

Alberta's independent utilities regulator



AUC

Alberta Utilities Commission

Annual Review 2017

Our 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 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.

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Measuring up



“This report covers the ninth full year of my time as chief executive of the AUC. As we enter our tenth year of operations, it is a good opportunity to take a longer-term view extending back over the past nine years, and provide a more personal report than has been my custom.”

Looking back I’m struck by how much has changed, how much has been accomplished and the consistency in trends and principles applied to guide the AUC’s work.

The changes have arisen in our organization, both in our approach to our work and in the emphasis applied to our statutory responsibilities.

Organizationally, the decision to bring together the responsibilities for market rules and adjudication with the traditional role of gas and electric utility regulation, which lay behind the creation of the AUC, has been clearly shown to be correct. It reflects the increasing convergence of monopolistic businesses with competitive markets and allowed for more informed decision making at the AUC.

I am also struck by the changes we made in how the AUC approaches its work. Since inception, the AUC has been guided by a rolling three-year strategy that identifies major work streams, planned dates for completion and performance measures against which we measure, and pay for, performance. The strategy created an analytical framework which allowed for the identification of areas where useful investments could be made in our innovation and stretch agenda. Moreover, this approach demonstrates transparency and accountability to which we are committed - and has driven unprecedented performance in our results.

Most of all, there has been a material change in the emphasis of our work. It is illuminating to look back to the time of the AUC’s creation. Then, there had been no effective approach to addressing

landowner participation in contentious facility hearings; there was no meaningful incentive approach to rate making; there was no coordinated approach to vulnerable customers and there was no clarity on the meaning of efficiency in our Fair, Efficient and Open Competition Regulation work. Lastly, dealing with intervenor costs had become a preoccupation.

More recently two issues have placed an increasing demand on AUC resources. These are the environmental implications of Alberta’s electricity sector within the climate leadership plan policy framework and the creation, in law, of a legislative framework that will challenge the historic autonomy of the AUC and its leadership to establish a competitive, performance-based compensation framework for AUC employees.

The government has set new and demanding targets for carbon reduction which will, if realized, have profound implications for the pattern of electricity generation, transmission and distribution in Alberta. The AUC has been working hard to anticipate these changes, most significantly in developing and shaping comments on the capacity market reform, regulated rate option price cap, shaping our role in the institutional framework supporting the capacity market and in evaluating the rate design framework for distribution companies to determine whether changes are required in pricing to align with government carbon reduction objectives. The next generation of PBR, for which the AUC has been preparing over the past year, will be important in entrenching the incentive-based approach and confirming it is consistent with the government’s cost and environmental agendas.

Alongside these changes there has been enduring themes during the past nine years: Everything the AUC does promotes effective competition, and regulation is only utilized where markets fail. The AUC constantly seeks innovative and efficient regulatory solutions and has demonstrated trusted leadership in its reasoned, principled decisions. These principles have served Alberta well.

Over our initial nine years of operations, we committed to using our resources efficiently. I'm delighted to report that our operating costs per customer have reduced from \$13.13 per customer in 2008-2009 to \$10.25 per customer in fiscal year 2016-2017. This nearly 22-per-cent reduction was achieved during a period when our application workload increased 16 per cent, the total number of proceedings increased 49 per cent and the Alberta weekly wage index increased 45 per cent.

Since 2008-2009, the AUC has reviewed 8,814 applications, responded to 17,789 complaints and issued 5,425 decisions. We have held 182 oral hearings over a total of 865 hearing days and conducted 1,345 written proceedings. In that same timeframe, the rate base of Alberta's utilities has grown to \$21.8 billion from \$7.3 billion and Alberta's consumer site count has increased to three million from 2.4 million.

During this period the AUC met more than 82 per cent of our performance measures. When circumstances beyond the AUC's control are considered, that figure rises to 90 per cent. This has all involved hard, focused, work from our staff and Commission members. While our ranks have evolved over the years, I'd like to think they are more skilled and savvy than when we started operations. As always, I am grateful for my colleagues on the executive team – they are hardworking, committed and skilled. It has been, and remains, a pleasure to work with them.

I'm particularly conscious of our Commission chair, Willie Grieve, who I have had the privilege to work with for almost a decade. His commitment, interest, contribution and involvement are all far greater than what I, or the organization could have reasonably expected. His quality did more than anyone or anything to bring about the AUC's present record of achievement which has served Albertans so well.

Organizational performance

The 2016-2017 fiscal year was once again a busy one. The AUC reviewed 962 applications which represents a three-per-cent increase over 2015-2016 and a 13 per cent increase over 2014-2015. These workload increases reverse a previous trend of decreases which were a direct result of the AUC's effort to streamline and remove requirements for applicants to file low-risk, routine applications. The recent increase in applications, specifically in the Facilities, and Market Oversight and Enforcement divisions, is primarily due to recent government policy changes including the implementation of the Climate Leadership Plan and a change in the Code of Conduct Regulation. By eliminating the need to review these low-risk routine applications the AUC was able to redirect resources and address these new applications.

Fiscal 2016-2017 also represented a busy year for the AUC responding to complaints (1,970) and information requests (598). These customer and stakeholder service responsibilities are critical to maintaining and enhancing public confidence in the AUC, and remain a strategic priority for us.

Seven years ago the AUC was one of the first public utility regulators to survey and solicit feedback from stakeholders in an effort to measure overall satisfaction with the AUC. This year we



enhanced our survey to include a much broader assessment and determination of performance. The survey returned improved results year over year, with particular emphasis by stakeholders on the importance of the AUC as an independent, respected, regulator.

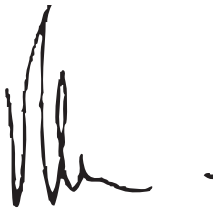
Internal satisfaction is also very important to the leadership team and an important factor in our efforts to be a successful organization. Employee satisfaction remains high as the AUC achieved 81.3 per cent in this index, exceeding the five-year average of 78.3 per cent. Results from our work environment and organizational leadership indexes were also very positive, exceeding five-year averages by approximately two per cent. The latest employee survey was also the first opportunity for staff to provide direct feedback on the AUC's human capital competency framework. Our human resources group will work with staff and leaders in the 2017-2018 fiscal period to reinforce the vision and principles of the human capital competency framework.

The AUC remains committed to regulatory efficiency in delivering on our mandate. Through good planning and prioritization, the AUC has saved more than \$38 million for administration fee payers, in real terms. Ultimately, this is Alberta ratepayers.

To summarize our performance, this past year the AUC met 23 of 29 performance measures which in percentage terms is slightly lower than our nine-year average of 82 per cent. There are several possible reasons for this relatively lower performance. Without

doubt, our workload continues to be a challenge. Additionally, I consider factors outside our control, such as more complicated hearings, and simply deferring initiatives to focus on other commitments as contributing factors. In the main however, our relatively lower performance in delivering applications and decisions within our performance objectives is, in my view, a direct result of a loss of discipline in how we establish and commit to application and decision timelines. The target timelines are reasonable and can be delivered upon without over stretching our resources. Priorities and plans need to be established and adhered to; this includes improving decision drafting quality and seeking and receiving Commission member input earlier in the process. I have emphasized the need for greater discipline in my performance review discussions and the executive is re-committed to delivering on this objective.

Our results and our strengths, along with our resolve to do better flow from the AUC's dedicated, thoughtful and hard-working Commission members and staff throughout the organization. None of what the AUC has accomplished would be possible without their remarkable commitment to public service and dedication to improvement.

A handwritten signature in black ink, appearing to read 'Bob Heggie', followed by a small horizontal line.

Bob Heggie
Chief Executive, Alberta Utilities Commission

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three per-cent increase over
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Commission members



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

Bottom row left to right: Anne Michaud, Willie Grieve, Mark Kolesar

Commission members

Willie Grieve QC, chair

Mark Kolesar, vice-chair

Tudor Beattie QC

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

The AUC is a performance organization



The Alberta Utilities Commission is a performance organization, committed to constantly setting, measuring and improving against its goals to improve utility regulation and outcomes for Alberta, and ensure we are meeting the responsibilities set out for us in the best possible way.

Although the AUC receives no government funding, we are accountable to Alberta, both as a public-sector organization and as a quasi-judicial regulator, and are devoted to enhancing how the organization conducts itself, its processes, its effectiveness and its efficiency. At the highest level, the AUC pursues accountability through its vision and values, which were developed collaboratively by all levels of the organization. They shape and guide everything we do. They can be found on the back cover of this report.

Planning and measuring performance

The AUC's performance-based strategy sets out a clear line-of-sight for staff to understand how their contributions factor into the organizational goals set out in the AUC business plan, which reflect the fundamental long-term objectives, strategies and core adjudicative work that are central to the AUC's mandate.

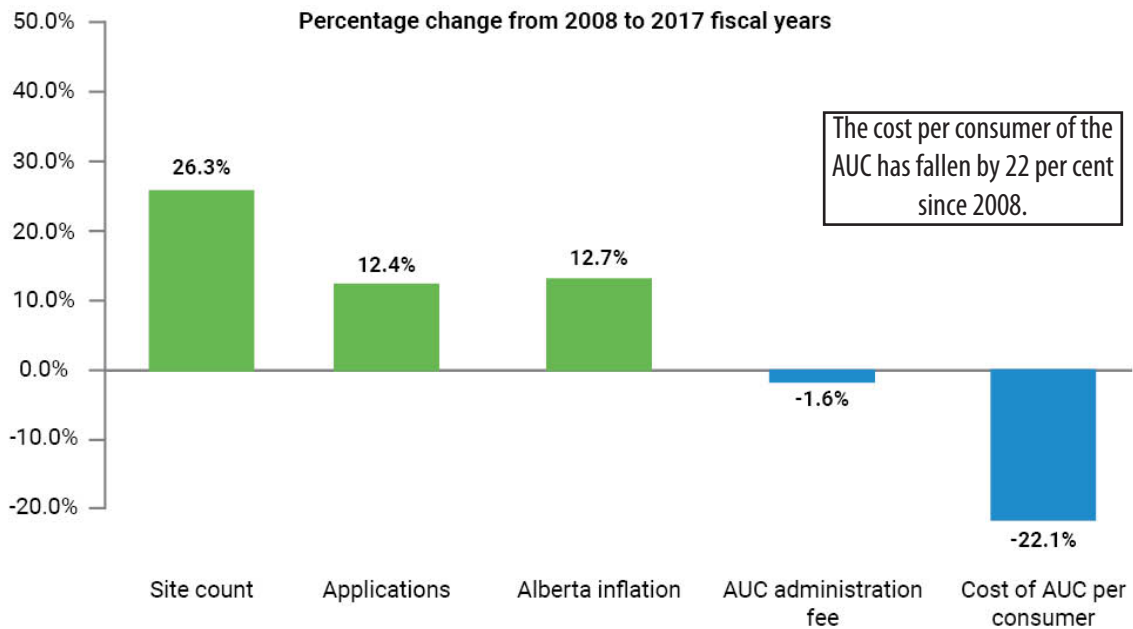
These contributions are planned, reviewed, assessed and updated annually, as is our business plan. We chase a moving target but always measure how close we are.

To determine its progress and ensure accountability to Albertans, each year the AUC assesses its accomplishments against about 30 business plan performance measures, including timeliness of responses to inquiries, the speed with which applications in a range of categories are completed, the assessment of the AUC's efficacy by stakeholders, financial metrics, and others. These are used to discipline performance, guide improvements and set new, stretch targets for the following fiscal year. They are updated annually to measure core competencies, aid in improvements in focus areas, and to test the success of new approaches.

Third-party review

The results are reviewed and reported by an independent third party. In addition, each year stakeholder feedback is sought out, again through an independent third party, and is used to assess our achievements and to plan future targets or outcomes. Positive stakeholder sentiment about the AUC's competence is an annual performance measure. Since our inception in 2008, the AUC has met or exceeded its performance measure targets more than 82 per cent of the time.

Additionally, each year the AUC ensures its activities align with and form part of the Alberta Ministry of Energy's business plan, which in turn reflects the Alberta government's overall strategic priorities. The AUC's business plan is shaped on the priorities of public confidence, principled decisions, and innovation. These are applied in our core businesses of markets, facilities, rate regulation and regulatory policy.



Funding – no tax dollars

Although the AUC's budget, including its staffing allotment, is reviewed annually by the Alberta Treasury Board and our operations are subject to review by the Auditor General of Alberta, the AUC receives no tax dollars. We are funded by a levy on consumers gathered through regulated utilities, based on the utility's number of ratepayers and its regulatory demands. In addition, certain regulatory costs accrue to applicants. Nevertheless, the AUC believes in ensuring costs are controlled carefully and resources are managed efficiently. This has been a priority since our inception continue to be so. In 2016, the AUC's administration fee, in nominal dollars, was less than when it was launched in 2008. In inflation-adjusted terms it was more than 20 per cent lower.

Staffing

The AUC reviews its staff complement at least annually to ensure every position is required and providing maximum benefit. In recent years the AUC has reduced its staff complement in areas where the regulatory environment has evolved and certain work was no longer required or was streamlined. In 2013, the AUC reviewed third-party service agreements and where it made sense, converted these agreements into staff positions that resulted in net savings of more than \$1 million annually. Today, the AUC closely monitors its staff complement and business cases are required to fill any vacated positions.



Rates

The rates consumers, businesses and industry pay for delivery of energy and utility services are the most visible outcome of the AUC's work guiding Alberta's utilities sector, and easily the greatest determinant of the financial health of the utilities we regulate. For these reasons, ratemaking is the core function of the AUC, and speaks to the essential balance the organization is charged with producing: safe and reliable utility service at just and reasonable rates that provides a reasonable opportunity for utility owners to earn a fair return on their investment. It is a highly complex field that directly impacts multi-billions of dollars in assets and operations and sets fundamental prices for key Alberta economic drivers.

In 2016-2017, the AUC's work on rate-related matters was heavier than usual due to several large proceedings and unusual complexity in the matters under examination and determination. As well, the AUC was involved in a number of initiatives aimed at implementing key policy development around Alberta's Climate Leadership Plan. These included the development of a generation capacity market and the implementation of a price cap on regulated rate option plans.

Some major examples of the AUC's work in rates in 2016-2017 included:

- The detailed development of the next generation of performance-based regulation, used to set the rates for Alberta's regulated distribution utilities; ATCO Electric Ltd., Enmax Power Corporation, EPCOR Distribution & Transmission Inc., Fortis Alberta Inc., AltaGas Utilities Inc. and ATCO Gas and Pipelines Ltd. Under performance-based regulation, with the exception of specifically approved adjustments, a utility's revenues are generally no longer linked to its costs. This decoupling of costs and revenues promotes behaviours that increase productivity and decrease costs. The AUC's decision in this area set the parameters for the second round of performance-based generation plans to be implemented for the 2018 to 2022 period.
- The determination of the 2016 generic cost of capital for Alberta's regulated utilities. This is an extremely complex and highly technical proceeding centred on utility finances, credit ratings and credit markets, involving all the regulated utilities, the Utilities Consumer Advocate, representatives of industrial consumers and other parties. It set the allowed rate of return and deemed capital structure or equity thickness for electric and natural gas utilities in Alberta. The AUC modestly increased returns for 2017 and on an interim basis for 2018. A key and central focus of the Alberta Utilities Commission was to ensure the utilities' credit ratings remain stable, keeping the utilities' cost of borrowing as low as prudently possible. This lowers and controls utility financing costs, ultimately paid for by ratepayers.
- AltaLink's 2012 and 2013 deferral accounts reconciliation, an exercise in which the AUC ascertained whether nearly \$2 billion in spending on 103 direct-assign transmission projects was spent prudently. Some of the projects involved included the Heartland Transmission Line and the Cassils to Bowmanton transmission project. The expenditures for each of the 103 projects were examined by the AUC in very great detail, down to the individual invoice level. This AUC examination was of near-audit detail, extent and quality
- AltaLink's 2015-2016 general tariff application, in which the AUC ordered the company to refund money it had already collected, which benefitted Alberta consumers by reducing system operating costs. While rejecting almost all of AltaLink's proposed escalation rates, the AUC did accept several measures intended to produce rate relief in the short term. This was well-timed, when many Albertans were struggling with household costs in a challenging economy.



**Performance-based regulation
decouples costs and revenue and
promotes behaviours that **increase
productivity** and **decrease costs**.**



The **AUC's mandate** includes **regulatory oversight** of Alberta's wholesale electricity market to ensure the market operates in an **efficient and competitive manner!**



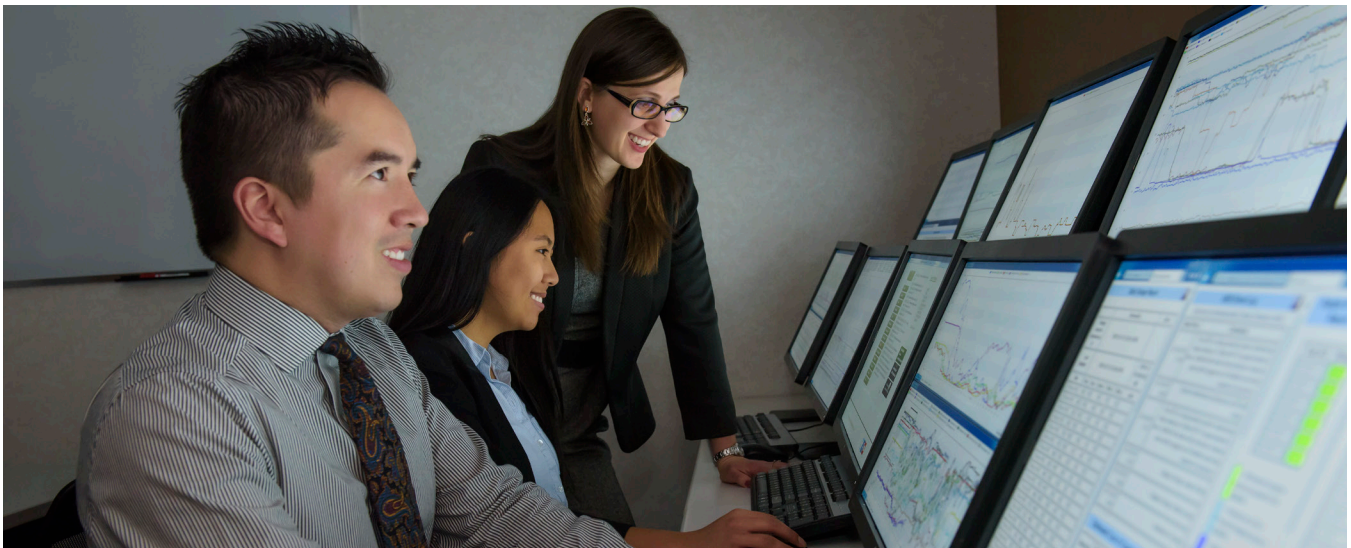
Market oversight and enforcement

The AUC's work in market oversight and enforcement encompasses a broad swath of responsibilities around enforcement of utilities law and AUC rulings, stakeholder consultation, rule development, adjudication of market disputes, adjudication of challenges to rules of the Alberta Electric System Operator and protection of vulnerable customers.

The efforts of the AUC in 2016-2017 in this area were extensive, and led to an extremely active year.

Highlights included:

- Introducing and developing AUC Rule 030: *Code of Conduct*, processing and approving 42 code of conduct applications to meet a December 31, 2016 deadline.
- Staff led consultation with stakeholders including gas and electric utilities, retailers, consumer groups and social service agencies to refine the re-connection processes for vulnerable customers. In a related effort, staff led a meeting to allow wire owners to explain how load limiting was being performed in their service area.
- In enforcement, the AUC dealt with:
 - o Twenty landowner complaints regarding ATCO Electric.
 - o Fourteen customer complaints regarding incorrect rates being charged by FortisAlberta.
 - o A whistleblower complaint regarding imprudent contract management on the part of AltaLink.
- Staff led a consultation involving the gas and electric utilities and consumer groups to review the utilities' asset management programs and develop an initial reporting protocol. This initiative is linked to performance-based regulation, and to the disposition of utility assets. It is in part an effort to ensure utilities do not allow assets to deteriorate, and that assets are disposed of once they are no longer used in utility service.
- Representing the AUC in a working group of the Alberta Electric System Operator developing the structure and design of the Alberta capacity market, the next generation of Alberta's electricity market.
- Conducted an in-depth proceeding and issued a central decision toward resolution of the dispute over Alberta's historic transmission line loss rule, which institutes a new line loss factor methodology and line loss rule that meets Alberta law.
- The AUC led the development of an Alberta-specific plan to satisfy Measurement Canada's specifications for specialized metering on the Alberta electric distribution grid, producing an approach expected to save \$2 million in avoided distribution metering costs.
- Staff led the process to ensure the smooth transition of responsibilities from ENMAX Power/ENMAX Energy to FortisAlberta/EPCOR Energy for the Crowsnest Pass, where the municipality sold its distribution system to FortisAlberta. There were no issues raised by either retailers (both competitive and regulated rate option supplier) or customers, and the transition occurred without incident.



Facilities



The AUC's facilities division handles all applications made to develop generation and transmission infrastructure for electricity and utility natural gas in Alberta. These applications may be related to need, or to proposals intended to meet an identified need, or both. When examining these applications, the AUC must ensure that the proposals meet the public interest with a particular focus on economic, environmental and social considerations.

This group also supports the AUC's efforts around compliance with AUC directions and conditions for electric transmission facilities.

In making decisions on facilities applications, involving those who may be directly and adversely affected by an AUC decision is extremely important because of the potential impact on landowners and residents. Sound and complete information leads to good decisions. The AUC conducts its own outreach efforts, including information sessions and mailouts, and requires that applicants conduct and report on extensive local consultation efforts. When intervenor issues cannot be otherwise resolved an oral hearing is held to explore matters in depth.

Proceedings around facilities applications is quite technical work, requiring staff and Commission member expertise in engineering, finance, environmental matters, noise, etc. Applications are lengthy and detailed and must meet the content requirements of AUC Rule 007. The value of projects examined range into the

billions of dollars, for major electricity and consumer natural gas transmission projects.

In 2016-2017, the AUC's workload in facilities applications and proceedings rose, lifted by a growing interest in renewable generation from sources such as hydro, wind and solar. This trend has been generally evident, but was boosted by the government's Climate Leadership Plan. Applications were more than 12 per cent higher than the year before, and formal AUC decisions on facilities applications jumped 22 per cent. Over the course of the year there were nine oral hearings over 42 days. This again was a material increase from the year before. Overall, along with decisions, the volume of approval documents issued rose sharply, climbing 46 per cent.

While the AUC's facilities group was involved in hundreds of files and determinations, some of the major initiatives included:

- Application review, hearing preparation and attendance for the \$1.6 billion Alberta PowerLine Fort McMurray West 500-kV transmission project, which included several related facility applications. Along with the proceeding and hearing, the AUC organized and held five public information sessions along the proposed route. The project's preferred west route option was approved by an AUC decision in February, 2017.

- A review of a time-extension request for the TransAlta/ MidAmerican Sundance 7 power plant project. Originally approved by the AUC in 2015, Sundance 7 is planned to be a \$1.6 billion combined-cycle natural gas generation facility with a capacity of 856 megawatts the plant will generate enough electricity to power approximately 720,000 Alberta households.
- Examining an application for the E.ON Climate and Renewables Grizzly Bear Creek 120-megawatt wind power project, a proposed 50-turbine facility near Mannville, Alberta.
- Several ATCO Pipelines Urban Pipeline Replacement projects, specifically the east and southeast Calgary portions, and the southwest Edmonton portion. These are part of a \$450 million plan to replace and relocate high-pressured natural gas pipelines located in densely populated areas of Calgary and Edmonton into the transportation utility corridors surrounding both cities.
- The AESO-ENMAX Foothills Area Transmission Development in south Calgary. The AUC approved the need for this 138-kilovolt transmission reinforcement to serve a growing southern portion of Calgary, and expects to receive a facilities application from Enmax by the fall of 2017.
- The AltaLink Red Deer-area transmission development project. This is a \$350-million, four-stage upgrade of the Red Deer-area transmission system involving stage substation upgrades in the Red Deer area, rebuild in Red Deer, new substations and lines in the Ponoka, Innisfail, and Didsbury areas, and removal of existing lines from Wetaskiwin to Lacombe and Red Deer to Innisfail.
- Staff completed a preliminary assessment of compliance for electric transmission facilities where application requirements have been streamlined for 2014, 2015 and 2016. Staff analyzed the results and developed an approach for tracking and reporting on compliance for the future.
- Staff assessed the pipeline integrity implications related to substandard weld inspections on the ATCO Pipelines system and is satisfied that ATCO has developed a plan to address and repair any deficiencies. A related remediation plan was filed by ATCO in its 2017-2018 general tariff application.



Corporate Services

The AUC's corporate services division oversees the administrative, human resources, information technology, technical communications, workspace, financial planning and management, and related functions and responsibilities of the organization. It ensures the AUC has the operational tools and capacities, including human resources, systems and infrastructure to execute on its regulatory and public interest responsibilities.

As in all areas of the AUC's efforts, the corporate services group looks to refine what it does and how it does it, seeks to identify and establish efficiencies, and looks forward to ensure a proactive stance for the AUC's evolving operating environment.

In 2016-2017, the corporate services group exceeded targets on day-to-day activities while focusing on a number of special initiatives. These included:

- Moving forward with the AUC's human capital plan, a competency-based framework used to add rigour and discipline to staffing, performance review, succession and leadership planning. In this context, and based on feedback from employees, we amended our training and tools to assist staff, developed a framework for a succession planning that supports the human capital model.
- In the finance area, the AUC completed the re-tendering of all recurring services. Every service the AUC receives has been tendered according to our revised procurement policy, and contracts have been established for each of those services. This initiative has produced broad benefits: cost savings and reduced risk to the AUC.
- Also in finance, the 2018-2019 budget was developed on time, 2017-2018 actual results came within one per cent of forecast, and interim and year-end audits were completed without complication.
- In the AUC's area of information technology we:
 - o Improved document replacement functionality within the organization's eFiling system.
 - o Implemented the first phase of the "My AUC Career" platform, an individual employee-targeted portal of performance assessment tools and data, to support the human capital plan.
 - o Developed a cyber security framework and managed the AUC's first ransomware attack.
 - o Finalized the implementation of our business continuity framework by implementing a texting service used for communication during business interruptions.
- The AUC prepared a comprehensive submission to support the Reform of Agencies Boards and Commissions Compensation Act. The submission was well received by the Alberta Public Agency Secretariat. Subsequently the AUC prepared and submitted additional information.
- The AUC began to explore options related to the completion of its 10-year lease agreement for its Calgary offices in spring 2018. A needs analysis was developed and reviewed with all Commission members and executive directors, corporate realtors were retained, and an initial analysis of potential rental options was developed. We expect work on this will be a major focus of corporate services activities, and the broader organization, in in fiscal 2017-2018.



Special project: Alberta Carbon Levy



Alberta's Climate Leadership Plan was announced by Alberta Premier Rachel Notley in November 2015 and includes in its efforts changes to rapidly accelerate the transition from coal as a fuel source for electricity generation, and a price on carbon to encourage a reduction in emissions.

The implementation of carbon pricing has been achieved through the creation of the Alberta Carbon Levy, which applies to the domestic sale of all fossil fuels in Alberta, including gasoline and natural gas. The levy, put in effect on January 1, 2017, varies according to the level of carbon in the fuel, and will be increased on January 1, 2018, to the equivalent of \$30 per tonne of carbon dioxide.

In 2016-2017, a major priority of the AUC was leading industry consultation to determine the business processes and rules required to successfully implement the carbon levy by January 1, 2017. The levy had significant implications for natural gas utilities, both distributors and retailers, including how exemptions would be administered, the levy applied in bills and levy information shared among firms in the delivery chain.

Natural gas distributors are required to calculate and apply the provincial carbon levy to consumption billed within the tariff bill file, an electronic batch of information that is structured, compiled and communicated using AUC-determined and set standards under AUC Rule 004: Alberta Tariff Billing Code.

Retailers are required to bill customers for the provincial carbon levy, among the charges retailers apply in their invoices. If a customer meets the exemption status, retailers are required to notify the distributor through electronic transmittal that the levy should not be applied. As a result, changes to Rule 004 were required.

Consultation meetings were held from April 2016 to December 2016, and involved participation and input from representatives of natural gas distribution companies, retailers and billing agents, as well as staff members from the Office of the Utilities Consumer Advocate, the Department of Energy, the Treasury Board and Finance, and the AUC. AUC staff led the consultation to develop the required new transactions and the customer exemption process to Rule 004.

While staff and utilities had to implement and test the new business rules and processes within extremely constrained timelines to meet the government's deadline, minimal customer complaints received regarding billing inaccuracies were received. In 2017-2018, the AUC will focus on developing a retailer reimbursement process in the event retailers are unable to collect the carbon levy from customers, as well as monitoring post-implementation issues that may arise.

Special project: Fort McMurray Wildfire

In May 2016, tens of thousands of Albertans were devastated by the ravages of a out-of-control wildfire in Fort McMurray, which led to the mandatory evacuation of close to 90,000 residents and created damages approaching \$10 billion.

As the disaster and evacuation unfolded, the AUC stepped forward to initiate and coordinate a process to ensure utility billing for those affected was suspended and residents need not worry about their electricity and natural gas bills in the midst of the catastrophe. We felt this was an important example of acting in the public interest to help follow Albertans in a time of crisis.

Industry stakeholders with customers in the Fort McMurray area were invited to a series of conference calls to discuss potential customer billing and payment issues, along with communication plans. The initiative included the regulated rate option provider, Direct Energy, competitive retailers, ATCO Electric, ATCO Gas, the Alberta Electric System Operator (AESO), the Department of Energy, the Alberta Urban Municipalities Association, Service Alberta and the Utilities Consumer Advocate. Coincidentally, the initiative coincided with extensive AUC-led efforts to coordinate the implementation of the Alberta Carbon Levy among natural gas utility providers.

The AUC-led discussions and process resulted in suspension of all billing by electricity and natural gas distributors and retailers of customers in the Fort McMurray region. The AUC also asked the AESO to stop billing retailers for energy, which it did. This meant retailers were not being billed for energy they themselves had suspended customer billing for, and helped to preserve their

financial health. The AUC has no statutory power around energy retailers, but understands and supports their essential role in Alberta's utility sector.

As the situation progressed, AUC staff continued regularly-scheduled communication with stakeholders, and also scheduled meetings to allow stakeholders to provide updates on business processes undertaken in response to the wildfire situation, including load settlement, customer billing and collection plans, to coordinate stakeholders' activities, and to develop communication plans to customers affected by the fires. As well, AUC staff developed a standardized list of questions and answers so customers could understand what they should expect in terms of billing and provided this information to retailers, the Utilities Consumer Advocate and the Department of Energy.

As the crisis diminished, and residents were allowed back into their homes and businesses, the AUC monitored the re-establishment of utility services. Utility costs for the event will be examined in future rate applications.

The AUC is extremely proud of its role in supporting affected Albertans during the Fort McMurray Wildfire and believe it represents an innovative regulatory solution that protects the public interest of Alberta and reflects the AUC commitment to public service.

This situation was totally unexpected and it occurred at the same time that staff was asked by the government personnel to manage the implementation of the carbon levy for natural gas.



Law



The AUC's law division supports the organization's diverse legal needs largely at the operational level, but also at the organizational or corporate level. It plays a very central role in staff efforts and work to support the thoughtful regulation of Alberta's utilities sector.

As a quasi-judicial regulator that guides the utilities sector through statutes and regulations, the value of sound legal expertise in the AUC's responsibilities is crucial. The AUC's legal staff provide analysis of legislation and regulations, including new laws, and are key members of the staff team for every proceeding dealing with rates, market oversight and enforcement, facilities and other areas.

The duties of the law division are broad, but include statutory interpretation, legal opinions, procedural and evidentiary motions, drafting or contributing to the drafting of legislation, rules and bulletins, assistance in addressing legal and procedural fairness issues, including adequacy of reasons in decision writing, review and advice on Freedom of Information and Privacy Act legislation, assistance in Commission and Market Surveillance Administrator-initiated enforcement proceedings, legal review of contracts.

For the AUC's oral hearings, legal staff play a central role in managing the proceeding, exploring the questions at hand, pursuing questions to help inform the proceeding, and coordinating the input from applicants and interveners.

In 2016-2017, the staff of the AUC's law division handled a heavy workload, driven by an uptick in facilities applications and rates proceedings, as well as a number of requests for review and

variance of earlier AUC decisions and appeal proceedings before the Court of Appeal of Alberta and the Supreme Court of Canada. They also supported 76 AUC decisions on intervener costs. All of the review and variance decisions and intervener cost decisions were issued on time.

Some major projects or files of the AUC's law division in 2016-2017 included:

- A review and updating of AUC Rule 001: Rules of Practice, which is the central guidance for how the AUC conducts its proceedings and processes.
- Representing the AUC before the Supreme Court of Canada in an unsuccessful attempt to challenge the AUC's decision on utility asset dispositions, which had been earlier confirmed by the Court of Appeal of Alberta.
- Building and launching the AUC's facilities decision issues index. This index and database is an online tool available to the public and interveners from the AUC website, to help understand how the AUC has dealt with facilities-related issues and subjects in past decisions. This helps create transparency around AUC decision-making and helps landowners, applicants and others better understand how concerns are dealt with in proceedings and regulatory decisions.

Performance, by the numbers:

225 proceedings initiated.

8.25 per cent
spending less than budget.

81 hearing days held.

407 written and
in-person consultations
with stakeholders and/
or industry.

81.3 per cent
employee satisfaction index.

12.8 per cent
lower expenses than
Treasury Board forecast.

94 per cent
stakeholder
satisfaction rating.

Zero
AUC decisions
successfully
appealed.

100 per cent
of email and phone
complaints responded to
within one working day.



79 per cent of AUC corporate performance measures met successfully.

100 per cent of costs decisions issued within deadlines.

2.76 average days lost to illness per employee.

100 per cent of major facility applications held information sessions.

81 per cent of corporate operational plan activities completed successfully.

100 per cent of time stakeholders could access the AUC website and eFiling on weekdays from 7 a.m. to 7 p.m.

86 per cent of proceeding participants indicating they understand the facilities needs and facilities application process.

100 per cent of notices or responses issued within timelines for rates applications.





AUC

Alberta Utilities Commission

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