



annual review
2009

"This is not business as usual."*



Vision

The Alberta Utilities Commission is a trusted leader that delivers innovative and efficient regulatory solutions for Alberta.

What we do

The Alberta Utilities Commission regulates the utilities sector, natural gas and electricity markets to protect social, economic and environmental interests of Alberta where competitive market forces do not.

How we do it

The Alberta Utilities Commission is fair, open and transparent in its regulatory processes and delivers sound principled decisions.

annual review 2009

This review covers the Alberta Utilities Commission 2008 - 2009 fiscal year; the period from April 1, 2008 to March 31, 2009.

Values

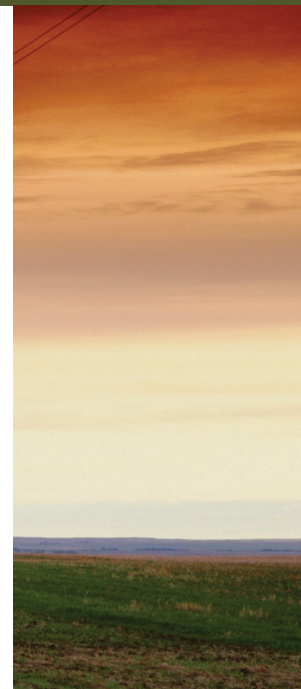
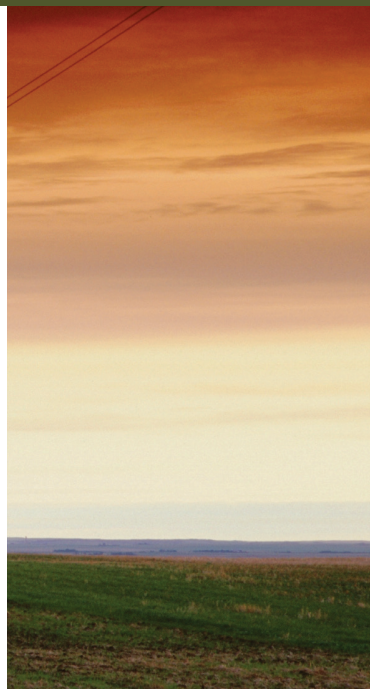
We are impartial and objective.

We are accountable and strive for excellence in everything we do.

We treat everyone with dignity and respect.

We maintain and promote a positive work environment.

* Front cover quotation: Willie Grieve to the Calgary Chamber of Commerce during his first speech as chair of the Alberta Utilities Commission, May 27, 2008.



2009

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AUC Chair Willie Grieve on excellence and innovation in regulation



Willie Grieve
Chair

The rationale for the creation of the AUC was to bring new approaches, new expertise, new models and greater efficiency to the regulation of Alberta's natural gas and electric utilities and the province's wholesale electricity market. Indeed, it was our publicly-stated goal in fiscal 2008 - 2009 that utilities regulation under the AUC would not be business as usual - and we set to delivering on this promise in a variety of ways. At the highest level, this meant assembling the right team, organizational resources, tools and structures to address the challenges ahead of us and I am very pleased by the regulatory experience, insight and depth we have gathered within the commission. My fellow commissioners – Carolyn Dahl Rees, Tudor Beattie, Tom McGee, Al Maydonik, Bill Lyttle, Anne Michaud and Mark Kolesar – have each brought strong and specific skills to the table and together represent a broad base of experience and expertise relevant to the commission's work. Organizationally, Chief Executive Bob Heggie has assembled an inspired and experienced management team while efficiently building the mechanics, infrastructure, human resources and philosophy of a top-tier regulatory group.

In this regard, a key success in the past year was developing a strategy that serves as the foundation for the future. In addition, the development and adoption of the AUC's statements of our Vision, What we do, How we do it and Values, which reflect our commitment to principled, fair and innovative regulatory oversight have set the standard for everything we do:

Vision: The Alberta Utilities Commission is a trusted leader that delivers innovative and efficient regulatory solutions for Alberta.

What we do: The Alberta Utilities Commission regulates the utilities sector, natural gas and electricity markets to protect social, economic and environmental interests of Alberta where competitive market forces do not.

How we do it: The Alberta Utilities Commission is fair, open and transparent in its regulatory processes and delivers sound principled decisions.

Values:

We are impartial and objective.

We are accountable and strive for excellence in everything we do.

We treat everyone with dignity and respect.

We maintain and promote a positive work environment.

The articulation of these four statements has led us to develop and adopt some significant regulatory principles as building blocks for the future. These can be found in a variety of AUC rates, facilities and markets decisions, however among the most ambitious projects we undertook in 2008 - 2009 were reviews of our rate and facilities regulation processes to identify and consider new and innovative ways to more efficiently carry out our mandate.

These reviews have produced changes in the way we do business and helped to streamline our processes while ensuring the AUC continues to fully apply the scrutiny for which it is accountable. The reviews also speak to the spirit of innovation the AUC has embraced and which was reflected in a number of key decisions made, and rules adopted by, the commission. These include a first in Alberta; the adoption of performance-based regulation for electricity rate making for an Alberta utility, joint decisions with other regulators, new rules on intervenor costs, the development of regulations and decisions on whole-sale electricity market activities, rules on micro-generation projects and new approaches to stakeholder notice practices.

Along with exploring and implementing new ways of doing business and new methods of regulation, much of our energy in 2008 - 2009 was spent on understanding the dynamics of the evolving industries we regulate and the social, economic and environmental interests we consider in determining the public interest. All of this was and is intended to establish the AUC as a trusted regulatory leader by improving the quality of our work and the processes we use to make our decisions.

Willie Grieve



Chief Executive Bob Heggie on the AUC's first full fiscal year



Robert D. Heggie
Chief Executive

The 2008 - 2009 year marked the transition of the AUC to being a stand-alone organization with an expanded regulatory mandate – including brand new areas of oversight. There were many, many notable dimensions of the transition, however the common theme was efforts to become a more focused, performance-based organization.

One of the roadmaps we developed and then applied in this transition to ensure we arrived at the intended destination was our 2008 - 2009 business plan. This plan included key goals and objectives to help us measure success. Those goals and objectives, along with details of our success in meeting them can be found in detail elsewhere in this report, but I am happy to report that an independent assessment indicates we accomplished what we set out to do. Certainly, we are pleased with the results. Of course, there is still much more to do and in this context we have developed a rolling three-year business plan, with updated goals, objectives and performance measures to guide our activities going forward.

A major dimension of our success in 2008 - 2009 grew from our central efforts to build a culture of engagement and excellence in all areas of our operations and procedures and in so doing build critical confidence among our public and industry stakeholders while creating the foundation for the AUC's long-term vision of being a trusted regulatory leader.

We are proud that our organizational culture has emerged from within, via our staff, which chose the words “fair, open, impartial, objective and accountable” as we developed the Vision, What we do, How we do it and Values statements our chairman Willie Grieve has highlighted elsewhere in this report. We are also delighted that our culture has been reflected through concrete accomplishments such as our award-winning involvement in the United Way and in assisting organizations such as the Calgary Drop-In Centre.

Among the most prominent organizational achievements in 2008 - 2009 were developing and implementing new financial, information technology and human resource strategies, systems and infrastructure, including transitioning our computer systems to dedicated AUC servers. We developed budgets to support the initial one-year business plan, and more recently to support our three-year plan. We consulted with industry as we developed and imple-

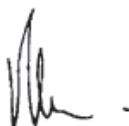
mented our funding model. We prudently increased our staff complement to effectively manage our workload, being careful to bring only the best people to the fore.

As a result, the volume of work we completed is impressive. On the regulatory front we created and revamped more than two dozen rules, dealt with nearly 400 rate applications and 340 facility applications and held 11 oral hearings. However, the numbers alone do not tell the whole story. Many of the decisions the AUC made were complicated and touched the lives of all Albertans.

We have continued with the challenging task of examining our application processes to seek further efficiencies. We introduced measures to monitor and track applications and introduced internal performance standards for turn-around times. Similarly, we have taken large strides to improve communications with stakeholders in both industry and the public. Our new website has enhanced the depth, range and timeliness of information available, in addition to making it easier to navigate for both new visitors and industry veterans. We have purposely conducted extensive consultation efforts with stakeholders to ensure a mutual understanding of the issues and concerns arising in facility infrastructure and market matters and have revised and expanded our literature to better explain our regulatory role.

All of our accomplishments in 2008 - 2009 are the result of the engaged work of the AUC's dedicated personnel, whom I thank for their demonstrated commitment to our mission. They have forged a strong foundation as we move into the future and build on our success.

Robert D. Heggie
Chief Executive



The story of the AUC: 2008 - 2009

The activities of the AUC in 2008 - 2009 were broad and multi-dimensional, however there were important themes that dominated the efforts of the commission throughout its first full fiscal year.

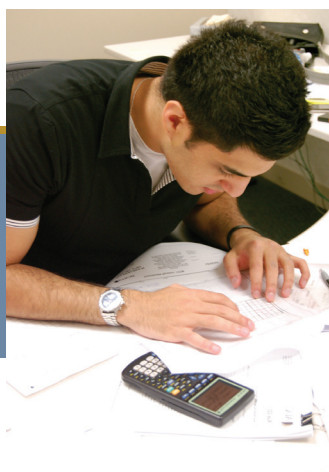
Having begun operations on January 1, 2008, organizational activities were a key imperative during 2008 - 2009 as the commission continued to build capacity and scope, particularly in areas related to new areas of regulatory oversight. The fiscal year began with the appointment of three new commissioners to complement the three commissioners already in place early in 2008, and two acting commissioners were subsequently added. This brought strength to the AUC's regulatory expertise in each of the areas of utilities rates, facilities and markets. Throughout the year, staff personnel were added in all six divisions to bring the organization closer to its design complement and provide the resources to meet the AUC's objectives.

Building human capacity and a positive and constructive work environment were key objectives in

2008 - 2009. An internal survey of staff conducted in October indicated a high degree of employee engagement, satisfaction, and AUC-supported ability to balance personal and professional growth.

While people were at the heart of the AUC's organizational improvements in 2008 - 2009, there were many key milestones and accomplishments related to building a fully-functioning regulatory entity. Infrastructure improvements were central in this regard and none was more important than the completion of a complex information technology transition to dedicated AUC servers, which followed extensive renovations in the commission's Calgary and Edmonton offices. This included building new offices in both locations and a server room, and the start of constructing a new state-of-the-art hearing room in Calgary.

Throughout the year, the development of an AUC culture complemented the many demands of establishing adequate operational heft. Along with creating administrative structures and policies, the





“A key success in the past year was really a formative strategy for the future: The development and adoption of the AUC’s statements of our Vision, What we do, How we do it and Values. ”

commission established an internal ethics committee, to ensure all AUC personnel conduct themselves and their activities without bias or inappropriate influence.

With a commitment to transparency, communications work has been and continues to be an important facet of the AUC’s organizational functions. This was facilitated by the creation of a new external website in October 2008. In many respects the website serves as the AUC’s public face, providing direct access to nearly 100 pages of information about the commission’s work and workings and links to tens of thousands of pages of information on applications and AUC decisions.

Similarly – and equally critical to the AUC’s ability to perform its duties – has been ensuring the public and industry have adequate understanding of the commission and utilities regulation in Alberta.

In this regard members of the commission or its staff made presentations, participated in or gave speeches

to the Calgary Chamber of Commerce, the Independent Power Producers Society of Alberta, the Canadian Association of Members of Public Utility Tribunals, the Alberta Federation of Rural Electrification Associations, Climate Change Central, the Industrial Power Consumers Association of Alberta, the Alberta Electric System Operator, the Balancing Pool, and the Alberta Carbon Capture Task Force.

In an effort to continue to build relationships with and understanding by stakeholders, utility industry participants, and regulatory peers, AUC officials met with landowner groups, First Nations, the Alberta departments of Energy and Sustainable Resource Development, with the Alberta Energy Resources Conservation Board, wire service providers, retail service providers, the Market Surveillance Administrator, the U.S. Federal Energy Regulatory Commission, the Canadian Competition Bureau and the New York Public Utilities Commission, as well as with numerous firms and municipalities and their representatives.

Nonetheless, as a quasi-judicial body, the AUC's regulatory decision making is its core business. The commission completed an ambitious agenda of reviews, generic hearings and decisions in 2008 - 2009, however our performance was characterized by not just the number of decisions the commission issued, but by their complexity, substance and implications for the future. We also rationalized our decision instruments - i.e. decisions, orders and bulletins - to bring greater clarity and simplicity to how we communicate the commission's determinations, and reviewed and enacted new criteria on interveners' eligibility for costs.

Overall, the commission processed and adjudicated close to 400 rate applications and filings that cumulatively affected every Albertan that consumes or benefits from utility natural gas and electricity. We also oversaw more than 330 applications related to the building of utility facilities. Although there were more than 700 applications, the commission held just 11 public hearings - when differences between proponents and interveners could not be resolved elsewhere.

Among the more prominent decisions issued by the AUC last year was the first in Alberta applying performance-based regulation to the electric utilities sector, and a major electric transmission siting decision to link Lethbridge and Pincher Creek with upgraded capacity to facilitate burgeoning green wind power generation in southwest Alberta.

In the area of pipeline facilities, the AUC issued a major decision approving the \$1.2 billion North Central Corridor application by Nova Gas Transmission Ltd. to build 300 km of high-capacity gas pipeline to serve growing demand in Alberta's northeast.

The commission was also involved in a key decision, reached jointly with other regulators: The approval of a hydroelectric generation facility on the Peace River reached in conjunction with the Canadian Environmental Assessment Agency and Alberta's Natural Resources Conservation Board. The project was valued by its proponent at \$500 million or more.



“ Overall, the commission processed and adjudicated close to 400 rate applications and filings that cumulatively affected every Albertan that consumes or benefits from utility natural gas and electricity. ”

“ Our performance was characterized by not just the number of decisions the commission issued, but by their complexity, substance and implications for the future.”



A major portion of the commission's work and decision-making in 2008 - 2009 related to the AUC's new regulatory role around Alberta's wholesale electricity market. This required the development of several new AUC processes related to independent system operator rules and penalties for the contravention of those rules.

This new regime resulted in market rule proceedings and proceedings related to penalties for rule contraventions, that in turn led to the first AUC decisions related to Alberta's wholesale electricity market.

Similarly, the commission was tasked with implementing Alberta's Micro-Generation Regulation and developed a rule in this regard, along with an application form and manual to facilitate the connection of green micro-generation to the Alberta grid.

The overarching priority of the AUC is to serve Albertans by protecting the public interest in its regulation of utilities. In this regard the commission set the tone for the future through an extensive program of public engagement and information. This included widespread use of brochures and information sessions related to several of the applications it examined; improved accessibility via electronic avenues such as the AUC website and advertisements and notices in print and radio.

Critically, the AUC actively sought as well as delivered information. We are heartened that performance surveys of employees, hearing participants and other AUC stakeholders throughout 2008 - 2009 returned uniformly positive results.



By the numbers

Applications and filings

Rate applications and filings	372
Rate applications processed with EPS 90	
Facility applications and filings	334
Facility applications processed with EPS 12	

TOTAL	706
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Oral hearings	11
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Approvals

Decisions	54
Orders	139
Approvals	84
Permits	136
Licences	71
Letters	261

TOTAL	745
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Audits on Affiliate Code of Conduct	4
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AUC Bulletins	22
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AUC Rules	25
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AUC Notices	171
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Review and variance (R and V) applications	12
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R and V applications resolved	8
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Of the more than 700 rate and facilities applications received by the AUC during 2008 - 2009, issues in all but 11 were resolved using standard processes without an oral hearing. In cases involving unresolved issues a hearing was held to further ensure the commission considered matters of the public interest in an open and transparent manner. This constituted 1.5 per cent of the applications received by the AUC.





Challenges made and met

OBJECTIVE 1 - MARKETS:

Ensure market rules are fairly applied, competitive markets are supported and competitive rules and principles are enforced where necessary.



- ✓ One hundred per cent of decisions for all applications are issued within 90 days after the conclusion of the hearing or other proceeding.
- ✓ Seventy-five per cent of Market Surveillance Administrator proceedings reach hearing stage within 45 days of a completed application.
- ✗ Seventy-five per cent of objection and complaint applications reach hearing stage within 75 days of a completed application.[Two hearings were delayed.]
- ✓ Develop a market functions communication/education strategy and deliver 10 sessions by March 31, 2009.
- ✓ Eighty per cent of participants indicate that they understand the AUC hearing process.



OBJECTIVE 2 - FACILITIES:

Ensure meaningful participation, understanding and public confidence in the impartiality and transparency of the commission for review and oversight of energy projects.

- ✗ One hundred per cent of decisions for all applications are issued within 90 days of the hearing conclusion. [One decision took longer than 90 days.]
- ✓ The AUC will determine one hundred per cent of needs and facility applications within 180 days of the application being deemed complete.
- ✓ One hundred per cent of application response letters are sent within 15 working days of the application being filed.
- ✓ Develop a needs and facilities communication/education strategy and deliver 10 sessions to industry and landowners by March 31, 2009.
- ✓ Seventy per cent of participants indicate they understand the needs and facilities application process.
- ✓ Draft, approve and implement a minimum of three new rules by March 31, 2009.

OBJECTIVE 3 - RATE REGULATION:

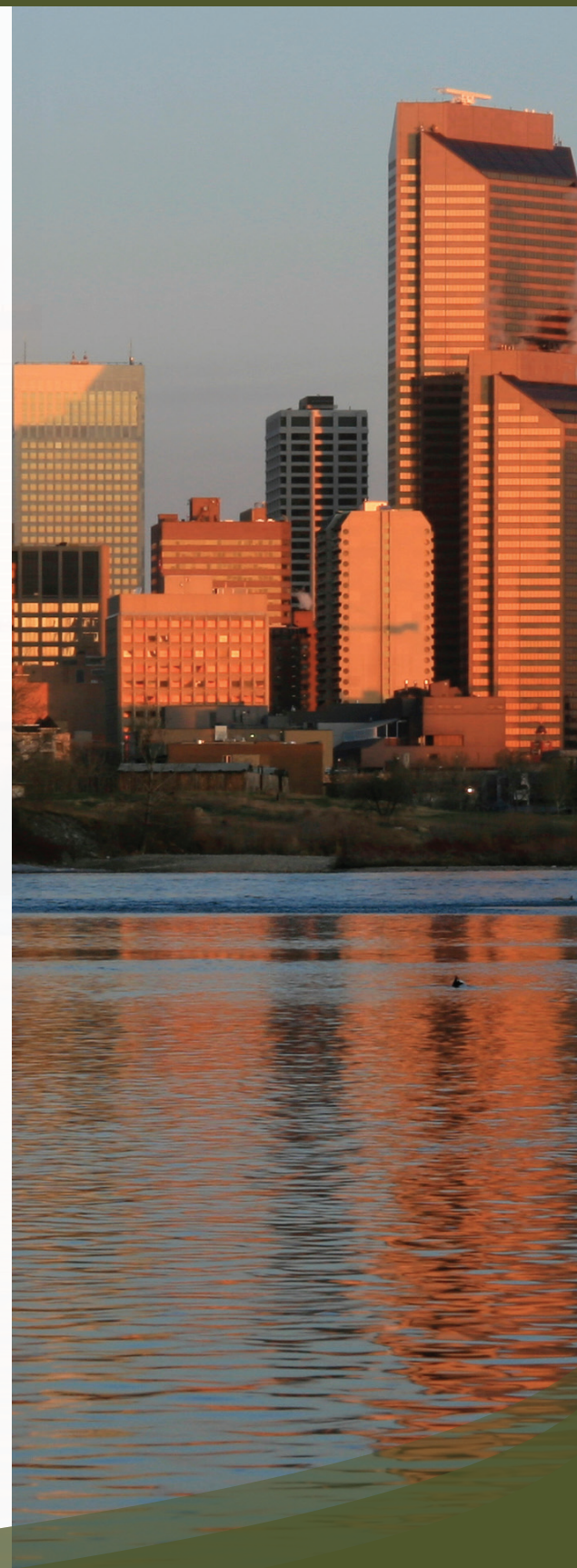
Ensure rate making responsibilities are carried out in a principled, effective and efficient manner.

- ✓ One hundred per cent of decisions for all applications are issued within 90 days of the hearing conclusion.
- ✓ One hundred per cent of application response letters are sent within 15 working days of the application being filed.
- ✓ Eighty per cent of rate applications are processed within established timelines.
- ✓ Implement intervener cost rules by December 31, 2008.

OBJECTIVE 4 - ORGANIZATION:

Promote excellence, learning and communication throughout the AUC.

- ✓ The employee engagement index as measured in the corporate employee survey is greater than 74 per cent.
- ✓ The quality of work environment index as measured in the corporate employee survey is greater than 78 per cent.
- ✓ The internal communications effectiveness index as measured in the corporate employee survey is greater than 60 per cent.
- ✓ Regrettable staff turnover is less than five per cent.
- ✓ Seventy-five per cent of all AUC employees invest 12 hours or more, per year, on professional development.
- ✓ Ninety per cent of requests for information from customer information services are fulfilled within one working day.
- ✓ Ninety-five per cent of complaints are responded to within one working day.
- ✓ Develop a communications strategy that will be implemented by March 31, 2009.
- ✓ Be fully accountable for the operations and maintenance of custom business systems transitioned from the Energy Resources Conservation Board by February 2, 2009.
- ✓ Be fully accountable for the operations and maintenance of remaining information technology services by March 31, 2009.



AUC 2008 - 2009 highlights

Fiscal 2008 - 2009 marked the successful foundation of Alberta's utilities regulator, with new approaches, new expertise, new models, greater efficiency and noteworthy decisions. The AUC:

- Developed the inaugural AUC business plan
- Issued Alberta's first-ever formula-based ratemaking decision for electricity distribution and transmission
- Finalized Lethbridge to Pincher Creek 240 kV transmission decision
- Implemented Micro-Generation Regulation, developed guidelines and application form
- Completed a AUC-wide information technology transition to dedicated servers
- Developed and implemented more than 20 AUC rules
- Completed substantial renovations in our Calgary and Edmonton offices
- Created and staffed Markets Division to oversee Alberta's wholesale power market
- Held 11 oral hearings
- Produced the first-ever regulatory decisions on wholesale electricity markets in Canada
- Developed conflict of interest and ethics policies
- Completed four audits
- Rationalized the AUC's decision instruments
- Launched a new external website and an internal information portal
- Reviewed and streamlined processes for rate and facility applications
- Issued more than 700 approvals

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