans aged 18 years and older. Results are considered accurate to within +/- 3.5 percent, 19 times out of 20. Albertans' knowledge of the role of energy and mineral resources in Alberta's economy represents the weighted average response to five questions. Questions sampled overall knowledge of the industry, ownership of Alberta's resources, how much the province's resources contribute to the Alberta economy, total number of people employed in the energy industry, and energy's significance to Alberta's exports. The rating on the provision of information to Albertans is based on a single question, as is the rating on the importance of the energy sector in the province's economic health.

Core Business 4: Energy for Albertans

The department works to ensure Albertans have a choice of reliable and competitively priced energy and a choice of provider.

Goal 5:

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

Introduction

Alberta restructured its electric industry to provide an efficient, competitive marketplace for electricity that encourages the development of new power generation and offers all consumers a choice of provider and reliability of supply. Retail natural gas has been open to choice since 1996 and the department continues to strengthen provisions for retail customer choice, having recently established similar rules for the natural gas and electricity retail markets. Through the Natural Gas Rebate Program, which is a winter months rebate program, the Alberta government also provides consumers with direct benefits from resource ownership and development.

Highlights

The *Natural Gas Price Protection Act* of 2001, was followed by the Natural Gas Price Protection Regulation. The regulation outlines provisions for rebates to natural gas consumers when monthly regulated natural gas prices and consumption tend to be highest. Through the natural gas rebate program, some of the additional royalty revenue collected when gas prices are high is delivered directly to consumers. For most consumers, natural gas rebates were received in November 2004 ($2.50/GJ) and from December 2004 through March 2005 ($1.50/GJ each month). Consumer response to this program has been very positive.

Alberta's electric transmission grid has not been expanded for almost 20 years. Upgraded electrical transmission is required to support new generation to meet future provincial growth and will serve to strengthen Alberta's economy by ensuring a safe, reliable and economical electric system to serve all customers. A new Transmission Regulation clarifying how new transmission infrastructure will be developed was approved by the Government after an extensive consultation process. To support effective implementation of the Transmission Regulation, Alberta Energy intervened in a high profile Independent System Operator (ISO) application proceeding before the EUB. Department participation ensured clarity and improved understanding of the intent of the transmission policy, and regulation and how it will be implemented. The EUB subsequently approved the ISO's application.

Significant improvements were made in electricity customer billing. Implementation of the Tariff Billing Code introduced common consumption reporting periods for both the energy usage and distribution sections of customer bills. This was done to increase customer understanding of billing practices.

A comprehensive draft discussion paper was completed including extensive consultation with stakeholders and collaboration with the Independent System Operator. The paper presented options to address short-term and long-term adequacy. A final paper including policy refinements for government approval is planned for early in 2005-06. Long and short-term adequacy of electric generation ensures customers continue to receive reliable service at reasonable prices and that new investment occurs.

Performance Measure:

New Power Generation

Target:

Alberta's net supply of electricity will increase through industry investment.

Results:

Year Ending December 31

	Actual 2001	Actual 2002	Actual 2003	Last Actual 2004	Target 2004
Installed Capacity* (MW)	10,451	10,897	11,638	11,740	11,600
Peak Demand (MW)**	7,934	8,570	8,967	9,236	9,070
Margin (MW)	2,517	2,327	2,671	2,504	2,530

Source: Alberta Department of Energy. MW = Megawatts. Electricity Generating Capacity is compiled by the Department of Energy based on EUB, Independent System Operator (ISO) and industry information.

* 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 inter-ties with British Columbia and Saskatchewan.

** Peak Demand is the highest recorded system demand (in Megawatt-hours/hour) in a climatic year (October 1 through to March 31) as recorded by the Alberta Independent System Operator (ISO).

Discussion of Results

Installed electricity generating capacity in 2004 exceeded the target identified in the 2004-07 business plan by 140 MW. Investment in new electricity generation reflects investor confidence in Alberta's restructured electric industry. Growth in new generation will support Alberta's ability to reliably meet the growing demand for electricity in the province. Peak demand for electricity in 2004 also exceeded the forecast by 166 MW. While Alberta's net supply (margin) of electricity fell slightly short of target by 26 MW, a net supply of over 2,500 MW is sufficient to ensure a reliable power supply in the province.

Methodology

Information about new electrical generation facilities connected to the Alberta Interconnected Electric System (AIES) is made available to the department and the EUB by the Independent System Operator (ISO). The generating capacity and start-up dates are included in regulatory filings with the EUB required under the Hydro and Electric Energy Act and interconnection applications to the ISO. The installed capacity data reported is subject to amendment based on re-ratings by facility operators.

Performance Measure:

Electricity Restructuring

Target:

Alberta will remain a leader in implementing a competitive marketplace for electricity.

Results:

Year Ending December 31

	Actual 2001	Actual 2002	Last Actual 2003	Target 2004
CAEM – RED Index				
Ranking of Alberta's restructuring in North America	1	5	4	Top 10

Source: Centre for the Advancement of Energy Markets (CAEM), Retail Energy Deregulation (RED) Index, April 2003.

Discussion of Results

The Retail Energy Deregulation (RED) Index ranked Alberta as first in Canada and fourth in North America, as of April, 2003, for electric industry restructuring performance. The department has been informed that the 2004 results will not be available before August, 2005, at the earliest. Given the difficulties experienced obtaining results for this measure it will be reviewed and may be replaced.

Methodology

Ranking is based on the Retail Energy Deregulation (RED) Index which is prepared by the Center for the Advancement of Energy Markets, an independent, non-profit, Washington, DC based think tank specializing in energy competition policies. The RED Index measures a state, province, territory, or country's progress in adopting policies that give consumers the right to choose their electricity supplier.

Performance Measure:

Annual Residential Natural Gas Price

Target:

Annual average residential natural gas price for Alberta is less than the annual average national residential price.

Results:

Year Ending December 31

	Actual 2002	Actual 2003	Last Actual 2004
Average Alberta Residential Natural Gas Price ($/GJ)	6.23	8.63	9.03
Average National Residential Natural Gas Price ($/GJ)	9.11	11.03	10.81

Source: Department of Energy, using information obtained from Direct Energy Gas North, Direct Energy Gas South, AltaGas Utilities Inc., Terasen (BC Gas Inc.), SaskEnergy, Manitoba Hydro-Centra Gas Manitoba Inc., Union Gas, and Enbridge Consumers Gas.

Discussion of Results

This measure compares the price Albertans are paying for natural gas before rebates with other Canadian jurisdictions. This is done by comparing the annual average Alberta Residential Natural gas price (ARGP) with the annual average National Residential Natural Gas Price (NRGP). To remain competitive, Alberta's average price should not exceed the average national price. The average price paid by residential users in 2004 remained significantly below the national average residential price by $1.78 per gigajoule. In 2003, the difference was $2.40. Alberta's residential natural gas price has remained lower than the national annual residential gas price mainly due to differences in transportation costs. Alberta has the lowest transportation costs due to our proximity to the resource. Alberta natural gas prices continued higher in 2004 than in the prior two years as demand to refill natural gas storage and high oil prices applied upward price pressure on the continental natural gas market. In 2004, the average National Residential Natural Gas Price declined from the previous year due to lower delivery charges, primarily in Ontario.

Methodology

The Alberta Residential Natural Gas Price (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 National Residential Natural Gas Price (NRGP) 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.

This measure is calculated on a calendar year basis using a simple average of monthly rates and annual consumption of 135 gigajoule (GJ). Numbers are quoted in $/GJ and are inclusive of gas cost recovery rates (commodity charge), and variable and fixed delivery rates. Rates include various rate riders (i.e., company owned storage and production rate riders). Rates exclude federal and provincial sales taxes, franchise fees and government rebates. Information for the chart was obtained from utility company Website pages or directly from the utilities. The performance measure data reported is therefore subject to amendment arising from revisions to the industry source data.

Organizational Capacity and Effectiveness

Successful delivery of the department's core business is dependent on maintaining and building a strong organization with the knowledge and capacity to respond to changing future business and economic circumstances affecting the development of Alberta's energy and mineral resources. The department has a separate organizational capacity goal, which supports all of the department's core businesses, to address this requirement.

Goal 6:

Build an organizational environment for success

Introduction

The department recognizes the challenge and importance of maintaining and building organizational capacity to respond effectively to changing business needs. Organizational capacity means having the right resources, people and processes and tools to deliver our core businesses.

Highlights

The department received a Premier's Award of Excellence (Gold) for the Internet based Petroleum Registry of Alberta (PRA) in 2004. The department's commitment to developing the PRA required extensive consultation with its stakeholders and demonstrates its strong working relationship with industry. The department also received a Premier's Award of Excellence (Bronze) for Service Excellence and the Organizational Effectiveness Business Unit was an inaugural recipient, within the Government of Alberta, for Service Excellence from the Deputy Minister of Executive Council.

The department made significant progress on transferring its process for the identification and issuing of mineral rights for public auction onto an electronic platform. Developed jointly with industry, this project will streamline processes between industry and the department by converting an intensively manual process to an electronic one. When completed, Alberta will be the first jurisdiction in the world to manage this process electronically and its successful implementation will enable companies from around the world to participate in auctions for Alberta's mineral rights. Phase 1 of this three phase project was successfully implemented in April, 2004, on time and within budget, and has resulted in a significant reduction in turn around time for processing land transfers and has reduced errors in information submitted to the department. Phase 2 of this project was implemented on March 31, 2005 and has fully automated industry's ability to request petroleum and natural gas and oil sands rights for public auction. Phase 3 involves on-line electronic bidding and is scheduled for implementation in 2006. Service to clients was further enhanced through the release of on-line interactive maps that show land availability for metallic and industrial minerals, coal and ammonite shell. These maps allow clients to check land status 24 hours a day from their own computers.

The 2004 Government of Alberta Corporate Employee Survey demonstrated that the department continued to support and develop its staff. Our employees consistently rank the Department of Energy as one of the best departments in the Government of Alberta to work for. Year after year, the department continues to be one of the top performers within government as assessed by Government employees.

Performance Measure:

Industry Satisfaction with Department Services and Electronic Information Management

Target:

Industry satisfaction 80 percent or higher.

Results:

	Year Ending December 31	
	Actual 2001	**Last Actual 2003**
Satisfaction with Department Services	81%	84%
Satisfaction with Electronic Information Management	92%	94%

Source: Environics Research Group.

Discussion of Results

Surveying for this measure is conducted every second year and will be conducted again in the fall of 2005. Results shown are from 2003, the last year the survey was conducted, and are considered accurate +/– 4.2 percent (department services) and +/– 5.5 percent (electronic information management) 19 times out of 20. The department applies the Government of Alberta's service excellence framework focusing on courteous, competent and timely service to clients.

The department monitors industry satisfaction in order to identify opportunities for improvement, and to ensure that its services keep pace with changing requirements in the energy sector. Industry satisfaction is an indicator of staff competence, knowledge, satisfaction and service. An overall satisfaction rating of 84 percent was achieved, exceeding our target. This compares very favourably to the results of the Citizens First Survey conducted in 2000 by Erin Research Inc., which measured satisfaction with Canadian public and private sector services. The average general rating from the Citizens First Survey was 51 percent for public sector services and 63 percent for private sector services. The department's overall industry satisfaction ratings are significantly higher. In particular, a rating of 86 percent was assessed for the helpfulness and professionalism of department staff.

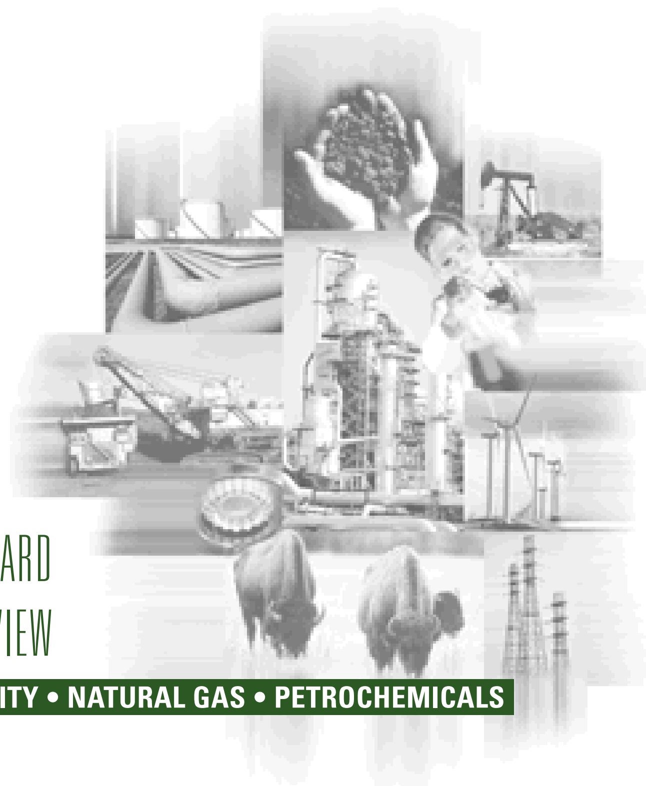
In an increasingly global business environment where partnerships and information sharing are keys to success, effective use of information technology to deliver business products/services and manage information is essential. The department monitors industry satisfaction with electronic information management including: system availability, accuracy, timeliness of information, security and ease and use of services. A satisfaction rate of 94 percent was achieved in 2003, which exceeded our target.

Last year these were reported as two measures. They have been combined and the target for satisfaction with electronic information management has been lowered from 90 percent as reported in the 2003-04 Annual Report to 80 percent. Lowering the target was done for two reasons: one to align the target with that of overall industry satisfaction and two, on the advice of Environics Research Group who cautioned that levels of satisfaction at 90 percent and higher were difficult to maintain and that a level of 80 percent was more realistic. This is supported by the Citizens First Survey results which are discussed above.

Methodology

In November, 2003, Environics Research Group, a nationally recognized survey firm, conducted telephone interviews. For industry satisfaction with department services the focus of courteous, competent and timely service to clients was used to develop questions asked of 545 industry clients. This is consistent with the Government of Alberta's service excellence framework. In order to gauge satisfaction with electronic information management, 272 randomly selected companies were asked questions about availability, accuracy, timeliness of information, security, and ease of use of services in relation to six departmental electronic processing systems. Final results were based on the mean average responses to the series of questions.

Surveying for these measures is conducted every second year. The next surveys will be conducted in the fall of 2005.



ALBERTA ENERGY AND UTILITIES BOARD

OPERATIONAL OVERVIEW

OIL • PIPELINES • MINERALS • OIL SANDS • ELECTRICITY • NATURAL GAS • PETROCHEMICALS

EUB

Alberta Energy and Utilities Board

EUB Operational Overview

The Alberta Energy and Utilities Board (EUB/Board) is a quasi-judicial agency of the Alberta government that regulates Alberta's energy resources and utilities. Although the EUB makes decisions independently, it is part of the Alberta Ministry of Energy. The EUB has approximately 780 staff in 14 locations across the province, with our main office in downtown Calgary.

The mission of the EUB is to ensure the discovery, development, and delivery of Alberta's energy resources and utilities services take place in a manner that is fair, responsible, and in the public interest.

The EUB regulates the development of Alberta's energy resources—oil, natural gas, oil sands, coal, and electrical energy—and the pipelines and transmission lines that move the resources to markets. On the utilities side, we regulate rates and terms of service of investor-owned natural gas, electric, and water utility services, as well as the major intra-Alberta gas transmission system, to ensure that customers receive safe and reliable service at just and reasonable rates. As of January 1, 2004, the EUB also began filling this role for certain municipally owned electric utilities.

The EUB also includes the Alberta Geological Survey (AGS) whose role is to provide geoscience information and expertise to government, industry, and the public in support of the sustainable development of Alberta's energy and mineral resources.

The EUB implements the policies of the Alberta government through the regulations it issues under provincial legislation and through other regulatory directives. Our vision is to continue building a regulatory framework that inspires public confidence.

Core Businesses

The EUB regulates Alberta's energy resources and utilities through its two core businesses:

- Adjudication and Regulation; and
- Information and Knowledge.

Another key area of the EUB is to build organizational capacity and effectiveness in order to respond to changing business and economic circumstances affecting the development of Alberta's energy and utility resources.

In addition to the ongoing activities of its core areas, the EUB is focused on the following four strategic priorities:

- Public Safety and Regulatory Compliance
- Regulation – Utilities and Energy
- Energy Sources – a Changing Focus
- Investing in People

Strategic Priorities

Highlights

1. Public safety and regulatory compliance

The EUB has comprehensive regulations and requirements that are designed to ensure efficient development to maximize energy resource recovery in the interests of all Albertans, and to ensure a safe and reliable infrastructure of energy facilities.

- Public Safety and Sour Gas Initiative –
  This initiative remains the number one priority of the EUB. In fiscal year 2005 the EUB continued working with its stakeholders to address the 87 recommendations made by the Provincial Advisory Committee on Public Safety and Sour Gas. By the end of the year, 61 recommendations were completed and work had begun on the remaining 26.

  In May, 2004 the EUB issued *Bulletin 2004-08: Sour Gas Development Planning and Proliferation Assessment* that included recommended practices for companies planning a sour gas development program near people. The intent of these recommended practices is to reduce impacts on communities through improved planning and coordination of sour gas development and more effective communication between energy companies and landowners. A two-year trial use of these recommended practices is ongoing. A committee of industry, public and government representatives meets regularly to review the use

and effectiveness of the recommended practices based on the data gathered. For more information on the progress of the project go to the EUB Web site at *www.eub.gov.ab.ca.*

- New requirements for suspension of wells – In 2004 the EUB carried out an extensive review of suspended wells in Alberta, with the objective to ensure continued public safety and environmental protection at inactive wells and to consider appropriate risk factors in formulating well suspension requirements. The result was *Directive 013: Suspension Requirements for Wells*, which lays out comprehensive new well suspension and reporting requirements. More information on this initiative can be found on the EUB Web site.

2. Regulation – Utilities and Energy

- Utility Audit and Compliance Group - An EUB Utility Audit and Compliance Group was established to conduct audits and reviews of utility companies' finances and operations and to ensure that they are compliant with their codes of conduct. Over a three-year period the group plans to audit the key activities of utilities. In calendar year 2004, three audits were completed, including AltaGas Utilities Inc., Direct Energy Regulated Services, and AltaLink Limited Partnership. The results of the audits can be seen on the EUB Web site.

- Tariff Billing Code - The EUB has established retail billing standards on information content and format from wire owners to retailers, which will result in timely and accurate billing for electricity customers. The code defines process, transactions, and compliance rules. It will take effect April, 2005.

- Quality of Service Initiative - Commencing in April, 2004, the EUB requires that utilities file quarterly reports on various quality-of-service measures, such as complaint response time, billing accuracy, meter reading accuracy, and service reliability. This standardized measurement of utility performance against established benchmarks should ensure proper levels of customer service.

3. Energy Sources – a changing focus

- The scale and pace of the development of Alberta's oil sands resources have increased dramatically in recent years. The EUB continues to respond to this increased industry activity in an effective and timely manner.

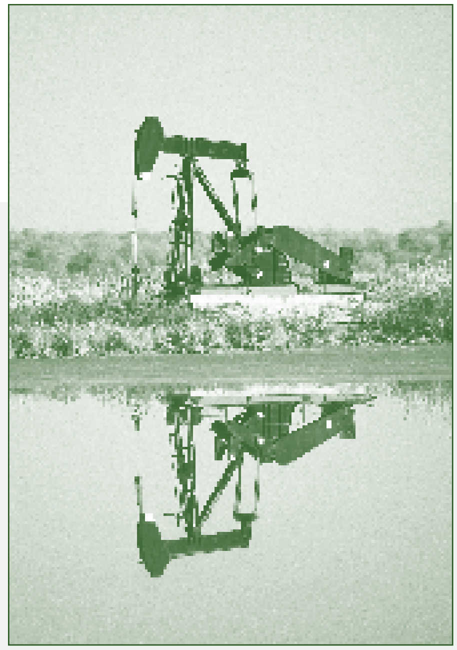
  The second phase of the Bitumen Conservation Initiative was completed regarding the effects of gas production on the ultimate recovery of crude bitumen within the Athabasca Oil Sands Area. As a result, approximately one percent of Alberta's natural gas production was closed in to preserve the bitumen in the Wabiskaw-McMurray area. A final hearing in June, 2005 will review all evidence on the questions of the risk that gas production poses to potentially recoverable bitumen.

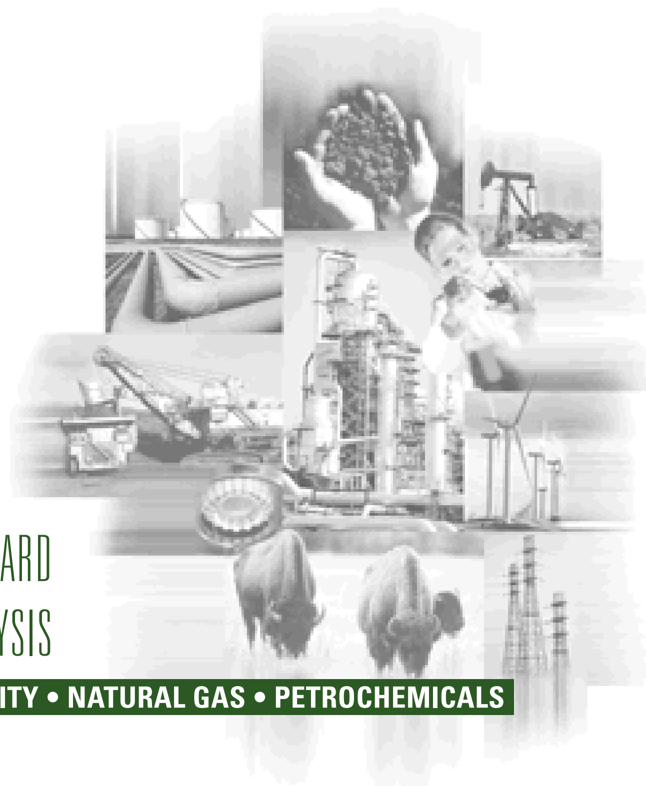
- Coalbed methane (also referred to as natural gas in coal) in Alberta is in the early stages of development. In fiscal year 2005, in order to track coalbed methane activity in the province, the EUB issued *Bulletin 2004-21: Changes to Well Statuses for Wells Completed in Coals and Tracking of Coalbed Methane in Alberta*. This will enable the EUB to differentiate coalbed methane production from conventional gas production. The information will be used to generate and make publicly available updates on coalbed methane activity and production in Alberta during these early stages of development.

4. Investing in People

The EUB recognizes the need to attract and retain well-qualified staff in a competitive market. Through our staff, we are able to realize the organization's vision and mission. The EUB offers a fair and competitive compensation structure and benefits package for its employees.

- The EUB is actively involved in creating and applying strategies that improve and sustain employee satisfaction. The results of the 2004 Government of Alberta corporate Employee Survey continued to indicate that overall EUB employees are satisfied and recognize that they are valued employees. 93 percent of EUB staff participated in the survey.
- A new approach to continuity, with a focus on the development of individuals who identify themselves as interested, was launched in Fall 2004. Continuity Planning can provide the stability to provide critical services to the public under ever-changing conditions. For staff, Continuity Planning can offer increased opportunities resulting in greater career development and job satisfaction.





ALBERTA ENERGY AND UTILITIES BOARD
RESULTS ANALYSIS

OIL • PIPELINES • MINERALS • OIL SANDS • ELECTRICITY • NATURAL GAS • PETROCHEMICALS

EUB

Alberta Energy and Utilities Board

Core Business 1: 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 overall public interest. In addition, the EUB balances the interests of consumers and utilities in establishing regulated utility rates and terms and conditions of service. This is accomplished through the application and hearing processes, regulation, monitoring, and surveillance and enforcement.

Hearing Process

Each year the EUB reviews and approves thousands of applications on a routine basis, if they are complete and have no valid objections. When an application cannot be resolved due to concerns or objections, and appropriate dispute resolution mechanisms are not successful, a public hearing is conducted to reach a fair and balanced decision. After hearing all evidence, a panel of EUB Board members or acting Board members issues its decision through a decision report. Board decision reports are available on the EUB Web site at *www.eub.gov.ab.ca*.

Highlights

Hearings and decision reports of note during fiscal year 2005 include the following:

Energy

Oil Sands Area – Bitumen Conservation

In March, 2004, the EUB held another in a series of public hearings to address the risk that natural gas production poses to the ultimate recovery of bitumen from the geological strata known as the Wabiskaw-McMurray in the Athabasca Oil Sands Area. As a result, *Decision 2004-045, Order 04-001,* and *Order 04-002* ordered the shut-in of Wabiskaw-McMurray natural gas in 1651 intervals, totalling about 280 billion cubic feet (bcf) (about 0.7 percent) of Alberta's remaining natural gas reserves, or about 45 bcf (about 0.9 percent) of Alberta's 2003 annual natural gas production, and the conservation of about 25.5 billion barrels of potentially recoverable Wabiskaw-McMurray bitumen that is in contact with the shut-in gas. The bitumen conserved is about 14.6 percent of Alberta's remaining bitumen reserves.

In July, 2004 the EUB issued *Decision 2004-062* and *Order 04-003*, which reviewed approvals previously set out in *Decision 2003-023* to produce gas for 76 specified intervals in wells in the Chard area and Leismer Field. After reviewing the production status of the intervals, the Board ordered the shut-in of 56 intervals and concluded that gas is not associated with potentially recoverable bitumen in 20 intervals.

Decision 2004-088 established the scope of the EUB's Phase 3 final hearing on Bitumen Conservation in the Athabasca Oil Sands Area. The hearing will allow for full consideration of all issues, with no restrictions imposed on the evidence parties may present so long as the issues and evidence are relevant. Parties were asked to make submissions by February, 2005 and a hearing will be held in June, 2005.

Oil Sands Area – Bitumen

Decision 2004-089 approved Blackrock Ventures Inc.'s application to construct and operate a thermal bitumen recovery project using steam-assisted gravity drainage (SAGD) near Hilda Lake in the Cold Lake Oil Sands Area. A public hearing was held in Cold Lake in July, 2004. The Board's approval is subject to eight conditions, including submitting a groundwater monitoring program and annual monitoring reports. Conditions generally are requirements in addition to or otherwise expanding upon existing regulations and guidelines. As well, in its application, Blackrock made a number of commitments not required by EUB regulations or guidelines. The conditions and commitments are listed in the decision report that can be found on the EUB Web site.

Sour Gas

In a public hearing conducted from January 11 to March 4, 2005, the EUB considered nine applications by Compton Petroleum Corporation to drill six horizontal sour gas wells, to construct and operate associated surface facilities, to reduce the emergency planning zone to four kilometres with a corresponding emergency awareness zone of eight kilometres, and to implement the associated emergency response plan. Compton also applied for a special well spacing unit. A prehearing was held in October 2003 to obtain information from interested parties and the company. Given the scope of Compton's applications and recognizing the number of potentially interested parties, the EUB took extra measures to ensure information was available, including holding information sessions and creating a Web page devoted to Compton's applications. A decision report will be issued in June, 2005.

Sour Oil

A public hearing was held in Grande Prairie on March 16 and 17, 2005 relating to Intrepid Energy Corporation's application to drill a directional sour oil well with a surface location near the south shore of Sturgeon Lake and a bottom hole location under the lake. This location is about 125 kilometres east of Grande Prairie and 25 km west of Valleyview. Issues raised at the hearing related to noise, safety, emergency response planning, impacts on lifestyle, odours, and property value. A decision report will be issued in June, 2005.

Heavy Oil Upgrader

A prehearing meeting was held in December 2004 for an application by BA Energy Inc. to construct and operate an upgrader and associated infrastructure in Strathcona County near Fort Saskatchewan. The Board received input from participants on a number of issues, including the scope of a possible hearing, participant roles, costs, and funding. *Decision 2004-110* outlined relevant issues for consideration at the upcoming hearing, including technical process considerations, environmental impacts, health and safety, socioeconomic impacts, and public interest related to the development. A hearing, scheduled for April 12, 2005, in Fort Saskatchewan, was cancelled due to the withdrawal of objections.

Utilities

A number of decisions were issued in 2004 relating to general rate applications and transmission and distribution tariffs for investor-owned natural gas, electric, and water utilities and certain municipally owned electric utilities.

Sale of Assets

Decision 2004-35 approved an application by Aquila Networks Canada Ltd. to sell all outstanding shares in its Alberta subsidiary, Aquila Networks Canada (Alberta) Ltd., to Fortis Alberta Holdings Inc. The decision also approved an application by Fortis for financing arrangements related to the purchase of the shares.

Aquila Networks Canada (Alberta) Ltd. will continue to provide regulated electric distribution wire services to its Alberta customers under its new ownership. The EUB was satisfied that the sale could be completed without any negative impact on customer service or rates and that there is potential for customer benefits to accrue from the sale.

Electric and Natural Gas Utilities Rate of Return

Decision 2004-052 instituted a common approach for setting the return on common equity (ROE) for all electric and natural gas utilities regulated by the EUB. The decision also approved the capital structure for each of these utilities. This approach will improve regulatory efficiency, reduce the costs for these determinations, and provide fair returns for utility shareholders at a fair cost to customers. The decision also established a deemed capital structure for each utility the EUB regulates. This is also applicable in 2004 for utilities that did not already have an EUB-approved 2004 capital structure in place.

For 2005 and beyond, the EUB established a formula to adjust the ROE each year. The capital structure for each utility will remain in place, unless changed by the EUB in a future individual utility rate proceeding.

Transmission Development

Southwest Alberta 240kV transmission system

In April, 2004 the Alberta Electric System Operator (AESO) filed an application requesting approval of a needs identification document for 240kV transmission system development in southwest Alberta in the Pincher Creek/Lethbridge area. A needs identification document must describe the constraint or condition affecting the operation or performance of the transmission system and indicate the means by which or the manner in which the constraint or condition can be alleviated, describe a need for improved efficiency of the transmission system, and describe a need to respond to requests for system access service.

Decision 2004-044 was issued after a prehearing meeting was held to determine the scope of the proceeding and the issues to be determined by the Board. Following a hearing in July, 2004, *Decision 2004-075* and *Decision 2004-087* and an addendum to *Decision 2004-075* referred the application back to AESO to allow AESO to more fully assess and describe the current state of the Southwest Alberta Transmission System and the need for expansion or enhancements, as well as to determine if the enhancements and expansions proposed are reasonable and in the public interest.

Reinforcement of the transmission system between the areas surrounding the cities of Edmonton and Calgary

In May, 2004 the AESO filed an application requesting approval of a needs identification document in respect of a proposed reinforcement of the transmission system between the areas surrounding the cities of Edmonton and Calgary. *Decision 2004-048* was issued following a prehearing meeting to determine the legislative framework of the application, the scope of the proceeding, and the issues to be determined by the Board. A public hearing was held in Calgary in December, 2004. Interested parties agreed that the transmission development was necessary, and focused on two different concepts: AESO's preferred 500 kV alternative and a 240 kV alternative. A decision report will be issued in May, 2005.

Board decision reports are available on the EUB Web site at *www.eub.ab.ca*.

Goal 1:

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

Performance Measure:

Timeliness of hearing decisions.

Target:

At least 95 percent of decisions issued in 90 days or less from the end of the hearing.

Results:

(Year ending March 31)

	2002	2003	2004	2005
Percent of decisions issued in 90 days or less from the end of the hearing.	99%	97%	100%	100%

Source: Report on EUB Decisions Issued to Date

Discussion of Results

Tracking the time it takes to issue hearing decisions measures the EUB's ability to improve the timeliness of the application and hearing processes. This helps to ensure that all parties to the adjudicative process are satisfied with it and can expect decisions to be consistently issued within a prescribed timeframe without compromising quality.

Actual performance of 100 percent of hearing decisions issued in less than 90 days exceeded the target of 95 percent. Performance was made possible by effective file management, with the panel chair, counsel, and lead application officer managing a file from beginning to end. Success can also be attributed to regular monitoring by the Board and regular communication between the administrator and all parties.

Methodology

An EUB spreadsheet identifies ongoing and pending EUB hearings. Once a hearing is finished, the panel chair, counsel, or hearing coordinator provides the completion date to be entered into the spreadsheet, which is considered the completion of the hearing, the date of the submission of final evidence, or the cancellation date of the hearing. Effective January, 2005, decision reports were being issued for cancelled hearings. The formal issue date for all decisions, except joint panel hearings, is the release date to the EUB Web site for public access. For joint panel hearings, the date for the EUB decision is the date the report is released for French translation.

Regulation, Monitoring, and Surveillance and Enforcement

The EUB ensures public safety, environmental protection, and resource conservation through regulatory requirements, monitoring, and surveillance and enforcement.

Highlights

- The EUB published its annual *ST57-2005: Field Surveillance Provincial Summary*, which provides information on industry compliance, EUB enforcement actions, and the wide range of activities carried out by EUB field staff. The following highlights some of the key points from the 2004 calendar year report. All numbers are reported for the calendar year. The complete report can be found on the EUB Web site at *www.eub.gov.ab.ca*.
  - Industry's compliance rate with EUB regulations was at 98 percent in 2004, up from 97 percent in 2003 and 96.5 percent in 2000. This measure is the best indicator of industry's compliance with the EUB's rules and regulations.
  - The pipeline failure rate in Alberta has dropped by 27 percent since 2000. The number of pipeline failures per 1000 km of pipeline was 2.4 in 2004 compared with 3.3 in 2000. This includes every failure, including pinhole leaks.
  - In 2004, the public registered 850 complaints to the EUB about oil and gas facilities. This is up 4 percent from 2003, but down 8 percent since 2000. EUB field staff respond to all public complaints about upstream oil and gas activities in Alberta.
  - Annual sulphur emissions from Alberta gas plants have been reduced by 26 percent since 2000 (58,000 tonnes in 2004 and 78,000 tonnes in 2000). Since 1974, operators of Alberta gas plants have reduced their sulphur emissions by 75 percent (229,000 tonnes in 1974 to 58,000 in 2004).
  - The EUB suspended 118 energy facilities and operations in 2004 due to noncompliance situations. The EUB has suspended 734 energy facilities and operations in Alberta since 2000.

EUB Field inspections/investigations in 2004

	Initial	Satisfactory	Minor unsatisfactory	Major unsatisfactory	Serious unsatisfactory	Reinspection
Drilling rigs	528	446	56	25	1	0
Service rigs	333	293	31	9	0	0
Oil production facilities	3,893	2,976	872	45	0	63
Gas production facilities	2,864	2,131	711	22	0	32
Pipeline construction/ testing	564	536	18	9	1	28
Pipeline failure inspections	763	671	40	52	0	92
Pipeline operations inspections	285	188	69	28	0	97
Pipeline contact damage inspections	84	64	2	18	0	20
Spill inspections	620	524	45	51	0	0
Waste management facilities	104	67	34	3	0	3
Drilling waste management						
-Nonroutine inspections	9	8	1	0	0	0
-Routine inspections	120	94	11	15	0	5
Well site inspections	5,212	3,921	1,256	35	0	0
TOTAL	15,379	11,919	3,146	312	2	340

Source: EUB ST57-2005: Field Surveillance Provincial Summary, January - December 2004
Well site inspections have been included in 2004's inspection results but were not included in previous years' results.

- The EUB published its annual *ST60B-2005: Upstream Petroleum Industry Flaring and Venting Report*, reporting that in 2004 upstream oil and gas industry sources reduced flaring of solution gas by nine percent and venting of solution gas into the atmosphere by 17 percent. Solution gas flaring in Alberta has been reduced by 72 percent since 1996, and solution gas venting has been reduced by 49 percent since 2000. Solution gas is natural gas that is produced in association with oil and bitumen. Overall, a record 96 percent of all solution gas produced in Alberta was conserved for use or sale, rather than being flared and vented.

  The reductions in solution gas flaring and venting can be attributed to the cooperative efforts of the Clean Air Strategic Alliance (CASA) Flaring/Venting Project Team, the petroleum industry, and the EUB. The complete report is found on the EUB Web site.

Goal 2:
Industry complies with energy and utility regulatory requirements.

Performance Measure 1:
Reduction in percentage of regulatory noncompliance incidents.

Target:
Maintain less than 3.5 percent major and serious unsatisfactory incidents of regulatory noncompliance as identified by field inspections.

Results:
(Year ending December 31)

	2003	2004
Percent of major and serious unsatisfactory incidents of noncompliance related to field inspection results	3.0%*	2.3%

Source: EUB ST57-2005: Field Surveillance Provincial Summary, January-December 2004
*Restated to a calendar year

Discussion of Results
There were 9104 initial inspections in calendar year 2004, compared to 7112 initial inspections in 2003. Despite the increase in inspections, only 2.3 percent of these inspections were categorized as major or serious, which was better than the target of 3.5 percent.

Although there was increased industry activity and hence an increase in the number of inspections, 2004 saw a decrease in noncompliance from 2003. Overall, industry performance has improved due to industry's improved understanding of EUB requirements and its proactively identifying issues and striving to comply with EUB regulations. The EUB continually works with industry to increase awareness of the EUB's expectations and of new regulatory requirements.

Methodology
This indicator measures the EUB's ability to ensure industry's compliance with regulatory requirements. This was the first year that this measure was reported on a calendar year basis as opposed to a fiscal year basis in the preceding annual reports. The measure is being reported on a calendar year basis to coincide with data collected and published in the *EUB Field Surveillance Provincial Summary.*

The EUB Field Surveillance Branch inspects operations of the upstream oil and gas industry with respect to the exploration, production, and disposition of hydrocarbons and associated wastes. All inspection results are recorded as satisfactory, minor unsatisfactory, major unsatisfactory, or serious unsatisfactory and are entered into the Field Inspection System database. This information is then reported in the annual EUB *Field Surveillance Provincial Summary*. Field inspections for this measure are initial inspections for drilling, gas facility, oil facility, pipeline, and well service operations completed in the calendar year. It does not include field inspections regarding drilling waste, well sites, and waste management.

A major unsatisfactory event/inspection/audit finds a contravention of regulation(s) and/or requirement(s) that an operator has failed to address and/or that has the potential to cause an adverse impact on the public and/or environment. A serious unsatisfactory event/inspection/audit is defined as a major noncompliance combined with demonstrated disregard for the regulation(s)/requirements(s).

Performance Measure 2:
Flaring and venting reduction.

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

Results:
(Year ending December 31)

	2001	2002	2003	2004
Reduction in solution gas flared (base year 1996)	53%	62%	70%	72%
Reduction in solution gas vented (base year 2000)	15%	29%	38%	49%

Source: EUB ST60B-2005: Upstream Petroleum Industry Flaring and Venting Report, 2004

Discussion of Results
The measure demonstrates the effectiveness of an appropriate consultation program and how it can result in regulatory requirements and industry practices that achieve an appropriate degree of conservation of solution gas and environmental protection by reducing flaring and venting from crude oil and crude bitumen batteries.

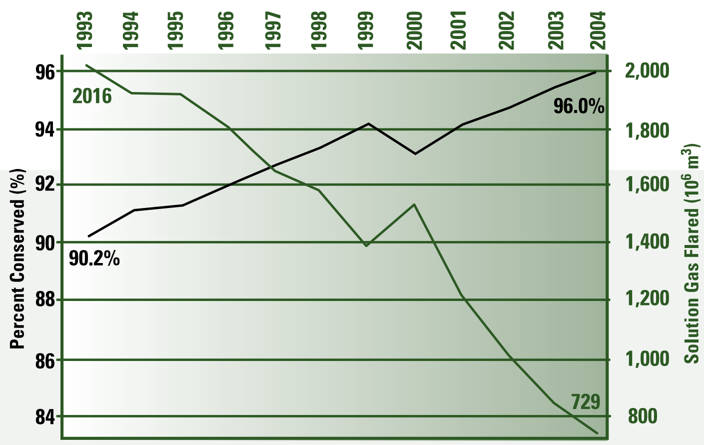
The 2002 CASA target reduction level for flaring was 50 percent. CASA did not establish flaring reduction targets or venting reduction targets for 2003 or 2004. The final report and recommendations of the CASA Flaring/Venting Project Team was approved by the CASA Board of Directors in September 2004. The recommendations pertaining to the EUB have been reviewed and are now being incorporated into an internal working copy of *Guide 60 - Upstream Petroleum Industry Flaring, Incinerating and Venting*. Using the data obtained to evaluate the typical feasibility of gas conservation throughout the province, the CASA Flaring/Venting Project Team derived further recommendations for managing gas conservation. These include the elimination of the requirement to evaluate smaller flare and vent sources, lower net present value criteria to be used in the determination of economically feasible gas conservation projects, and the requirement to prebuild gas gathering pipeline infrastructure on multiwell pads. The additional refinements should result in continued improvement in the already impressive solution gas flaring and venting level reductions.

Solution gas flaring levels were driven downward even further for the year 2004, down 72 percent from 1996 levels, a 2 percent reduction from 2003. Solution gas venting volumes for 2004 achieved a 49 percent reduction from 2000 levels. This is a continued improvement from the 38 percent reduction level seen in 2003.

As of December, 2004, the solution gas conservation rate had reached yet another all-time high of 96 percent, exceeding the record high of 95.4 percent achieved in 2003. With this accomplishment in hand, the EUB was a vital part of the World Bank's Global Flaring and Venting Voluntary Standard, released in May, 2004 at a conference in Algiers, Algeria. International recognition as a leader in this area also led to our participation in World Bank flaring reduction workshops in Indonesia and Russia.

Methodology
The flaring and venting data are collected through the Petroleum Registry of Alberta, which captures volumes from every producing property. This information is then reported in the annual EUB ST60B-2205: *Upstream Petroleum Industry Flaring and Venting Report*. The percentage reduction is calculated as the difference between the base year (1996 for flared solution gas and 2000 for vented solution gas) and the volumes for the current calendar year over the base year.

Solution gas conserved, flared and vented



Solution Gas Conservation: Solution gas conservation for calendar year 2004 was 96 percent, the highest conservation level achieved to date.

Source: EUB ST60B-2005: Upstream Petroleum Industry Flaring and Venting Report

Application Process

The Adjudication and Regulation core business also includes the application process, which involves handling, processing, and ruling on new applications for energy resource and utility activities and amending existing approvals.

Highlights

- In spite of record level activity, the average turnaround time for routine facility applications—which includes wells, pipelines, batteries and gas plants—was 1.7 working days, compared to 2.5 working days the previous year. This exceeded the EUB target turnaround time of 3-3.5 working days for routine facility applications. A routine application is one in which an applicant has fulfilled all the regulatory requirements the EUB has set forward and there are no outstanding objections.
- Fewer than one percent of the energy-related applications the EUB received in calendar year 2004 had outstanding objections.
- The EUB's Appropriate Dispute Resolution (ADR) program is a fundamental component of the energy application process. Now in its fourth year, the program provides an option for applicants and interveners to settle difficult disputes prior to going to a hearing. As a result of ADR, in calendar year 2004, 18 hearings were cancelled.
- In fiscal year 2005, the EUB updated its approach to regulating new and amended enhanced oil recovery (EOR) activities. EOR is the process of injecting fluids to improve the amount of oil produced from a reservoir. The new EOR application process leads to greater standardization of EUB expectations and application requirements, which improves the efficiency and quality of the application process.

Goal 3

Prompt and appropriate resolution of stakeholder conflicts and issues.

Performance Measure:

Appropriate Dispute Resolution.

Target:

At least 90 percent of participants rank the quality of service from EUB staff as satisfactory or better.

Results:

(Year ending December 31)

	2002	2003	2004
Percent of participants that ranked the quality of service from EUB staff as satisfactory or better.	90%	81%	94.5%

Source: EUB ADR report

Discussion of Results

The EUB's Appropriate Dispute Resolution (ADR) program is a voluntary program that provides a way of airing concerns and issues related to oil and natural gas development. The ADR process is a success as it promotes the need to sit down and address differences face to face. Benefits of the ADR program include improved landowner/industry relations, which is in the interest of all Albertans, and better use of EUB and stakeholders' time. This process leads to finding local solutions to local problems and enhancing efficiencies to meet stakeholders' needs. The program has proved successful after a three-year pilot project.

For 2004, 94.5 percent of participants ranked the quality of service from EUB staff as satisfactory or better, exceeding the target of 90 percent. EUB staff assist parties in understanding regulatory requirements.

Methodology

This measure monitors the quality of service from EUB staff in the ADR process by measuring the ability of EUB staff to contribute to the resolution of stakeholder conflicts and issues. The measure focuses on mediations, which are conflict resolution sessions organized by a service provider and led by a third-party mediator, with the EUB in attendance and contributing to the process. After each mediation, the service provider solicits feedback from the parties through a survey it distributes. Data for the calendar year includes mediations and preliminary ADR meetings that have been closed in the calendar year. In some circumstances, surveys are forwarded to the EUB after the data has been calculated for the calendar year. In these circumstances, these surveys are then included in the following year. Of the 26 mediations completed, feedback was received on 18 files. There were 74 parties involved with the mediations and 55 participants responded to the survey questions. For 2003, there were 61 parties involved with the mediations and 53 participants responded to the survey questions. For 2002, there were 85 parties involved with the mediations and 52 participants responded to the survey questions. Questions were graded on a scale from 1 (very unsatisfactory) to 5 (very satisfactory). Satisfaction is defined as the numbers of "very satisfactory" plus "satisfactory" responses as a percentage of total responses.

By The Numbers (2004 Calendar Year)

2004 Applications

Wells

24,379 new approvals (sweet single well, sweet multiwell pad, sour single well, sour multiwell pad, sour well, critical sour well)

Production Facilities

2,820 new sweet and sour facilities: oil and gas batteries, satellites, compressor stations, tank farms, pump stations

667 modifications to the above facilities

\- No new sulphur recovery gas processing plants

12 modifications to sulphur recovery gas processing plants

Pipelines

14,317 pipelines permits for new construction and amendments to existing pipeline licences

In-Situ Oil Sands

121 gas production applications

41 new and amended primary recovery scheme applications

26 new and amended commercial scheme applications

11 new and amended experimental scheme applications

6 commingling applications

Mineable Oil Sands

6 applications for new or expansion of existing mining or plant projects

Environmental Review

438 sour gas flare permits

Coal

10 registered applications for new or modified coal projects and relating to mining operations

Refineries (oil sands, oil, or gas)

18 industrial development permits registered

Reservoir Development

1,505 wells spacing applications

1,006 commingling notification forms

1,842 applications for conventional oil and gas reservoir schemes (enhanced recovery, disposal, commingling, and others).

Utilities

198 electric facility applications (applications for transmission lines and substations, power plants, industrial system designations, electrification association and service area change)

206 gas utilities applications

99 electric utility applications

78 municipal government act applications (franchise agreements)

44 other types of applications (sale of assets, milk price orders, exemptions)

3 water utility applications

3 non-routine complaints

EUB Hearings

92 total number of hearings

17 energy related hearings

75 utilities related hearings

Appropriate Dispute Resolution Program

131 EUB staff facilitations initiated

20 mediations between landowners and companies

6 mediations between companies

Core Business 2: Information and Knowledge

The EUB is responsible for the collection, storage, analysis, appraisal, and dissemination of information and the knowledge associated with it. Open access to information develops awareness, understanding and responsible behaviour, which ultimately allows the EUB and its stakeholders to make informed decisions about energy and utility matters.

The EUB's Alberta Geological Survey group provides geoscience information and expertise needed by government, industry, and the public for Alberta's earth resources stewardship and sustainable development. The Survey group's expertise and activities have further developed Alberta's information base regarding areas such as coalbed methane, groundwater, and mineral deposits and occurrences.

The EUB's Core Research Centre is a state-of-the-art facility that provides the most complete drilling history of any area in the world. It is available for those looking for detailed information about Alberta's geology. Core samples date back as far as 1911.

Highlights

- The EUB's Alberta's Reserves 2003 and Supply/Demand Outlook 2004-2013 report provides estimates of reserves and production volumes for 2003 and a 10-year supply/demand forecast for Alberta's diverse energy resources, including crude bitumen, crude oil, natural gas, natural gas liquids, coal, and sulphur. Highlights from the 2003 report include:
  - Crude bitumen (oil sands) production surpassed provincial conventional oil production by over 50 per cent. Bitumen production averaged 964 000 barrels (153 000 m^3) per day (up 17% over the previous year), compared to conventional oil production of 629 500 barrels (100 000 m^3) per day.
  - Alberta's total remaining bitumen and conventional oil reserves total 176 billion barrels (28.0 billion m^3), consisting of bitumen at 174.5 billion barrels (27.7 billion m^3) and conventional oil at 1.6 billion barrels (254 million m^3).
  - Remaining established marketable gas reserves stood at 40 trillion cubic feet (1,122 billion m^3).
  - Despite record drilling in 2003, gas production declined by 2 per cent compared to 2002. Natural gas production is expected to remain flat in 2004 and gradually decline over time as the basin continues to mature.
- Alberta Geological Survey (AGS) continued regional geological and geochemical mapping, primarily in the areas of northern Alberta. AGS's mapping activities serve many purposes, including assisting in the discovery and development of shallow gas plays, diamonds, and other minerals and aiding the energy and mineral industries in exploration drilling and the protection of groundwater resources.
- Throughout the year, work continued on increasing awareness and understanding of the EUB and the energy and utilities industries in this province. Staff attended public meetings, organized community open houses, met with Aboriginal and Métis communities, and attended synergy group meetings across the province.
- EUB staff, at the request of the World Bank, contributed to workshops on petroleum industry regulation and flaring management for government and industry representatives in Bandug, Indonesia, and Moscow, Russia.
- Foreign delegations from 10 countries, and an international trade delegation with 30 representatives from different Canadian embassies around the world, visited the EUB to learn about its world-class energy and utility processes.

Goal 4:
Ensure that accurate, comprehensive, and current information is readily available to stakeholders.

Performance Measure:
Increase stakeholder satisfaction with EUB information.

Target:
Increase the business value of information to stakeholders.

Results:
(Year ending March 31, 2005)

	Target	Actual
Stakeholder satisfaction with EUB data information and access to it.	73%	79%

Source: External Stakeholder EUB Satisfaction Survey

Discussion of Results
The results from the Satisfaction Survey were 6 percent above the target of 73 percent. Steps taken to improve stakeholder satisfaction levels include implementing a system to cross-train all EUB Information Services staff to better serve EUB customers, responding to customer needs by changing the availability of subscriptions to include e-mail, and making more data and information available by the scanning of original paper documents. The survey was also modified to better identify customer satisfaction level.

To further improve access to data and customer satisfaction, the EUB is considering the concept of an "on-line-store," enabling customers to access electronic data via the Internet. The EUB is also considering the feasibility of digitizing its current library of microfiche and additional paper documents, which could then also be available on line.

Methodology
This measure encourages the EUB to provide useful and reliable information to stakeholders to assist in long-term planning and in making more informed decisions. The survey was made available on line via the EUB's Web site, in addition to being mailed out to stakeholders. Five populations were sampled to represent the major recipients of EUB data dissemination: the general public, Alberta Land Surveyors Association contacts, Information Services customers, the EUB licensee agent list (which includes industry) in *Guide 44: Business Associate Code List*, and consultants from the Oil Register. This sample will approximate the general population 19 times out of 20 +/- 5 percent. Questions were graded on a scale from 1 (completely satisfied) to 5 (not satisfied). Satisfaction is defined as the sum of "completely satisfied," "very satisfied," and "satisfied."

Organizational Capacity and Effectiveness

Successful delivery of the EUB's core businesses is dependent on building and maintaining a strong organization with the knowledge and capacity to respond to changing future business and economic circumstances. Organizational capacity means having the right resources, people, processes, and tools to deliver our two core businesses.

Highlights

- The EUB launched its intranet site called "my.eub" in fiscal year 2005 to enhance internal communications and enable collaboration among EUB work groups.
- The EUB continued its Investing in People initiative, which includes the Chairman's Award of Distinction, On-the-Spot Awards, Recognition Cards, Safe Driving Awards, and the Service Recognition program. All of these awards acknowledge the dedication and commitment of staff to the EUB.
- The annual Chairman's Award of Distinction was awarded to an EUB staff member in recognition of outstanding contribution to regulatory excellence. Recipients of the award exemplify all of the qualities that make the EUB staff a strong positive force in the province of Alberta. This is the award's sixth year.
- The EUB had over 100 employees participate in an in-house leadership development program designed to enhance leadership capacity.
- The EUB was awarded the *Oilweek Magazine* and June Warren Publishing's 29th Annual Report Award for its *2003 Year in Review* in the Government/Public Sector category. All EUB publications are available at *www.eub.gov.ab.ca.*

Goal 5:

Build an organizational environment for success.

Performance Measure:

Staff retention.

Target:

Maintain the percentage of voluntary turnover at a level equal to or lower than that reported by industry.

Results:

(Year ending March 31, 2005)

	Target	Actual
Percent of voluntary turnover.	6.9%	5.4%

Source: EUB personnel files

Discussion of Results

Fulfillment of EUB core business commitments is hindered if appropriate staff expertise is not in place. The EUB recognizes that we must provide a workplace that allows us to retain our staff, and attract others to join our team. To ensure that we keep our people, our most important asset in place during these challenging times and into the future, the EUB has implemented leadership training, and competetive staffing and compensation strategies.

To date, the percent of voluntary turnover is below the targeted threshold of 6.9 percent, as identified in the 2004 Mercer Total Compensation Survey (MTSC), which represents voluntary turnover for the energy industry for 2003. The EUB results of 5.4 percent equates to 42 voluntary terminations of the average 780-person EUB workforce.

Methodology

An EUB spreadsheet is maintained identifying terminated employees. Voluntary turnover is calculated as the number of terminations defined as voluntary as a percentage of average permanent employee headcount. Voluntary termination is defined as all terminations excluding those due to downsizing and layoffs, and those of temporary, casual, and contract employees. Contract employees are external consultants not on payroll.

The Ministry is currently undertaking a review of the EUB's performance measures.

Financial Highlights

The EUB manages its operations in accordance with the *Alberta Energy and Utilities Board Act* and other applicable Alberta government legislation and policies. The operations are managed as two distinct programs:

Energy Regulation

This program delivers the EUB's two core businesses:

- adjudication and regulation, and
- information and knowledge.

The majority of this program's funding is from the combination of an Alberta government grant and a general mandatory levy applied to the industry. The ratio of funding provided by the Alberta government has increased over the last five years from 26 to 40 percent and is approved to reach 43 percent in fiscal 2006. This change is in response to efforts to return to a 50/50 ratio.

In fiscal 2005, the original budget estimate of $110.8 million ($109.8 operating expenses and $1.0 net capital investment) was increased by $2.5 million. This change reflects the recovery of funds from industry which were used to address the continuation of the abandonment of a suspended underground coal mine in northern Alberta ($1.7) and the Tariff Billing Code project, which is directed at improving billing accuracy for electricity consumers ($0.8).

Fiscal 2005 expenditures totalled $112.2 million ($110.4 operating expenses and $1.7 net capital investment). The following is an estimated percentage allocation of the Energy Regulation program's operating expenses by core business:

		2005	2004
	Budget	Actual	Actual
Adjudication and Regulation	63%	68%	64%
Information and Knowledge	37%	32%	36%
	100%	100%	100%

Orphan Abandonment

This program manages the abandonment and reclamation of Alberta upstream oil and gas orphan wells, pipelines, facilities, and associated sites. The EUB declares the well, pipeline, or facility of a defunct licensee to be an orphan, and then the Alberta Oil and Gas Orphan Abandonment and Reclamation Association (the Orphan Association) manages the subsequent abandonment and reclamation operation.

All funding for this program is provided by the oil and gas industry, by way of first-time licensee fees and an orphan program levy. These funds are collected by the EUB and then contributed directly to the Orphan Association.

During fiscal 2005, the original estimate of $10.0 million was increased to a total of $13.4 million ($12.0 in levy and $1.4 in first-time licensee fees). The increase was requested by the Orphan Association to address additional abandonment and reclamation activities. At March 31, 2005 the EUB was obligated to pay $10.1 million to the Orphan Association for amounts collected in late March but not yet transferred.

FINANCIALS

OIL • PIPELINES • MINERALS • OIL SANDS • ELECTRICITY • NATURAL GAS • PETROCHEMICALS

Alberta

EUB

Alberta Energy and Utilities Board

Ministry of Energy: Consolidated Financial Statements

March 31, 2005

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Energy as at March 31, 2005 and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta

May 20, 2005

Ministry of Energy

Consolidated Statement of Operations

For the year ended March 31, 2005
(in thousands)

	2005 Budget	2005 Actual	2004 Actual
Revenues: (Schedule 1)			
Non-renewable resource revenue	$ 4,784,000	$ 9,743,926	$ 7,675,603
Freehold mineral rights tax	204,000	306,420	287,912
Industry levies and licences	71,009	74,315	79,566
Other revenue	9,259	24,077	21,123
	5,068,268	10,148,738	8,064,204
Expenses - Directly Incurred: (Schedule 2)			
Energy and utility regulation	119,768	124,042	127,840
Ministry support services	1,795	1,540	1,963
Resource development and management	69,749	66,317	69,333
	191,312	191,899	199,136
Net operating results	$ 4,876,956	$ 9,956,839	$ 7,865,068

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Energy

Consolidated Statement of Financial Position

As at March 31, 2005
(in thousands)

	2005	2004
Assets:		
Cash (Note 3)	$ 614,602	$ 496,744
Accounts receivable (Note 4)	1,360,505	1,053,738
Inventory held for resale	25,930	17,125
Prepaid expenses	1,707	1,567
Accrued pension asset (Note 8)	7,495	6,268
Tangible capital assets (Note 5)	57,256	55,697
	$ 2,067,495	$ 1,631,139
Liabilities:		
Accounts payable and accrued liabilities	$ 87,253	$ 56,950
Unearned revenue	70,935	71,336
Gas royalty deposits (Note 6)	649,747	552,415
Security deposits (Note 7)	18,186	12,540
Tenant incentives	3,972	4,697
	830,093	697,938
Net Assets:		
Net assets, beginning of year	933,201	1,788,047
Net operating results	9,956,839	7,865,068
Net transfer to General Revenue	(9,652,638)	(8,719,914)
Net assets, end of year (Note 9)	1,237,402	933,201
	$ 2,067,495	$ 1,631,139

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Energy

Consolidated Statement of Cash Flows

For the year ended March 31, 2005
(in thousands)

	2005	2004
Operating transactions:		
Net operating results	$ 9,956,839	$ 7,865,068
Non-cash items		
Amortization	14,037	13,137
Pension expense	5,446	4,418
Valuation adjustments	59	464
	9,976,381	7,883,087
Changes in operating non-cash working capital		
Decrease (increase) in accounts receivable	(306,806)	859,048
Decrease (increase) in inventory	(8,805)	14,965
Increase in prepaid expenses	(140)	(322)
Increase (decrease) in accounts payable and accrued liabilities	30,283	(40,014)
Increase (decrease) in unearned revenues	(401)	691
Decrease in tenant incentives	(725)	(726)
Cash provided by operating transactions	9,689,787	8,716,729
Financing transactions:		
Increase (decrease) in gas royalty deposits	97,332	(10,768)
Net transfer to General Revenue	(9,652,638)	(8,719,914)
Pension obligations funded	(6,673)	(5,448)
Increase in security deposits	5,646	786
Cash used by financing transactions	(9,556,333)	(8,735,344)
Capital transactions:		
Purchase of tangible capital assets	(15,596)	(13,537)
Transfer of tangible capital assets	-	100
Cash used by capital transactions	(15,596)	(13,437)
Increase (decrease) in cash	117,858	(32,052)
Cash, beginning of year	496,744	528,796
Cash, end of year	$ 614,602	$ 496,744

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Energy

Notes to the Consolidated Financial Statements

For the year ended March 31, 2005
(in thousands)

Note 1

Authority

The Minister of Energy has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Energy.

Organization	Authority
Department of Energy	Government Organization Act
Alberta Energy and Utilities Board (The Board)	Alberta Energy and Utilities Board Act
Alberta Petroleum Marketing Commission (The Commission)	Petroleum Marketing Act and the Natural Gas Marketing Act

Note 2

Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting.

Basis of Financial Reporting

Basis of Consolidation

The accounts of the department, the Board and the Commission are consolidated. Revenue and expense transactions, capital and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

The reporting period of the Commission is December 31. Transactions that have occurred during the period to March 31, 2005 and that significantly affect the consolidation have been recorded.

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Crude oil and natural gas royalties are determined based on monthly production. Revenue is recognized when the resource is produced by the mineral rights holders.

Freehold mineral taxes and synthetic crude oil and bitumen royalty are determined at the end of a calendar year based on production and costs of production incurred in the calendar year. Revenue is recognized on a prorated basis, by month, of the estimated calendar year taxes and royalty that will be due to the Crown.

Revenue from bonuses and sales of Crown leases, and rentals and fees are recognized when the Crown leases are sold and when the mineral rights are leased.

Expenses

Directly Incurred

Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

Directly incurred expenses include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- current service costs for the defined benefit pension plans. The Board has its own defined benefit pension plans. The Board's pension expense is actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels, and length of service to the time of retirement. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized over the estimated average remaining service lives of the related employee group (8 years). For the purpose of calculating the expected return, plan assets are valued at fair value.

Incurred by Others

Services contributed by other entities in support of the ministry operations are disclosed in schedule 3 and are not reflected in the consolidated statement of operations.

Assets

Inventory consists of conventional and synthetic oil in feeder and trunk pipelines. Inventories are stated at net realizable value.

Tangible capital assets are recorded at historical cost and are amortized over their estimated useful lives. The department threshold for capitalizing new systems development is $100 and the threshold for all other capital assets is $5 (2004 – $15).

Assets acquired by right, such as mineral resources, are not included.

When physical assets are gifted or sold for a nominal sum to parties external to the government reporting entity, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities include all financial claims payable by the Ministry at fiscal year end.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, accounts payable and accrued liabilities, security deposits, and gas royalty deposits are estimated to approximate their carrying values because of the short term nature of these instruments.

Note 3

Cash

Cash includes a deposit in the Consolidated Cash Investment Trust Fund, which is managed by the province of Alberta to provide interest income at competitive rates while maintaining maximum security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. The average effective market yield for fiscal 2005 was 2.79% (2004 – 2.11%).

Note 4

Accounts Receivable

Accounts receivable is secured by a claim against the mineral leases.

Note 5

Tangible Capital Assets

				2005	2004
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	3-10 years	$ 117,271	$ 74,004	$ 43,267	$ 45,450
Equipment	3-20 years	16,518	8,880	7,638	4,309
Leasehold Improvement	Term of Lease	9,139	3,108	6,031	5,618
Land	-	320	-	320	320
		$ 143,248	$ 85,992	$ 57,256	$ 55,697

Note 6

Gas Royalty Deposits

The department requires that natural gas producers maintain a deposit equal to the lesser of one-sixth of the prior calendar year's royalties or the amount determined by multiplying last year's deposit by the ratio of the current long term gas reference price to the prior year long term gas reference price. The department does not pay interest on the deposits.

Note 7

Security Deposits

The Board encourages the timely and proper abandonment and reclamation of upstream wells, facilities, pipelines, and oilfield waste facilities by holding various forms of security.

At March 31, 2005, the Board held $18,186 (2004 – $12,540) in security deposits, and an additional $29,793 (2004 – $8,884) in letters of credit. The security, along with any interest earned, will be returned to the depositor upon meeting specified refund criteria.

If a licensee is reluctant, or unable, to complete proper abandonment in a timely manner, the Board has the authority to enforce compliance. For the year ended March 31, 2005, the Board completed $1,435 (2004 – $7,981) of abandonment operations, and contributed $13,614 (2004 – $18,382) to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association. This Association has been delegated the authority to manage the abandonment and reclamation of wells, facilities and pipelines that are licensed to defunct licensees.

Note 8

Employee Future Benefits

The Ministry participates in multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $6,676 for the year ended March 31, 2005 (2004 – $5,696). At December 31, 2004, the Management Employees Pension Plan reported a deficiency of $268,101 (2003 – deficit $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 – deficit $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of $9,404 (2003 – $9,312).

The Ministry also participates in two multiemployer Long Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of $11,817 (2004 – $9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of $3,208 (2004 – $1,298). The expense for these two plans is limited to employer's annual contributions for the year.

In addition, the Board maintains a defined benefit Senior Employees Pension Plan and Supplementary Benefit Plans to compensate senior staff who do not participate in the government management pension plans. Pension fund assets for these plans are invested in high quality bonds and Canadian equities. The significant actuarial assumptions adopted in measuring the accrued benefit obligations for these plans are as follows:

	2005	2004
Discount rate	5.8%	6.1%
Expected long-term rate of return on plan assets	3.6% to 7.1%	4.1% to 7.1%
Rate of compensation increase	3.5%	4.5%

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	2005	2004
Plan assets at fair value	$ 23,847	$ 20,275
Accrued benefit obligation	22,913	20,417
Plan surplus (liability)	934	(142)
Unamortized amounts	6,561	6,410
Accrued pension asset	$ 7,495	$ 6,268

Additional information about the Board defined benefit plans are as follows:

	2005	2004
The Board's contribution	$ 2,742	$ 2,110
The Board employees' contribution	303	248
Benefit paid	894	637
Pension expense	1,517	1,080

Note 9

Net Assets

Net assets are comprised of:

	2005	2004
Department of Energy	$ 1,189,652	$ 887,470
Alberta Energy and Utilities Board	47,750	45,731
Total	$ 1,237,402	$ 933,201

Note 10

Trust Funds under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds, and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, trust funds under administration were as follows:

	2005	2004
Mines and Minerals Act Securities Trust	$ -	$ 2
Oil and Gas Conservation Trust	855	255
Total	$ 855	$ 257

Note 11

Commitments

Commitments to outside organizations in respect of contracts entered into before March 31, 2005 amount to $44,085 (2004 – $44,035). These commitments will become expenses of the Ministry when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature. These amounts include obligations under long-term leases with lease payment requirements in future years of:

2005/06	$ 5,176
2006/07	5,130
2007/08	5,071
2008/09	5,075
2009/10	4,492
Thereafter	7,568
	$ 32,512

Royalty Paid Natural Gas

The Province is committed to pay out January 1, 1994 balances of royalty paid natural gas and by-products injected into underground reservoirs prior to January 1, 1994. At March 31, 2005, the commitment was estimated at $50,641 (2004 – $68,902). The commitment was estimated using the current gas price, royalty rate and volumes being amortized to 2007.

Alberta Petroleum Marketing Commission

The Alberta Petroleum Marketing Commission has allocated a portion of its anticipated pipeline requirements to firm transportation agreements expiring in March, 2012. These agreements obligate the Commission to pay tariff charges for contracted volumes in accordance with contracted rates. The aggregate estimated commitment at December 31, 2004 is $60,367 (2003 – $72,312). This commitment will be paid from future oil royalty revenue. Costs for these pipeline services are expected to be within the range of normal transportation costs.

Note 12

Contingencies

Set out below are details of contingencies resulting from administrative appeals and litigation, other than those reported as liabilities.

(a) **Requests for the Review of Royalty Assessments**

In the normal course of business, the department may be requested by royalty payers to review the assessments made against them. At March 31, 2005, the department was in the process of reviewing 10 such requests with a total royalty value of $5,225 (2004 – 4 requests for $108,761). The likely result of these reviews cannot be determined at this time.

(b) **Land Claims**

The government has identified and set aside specific tracts of land to satisfy land claims by Indian Bands. The claims related to these lands are not yet resolved. In the interim, the Ministry has issued 23 petroleum and natural gas dispositions on these lands and collected bonus and rental payments on the areas under dispute. When these land claims will be resolved is unknown. In the opinion of management, any losses that may result from the eventual settlement of these land claims cannot be determined at this time.

(c) **Legal Claims**

At March 31, 2005 the department is a defendant in six legal claims (2004 – five legal claims). Five of these claims have specified amounts totaling $10,825,243 and the remaining claim has no specified amount (2004 – four with specified amounts totaling $10,600,000 and one claim with no specified amount). Included in the total legal claims are three claims amounting to $10,572,500 in which the department has been jointly named with other entities. One claim amounting to $572,500 (2004 – nil) is covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 13

Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Revenue, recorded as $10,148,738 in these financial statements, includes royalty revenue and freehold mineral rights tax, in the amount of $8,645,802, which is subject to measurement uncertainty. Revenue is calculated based on allowable costs incurred by the royalty payers and production volumes that are reported to the department by royalty payers. These costs and volumes could vary significantly from that initially reported.

Accounts receivable, recorded as $1,360,505 in these statements, is subject to measurement uncertainty. Estimates are used in accruing revenues in circumstances where the actual accrued revenues are unknown at the time these financial statements are prepared. The actual amount collected could vary significantly from that estimated.

Note 14

Related Party Transactions

The Ministry paid $9,729 (2004 – $10,304) to various other Government of Alberta departments, agencies or funds for supplies and/or services during the fiscal year and received $716 (2004 – $371) as revenue. Included in these services was a payment of $412 (2004 – $412) for the lease of a research facility from Alberta Infrastructure. The remaining term of this lease is 81 years and the future payments are $412 to 2009 and $48 to 2086 annually.

Accommodations, legal, telecommunications, personnel, audit services, and certain financial costs were provided to the Ministry by other government organizations at no cost. However, services contributed by other entities in support of the Ministry operations are disclosed in schedule 3.

Note 15

Royalty Reduction Programs

The department provides six oil and four gas royalty reduction programs. These programs reduce Crown royalties to encourage industry to produce from wells which otherwise would not be economically productive. For the year ended March 31, 2005, the royalties received under these programs were reduced by $533,352 (2004 – $517,000).

Note 16

Bitumen Conservation

In 2004-05 the Alberta Energy and Utilities Board released its Bitumen Conservation Requirements decisions regarding the status of natural gas wells in the Wabiskaw-McMurray region of the Athabasca Oil Sands area. The decisions recommended the shut-in of Wabiskaw-McMurray natural gas totaling about 53.6 billions of cubic feet annually to protect about 25.5 billion barrels of potentially recoverable bitumen. The Natural Gas Royalty Regulations, 2002 was amended to provide a royalty mechanism that would allow the Minister of Energy to calculate a royalty adjustment each month for gas producers affected by the EUB decisions. The Natural Gas Royalty Regulations, 2002 was also amended to provide for the royalty adjustment to be recovered through additional royalty on the shut-in wells when they return to production through amendments to the provisions that deal with the calculation of the royalty share of gas. The amendments provide for an increase over and above the usual royalty rate, and extend to new wells that produce from the shut-in zone. The effect of these adjustments was to reduce natural gas and by-products revenue by $152,222 for the fiscal year.

Note 17

Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Senior Financial Officer of the department.

Ministry of Energy

Consolidated Schedule of Revenue

Schedule 1

For the year ended March 31, 2005
(in thousands)

	2005 Budget	2005 Actual	2004 Actual
Non-renewable resource revenue			
Natural gas and by-products	$ 3,373,000	$ 6,439,267	$ 5,449,575
Crude oil royalties	558,000	1,272,503	981,268
Bonuses and sale of Crown leases	694,000	1,251,944	966,735
Synthetic crude oil and bitumen	100,000	718,145	196,775
Rentals and fees	145,000	152,600	154,280
Coal	9,000	11,224	8,577
Alberta royalty tax credit	(95,000)	(101,757)	(81,607)
	4,784,000	9,743,926	7,675,603
Freehold mineral rights tax	204,000	306,420	287,912
Industry levies and licenses	71,009	74,315	79,566
Other revenue			
Other	8,009	22,988	19,723
Interest	1,250	1,089	1,400
	9,259	24,077	21,123
Total Revenues	$ 5,068,268	$ 10,148,738	$ 8,064,204

Ministry of Energy

Consolidated Schedule of Expenses Detailed by Object

Schedule 2

For the year ended March 31, 2005
(in thousands)

	2005 Budget	2005 Actual	2004 Actual
Salaries, wages and employee benefits	$ 105,883	$ 111,265	$ 103,385
Supplies and services	61,272	52,800	62,437
Grants	1,000	648	1,802
Amortization of capital assets	13,588	14,037	13,137
Well abandonment	10,000	13,614	18,382
Valuation adjustments	35	59	464
Financial transactions and other	80	78	79
Gross expenses for operations	191,858	192,501	199,686
Less: Recovery from support service agreements with related parties	(546)	(602)	(550)
Total Net Expenses	$ 191,312	$ 191,899	$ 199,136

Ministry of Energy

Consolidated Schedule of Allocated Costs — Schedule 3

For the year ended March 31, 2005
(in thousands)

	2005				2004
		Expenses Incurred by Others			
Program	Directly Incurred Expenses[1]	Accommodation Costs	Other Services	Total Expenses	Total Expenses
Energy and utility regulation	$ 124,042	$ -	$ -	$ 124,042	$ 127,840
Ministry support services	1,540	202	33	1,775	2,260
Resource development and management	66,317	3,838	1,518	71,673	74,303
	$ 191,899	$ 4,040	$ 1,551	$ 197,490	$ 204,403

(1) Expenses - Directly Incurred as per Statement of Operations.

Ministry of Energy

Consolidated Schedule of Intra-Ministry Transactions — Schedule 4

For the year ended March 31, 2005
(in thousands)

	2005 Budget	2005 Actual	2004 Actual
Assets			
Alberta Petroleum Marketing Commission	$ -	$ (10,099)	$ (10,986)
Total net assets	$ -	$ (10,099)	$ (10,986)
Liabilities			
Alberta Petroleum Marketing Commission	$ -	$ (10,099)	$ (10,986)
Total net liabilities	$ -	$ (10,099)	$ (10,986)
Revenue			
Alberta Energy and Utilities Board funding from the Department	$ (41,009)	$ (41,009)	$ (37,742)
Total net revenue	$ (41,009)	$ (41,009)	$ (37,742)
Expense			
Funding to Alberta Energy and Utilities Board	$ (41,009)	$ (41,009)	$ (37,742)
Total net expense	$ (41,009)	$ (41,009)	$ (37,742)

Department of Energy: Financial Statements

March 31, 2005

AUDITOR'S REPORT

To the Minister of Energy

I have audited the statement of financial position of the Department of Energy as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta

May 20, 2005

Department of Energy

Statement of Operations

For the year ended March 31, 2005
(in thousands)

	2005		2004
	Budget (Schedules 1 & 3)	Actual	Actual
Revenues: (Schedule 1)			
Non-renewable resource revenue	$ 4,784,000	$ 9,743,926	$ 7,675,603
Freehold mineral rights tax	204,000	306,420	287,912
Other revenue	500	13,338	5,324
	4,988,500	10,063,684	7,968,839
Expenses - directly incurred: (Note 2b and Schedule 7)			
Voted (Schedules 2 and 4)			
Ministry support services	1,795	1,540	1,963
Resource development and management	69,714	66,258	68,869
Energy and utilities regulation	41,009	41,009	37,742
	112,518	108,807	108,574
Statutory: (Schedules 2 and 4)			
Valuation adjustments			
Provision for doubtful accounts	35	39	105
Provision for vacation pay	-	20	359
	35	59	464
	112,553	108,866	109,038
Net Operating Results	$ 4,875,947	$ 9,954,818	$ 7,859,801

The accompanying notes and schedules are part of these financial statements.

Department of Energy

Statement of Financial Position

As at March 31, 2005
(in thousands)

	2005	2004
Assets:		
Cash	$ 567,949	$ 462,084
Accounts receivable (Note 3)	1,346,304	1,050,620
Inventories held for resale (Note 2)	25,930	17,125
Tangible capital assets (Note 4)	17,459	17,630
	$ 1,957,642	$ 1,547,459
Liabilities:		
Accounts payable and accrued liabilities	$ 48,235	$ 38,181
Gas royalty deposits (Note 5)	649,747	552,415
Unearned revenue	70,008	69,393
	767,990	659,989
Net Assets:		
Net assets, beginning of year	887,470	1,747,583
Net operating results	9,954,818	7,859,801
Net transfer to general revenues	(9,652,636)	(8,719,914)
Net assets, end of year	1,189,652	887,470
	$ 1,957,642	$ 1,547,459

The accompanying notes and schedules are part of these financial statements.

Department of Energy

Statement of Cash Flows

For the year ended March 31, 2005
(in thousands)

	2005	2004
Operating transactions:		
Net operating results	$ 9,954,818	$ 7,859,801
Non-cash items included in net operating results		
Amortization	4,684	5,247
Valuation adjustments	59	464
	9,959,561	7,865,512
Decrease (increase) in accounts receivable	(295,723)	824,885
Decrease (increase) in inventories held for resale	(8,805)	14,965
Increase (decrease) in accounts payable and accrued liabilities	10,034	(3,907)
Increase (decrease) in unearned revenue	615	(1,252)
Cash provided by operating transactions	9,665,682	8,700,203
Financing transactions:		
Net transfer to General Revenues	(9,652,636)	(8,719,914)
Increase (decrease) in gas royalty deposits	97,332	(10,768)
Cash used by financing transactions	(9,555,304)	(8,730,682)
Capital transactions:		
Purchase of tangible capital assets (Schedule 4)	(4,513)	(695)
Transfer of tangible capital assets	-	99
Cash used by capital transactions	(4,513)	(596)
Increase (decrease) in cash	105,865	(31,075)
Cash, beginning of year	462,084	493,159
Cash, end of year	$ 567,949	$ 462,084

The accompanying notes and schedules are part of these financial statements.

Department of Energy

Notes to the Financial Statements

For the year ended March 31, 2005
(in thousands)

Note 1

Authority and Purpose

The Department of Energy operates under the authority of the Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000.

The Department of Energy has responsibility for a diverse resource development portfolio that includes natural gas, conventional oil, oil sands, petrochemicals, electricity, coal, and minerals. The Department of Energy manages the development of these resources to optimize the sustained contribution from Alberta's energy and mineral resources in the interests of Albertans.

Note 2

Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting.

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Department of Energy, which is part of the Ministry of Energy and for which the Minister of Energy is accountable. Other entities reporting to the Minister are the Alberta Petroleum Marketing Commission and the Alberta Energy and Utilities Board. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of the departments are deposited into the Fund and all cash disbursements made by the departments are paid from the Fund. Net transfer to General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Crude oil and natural gas royalties are determined based on monthly production. Revenue is recognized when the resource is produced by the mineral rights holders.

Freehold mineral taxes and synthetic crude oil and bitumen royalty are determined at the end of a calendar year based on production and costs of production incurred in the calendar year. Revenue is recognized on a prorated basis, by month, of the estimated calendar year taxes and royalty that will be due to the Crown.

Revenue from bonuses and sales of Crown leases, and rentals and fees are recognized when the Crown leases are sold and when the mineral rights are leased.

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the department operations are disclosed in schedule 7.

Assets

Financial assets of the department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Inventory consists of oil in feeder and trunk pipelines. Inventory is stated at net realizable value.

Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100 and the threshold for all other capital assets is $5 (2004 – $15). Assets acquired by right, such as mineral resources, are not included.

When physical assets are gifted or sold for a nominal sum to parties external to the government reporting entity, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities include all financial claims payable by the department at fiscal year end.

Net Assets

Net assets represents the difference between the carrying value of assets held by the department and its liabilities.

Note 3

Accounts Receivable

Accounts receivable is secured by a claim against the mineral leases.

Note 4

Tangible Capital Assets

				2005	2004
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	10 years	$ 60,580	$ 47,005	$ 13,575	$ 17,098
Equipment	5 years	9,439	5,555	3,884	532
		$ 70,019	$ 52,560	$ 17,459	$ 17,630

Note 5

Gas Royalty Deposits

The department requires that natural gas producers maintain a deposit equal to the lesser of one-sixth of the prior calendar year's royalties or the amount determined by multiplying last year's deposit by the ratio of the current long term gas reference price to the prior year long term gas reference price. The department does not pay interest on the deposits.

Note 6

Commitments

As at March 31, 2005, the department has commitments totaling $11,573 (2004 – $6,908). These commitments will become expenses of the department when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

Royalty Paid Natural Gas

The Province is committed to payout January 1, 1994 balances of royalty paid natural gas and by-products injected into underground reservoirs prior to January 1, 1994. At March 31, 2005, the commitment was estimated at $50,641 (2004 – $68,902). The commitment was estimated using the current gas price, royalty rates and volumes being amortized to 2007.

Note 7

Contingencies

At March 31, 2005, the department has been named in administrative appeals and litigation.

(a) Administrative Appeals
In the normal course of business, the department may be requested by royalty payors, to review the assessments made against them. At March 31, 2005, the department was in the process of reviewing 10 such requests with a total royalty value of $5,225 (2004 – 4 requests $108,761). The likely result of these reviews cannot be determined at this time.

(b) Land Claims

The government identifies and sets aside specific tracts of land to satisfy land claims made by Indian Bands. The claims related to these lands are under negotiation but are not yet resolved. In one instance, the department may have to revoke 23 petroleum and natural gas dispositions for which the government accepted bonus, rental payments, and royalties. When these land claims will be resolved is unknown. In the opinion of management, any losses that may result from the eventual settlement of these land claims cannot be determined at this time.

(c) Legal Claims

At March 31, 2005 the department is a defendant in six legal claims (2004 – five legal claims). Five of these claims have specified amounts totaling $10,825,243 and the remaining claim has no specified amount (2004 – four with specified amounts totaling $10,600,000 and one claim with no specified amount). Included in the total legal claims are three claims amounting to $10,572,500 in which the department has been jointly named with other entities. One claim amounting to $572,500 (2004 – nil) is covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 8

Trust Funds under Administration

The department administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

As at March 31, 2005, trust funds under administration were as follows:

	2005	2004
Mines and Minerals Act Securities Trust	$ -	$ 2
Oil and Gas Conservation Trust	855	255
Total	$ 855	$ 257

Note 9

Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Revenue, recorded as $10,063,684 in these financial statements, includes royalty revenue and freehold mineral rights tax, in the amount of $8,645,802, which is subject to measurement uncertainty. Revenue is calculated based on allowable costs incurred by the royalty payers and production volumes that are reported to the department by royalty payers. These costs and volumes could vary significantly from that initially reported.

Accounts receivable, recorded as $1,346,304 in these statements, is subject to measurement uncertainty. Estimates are used in accruing revenues in circumstances where the actual accrued revenues are unknown at the time these financial statements are prepared. The actual amount collected could vary significantly from that estimated.

Note 10

Defined Benefits Plans

The department participates in multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $2,744 for the year ended March 31, 2005 (2004 – $2,358).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of $268,101 (2003 – deficiency $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 – $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of $9,404 (2003 – $9,312).

The department also participates in two multiemployer Long Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of $11,817 (2004 – $9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of $3,208 (2004 – $1,298). The expense for these two plans is limited to employer's annual contributions for the year.

Note 11

Royalty Reduction Programs

The department provides six oil and four gas royalty reduction programs. These programs reduce Crown royalties to encourage industry to produce from wells which otherwise would not be economically productive. For the year ended March 31, 2005, the royalties received under these programs were reduced by $533,352 (2004 – $517,000).

Note 12

Bitumen Conservation

In 2004-05 the Alberta Energy and Utilities (EUB) Board released its Bitumen Conservation Requirements decisions regarding the status of natural gas wells in the Wabiskaw-McMurray region of the Athabasca Oil Sands area. The decisions recommended the shut-in of Wabiskaw-McMurray natural gas totaling about 53.6 billions of cubic feet annually to protect about 25.5 billion barrels of potentially recoverable bitumen. The Natural Gas Royalty Regulations, 2002 was amended to provide a royalty mechanism that would allow the Minister of Energy to calculate a royalty adjustment each month for gas producers affected by the EUB decisions. The Natural Gas Royalty Regulations, 2002 was also amended to provide for the royalty adjustment to be recovered through additional royalty on the shut-in wells when they return to production through amendments to the provisions that deal with the calculation of the royalty share of gas. The amendments provide for an increase over and above the usual royalty rate, and extend to new wells that produce from the shut-in zone. The effect of these adjustments was to reduce natural gas and by-products revenue by $152,222 for the fiscal year.

Note 13

Valuation Of Financial Assets And Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities, and gas royalty deposits are estimated to approximate their book values because of the short-term nature of these instruments.

Note 14

Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Senior Financial Officer.

Department of Energy

Schedule to Financial Statements

Revenue

Schedule 1

For the year ended March 31, 2005
(in thousands)

	2005 Budget	2005 Actual	2004 Actual
Non-renewable Resource Revenue:			
Natural gas and by-products royalty	$ 3,373,000	$ 6,439,267	$ 5,449,575
Crude oil royalty	558,000	1,272,503	981,268
Bonuses and sales of Crown leases	694,000	1,251,944	966,735
Synthetic crude oil and bitumen royalty	100,000	718,145	196,775
Rentals and fees	145,000	152,600	154,280
Coal royalty	9,000	11,224	8,577
Royalty tax credit	(95,000)	(101,757)	(81,607)
	4,784,000	9,743,926	7,675,603
Freehold Mineral Rights Tax	204,000	306,420	287,912
Other Revenue	500	13,338	5,324
Total Revenue	$ 4,988,500	$ 10,063,684	$ 7,968,839

Department of Energy

Schedule to Financial Statements
Expense Directly Incurred - Detailed by Object

Schedule 2

For the year ended March 31, 2005
(in thousands)

	2005 Budget	2005 Actual	2004 Actual
Voted			
Salaries, Wages & Employee Benefits	$ 36,268	$ 39,531	$ 37,203
Supplies and Services	30,119	23,460	27,051
Grants	42,009	41,657	39,544
Financial Transactions and Other	80	77	79
Amortization Of Tangible Capital Assets	4,588	4,684	5,247
Total Voted Expenses before Recoveries	113,064	109,409	109,124
Less: Recovery from Support Service Arrangements with Related Parties [(a)]	(546)	(602)	(550)
Total Voted Expenses	$ 112,518	$ 108,807	$ 108,574
Statutory			
Valuation adjustments			
Provision for doubtful accounts	$ 35	$ 39	$ 105
Provision for vacation pay	-	20	359
	$ 35	$ 59	$ 464

(a) The department provides financial services to Alberta Agriculture Food and Rural Development, Community Development, Alberta Environment and Sustainable Resource Development. Costs incurred for these services are recovered from Alberta Environment and Sustainable Resource Development.

Department of Energy

Schedule to Financial Statements
Budget

Schedule 3

Year ended March 31, 2005
(in thousands)

	2004-2005 Estimates	Authorized Supplementary[a]	2004-2005 Authorized Budget
Revenues:			
Non-renewable resource revenue	$ 4,784,000	$ -	$ 4,784,000
Freehold mineral rights tax	204,000	-	204,000
Other revenue	500	-	500
	$ 4,988,500	-	$ 4,988,500
Expenses - Directly Incurred:			
Voted			
Program 1 - Ministry Support Services			
1.0.1 Minister's Office	$ 300	$ 2	$ 302
1.0.2 Standing Policy Committee on Energy and Sustainable Development	117	-	117
1.0.3 Deputy Ministers' Office	385	3	388
1.0.4 Communications	993	2	995
	1,795	7	1,802
Program 2 - Resource Development and Management			
2.1 Revenue Collection	46,250	159	46,409
2.2 Resource Development	23,464	73	23,537
	69,714	232	69,946
Program 3 - Energy and Utilities Regulation			
3.0.1 Assistance to the Alberta Energy and Utilities Board	41,009	-	41,009
	$ 112,518	$ 239	$ 112,757
Statutory Expenses:			
Valuation adjustments			
Program 2.1.1 Revenue Collection	$ 35	$ -	$ 35
	$ 112,553	$ 239	$ 112,792
Net Operating Results	$ 4,875,947	$ (239)	$ 4,875,708
Equipment/Inventory Purchases	$ 1,315	$ -	$ 1,315

(a) Supplementary Estimates were approved on March 24, 2005. $239 was transferred from the Department of Human Resources and Employment for Salary Contingency pursuant to section 4 of the Appropriation (Supplementary Supply) Act, 2005.

Department of Energy

Schedule to Financial Statements
Comparison of Expense - Directly Incurred, Equipment/Inventory Purchases and Statutory Expenses, by Element to Authorized Budget

Schedule 4

For the year ended March 31, 2005
(in thousands)

	2004-2005 Estimates	Authorized Supplementary[(a)]	2004-2005 Authorized Budget	Actual Expense[(b)]	Unexpended (Over Expended)
Expenses:					
Voted					
Program 1 - Ministry Support Services					
1.0.1 Minister's Office	$ 300	$ 2	$ 302	$ 297	$ 5
1.0.2 Standing Policy Committee on Energy and Sustainable Development	117	-	117	94	23
1.0.3 Deputy Ministers' Office	385	3	388	381	7
1.0.4 Communications	993	2	995	768	227
	1,795	7	1,802	1,540	262
Program 2 - Resource Development and Management					
2.1 Revenue Collection					
2.1.1 Revenue Collection					
- Operating Expense	46,250	159	46,409	42,503	3,906
- Equipment/Inventory Purchases	1,315	-	1,315	4,420	(3,105)
	47,565	159	47,724	46,923	801
2.2 Resource Development					
2.2.1 Resource Development					
- Operating Expense	23,464	73	23,537	23,755	(218)
- Equipment/Inventory Purchases	-	-	-	93	(93)
	23,464	73	23,537	23,848	(311)
Program 3 - Energy and Utilities Regulation					
3.0.1 Assistance to the Alberta Energy and Utilities Board	41,009	-	41,009	41,009	-
	41,009	-	41,009	41,009	-
Total Voted Expenses	$ 113,833	$ 239	$ 114,072	$ 113,320	$ 752
Program Operating Expense	$ 112,518	$ 239	$ 112,757	$ 108,807	$ 3,950
Program Capital Investment	1,315	-	1,315	4,513	(3,198)
Total Voted Expenses	$ 113,833	$ 239	$ 114,072	$ 113,320	$ 752
Statutory Expenses:					
Valuation adjustments					
Program 2.1.1 Revenue Collection	$ 35	$ -	$ 35	$ 59	$ (24)
	$ 35	$ -	$ 35	$ 59	$ (24)

(a) Supplementary Estimates were approved on March 24, 2005. $239 was transferred from the Department of Human Resources and Employment for Salary Contingency pursuant to section 4 of the Appropriation (Supplementary Supply) Act, 2005.

(b) Includes achievement bonus of $1,039.

Department of Energy

Schedule to Financial Statements
Salaries and Benefits Disclosure

Schedule 5

For the year ended March 31, 2005
(in thousands)

	2005				2004
	Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Deputy Minister [4]	$ 174	$ 33	$ 34	$ 241	$ 249
Executives					
Assistant Deputy Minister - Oil Development	122	18	24	164	187
Assistant Deputy Minister - Mineral Development	132	20	26	178	176
Assistant Deputy Minister - Electricity and Gas	113	16	21	150	162
Executive Director - Human Resources	113	17	23	153	150
Business Unit Leader - Policy, Planning & External Relations	114	22	22	158	147

Total salary and benefits relating to a position are disclosed.

(1) Salary includes regular base pay.

(2) Other cash benefits include bonuses, overtime, vacation payout and lump sum payments.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, professional memberships and tuition.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

Department of Energy

Schedule to Financial Statements
Related Party Transactions

Schedule 6

For the year ended March 31, 2005
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the department .

The department and its employees paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The department had the following transactions with related parties recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Expenses - Directly Incurred:				
Grants	$ 41,009	$ 37,742	$ -	$ -
Other services	2,029	2,234	4,922	5,406
	$ 43,038	$ 39,976	$ 4,922	$ 5,406

The above transactions do not include support service arrangement transactions disclosed in schedule 2.

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in schedule 7.

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Expenses - Incurred by Others:				
Accommodation	$ -	$ -	$ 4,040	$ 3,986
Other services	-	-	1,551	1,336
	$ -	$ -	$ 5,591	$ 5,322

Department of Energy

Schedule to Financial Statements
Allocated Costs

Schedule 7

For the year ended March 31, 2005
(in thousands)

		2005					2004
		Expenses Incurred by Others		Valuation Adjustments			
Program	Directly Incurred Expenses(1)	Accommodation Costs	Legal Services	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses
Ministry Support Services	$ 1,540	$ 202	$ 33	$ -	$ -	$ 1,775	$ 2,272
Resource Development and Management	66,258	3,838	1,518	20	39	71,673	74,346
Energy and Utilities Regulation	41,009	-	-	-	-	41,009	37,742
	$ 108,807	$ 4,040	$ 1,551	$ 20	$ 39	$ 114,457	$ 114,360

(1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

Alberta Energy and Utilities Board: Financial Statements

March 31, 2005

AUDITOR'S REPORT

To the Members of the Alberta Energy and Utilities Board

I have audited the statement of financial position of the Alberta Energy and Utilities Board as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta

May 4, 2005

Alberta Energy and Utilities Board

Statement of Operations

For the year ended March 31, 2005
(thousands of dollars)

	2005 Budget (Schedule 3)	2005 Actual	2004 Actual
Revenues			
Industry levies and assessments	$ 71,000	$ 74,315	$ 79,566
Provincial grants	41,009	41,009	37,742
Information, services and fees	7,509	9,650	14,402
Investment	1,250	1,089	1,395
	120,768	126,063	133,105
Expenses			
Energy regulation (Schedule 1)	109,768	110,428	109,458
Orphan abandonment (Note 3)	10,000	13,614	18,382
	119,768	124,042	127,840
Net operating results	$ 1,000	$ 2,021	$ 5,265

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Energy and Utilities Board

Statement of Financial Position

As at March 31, 2005
(thousands of dollars)

	2005	2004
Assets		
Current		
Cash (Note 4)	$ 20,715	$ 16,621
Security deposits (Note 3)	18,186	12,540
Accounts receivable	4,003	2,859
Prepaid expenses	1,707	1,567
	44,611	33,587
Computer software (Note 5)	26,007	24,229
Property and equipment (Note 6)	13,790	13,838
Accrued pension asset (Note 7)	7,495	6,268
	$ 91,903	$ 77,922
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 21,068	$ 13,011
Security deposits (Note 3)	18,186	12,540
Unearned revenue	927	1,945
Current portion of deferred lease incentives	725	725
	40,906	28,221
Deferred lease incentives	3,247	3,972
Total liabilities	44,153	32,193
Net Assets		
Net assets, beginning of year	45,729	40,464
Net operating results	2,021	5,265
Net assets, end of year	47,750	45,729
	$ 91,903	$ 77,922

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Energy and Utilities Board

Statement of Cash Flows

For the year ended March 31, 2005
(thousands of dollars)

	2005	2004
Operating Activities		
Net operating results	$ 2,021	$ 5,265
Non-cash expenses		
Amortization	9,353	7,890
Pension	5,446	4,418
Changes in operating non-cash working capital		
Increase in accounts receivable	(1,144)	(882)
Increase in prepaid expenses	(140)	(322)
Increase in accounts payable and accrued liabilities	8,057	414
(Decrease) increase in unearned revenue	(1,018)	1,945
	22,575	18,728
Investing Activities		
Investment in computer software	(7,314)	(7,503)
Investment in property and equipment	(3,769)	(5,338)
	(11,083)	(12,841)
Financing Activities		
Pension obligations funded	(6,673)	(5,448)
Lease incentives repaid	(725)	(726)
	(7,398)	(6,174)
Net cash provided (used)	4,094	(287)
Cash, beginning of year	16,621	16,908
Cash, end of year	$ 20,715	$ 16,621

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Energy and Utilities Board

Notes to the Financial Statements

March 31, 2005
(thousands of dollars)

Note 1

Authority and purpose

The Alberta Energy and Utilities Board (EUB) operates under the authority of the Alberta Energy and Utilities Board Act, Chapter A-17, Revised Statutes of Alberta, 2000, as amended. The EUB's mission is to ensure that the discovery, development, and delivery of Alberta's energy resources and utilities services take place in a manner that is fair, responsible, and in the public interest.

Note 2

Significant accounting policies

These financial statements are prepared in accordance with the following significant accounting policies:

(a) Amortization

All tangible and intangible assets with an economic life greater than one year are recorded at cost and are amortized using the following methods:

Computer software	Declining balance - 20 percent per year
Furniture and equipment	Straight line - 3 to 20 years
Computer hardware	Straight line - 3 to 5 years
Leasehold improvements	Straight line - lease term to a maximum of 10 years

(b) Pension

Accrued pension benefit obligations are actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels, and length of service to the time of retirement.

For the purpose of calculating the expected return, plan assets are valued at fair value.

Any excess of the net accumulated actuarial gain or loss over 10 percent of the greater of the accrued benefit obligation and the fair value of the plan's assets is amortized over the average remaining service period of the active employees, which is 8 years.

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of active employees at the date of amendment.

Defined contribution plan accounting is applied to multi-employer defined benefit pension plans as the EUB has insufficient information to apply defined benefit plan accounting.

(c) Deferred lease incentives

Deferred lease incentives are amortized on a straight-line basis over the term of the lease.

(Note 2 continued)

(d) Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of accounts receivable, accounts payable and accrued liabilities, and security deposits are estimated to approximate their carrying values.

(e) Revenue recognition

All grants provided by Government of Alberta organizations, industry levies and assessments are recognized as revenue in the year receivable.

Note 3

Abandonment and enforcement

The EUB encourages the timely and proper abandonment and reclamation of upstream wells, facilities, pipelines, and oilfield waste management facilities by holding various forms of security. At March 31, 2005, the EUB held $18,186 (2004 – $12,540) in security deposits, and an additional $29,793 (2004 – $8,884) in letters of credit. The security, along with any interest earned, will be returned to the depositor upon meeting specified refund criteria.

If a licensee is reluctant, or unable, to complete proper abandonment in a timely manner, the EUB has the authority to enforce compliance. For the year ended March 31, 2005 the EUB completed $1,435 (2004 – $7,981) of abandonment operations and contributed $13,614 (2004 – $18,382) to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association. The association has been delegated the authority to manage the abandonment and reclamation of wells, facilities and pipelines that are licensed to defunct licensees.

Note 4

Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide interest income at competitive rates while maintaining maximum security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. The average effective yield for fiscal 2005 was 2.79% (2004 – 2.11%).

Note 5

Computer software

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	$ 43,497	$ 20,256	$ 23,241	$ 20,865
Software under development	2,766	-	2,766	3,364
	$ 46,263	$ 20,256	$ 26,007	$ 24,229

Computer software assets with a net book value of $527 (Cost: $2,822; Accumulated Amortization: $2,295) with no remaining economic life were decommissioned during the year. Accordingly, a loss of $527 was included in Amortization - computer software.

Note 6

Property and equipment

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	$ 10,428	$ 6,743	$ 3,685	$ 4,123
Leasehold improvements	9,139	3,108	6,031	5,618
Furniture and equipment	7,079	3,325	3,754	3,777
Land	320	-	320	320
	$ 26,966	$ 13,176	$ 13,790	$ 13,838

Note 7

Pension

The EUB participates in the Government of Alberta's multi-employer pension plans of Management Employees Pension Plan, Public Service Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equal to the annual contribution of $3,929 for the year ended March 31, 2005 (2004 – $3,338).

In addition, the EUB maintains its own defined benefit Senior Employees Pension Plan and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

The most recent actuarial valuation of the Senior Employees Pension Plan was at January 1, 2005 and the supplementary plans were valued at January 1, 2004. The next valuation is scheduled for January 1, 2006 for the Senior Employees Pension Plan and at January 1, 2007 for the supplementary plans.

Significant actuarial and economic assumptions used to value accrued benefit obligations and pension benefit costs are as follows:

	2005	2004
Accrued benefit obligations		
Discount rate	5.8%	6.1%
Rate of compensation increase (weighted average)	3.5%	3.5%
Benefit costs for the year		
Discount rate	6.1%	7.1%
Expected rate of return on plan assets	3.6% to 7.1%	4.1% to 8.1%
Rate of compensation increase (weighted average)	3.5%	4.5%

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	2005	2004
Fair value of plan assets	$ 23,847	$ 20,275
Accrued benefit obligations	22,913	20,417
Plan surplus (deficiency)	934	(142)
Unamortized net actuarial loss	6,561	6,410
Accrued pension asset	$ 7,495	$ 6,268

(Note 7 continued)

Additional information about the defined benefit pension plans are as follows:

	2005	2004
EUB contribution	$ 2,742	$ 2,110
Employees' contribution	303	248
Benefits paid	894	637
Pension benefit costs	1,517	1,080

The asset allocation of the defined benefit pension plans investments as at March 31 was as follows:

	2005	2004
Debt securities	31.3%	30.3%
Equity securities	55.3%	55.5%
Other	13.4%	14.2%
	100.0%	100.0%

Note 8

Future operating lease commitments

The future minimum operating lease payments, net of lease incentives, are as follows:

2006	$ 5,176
2007	5,130
2008	5,071
2009	5,075
2010	4,492
Thereafter	7,568
	$ 32,512

Note 9

Related Party Transactions

The EUB paid $4,807 (2004 – $4,898) to various other Government of Alberta organizations for supplies and services during the fiscal year. Included in these services was a payment of $412 (2004 – $412) for the lease of a research facility from Alberta Infrastructure. The remaining term of this lease is eighty-one years and the future annual payments are $412 to 2009 and $48 thereafter.

The EUB received $41,009 (2004 – $37,742) in grants and $716 (2004 – $371) in service revenue from other Government of Alberta organizations.

Note 10

Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 11

Approval of Financial Statements

These financial statements were approved by the Board of the EUB on May 16, 2005.

Alberta Energy and Utilities Board

Energy Regulation Expenses

Schedule 1

For the year ended March 31, 2005
(thousands of dollars)

	2005	2004
Personnel	$ 71,733	$ 66,182
Buildings	8,806	8,235
Consulting services	6,263	6,578
Computer services	5,796	5,523
Amortization - computer software (Note 5)	5,536	4,474
Amortization - property and equipment	3,817	3,416
Travel and transportation	3,444	3,503
Administrative	3,028	2,964
Abandonment and enforcement (Note 3)	1,435	7,981
Equipment rent and maintenance	570	602
	$ 110,428	$ 109,458

Alberta Energy and Utilities Board

Salaries and Benefits Disclosure

Schedule 2

For the year ended March 31, 2005
(thousands of dollars)

	2005				2004
	Base Salary[a]	Cash Benefits[b]	Non-cash Benefits[c]	Total	Total
Chairman	$ 234	$ 7	$ 45	$ 286	$ 286
Board Member 1	139	27	28	194	195
Board Member 2	139	10	31	180	183
Board Member 3	139	28	12	179	176
Board Member 4	139	11	28	178	179
Board Member 5	139	10	28	177	179
Board Member 6	139	34	3	176	189
Board Member 7	139	10	27	176	179
Board Member 8	139	32	5	176	172

(a) Pensionable base pay.
(b) Bonuses and payments in lieu of vacation, health, and pension benefits.
(c) Employer's contributions to all employee benefits including Employment Insurance, Canada Pension Plan, Alberta pension plans and health benefits or payments made on behalf of the employees for professional memberships, and tuition fees. Automobiles were provided, but no amount is included in these figures.

Alberta Energy and Utilities Board

Authorized Budget

Schedule 3

For the year ended March 31, 2005
(thousands of dollars)

	Plan: Budget (Estimate)	Plan: Changes	Plan: Authorized Budget	Actual
Revenues				
Industry levies and assessments	$ 71,000	$ 3,000	$ 74,000	$ 74,315
Provincial grants	41,009	-	41,009	41,009
Information, services and fees	7,509	2,900	10,409	9,650
Investment	1,250	-	1,250	1,089
	120,768	5,900	126,668	126,063
Expenses				
Energy regulation	109,768	2,500	112,268	110,428
Orphan abandonment	10,000	3,400	13,400	13,614
	119,768	5,900	125,668	124,042
Net capital investment				
Capital investments	10,000	-	10,000	11,083
Less: Amortization	(9,000)	-	(9,000)	(9,353)
	1,000	-	1,000	1,730
	$ -	$ -	$ -	$ 291

Note :
The Budget is based on the EUB Business Plan for the year ended March 31, 2005. The Budget and Changes have been authorized by the Treasury Board of the Government of Alberta.

Alberta Petroleum Marketing Commission: Financial Statements

December 31, 2004

AUDITOR'S REPORT

To the Members of the Alberta Petroleum Marketing Commission

I have audited the statement of financial position of the Alberta Petroleum Marketing Commission as at December 31, 2004 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta

April 1, 2005

Alberta Petroleum Marketing Commission

Statement of Operations

For the Year Ended December 31, 2004
(in thousands)

	2004	2003 (restated per Note 4)
Crude oil revenue	$ 1,321,037	$ 1,159,954
Expense		
Crude oil purchases	88,254	66,792
Transportation	35,372	39,559
Marketing fees	1,602	1,751
	125,228	108,102
Excess of revenue over expense	1,195,809	1,051,852
Other revenue		
Interest earned	172	191
Other	2	7
	174	198
Net revenue to transfer to the Province of Alberta	1,195,983	1,052,050
Due to the Province of Alberta, beginning of year	86,529	122,669
Cash transferred to the Province of Alberta	(1,181,629)	(1,088,190)
Due to the Province of Alberta, end of year	$ 100,883	$ 86,529

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission

Statement of Financial Position

As at December 31, 2004
(in thousands)

	2004	2003
Assets		
Cash and short-term investments (Note 3)	$ 7,942	$ 4,786
Accounts receivable	102,443	92,860
Inventory	16,634	15,489
	$ 127,019	$ 113,135
Liabilities		
Accounts payable (Note 5)	$ 26,136	$ 26,606
Due to the Province of Alberta	100,883	86,529
	$ 127,019	$ 113,135

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission

Statement of Cash Flows

For the year ended December 31, 2004
(in thousands)

	2004	2003
Cash provided by operating activities		
Net revenue to transfer to the Province of Alberta	$ 1,195,983	$ 1,052,050
Change in non-cash working capital		
(Increase) decrease in Accounts receivable	(9,583)	35,882
(Increase) decrease in Inventory	(1,145)	14,290
(Decrease) in Accounts payable	(470)	(15,261)
Cash provided	1,184,785	1,086,961
Cash transferred to the Province of Alberta	(1,181,629)	(1,088,190)
Net increase (decrease) in Cash	3,156	(1,229)
Cash at beginning of year	4,786	6,015
Cash at end of year	$ 7,942	$ 4,786

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission

Notes to the Financial Statements

For the year ended December 31, 2004
(in thousands)

Note 1

Authority

The Alberta Petroleum Marketing Commission (the "Commission") operates under the authority of the Petroleum Marketing Act, Chapter P-10, Revised Statutes of Alberta 2000, and the Natural Gas Marketing Act, Chapter N-1, Revised Statutes of Alberta 2000. This legislation designates the Commission as agent of the Province of Alberta to accept delivery of and market the Crown royalty share of crude oil.

Note 2

Significant Accounting Policies

(a) Crude Oil Revenue

Revenue is recognized when the Commission accepts delivery of crude oil.

(b) Crude Oil Valuation

The Crown Royalty share of crude oil is combined with Agents' supply of like crude. The value of Crown Royalty crude oil is based on a pro-rata share of the net results of the Agents' marketing activities, which may include the sale, purchase, and transportation of crude oil.

(c) Inventory

Inventory represents Crown Royalty oil in feeder and trunk pipelines. At the balance sheet date inventories are stated at net realizable value.

(d) Financial Instruments

Currency and price risks are inherent in the sale and purchase of crude oil. Sales proceeds are remitted to the Commission in Canadian funds and foreign currencies are converted to Canadian funds at daily or average monthly rates on or near payment due date. Operational oil price hedging may be used to address risk. The fair values of the Commission's assets and liabilities approximate their carrying values as at December 31, 2004.

Note 3

Cash and Short-term Investments

Cash and short-term investments consist of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at December 31, 2004, securities held by the Fund have an average effective market yield of 2.64% per annum (2003 – 2.38%).

Note 4

Restatement of Prior Year Figures

During the 2004 fiscal year, the Commission changed its accounting treatment of single-shipper buy/sell transactions from a gross basis in 2003 to a net basis in 2004. (The Commission requires that single-shipper pipelines return the equivalent Crown volume to the Crown at the pipeline outlet.) The 2003 Crude oil revenue and crude oil purchases have been reduced by $41,201 (2004 – $65,540).

Note 5

Accounts Payable

	2004	2003
Transportation and purchases	$ 12,509	$ 16,962
Goods and services tax	13,627	9,644
	$ 26,136	$ 26,606

Note 6

Commitments

The Commission has entered into transportation agreements for the ensuing seven and one quarter years for a portion of its anticipated pipeline requirements. These agreements obligate the Commission to pay tariff charges for contracted volumes in accordance with contracted rates. The aggregate estimated commitment at December 31, 2004 is $60,367 (2003 – $72,315). This commitment will be paid from future oil sales revenue. Costs for these pipeline services are expected to be within the range of normal transportation costs.

Note 7

Related Party Transactions

The Commission accepts delivery of and markets the Crown royalty share of crude oil. The Commission remits the proceeds from the sale of the Crown royalty share of crude oil to the Department of Energy. The department provides accounting, administrative and other support services to the Commission at no charge.

Note 8

Comparative Figures

Certain 2003 figures have been reclassified to conform to 2004 presentation.

Note 9

Approval of Financial Statements

The Members of the Commission have approved these financial statements.

Alphabetical List Of Entities' Financial Statements In Ministry 2004-05 Annual Reports

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation1	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Capital Finance Authority	Finance
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance
Alberta Heritage Savings Trust Fund	Finance
Alberta Heritage Scholarship Fund	Finance
Alberta Heritage Science and Engineering Research Endowment Fund	Finance
Alberta Historical Resources Foundation	Community Development
Alberta Insurance Council	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Finance
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Finance
Alberta Social Housing Corporation	Seniors and Community Supports
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta[1]	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Education	Education
Department of Energy	Energy
Department of Finance	Finance

Alphabetical List of Entities

Ministry, Department, Fund or Agency	Ministry Annual Report
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Advanced Education[2]	Advanced Education
Ministry of Aboriginal Affairs and Northern Development[2]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[2]	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environment[2]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[2]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[2]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[2]	Human Resources and Employment
Ministry of Infrastructure and Transportation[2]	Infrastructure and Transportation
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[2]	International and Intergovernmental Relations
Ministry of Justice[2]	Justice
Ministry of Municipal Affairs[2]	Municipal Affairs
Ministry of Restructuring and Government Efficiency[2]	Restructuring and Government Efficiency
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards:	Seniors and Community Supports
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
South Region Community Board	

Ministry, Department, Fund or Agency	Ministry Annual Report
Persons with Developmental Disabilities Provincial Board	Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation	Community Development

ENTITIES NOT INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan - Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	Finance
Public Post Secondary Institutions	Advanced Education
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Education
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment

1 The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation, effective April 1, 2003.

2 Ministry includes only the departments so separate department financial statements are not necessary.

Additional Information

For additional copies, contact:

Communications Branch

Alberta Department of Energy
11th Floor, Petroleum Plaza North
9945 – 108 Street
Edmonton, Alberta
T5K 2G6

Tel: (780) 427-1083
Fax: (780) 422-0698

Information Services

Alberta Energy and Utilities Board
640 – 5 Avenue S.W.
Calgary, Alberta
T2P 3G4

Tel: (403) 297-8190
Fax: (403) 297-7040

The Ministry of Energy Annual Report 2003-2004 is available on the following Web site:
www.energy.gov.ab.ca/AboutUs/Publications/AnnualReports.htm

Current information about the organizations that were part of the Ministry of Energy in 2003-2004 is available at the following Web sites:

For the Alberta Department of Energy:

www.energy.gov.ab.ca
e-mail: http://www.energy.gov.ab.ca/1465.asp

For the Alberta Energy and Utilities Board:

www.eub.gov.ab.ca
e-mail: eub.info_services@eub.gov.ab.ca

www.energy.gov.ab.ca

www.eub.gov.ab.ca

MINISTRY OF ENERGY
2004-2005

design by GRAPHOS.ca

ISSN: 1703-4574