

Alberta's independent utilities regulator

complex Principled  
**INDEPENDENT**  
Evolutionary approach effective  
**working for Alberta**  
Protecting public interests resource  
NATURAL GAS **excellence** Innovative  
**regulatory solution** ELECTRICITY  
keeping Albertans at the forefront of decisions **Fair**  
QUASI-JUDICIAL PROCESS reliable Transparent  
**historical** WATER **examine**  
there when competitive market forces are not  
**Trusted leader** **OBSERVE**  
accountability **Proactive**  
efficient objective RATES  
**oversight** Open  
**Responsibility**  
FACILITIES relevant  
**Respect** MARKETS  
involvement  
balanced judgement  
public voice  
CHALLENGE



**AUC**

Alberta Utilities Commission

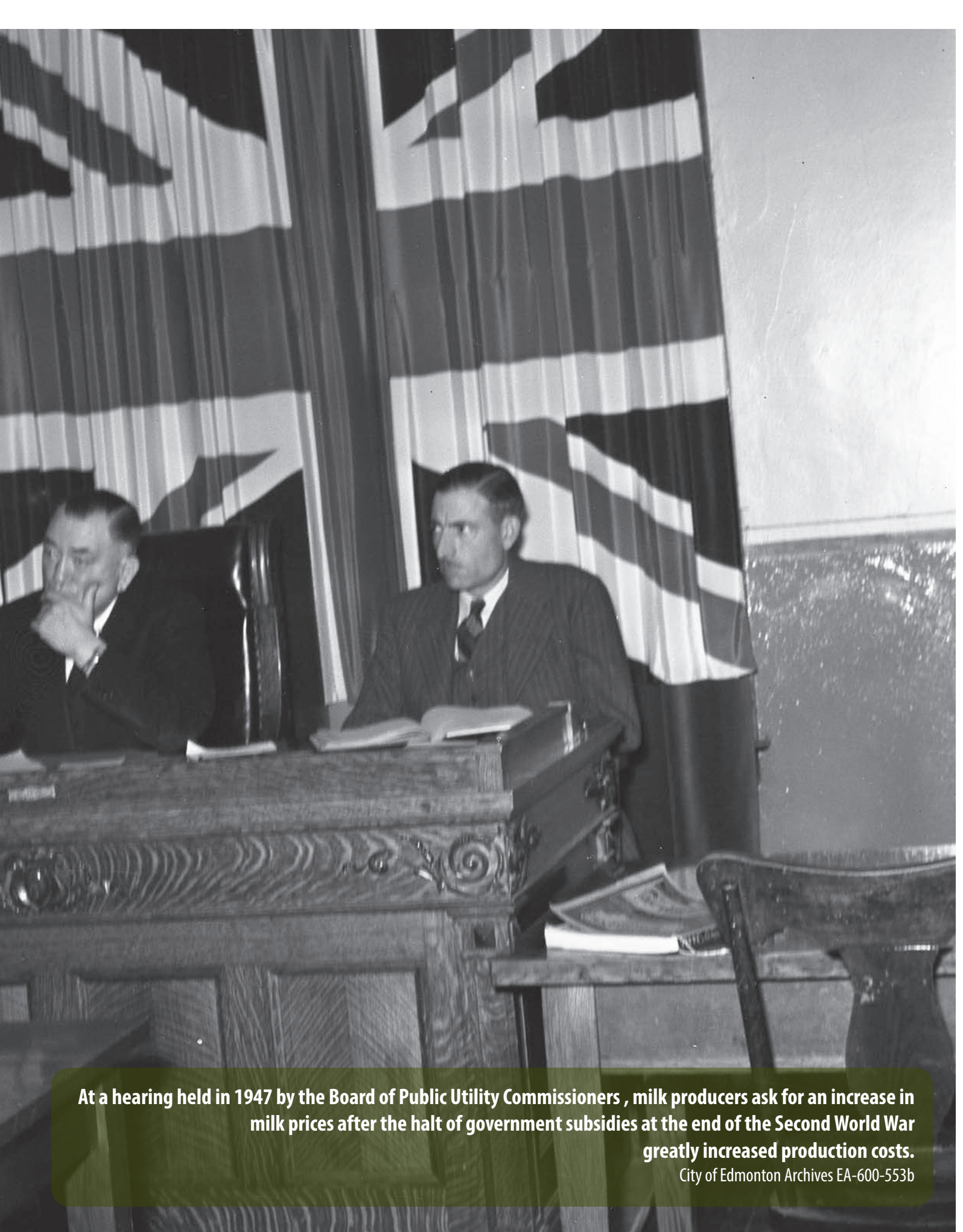
**Annual Review 2014**



# **The 2013-2014 fiscal year marked 10 decades of service to Alberta.**

As the AUC prepares to celebrate its centennial on April 17, 2015, we examine the steps we took most recently to arrive where we are today. This annual review takes a closer look at the mark we made on our history in the 2013-2014 fiscal year.





**At a hearing held in 1947 by the Board of Public Utility Commissioners , milk producers ask for an increase in milk prices after the halt of government subsidies at the end of the Second World War greatly increased production costs.**

City of Edmonton Archives EA-600-553b

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

The Alberta Utilities Commission regulates the utilities sector, natural gas and electricity markets where competitive market forces do not.

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

We are partial 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.



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# AUC Chair Willie Grieve on public service and the public interest



**In 1915, Alberta legislators enacted the Public Utilities Act in response to growing public concern about the availability and cost of the new utility services of the day. Their expectations of the Board of Public Utility Commissioners created by that act were clear.**

The board shall have a general supervision over all public utilities subject to the legislative authority of the province, and may make such orders regarding equipment, appliances, safety devices, extension of works or systems, reporting and other matters, as are necessary for the safety or convenience of the public or for the proper carrying out of any contract, charter or franchise involving the public property or rights.

Much has changed since then, and much has remained the same. Public utility services remain essential to the ability of all to participate in our society and economy and, critical elements of the utility operations remain monopoly supplied. As long as monopoly conditions continue, prices, service quality and supply are not subject to competitive market forces and must be overseen by government regulation to ensure that the public interest is protected. But as time has passed, industries that were once regulated have become either wholly or partially competitive and, to that extent, no longer require public utility-style regulation. New innovations in regulation have evolved to meet new corporate structures and competition made possible by innovations in technology. The role of Alberta's public utility regulator has evolved so that today, after having regulated almost every major industry in the province at one time during the last century, it is responsible not only for monopoly utility rates, service and supply but also oversight of competitive electricity and natural gas markets in the province. Through all the changes and all the expansions, contractions, twists and turns, the AUC and its predecessors have had to adapt what they do and the skills they need to perform their mandates. Today, as we finish our first century, the pace of change is increasing and the need to pursue efficient and innovative regulatory approaches has intensified. Yet one thing has not changed. The Commission and its predecessors have remained, and the Commission remains today, committed to the public interest just as the legislators in 1915 envisaged.

During 2013-2014, the Commission and its staff have streamlined regulatory processes including eliminating some requirements, have pursued new approaches and have launched proceedings that were not necessary in the past. Some of these initiatives are captured in the pages that follow while many are simply undertaken at the initiative of individuals who live our values and seek to deliver on our vision every day. It is the responsibility to act in the public interest that lies at the core of who we are and that animates all that we do. It informs our decisions and shapes how we proceed, and it guides our continuing efforts to provide superior public service to Alberta into the next century.

Willie Grieve  
Chair, Alberta Utilities Commission



# Commission members



*Top row left to right: Kay Holgate, Henry van Egteren, Mark Kolesar, Neil Jamieson, Bill Lyttle*

*Bottom row left to right: Anne Michaud, Willie Grieve, Tudor Beattie*

## ***Commission members***

Willie Grieve QC, chair  
Mark Kolesar, vice-chair  
Tudor Beattie QC  
Kay Holgate  
Neil Jamieson  
Bill Lyttle  
Anne Michaud  
Henry van Egteren

## ***Acting Commission members***

Dr. Patrick Brennan  
Kate Coolidge  
Gwen Day  
Clifford Goerz  
Ian Harvie  
Bohdan (Don) Romaniuk  
Moin Yahya

# Celebrating our past — preparing for the future



**I'm delighted to have the opportunity to recognize the success of the Alberta Utilities Commission as we celebrate our 100th anniversary – a remarkable milestone of service to the people of Alberta.**

For a century the AUC has been pursuing and supporting the public interest by regulating when competition is not possible.

So while we collectively celebrate a rich history of accomplishments, the organization is squarely focused on preparing itself for the future.

To meet the challenges of the past year, and to prepare for the future, the organization has taken a number of steps.

With the issues we face at or near the top of the provincial government agenda, the qualities and knowledge of our staff increase in their importance. We require highly competent individuals with diverse skills. We are committed to strengthening the capabilities of our workforce and developing our leadership team.

Our human capital plan will identify competencies for all employees, both for today and future needs, and assess our talent against those standards. More broadly we annually measure employee engagement and implement measures for improvement.

An outcome from our human capital initiative was to identify a deeper understanding of the issues facing the Commission. That work led us to add a new senior role to our organization. We created the position of the Dr. Alfred E. Kahn Visiting Scholar in Regulatory Economics. This position signals the importance of economics in our decision making discipline mix; and will enhance our decision-making ability by providing a deeper understanding of the issues we face, the decision-making framework and their potential outcomes.

Through AUC Chair Willie Grieve's leadership we have continued to develop our staff expertise through our learning program. The courses being offered and the permanent collection of materials in the AUC library will enhance the already high quality of our staff and Commission members. A key long-term consideration for the Commission is attracting bright students to consider careers in our sector. Each year, through a program established by former Commission Member Moin Yahya, the Commission hosts a number of legal interns from both the universities of Alberta and Calgary. This program has received considerable positive feedback from our own staff team and the students involved and serves to make clear how a young lawyer's skills can be utilized in our organization.

We, and our stakeholders, are looking forward to the launch of our new e-filing system. Our new system will deliver efficiency wins for our users and continue us on our path of enhanced work flow and reduced paperwork. Reduced paperwork and enhanced e-filing also supports the Commission's organizational environmental goals, goals that are pursued actively by the AUC Green Team. The purpose of the team, made up of personnel from across the organization and from all levels, is to minimize the environmental impacts that result from AUC operations.





*Top row left to right: Wade Vienneau, Doug Larder, Bob Heggie, Jim Van Horne  
Bottom row left to right: Fino Tiberi, Mike Hagan*

We are also seeking to clarify for stakeholders our compliance and enforcement practices. Compliance focuses on whether regulated entities are adhering to the rules we establish, whether in our rates, facilities or markets work. As we move from cost-of-service rate reviews to incentive rate-making, financial and service quality performance will be a critical monitoring criteria. Compliance and enforcement will ensure utilities continue to comply with their obligations.

In light of our new approaches to regulation, we have also taken steps to ensure we are properly organized and staffed to discharge our responsibilities into the future. We have consolidated our structure in the facilities, rates and legal divisions and added new leadership under individuals such as Brian McNulty, Rita Chan, Wayne Mackenzie, Sophie Jiang and Blair Miller. These changes will position us to build on our successes and assure that our current agenda continues to make progress over time.

As in past years we have kept a sharp focus on our operations while meeting our performance objectives. I'm pleased that we have continued our strong fiscal record of cost management while delivering significant innovation in our regulatory approaches.

Our track record is one of diligence, innovation and rigour in our staff. The future promises to offer both challenges and opportunities to further demonstrate their abundant qualities.

I offer my sincere thanks to Commission staff for another year of hard work and significant achievement.

Bob Heggie  
Chief Executive, Alberta Utilities Commission

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# Transmission and generation

A major portion of the work of the Alberta Utilities Commission is centred on the review and scrutiny of transmission and generation proposals and projects. This area of the AUC's duties is all about how electricity is produced, how at the bulk level it gets to consumers, and at what cost.

Aspects of this part of the Commission's mandate have experienced heightened interest and importance in recent years in the wake of substantial reinforcement of the province's electrical transmission network, unprecedented consumer natural gas transmission system renewal and dynamics in the largely deregulated generation sector.

During 2013-2014 the AUC was at the centre of **several initiatives aimed at controlling costs for consumers and ensuring any projects that are approved – and critically, the manner and cost of their construction - are in the public interest.** The costs related to the rebuild and reinforcement of Alberta's electricity transmission system are expected to be substantial and so this work has a direct impact on the cost of utility service for Albertans.

Historically, the AUC has been constrained in its ability to assess transmission project costs post-construction when the costs are added to rates. However at the AUC's urging in July 2013, the government removed a presumption of prudence on costs by utilities that had previously been imposed by statute. This meant the onus to demonstrate costs were reasonable shifted to utilities - and opened the door to more in-depth scrutiny in the course of AUC proceedings.

Along with considering the financial impact on consumers, the AUC must also determine that what is built satisfies the public interest by meeting the province's current and future needs and ensuring utility owners have a reasonable opportunity to earn a fair return on their investment. The AUC's efforts were multi-dimensional and underpinned broad efforts to ensure costs from the major build that accrue to consumers are sound, necessary and reasonable. The objective is cost control, at every stage.

Among the initiatives in which the AUC was involved or oversaw was the **development of a cost oversight manager function**, in which an expert independent third party will review transmission project engineering construction plans and particularly the associated costs. Here, the goal is to identify prudent possibilities for cost reduction at every stage of electricity transmission projects development. In short, to improve cost accountability and deal with adverse cost trends in real time – not after the fact. The concept is similar to an owner's engineer in more traditional construction

projects, who minds project costs proposed by a developer, on behalf of the owner.

AUC staff, in collaboration with the Department of Energy and with the input of a stakeholder group oversaw development of the oversight function, to be launched as a pilot project in 2014-2015.

**Extensive work was also done investigating various rate-related avenues to soften or spread the impact of escalating transmission costs** through rate adjustment; an initiative known as transmission cost mitigation. The roots of this initiative stretch back to a pioneering exploration of the impact of different depreciation models that the AUC scrutinized in 2011. Concurrently, Alberta's Transmission Facilities Cost Monitoring Committee was encouraged by the Minister of Energy to investigate innovative approaches to transmission project cost recovery, and reported on this in June 2012. Meanwhile, in February 2012 the government established the Retail Market Review Committee to explore a variety of means to reduce costs for consumers. A recommendation from the RMRC's subsequent report added new momentum, and with the Minister of Energy's blessing, the AUC launched a formal process in 2013. The results of that investigation, laying out all the options, will be released in 2014-2015.

Regulating Alberta's consumer natural gas transmission pipelines is a lower profile but critical part of the AUC's mandate and it was a major area of work in 2013-2014. In part this related to a series of applications from ATCO Pipelines and affiliates to rebuild and relocate major pipeline infrastructure in and around Calgary and Edmonton. This proposal was the **largest of its type in Alberta's history** and led to extensive contact with potentially affected parties, a major proceeding and a decision issued in January 2014. However, the ATCO application in part also prompted the AUC to examine in depth how the need for new gas utility pipelines should be assessed and administered, including how notice is issued and to whom. This will lead to important changes and updating to AUC Rule 20: *Rules Respecting Gas Utility Pipelines*.

In the same spirit as its pipeline review, the AUC has since it was launched in 2008 continually sought to improve how it does what it does from both a procedural or process standpoint and by assessing the efficacy of the regulatory framework or approach it applies. Although these examinations are AUC-led, stakeholders are almost always formally involved and it often leads to major improvements. Two examples of this were achieved in the increasingly important area of renewable generation in 2013-2014.



*Along with considering the financial impact on consumers, the AUC must also determine that what is built satisfies the public interest by meeting the province's current and future needs and ensuring utility owners have a reasonable opportunity to earn a fair return on their investment.*



In June 2013 **the AUC effectively eliminated the application process for small power generation plants** of one megawatt capacity or less, where certain public interest requirements were met, including objections, noise and environmental considerations. Nonetheless, the AUC retains the ability to scrutinize and audit a project if issues arise and apply remedies if necessary.

Similarly, in August 2013 the AUC issued **new, more flexible requirements for wind-power generation projects**, broadly known as the buildable area concept. The new rules actively support

developers being able to obtain the most efficient and best-available equipment for their projects, when there may be or could be a lag between project approval and construction. The change has had a very positive reception and has led to the exploration and application of similar flexibility for projects using different fuel types, to ensure Alberta's new generating facilities incorporate the best available and latest available equipment, whatever the fuel type may be. This is an excellent example of AUC's desire to ensure the evolution and development of best practices in one area are used to improve the process and results in another, when and where it makes sense.



# Rates

**Rate regulation goes to the very heart of the AUC's mandate**, as ultimately its focus is on what people pay for the utility energy and services they consume related to both electricity and natural gas. This is the determination of general rates and, when required, special riders or adjustments to ensure ratepayers receive safe and reliable utility service at just and reasonable prices. At the same time, the AUC must also make sure the owners of utilities have a fair opportunity to earn a reasonable return on their investment. This area also includes the determination of fair pricing of services delivered by the transmission system operator, the Alberta Electric System Operator.

Conceptually relatively simple, rate regulation in execution is a very complex field, with close to 400 applications per year ranging from minor to cases with implications and effects for the entire industry – and every ratepayer. It is perhaps the most visible and arguably the most broadly influential aspect of AUC review and oversight, extending to **a provincial rate base of \$16.8 billion, an annual revenue requirement of regulated utilities of \$4.6 billion and a marketplace worth \$12.6 billion annually**. These are among the reasons rates regulation has been and continues to be a key area for the AUC in streamlining processes and introducing innovation in approach.

An example of this in 2013–2014 was **the implementation of a streamlined procedure for processing quarterly transmission adjustment riders** that standardized and simplified things, cutting the time to decision issuance dramatically. Now, an approval letter can be issued by the Commission within 10 days of receiving an application.

The AUC also launched a broad technical consultation to investigate in detail the merit and feasibility of **alternative methods in determining transmission rates** that might soften the impact on ratepayers of the current cycle of substantial investments in Alberta's transmission grid.

The AUC's rate-making work in 2013–2014 was also effected by an earlier freeze of ancillary utility rates. The AUC agreed to the request by the Alberta government in February 2012, which came in response to high and volatile market electricity prices, and around which the government launched a four-point action plan. The freeze was in place until 2013, and although it was relatively straightforward to implement, removing it required a more delicate and complicated exercise. That exercise extended through the early months of fiscal 2013–2014 and had implications for numerous applications. Reasonable costs to which utilities are fairly entitled do not stop accruing or changing if rates are frozen. However, avoiding consumer rate shock – a sudden, sharp and sustained increase in rates of more than 10 per cent – is paramount in the AUC's approach to rate setting. Through carefully structured and balanced decisions, the AUC was able ensure that Alberta ratepayers were not unduly impacted and no rate shock occurred as the freeze was lifted and new rates were approved.

That effort took place against the backdrop of an active agenda of rate applications and determinations. These included the first-ever round of annual adjustments under distribution performance-based regulation (PBR), a revolutionary approach to rate determination in Alberta the AUC implemented on January 1, 2013. **Under performance-based regulation, which is intended to mimic the results of competitive market forces, utility rate increases are limited to inflation less an industry productivity factor.** The formula is adjusted and special capital expenditures are tracked and assessed by the AUC annually. Ultimately, while constraining rate increases, PBR is intended to streamline rate-making and reduce the regulatory burden for both the AUC and utilities.

Despite being the first of their kind the annual PBR adjustment applications were dealt with on an expedited basis to ensure a January 1, 2014 implementation.



*Conceptually relatively simple, rate regulation in execution is a very complex field, with close to 400 applications per year ranging from minor to cases with implications and effects for the entire industry – and every ratepayer.*

In Alberta's competitive utility market, residential utility consumers can choose to enter into a competitive contract with a supplier with set prices for gas or electricity, or both, over a given term. Nonetheless, many consumers rely instead on natural gas or electricity supplied with prices for electricity set under Alberta's Regulated Rate Option, and for gas under the Default Gas Supply Regulation. Under these arrangements, a default supplier provides either electricity or natural gas, or both, at prices set monthly by a formula determined in an evidence-based public process by the AUC. The pricing formula is reached through energy price-setting plans for each of the default suppliers. In 2013-2014 the AUC successfully completed a major review with providers and consumer groups aimed at clarifying and aligning how prices are set from provider to provider. As a result, this aspect of the AUC's work is considerably simplified. The AUC also implemented an **extension to suppliers' energy procurement time period**, a measure intended to reduce price volatility for consumers.

All of this occurred in an environment in which the cost impact of major transmission construction began to appear in general tariff applications in the form of significant proposed additions to the utilities' rate bases. In turn this triggered substantial increases in the volume of evidence filed related to each case, but also heightened the necessity and breadth of scrutiny to ensure costs were sound. In this vein, the AUC benefitted in 2013-2014 from enhanced powers to



scrutinize the transmission construction costs that utilities propose to add to their ratebase. **The government removed a previously existing legislative presumption of prudence and placed the onus on utilities** to demonstrate to the AUC's satisfaction that costs they had incurred in building transmission projects were reasonable. This helps to constrain rates.



# Distribution

All Alberta utility consumers are serviced by distributors that are responsible to ensure electricity and natural gas are delivered safely and reliably to their home or business. This is the segment of transportation and utility service between the bulk transmission level and delivery to the point of consumption. In this respect distributors are responsible for the critical last final mile in getting utility services to consumers.

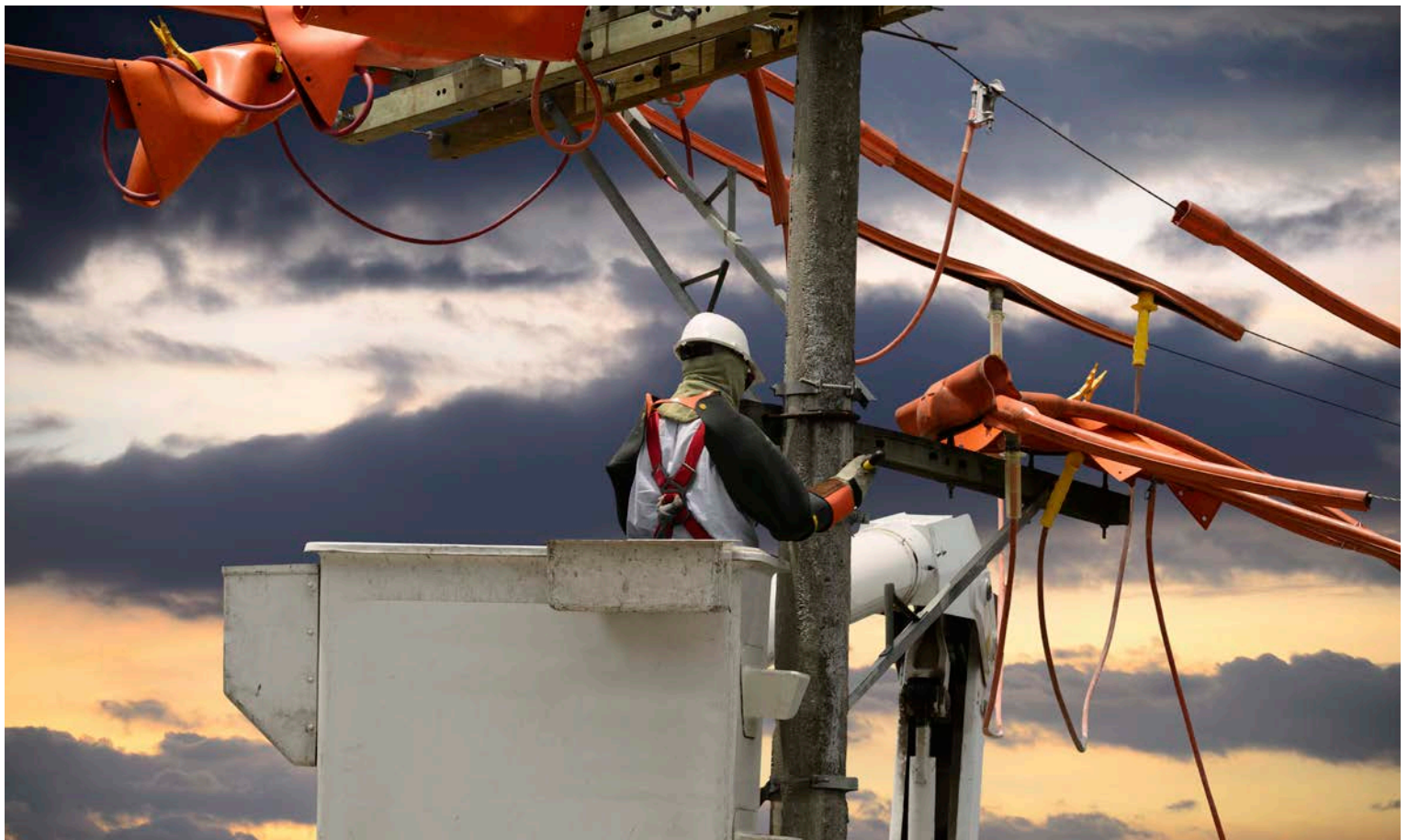
In many respects distribution, along with retail, is an area of the utility sector that is among the most apparent to consumers as it is the distribution utility that is responsible for delivery. It is also a substantial portion of the overall industry, covering all of Alberta and employing many thousands of workers. Similarly, regulation of distribution utilities is a substantial facet of the AUC's mandate and has historically accounted for a material portion of the agency's workload.

Elsewhere in this report is a discussion of performance-based regulation, which dominated the AUC's oversight of distribution through the 2013-2014 fiscal year. It was implemented in 2013 to rationalize and increase the efficiency of how the AUC deals with distribution rate regulation, as well as introduce competition-like influences on rates. PBR simplifies the manner of rate regulation for distribution utilities, with the added outcome of encouraging


companies to be more efficient and keep utility costs lower for Albertans.

Within the PBR approach, along with the AUC's annual setting of utility-specific base formula values for distribution utilities, each utility can, once each year, seek regulatory approval for unusual capital expenditures or other expenses encountered outside the normal course of business, through so-called capital tracker mechanisms and two other limited avenues. Acceptance is by no means automatic; such capital tracker requests must be demonstrated to be sufficiently material, not sufficiently recoverable elsewhere in the PBR structure, and is intended to be for the replacement of existing capital assets and other limited circumstances.

**The application of distribution performance-based rate making was a learning experience for the AUC, but a positive one,** and a number of first-time applications were successfully completed in 2013-2014. Among them were proceedings from FortisAlberta and AltaGas in which costs reasonably encountered by the utilities were assigned to different rate classes, which is how rates attributable to a specific class of ratepayers is determined. Another proceeding related to the revenue requirement linked to acquisitions of rural electrification associations by ATCO Electric.



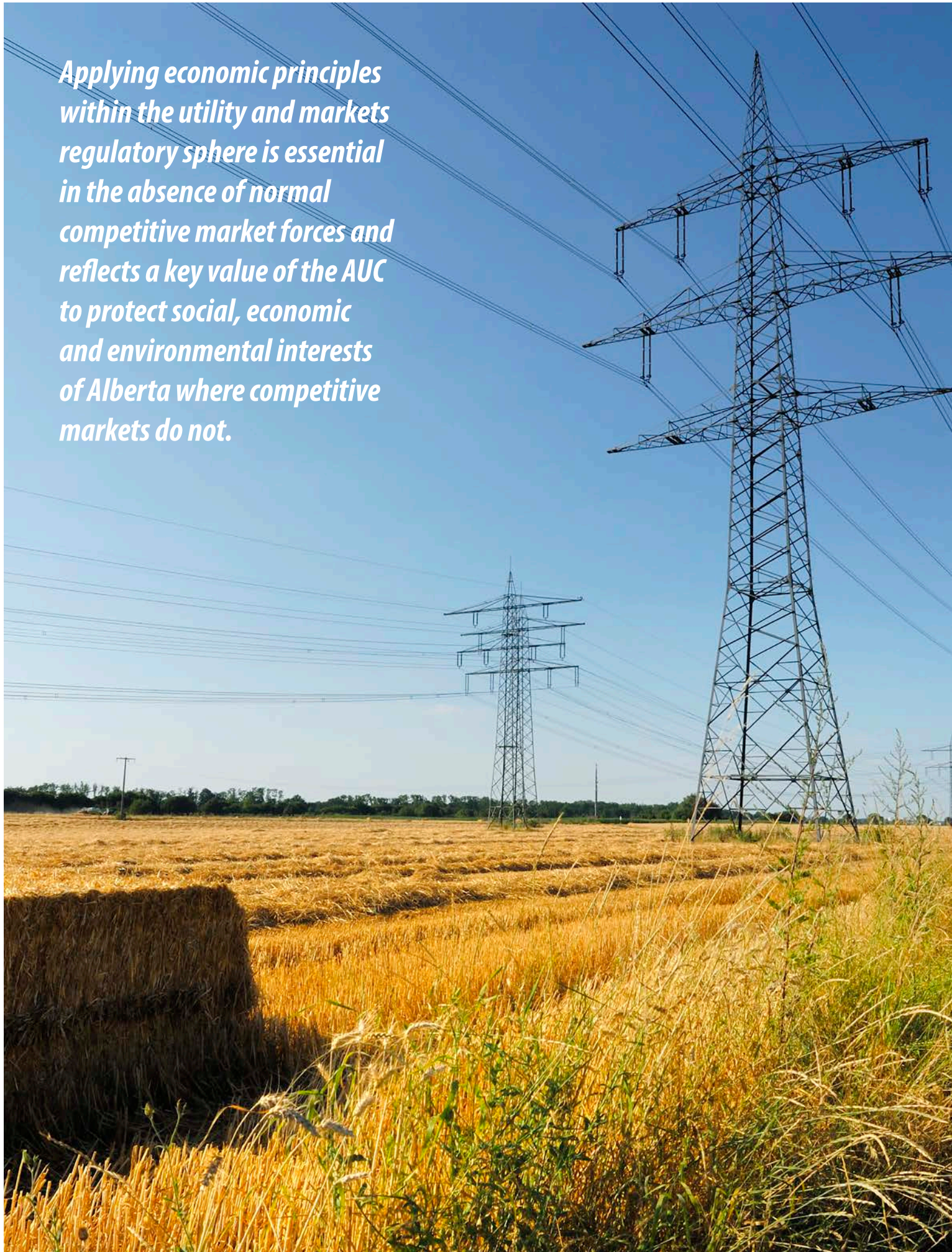


A close-up photograph of a man and a young boy looking intently at a bright, glowing white orb. The man, on the left, is pointing at the orb with his right index finger. The boy, on the right, is looking directly at the orb with a focused expression. The scene is dimly lit, with the primary light source being the orb itself, which casts a warm glow on their faces and hands. The background is dark and out of focus.

***Performance-based regulation simplifies the manner of rate regulation for distribution utilities, with the added outcome of encouraging companies to be more efficient and keep utility costs lower for Albertans.***



*Applying economic principles within the utility and markets regulatory sphere is essential in the absence of normal competitive market forces and reflects a key value of the AUC to protect social, economic and environmental interests of Alberta where competitive markets do not.*





# Markets

The AUC's markets oversight is an evolving area of the Commission's duties and has been since the Commission was launched in 2008. The AUC's mandate in this area is aimed at ensuring the wholesale market for the sale of electricity operates in a fair, efficient and competitive manner. It also touches on ensuring transmission system operator rules satisfy Alberta's relevant statutes and regulations.

Wholesale electricity market regulation has a heavier emphasis than other areas of the AUC's mandate on understanding economic forces and dynamics, along with the interplay of market participants, pricing behaviour, competition theory, market rules and supply and demand. The emphasis on understanding how economic forces can help to optimize outcomes including pricing and to promote market and participant efficiency has provided lessons, insights and techniques increasingly used across the AUC's mandate.

**Applying economic principles within the utility and markets regulatory sphere is essential in the absence of normal competitive market forces** and reflects a key value of the AUC to protect the social, economic and environmental interests of Alberta where competitive market forces do not. Viewing and shaping regulatory intervention in part through an economic lens is intended to produce better outcomes with the least possible direct regulatory force applied.

For these reasons and others, **effective regulation increasingly requires the application of economic theory and to this end the AUC began work in 2013-2014 to develop key economic principles that could be consistently applied in Commission decisions. In this manner, the AUC is seeking to ensure that it is intellectually disciplined in order to aid in reaching and issuing consistent and principled decisions.**

The AUC also sought to enhance its expertise and resources in the economic sphere. Late in 2013-2014 the organization created a position of visiting scholar in regulatory economics to aid in better understanding economic dynamics and influences. The position was intended to provide staff and Commission members with the benefits of his or her expertise, across all divisions.

In some circumstances, **the AUC plays an adjudicative role in determining if contraventions of system operator market rules have occurred** and if so, what the remedies should be. In some cases the AUC is asked to determine whether rules themselves are in keeping with legislation or regulations, such as the Fair, Efficient and Openly Competitive Regulation. These rules, issued and applied by the Alberta Electric System Operator (AESO), pertain to how transmission is operated, and when. In both circumstances, the proceeding is based on a complaint brought forward from either a market participant, or the Market Surveillance Administrator (MSA).

This is among the most technical areas of the AUC's work and in 2013-2014 the Commission explored some challenging issues related to topics such as transmission constraint management or TCM, and Alberta's line loss rule. The line loss rule deals with how losses of electricity during transmission are allocated. TCM is used to allow the AESO system operator to ensure an adequate supply of power can get to where it is needed. Techniques used in transmission constraint management may require certain generators to increase their output and others to constrain their output based on factors other than price merit and thus have a direct impact on the overall market price.

In the area of line loss, in 2013-2014, the AUC dealt with a complex proceeding involving the apportionment of these costs. It too required examination of the economic influences of an existing AESO rule, which was challenged by a market participant.

The personnel of the AUC's markets area are actively engaged in briefing staff and Commission members to improve the AUC's overall understanding of Alberta's wholesale electricity market and the dynamics that affect it. This is accomplished in part through the production of weekly and quarterly internal summaries and analysis. Markets personnel also produce and present a valuable and ongoing lunch and learn series aimed at improving the AUC's overall technical understanding of how the market works and what influences are at play.

***Wholesale electricity market regulation has a heavier emphasis than other areas of the AUC's mandate on understanding economic forces and dynamics, along with the interplay of market participants, pricing behaviour, competition theory, market rules and supply and demand. The emphasis on understanding how economic forces can help to optimize outcomes including pricing and to promote market and participant efficiency has provided lessons, insights and techniques increasingly used across the AUC's mandate.***



# Organization

The AUC has critical statutory duties in protecting the public interest and ensuring Alberta's utility sector and by extension its economy operate efficiently, as well as when requested by the government, policy research responsibilities. But none of these outcomes can be achieved without an efficient, modern and technically capable organization with adequate brainpower, experience, energy and initiative. All the will in the world will not produce the right outcome without the proper resources, structure and tools.

**In 2013-2014, the AUC moved forward on a number of fronts to improve the quality and efficiency of its interaction with stakeholders.** Front and centre in this was major progress in a recasting of the AUC's electronic filing system, which sits at the centre of every proceeding the AUC undertakes. The system is the central record for our proceedings as well as a key management tool to ensure applications are dealt with in a fair and timely manner. It is the public record for all AUC matters.

This multi-year, multi-stage project has purposely included the input of multiple internal and external stakeholders and investigation of best practices across Canada and in the U.S. It amounts to a complete retooling of the AUC's document management regime, with new software and new practices. The goal is to have a new system that is easier to use, supports greater efficiency and enhances both functionality and flexibility - and all at a reasonable cost. The transition to the new system is expected to be completed in 2014-2015. Like any organization, the AUC is only as good as its people. However good people is not a static, fixed quality, particularly in an evolving regulatory environment centred within a highly competitive economy characterized by rapid technological change amidst an organization committed to innovation. In 2013-2014 the AUC's corporate services division led the entire organization in a major project to better map out and understand our human resources requirements now and in the future.

This initiative, dubbed **the human capital project is intended to better align skills and qualities of AUC personnel at all levels with the operational and statutory requirements of the organization.** Its goal is to consciously link individual skills and competencies to the mission, initiatives and responsibilities of the organization and thus give managers and executives better tools to hire and direct for competency rather than personality. It has the added benefit of providing better and more rationalized comprehension of individual job requirements, how they fit into a segment of the organization and the organization overall. There are substantial benefits as well for planning and managing succession.

In some ways this exercise and its aim of creating a foundational assessment framework for managing human resources reflects the methodical and disciplined approach the AUC applies in many areas.

Another initiative the AUC used to hone its understanding of how it works and why, and the methods it utilizes, was as a participant in the Alberta government's results-based budgeting exercise, which flows from the *Results-based Budgeting Act* passed in February 2012. Although the AUC is an independent tribunal funded through a levy on industry, it reports to the Minister of Energy for budget reporting purposes, and the AUC's externally-funded annual budget is scrutinized and approved by Alberta Treasury Board. The results-based budgeting exercise was focused on ensuring the relevance, efficiency and effectiveness of programs in government and within the government sphere via agencies boards and commissions, and making sure government services align with outcomes identified as Albertans' priorities.

The AUC fared very well in this analysis and scrutiny, with findings that included:

- The AUC receives no government funding.
- The AUC has historically constrained costs and expenditures to operate below Treasury Board targets.
- The AUC's three-year rolling business plan is developed to link to the Department of Energy business plan including performance measures assessed by an independent third party. Business plan performance measures also includes feedback from stakeholders and hearing participants.
- Since its creation the AUC has reduced the cost of utility regulation per customer by 11.3 per cent, to \$11.64 in 2013 from \$13.13 in 2008, despite an 18-per-cent increase in caseload.
- The AUC meets its own internal targets to have employee satisfaction, work environment and leadership indices score at least five per cent higher than similar organizations participating in the Alberta government's annual employee survey.



*Prominent among the AUC's corporate values are that we are accountable and strive for excellence in everything we do, that we treat everyone with dignity and respect, and that we maintain and promote a positive work environment. In this regard the AUC was independently selected in 2013 as one of Alberta's Top Employers for the third consecutive year.*

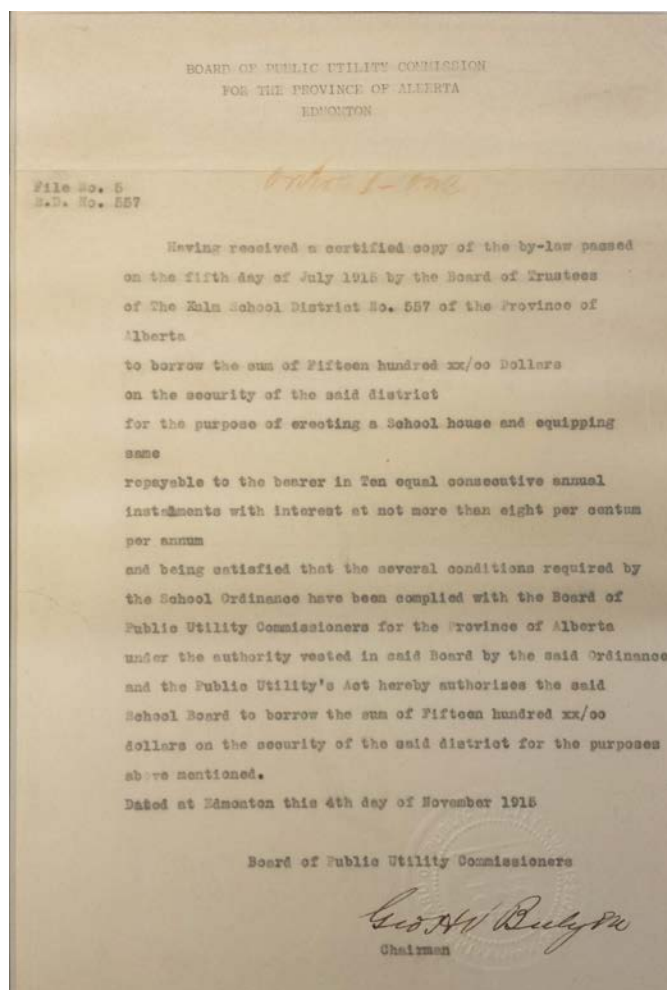
# 100 years of service to Albertans

The AUC's 2013-14 fiscal year effectively marked the completion of 99 years of service to Albertans by the organization and its predecessor agencies and saw the organization prepare to celebrate a century of public service. The AUC's 100th year of existence began on April 17, 2015, the anniversary of the creation of the Board of Public Utility Commissioners by the Alberta legislature 99 years earlier. The board began its operations in mid-October 1915 and issued its first order on November 4, 1915.

Then as now, the role of the regulator was crucial to the orderly development of the province and the protection of the public interest of Alberta. The history of utility and related regulation in this province is a fascinating one and the AUC, its members and its staff are genuinely honoured to be part of a legacy that stretches

back a century. If there were one constant in all that time it is that the mandate, methods and responsibilities of the regulator are constantly evolving to serve the needs of the people of Alberta and to support the policy objectives of the government, reflected in statutes, in an independent, fair, evidence-based, innovative and balanced manner. We truly are proud to serve Albertans.

That said, there has been more than one constant. Another has been the role of the regulator in supporting the building of Alberta's communities, infrastructure and economy. Our first decision approved a \$1,500 debenture to permit the building of a schoolhouse to serve a growing Alberta community. Today, our core activities support the maintenance and growth of Alberta communities and its economy – only the scale of our decisions has changed. Today, the financial values inherent in our decisions regularly range into the billions of dollars as we determine rates for 2.9 million ratepayers in growing communities across Alberta. The utilities we oversee



*The first decision made by the AUC's predecessor, the Board of Public Utility Commissioners was for a school debenture just outside of Edmonton.*

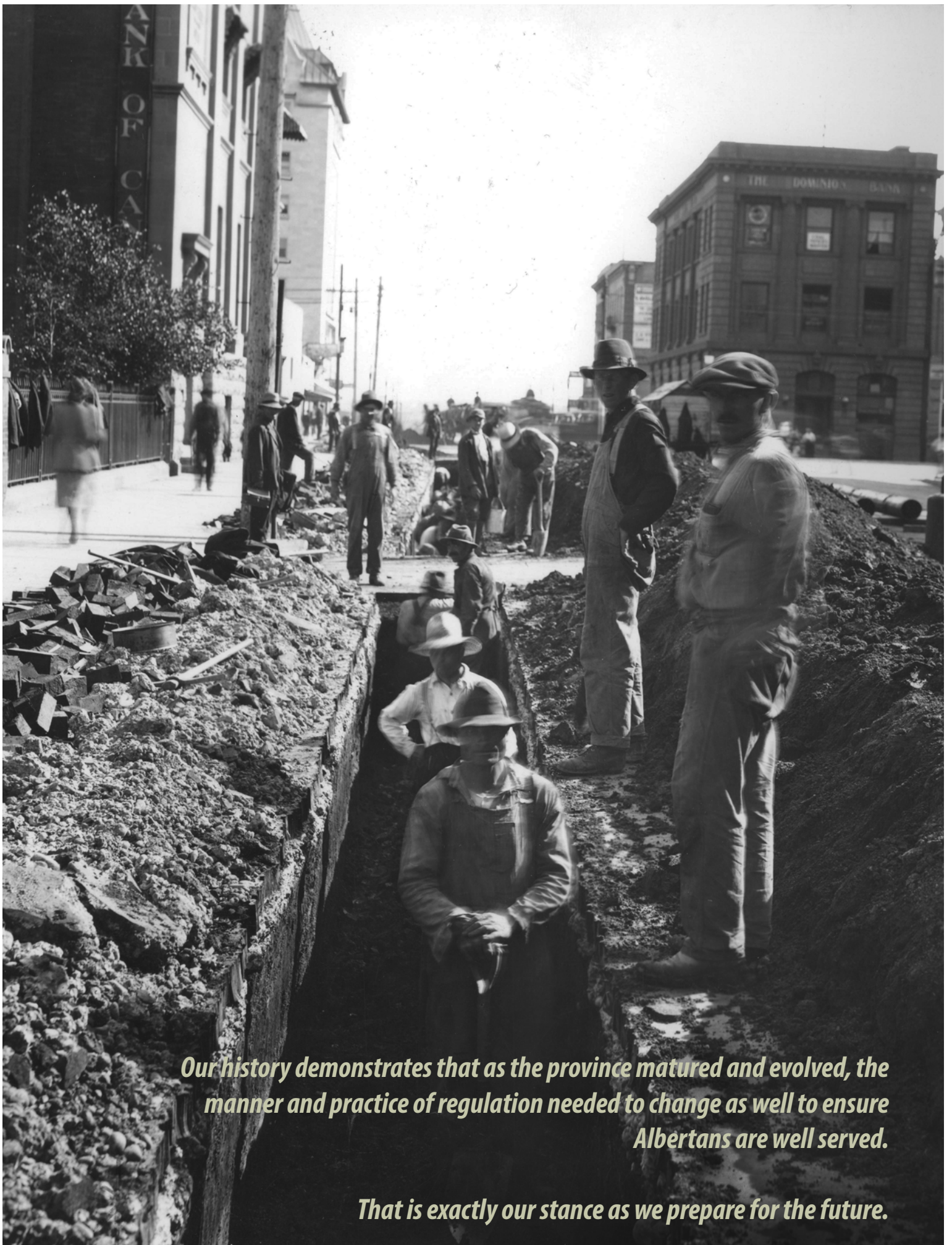
operated a regulated rate base of \$16.8 billion and in 2013 had a revenue requirement \$4.6 billion. Furthermore, the value of the sector we regulate had an annual value of \$12.6 billion, including a wholesale electricity market that saw \$8 billion in transactions.

The AUC and its predecessors have had many responsibilities. Among them were determining the price of milk and the oversight of the sale of securities, the supervision of all debentures issued by municipalities and school districts, tolls for public vehicles, oil and gas pipeline standards, the cancellation of subdivision plans, appeals and complaints about land assessments, the approval of tariffs for railways, the approval of highway crossings by railways, and the approval of telephone rates charged by the former Alberta Government Telephones, which many of us know today as Telus Corporation. The regulator has been at the centre of seminal events in Alberta's history,

such as the 1948 plebiscite on whether Alberta should have private or Crown ownership of utilities. The decision by Albertans (fewer than 300,000 at the time) to favour privately owned utilities set the stage for the regulatory environment we see today. At the same time we are inextricably linked to the early development of Alberta: the first chair of the Board of Public Utility Commissioners was George Bulyea, the first lieutenant-governor of Alberta.

Although we are feel extraordinarily pleased with the contribution the AUC and its predecessor organization have made to Alberta's past and to the health of its current utility industry, quality of life, strength of communities and economy - and of course we want to and will celebrate the milestone - we are focused on our second century of service to Albertans. Our history demonstrates that as the province matured and evolved, the manner and practice of regulation needed to change as well to ensure Albertans are well served. That is our stance as we prepare for the future.





*Our history demonstrates that as the province matured and evolved, the manner and practice of regulation needed to change as well to ensure Albertans are well served.*

*That is exactly our stance as we prepare for the future.*

# What people said about the AUC

*“The Alberta Utilities Commission is to be congratulated for its leadership in advancing regulation and, in particular, regulation of services to the most vulnerable consumers.”*

— Raymond Gorman, chair of the Canadian Association of Members of Public Utility Tribunals (on the September 2013 occasion of the AUC winning CAMPUT’s highest acknowledgment, the CAMPUT Award for Leadership and Innovation.)

*“The AUC’s role is primarily to ensure the infrastructure that is built and the consumers pay for is in the public interest. It speaks of competing issues that need to be taken into account when making that determination. The cost... what’s given up, how are you affecting other people. That public interest mandate is an extremely important one because they are balancing the rights and desires of people throughout society so I see this as being very important.”*

Stakeholder comment in annual AUC survey.

*“We may not agree, but at least we know the process.”*

— An AUC information session participant

*“On the whole I’m pretty happy with the Commission. I think they do a great job, and I don’t know that I would have anything that would result in a material change or benefit; so I’m actually pretty satisfied with their work.”*

Stakeholder comment in annual AUC survey.

*“Really they’ve done great work, and they continue to do great work, and some of it is exceptional and some if it isn’t, that’s human nature, much of it is though, and they just shouldn’t lose sight that they can’t rest on those laurels because there is always room for improvement.”*

Stakeholder comment in annual AUC survey.





# Performance Measures

## Organization

*Provide the organizational infrastructure to support the AUC in achieving its objectives and sustaining its values.*

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- ✓ The work environment index as measured in the AUC Corporate Employee Survey is at least five per cent greater than the index of similar organizations participating in the Government of Alberta's Annual Employee Survey.
- ✓ The organizational leadership/direction index as measured in the AUC Corporate Employee Survey is at least five per cent greater than the index of similar organizations participating in the Government of Alberta's Annual Employee Survey.
- ✓ Ninety per cent of employees meet or exceed professional development expectations as defined in their annual performance plan.
- ✓ The AUC's satisfaction index, as measured in the stakeholders satisfaction survey is greater than 75 per cent.
- ✓ Ninety-three per cent of stakeholder requests for information are completed within one working day.
- ✓ AUC stakeholders are able to access AUC business systems 95 per cent of the time on business days between 7 a.m. and 7 p.m.
- ✗ The employee satisfaction index as measured in the AUC Corporate Employee Survey is at least five per cent greater than the index of similar organizations participating in the Government of Alberta's Annual Employee Survey.  
\*The AUC's result was 72.71 per cent, while the target was 73.14 per cent.

## Rate Regulation

*Rate-making related responsibilities will be carried out in a principled, effective and efficient manner.*

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- ✓ Ninety-seven per cent of complaints/inquiries will be responded to and 80 per cent closed within the following target timelines:
  - Response: email and phone - one working day; letter – five working days.
  - Closed: all types - five working days.
- ✗ Notices or response letters will be issued for all applications within established target timelines.  
\* Two of 237 acknowledgement response letters were issued beyond the target timeline.
- ✗ Eighty per cent of the proceedings for each proceeding type will have the record completed within established target timelines including those outlined in Bulletin 2010-16 and AUC Rule 011.  
\* Met four of 12 proceeding types; the measure has been met for all proceeding types when explainable, out-of-the-ordinary process steps are considered.
- ✗ After the close of record on a proceeding, 100 per cent of decision reports for each proceeding type will be issued within 90 days or other existing target timelines including those outlined in Bulletin 2010-16 and AUC Rule 011.  
\* One of 154 decisions were issued (intentionally) beyond the target timeline.

## Regulatory Policy

*Facilitate the fair, efficient and transparent operation of the retail natural gas and electricity markets through the use of technical regulation.*

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- ✓ No disputes between the market participants are being brought to the AUC for adjudication under Rules 002, 003, 004, 010, 021 and 028.
- ⊖ Decisions regarding micro-generation disputes are issued within 30 days after the close of record (legislative).  
\* No disputes were recieved
- ✓ Regulatory requirements developed result in demonstrated benefits to market participants.
- ✓ Technical rules related to competitive retail energy markets are adopted or amended according to the timelines agreed upon by the industry stakeholders as part of the consultative process.
- ⊖ One-hundred per cent of decisions are issued within 90 days after the close of record.  
\* No decisions were required to be issued.



## Facilities

*Ensure understanding of, and confidence in, the impartiality, transparency and competence of the AUC in its timely and efficient review and oversight of energy projects and of the opportunities for meaningful participation.*

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- ✓ One-hundred per cent of decisions are issued within 90 days after the close of record, in accordance with Bulletin 2009-25.
- ✗ One-hundred per cent of need and facility decisions are issued within 180 days of the application being deemed complete, in accordance with Bulletin 2009-25.  
\* Four of 140 decisions were issued beyond 180 days.
- ✓ One-hundred per cent of application response letters are sent within 15 working days of the application being filed in accordance with Bulletin 2009-25.
- ✓ The AUC will conduct a minimum of one information session for each major facility application, and those applications proceeding to an oral hearing.
- ✗ Eighty per cent of facility applications are processed within established timelines in accordance with Bulletin 2009-25.  
\* Only 79.7 per cent of facility applications were processed within established timelines.
- ✓ Seventy-five per cent of hearing participants indicate they understand the needs and facility application process.
- ✓ Seventy-five per cent of participants indicate they were treated fairly.

## Markets

*Support competitive markets by ensuring that market rules and reliability standards are fairly and consistently developed and market contraventions are fairly adjudicated. Ensure effective regulation through understanding markets and their operations.*

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- ✓ One-hundred per cent of decisions are issued within 90 days after the close of record.
- ✓ Seventy-five per cent of all participants in markets hearings indicate that they were satisfied with the opportunity to present their views and were treated fairly.
- ✓ Ninety per cent of all ISO rule notices are issued within five calendar days, as legislated.
- ✓ Ninety per cent of all reliability standards notices are issued within 10 business days.
- ⊖ Ninety per cent of all settlement agreement notices are issued within 15 business days.  
\*No settlement agreements were filed.
- ✓ Ninety per cent of all preferential sharing of records notices are issued within 10 business days.
- ✓ Ninety per cent of all objection and complaint notices are issued within 15 business days.
- ✓ Eighty-five per cent of participants in market proceedings brought before the Commission indicate they understand the hearing process.

***We have established performance measures to track our progress made against our objectives.***

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- ✓ **Met performance measures**
  - ⊖ **Not measurable**
  - ✗ **Did not meet performance measures**

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Alberta Utilities Commission

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