Energy

Annual Report 2006-2007

Alberta

Public Accounts 2006-07 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 20 Ministries.

The annual report of the Government of Alberta released June 29, 2007 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 (DOE), 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.

Energy

2006-2007

CONTENTS

1	Preface
3	Table of Contents
4	Minister’s Accountability Statement
5	Message from the Minister
6	Management’s Responsibility for Reporting
7	Organizational Structure
11	Ministry Operational Overview
21	Ministry Results Analysis
51	Financial Statements for the Ministry of Energy
67	Financial Statements for the DOE
87	Financial Statements for the Alberta Energy and Utilities Board
99	Financial Statements for the Alberta Petroleum Marketing Commission
107	Entities Included in the Consolidated Government Reporting Entity
111	Entities Not Included in the Consolidated Government Reporting Entity
112	Additional Information

Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2007, 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 July 5, 2007, with material economic or fiscal implications of which I'm aware have been considered in the preparation of this report.

Original signed

Mel Knight, MLA
Minister of Energy

Message from the Minister

Albertans enjoy prosperity and a high quality of life in our province today, thanks in large part to our energy resources. Energy revenues accounted for nearly one-third of the government's total revenue in 2006-07 and were roughly equal to the amount received from all tax sources. These revenues continued to help fund priority programs that benefit all Albertans such as health care, education and social programs.

Alberta is increasingly recognized as a global energy leader. Investors continue to seek opportunities to be a part of Alberta's energy future and activity in our energy industry has grown to record levels. All of this investment is for a good reason. In the energy industry, Alberta remains the destination of choice. In early 2007, Energy's mandate was expanded to include renewable energy and energy conservation. Energy is preparing the framework and process for developing an energy strategy. This strategy will have a broader focus on all forms of energy.

After Saudi Arabia, Alberta has the world's second largest proven global crude oil reserves, the majority of which are found in the oil sands. Alberta will also play a key role in unlocking the natural gas resources in northern Canada and Alaska. Additionally, Alberta is Canada's leading producer of petrochemicals.

Alberta Energy introduced a long-term vision for the integrated development of our province's energy resources in 2006-07. Energy's vision for integration is about maximizing value from Alberta's vast resources and world-class expertise, positioning Alberta as a globally recognized energy supplier, using an environmentally responsible approach to energy development and meeting the expectations of Albertans as owners of their energy resources.

While Alberta's conventional natural gas and oil production is declining slightly, we are far from running out of either commodity. Enhanced recovery of oil and gas using new and improved technologies continues to offset declining conventional production. In August 2006, the government announced $200 million over three years will be invested in research, advanced technologies, market development and innovative projects focusing on energy supply and the environment. This Energy Innovation Fund will help Alberta move forward in developing non-conventional energy resources. Alberta Energy is also working to build renewable energy resources such as wind and bio-energy.

This year, we introduced the Nine-Point Bio-Energy Plan to support the integration of bio-fuels, bio-diesel and bio-mass generated power with Alberta's traditional energy sources. The government also committed $239 million over five years to help build a viable market for bio-energy in the province and encourage private investment. Through initiatives such as this, we have been working with businesses across the province to create a made-in-Alberta approach to diversify our existing energy resources.

I would like to extend a personal thank you to all ministry staff and energy sector stakeholders who worked so hard to contribute to the ministry's success in 2006-07. I would also like to thank all Albertans for their hard work in making our province the best place to live, work and visit.

Original signed

Mel Knight, 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 we 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 senior executives, in addition to program responsibilities, we 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 responsibilities for the Ministry, we have relied, as necessary, on the executive of the individual entities within the Ministry.

Original signed

Dan McFadyen
Deputy Minister, DOE

Original signed by

Brad McManus,
Acting Chairman, Alberta Energy and Utilities Board

Ministry of Energy Organizational Structure

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

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. 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.

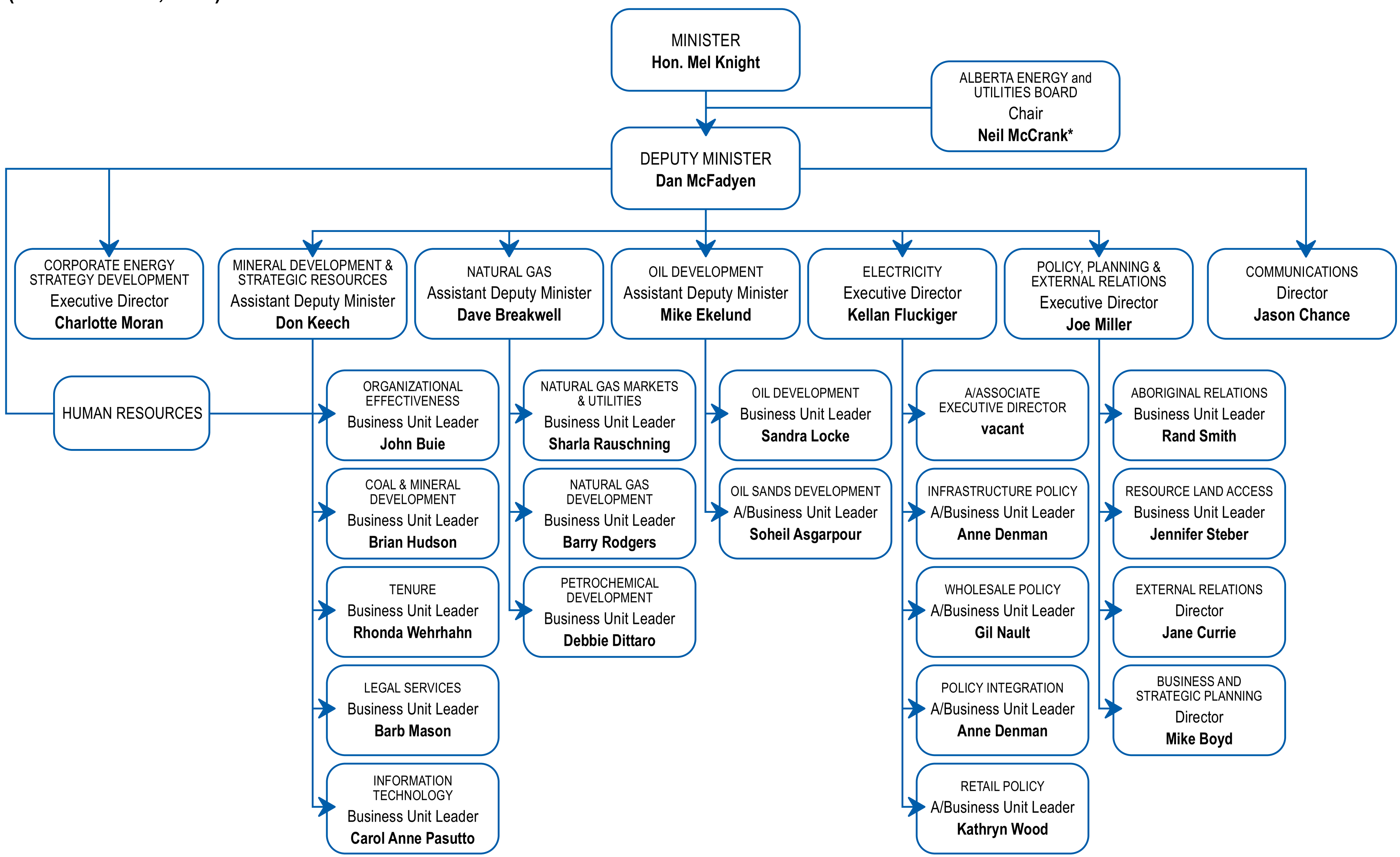
The EUB is an independent, quasi-judicial agency of the Government of Alberta with responsibility to regulate Alberta's energy resource and utility sectors. While the Alberta Minister of Energy has governance responsibility for the EUB, it makes its formal decisions independently in accordance with various statutes and regulations. The EUB's operations are jointly funded by the Crown and a mandatory administrative levy applied to industry. The EUB has approximately 800 staff in 14 locations across the province. 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. In addition, the EUB Chairman has governance responsibility for the Market Surveillance Administrator (MSA). The MSA oversees the performance of Alberta's electricity market to ensure it operates fairly, efficiently, in an openly competitive manner, and in the public interest.

On June 14, 2007, the Government of Alberta tabled Bill 46, the *Alberta Utilities Commission Act*, to realign the EUB into two separate regulatory bodies—the Energy Resources Conservation Board and the Alberta Utilites Commission—effective January 1, 2008.

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.

Department of Energy

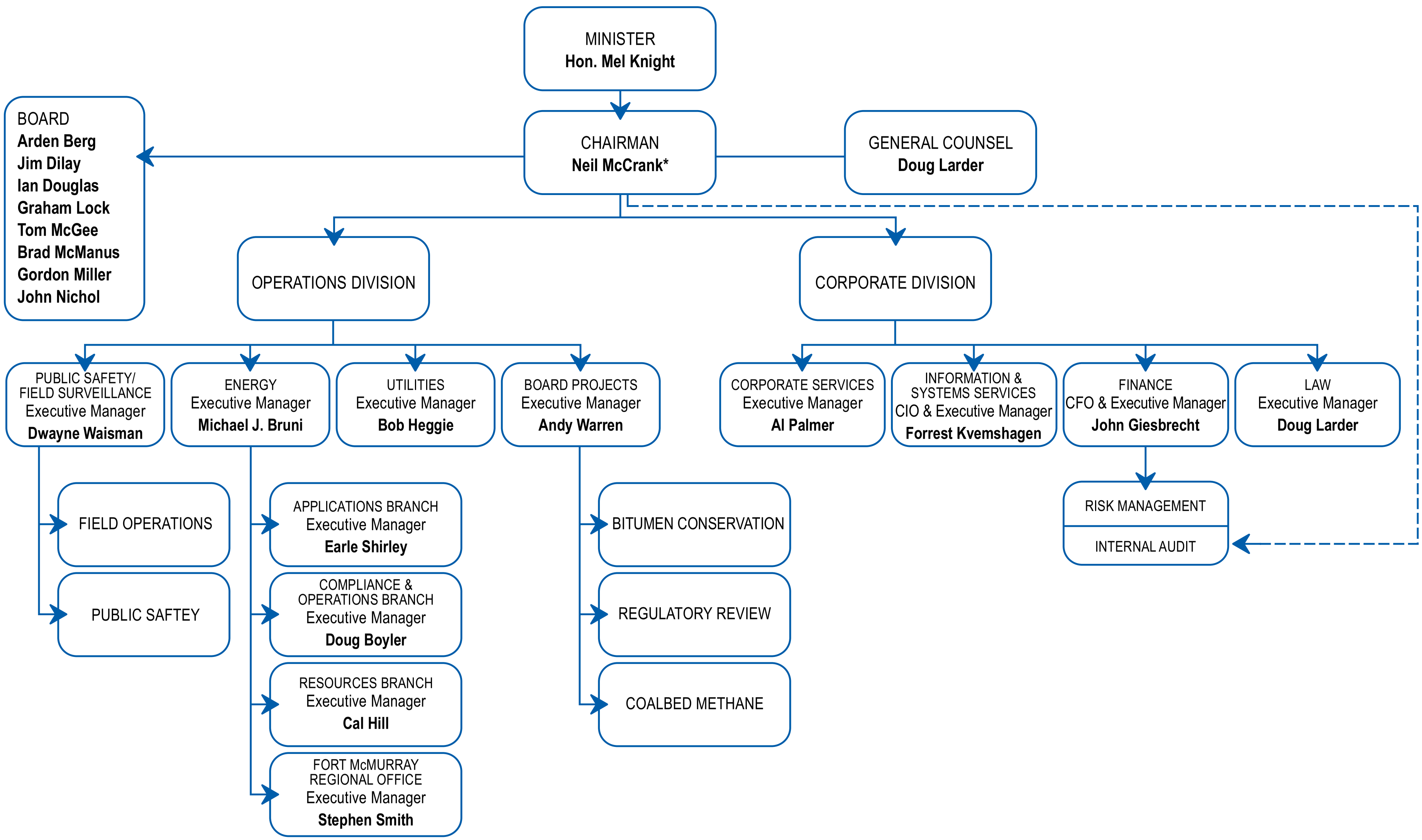
(As of March 31, 2007)



*Brad McManus, Acting Chairman effective April 1, 2007

Alberta Energy and Utilities Board

(As of March 31, 2007)



*Brad McManus, Acting Chairman effective April 1, 2007

MINISTRY OPERATIONAL OVERVIEW

Ministry Operational Overview

The Alberta Crown owns 81 per cent 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 per cent are owned by individuals and companies or by the federal government in National Parks or on behalf of First Nations.

The Ministry of Energy has responsibility for a diverse resource development and commodity portfolio that includes natural gas, conventional oil, oil sands, coal, minerals, petrochemicals and electricity. To effectively manage the development of these resources and commodities, the department has organized itself along commodity business lines and has identified the following four core businesses:

1. **Securing Benefits for Albertans –** Secure Albertans' share and benefits from energy and mineral resource development.

   This core business includes all department operations involved in the assessment, calculation, collection, and audit of royalties, freehold mineral taxes and other revenue from the energy and mineral industry. It includes all APMC operations related to the marketing and sale of the Crown's in-kind oil royalty share. The core business also includes the department's analysis and review of existing royalty features and systems and the development of new royalty features.

2. **Resource Development –** Ensure Alberta's energy and mineral resources remain accessible, competitive and attractive to investment and development.

   This core business includes all department operations involved in directly managing the leasing and development of energy and mineral resources, including work undertaken to promote development in Alberta, maintain access to the resource, and encourage development of new technologies and new sources of energy. It also involves monitoring and assessing the competitiveness of Alberta's energy and mineral development policies, regulations and royalty programs to ensure Alberta continues to attract investment.

3. **Energy for Albertans –** Ensure Alberta consumers have a choice of reliable and competitively priced energy.

   This core business includes all departmental operations related to policy and market (wholesale and retail) design for electricity as well as retail market design for natural gas. Its aim is to provide an efficient, competitive marketplace that maintains reliable energy supplies and provides fair and equitable prices to customers.

4. **Regulation of Energy Development by the Alberta Energy and Utilities Board –** Regulate the development and delivery of Alberta's energy resources and utilities services in a manner that is fair, responsible and in the public interest.

   The Alberta Energy and Utilities Board (EUB) is an independent, quasi-judicial body that regulates the development and delivery of energy resources in Alberta. It also applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects. The EUB conducts inspections to ensure compliance with regulations and provides geo-science information and expertise needed by government, industry and the public. In the utility sector, the EUB ensures that regulated electricity and natural gas utilities provide Albertans with reliable service at reasonable prices that also give the owners of regulated utilities an opportunity to earn a fair return on their investment and recover their costs.

Ministry Highlights for 2006-07

(Cdn $ millions)	2006-07	2005-06	2004-05	2003-04	2002-03
Natural gas and by-products	5,988	8,388	6,439	5,450	5,125
Conventional crude oil royalties	1,400	1,463	1,273	981	1,177
Bonuses from the sale of Crown leases	2,463	3,490	1,252	967	565
Synthetic crude oil and bitumen	2,411	950	718	197	183
Rentals and fees	159	156	153	154	153
Coal	13	11	11	9	10
Alberta Royalty tax credit	-174	-111	-102	-82	-83
Total Non-Renewable Resource Revenue	12,260	14,347	9,744	7,676	7,130
Freehold Mineral tax	317	334	306	288	202
Other Revenue*	136	116	98	101	90
Total Revenue	12,713	14,797	10,148	8,065	7,422
Expenses*	223	201	192	199	165
Net Ministry of Energy Revenue	12,490	14,596	9,956	7,866	7,257

* revenues and expenses are for the DOE and the EUB

Ministry Operations:

In 2006-07, oil and gas prices and industry activity continued to remain strong. The government's non-renewable resource revenues totalled $12.3 billion - the second highest result on record. In 2006, the oil and gas industry continued to be a key driver of the economy with investment reaching an estimated $35.6 billion. Non-renewable resource revenues accounted for about 32 per cent of the provincial government's total revenue this fiscal year. This revenue is critical to keep taxes low and provide necessary funding for important public programs such as education, health and infrastructure. With a real Gross Domestic Product growth rate of 6.8 per cent, Alberta continued to lead the country in economic growth.

High levels of industry activity continue to place significant pressure on all areas of Ministry operations: calculating and collecting royalties, reviewing mineral rights and posting requests, conducting public sales of mineral rights, issuing and maintaining mineral rights agreements, reviewing and approving well licenses, reviewing oil sands projects, handling transfers, and continuations of leases and advocating for access to mineral rights.

Industry drilling activity continued to be strong in 2006, recording the second highest result ever. In 2006, there were 19,298 wells drilled in Alberta, a decrease of about 5 per cent from 2005 when record 20,384 wells were drilled. In 2006-07 the DOE maintained and managed nearly 100,000 active energy and mineral agreements. The oil sands continue to lead all industry investment. Project applications (either new or amendments to existing agreements) have steadily increased over the past four years and are expected to increase in the future.

Energy companies operate almost 227,000 wells, 20,690 oil batteries and associated satellites, 817 gas plants, 12,243 gas batteries and 4,726 compressor stations, and a pipeline network of more than 392 thousand kilometres. Each year the EUB inspects a portion of this vast energy infrastructure to make certain that projects are constructed properly and operated safely. The energy industry's proactive efforts in meeting and exceeding EUB requirements have resulted in high compliance rates.

Companies have addressed important environmental issues, such as sulphur emissions, which have decreased by 28 per cent since 2000 from 78,000 to 56,000 tonnes in 2006. Sulphur recovery efficiencies at gas plants recovering saleable sulphur are now at 98.9 per cent.

The EUB actively worked with Albertans in 2006, participating in 52 open houses to address concerns, answer questions, deal with issues, and improve the public's understanding of proposed developments. The EUB also participates in synergy groups, which are made up of public, industry and government representatives who work collaboratively to improve communications, and identify and address issues.

Ministry Highlights for 2006-07 - Strategic Priorities and Activities

(additional detail for some of these can be found in the Results Analysis section)

In 2006, Alberta Energy introduced a long-term Vision for the integrated development of Alberta's energy resources. Energy's Vision for integration is about developing Alberta's vast energy resources and world class expertise, positioning Alberta as a globally recognized energy supplier, using an environmentally responsible approach to energy development and meeting the expectations of Albertans as owners of their energy and mineral natural resources.

An integrated strategy for energy development will be used to build on Alberta's abundant resource base, attractive investment location, skilled workforce, and quality post-secondary professional and technical institutions. Integration means that energy projects and commodities are not treated on a standalone basis, but as part of a larger energy scenario. The coordination of energy development with other resource industries to ensure future access to resources, while minimizing environmental footprint and building on opportunities created by other industries, is also an important part of the integration strategy.

Future energy development in Alberta will build on the strengths of its non-renewable resources; as well as renewable water, wind, solar, and alternative energy (bio-fuel and biomass) resources. Integrated strategies that maximize synergies between energy sources and increase value-added opportunities for the benefit of Albertans will be employed. Future development must also integrate consideration of broader factors like labour, capital, environmental management, and other requirements that are necessary to obtain all of the benefits inherent in developing Albertans' energy resources.

The Ministry of Energy along with Alberta Environment (AENV), and Alberta Sustainable Resource Development (ASRD) continued to work towards the implementation of the Sustainable Resource and Environmental Management (SREM) Charter. Signed in January 2006, the charter commits the ministries to strengthen the ways they work together to achieve common natural resource and environmental outcomes and become the best natural resource and environmental managers in the world. A plan to implement the SREM charter and develop cross-ministry principles and valued behaviours was adopted and a framework for policy integration to better align and coordinate policy development was developed. The Ministries undertook and completed a joint inventory of natural resource and environmental information and began work on developing ways of improving information sharing. A review of upstream oil and gas regulations, from exploratory drilling to reclamation and remediation was also begun. This review will identify ways to reduce policy and regulatory overlaps, inconsistencies and gaps so that stakeholders have clearer and more consistent information on expectations with respect to upstream oil and gas development. Oil Sands Consultation and the Land-use Framework are also proceeding using a SREM approach.

Alberta Energy led a cross-government, multistakeholder consultation on coalbed methane development to determine if there were areas where existing rules and regulations could be improved to ensure development of this resource was balanced with environmental protection. This Multistakeholder Advisory Committee (MAC) made 44 recommendations for coalbed methane development. 42 of these recommendations were accepted by the government. The Ministry of Energy, along with other government ministries, is working on the implementation of these recommendations.

In February 2007, an independent panel was appointed, by the Department of Finance, to conduct a review of Alberta's royalty and tax regimes to ensure Albertans are receiving a fair share from energy development through royalties, taxes and fees. The department is assisting this review panel by providing background information, documentation and analysis. Recommendations are expected to be submitted to the government by the fall of 2007.

In August 2006, the government announced that it would dedicate $200 million over the next three years towards research, advance technologies, market development and innovative projects focusing on energy supply and the protection of the environment. The fund is administered by five sponsoring ministries, Alberta Energy being one of them. Examples of activities and areas that may be considered for funding include: energy efficiency, bio-energy and gasification of coal.

A Nine-Point Bio-Energy Plan was also introduced during the year to help support the integration of bio-fuels, bio-diesel and biomass generated power with Alberta's traditional energy sources. The government also committed $239 million over five years to help build a viable market for bio-energy in the province and encourage private investment. Projects that will be eligible for the first round of funding will be announced early in 2007-08.

Work continued during the year to develop a policy to promote the availability of increased ethane feedstock to the petrochemical industry and expand opportunities for value added upgrading. The Incremental Ethane Extraction Policy (IEEP) was released in September 2006. An Implementation Committee was formed, consisting of government and industry stakeholders. Regulations supporting the policy are expected to be completed by the summer of 2007.

The Natural Gas Rebate Program paid rebates from October through to the end of March this year for a total of $375 million. This was about one-half of what was rebated back to Albertans in the previous year due to lower natural gas prices.

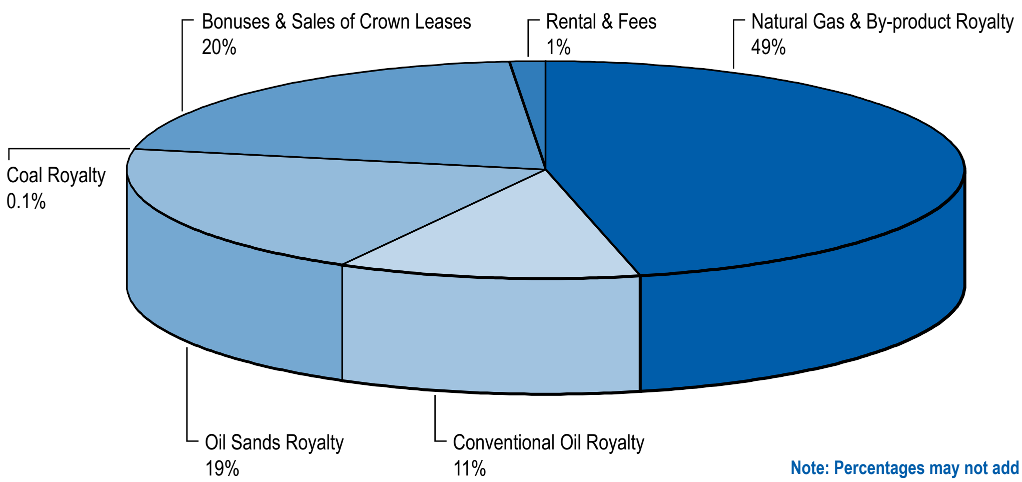
Energy Information and Education

In 2006-2007, Alberta Energy supported work by the Canadian Centre for Energy Information (CCEI), which works to build awareness, education and understanding of the Canadian energy system and energy related issues among North American audiences. The support of Alberta Energy helped CCEI to develop energy related learning resources for teachers, an online energy literacy series and a Resource Series publication entitled Canada's Oilsands.

The department also worked with Inside Education, a non profit society that provides natural resources and environment education focused on forests, water, energy and related topics. 2006-07 saw a variety of initiatives by Inside Education for teachers including an Electricity Education Tour, a one-week Natural Resource Education Institute featuring presentations on resource development, a Renewable Energy EcoLab, and an Oil Sands Career Counsellors' education tour. Classroom information and teaching materials, including petroleum, oil sands and electricity poster kits were developed and promoted at major teacher conferences.

In addition, the Public Information Centre continues to be an available information resource for all Albertans. Public awareness and understanding is also promoted through public consultations such the oil sands and coal-bed methane consultations.

Fiscal 2006-07 Resource Royalty Sources



Note: Percentages may not add up due to rounding.

Ministry—by the numbers

In the fiscal year 2006-07, non-renewable natural resource revenues declined to $12.3 billion, from the previous all-time record of $14.3 billion in 2005-06. This represented about 32 per cent of total provincial government revenues in 2006-07. The overall decline was primarily driven by the decline in natural gas prices and royalties, from $8.39 billion in 2005-06 to $5.99 billion in 2006-07. Upstream oil and gas industry investment is on track to set a new record, with an estimated $35.6 billion invested in 2006. Total marketable oil sands production, at 1.13 million barrels per day (bbl/d) in 2006, continued to outpace conventional crude oil production, at 543 thousand bbl/d.

The EUB issued its annual report *ST98-2007: Alberta's Energy Reserves 2006 and Supply/ Demand Outlook 2007-2016*, which details the supply of and demand for the province's diverse energy resources. Alberta's 174.8 billion barrels of remaining established oil reserves in 2006 continues to position the province as the second largest holder of proven oil reserves in the world, after Saudi Arabia. This reserves total includes 173.2 billion barrels of bitumen, a slight decline from 173.7 billion barrels reported for 2005, and 1.6 billion barrels of conventional oil reserves, a 2 per cent decrease from the 2005 level. In 2006, total remaining established natural gas reserves in Alberta – which include coal-bed methane (CBM) – stood at 40.5 trillion cubic feet (Tcf). Of this total, coal-bed methane (CBM) reserves accounted for about 0.9 Tcf.

Natural Gas

In the 2006-07 fiscal year, the average natural gas price of $5.94/GJ was 28 per cent lower than in 2005-06, when it averaged $8.29/GJ. The drilling of conventional natural gas wells also declined by about 10 per cent, from 14,610 in 2005-06 to 13,140 in 2006-07. Natural gas royalties accounted for about 49 per cent of Alberta's 2006-07 non-renewable resource royalty revenue.

Alberta's 2006 marketable natural gas production of 5.08 Tcf, which includes CBM, increased slightly from 5.02 Tcf in calendar year 2005. Production from all wells listed as CBM increased from 0.10 Tcf in 2005 to 0.17 Tcf in 2006 (this includes some commingled natural gas not directly from coal seams).

Conventional Crude Oil and Oil Sands

Alberta's royalties, from both conventional oil and oil sands, reached $3.8 billion in the 2006-07 fiscal year. This is up significantly from 2005-06, due to the increase in oil sands royalties from $950 million in 2005-06 to about $2.4 billion in 2006-07. Conventional crude oil royalties decreased by $63 million from 2005-06 to 2006-07. In 2006-07, the average oil price was US $64.90 per barrel, 8 per cent higher than in 2005-06.

For the first time ever, crude bitumen production exceeded 1.2 million barrels per day in 2006. The production of marketable oil sands, consisting of marketable bitumen and synthetic crude oil (which is upgraded from crude bitumen) averaged 1.13 million bbl/d, up from 966 thousand bbl/d in 2005.

Investor interest in Alberta's oil sands resource continues to grow with total oil sands investment between 2006 and 2010 currently projected to be about $88 billion.

Wells Drilled & Licenses Issued

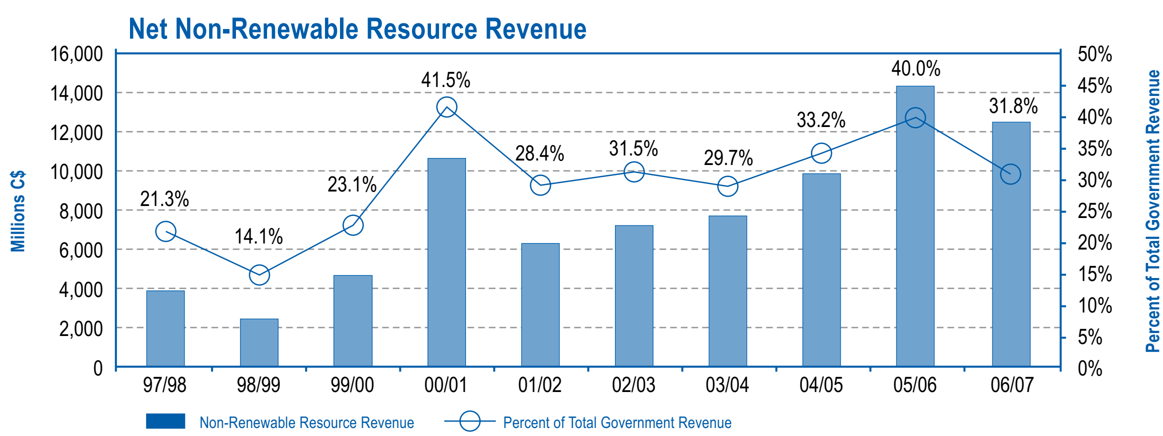
The EUB issued 22,805 well licenses in 2006, which was the second highest result ever. This was a decline of more than 900 from 2005, when the record number of licenses (23,733) was issued. 2006 also saw the second highest drilling activity ever, with a total of 19,298 wells drilled, a decline from 20,384 in 2005.

Bonuses & Sale of Crown Leases

In 2006-07, the department received $2.46 billion from the sale of oil sands, petroleum and natural gas mineral rights. This was about $1.03 billion lower than in the previous fiscal year. However, the result in 2006-07 was the second highest ever. 2005-06 and 2006-07 were the only fiscal years when the department received more than $2 billion from bonuses and sales of Crown leases.

Coal

Alberta's raw coal production in 2006 amounted to 36.7 million tonnes, of which 26 million tonnes were sub-bituminous coal, 4.6 million tonnes were bituminous metallurgical coal and 5.9 million tonnes were bituminous thermal coal. This production resulted in marketable coal deliveries increasing to 32.2 million tonnes in 2006, up from 29.4 million tonnes in 2005.



Remaining established reserves of all types of coal in Alberta are 33.5 gigatonnes (Gt). Of this amount, 22.7 Gt (or about 68 per cent) is considered recoverable by underground mining methods, and 10.8 Gt is recoverable by surface mining methods. Alberta's coal reserves can support current production and consumption levels for hundreds of years.

Electricity

As a result of Alberta's continued strong economic growth, peak demand for electricity in 2006 increased by 81 MW (1 per cent) to a record high of 9,661 MW. During 2006, there was a net decrease of 335 MW in the installed generating capacity. Decommissioning of the EPCOR Clover Bar generating plant (628 MW), was partially offset by increases in gas (cogeneration) for 179 MW and wind for 109 MW.

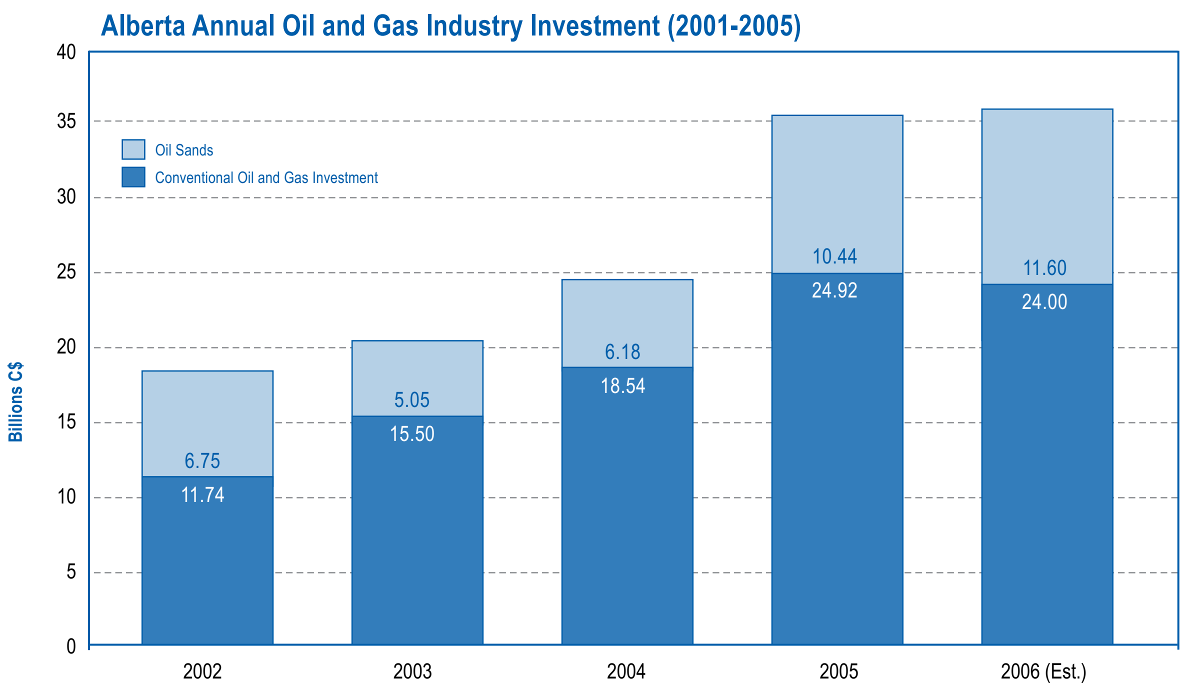
Minerals

Record uranium prices spurred uranium exploration activity in both north-eastern and south-western Alberta in 2006. A number of companies conducted diamond drilling and geophysical exploration programs in the Lake Athabasca area, looking for uranium deposits similar to those found in the Saskatchewan portion of the Athabasca Basin. In the Fort McLeod area, preliminary exploration for sandstone-hosted uranium continued, with a number of companies active.

Diamond exploration saw renewed interest in 2006 with new entrants taking large land positions in northern Alberta. A number of airborne geophysical surveys were conducted during the year, and selected anomalies were drilled. No discoveries were announced.

Limestone production increased dramatically, showing a 48 per cent increase from 2005-06 to 2006-07. This increase was due to the development and construction boom in Alberta as large amounts of limestone are used in the manufacture of cement and for construction aggregate.

2006-07 royalty revenues for the major industrial and metallic minerals (i.e. limestone, salt, gold, and shale and stone) were $616,534.



Change in Actual Revenue from Prior Fiscal Year

(-$2.09 billion)

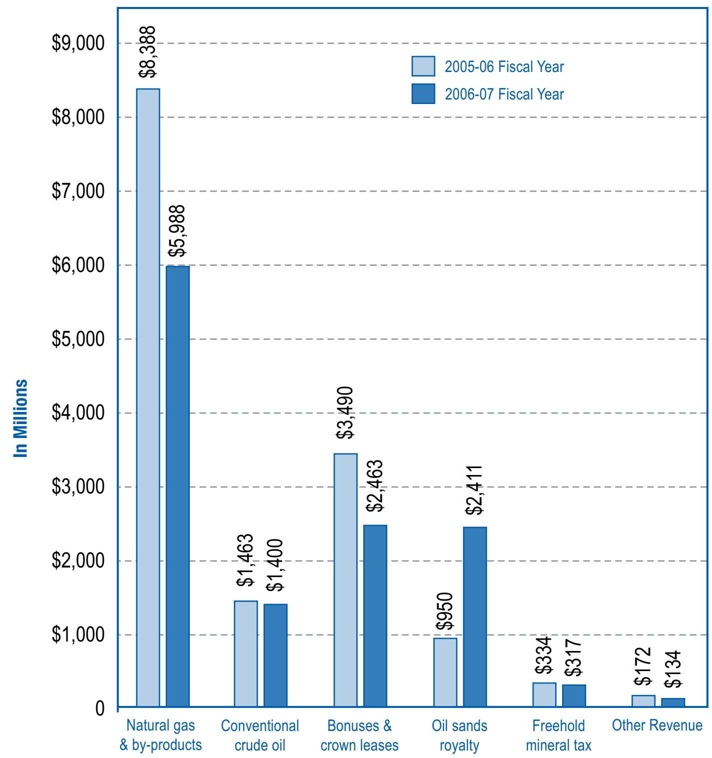
Non-renewable resource revenue for the year ended March 31, 2007 was $12.3 billion, a decrease of about $2.09 billion from the previous fiscal year. Non-renewable resource revenue accounted for about 32 per cent of total Alberta government revenue during 2006-07.

Natural gas and by-products royalty

(-$2.40 billion)

The Alberta Gas Reference Price (ARP) averaged $5.94/GJ for fiscal year 2006-07, a $2.35/GJ decline from last fiscal year's record price of $8.29/GJ. As a result of lower prices and drilling activity, natural gas royalty decreased from $8.39 billion in 2005-06 to $5.99 billion in 2006-07, a $2.40 billion decrease.

Actual Revenue



Crude oil royalty

(-$63 million)

The price of West Texas Intermediate (WTI) averaged US $64.90/barrel (bbl) during 2006-07, US $4.96/bbl higher than in 2005-06. This increase in price was not sufficient to offset the declining conventional production, resulting in the decline of crude oil royalty.

Bonuses and sales of crown leases

(-$1.03 billion)

Auctions of Alberta's Crown sub-surface mineral rights in 2006-07 resulted in the second highest ever revenue from bonuses and sales of crown leases. The decrease in revenue from petroleum and natural gas leases was the result of average lower prices per hectare in the year ended March 31, 2007, compared to the previous year, when the average price per hectare reached an all time record. The average price per hectare paid at petroleum and natural gas mineral rights sales was $693.82 during fiscal year 2005-06 and $434.41 during 2006-07. Petroleum and natural gas mineral rights for 3,121,095 hectares were sold at public auction in 2005-06, and for 2,428,313 hectares in 2006-07.

The average price per hectare paid at oil sands mineral rights sales was almost two times lower in 2006-07 than in 2005-06. In 2005-06, the price per hectare was $1,725.22; in 2006-07, it went down to $887.53. Oil sands mineral rights for 741,809 hectares were sold in 2005-06, and for a record 1,494,183 hectares in 2006-07. With the record number of hectares sold, revenues from oil sands mineral rights offerings in 2006-07 reached an all-time high, at more than $1.3 billion. This was about $0.05 billion higher than in 2005-06.

Oil Sands royalty

(+$1.46 billion)

With more projects reaching the payout stage, and with the record high oil prices, oil sands royalty reached $2.41 billion in the fiscal year 2006-07, an increase of $1.46 billion from its 2005-06 level.

Freehold Mineral Tax

(-$17 million)

The decline in revenue was due to lower natural gas prices in the 2006-07 fiscal year compared to the previous year.

MINISTRY RESULTS ANALYSIS

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

To the Members of the Legislative Assembly

Management is responsible for the integrity and objectivity of the performance results included in the *Ministry of Energy's 2006-2007 Annual Report*. My responsibility is to carry out the following specified auditing procedures on performance measures in the annual report. I verified:

Completeness

1. Performance measures and targets matched those included in Budget 2006. Actual results are presented for all performance measures.

Reliability

2. Information in reports from external organizations, such as Statistics Canada, matched information that the Ministry used to calculate the actual results. For information described in the Ministry's annual report as "not available", I confirmed that the information is not available from the external organization.

3. Information in reports that originated in the Ministry matched information that the Ministry used to calculate the actual results. In addition, I tested the processes the Ministry used to compile the results.

Comparability and Understandability

4. Actual results are presented clearly and consistently with the stated methodology and are presented on the same basis as targets and prior years' information.

I found no exceptions when I performed these procedures.

As my examination was limited to these procedures, I do not express an opinion on whether the set of measures is relevant and sufficient to assess the performance of the Ministry in achieving its goals.

Original Signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
July 7, 2007

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

Core Business One: Securing Benefits for Albertans

Albertans own the majority (81 per cent) of the province's oil, natural gas and other mineral resources. The DOE manages the development of these resources in a responsible manner that optimizes long-term benefits to the province and the people of Alberta. Albertans share in the benefits 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.

Albertans receive their share of energy and mineral resource development through royalties, rentals and bonuses paid by industry and collected by the Ministry. Alberta's resource development system is designed to capture a fair share of industry revenues from the development of provincial resources, while ensuring industry retains sufficient revenue to continue to invest in the future development of these resources. On average, over the past five years energy revenues accounted for 33 per cent of government revenue. Other benefits from a strong energy industry include jobs, business opportunities, investment and innovative technologies and research.

Highlights

The department completed a review and recommended to discontinue the Alberta Royalty Tax Credit (ARTC) program. The elimination of ARTC was formally announced in September 2006. Legislation, ending the program effective January 1, 2007, was introduced during the spring sitting of the legislature, by the Department of Finance.

In August, 2006, amendments to four royalty programs were announced. The programs impacted were for deep gas; low productivity and related wells and horizontal re-entry wells. In most cases, the objectives of each program have been met or no longer fit within Alberta's overall royalty regime.

In February 2007, an independent panel was appointed to conduct a review of Alberta's royalty and tax regimes to ensure Albertans are receiving a fair share from energy development through royalties, taxes and fees. This review is by Alberta Finance and supported by the DOE through background reports and analysis. The Royalty Review Panel will be hosting public meetings to gather input from Albertans and key stakeholders. Recommendations are expected to be submitted to government by the fall of 2007.

Performance Measure:

Sharing the Profits from Resource Development.

Target:

20 per cent to 25 per cent of industry's annual net operating revenue.

Results:

Year Ending December 31

	Actual 2003	Actual 2004	Last Actual 2005
Sharing the Profits from Resource Development – Crown Revenue Share – portion of industry's annual net operating revenue that is paid to the Crown as royalty (three-year moving average).	21%	19%	19%

Source: Canadian Association of Petroleum Producers (CAPP)

Discussion of Results

Albertans benefit directly from energy resource development through royalties, bonuses and sales of Crown mineral rights, freehold mineral taxes, industry levies and licenses, and indirectly from investment by the petroleum industry and the taxes paid by industry to all levels of government. 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 and oil sands, an indicator of this balance is the portion of industry's net operating revenue that is paid as Crown royalty. The measure is influenced by commodity prices and industry operating costs that are beyond the influence of the department. Results presented here reflect a three-year moving average of the percentage of industry's net operating revenue collected by the Crown as royalty from the production of conventional oil, natural gas, and oil sands. The most current result available is for the calendar year 2005.

Alberta's three-year average royalty share in 2005 remained at 19 per cent of industry's net operating revenue from conventional oil, natural gas and oil sands production. Both 2004 and 2005 results were below the target range of 20 – 25 per cent. Key factors contributing to the measure's decline include:

- Natural gas accounts for the largest share of royalty revenues. Total natural gas production peaked in 2001, and has remained relatively stable since then. Despite high natural gas well drilling, average productivity per well has been declining. The royalty rate for natural gas is partially determined by the well productivity and has therefore declined as well. Also royalties are net of the costs of processing the Crown's share of the raw gas into a marketable product and those costs have risen over the past five years.
- Conventional oil production has declined from its peak in 1973 while the number of producing wells has increased. This has led to a reduction in the average productivity for an oil well from 145 barrels per day in 1973 to 15 barrels per day in 2005. Conventional oil royalty rates are determined by a well's production quantity, vintage and density as well as price and has therefore fallen over time due to the drop in productivity.
- Conventional oil and gas royalty rates are price sensitive only up to a certain point. Royalty rates increase until oil and gas prices reach ceilings, established for different types of conventional oil or gas. Once prices exceed these ceilings, royalty rates remain unchanged.
- Over the past two and a half decades, the composition of conventional oil, produced in Alberta, has shifted from overwhelmingly light/medium to a mix of light, medium and heavy. For example, in the conventional light/medium versus heavy oil production mix, light/medium oil accounted for 93 per cent in 1980, 81 per cent in 1990, 68 per cent in 2000 and 65 per cent in 2005. This development has had royalty implications, since heavy oil faces a lower royalty rate than light oil due to lower prices and a lower royalty rate at equal prices.
- Oil sands royalties have been relatively low largely due to significant investments in new projects which pay a royalty of one per cent of gross revenue until all costs have been recovered. However, oil sands royalties have been increasing since 2002, and reached their highest level ever in 2005, at $819 million. Over time, royalties are expected to increase further as more projects achieve payout status, at that time royalties will rise to 25 per cent of net profits. Oil sands production volume is also expected to increase, leading to higher royalty revenue.

In February 2007, the Government of Alberta announced the independent review of royalty and tax regime. A final report with recommendations is to be presented to the Minister of Finance by the fall of 2007. This performance measure will be reviewed by the department based on the findings of the public review of royalties.

Methodology

The measure reflects the royalties collected from conventional oil, natural gas and oil sands, minus the Alberta Royalty Tax Credit, as a portion of the petroleum industry's annual net revenue. The performance measure is the three-year moving average of the following formula:

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

Upstream oil and gas industry financial data, such as revenues, operating costs and royalties, are obtained on a calendar year basis from the Canadian Association of Petroleum Producers (CAPP). CAPP reports revenue separately for various commodities (oil sands; crude oil and condensate; natural gas; ethane; pentanes plus; propane; butanes; sulphur) making up Alberta's petroleum industry. However, CAPP combines these same commodities into two categories (petroleum industry; oil sands) when reporting expenditure. CAPP also provides input to the department's calculation of Alberta's portion of the Canadian petroleum industry's current taxes, the primary source of which is Statistics Canada. The Alberta Royalty Tax Credit (ARTC) figures are prepared by the department using data obtained from Alberta Finance.

The measure does not include capital expenditures. Bonuses from the sale of mineral rights, and rentals and licenses paid to the province, are included by CAPP as capital expenditures, and are therefore excluded from this measure. Freehold mineral tax, collected by the province, is included in the measure.

Performance Measure:

Audit Adjustments to Industry Filing and Reporting

Target:

Audit adjustments to industry filing and reporting to be less than 2.0 per cent.

Results:

Year Ending March 31

	Actual 2005	Actual 2006	Last Actual 2007
Audit Adjustments to Industry Filing and Reporting (expressed as a percentage of department resource revenues (three-year moving average))	2.4%	2.4%	2.0%

Source: Compliance and Assurance, Alberta DOE.

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

Discussion of Results

The most recent three-year average results indicate the absolute value of audit adjustments were 2.0 per cent of associated resource revenue. The average absolute dollar value of adjustments arising from audits completed or processed for the three years ending March 31, 2007 averaged $204.3 million on an average annual resource revenue base of $10 billion. The average net dollar value of net adjustments for the same period was $63.3 million in the Crown's favor.

The last actual three-year average has decreased as a result of a decline in the absolute value of audit adjustments made in the fiscal year ending March 31, 2007. Two significant areas impacting the results include:

- Adjustments as a percentage of revenue for natural gas and related by-products have decreased in 2006-07. The department continues to train industry filers in the requirements for the calculation of the Alberta Gas Reference Price and identify opportunities to reduce their complexity.
- Adjustments as a percentage of revenue for synthetic crude and bitumen filings in the 2006-07 fiscal year have significantly decreased from the previous year. This is due to the combined impact of increasing resource revenue and lower audit adjustments. Adjustments in this area relate primarily to unsupportable or ineligible cost claims. Prior to reaching the payout stage, the oil sands projects pay a 1 per cent royalty but face very high costs that are subject to audit, which increases the likelihood of errors exceeding two per cent in the early stages of resource development.

Methodology

The department, through its Compliance and Assurance Business Unit, audits industry filing and reporting information used to calculate non-renewable resource revenues to ensure that it is complete and accurate.

This measure tracks adjustments arising from audits conducted by the department to information filed by industry in accordance with department requirements and as such, excludes any adjustments made by industry. This measure also excludes any adjustments arising from audits performed by the Alberta Energy and Utilities Board. The measure expresses the three-year moving average of the annual total absolute dollar value of audit adjustments as a percentage of the average reported resource revenues for that three year period.

The absolute value of audit adjustments is the sum of all adjustments, both in the Crown's favour and in industry's favour and as such is an indicator of total error rates. Audit adjustments are based on audits completed or processed in the department's 2006-07 fiscal year and the two preceding fiscal years. Total adjustments include adjustments to the 2006-07 year filings, adjustments to prior years' filings (based on the 2006-07 year audit and subject to statutory limitations of the *Mines and Minerals Act*, the *Freehold Mineral Rights Tax Act* and the *Natural Gas Marketing Act*) and, where applicable, also include the estimated future impact of amendments. For the fiscal year ending March 31, 2007, this could include adjustments made to industry filings submitted from 2001 to 2006. Audit results have not been extrapolated over the entire population.

Audit adjustments are assessed for conventional crude oil, natural gas and by-products, 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 year revenues as reported in the department's Annual Report.

Core Business Two: Resource Development:

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

Goal 2:

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

Global demand for energy and growing recognition of Alberta's vast energy potential means increasing interest in Alberta as a place to invest in energy development. Alberta maintains competitive fiscal and regulatory regimes that are intended to attract industry investment and ensure that Albertans, the resource owners, benefit from resource development. Predictability, certainty, stability and a well-developed infrastructure are all features that make Alberta's resource development system a strong competitor for industry investment. The Ministry is the principal advocate nationally and internationally for Alberta's interests and rights to access, develop and manage energy and mineral resources.

Highlights

During 2006, the department introduced a long-term Vision for the integrated development of Alberta's energy resources. Energy's Vision for integration is about developing Alberta's vast energy resources and world class expertise, positioning Alberta as a globally recognized energy supplier, using an environmentally responsible approach to energy development and meeting the expectations of Albertans as owners of their energy and mineral natural resources.

The DOE along with Alberta Environment (AENV), and Sustainable Resource Development (SRD) continued to work towards the implementation of Sustainable Resource and Environmental Management (SREM). SREM currently has four projects underway. They are: Oil Sands Consultation, Upstream Oil and Gas Policy Integration, Information Sharing and the Land-use Framework.

A cross-ministry team, lead by Alberta Environment and including DOE, is developing recommendations aimed at integrating upstream oil and gas policies and improving service delivery to industry. The scope includes all activities and operations for oil and conventional and unconventional gas. An Interdepartmental Project Team completed a report on "Integrated Policy Framework and Integrated Delivery Approach" and refined a project plan for Preliminary Design Phase and developed terms of reference and estimates for work required. Deputy Ministers of Energy, Environment and Sustainable Resource Development approved the Upstream Oil and Gas Policy Integration team's Terms of Reference for the Preliminary Design Phase of the project in November 2006. Work was also completed to develop conceptual work on the integrated policy and delivery framework of the Preliminary Design Phase, including the finalization of charters for the components of the framework (outcomes, principles, oversight framework, and shared tools).

The Information Sharing Initiative is focused on the information sharing aspects related to Mineable Oil Sands (MOS) and Upstream Oil and Gas (UOG) and will provide a framework for how information can be shared within the three Ministries and ultimately with others. Five subprojects have been identified and charters established for each - Data Management, Information Management, Information Technology, Decision Support, and Culture. Resources have been assigned by each of the Ministries to deliver on the project plans. Detailed design began in October. Work continued on establishing interoperable practices to optimize information sharing between the Ministries. In March, the Steering Committee approved the presentations provided by the five sub teams. Recommendations and next steps will be refined in 2007-08.

The Provincial Land-use Framework is intended to provide provincial policy context for land use on public and private land, and mechanisms for coordinated planning and decision-making. The initiative is co-led by seven departments including the DOE. The department is a member of the cross-ministry Steering Committee and project team responsible for developing the Provincial Land-use Framework.

During the spring of 2006-07, a small group of Albertans were asked to provide advice on the process of developing a land-use framework. The group suggested a potential vision and related principles on land use, set out possible primary objectives for the framework, and identified some of the key challenges and questions that should be addressed. Building on advice from this group, stakeholder focus groups were held at a number of locations across the province involving individuals from a variety of land-related sectors and organizations. Participants were asked to identify both the key issues that should be addressed by a land-use framework and the principles it should reflect.

In December 2006, the government held a cross sector forum which was attended by 150 individuals from a range of land-related sectors and organizations - many of whom had participated in the earlier focus groups. Participants were asked to review issues and challenges facing the province and the key elements that should be included in a land-use framework. They also identified potential outcomes, actions and solutions to the various issues and challenges. A target date for completion of the framework is December 2007.

The department's commitment to providing clear communication to industry and secure electronic information systems for accurate reporting continues. E-bidding was successfully launched on July 1, 2006. E-bidding allows companies to bid electronically on public offerings of oil sands, and petroleum and natural gas agreements. Moving this bidding to a web-based system has changed how the department processes a sale, how industry prepares and delivers their bids and when the results are available. The new system has received good reviews and been called "revolutionary" by many. It has also allowed the department to allocate a number of full time positions to other areas because of the efficiencies achieved. The department also continues to work on the Freehold Mineral Initiative due to be completed in December 2007. This will streamline and simplify the reporting of freehold mineral tax to the department.

The department continued to advocate for optimal tolls, tariffs and access to pipelines and electrical transmission wires. Alberta Energy continued to follow the application process and monitoring proceedings for tolling impacts for the Mackenzie Pipeline Project and set up a MLA Advisory Committee on Electrical Transmission. The province continues to support northern gas pipelines that interconnect with the Alberta Hub to use excess pipeline capacity and to provide commercial access to natural gas liquids.

Alberta and the United States have a long standing history as partners in the energy sector. Alberta is one of the largest suppliers of crude oil to the US and is by far, the single largest supplier of natural gas. Through the work of the Alberta Washington office, Alberta was featured in the Smithsonian Folklife Festival held in Washington, DC during 2006. Decision makers in the Unites States understand that Alberta is key in meeting U.S. energy security needs. Throughout the year, the department continued to engage with key policy makers and industry leaders. The department provided briefings on Alberta/US energy issues and opportunities for ministerial meetings with senior U.S. representatives, including Consul General Tom Huffaker, the Energy Secretary Samuel Bodman and the Ambassador to Canada, David Wilkins. The department also continued building effective working relationships with provincial and national stakeholders and with Federal, Provincial and Territorial energy/resource ministries.

The Premiers have directed their respective Trade Ministers to review and complete negotiations on energy provisions, under the Canadian Agreement on Internal Trade (AIT). Alberta, through DOE and the Ministry of International, Intergovernmental and Aboriginal Relations (IIAR), is leading the officials working group. On April 28, 2006, the Alberta-British Columbia Trade, Investment and Labour Mobility Agreement (TILMA) was signed by the Premiers of Alberta and BC. TILMA covers trade in all areas of the energy sector including electricity, oil and natural gas.

Upstream oil and gas industry investment in Alberta is on track to set a new record, with an estimated $35.6 billion invested in 2006.

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 2003	Actual 2004	Last Actual 2005
Resource Development - Upstream Industry Investment in Alberta	$20.5 billion	$24.7 billion	$35.4 billion

Source: Canadian Association of Petroleum Producers

Notes: Continued investment in Alberta's energy sector demonstrates the competitiveness and attractiveness of resource development in Alberta. The department has the ability to influence industry's investment decisions through the royalty and tax regime, approval processes, land and market access, and regulatory environment. The department maintains a fiscal regime which is intended, over the long term, to encourage continued development of Alberta's energy resources and collect a fair share of the resource development profits.

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

Bonuses from the sale of mineral rights are included in this measure as industry includes these as capital expenditures. Bonuses for the calendar year 2005 were $2.3 billion.

Discussion of Results

The most current actual investment data are for the calendar year 2005. In 2005, oil and natural gas industry investment set a new record for Alberta and Canada as a whole. At $35.4 billion, investment in Alberta accounted for about 78 per cent of Canada's total oil and natural gas industry spending of $45.3 billion. In 2005, Alberta's conventional oil and natural gas investment, led by record-high oil and gas prices, and record drilling activity, rose by 34 per cent to about $24.92 billion from its 2004 level of $18.54 billion. Oil sands investment in Alberta also set a record in 2005, reaching $10.44 billion, a 69 per cent increase over the 2004 level of about $6.18 billion.

Albertans benefit from industry investment through jobs, business opportunities, taxes paid to all levels of government and resource revenues in the form of royalties, rentals, lease bonuses and mineral taxes. Industry investment is driven largely by commodity prices over which the department has no influence. However, investment is affected by a number of other considerations, including cash flow, exploration and labour costs, royalty rates, corporate tax rates, regulatory and approval processes including land access, environmental impacts, infrastructure (highways, housing), and access to refining, upgrading, pipelines and markets.

Methodology

This measure relies on the Canadian Association of Petroleum Producers (CAPP) report of annual capital spending within Alberta's upstream petroleum industry. Upstream investment includes costs 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 data set is collected by Statistics Canada through a survey of industry covering 95 per cent of upstream oil and natural gas production.

GOAL 3:

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

Alberta has long enjoyed an abundant supply of oil and gas. In the future, new sources of energy will be developed to ensure Alberta has a continued supply of energy to meet growing Alberta and global demand. New energy sources represent the future, or the "next Alberta", and include expanded oil sands production, clean burning coal technologies, coal-bed methane (CBM) and the development of renewable and alternative energy sources (wind, hydro, biofuels). There is also "another Alberta" waiting to be developed through technologies, such as CO_2 injection, that improve the recovery of existing conventional resources remaining in the ground. Diversification of energy sources will be largely market driven and, therefore, Alberta's energy resources must remain competitive in the broader global energy market to ensure their development. Maintaining resource access is essential for future energy development. The Ministry works within the province's framework of sustainable development to maintain or enhance resource exploration and development opportunities in a responsible manner that protects the environment and public safety.

Highlights

Alberta Energy led a cross-government, multistakeholder consultation of coalbed methane to determine if there were areas where existing rules and regulations could be improved to ensure resource development was balanced with environmental protection. This Multistakeholder Advisory Committee (MAC) made 44 recommendations for coalbed methane development focusing on four main areas: protecting water resources; enhancing information and knowledge; minimizing surface impacts; and communication and consultation. Progress has been made on 36 of the 44 recommendations to date, including all 9 early action items.

Significant enhancements were made to the provincial groundwater monitoring system. The Alberta Geological Survey's study on the water chemistry of coalbed methane reservoirs further strengthens the scientific information on Alberta's groundwater. In addition, the Gas Sampling Protocol and the Baseline Water-Well Testing for Coalbed Methane Operations standard was developed to help ensure groundwater resources are protected through testing prior to coalbed methane development activities.

Working together with the Alberta Energy Research Institute (AERI), the department commissioned two CO_2 related studies during the year. One study is to forecast the demand for CO_2 in the province from Enhanced Oil Recovery projects, and the other study will focus on current and future CO_2 emission sources, their volumes and locations. A Request for Proposal (RFP) for the second phase's terms of reference for EOR CO_2 Demand Study has been completed. The RFP will be issued by AERI in 2007-08. Preliminary discussions were conducted with Alberta Research Council and Alberta Energy Research Institute on the terms of reference for the CO_2 Supply Cost Curve Study and participated at the consultant selection committee on

PTAC's study entitled "Design and Cost Estimate for the Collection of CO_2 Emissions in the Fort Saskatchewan Area for the Use in Enhanced Hydrocarbon Recovery".

A Multistakeholder Committee (MSC), comprised of representatives from local, provincial and federal governments, First Nations, Métis, industry and environmental groups, was selected to hold public consultations on oil sands development. A Panel composed of a subgroup of the MSC, travelled the province to listen to and receive submissions from the public. Meetings were held during September and October 2006 throughout the province. A summit meeting followed where leaders from major stakeholder sectors met and provided input to the development of an oil sands long-term vision and guiding principles. An interim Report for Phase I of the consultation process was delivered to the Ministers of Energy, Environment and SRD on December 1, 2006, and to the Premier and all government MLAs in January.

Phase II of Oil Sands Consultations commenced in January 2007 and consisted of public meetings, a Community Summit in Fort McMurray and a Provincial Summit in Red Deer. Public meetings took place in March and more are scheduled for April 2007 in the same communities as Phase I. The MSC/Panel is looking for feedback on its "Proposed Options for Strategies and Actions" paper which is posted on the Government website. Additional consultations with First Nation and Metis groups are also underway.

The Energy Innovation Fund is part of an overall energy strategy to ensure a portion of energy revenue is channelled back into activities that support energy development and efficiency as well as environmental sustainability. The Innovative Energy Technology Program (IETP) is a 5 year, $200 million royalty credit program that was established to encourage these activities. Successful applicants in the program are provided with a royalty adjustment of up to 30 per cent of approved project costs. Industry must provide the remaining 70 per cent. To date a total of 16 projects have been approved for a total of $63 million. Some of the successful applicants are; Canadian Natural Resources Limited, EnCana Oil and Gas Partnership, Petrol-Canada, Husky Energy and Suncor Energy.

Even though the energy industry in total accounts for only 7.1 per cent of total provincial water allocations, and only uses one-third of it's allocated volumes, the department is heavily involved in the Water for Life Strategy, which addresses all aspects of fresh (i.e. non-saline) water use in Alberta and is committed to the implementation of this strategy. The department continued its representation on the Water Policy Gaps and Issues project team and provided input to the Alberta Water Council's project teams for Water Conservation Sector Planning, Shared Governance and Wetlands. Through participation on the interdepartmental wetland policy advisory committee, the department provided input to the development of materials by the Alberta Water Council's Wetland Policy Project Team for upcoming public consultations prior to further development of a wetland policy for Alberta. The Minister of Environment has asked the Alberta Water Council to lead the Water for Life renewal process. The department is also represented on this Council.

During the year the DOE continued to build and sustain positive working relationships with First Nations, Metis, provincial departments and organizations and worked on a land claims for the Bigstone Cree Nation, the Loon River First Nation and the Fort McKay First Nation. The Ministry of Energy also continued to work in collaboration with the newly structured Employment Immigration and Industry (EII) and IIAR to coordinate and facilitate a number of First Nations Training to Employment initiatives.

Performance Measure:

Energy Resource Portfolio Diversification

Target:

Additional production.

Results:

Energy Resource Portfolio Diversification - production from new sources or extended production from existing sources.

Year Ending December 31

	Actual 2004	Actual 2005	Last Actual 2006
Oil Production (thousands of bbl/d)			
Extended Oil Recovery[1]	163[2]	159[2]	156
Oil Sands[3]	973	966	1,126
Natural Gas Production (Tcf/yr)			
Coalbed methane[4]	0.02	0.05	0.04
Electricity Generating Capacity (MW)			
Natural Gas (cogeneration)	3,113[5]	3,127[5]	3,306
Oils (crude, fuel, bitumen)	8	13	13
Renewables (hydro, wind, biomass)	1,328	1,361	1,470

Sources: Alberta Energy, Alberta Energy and Utilities Board

Notes: This measure reflects the need for increasing diversification of Alberta's energy resource portfolio to meet future energy demands.

1) Includes all Ministry programs aimed at extending the productive life of conventional oil fields.

2) Extended Oil Recovery data for 2004 and 2005 has been re-stated, following a review in the fall in 2006.

3) Oil sands production includes synthetic crude oil and marketable bitumen.

4) Coalbed methane was listed as natural gas in coal in the 2006-09 Business Plan. CBM reported here is an estimate of natural gas directly from coal seams and does not inclued commingled natural gas from other sources.

5) Restated due to reclassification of fuel type for a single facility.

Discussion of Results

This measure tracks a portfolio of new and extended sources of energy which reflect an increasing diversification of energy resource development in Alberta. The department influences development in order to meet future energy demands through royalty features that encourage improved resource recovery, the development of new energy sources, or the application of new technologies.

In 2006, incremental Extended Oil Recovery (ExOR) represented about 29 per cent of Alberta's total conventional crude oil production of 543 thousand barrels per day (bbl/d). Programs that encourage ExOR benefit Albertans through resource royalty, employment and business opportunities, and taxes at the local, provincial and federal levels.

There was a net increase of about 160 thousand bbl/d in marketable oil sands production between 2005 and 2006. Annual marketable oil sands production has rebounded, and continued its upward trend, following the temporary decline that took place in 2005 due to a fire at an oil sands facility. In 2006, marketable oil sands production was the highest ever, at 1.13 thousand bbl/d. Record marketable oil sands production in 2006 was driven by high oil sands investment.

The CBM production number quoted in the performance measure represents an estimate of natural gas from only the coal seam, rather than total production from all CBM wells, which includes commingled gas. As a result of new data becoming available to the EUB in October 2006, which enhanced the accuracy of the non-commingled CBM estimate, production numbers from 2005 and 2006 are not directly comparable.

In 2006, Alberta's electricity generation portfolio saw the addition of 179 megawatts (MW) of gas cogeneration and 109 MW of renewable energy sources. The 179 MW of new gas cogeneration energy was primarily accounted for by the fact that it is the economically preferred option for industrial purposes. The new 109 MW of renewable energy all came from an increase in wind power.

Methodology

The performance measure highlights production from new and extended sources of energy.

Biomass, in electricity production refers to biological material which can be used as fuel or for industrial production. Most commonly biomass refers to plant matter (such as wood waste), but also includes plant or animal matter used for production of fibers, chemicals or heat. Biomass may also include biodegradable wastes that can be burnt as fuel.

ExOR data is calculated by Alberta Energy. The total ExOR production figure, reported in the measure, is the sum of incremental production from specific department programs aimed at extended recovery. During 2006, three programs were added to the list of programs making up the Extended Oil Recovery. Two of these programs were new; another was an existing program, which was reassessed, and included in the list. Previously, four programs were included in the calculation of total Extended Oil Recovery. All historical ExOR results in the above table have been restated to reflect additional programs.

With the addition of new programs, total incremental production was revised upward. In the 2005-06 Annual Report, total ExOR for 2004 and 2005 was reported at 143 thousand bbl/d and 139 thousand bbl/d, respectively. In the current Annual Report, 2004 and 2005 results have been revised to 163 thousand bbl/d and 159 thousand bbl/d, respectively. If more programs are introduced to improve ExOR in the future, they will be added to the calculation of total ExOR production.

Oil sands and coalbed methane data is obtained from the Alberta Energy and Utilities Board.

Information regarding new electricity generation facilities connected to the Alberta Interconnected Electric System is available from the Alberta Energy and Utilities Board and the Alberta Electric System Operator. The installed capacity data reported in this measure is subject to amendment based on re-ratings by facility operators. As of 2006, Alberta's total installed generating capacity was 11,762 Megawatts (MW).

GOAL 4:
Use an integrated approach to energy development to expand value-added energy development in Alberta.

The Ministry encourages industrial integration and increased value-added resource upgrading in Alberta. Extracting the most value from our energy resources by moving up the value chain from raw products to processed consumer end-products secures additional benefits for Albertans. The oil sands provide the potential for new refining capacity, and for growing a petrochemical industry based on petroleum. These new opportunities when combined with Alberta's natural gas liquid (NGL) based petrochemical industry provide a significant attraction for more value-added development in Alberta.

Highlights

Value-added upgrading of energy resources in Alberta is a high priority of the government. Government has a role to play in creating an attractive investment and policy environment, assisting technology development, and in bringing together the various parties who would undertake the investments that will be required to support a value-added strategy.

Work continued during the year to develop a policy to promote the availability of increased ethane feedstock to the petrochemical industry and expand opportunities for value-added upgrading. The Incremental Ethane Extraction Policy (IEEP) was announced in September 2006. An Implementation Committee was formed, consisting of government and industry stakeholders. This Committee met during the fall, developed and released a draft discussion paper representing the views of the majority of the committee stakeholders. This was circulated to a wider group of stakeholders and draft guidelines were developed by the stakeholder group to implement IEEP. Regulations are being developed and will be presented in the first quarter of 2007-08.

The Hydrocarbon Upgrading Task Force (HUTF) continued its work during the year to successfully integrate upgrading and refining in the petrochemical industry. The success of this has the potential to add billions of dollars to Alberta's and Canada's economy. In September 2006, a HUFT workshop was held to update the more than one hundred government and industry members and to identify the next steps necessary to achieve the HUTF vision. A follow-up meeting was held in March 2007 to update members on several activities and present a revised action plan. An update was also provided on Phase 2 of the Next Generation Clean Carbon/Coal and Hydrocarbon Upgrading Demonstration Program. DOE also continued to meet with industry stakeholders, organizations, and government departments to discuss growth opportunities and challenges.

Core Business Three: Energy for Albertans

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

Goal 5:

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

Alberta restructured its electric industry to provide a fair, efficient, and openly competitive marketplace for electricity that encourages the development of new power generation and offers all consumers choice and reliability of supply. Retail natural gas has been open to choice since 1996 and the Ministry continues to strengthen its provisions for retail customer choice, having established similar rules for the natural gas and electricity retail markets. Through the *Natural Gas Price Protection Act*, the Alberta government also returns royalty dollars to consumers to provide relief from high natural gas prices.

Highlights

The DOE continued to work with the MLA Advisory Committee on Transmission issues. During 2006, two new members were appointed to the MLA Advisory Committee on Transmission: Doug Griffiths, MLA Battle River-Wainwright and George Groeneveld, MLA Highwood. This MLA Committee completed their mandate in October 2006. Final drafting of the *Transmission Regulation* has been completed and will go to Cabinet during the first Quarter 2007-08.

Because of Alberta's continued growth, upgrading the Calgary to Edmonton transmission line by 2009 is essential to ensure Albertans continue to receive sufficient and reliable power. A new 500 kV transmission line between the two cities has been proposed. The DOE is actively working with the implementing agencies to find ways to improve regulatory processes for landowners affected by the transmission line. Landowner compensation is being changed to reflect market based rates.

As Alberta's electricity market matures, it is appropriate to re-examine the current market structure and develop strategies on how to increase efficiency, competitiveness, and predictability in wholesale market operation. During the past year, a Committee was established to examine Section 6 of the *Electric Utilities Act* (EUA) and initiate consultation. A two-phase approach was developed, with a Phase I Progress Report submitted to the Minister of Energy on March 28, 2007 on behalf of the EUA Section 6 Committee. The progress report suggested 10 principles intended to further Section 6 of the EUA. Phase II commences spring 2007.

The new *Regulated Rate Option (RRO) Regulation* that came into effect July 1, 2006, will be reviewed over the winter of 2007-08, and again over the winter of 2009-10, to confirm that the scheduled changes remain appropriate. No expiry date is anticipated and a RRO will remain available to all residential and farm consumers who do not choose to sign a contract.

An assessment of restructured electricity markets, prepared on behalf of the Alliance for Retail Choice (ARC), has determined that Alberta continues to make good progress and is ranked # 2 in North America out of 25 states and provinces scored.

The Natural Gas Rebate Program paid rebates from October through to the end of March this year. This Program is due to expire in March 2009.

Performance Measure:

New Power Generation

Target:

Margin between installed capacity and peak demand to be 2,050 MW in 2006.

Results:

			Year Ending December 31
	Actual 2004	**Actual 2005**	**Last Actual 2006**
New Power Generation –			
Margin (MW) between installed capacity and peak demand.	2,504	2,516*	2,101
Based on following information			
Installed Generating Capacity** (MW):	11,740	12,096*	11,762
Peak Demand*** (MW):	9,236	9,580	9,661

Sources: Alberta Energy and Utilities Board, Alberta Electric System Operator (AESO) and Alberta DOE.

Notes: through industry investment, Alberta's net supply (margin) of electricity will be sufficient to ensure reliable power supply.

* The 2005 numbers have been restated to reflect the change in official decommissioning date of the EPCOR Clover Bar Gas plant; the date was changed from October 1, 2005 to December 31, 2005. The installed generating capacity number for 2005 was increased as a result, which also lead to change in the margin for 2005.

** The sum of the maximum continuous operating ratings of all electricity generation facilities connected to the Alberta interconnected electric system, excluding the capacity of inter-ties with British Columbia and Saskatchewan.

*** Peak Demand is the highest recorded system demand in a year as recorded by the Alberta Electric System Operator.

Discussion of Results

Installed generating capacity for 2006 was 11,762 Megawatts (MW), which is a decrease of 335 MW from 2005. Peak demand in 2006 was 9,661 MW, which was an increase of 81 MW when compared to 2005. The margin in 2006 was 2,101 MW, a decrease of 415 MW when compared to the 2005 margin.

The decrease in installed generating capacity in 2006 was associated with decommissioning of the EPCOR Clover Bar gas plant (installed capacity of 628 MW). However, this was partially offset by increases in gas (cogeneration) for 179 MW and wind for 109 MW. From 2005 to 2006, there was no change in coal, hydro, biomass and fuel oil capacity. In 2006, coal and natural gas accounted for about 87 per cent of total installed generation capacity.

Methodology

This measure is the difference between installed generating capacity and peak demand for electricity. Information about new electrical generation facilities connected to the Alberta Interconnected Electric System (AIES) is made available to the department and the Energy and Utilities Board (EUB) from the Alberta Electric System Operator (AESO). 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 AESO. The installed capacity data reported is subject to adjustments based on re-ratings by facility operators. 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 AESO.

Performance Measure:

Electricity Restructuring

Target:

Alberta will rank among the top 10 for restructuring in North America.

Results:

Year Ending December 31

	Actual 2001	Actual 2002	Last Actual 2003
Electricity Restructuring - CAEM – RED Index			
Ranking of Alberta's restructuring in North America.	1	5	4

Source: Center 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. In 2005, the Center for the Advancement of Energy Markets did not complete the necessary research to update the Index. The RED Index is no longer being published by CAEM. This measure will be removed in the 2007-10 Ministry of Energy Business Plan, and potential replacement measures will be considered.

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 support retail market customer choice.

Performance Measure:

Annual Residential Natural Gas Price

Target:

Average annual residential natural gas price for Alberta should not exceed the annual average national residential gas price.

Results:

			Year Ending December 31
	Actual 2004	Actual 2005	Last Actual 2006
Annual Residential Natural Gas Price (ARGP)			
Difference between the annual average price Albertans pay for natural gas and the price paid by other Canadian jurisdictions – National Residential Natural Gas Price NRGP ($/GJ). Does not include Alberta's natural gas rebates.	-3.13*	-2.44*	-4.14

Source: Statistics Canada.

Note: This measure does not include Alberta's natural gas rebates.

* The 2004 and 2005 numbers have been restated to reflect a new methodology.

Discussion of Results

This measure compares the price Albertans pay for natural gas, excluding rebates, with other Canadian jurisdictions. To remain competitive, Alberta's average annual residential natural gas price (ARGP) should not exceed the Canadian average annual residential natural gas price (NRGP). This Canadian average does not include Alberta data. In 2006, the ARGP was $4.14 per gigajoule (GJ) lower than the NRGP.

North American natural gas prices fell almost 60 percent in 2006, touching four-year lows in October, influenced by falling crude oil prices, milder-than-normal winter weather, record-high natural gas storage levels, and a lack of tropical weather in the United States Gulf of Mexico.

In Alberta, the prices that consumers pay are adjusted on a monthly basis, in contrast to the rest of Canada, where prices are adjusted less frequently. In periods of falling prices, the benefits of these lower prices accrue to Alberta consumers faster than consumers in other Canadian jurisdictions.

Methodology

The ARGP is the average of the monthly price paid by Alberta residential consumers as reported by Statistics Canada. The NRGP is the average of the monthly price paid by Canadian residential consumers (excluding Alberta) as reported by Statistics Canada. Each monthly price is weighted by the monthly consumption level of Alberta and Canadian residential consumers, respectively.

The performance measure result is calculated as the difference between the ARGP and NRGP. In past annual reports this measure was calculated based on the prices paid by residential consumers in selected major Canadian cities. To strengthen the measure, the methodology is now based on data provided by Statistics Canada.

Core Business 4: Regulation of Energy Development by the Alberta Energy and Utilities Board

The Minister of Energy and the Government of Alberta, through legislation, ensure that the Alberta Energy and Utilities Board (EUB/Board) is an independent and quasi-judicial regulator. In this capacity, the EUB is responsible for regulating Alberta's energy and utilities sectors. The EUB ensures 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.

Goal 6:

A regulatory framework for the energy and utilities sectors that is fair, responsible, and in the public interest.

Introduction

Each year the EUB processes thousands of applications. The EUB ensures public safety, environmental protection, and resource conservation through regulatory requirements, monitoring, and surveillance and enforcement. Field staff enforces standards and conditions set out in licences, approvals, and EUB regulations and requirements.

In addition, 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 allow the EUB and its stakeholders to make informed decisions about energy and utility matters.

In the utilities sector, the EUB ensures that regulated electricity and natural gas utilities provide consumers with reliable service at just and reasonable prices, while also providing the owners of the regulated utilities with a reasonable opportunity of earning a fair return on their investment and recovering their costs.

The EUB also assesses the need for new facilities, such as electric transmission lines and substations. If their need is established, their construction and operation must be approved.

The EUB's Alberta Geological Survey (AGS) group provides geoscience information and expertise needed by government, industry, and the public for Alberta's earth resources stewardship and sustainable development, while 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.

In 2006, the EUB created the Public Safety Group as part of the newly expanded Public Safety/Field Surveillance Branch. The EUB knows that to fulfill its vision of inspiring public confidence, public safety must continue to be the number-one priority, and this new group takes that commitment to the next level.

The Public Safety Group has three main areas of focus: community and aboriginal relations, continuous improvement, and emergency planning and assessment.

Highlights

The EUB issued *ST98-2007: Alberta's Reserves 2006 and Supply/Demand Outlook 2007-2016.* Current estimates indicate that about 173.2 billion barrels (bbl) of bitumen are recoverable with today's technology and economic conditions. Annual production of bitumen and conventional crude oil is just a sliver of the existing bitumen reserves. In 2006, the production of crude bitumen was about 1.25 million bbl/d.

Alberta's remaining established reserves of conventional crude oil decreased by about 2 per cent, and were 1.6 billion barrels in 2006. In 2006, total conventional crude oil production declined to 543 thousand bbl/d, a reduction of 5 per cent from 2005.

Total remaining established reserves of marketable natural gas decreased less that 1 per cent to 40.5 trillion cubic feet (Tcf) in 2006. Gas production has stabilized after reaching its peak in 2001. It now takes an increasing number of new gas wells each year to offset production declines in existing wells.

As a result of its rigorous site inspections, the EUB suspended 177 energy facilities and operations in calendar year 2006 because of noncompliance situations, compared to 91 such suspensions in calendar year 2005. The EUB has suspended 624 energy facilities and operations in Alberta in the last five years. The oil and gas industry's compliance rate with major EUB regulations was just over 97 per cent in 2006.

The pipeline failure rate in Alberta has fallen steadily since 2000. The number of pipeline failures per 1,000 km of pipeline was 2.2 in calendar year 2006, compared to 2.3 in calendar year 2005, 2.4 in calendar year 2004, and 3.3 in year 2000. In calendar year 2006, the public registered 880 complaints to the EUB about oil and gas activities, down 5 per cent from calendar year 2005. Sulphur emissions have fallen by 28 per cent since 2000, from 78,000 to 56,000 tonnes of sulphur emissions in calendar year 2006.

ST60B-2007: Upstream Petroleum Industry Flaring and Venting Report revealed that solution gas flaring in Alberta decreased by 72 per cent since 1996 and solution gas venting decreased by 56 per cent since 2000. Overall, 96 per cent of all solution gas produced in Alberta was conserved for use or sale in calendar year 2006, rather than being flared and vented.

In spite of record activity, the average turnaround time for routine facility applications, which includes wells, pipelines, batteries and gas plants, was 1.2 working days, compared to 1.7 working days in the previous year, and exceeding the target turnaround time of 3 to 3.5 working days.

The EUB's Appropriate Dispute Resolution (ADR) program provides an option for applicants and interveners to settle difficult disputes prior to going to a hearing. As a result of ADR, 19 hearings were avoided in 2006.

The Public Safety and Sour Gas Initiative remained the primary focus of the EUB. In fiscal 2006, the EUB continued to work 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 fiscal year, the EUB completed all 87 recommendations.

Regulatory framework

Also in 2006, the EUB continued to re-examine its regulatory framework by engaging stakeholders in extensive surveys, workshops, and meetings in order to collect, analyze, and plan an integrated approach to improve the EUB regulatory system.

Stakeholders and senior EUB management agreed that more emphasis should be placed on the organization, review, and maintenance of requirements. This includes reduced volume and periodic updates, in addition to straightforward, brief, consistent, and user-friendly regulatory requirements.

With regard to the content of regulatory requirements, the EUB has acted on many stakeholder concerns, such as implementing well-spacing and commingling initiatives. In addition, the EUB has implemented delivery and service improvements, such as improvements to its website and the publication of a staff contact brochure.

Land Challenge pilots launched

The EUB piloted the Land Challenge initiative, a new approach designed to address issues related to the locating of energy developments.

From November 2006 to February 2007, pilot projects that focused on the orderly development of unconventional gas were undertaken in two townships in the Innisfail and Carstairs areas. The townships were selected because of their geological potential for CBM and because industry anticipates that it will submit applications to develop multiwell programs in these areas.

The Land Challenge aims to foster a better exchange of information between parties, initiate coordinated development among companies, address stakeholder concerns and potential mitigating strategies to minimize the potential effects of projects, and enhance the efficiency and effectiveness of the EUB's application process.

Commingling regulations revised

The EUB announced changes to the regulation of commingled production in Alberta in 2006.

Commingling—the unsegregated production of oil or gas from multiple pools in one wellbore—is used to recover low-productivity resources in a wide range of formations and depths throughout Alberta.

The new regulations outline a new approach to managing commingled production, allowing for more streamlined yet rigorous commingling procedures that address the issues of regulatory surveillance, groundwater protection, enhanced data collection, and timely reporting of new resources.

The EUB received input on commingling from individual Albertans, organizations, government agencies, and industry in May and June 2006, which it considered in the revised requirements.

Strengthened shallow fracturing requirements

The EUB released *Directive 027: Shallow Fracturing Operations* to address concerns about groundwater protection related to shallow gas development, which includes CBM development.

The directive includes a prohibition on fracturing within a 200 metre (m) radius of water wells where the depth of these wells is within 25 m of the proposed fracture depth. It also requires companies to undertake a comprehensive program assessment and design for fracturing operations proposed above a depth of 200 m.

New water-well testing guidelines

In 2006, the EUB assumed responsibility for ensuring that industry complies with new Alberta Environment (AENV) regulations on baseline water well testing for CBM wells perforated above the base of the groundwater. To that end, the EUB issued *Directive 035: Baseline Water Well Testing Requirements for Coalbed Methane Wells Completed Above the Base of Groundwater Protection*, which requires that CBM wells licensed on or after May 1, 2006, meet the new AENV standard.

Directive 035 states that prior to filing new well licence applications for CBM wells to be completed above the base of groundwater protection, applicants must offer to test any active water and observation wells within a 600 m radius of the proposed CBM well. If no such wells are identified within that radius, the company must offer to test the nearest water or observation wells up to an 800 m radius.

Hearings

Between July and November 2006, the EUB held three hearings on four major oil sands applications: Suncor's Voyageur Upgrader and North Steepbank Mine projects, the Albian Sands Muskeg River Mine expansion, and Imperial Oil Resources Kearl Mine project.

In its decisions approving these oil sands projects, the EUB placed strict conditions on how the companies may proceed with their respective developments.

The EUB also asked the governments of Alberta and Canada to give priority attention to the challenges related to cumulative environmental impacts. As well, the EUB asked the Alberta government to address the acute and growing infrastructure issues faced by both the Regional Municipality of Wood Buffalo and the Northern Lights Health Region.

Another significant set of hearings was related to the proposed 500 kilovolt (kV) strengthening of the Edmonton to Calgary transmission system to alleviate system constraints and improve efficiency.

In April 2005, the EUB had issued *Decision 2005-031*, which approved the need to strengthen that system and concluded that the Alberta Electric System Operator's (AESO's) preferred 500 kV concept utilizing a corridor west of Highway 2 was the appropriate way to address the need in terms of system planning and performance, routing considerations, and economics. Early in 2006, certain landowners sought the appeal of *Decision 2005-031* through the EUB's Review and Variance process and the Alberta Court of Appeal. The appeal is set to be heard in April 2007.

After considering new evidence presented at a review hearing, the EUB issued *Decision 2006-114* on December 6, 2006, which confirmed the EUB's finding in *Decision 2005-031* that the West Corridor is an appropriate location to site the transmission line.

On September 12, 2006, AltaLink Management Ltd. applied to the EUB and AENV for the transmission line and associated facilities, and EPCOR Transmission Inc. applied to the EUB for alterations to the Genesee substation. The original schedule included a hearing slated to begin on December 11, 2006. After numerous requests from landowners along the proposed route, the EUB delayed the hearing of the applications until March 12, 2007, in Red Deer.

Cost policies and prehearing processes

EUB *Bulletin 2005-31: Revisions to EUB Cost Policies and Prehearing Processes for Utility Matters*, came into effect on January 1, 2006, and applies to all utility applications filed on or after that date. *Directive 031B: Utility Cost Claims* came into effect on March 31, 2006. Incorporating feedback gathered from stakeholders in 2005, *Bulletin 2005-31* and *Directive 031B* featured a number of measures to improve cost policies and prehearing processes for stakeholders, including

- a requirement that utility applicants must file statements of intention to participate in a proceeding, along with a detailed budget;
- advance determinations with respect to the application of the "business interest rule" to provide notice to certain parties that their intervention costs will not be borne by ratepayers when their participation in EUB hearings represents their own commercial interests;
- the appointment of an EUB cost officer;
- implementation of ranked issues lists to provide parties with notice of the EUB's expectations, as applicants are held responsible for any costs attributable to delays or inefficiencies of their making, to ensure equitable treatment of all hearing participants;
- a requirement that utilities annually provide a forecast of applications they intend to file over a 24-month period to assist in the timely scheduling of applications; and
- the introduction of prenotice application assessments by EUB staff and technical meetings for unique or complex applications to help ensure that they are more complete.

Tariff Billing Code

Electricity and gas customers are entitled to timely and accurate billing. The exchange of information between distributor and retailer is vital now that different companies may perform each service. Through a consultative process with industry participants, EUB Utilities staff facilitated the development of retail billing standards in the province by providing oversight and coordination of the work associated with the design, development, and implementation of the *Tariff Billing Code*, which came into effect on July 1, 2006.

The *Tariff Billing Code* sets out the business processes, transactions, and compliance rules that support the transfer of billing information from distributor to retailer in a standardized manner with respect to content and format. It also defines the roles, responsibilities, and obligations of the market participants with respect to the management of information.

AGS completes water study

AGS completed a major study in 2006 entitled *Water Chemistry of Coalbed Methane Reservoirs*, which examined the natural chemistry of water from both domestic water wells and CBM wells in central Alberta.

The AGS study collected water samples from a 38,300 square kilometre area of central Alberta. Age dating, as well as biological and chemical analyses of water samples in the study area, revealed that CBM wells and domestic water wells have separate and distinct fingerprints.

The study also indicates that bacteria that live in water wells could be generating naturally occurring methane in varying amounts, depending on the location and condition of the well. These bacteria, which are found in very small numbers in aquifers, flourish in water wells because the pumping action supplies them with nutrients.

This study is an example of how ongoing work is being directed at better understanding Alberta's resources so that the EUB and others can make responsible and informed decisions to ensure resource conservation and mitigate environmental impacts of development.

EUB recognized for Synergy Alberta

In August 2006, the EUB won the Institute of Public Administration of Canada (IPAC) Award for Innovative Management, an honour that acknowledges innovative managerial initiatives in Canadian public administration.

IPAC recognized the EUB for its role in developing Synergy Alberta, a concept arising out of the need for a centralized resource for synergy groups in the province. The EUB was competing against 71 entries from municipal and provincial government agencies and departments from across Canada.

Performance Measure:

Application Resolution

Target:

95 per cent of oil and gas facility and resource applications filed with objections resolved without a hearing.

Results:

	Year Ending March 31	
	Actual 2006	**Last Actual 2007**
Percentage of oil and gas facility and resource applications filed with objections resolved without a hearing	96.5%	92.7%

Source: Integrated Application Registry (IAR)

Discussion of Results

This measure quantifies the EUB's ability to facilitate and resolve landowner, public and industry objections to new energy and resource development applications through mechanisms other than the hearing process. Whether an application goes to a hearing or not, eventually an application has a status of dispositioned or closed. A dispositioned or closed status can be obtained through field facilitation, direct negotiation between applicant and objector, and formal Appropriate Dispute Resolution (ADR) with an independent mediator, all of which may result in a withdrawal of the application by the applicant, withdrawal of the objection by the objector, resolution being reached, or a closure of the application by the EUB, rather than proceeding to a formal hearing before the Board. EUB staff attempt to facilitate these options with the various parties during the processing of a particular application.

There were 44,461 energy and resource applications filed during the fiscal year. Only 1,067 applications dispositioned had linked objections. Of the 1,067 applications, 989, or 92.7 per cent were resolved without a hearing, with the remaining 78 applications going to a hearing. There were 10 hearings held to consider these 78 applications. More than one application may be considered at the same hearing, as one hearing may be held to consider a couple of wells, related pipelines and surface facilities.

The target of 95 per cent was difficult for the EUB to meet because of the increase in the number of applications with linked objections that went to a hearing (from 36 in 2006, compared to 78 in 2007). The Board encouraged more bundling of applications to be considered at individual hearings to allow for review of area development plans. For example, one hearing involved 29 separate applications for various wells and pipelines in south-eastern Alberta. As the EUB moves toward project-type considerations, it can be expected to have hearings with multiple applications for wells and surface facilities. While efficient for both the EUB and participants, these additional applications will make meeting the 95 per cent performance measure target impractical. The target is currently under review and will be assessed to better reflect new business practises.

Methodology

For the purposes of this measure, applications filed with objections means applications dispositioned or closed with linked objections during the fiscal year. Information is taken from the Integrated Application Registry (IAR) system to identify the number of applications dispositioned or closed with linked objections that went to a hearing versus applications dispositioned or closed with linked objections that did not go to a hearing.

Performance Measure:

Protection of Public Safety

Target:

Less than 3.5 per cent of High Risk field inspections of regulatory noncompliance.

Results:

	Year Ending December 31	
	Actual 2005	**Last Actual 2006**
Percentage of High Risk field inspections of regulatory noncompliance	1.9%*	2.7%

Source: ST 99-2007: Provincial Surveillance and Compliance Summary 2006, January-December 2006

*** restated to include drilling waster, well sites, and waste management inspections.**

Discussion of Results

In calendar year 2006, there were 14,918 initial inspections. Of these inspections, 409 found High Risk noncompliances, 152 relating to pipelines.

Effective January 1, 2006, *Directive 19* replaced *Informational Letter 99-4*. *Directive 19* introduced a new enforcement protocol and, as expected, there was an increase in overall High Risk noncompliance from 2005. Inspection categories affected the most by *Directive 19* were pipelines, gas and well site inspections. Given the significantly increased industry activity levels, industry did not acquire complete regulatory training and awareness of the new regulatory requirements, which resulted in a knowledge gap and consequently more noncompliance instances. The number of inspections dropped from 16,773 in 2005 to 14,918 in 2006 because more time was required for EUB inspection staff to process High Risk noncompliance inspections and due to staff turnover. As a result, staff spent more time on each file with less staff available. For example, the new regulation changes hold industry more accountable in two areas, monitoring pipeline corrosion and pipeline ground disturbance. The EUB continues to work with industry to increase awareness of the EUB's expectations and of the new regulatory requirements, which may assist industry in improving its overall compliance rate.

Starting in January 2006, there was a terminology change from satisfactory and minor unsatisfactory inspections to satisfactory and Low Risk noncompliance and from major and serious unsatisfactory inspections to High Risk noncompliance. Also, starting in 2006, this measure includes field inspections for drilling waste, well sites, and waste management. The 2005 actual results have been adjusted to reflect the additional inspections.

Methodology

This indicator measures the EUB's ability to ensure industry's compliance with regulatory requirements.

The EUB Public Safety/Field Surveillance Branch inspects operations of the upstream oil and gas industry with respect to the drilling, production, and disposition of hydrocarbons and associated wastes. All inspection results are recorded as satisfactory, Low Risk noncompliant or High Risk noncompliant and are entered into the Field Surveillance Inspection System database, with the exception of inspections of waste plants. These are tracked manually because the waste plants do not have licence numbers. Inspections and investigations are counted for in the year that the event was initialized. This information is then reported in the annual *ST99-2007: EUB Provincial Surveillance and Compliance Summary*, which reports on a calendar-year basis. Field inspections for this measure are initial inspections for drilling, gas facility, oil facility, pipeline, well service, drilling waste, well sites, and waste management operations completed in the calendar year.

A High Risk noncompliance is 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 or is a demonstration of disregard for the regulation(s)/requirements(s).

Performance Measure:

Service Standards of Utility Companies

Target:

90 per cent of utility companies' performance measure results meet the EUB target for service standards to utility customers.

Results:

	Year Ending December 31 **Last Actual 2006**
Percentage of utility companies' performance measure results that meet the EUB target for service standards to utility customers	90 %

Source: Utility companies service quality and reliability plans

Discussion of Results

This measure monitors a utility's performance with respect to services that have a substantial impact on customers, such as customer service phone answering, billing, customer satisfaction, and responses to complaints. For wire owners, 81 per cent of the reporting metrics were met. For regulated rate providers, 93 per cent of the reporting metrics were met. Because the regulated rate providers have more reporting metrics, the percentage is weighted more towards the regulated rate providers.

The standards currently in place were developed in consultation with the regulated rate providers and wire owners and reflect the best practices of the reporting entities, as well as the EUB's expectations of appropriate customer service. Customers are concerned about the accuracy and timeliness of their bills. All of these organizations are motivated to keep their customers satisfied with respect to billing and dealings with the organization's personnel, otherwise customers may not pay their bills. It is in the best interest of the organizations to keep their customers content by presenting accurate bills in a timely manner and responding to and resolving concerns as quickly as possible.

Methodology

Pursuant to EUB *Directive 002*, wire owners (ENMAX Power, EPCOR Distribution, ATCO Electric and Fortis Alberta), and pursuant to *Directive 003*, regulated rate providers (ENMAX Energy, EPCOR Energy, Direct Energy and Alta Gas) are required to submit quarterly and annual reports on their performance related to the service measures and standards set out in the directives. *Directive 002* was updated and approved by the Board in December 2006 and became effective January 1, 2007. For the 2007 reporting year, the EUB has made the following changes to *Directive 002*: The standard regarding meter reading performance has been temporarily suspended, the standard regarding work completion performance has been temporarily suspended, and the requirement to conduct an overall satisfaction survey has been deleted. The new standards in *Directive 002* and the standards in *Directive 003* were used by the EUB to monitor utility companies' performance for 2006.

Regulated rate service providers reported on six reporting metrics per quarter and two per year, while wire owners reported on three reporting metrics per quarter and one per year. The percentage is calculated on the total incidents that the reporting wire owners and regulated rate providers achieve the metric targets divided by the total reporting metrics.

The performance metrics used for *Directive 002* include call answer performance, caller abandon rate, and complaint response time and transaction survey. The transaction survey measures the percentage of customer satisfaction from services provided following customer-initiated contact with wire owners. The performance metrics used for *Directive 003* include the same as *Directive 002*, as well as, billing performance related to bills found inaccurate, bills failed to render, inaccurate bills corrected, and customer satisfaction with the regulated service providers.

Organizational Capacity and Effectiveness

Successful delivery of the Ministry's core businesses depends on building and maintaining a strong organization with the knowledge and capacity to respond to changing future business and economic circumstances. A separate Organizational Capacity goal, which supports all of the Ministry's core businesses, has been established to address this requirement.

Goal 7:
Build an organizational environment for success.

Organizational Capacity and Effectiveness addresses the challenge and importance of maintaining and building organizational capacity to respond to changing business needs. Organizational capacity means having the right resources, people, processes and tools to deliver the Ministry's core businesses.

Highlights

The results of the 2006 Alberta Corporate Employee Survey demonstrated that the DOE continues to be a preferred government department to work for. Overall, DOE employees have a satisfaction level of 85 per cent, which is 19 per cent above the Government of Alberta average.

The Ministry of Energy's commitment to providing clear communication to industry and secure electronic information systems for accurate reporting continues. E-bidding, the third phase of a multi year project, was launched on July 1, 2006. E-bidding now allows companies to bid electronically on public offerings of oil sands, and petroleum and natural gas agreements.

The Ministry of Energy also continues to work on the Freehold Mineral Initiative due to be completed in December 2007. This will streamline and simplify the reporting of Freehold Mineral Tax to the department. Satisfaction with the Petroleum Registry of Alberta (PRA) continues to be high at 80 per cent level of satisfaction.

The results of the 2006 Alberta Corporate Employee Survey once again revealed that the EUB continues to develop and support its staff. Overall, EUB employees are satisfied and recognized they are valued workers.

The EUB actively builds upon strategies that improve and sustain employee satisfaction through its comprehensive "People Strategy." This enduring, integrated approach focuses on attracting, engaging and retaining employees.

Through the collaborative effort of employees and leaders across the EUB, the People Strategy positions the organization to attract and retain the highly engaged and competent staff needed to fulfill its mission.

As part of its commitment to improving communications with Albertans, the EUB's Customer Contact Centre (CCC) provided Albertans with accurate, reputable, and neutral information about oil and gas development. The CCC has streamlined access to EUB information and resulted in more timely responses to customer queries.

Performance Measure:
Industry Satisfaction with Department Services and Electronic Information Management

Target:
Industry satisfaction 80 per cent or higher.

Results:

Year Ending December 31

	Actual 2001	Actual 2003	Last Actual 2005
Industry Satisfaction – with department services	81%	84%	84%
Industry Satisfaction – with department electronic information management	92%	94%	90%

Source: 2005 Banister Research and Consulting Inc., 2003 and 2001 Environics Research Group.

Discussion of Results

The last survey was conducted in 2005. At the time, the department received high satisfaction ratings from its industry stakeholders. A satisfaction rate of 84 per cent was achieved in 2005, unchanged from the 2003 survey results. The helpfulness and professionalism of department staff was rated even higher at 86 per cent. Results are considered accurate +/- 4.0 per cent 19 times out of 20. The department applied the Government of Alberta's framework for service excellence, focusing on courteous, competent and timely service to clients. Industry satisfaction was surveyed to ensure that department services kept pace with changing requirements in the energy sector and identified opportunities for improvements. Industry satisfaction is an indicator of staff competence, knowledge, satisfaction and service.

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. Industry satisfaction with electronic information management is surveyed to assess the department's commitment to system availability and security; timeliness; and ease of use. Results for industry satisfaction with electronic information management in 2005, the last year the survey was conducted, are considered accurate +/- 4.4 per cent 19 times out of 20. The department's 2005 result decreased by 4 per cent primarily because of lower satisfaction with the format of monthly Corporate Accounting Reporting System statements (72 per cent in 2005 vs. 84 per cent in 2003) and account set up procedures in order to access Electronic Transfer System Land Searches (65 per cent in 2005 vs. 81 per cent in 2003).

Methodology

In November 2005, Banister Research and Consulting Inc., conducted telephone interviews. For industry satisfaction with department services the focus of courteous, competent and timely service to clients was used to develop questions given to 472 randomly selected industry clients. Results are a mean average of client responses to a single question on overall satisfaction with nine business units. The number of business units surveyed was the same in 2005, as in 2003, however, Coal and Minerals was surveyed for the first time, while Rural Utilities was dropped as they were transferred out of the department. In order to gauge satisfaction with electronic information management, 397 randomly selected industry companies were asked questions about availability, security, timeliness, and ease of use of department electronic data processing systems. Results are a mean average of client responses to questions, about availability, security, timeliness, and ease of use of five department electronic data processing systems.

In 2005, the department surveyed two new areas for e-business which are Postings-Mineral Agreement Posting Process and Transfers-Transfer of Mineral Ownership Agreements. These are new electronic processes for the DOE and are related to the Tenure survey questions of 2003. The department did not survey Mineral Revenue Information System (MRIS) – AC2/AC4 in 2005 because that process was moved to the Petroleum Registry of Alberta (PRA).

Surveying for these measures is conducted every second year. The next surveys will be conducted in the fall of 2007. The results will be presented in the 2007-08 Annual Report.

Performance Measure:
Stakeholder Satisfaction

Target:
74 per cent stakeholder satisfaction with EUB information and access to it

Results:

		Year Ending March 31
	Actual 2005	**Last Actual 2006**
Stakeholder satisfaction with EUB information and access to it.	79%	68%

Source: External Stakeholder EUB Satisfaction Survey

Discussion of Results

Surveying for this measure is conducted every second year. Although this survey was scheduled to be conducted in the fall of 2007, it will not be conducted again as the EUB is currently developing a new measure to replace this one. The new measure will be focusing on availability of data and information. The stakeholder satisfaction measure will not be reported in the subsequent annual report. Results shown are from fiscal 2006 and were below the target of 74 per cent. The drop in customer satisfaction between 2005 and 2006 could have resulted from the following factors as previously mentioned in the 2005-06 Annual Report.

- The EUB redesign of the existing Web site and introduction of a new area within the Web site called the “Public Zone” meant that users had to adapt and become familiar with the changes, which affected their level of satisfaction.
- Industry activity has increased, resulting in unusually high volumes of drilling and exploration activities, which require information and data from the EUB. Customers indicated slower turnaround times in phone, mail and e-mail order completion by the EUB.
- EUB customers continue to express a desire to have more data and information available in electronic form through an “on-line store” capability over the Internet. While some EUB data are available electronically, a large collection of data is still only available in microfilm or paper form.

Steps taken to improve stakeholder satisfaction include continued enhancements to the Electronic Application System (EAS) to improve reliability and performance. The EUB is also continuing to make advances in collecting more data in electronic form, while also exploring the potential for converting microfilm and paper data to electronic form and considering developing an on-line store capability.

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 EUB contracted MPA public and government affairs to conduct the 2005 External Customer Survey. Three broad populations were sampled:

- EUB customers through the EUB master printing list, Guide 44 Licensee/Agent Code list, the Public Safety Implementation Team list, and the Rightfax/ACT subscription list maintained by EUB Information Services
- Industry members, through membership in the Alberta Land Surveyor's Association, lists from the Canadian Oil Registry, and invitations and postings circulated to members of the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC)
- An open invitation to any and all wishing to reply by a posting on the EUB Web site

An estimated 3,500 direct invitations were issued to EUB customers and industry members, with 333 responses received for this question. Questions were graded on a scale from 1 (completely satisfied) to 5 (not satisfied). Satisfaction was defined as the sum of "completely satisfied," "very satisfied," and "satisfied."

MINISTRY OF ENERGY

FINANCIAL STATEMENTS - March 31, 2007

Auditor's Report - 52

Consolidated Statement of Operations - 53

Consolidated Statement of Financial Position - 54

Consolidated Statement of Cash Flows - 55

Notes to the Consolidated Financial Statements - 56

Schedules to the Consolidated Financial Statements - 64

AUDITOR GENERAL
Alberta

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, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
May 18, 2007

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

Ministry of Energy

Consolidated Statement of Operations
For the year ended March 31, 2007
(in thousands)

	2007		2006
	Budget	Actual	Actual
Revenues: (Schedule 1)			
Non-renewable resource revenue	$ 11,354,000	$ 12,259,880	$ 14,346,661
Freehold mineral rights tax	386,000	317,172	334,079
Industry levies and licences	84,500	84,719	74,097
Other revenue	9,759	51,386	41,866
	11,834,259	12,713,157	14,796,703
Expenses - Directly Incurred (Note 2 and Schedules 2 and 3)			
Energy and utility regulation	146,052	147,718	130,467
Resource development and management	71,139	74,247	68,936
Ministry support services	1,927	1,434	1,891
	219,118	223,399	201,294
Net operating results	$ 11,615,141	$ 12,489,758	$ 14,595,409

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

Ministry of Energy

Consolidated Statement of Financial Position
As at March 31, 2007
(in thousands)

	2007	2006
Assets:		
Cash (Note 3)	$ 765,496	$ 1,085,724
Accounts receivable (Note 4)	1,832,631	1,776,750
Inventory held for resale	11,080	18,376
Prepaid expenses	1,357	1,462
Accrued pension asset (Note 8)	9,405	8,272
Tangible capital assets (Note 5)	64,960	59,026
	$ 2,684,929	$ 2,949,610
Liabilities:		
Accounts payable and accrued liabilities	$ 189,961	$ 105,784
Unearned revenue	71,535	77,202
Gas royalty deposits (Note 6)	992,316	787,595
Security deposits (Note 7)	27,000	19,178
Tenant incentives	2,521	3,247
	1,283,333	993,006
Net Assets:		
Net assets, beginning of year	1,956,604	1,237,402
Net operating results	12,489,758	14,595,409
Net transfer to General Revenue	(13,044,766)	(13,876,207)
Net assets, end of year (Note 9)	1,401,596	1,956,604
	$ 2,684,929	$ 2,949,610

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, 2007
(in thousands)

	2007	2006
Operating transactions:		
Net operating results	$ 12,489,758	$ 14,595,409
Non-cash items		
Amortization	13,877	13,690
Pension expense	6,240	5,708
Valuation adjustments	324	476
	12,510,199	14,615,283
Changes in operating non-cash working capital		
Increase in accounts receivable	(55,881)	(416,245)
Decrease in inventory	7,296	7,554
Decrease in prepaid expenses	105	245
Increase in accounts payable and accrued liabilities	83,853	18,055
Increase (decrease) in unearned revenues	(5,667)	6,267
Decrease in tenant incentives	(726)	(725)
Cash provided by operating transactions	12,539,179	14,230,434
Financing transactions:		
Increase in gas royalty deposits	204,721	137,848
Net transfer to General Revenue	(13,044,766)	(13,876,207)
Pension obligations funded	(7,373)	(6,485)
Increase in security deposits	7,822	992
Cash used by financing transactions	(12,839,596)	(13,743,852)
Capital transactions:		
Purchase of tangible capital assets	(19,811)	(15,460)
Cash used by capital transactions	(19,811)	(15,460)
Increase (decrease) in cash	(320,228)	471,122
Cash, beginning of year	1,085,724	614,602
Cash, end of year	$ 765,496	$ 1,085,724

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, 2007

(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

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.

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, 2006 and that significantly affect the consolidation have been recorded.

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 is recognized when the crown leases are sold. Rentals and fees revenue is recognized over the term of the leases.

Industry levies and assessments are recognized as revenue in the year receivable.

(In thousands)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

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. Any excess of the net accumulated actuarial gain or loss over 10 per cent 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. For the purpose of calculating the expected return, plan assets are valued at fair value.
- 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.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

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 tangible capital assets is $5.

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.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2007

(In thousands)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Net Assets

Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Note 3 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 2007 was 4.4% (2006: 4.0%).

Note 4 Accounts Receivable

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

Note 5 Tangible Capital Assets

	Land	Equipment	Computer hardware and software	2007 Total	2006 Total
Estimated Useful Life	Indefinite	3 to 10 years	3 to 20 years		
Historical Cost					
Beginning of year	$ 320	$ 29,962	$ 124,566	$ 154,848	$ 141,283
Additions	-	5,045	14,766	19,811	15,460
Disposals, including write-downs	-	-	(3,242)	(3,242)	(1,895)
	$ 320	$ 35,007	$ 136,090	$ 171,417	$ 154,848
Accumulated Amortization					
Beginning of year	$ -	$ 15,597	$ 80,225	$ 95,822	$ 84,826
Amortization expense	-	4,003	10,171	14,174	12,345
Effect of disposals	-	-	(3,539)	(3,539)	(1,349)
	$ -	$ 19,600	$ 86,857	$ 106,457	$ 95,822
Net Book Value at March 31, 2007	$ 320	$ 15,407	$ 49,233	$ 64,960	
Net Book Value at March 31, 2006	$ 320	$ 14,365	$ 44,341		$ 59,026

Equipment includes leasehold improvements, office equipment and furniture, and other equipment.

Historical cost includes work-in-progress at March 31, 2007 totaling $9,477 (2006 - $6,255) comprised of software.

Computer software assets with a net book value of $297 (Cost: $3,242; Accumulated Amortization: $2,845) with no remaining economic life were decommissioned during the year. Accordingly, a loss of $297 is included in Amortization.

(In thousands)

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 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, 2007, the EUB held $27,000 (2006: $19,178) in cash and an additional $117,271 (2006: $49,534) in letters of credit. The security, along with any interest earned, will be returned to the depositor upon meeting specified refund criteria.

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 $8,466 for the year ended March 31, 2007 (2006 - $7,593).

At December 31, 2006, the Management Employees Pension Plan reported a deficiency of $6,765 (2005 – $165,895) and the Public Service Pension Plan reported a surplus of $153,024 (2005 – $187,704 deficiency). At December 31, 2006, the Supplementary Retirement Plan for Public Service Managers had a surplus of $3,698 (2005 – $10,018).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2007, the Bargaining Unit Plan reported an actuarial surplus of $153 (2006 – $8,699 deficiency) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,148 (2006 – $8,311). The expense for these two plans is limited to the employer's annual contributions for the year.

In addition, the Board maintains its own defined benefit Senior Employees Pension Plan (SEPP) 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 date used to measure all pension plan assets and accrued benefit obligations was March 31, 2007. The effective date of the most recent actuarial funding valuation for SEPP was January 1, 2006. The effective date of the next required funding valuation for SEPP is December 31, 2008. Significant actuarial and economic assumptions used to value accrued benefit obligations and pension costs are as follows:

	2007	2006
Accrued benefits obligations		
Discount rate	5.2%	5.3%
Rate of compensation increase (weighted average)	3.5%	3.5%
Benefit costs for the year		
Discount rate	5.3%	5.8%
Expected long-term rate of return on plan assets	5.6%	6.0%
Rate of compensation increase	3.5%	3.5%

Notes to the Consolidated Financial Statements
For the year ended March 31, 2007

(In thousands)

Note 8 Employee Future Benefits (continued)

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

	2007	2006
Plan assets at fair value	$ 32,877	$ 28,681
Accrued benefit obligation	29,799	26,210
Plan surplus	3,078	2,471
Unamortized amounts	6,327	5,801
Accrued pension asset	$ 9,405	$ 8,272

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

	2007	2006
The Board's contribution	$2,707	$2,317
The Board employees' contribution	335	328
Benefit paid	1,538	1,475
Pension expense	1,574	1,540

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

	2007	2006
Equity securities	57.4 %	56.3 %
Debt securities	32.1 %	33.4 %
Other	10.5 %	10.3 %
	100.0%	100.0 %

Note 9 Net Assets

Net assets are comprised of:

	2007	2006
Department of Energy	$ 1,347,741	$ 1,907,898
Alberta Energy and Utilities Board	53,855	48,706
Total	$ 1,401,596	$ 1,956,604

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:

	2007	2006
Oil and Gas Conservation Trust	$ 1,927	$ 1,975

(In thousands)

Note 11 Commitments

Commitments to outside organizations in respect of contracts entered into before March 31, 2007 amount to $39,042 (2006 - $37,918). 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:

2008	$5,550
2009	5,526
2010	4,922
2011	3,504
2012	523
Thereafter	4,156
	$ 24,181

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, 2006 is $44,033 (2005 - $51,419). 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 and Other Liabilities

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

(a) 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.

(b) Legal Claims

At March 31, 2007 the Department is a defendant in seven legal claims (2006 – six legal claims). Six of these claims have specified amounts totaling $10,576,053 and the remaining claim has no specified amount (2006 – five with specified amounts totaling $10,575,321 and one claim with no specified amount). Included in the total legal claims are two claims amounting to $10,572,500 in which the Department has been jointly named with other entities (2006 - three with specified amounts totaling $10,572,500). One claim amounting to $572,500 (2006 - One claim - $572,500) is covered by the Alberta Risk Management Fund.

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

Notes to the Consolidated Financial Statements
For the year ended March 31, 2007

(In thousands)

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. Natural gas and by-products revenue recorded as $5,987,697 in these financial statements is subject to measurement uncertainty.

Natural gas and by-products 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. The Department estimates what the costs, volumes and royalty rates for the fiscal year should be based on statistical analysis of industry data. Based on historical data, natural gas and by-products revenue could change by $175,000.

Note 14 Related Party Transactions

The Ministry paid $8,865 (2006 - $9,952) to various other Government of Alberta departments, agencies or funds for supplies and/or services during the fiscal year and received $987 (2006 - $1,204) as revenue. Included in these services was a payment of $412 (2006 - $412) for the lease of a research facility from Alberta Infrastructure. The remaining term of this lease is 80 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 eleven oil and 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, 2007, the royalties received under these programs were reduced by $786,096 (2006 - $948,498).

Note 16 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 $105,306 for the year ended March 31, 2007 (2006 - $175,360).

Note 17 Discontinued Program

On September 27, 2006 the Minister of Energy announced that the Government of Alberta would eliminate the Alberta Royalty Tax Credit Program (ARTC) as of January 1, 2007. ARTC was being applied and reported by the Department of Energy on the basis of a tax credit program as ARTC was being administered by Alberta Finance through the Alberta Income Tax Act. Because ARTC is no longer payable on royalties earned after December 31, 2006 the Department has recognized and reported ARTC based on the royalties earned up to December 31, 2006. The impact of this is to increase the ARTC reported in the fiscal year ended March 31, 2007 by $85,000 and to increase the accounts payable and other liabilities balance as at March 31, 2007 by $55,000.

(In thousands)

Note 18 Approval of Financial Statements

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

Ministry of Energy **Schedule 1**

Consolidated Schedule of Revenue
For the year ended March 31, 2007
(in thousands)

	2007		2006
	Budget	Actual	Actual
Non-renewable resource revenue			
Natural gas and by-products	$ 7,146,000	$ 5,987,697	$ 8,387,920
Bonuses and sale of crown leases	1,479,000	2,462,787	3,490,142
Synthetic crude oil and bitumen	1,716,000	2,411,430	950,253
Crude oil royalties	954,000	1,399,759	1,462,504
Rentals and fees	150,000	159,319	156,223
Coal	11,000	12,681	11,072
Alberta royalty tax credit	(102,000)	(173,793)	(111,453)
	11,354,000	12,259,880	14,346,661
Freehold mineral rights tax	386,000	317,172	334,079
Industry levies and licenses	84,500	84,719	74,097
Other revenue			
Other	8,509	48,772	40,531
Interest	1,250	2,614	1,335
	9,759	51,386	41,866
Total Revenues	$ 11,834,259	$ 12,713,157	$ 14,796,703

Consolidated Schedule of Expenses Detailed by Object
For the year ended March 31, 2007
(in thousands)

	2007		2006
	Budget	Actual	Actual
Salaries, wages and employee benefits	$ 128,600	$ 134,683	$ 121,695
Supplies and services	61,610	55,516	51,672
Amortization of capital assets	15,588	13,877	13,690
Well abandonment	13,000	13,566	13,561
Grants	765	5,871	714
Valuation adjustments	35	324	476
Financial transactions and other	120	127	84
Gross expenses for operations	219,718	223,964	201,892
Less: Recovery from support service agreements with related parties	(600)	(565)	(598)
Total Net Expenses	$ 219,118	$ 223,399	$ 201,294

Ministry of Energy **Schedule 3**

Consolidated Schedule of Allocated Costs
For the year ended March 31, 2007
(in thousands)

	2007				2006
		Expenses Incurred by Others			
Program	Directly Incurred Expenses (1)	Accommodation Costs	Other Services	Total Expenses	Total Expenses
Energy and utility regulation	$ 147,718	-	$ -	$ 147,718	$ 130,585
Resource development and management	74,247	3,823	1,978	80,048	74,472
Ministry support services	1,434	201	64	1,699	2,151
	$ 223,399	$ 4,024	$ 2,042	$ 229,465	$ 207,208

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

DEPARTMENT OF ENERGY

FINANCIAL STATEMENTS - March 31, 2007

Auditor's Report - 68

Statement of Operations - 70

Statement of Financial Position - 69

Statement of Cash Flows - 71

Notes to the Financial Statements - 72

Schedules to the Financial Statements - 78

AUDITOR GENERAL Alberta

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, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
May 18, 2007

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

Department of Energy

Statement of Operations
For the year ended March 31, 2007
(in thousands)

	2007		2006
	Budget (Schedule 3)	Actual	Actual
Revenues: (Schedule 1)			
Non-renewable resource revenue	$ 11,354,000	$ 12,259,880	$ 14,346,660
Freehold mineral rights tax	386,000	317,172	334,079
Other revenue	500	38,031	30,515
	11,740,500	12,615,083	14,711,254
Expenses - directly incurred (Note 2b and schedule 7)			
Voted (Schedules 2,3 and 4 and note 12)			
Ministry support services	1,892	1,434	1,890
Resource development and management	75,820	73,923	68,460
Energy and utilities regulation	55,293	54,793	45,975
	133,005	130,150	116,325
Statutory (Schedules 2 and 3)			
Valuation adjustments			
Provision for doubtful accounts	35	-	2
Provision for vacation pay	-	324	474
	35	324	476
	133,040	130,474	116,801
Net Operating Results	$ 11,607,460	$ 12,484,609	$ 14,594,453

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

Department of Energy

Statement of Financial Position
As at March 31, 2007
(in thousands)

	2007	2006
Assets:		
Cash	$ 703,987	$ 1,032,849
Accounts receivable (Note 3)	1,831,244	1,786,435
Tangible capital assets (Note 4)	20,485	18,934
	$ 2,555,716	$ 2,838,218
Liabilities:		
Accounts payable and accrued liabilities (Note 5)	$ 145,752	$ 68,038
Gas royalty deposits (Note 6)	992,316	787,595
Unearned revenue	69,907	74,687
	1,207,975	930,320
Net Assets:		
Net assets, beginning of year	1,907,898	1,189,652
Net operating results	12,484,609	14,594,453
Net transfer to general revenues	(13,044,766)	(13,876,207)
Net assets, end of year	1,347,741	1,907,898
	$ 2,555,716	$ 2,838,218

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

Department of Energy

Statement of Cash Flows
For the year ended March 31, 2007
(in thousands)

	2007	2006
Operating transactions:		
Net operating results	$ 12,484,609	$ 14,594,453
Non-cash items included in net operating results		
Amortization	4,312	3,951
Valuation adjustments	324	476
	12,489,245	14,598,880
Decrease (increase) in accounts receivable	(44,809)	(414,203)
Increase in accounts payable and accrued liabilities	77,390	19,329
Increase(decrease) in unearned revenue	(4,780)	4,679
Cash provided by operating transactions	12,517,046	14,208,685
Financing transactions:		
Net transfer to General Revenues	(13,044,766)	(13,876,207)
Increase in gas royalty deposits	204,721	137,848
Cash used by financing transactions	(12,840,045)	(13,738,359)
Capital transactions:		
Purchase of tangible capital assets (Schedule 4)	(5,863)	(5,426)
Cash used by capital transactions	(5,863)	(5,426)
(Decrease) increase in cash	(328,862)	464,900
Cash, beginning of year	1,032,849	567,949
Cash, end of year	$ 703,987	$ 1,032,849

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

Department of Energy

Notes to the Financial Statements
March 31, 2007
(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 manages the development of provincially owned energy and mineral resources by industry 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.

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 is recognized when the crown leases are sold. Rentals and fees revenue is recognized over the term of the leases.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

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.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Incurred by Others
Services contributed by other entities in support of the Department operations are disclosed in schedule 6.

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.

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 tangible capital assets is $5. Assets acquired by right, such as mineral resources, are not included.

Liabilities

Liabilities are recorded to the extent that they represent obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets

Net assets represent 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.

Notes to the Financial Statements
March 31, 2007
(in thousands)

Note 4 Tangible Capital Assets

	Equipment	Computer hardware and software	2007 Total	2006 Total
Estimated Useful Life	3 to 10 years	10 years		
Historical Cost				
Beginning of year	$ 12,934	$ 62,511	$ 75,445	$70,019
Additions	2,283	3,580	5,863	5,426
	$ 15,217	$ 66,091	$ 81,308	$75,445
Accumulated Amortization				
Beginning of year	$ 7,344	$ 49,167	$ 56,511	$ 52,560
Amortization expense	2,011	2,301	4,312	3,951
	$ 9,355	$ 51,468	$ 60,823	$ 56,511
Net Book Value at March 31, 2007	$ 5,862	$ 14,623	$ 20,485	
Net Book Value at March 31, 2006	$ 5,590	$ 13,344		$ 18,934

Historical cost includes work-in-progress at March 31, 2007 totaling $697 (2006 - $1,931) for computer software.

Note 5 Accounts Payable and Accrued Liabilities

	2007	2006
Trade	$ 90,639	$ 68,038
Alberta royalty tax credit	55,113	-
	$ 145,752	$ 68,038

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 Commitments

As at March 31, 2007, the Department has commitments totaling $14,961 (2006 - $8,769). 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.

Note 8 Contingencies and Other Liabilities

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

(a) 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.

(b) Legal Claims

At March 31, 2007 the Department is a defendant in seven legal claims (2006 – six legal claims). Six of these claims have specified amounts totaling $10,576,083 and the remaining claim has no specified amount (2006 – five with specified amounts totaling $10,575,321 and one claim with no specified amount). Included in the total legal claims are two claims amounting to $10,572,500 in which the Department has been jointly named with other entities (2006 - three with specified amounts totaling $10,572,500). One claim amounting to $572,500 (2006 - One claim - $572,500) is covered by the Alberta Risk Management Fund.

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

Note 9 Trust Funds under Administration

The Department administers the Oil and Gas Conservation Trust which is a regulated fund consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the fund and administers the fund for the purpose of various trusts, the fund is not included in the Department's financial statements.

As at March 31, 2007, the funds in the Oil and Gas Conservation Trust was $1,927 (2006 - $1,975).

Note 10 Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Natural gas and by-products revenue recorded as $5,987,697 in these financial statements, is subject to measurement uncertainty.

Natural gas and by-products 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. The Department estimates what the costs, volumes and royalty rates for the fiscal year should be based on statistical analysis of industry data. Based on historical data, natural gas and by-products revenue could change by $175,000.

Note 11 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 $3,800 for the year ended March 31, 2007 (2006 - $3,425).

Note 11 Defined Benefits Plans (continued)

At December 31, 2006, the Management Employees Pension Plan reported a deficiency of $6,765 (2005 – $165,895) and the Public Service Pension Plan reported a surplus of $153,024 (2005 – $187,704 (deficiency)). At December 31, 2006, the Supplementary Retirement Plan for Public Service Managers had a surplus of $3,698 (2006 – $10,018).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2007, the Bargaining Unit Plan reported an actuarial surplus of $153 (2006 – $8,699 (deficiency)) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,148 (2006 – $8,311). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 12 Over Expenditure of Authorized Budget

The Department's total of actual voted operating expense and equipment/inventory purchases exceeded the authorized budget by $284 for the year ended March 31, 2006. As required by the *Financial Administration Act*, this amount must be charged against the voted appropriation for the year ended March 31, 2007. See schedule 3 to the financial statements.

Note 13 Royalty Reduction Programs

The Department provides eleven oil and 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, 2007, the royalties received under these programs were reduced by $786,096 (2006 - $948,498).

Note 14 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 $105,306 for the year ended March 31, 2007 (2006 - $175,360).

Note 15 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 carrying values because of the short-term nature of these instruments.

Notes to the Financial Statements
March 31, 2007
(in thousands)

Note 16 Discontinued Program

On September 27, 2006 the Minister of Energy announced that the Government of Alberta would eliminate the Alberta Royalty Tax Credit Program (ARTC) as of January 1, 2007. ARTC was being applied and reported by the Department of Energy on the basis of a tax credit program as ARTC was being administered by Alberta Finance through the Alberta Income Tax Act. Because ARTC is no longer payable on royalties earned after December 31, 2006 the Department has recognized and reported ARTC based on the royalties earned up to December 31, 2006. The impact of this is to increase the ARTC reported in the fiscal year ended March 31, 2007 by $85,000 and to increase the accounts payable and other liabilities balance as at March 31, 2007 by $55,000.

Note 17 Comparative Figures

Certain prior year figures have been reclassified to conform to the current year presentation.

Note 18 Approval of Financial Statements

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

Department of Energy Schedule 1

Schedule to Financial Statements
Revenues
For the year ended March 31, 2007
(in thousands)

	2007		2006
	Budget	Actual	Actual
Non-renewable Resource Revenue:			
Natural gas and by-products royalty	$ 7,146,000	$ 5,987,697	$ 8,387,920
Bonuses and sales of crown leases	1,479,000	2,462,787	3,490,142
Synthetic crude oil and bitumen royalty	1,716,000	2,411,430	950,253
Crude oil royalty	954,000	1,399,759	1,462,504
Rentals and fees	150,000	159,319	156,222
Coal royalty	11,000	12,681	11,072
Royalty tax credit (Note 16)	(102,000)	(173,793)	(111,453)
	11,354,000	12,259,880	14,346,660
Freehold Mineral Rights Tax	386,000	317,172	334,079
Other Revenue	500	38,031	30,515
Total Revenue	$ 11,740,500	$ 12,615,083	$ 14,711,254

Schedule to Financial Statements
Expense Directly Incurred - Detailed by Object
For the year ended March 31, 2007
(in thousands)

	2007		2006
	Budget	Actual	Actual
Voted			
Grants	$ 61,093	$ 60,664	$ 46,689
Salaries, Wages & Employee Benefits	45,000	46,600	44,046
Supplies and Services	23,304	19,012	22,153
Amortization Of Tangible Capital Assets	4,088	4,312	3,951
Financial Transactions and Other	120	127	84
Total Voted Expenses before Recoveries	133,605	130,715	116,923
Less: Recovery from Support Service Arrangements with Related Parties [(a)]	(600)	(565)	(598)
Total Voted Expenses	$ 133,005	$ 130,150	$ 116,325
Statutory			
Valuation adjustments			
Provision for doubtful accounts	$ 35	$ -	$ 2
Provision for vacation pay	-	324	474
	$ 35	$ 324	$ 476

(a) The Department provides financial services to Tourism, Parks, Recreation and Culture, Alberta Environment and Sustainable Resource Development.

Department of Energy **Schedule 3**

Schedule to Financial Statements
Budget
For the year ended March 31, 2007
(in thousands)

	2006-2007 Estimates	Adjustment (a)	2006-07 Budget	Authorized Supplementary(b)	2006-07 Authorized Budget
Expenses:					
Voted Expense, Equipment/Inventory Purchases					
Program 1 - Ministry Support Services					
1.0.1 Minister's Office	$ 335	$ -	$ 335	$ -	$ 335
1.0.2 Standing Policy Committee on Energy and Sustainable Development	70	-	70	-	70
1.0.3 Deputy Ministers' Office	435	-	435	-	435
1.0.4 Communications	1,052	-	1,052	-	1,052
Total Program 1	1,892	-	1,892	-	1,892
Program 2 - Resource Development and Management					
2.0.1 Revenue Collection					
- Operating Expense	46,841	(284)	46,557	-	46,557
- Equipment/Inventory Purchases	3,915	-	3,915	-	3,915
	50,756	(284)	50,472	-	50,472
2.0.2 Resource Development					
- Operating Expense	24,263	-	24,263	-	24,263
- Equipment/Inventory Purchases	-	-	-	-	-
	24,263	-	24,263	-	24,263
2.0.3 Biofuel Initiatives	-	-	-	5,000	5,000
Total Program 2	75,019	(284)	74,735	5,000	79,735

Department of Energy **Schedule 3 (continued)**

Schedule to Financial Statements

Budget

For the year ended March 31, 2007

(in thousands)

	2006-2007 Estimates	Adjustment (a)	2006-07 Budget	Authorized Supplementary(b)	2006-07 Authorized Budget
Expenses:					
Voted Expense, Equipment/Inventory Purchases					
Program 3 - Energy and Utilities Regulation					
3.0.1 Assistance to the Alberta Energy and Utilities Board	55,293	-	55,293	-	55,293
Total Voted Expenses	$ 132,204	$ (284)	$ 131,920	$ 5,000	$ 136,920
Program Operating Expense	$ 128,289	$ (284)	$ 128,005	$ 5,000	$ 133,005
Program Capital Investment	3,915	-	3,915	-	3,915
Total Voted Expenses	$ 132,204	$ (284)	$ 131,920	$ 5,000	$ 136,920
Statutory Expenses:					
Valuation adjustments					
Program 2.1.1 Revenue Collection	$ 35	$ -	$ 35	$ -	$ 35
	$ 35	$ -	$ 35	$ -	$ 35

(a) The Department's total of actual voted operating expense and equipment/inventory purchases exceeded the authorized budget by $284 for the year ended March 31, 2006.
(b) Supplementary Estimates were approved on September 8, 2007.

Schedule to Financial Statements

Comparison of Expense - Directly Incurred , Equipment/Inventory Purchases and Statutory Expenses, by Element to Authorized Budget
For the year ended March 31, 2007
(in thousands)

	2006-2007 Authorized Budget	Actual Expense (a)	Unexpended (Over Expended)
Expenses:			
Voted Expense, Equipment/Inventory Purchases			
Program 1 - Ministry Support Services			
1.0.1 Minister's Office	$ 335	$ 331	$ 4
1.0.2 Standing Policy Committee on Energy and Sustainable Development	70	92	(22)
1.0.3 Deputy Ministers' Office	435	409	26
1.0.4 Communications	1,052	602	450
	1,892	1,434	458
Program 2 - Resource Development and Management			
2.0.1 Revenue Collection			
- Operating Expense	46,557	43,915	2,642
- Equipment/Inventory Purchases	3,915	4,905	(990)
	50,472	48,820	1,652
2.0.2 Resource Development			
- Operating Expense	24,263	25,008	(745)
- Equipment/Inventory Purchases	-	958	(958)
	24,263	25,966	(1,703)
2.0.3 Biofuel Initiatives	5,000	5,000	-
	79,735	79,786	(51)
Program 3 - Energy and Utilities Regulation			
3.0.1 Assistance to the Alberta Energy and Utilities Board		54,793	
	55,293		500
	55,293	54,793	500
Total Voted Expenses	$ 136,920	$ 136,013	$ 907
Program Operating Expense	$ 133,005	$ 130,150	$ 2,855
Program Capital Investment	3,915	5,863	(1,948)
Total Voted Expenses	$ 136,920	$ 136,013	$ 907
Statutory Expenses:			
Valuation adjustments			
Program 2.1.1 Revenue Collection	$ 35	$ 324	$ (289)
	$ 35	$ 324	$ (289)

(a) Includes achievement bonus of $1,468

Department of Energy **Schedule 5**

Schedule to Financial Statements
Salaries and Benefits Disclosure
For the year ended March 31, 2007
(in thousands)

	2007				2006
	Salary [1]	Other Cash Benefits [2]	Other Non-cash Benefits [3]	Total	Total
Deputy Minister [4]	$ 206	$ 39	$ 36	$ 281	$ 297
Executives					
Assistant Deputy Minister - Mineral Development & Strategic Resources	160	22	36	218	206
Assistant Deputy Minister - Natural Gas	145	25	33	203	175
Assistant Deputy Minister - Oil Development	155	22	35	212	192
Executive Director - Corporate Energy Strategy Development [5]	112	18	28	158	-
Executive Director - Human Resources	129	19	31	179	171
Executive Director - Policy, Planning & External Relations	134	19	31	184	177

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.

(5) This is a new position on the Executive Committee.

Schedule to Financial Statements
Related Party Transactions
For the year ended March 31, 2007
(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	
	2007	2006	2007	2006
Expenses - Directly Incurred:				
Grants	$ 54,793	$ 45,975	$ -	$ -
Other services	2,081	2,081		5,041
	$ 56,874	$ 48,056	$ -	$ 5,041

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 6.

	Entities in the Ministry		Other Entities	
	2007	2006	2007	2006
Expenses - Incurred by Others:				
Accommodation	$ -	$ -	$ 4,024	$ 3,922
Travel	-	-	475	329
Legal	-	-	1,567	1,545
	$ -	$ -	$ 6,066	$ 5,796

Department of Energy **Schedule 7**

Schedule to Financial Statements
Allocated Costs
For the year ended March 31, 2007
(in thousands)

	2007							2006
	Directly	Expenses Incurred by Others			Valuation Adjustments			
Program	Incurred Expenses (1)	Accommodation Costs	Transportation Costs	Legal Services	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses
Ministry Support Services	$ 1,434	$ 201	$ 1	$ 62	$ -	$ -	$ 1,698	$ 2,150
Resource Development and Management	73,923	3,823	474	1,505	324	-	80,048	74,472
Energy and Utilities Regulation	54,793	-	-	-	-	-	54,793	45,975
	$ 130,150	$ 4,024	$ 475	$ 1,567	$ 324	$ -	$ 136,540	$ 122,597

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

ALBERTA ENERGY AND UTILITIES BOARD

FINANCIAL STATEMENTS - March 31, 2007

Auditor's Report - 88

Statement of Operations - 89

Statement of Financial Position - 90

Statement of Cash Flows - 91

Notes to the Financial Statements - 92

Schedules to the Financial Statements - 96

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, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
May 4, 2007

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

ALBERTA ENERGY AND UTILITIES BOARD

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2007
(in thousands)

	2007 (Schedule 3) Budget	2007 Actual	2006 Actual
Revenues			
Industry levies and assessments	$ 84,500	$ 84,719	$ 74,097
Provincial grant	55,293	54,793	45,975
Information, services and fees	8,009	10,741	10,016
Investment	1,250	2,614	1,335
	149,052	152,867	131,423
Expenses			
Energy regulation (Schedule 1)	133,052	134,152	116,906
Orphan abandonment (Note 3)	13,000	13,566	13,561
	146,052	147,718	130,467
Net operating results	$ 3,000	$ 5,149	$ 956

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, 2007
(in thousands)

	2007	2006
Assets		
Current		
Cash (Note 4)	$ 28,209	$ 26,149
Security deposits (Note 5)	27,000	19,178
Accounts receivable	3,685	2,623
Prepaid expenses	1,357	1,462
	60,251	49,412
Computer software (Note 6)	30,705	27,338
Property and equipment (Note 7)	13,770	12,754
Accrued pension asset (Note 8)	9,405	8,272
	$ 114,131	$ 97,776
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 18,079	$ 13,523
Grant payable to Orphan Well Association	11,048	10,607
Security deposits (Note 5)	27,000	19,178
Unearned revenue	1,628	2,515
Current portion of deferred lease incentives	725	725
	58,480	46,548
Deferred lease incentives	1,796	2,522
Total liabilities	60,276	49,070
Net Assets		
Net assets, beginning of year	48,706	47,750
Net operating results	5,149	956
Net assets, end of year	53,855	48,706
	$ 114,131	$ 97,776

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, 2007
(in thousands)

	2007	2006
Operating Activities		
Net operating results	$ 5,149	$ 956
Non-cash expenses		
Amortization	9,565	9,739
Pension	6,240	5,708
Changes in operating non-cash working capital		
(Increase) decrease in accounts receivable	(1,062)	1,380
Decrease in prepaid expenses	105	245
Increase in accounts payable and accrued liabilities	4,556	2,561
Increase in grant payable to Orphan Well Association	441	501
(Decrease) increase in unearned revenue	(887)	1,588
	24,107	22,678
Investing Activities		
Investment in computer software	(8,652)	(7,012)
Investment in property and equipment	(5,296)	(3,022)
	(13,948)	(10,034)
Financing Activities		
Pension obligations funded	(7,373)	(6,485)
Lease incentives repaid	(726)	(725)
	(8,099)	(7,210)
Net cash provided	2,060	5,434
Cash, beginning of year	26,149	20,715
Cash, end of year	$ 28,209	$ 26,149

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007
(in thousands)

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 utility 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 Canadian generally accepted accounting principles. Significant accounting policies are summarized as follow:

(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 per cent 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 per cent 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.

(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, grant payable to Orphan Well Association, 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.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007
(in thousands)

Note 3 Orphan abandonment

The EUB has delegated the authority to manage the abandonment and reclamation of wells, facilities and pipelines that are licensed to defunct licensees to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association (Orphan Well Association). The EUB grants all of its orphan abandonment revenues (levy and application fees) to the Orphan Well Association. During the year ended March 31, 2007 the EUB levied the oil and gas industry $12,206 (2006: $12,101) and collected $1,360 (2006: $1,460) in application fees.

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 2007 was 4.4% (2006: 4.0%).

Note 5 Security deposits

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, 2007, the EUB held $27,000 (2006: $19,178) in cash and an additional $117,271 (2006: $49,534) in letters of credit. The security, along with any interest earned, will be returned to the depositor upon meeting specified refund criteria.

Note 6 Computer software

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	$ 50,372	$ 28,447	$ 21,925	$ 23,014
Software under development	8,780	-	8,780	4,324
	$ 59,152	$ 28,447	$ 30,705	$ 27,338

Computer software assets with a net book value of $193 (Cost: $839 ; Accumulated Amortization: $646) with no remaining economic life were decommissioned during the year. Accordingly, a loss of $193 is included in Amortization - computer software on Schedule 1.

Note 7 Property and equipment

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	$ 10,847	$ 6,942	$ 3,905	$ 3,659
Leasehold improvements	10,032	5,337	4,695	5,288
Furniture and equipment	9,758	4,908	4,850	3,487
Land	320	-	320	320
	$ 30,957	$ 17,187	$ 13,770	$ 12,754

Computer hardware with a net book value of $104 (Cost: $2,403 ; Accumulated Amortization: $2,299) with no remaining economic life were disposed of during the year. Accordingly, a loss of $104 is included in Amortization - property and equipment on Schedule 1.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007
(in thousands)

Note 8 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 $4,666 for the year ended March 31, 2007 (2006: $4,168).

In addition, the EUB maintains its own defined benefit Senior Employees Pension Plan (SEPP) 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 date used to measure all pension plan assets and accrued benefit obligations was March 31, 2007. The effective date of the most recent actuarial funding valuation for SEPP was January 1, 2006. The effective date of the next required funding valuation for SEPP is December 31, 2008.

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

	2007	2006
Accrued benefit obligations		
Discount rate	5.2%	5.3%
Rate of compensation increase (weighted average)	3.5%	3.5%
Benefit costs for the year		
Discount rate	5.3%	5.8%
Expected rate of return on plan assets (weighted average)	5.6%	6.0%
Rate of compensation increase (weighted average)	3.5%	3.5%

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

	2007	2006
Fair value of plan assets	$ 32,877	$ 28,681
Accrued benefit obligations	29,799	26,210
Plan surplus	3,078	2,471
Unamortized net actuarial loss	6,327	5,801
Accrued pension asset	$ 9,405	$ 8,272

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

	2007	2006
EUB contribution	$ 2,707	$ 2,317
Employees' contribution	335	328
Benefits paid	1,538	1,475
Pension benefit costs	1,574	1,540

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

	2007	2006
Equity securities	57.4%	56.3%
Debt securities	32.1%	33.4%
Other	10.5%	10.3%
	100.0%	100.0%

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007
(in thousands)

Note 9 Future operating lease commitments

The EUB leases office and research storage facilities. The future minimum operating lease payments, net of lease incentives, are as follows:

2008	$	5,550
2009		5,526
2010		4,922
2011		3,504
2012		523
Thereafter		4,156
	$	24,181

Note 10 Related party transactions

The EUB paid $4,841 (2006: $4,911) to various other Government of Alberta organizations for supplies and services during the current fiscal year. Included in these services was a payment of $3,667 (2006: $3,900) for computing services, and also a payment of $412 (2006: $412) for the lease of a research storage facility from Alberta Infrastructure and Transportation. The remaining term of this lease is seventy nine years and the future annual payments are $412 to 2009 and $48 thereafter.

The EUB received a grant of $54,793 (2006: $45,975) and service revenue of $987 (2006: $1,204) from Government of Alberta organizations.

All transactions were in the normal course of operations and measured at the amount of consideration agreed to by the related parties.

Note 11 Subsequent event

Subsequent to March 31, 2007 the Minister of Energy indicated a Government of Alberta intention to separate the EUB into two independent regulatory organizations, energy resources and utilities. As legislation to enact this separation has not yet been introduced, the effects are unknown at this time.

Note 12 Approval of financial statements

These financial statements were approved by the Board of the EUB on May 14, 2007.

Schedule 1

ALBERTA ENERGY AND UTILITIES BOARD

ENERGY REGULATION EXPENSES
FOR THE YEAR ENDED MARCH 31, 2007
(in thousands)

	2007	2006
Personnel	$ 88,083	$ 77,644
Consulting services	10,505	6,331
Buildings	9,498	8,932
Computer services	6,073	5,892
Amortization - computer software	5,285	5,681
Travel and transportation	4,322	3,737
Amortization - property and equipment	4,280	4,058
Administrative	3,620	3,114
Abandonment and enforcement	1,779	1,024
Equipment rent and maintenance	707	493
	$ 134,152	$ 116,906

ALBERTA ENERGY AND UTILITIES BOARD

SALARIES AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2007
(in thousands)

	2007				2006
	Base Salary [a]	Cash Benefits [b]	Non-cash Benefits [c]	Total	Total
Chairman	$ 249	$ 133	$ 56	$ 438	$ 304
Board Member 1	148	37	37	222	207
Board Member 2	148	49	8	205	193
Board Member 3	148	11	39	198	192
Board Member 4	148	31	14	193	189
Board Member 5	148	11	34	193	193
Board Member 6	148	36	4	188	189
Board Member 7	148	34	5	187	184
Board Member 8	148	25	12	185	185

(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.

Schedule 3

ALBERTA ENERGY AND UTILITIES BOARD

AUTHORIZED BUDGET
FOR THE YEAR ENDED MARCH 31, 2007
(in thousands)

	Plan			
	Budget (Estimate)	Changes	Authorized Budget	Actual
Revenues				
Industry levies and assessments	$ 84,500	$ -	$ 84,500	$ 84,719
Provincial grant	55,293	(500)	54,793	54,793
Information, services and fees	8,009	2,800	10,809	10,741
Investment	1,250	1,500	2,750	2,614
	149,052	3,800	152,852	152,867
Expenses				
Energy regulation	133,052	2,800	135,852	134,152
Orphan abandonment	13,000	500	13,500	13,566
	146,052	3,300	149,352	147,718
Net capital investment				
Capital investments	14,500	(500)	14,000	13,948
Less: Amortization	(11,500)	1,000	(10,500)	(9,565)
	3,000	500	3,500	4,383
	$ -	$ -	$ -	$ 766

Note
The Budget is based on the EUB Business Plan for the year ended March 31, 2007. The Budget and Changes have been authorized by the Government of Alberta.

ALBERTA PETROLEUM MARKETING COMMISSION

FINANCIAL STATEMENTS - December 31, 2006

Auditor's Report - 100

Statement of Operations - 101

Statement of Financial Position - 102

Statement of Cash Flow - 103

Notes to the Financial Statements - 104

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, 2006 and the statements of operations and cash flow 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA

FCA
Auditor General

Edmonton, Alberta
March 30, 2007

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

Alberta Petroleum Marketing Commission

Statement of Operations

For the Year Ended December 31, 2006

(in thousands)

	2006	2005 (restated - Note 6)
Crude oil sales	$ 1,584,274	$ 1,584,948
Expense		
Crude oil purchases	119,281	110,288
Transportation	35,303	35,020
Marketing fees	1,422	1,503
	156,006	146,811
Excess of sales over expense	1,428,268	1,438,137
Other revenue		
Interest earned	341	247
Other	3	5
	344	252
Net sales (to be transferred to the Province)	$ 1,428,612	$ 1,438,389

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission

Statement of Financial Position

As At December 31, 2006

(in thousands)

	2006	2005 (restated - Note 6)
Assets		
Cash and short-term investments (Note 3)	$ 6,281	$ 8,887
Accounts receivable	123,139	132,138
Inventory	12,183	30,040
	$ 141,603	$ 171,065
Liabilities		
Accounts payable (Note 4)	$ 23,866	$ 29,828
Liability to the Province for Inventory held	12,183	30,040
	36,049	59,868
Due to the Province of Alberta (Note 5)	105,554	111,197
	$ 141,603	$ 171,065

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission
Statement of Cash Flow
For the Year Ended December 31, 2006
(in thousands)

	2006	2005 (restated - Note 6)
Operating transactions		
Net sales (to be transferred to the Province)	$ 1,428,612	$ 1,438,389
Change in non-cash working capital		
Decrease (increase) in Accounts receivable	8,999	(29,695)
Decrease (increase) in Inventory	17,857	(13,406)
(Decrease) increase in Accounts payable	(5,962)	3,692
(Decrease) increase in Liability to the Province for Inventory held	(17,857)	13,406
Cash provided by operating transactions	1,431,649	1,412,386
Net transfer to the Province of Alberta	(1,434,255)	(1,411,441)
Net (decrease) increase in Cash	(2,606)	945
Cash and short term investments at beginning of year	8,887	7,942
Cash and short term investments at end of year	$ 6,281	$ 8,887

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission
Notes to the Financial Statements
December 31, 2006
(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) Sales of crude oil

Crude Oil Sales are recognized when the Crown Royalty share of crude oil is sold. When producers under deliver Crown Royalty share, and that under-delivered volume is not subsequently delivered, the Commission deems a sale of crude oil to have occurred.

(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. 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, 2006.

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, 2006, securities held by the Fund have an average effective market yield of 4.55% per annum (2005: 3.62%).

Alberta Petroleum Marketing Commission
Notes to the Financial Statements
December 31, 2006
(in thousands)

Note 4 Accounts Payable

	2006	2005
Transportation and purchases	$ 13,151	$ 13,524
Goods and services tax	10,715	16,304
	$ 23,866	$ 29,828

Note 5 Due to the Province of Alberta

The amount due to the Province of Alberta represents the difference between the carrying value of assets held by the Commission and its liabilities.

	2006	2005
Due to Province beginning of year	$ 111,197	$ 84,249
Net proceeds (to be transferred to the Province)	1,428,612	1,438,389
Net transfer to the Province	(1,434,255)	(1,411,441)
Due to Province at End of Year	$ 105,554	$ 111,197

Note 6 Change in Accounting Policy

The Commission changed the revenue recognition policy to record revenue on the sale of Crown crude oil. In prior years revenue was recognized on receipt of inventory. This change was made to better reflect the Commission's purpose to market the Crown's crude oil royalties. The Department of Energy records the Crown Royalty Share of Crude Oil on production.

The impact of this change in revenue recognition for the year ended December 31, 2005 is that sales of crude oil are reduced by $13,406. The change in accounting policy has been applied retroactively. The impact of the change for the year ended December 31, 2005 is as follows:

	2005		
	As previously reported	Change	Restated
Sales of crude oil	$1,598,354	$<13,406>	$1,584,948
Liability to the Province for Inventory held	-	30,040	30,040
Due to the Province of Alberta	141,237	<30,040>	111,197

Note 7 Commitments

The Commission has entered into transportation agreements for the ensuing six 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, 2006 is $44,033 (2005 - $51,419). 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 8 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 9 Approval of Financial Statements

The Members of the Commission have approved these financial statements.

Alphabetical List of Entities' Financial Statements in Ministry 2006-07 Annual Reports

Entities Included In The Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Access to the Future Fund[1]	Advanced Education and Technology
Agriculture Financial Services Corporation	Agriculture and Food
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Cancer Prevention Legacy Fund[2]	Finance
Alberta Capital Finance Authority	Finance
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Tourism, Parks, Recreation and Culture
Alberta Gaming and Liquor Commission	Solicitor General and Public Security
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	Tourism, Parks, Recreation and Culture
Alberta Insurance Council	Finance
Alberta Local Authorities Pension Plan Corporation[3]	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Advanced Education and Technology
Alberta Risk Management Fund	Finance
Alberta School Foundation Fund	Education
Alberta Securities Commission	Finance
Alberta Social Housing Corporation	Municipal Affairs and Housing
Alberta Sport, Recreation, Parks and Wildlife Foundation	Tourism, Parks, Recreation and Culture
Alberta Treasury Branches	Finance
ATB Insurance Advisors Inc.[4]	Finance
ATB Investment Management Inc.	Finance
ATB Investment Services Inc.	Finance
ATB 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	
Métis Settlements Child and Family Services Authority	
C-FER Technologies (1999) Inc.	Advanced Education and Technology
Credit Union Deposit Guarantee Corporation	Finance

1 Established July 10, 2005.
2 Proclaimed May 31, 2006.
3 Incorporated December 16, 2005.
4 Incorporated July 12, 2006.

Entities Included In The Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Colleges:	Advanced Education and Technology
Alberta College of Art and Design	
Bow Valley College	
Grande Prairie Regional College	
Grant MacEwan College	
Keyano College	
Lakeland College	
Lethbridge Community College	
Medicine Hat College	
Mount Royal College	
NorQuest College	
Northern Lakes College	
Olds College	
Portage College	
Red Deer College	
Department of Advanced Education and Technology	Advanced Education and Technology
Department of Agriculture and Food	Agriculture and Food
Department of Children's Services	Children's Services
Department of Education	Education
Department of Energy	Energy
Department of Finance	Finance
Department of Health and Wellness	Health and Wellness
Department of Municipal Affairs and Housing	Municipal Affairs and Housing
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General and Public Security	Solicitor General and Public Security
Department of Sustainable Resource Development	Sustainable Resource Development
Department of Tourism, Parks, Recreation and Culture	Tourism, Parks, Recreation and Culture
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Tourism, Parks, Recreation and Culture
Historic Resources Fund	Tourism, Parks, Recreation and Culture
Human Rights, Citizenship and Multiculturalism Education Fund	Tourism, Parks, Recreation and Culture
iCORE Inc.	Advanced Education and Technology
Lottery Fund	Solicitor General and Public Security
Ministry of Advanced Education and Technology	Advanced Education and Technology
Ministry of Agriculture and Food	Agriculture and Food
Ministry of Children's Services	Children's Services
Ministry of Education	Education
Ministry of Employment, Immigration and Industry [4,5]	Employment, Immigration and Industry
Ministry of Energy	Energy
Ministry of Environment [5]	Environment
Ministry of Executive Council [5]	Executive Council
Ministry of Finance	Finance
Ministry of Health and Wellness	Health and Wellness
Ministry of Infrastructure and Transportation [5]	Infrastructure and Transportation
Ministry of International, Intergovernmental and Aboriginal Relations [5]	International, Intergovernmental and Aboriginal Relations
Ministry of Justice[5]	Justice
Ministry of Municipal Affairs and Housing	Municipal Affairs and Housing

[5] Ministry includes only the departments so separate departmental financial statements are not necessary.

Entities Included In The Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Service Alberta [5]	Service Alberta
Ministry of Solicitor General and Public Security	Solicitor General and Public Security
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Tourism, Parks, Recreation and Culture	Tourism, Parks, Recreation and Culture
Ministry of the Treasury Board [5]	Treasury Board
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	
Persons with Developmental Disabilities Provincial Board [5,6]	Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Regional Health Authorities and Provincial Health Boards:	Health and Wellness
Alberta Cancer Board	
Alberta Mental Health Board	
Aspen Regional Health Authority	
Calgary Health Region	
Capital Health	
Chinook Regional Health Authority	
David Thompson Regional Health Authority	
East Central Health	
Health Quality Council of Alberta [7]	
Northern Lights Health Region	
Peace Country Health	
Palliser Health Region	
Safety Codes Council	Municipal Affairs and Housing
School Boards and Charter Schools:	Education
Almadina School Society	
Aspen View Regional Division No. 19	
Aurora School Ltd.	
Battle River Regional Division No. 31	
Black Gold Regional Division No. 18	
Boyle Street Education Centre	
Buffalo Trail Public Schools Regional Division No. 28	
Calgary Arts Academy Society	
Calgary Girls' School Society	
Calgary Roman Catholic Separate School District No. 1	
Calgary School District No. 19	
Calgary Science School Society	
Canadian Rockies Regional Division No. 12	
CAPE-Centre for Academic and Personal Excellence Institute	
Chinook's Edge School Division No. 73	
Christ the Redeemer Catholic Separate Regional Division No. 3	

[5] Ministry includes only the departments so separate departmental financial statements are not necessary.
[6] Ceased operations June 30, 2006.
[7] Established July 1, 2006.

Entities Included In The Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Clearview School Division No. 71	
East Central Alberta Catholic Separate Schools Regional Division No. 16	
East Central Francophone Education Region No. 3	
Edmonton Catholic Separate School District No. 7	
Edmonton School District No. 7	
Elk Island Catholic Separate Regional Division No. 41	
Elk Island Public Schools Regional Division No. 14	
Evergreen Catholic Separate Regional Division No. 2	
FFCA Charter School Society	
Foothills School Division No. 38	
Fort McMurray Roman Catholic Separate School District No. 32	
Fort McMurray School District No. 2833	
Fort Vermilion School Division No. 52	
Golden Hills School Division No. 75	
Grande Prairie Public School District No. 2357	
Grande Prairie Roman Catholic Separate School District No. 28	
Grande Yellowhead Regional Division No. 35	
Grasslands Regional Division No. 6	
Greater North Central Francophone Education Region No. 2	
Greater Southern Public Francophone Education Region No. 4	
Greater Southern Separate Catholic Francophone Education Region No. 4	
Greater St. Albert Catholic Regional Division No. 29	
High Prairie School Division No. 48	
Holy Family Catholic Regional Division No. 37	
Holy Spirit Roman Catholic Separate Regional Division No. 4	
Horizon School Division No. 67	
Lakeland Roman Catholic Separate School District No. 150	
Lethbridge School District No. 51	
Living Waters Catholic Regional Division No. 42	
Livingstone Range School Division No. 68	
Medicine Hat Catholic Separate Regional Division No. 20	
Medicine Hat School District No. 76	
Moberly Hall School Society	
Mother Earth's Children's Charter School Society	
New Horizons Charter School Society	
Northern Gateway Regional Division No. 10	
Northern Lights School Division No. 69	
Northland School Division No. 61	
Northwest Francophone Education Region No. 1	
Palliser Regional Division No. 26	
Parkland School Division No. 70	
Peace River School Division No. 10	
Peace Wapiti School Division No. 76	
Pembina Hills Regional Division No. 7	
Prairie Land Regional Division No. 25	
Prairie Rose Regional Division No. 8	
Red Deer Catholic Regional Division No. 39	
Red Deer School District No. 104	
Rocky View School Division No. 41	
St. Albert Protestant Separate School District No. 6	
St. Paul Education Regional Division No. 1	

Entities Included In The Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38	
Sturgeon School Division No. 24	
Suzuki Charter School Society	
Westmount Charter School Society	
Westwind School Division No. 74	
Wetaskiwin Regional Division No. 11	
Wild Rose School Division No. 66	
Wolf Creek School Division No. 72	
Supplementary Retirement Plan Reserve Fund	Finance
Technical Institutes and The Banff Centre:	Advanced Education and Technology
Northern Alberta Institute of Technology	
Southern Alberta Institute of Technology	
The Banff Centre for Continuing Education	
Universities:	Advanced Education and Technology
Athabasca University	
The University of Alberta	
The University of Calgary	
The University of Lethbridge	
Victims of Crime Fund	Solicitor General and Public Security
Wild Rose Foundation	Tourism, Parks, Recreation and Culture

Entities Not Included In The Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Foundation for Health Research	Advanced Education and Technology
Alberta Heritage Foundation for Medical Research	Advanced Education and Technology
Alberta Heritage Foundation for Science and Engineering Research	Advanced Education and Technology
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs and Housing
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan - Bargaining Unit	Employment, Immigration and Industry
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Employment, Immigration and Industry
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 Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Special Areas Trust Account	Municipal Affairs and Housing
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Employment, Immigration and Industry

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 2006-2007 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 2006-2007 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

MINISTRY OF ENERGY 2006-2007

www.energy.gov.ab.ca
www.eub.gov.ab.ca

ISSN: 1703-4574