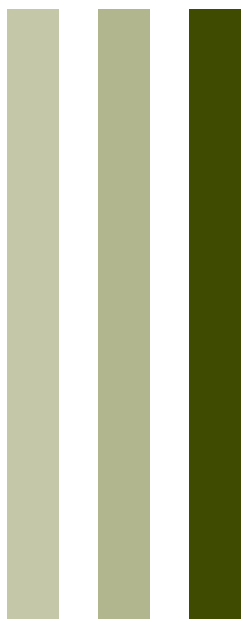




# AUC

Alberta Utilities Commission

Alberta's independent utilities regulator



# 2021-2022 Report Card





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# AUC Chair Carolyn Dahl Rees on the 2021-2022 Report Card

The 2021-2022 fiscal year was a year of continued change resulting in adaptations and improvements to our work. This ongoing cycle of review has led us to becoming an increasingly effective and efficient regulator. We expanded our team and were happy to welcome Doug Larder as the new vice-chair, Mathew Oliver as a full-time Commission member and John McCarthy as a part-time Commission member. These additions will further strengthen our decision making capacity and allow us to further the efficiency agenda.

Our main focus, as expressed in the 2021-2024 Strategic Plan, continues to be our commitment to become

one of North America's most efficient regulators through streamlining processes and reducing red tape. As of the end of fiscal year 2021-22, I am happy to report that through the enormous efforts of our team and external parties we were able to considerably improve our timelines across the organization. For example, specific improvements have been made to the regulatory review process which resulted in the AUC averaging about 7.4 months from the filing of a complex rates application to the issuance of a final decision. This represents a 41 per cent improvement in the time it takes to

review complex rate cases. The AUC now ranks among the top two quartiles of peer North American utility regulators when comparing the time it takes to review an application. This is in relation to the original benchmarking study we completed in November 2020. These improvements were achieved by implementing recommendations from third-party advice including assertive case management, application streamlining and mediated settlements. Early this year

we held a roundtable on efficiency and received positive and constructive advice from industry and stakeholders. We will be using this feedback as we continue to pursue our efficiency agenda. These timeline improvements

have created a more efficient process resulting in benefits for the AUC, industry, external stakeholders and ultimately the ratepayer.

One of my proudest moments from this past year was when the AUC achieved our red tape reduction goals. The government had originally asked all agencies, boards and commissions to reduce red tape by one-third by 2023. The AUC seized this task head on and I am happy to report that we achieved a reduction of 48 per cent as of

*"One of my proudest moments from this past year was when the AUC achieved our red tape reduction goals."*

September 2021. This was far ahead of schedule and well above target. The entire team at the AUC is proud of this achievement – and we are not done. To us, red tape reduction and improving overall efficiency is a way of looking at how we do our work and seeing if we can continually improve. It has become ingrained in our culture to challenge how things are and ask how they can be done more efficiently. It is important that this does not come at the expense of stakeholder involvement and fairness in our process. We continue to engage our stakeholders in our consultation process; including the work we did this past year on updating several rules including 001, 016, 022 and 023.

*"It has become ingrained in our culture to challenge how things are and ask how they can be done more efficiently."*

The 2021-2022 fiscal year continued to be transformative for the AUC – a year of taking an innovative and renewed approach to how we work and also the type of work we reviewed. Working primarily from a virtual setting, our team and stakeholders alike have become extraordinarily proficient in virtual hearings, consultations and meetings, and I believe we have achieved an entirely new and improved level of productivity. The AUC conducted 18 oral hearings held over 89 days, one consultation and issued a total of 574 decisions. As we transition to a new hybrid work model this year I know that this new and growing proficiency will continue to serve us.

The AUC continued to see a significant amount of applications for renewable generation. This includes wind, solar and storage; coupled with a further transition to natural gas as base-load generation. As we continue to integrate these new technologies we will be working closely with the government, industry and stakeholders on how it can be done in a thoughtful and cost-effective way. As the grid is developed we need to be conscious of the costs to ratepayers. The AUC worked with the government and partner agencies, as the government introduced legislation that address some of these questions including the integration of battery technology, clarification for self-supply and export and further requirements for distribution planning. All this will help support work around how costs are kept just and reasonable for consumers while continuing to allow a fair return for companies.

Through the winter months we saw record-high pricing for electricity and significant increases in consumption for natural gas. While the AUC does not regulate all aspects of utility bills, the areas that we do, we scrutinize carefully. The AUC heard from thousands of Albertans this year concerned about the levels of their bills and we recognize the role we have to play. This year we worked with the Alberta government to finalize the Utility Payment Deferral Program while also working to support and implement the government's upcoming electricity and natural gas rebates.

The AUC undertook several initiatives to help reduce and control costs. The AUC began work to review the parameters for the formula and capital funding provisions that will be used to rebase performance-based regulation. This occurs every five years in an effort to capture cost efficiencies and return them to customers through lower rates. AUC Rule 022: *Rules on Costs in Utility Rate Proceedings* was also reviewed to consider how much funding is provided to external parties for intervening in proceedings, and I look forward to the AUC releasing a revised rule this coming year.

In closing, I want to express my gratitude to the entire AUC team for the work that they did this year to help us achieve our red tape reduction targets and improve our efficiency. I know that they worked tirelessly to help the organization meet these goals. To industry, I appreciate your participation, communication and willingness to adapt and transition to the new approach with us. To stakeholder groups, I am appreciative of all the evidence, information and efforts you put in to help us review and scrutinize applications. Finally to all Albertans, know that we will continue to do our job as the regulator to review electricity and natural gas applications with the public interest at the forefront. I know that the last two years have been exceptionally hard for many, and the AUC is working to continue to help and support where we can so we all emerge from the pandemic stronger than ever.

**Carolyn Dahl Rees**  
**AUC Chair**





# The Commission

From left to right:

**Matthew Oliver**

**Carolyn Dahl Rees, Chair**

**Doug Larder, Vice-Chair**

**Cairns Price**

**Kristi Sebalj**

**Vera Slawinski**

*Acting Commission members (not pictured)*

**Patrick Brennan**

**Merete Heggelund**

**Vincent Kostas**

**Koren Lightning-Earle**

**John McCarthy**

**Rick Robinson**

**Bohdan (Don) Romaniuk**

**John Whaley**



# Chief Executive Bob Heggie on the AUC Report Card

As I reflect on the year that was, another year impacted by the pandemic, I am struck by the ability of the AUC to adapt and to deliver – and in many instances exceed our goals. Last year started with a sharpened focus on our key objectives and outcomes shared in the 2021-2024 Strategic Plan. As an organization we assessed our goals and focused our efforts into three main categories: facilitating change in the sector, efficiency and limiting regulatory burden, and people. I am happy to report that we have made significant progress in all of these areas and as an organization we will continue to pursue these core categories of work.

This report card is an update on how we have been working to achieve our goals while highlighting exciting and important initiatives that led to our success this past year. Specifically you can track how we worked to deliver in each of the three categories outlined in our strategic plan.

Transformation in our industry was prominent this year. The AUC saw it in the applications that we received and also in the discussion with stakeholders, market participants

and regulated entities. We are collectively living through a further electrification of the economy. More and more we are seeing consumers purchasing electrical cars, solar panels, and battery systems in addition to the vast array of goods that are already powered by electricity. This transformation is also apparent as we see the generation mix in Alberta

shift again as the provincial and federal government implement policy to achieve net-zero carbon by 2050.

The AUC has built upon the *Distribution System Inquiry Report* from last year and began work on how this transition can most efficiently occur. Together with government, industry and stakeholders this will represent a great

opportunity to foster change and innovation in our sector. Through this transition the AUC will continue to focus on our responsibilities and making decisions that balance competing interests of our stakeholders while keeping the public interest and specifically cost efficiency top of mind. For example, the AUC was tasked to undertake an inquiry around how hydrogen can be blended into the existing natural gas distribution system. At the time of the release of this report card the inquiry is ongoing, collecting input from

stakeholders to understand the technical and regulatory impacts and considerations of introducing up to 20 per cent hydrogen into the gas distribution system.

While these technological transitions are underway the AUC is squarely focused on how we innovate the everyday work we do. It has been a primary goal to improve the time it takes us to review applications. Earlier this year we met with industry and external stakeholders to check in on how we are progressing on red tape reduction and efficiency improvements. What we heard was a consensus of the importance of this work and a commitment to continue to work together on implementing changes. These improvements are not the AUC's alone, they represent the efforts of everyone we work with. Thank you to all parties who have supported this goal. Collectively our improvements over this reporting period have helped save the AUC and external parties an estimated \$5.4 million.

Finally, we found budget savings again at the AUC that resulted in the lowest administrative fee levied on the industry since the AUC was formed in 2008. This year we identified more than \$1 million in cost savings as an organization. Some of this was in part due to the reduction in office space we now have in Edmonton as well as continued cost savings incurred during the pandemic. The total annual regulatory cost, currently at \$8.56 per site, has continued to decrease despite inflationary factors. We continue to reduce our costs as an example to industry to reduce their own, knowing that everyone has a role in helping to keep costs for customers reasonable.

Without our dedicated team of employees the achievements outlined in this document would not be possible. I am continually impressed by the dedication, resourcefulness and productivity of this organization especially in the face of another year of uncertainty and COVID-19 restrictions. Although we spent the majority of the year in a virtual setting we are looking forward to beginning a new hybrid work model utilizing in-person collaboration while maintaining flexibility for staff to work remotely on a prolonged basis. I want to acknowledge our corporate services team, particularly our HR and IT teams led by Darrin Low and Scott McCallum, respectively, who did an amazing job over the

past two years in a time of constant change and uncertainty. It was a real privilege to watch these talented teams of dedicated and passionate professionals ensure the AUC stayed engaged and connected during the pandemic.

Through the year we saw the career advancement of several leaders within our organization. Sarah Akhtar was promoted to director of Human Resources, Rita Chan moved into the role of Director of Power Plants and we are happy that Danielle Glover moved into the Director of Electric Transmission. Each of these individuals brings immense skill, energy and expertise to their roles and the AUC is fortunate to have each one of them continue their career advancement within our organization.

This year saw a continuation of our efforts to clarify, structure and effectively resource our compliance and enforcement practices. Compliance focuses on whether regulated entities are adhering to the rules we establish, whether in our rates, facilities or market

work. Our compliance and enforcement team ensures utilities and market participants continue to comply with their obligations through efficiently facilitating disputes where possible, and taking formal enforcement proceedings when required.

As we look forward our sights remaining squarely on delivering under the three key pillars of our strategic plan. As an organization we will continue to strive to be inclusive and diverse while strengthening our commitment to truth and reconciliation as well as gender equality. In addition, we will ensure that our team continues to have the right skill sets and background to review applications that support ambitious of industry and governments to achieve environmental, social, governance and sustainability goals. I want to thank the AUC team, industry, and stakeholder groups representing Albertans for all the efforts in helping this organization achieve our goals this past year.

*"We continue to reduce our costs as an example to industry to reduce their own, knowing that everyone has a role in helping to keep costs for customers reasonable."*

**Bob Heggie**  
Chief Executive

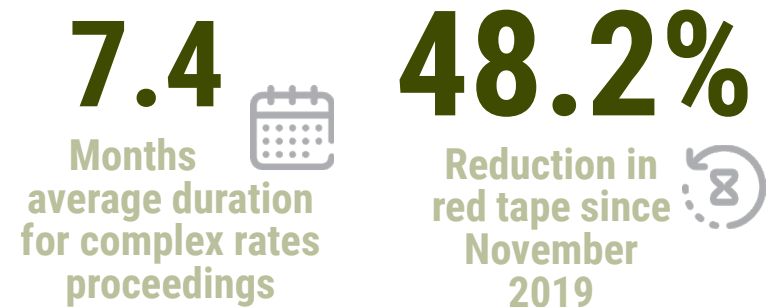
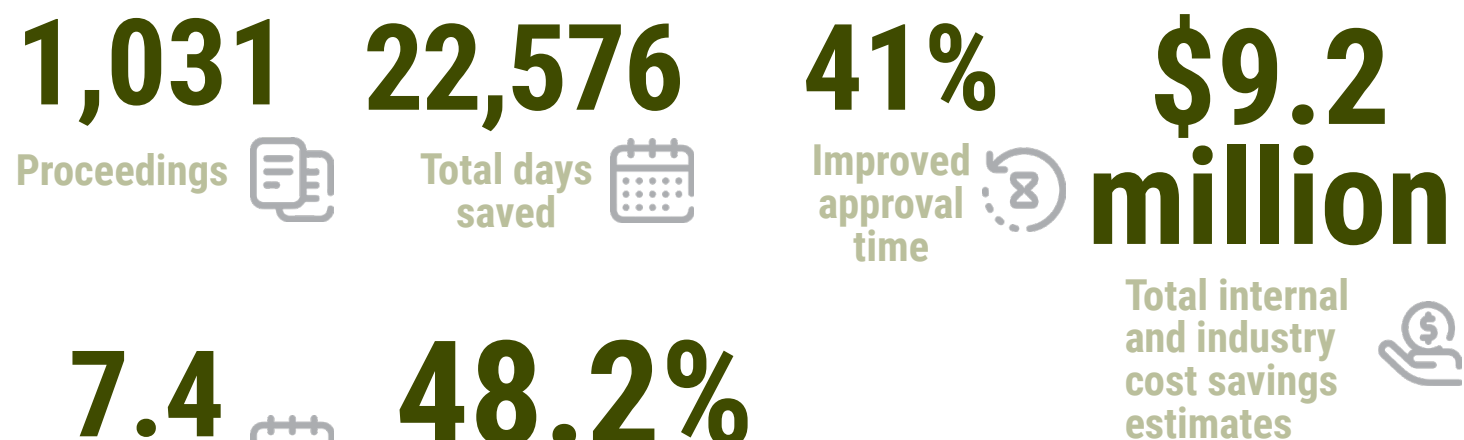


# Red tape reduction & efficiency improvements

In fiscal 2021-22, the AUC's red tape reduction initiatives using assertive case management, application streamlining and mediated settlements resulted in:



Cumulative results:



The Alberta Utilities Commission has achieved a 48.2 per cent reduction in red tape since the benchmark calculated in November 2019. The red tape reduction identified through the regulatory requirements set out in AUC rules have now been cut and are nearly half of what they were just over two years ago. In addition to reducing regulatory red tape, the AUC has also implemented projects listed in this report that have resulted in improvements in regulatory efficiency and builds on its goal to become one of the fastest and most effective regulators in North America.

## Key initiatives and tactics the AUC is employing to reduce red tape

The AUC continues to make improvements to the regulatory process in all areas of its operations. This summary indicates the improvements made to full cycle timelines (when compared to historical benchmarks) through implementing specific efficiency measures.

## Internal and industry cost savings estimates

The AUC estimates that efficiency measures employed in fiscal year 2021-2022 resulted in internal and industry cost savings of \$5,409,086. This included the total cost savings to-date since engaging in aggressive streamlining initiatives to improve regulatory efficiency.

The AUC has implemented the following initiatives on an ongoing basis to improve regulatory efficiency:

1. Assertive case management was recommended by an independent expert committee to improve the efficiency and effectiveness of rates proceedings. The recommendations were adopted by the AUC on October 22, 2020 based on the Report of the AUC Procedures and Processes Review Committee.
2. Application streamlining initiatives have been implemented using checklist applications, introduction of an expedited process for compliance filings and employing strategies to improve end-to-end timelines and improve efficiency.
3. Settlements involve a process where each party agrees to a settlement to avoid a full regulatory process and hearing to save time and reduce costs.
4. Other initiatives, such as business improvements and elimination of reporting or reduction of requirements, also contribute to improving regulatory efficiencies. The improvements are listed for fiscal year 2021-2022 below and result in cost-savings, but are not included in the full-cycle application review timeline improvements.





# Our executive team

From left to right:

**Riley Georgsen**  
Director of Communications

**Wayne MacKenzie**  
Executive Director of Facilities

**Darek Kogut**  
Executive Director of Corporate Services

**Bob Heggie**  
Chief Executive


**JP Mousseau**  
General Counsel

**Kristjana Kellgren**  
Executive Director of Rates

**Fino Tiberi**  
Executive Director of Market Oversight and Enforcement



# Efficiency and limiting regulatory burden

 **The challenge:**  
**The AUC must continue to review its activities to reduce or remove regulatory requirements that have become burdensome. How can the AUC ensure its regulatory processes are clear, timely and appropriate, so as not to impose unnecessary regulatory burden, while ensuring the public interest is protected?**



*“The AUC’s commitment to efficiency and limiting regulatory burden has resulted in more sharply focused, timely proceedings that benefit all of our stakeholders and ensure that the AUC is fulfilling its mandate in a fair and proportionate manner.”*

*It is an exciting time to be working in the regulatory sphere. We are challenging ourselves and our stakeholders to shake off past practices that are no longer relevant or the optimal solution to a given problem. I look forward to another year focused on continual improvement and regulatory effectiveness.”*

- Kristjana Kellgren, Executive Director of Rates

Objective	Outcome	2021-2022 Results
1. Continuing to implement the recommendations from the Report of the AUC Procedures and Processes Review Committee to improve the regulatory efficiency of rate proceedings. For example, explore greater use of existing and new alternative dispute resolution approaches, including advanced rulings, mediated settlements, and consideration of revisions required to AUC rates-related rules.	Material, measurable improvement in regulatory effectiveness and efficiency.	1. Complex rates applications were reviewed and decided on within an average of 7.4 months. This is a 5.2-month average reduction in full-cycle timelines, which places the AUC among the top performers in the second quartile when compared to U.S. regulators. This improved regulatory efficiency was supported by the use of assertive case management, application streamlining and mediated settlements, which reduced regulatory timelines by 36 per cent.
2. Developing new, more aggressive performance standards and processes for rate-related applications to reduce full-cycle timelines and align with the Commission’s objective to be a North American benchmark for operational and regulatory efficiency and effectiveness.		2. Through the implementation of the efficiency agenda improvements were assessed and new performance measures reflecting this progress are anticipated to be announced in 2022. This builds on the feedback received at roundtable session held with interested parties in March 2022.
3. Conducting an annual industry impact assessment, as part of the AUC Annual Report Card, to evaluate the cost benefits and effectiveness of our processes, and to track continuous improvement through future business cycles.		3. Overall estimated cost savings for industry and AUC in fiscal 2021-2022 was \$5.4 million.
4. Enhance and standardize the process, protocols and procedures for running effective and efficient virtual proceedings.		4. The AUC held 18 proceedings that included 89 days of oral hearings in an online environment. These virtual proceedings have become increasingly effective. Further resources were directly to support virtual hearings including the establishment of a virtual hearing room in the Calgary office.
5. Review and revise AUC Rule 009: <i>Rules on Local Intervener Costs</i> and Rule 022: <i>Rules on Costs in Utility Rate Proceedings</i> to promote consistent and effective participation in AUC proceedings and provide clarity to participants.		Effectively use the Commission’s cost authority to improve participation and encourage efficient, issue focused proceedings.
		Rule 022 – consultation is underway and the AUC received written comments and met with stakeholders and will release a draft rule shortly.  Rule 009 – The AUC will be continuing with this work following Rule 022.



# Facilitating change in the sector

## The challenge:

The energy sector is transitioning and facing ever more complex issues that concern an extended group of stakeholders. As the regulatory body responsible for regulating the natural gas and electricity sectors, what is the AUC's role in helping to understand the alternatives and implications of the inherent challenges the transition presents?



*“As the energy sector continues to transition, new technologies and innovation will change the nature of applications the AUC receives and necessitate change in the way the electricity sector is regulated.*

*To keep pace with this change, it will become increasingly important for the AUC to be vigilant in balancing new requirements with its ongoing efforts to reduce or remove regulatory burden.”*

- Wayne MacKenzie, Executive Director of Facilities

Objective	Outcome	2021-2022 Results
1. Assessing the experience with performance-based regulation in Alberta to date, to determine if performance-based regulation should be continued and if so, whether the design can be improved to ensure efficient outcomes.	Understanding of the successes and limitations of the experience with performance-based regulation to date, determining whether to proceed with a further PBR framework and improving any future PBR framework.	A proceeding was held to evaluate the existing PBR framework and determined PBR has been effective and that some improvements are needed. The AUC initiated Proceeding 27388 to consider improvements as part of “PBR3” and will look to establish, modify, or add parameters for the next generation of performance-based regulation.
2. Collaborating with the Alberta Electric System Operator (AESO), the Department of Energy and the Market Surveillance Administrator on a robust regulatory framework for electrical energy storage in Alberta.	Clear and comprehensive requirements that create certainty and consistency for market participants and promote efficient market outcomes.	2. Alberta government passed Bill 22 outlining further details to support the integration of energy storage.
3. Standardize (i) connection practices and processes among Alberta electric distribution utilities to ensure there are no barriers to entry for distributed energy resources and (ii) terms and conditions of service required by Alberta’s distribution utilities to ensure customers receive consistent treatment.		3. Consultation kicked off in June 2021. Focusing on standardizing and reviewing the costs for connection, disconnections and maximum investment levels for greenfield home construction. Engagement with interested parties will be ongoing throughout the year.
4. Evaluating the development of uniform distribution planning and reliability requirements to better coordinate distribution and transmission planning and ensure overall system optimization and control costs.		4. Following the introduction of Bill 22 the AUC will support the department of energy as they establish distribution roadmaps.

# People

 **The challenge:**

The AUC will play a central role as competitive forces and technological advancements continue to reshape the utilities sector. The AUC's most important challenge will be to develop, attract and retain a diverse group of people with the skills, experience and education required to meet these demands, and to evolve more innovative and adaptive work approaches. But how?



*“Like most organizations, the pandemic forced employers to rethink workforce and workplace strategies. This past year we focused on continuous development of a diverse group of future leaders allowing for career progression, while also enhancing our employee value proposition through the introduction of flexible work arrangements and enhanced benefit offerings.*

*Our employees are the key to our success, and we remain committed to working with them to further evolve our workforce and workplace.”*

- Darek Kogut, Executive Director of Corporate Services

Objective	Outcome	2021-2022 Results
1. Modernizing the AUC's workforce by developing a human capital road map to transform the skillset required to keep pace with an evolving utilities sector.	Modernized employee competency and educational plans.	The HR group completed an environmental scan on what skills are required for a modern regulatory in an evolving utilities sector. The AUC is also developing relationships with CAMPUT and NARUC members to discuss common challenges in transforming the skill set required for a modern regulator, while exploring partnerships with universities with emerging technology programs for student placements at the regulator.
2. Encouraging, tracking, recognizing and rewarding staff innovation.	A more agile and innovative regulator striving for continuous improvement in the way we do our work.	The AUC continues to review employee-led project green light and red tape reduction initiatives. Two examples include implementing an advanced search feature for records management and upgrading our internal mapping capabilities.
3. Formalizing and evolving our succession and leadership development plan.	Identification and development of a diverse group of future leaders that possess the required technical and leadership skills to succeed the current leadership team.	The AUC's first emerging leaders cohort has completed its three-year leadership development program. This program helped prepare high potential technical employees and emerging leaders for vacant positions allowing for career progression. <ul style="list-style-type: none"> <li>Four emerging leaders were promoted to director or acting director positions.</li> <li>Three additional emerging leaders were promoted to a higher job classification.</li> </ul>
4. Evolving the AUC value proposition for staff, which includes fair compensation, benefits, pension and the ability to achieve work-life balance and other human resources programs.	Modern and flexible human resource programs and benefits.	There are some optimistic signs about the status of the pandemic at the end of this fiscal year. Throughout the past two years AUC employees have successfully adjusted to a remote work environment where they have delivered on and in many instances exceeded performance targets. As an organization we maintain there is value in the non-virtual in-person environment that leads to unexpected opportunities to collaborate with cross-functional teams as well as an important value in the mental health of employees encouraged through more social interactions with colleagues. Given the advantages of both in-office and remote work, the work environment determined as the best fit for our organization in a hybrid work environment.
5. Modernizing our workplace, allowing for increased collaboration and implementation of efficient approaches to our work.	A more collaborative and efficient organization.	The AUC continues to review and advance our organizational design and structure to ensure we can evolve our workplace and workforce. Key milestones included centralizing the legal team that further enhances cross-divisional opportunities and reduce silos at the organization, a recurrent theme of the AUC's efficiency strategy.



# 2021-2022 performance metrics & stats

**574**

Decisions issued 

**93**

Written proceedings 

**872**

Applications received 

**133**


Checklist applications received 

**89**

Hearing days 

**\$8.56**

Annual cost per regulated ratepayer site 

**95%** 

Efficiency initiatives completed or ongoing

**4** 

AUC rule revisions


(001, 016, 022 and 023)

**35%** 

Decrease in cost per ratepayer since 2008

**\$1.04**

Million net surplus 

**7,557** 

Total annual interactions with Albertans

(monthly interactions below)



4,085

February 2022



# AUC

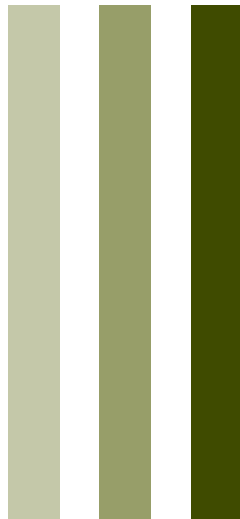
Alberta Utilities Commission

## **Vision:**

To be a trusted leader that delivers innovative and efficient regulatory solutions for Alberta

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