



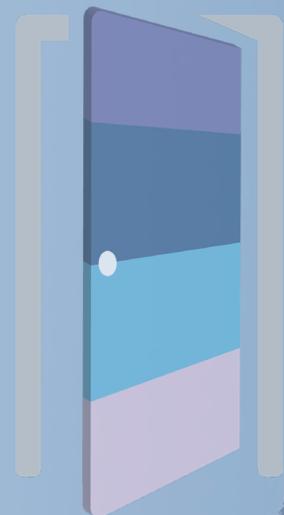
# AUC

Alberta Utilities Commission

*Alberta's independent utilities regulator*

# Annual Report Card

## 2019-2020





On April 1, 2020 we were deeply saddened to lose a dear friend and leader when Blair Miller, who led our Rates division, passed away from illness. Blair had a lasting impact on our organization. A recognized expert in his field, Blair had a rare combination of passion, knowledge, natural persuasiveness and curiosity. What set Blair apart was his honest and straightforward approach. Blair cared deeply about his staff, his family and his community. He is missed.

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## 1. Message from AUC Chair Mark Kolesar



I am pleased to share with you the inaugural Alberta Utilities Commission Annual Report Card, for 2019-2020.

In November of 2019 we published the AUC 2019-2022 Strategic Plan, to help us focus more sharply on four key objectives and to articulate the outcomes we intend to achieve.

We have now published our AUC Operational Plan for 2020-2021 which sets out in more detail the actions we will undertake to deliver on our strategic objectives. The operational plan explains our key commitments and how we will measure our performance.

As I promised, the AUC 2019-2022 Strategic Plan went through a process of stakeholder consultation. We told you what we determined to be the critical issues we needed to focus on and asked you to assess our approach and advise whether we are on the right track.

Thank you for your comments and support for the broad directions laid out in the strategic plan. Of particular note were your concerns about the overall burden of regulation. More on that later.

This report card is another core element of our planning framework. It is an annual statement that we will publish setting out what we have done and making it easier for stakeholders to assess, in a straightforward way, whether we have met our objectives.

At the time of writing, the COVID-19 pandemic continues to present the Alberta government and health authorities with unprecedented challenges. Within the regulatory framework, the AUC's approach is to take a pragmatic approach to relieve regulatory burdens that may hinder the collective response to the pandemic.

First and foremost is our support for Albertans as the Alberta government works with utility retailers to provide billing relief during the crisis. Our staff has also taken a pragmatic approach to enforcement and reporting, including the potential forbearance of certain regulatory requirements in the context of approaches market participants have taken in emergency conditions.

In terms of our planned work, our pragmatic approach and consideration for the priorities of our stakeholders led to a review of our programs with a result that some of our planned work has been deferred.

As we work through the crisis, we will review whether to continue to extend the timing of our work, or amend our plans, based on evolving circumstances.

This report card has a particular focus on our approach to driving efficiency improvements and reducing burdens where we can, and shows some of the ways that we are reviewing how we work and, for the first time, quantifying the benefits of our actions.

Under the *Red Tape Reduction Act*, we have a statutory duty to keep our activities under review and publish an annual statement setting out what we have done and what we intend to do to reduce regulatory burden.

We have interpreted this responsibility widely to include both the government's objective to reduce the number of rules, as well as making our processes more efficient.

We have a number of ongoing efficiency and regulatory burden-reducing initiatives and an update on those is found below, together with a look at other planned activities for fiscal year 2020- 2021 and beyond.

In undertaking all of its work and activities as outlined in the body of this report card, the Alberta Utilities Commission relies on the skills, knowledge and experience of its people. During these extraordinary times, our people have excelled in their execution. Our staff and Commission members seamlessly transitioned to working remotely while maintaining or improving productivity. Their efforts, resilience and flexibility during this time demonstrate, perhaps more than ever before, an outstanding dedication to public service.

In March 2020, we welcomed back to the AUC the considerable regulatory and industry experience of Carolyn Dahl Rees who was appointed to the Commission. Carolyn was formerly a vice-chair of the AUC and I look forward to working with her again, and to the contribution she will make as we navigate through times of considerable change.

Finally, I would like to acknowledge and thank the many stakeholders whose ongoing counsel and cooperation greatly support the work of the Commission.

## 2. Meeting our commitments

The intent of this document is to report on the progress the AUC has made to deliver on its commitments in 2019-2020.

The scope of our commitments arise from three aspects of our work: strategic and operational plan initiatives, improving our effectiveness and efficiency, and measuring our performance.

### 2.1. Strategic and Operational Plan key initiatives

To achieve the dual objectives of increasing ongoing efficiency and reducing regulatory burden, the Commission introduced a new corporate culture and a change to its planning approach.

A key aspect of this change was the introduction of a new strategic plan and operational plan. These plans replace our previous planning framework and documents and outline new strategic objectives and specific initiatives we are planning.

To deliver regulation that is innovative and efficient, the AUC established four themes to guide our efforts: Competition and Markets, Infrastructure, Efficiency and Limiting Regulatory Burden, and People.

The following pages highlight a selection of initiatives and activities associated with these themes which have been carried out in the 2019-2020 fiscal year. This is a brief snapshot of AUC performance and more detailed information on all of our work can be found in [Appendix A](#) of this report.

Since publication of our strategic and operational plans in November of 2019 and May of 2020, respectively, we have implemented some of our initiatives and made significant progress in many others. In some cases the Commission decided to defer work on some initiatives due to the COVID-19 pandemic. Those initiatives are now proceeding and will be delivered in the upcoming planning cycle.

Most notably, we have initiated work on two important efficiency initiatives related to the Commission's adjudicative decision making process. First, we will be carrying out a review of our current intervener funding model and rules for rate proceedings this fiscal year. Second, we will be reviewing our application processing performance standards and benchmarking them against regulatory processes of comparable agencies in North America to identify opportunities for improved performance.

### 2.1.1. Competition and Markets

#### *Ensuring conditions for competition exist*

Advancing technology is changing the way energy is generated, stored and delivered to customers. Energy networks are natural monopolies, however competition is generally accepted as the most efficient way to deliver optimal outcomes for consumers.

As the sector evolves a number of issues will arise, including whether new services should be competitive and open to new entrants.

#### **Our Progress:**

Recognizing that these issues will be critical, the AUC launched and advanced the Distribution System Inquiry. This comprehensive initiative is aimed at developing a better understanding of the issues related to emerging technology and innovation trends on the distribution system.

The Commission held a technical conference to examine emerging technology and innovation trends and, to further guide the inquiry, information is being gathered to examine existing business models and regulatory frameworks, and the ability of current rate structures to provide appropriate price signals.

The Commission will publish a report in the fall of 2020. As a result of this work, the Commission will be in a position to determine required next steps in developing a regulatory approach to ensure conditions for competition exist, where appropriate.

This year also saw the decision by the Alberta government to end the capacity market design reform initiated by the previous government in 2016. The AESO had filed an application with the AUC in 2019 seeking approval of the rules required to implement the capacity market. The Commission held its longest ever oral hearing between April and June to consider the application. On July 24, 2019, the government announced it would not be proceeding with a capacity market and the industry would retain the energy only market design. The announcement was made just prior to the AUC's statutory decision deadline to render its decision on the matter. As a result, the AUC did not release its decision and the AESO subsequently withdrew its application.

Advancing technology also provided a focus for the AUC's work on generation self-supply and export in the past year. The AUC launched a consultation on behalf of the Department of Energy in September on this issue following several decisions which more narrowly interpreted the legislated circumstances where the generation owner is allowed to both consume electricity produced by a generating unit on its own property and export electricity to the power pool. This consultation attracted considerable interest and culminated in a discussion paper being prepared for the Department of Energy.

### 2.1.2. Infrastructure

#### *Meeting the challenge of an energy system in transition*

As the province moves towards more renewable and natural gas-fired generation, a number of issues will arise, including how the transmission and distribution systems of the future will be planned, operated, regulated and paid for.

#### **Our Progress:**

In the 2019-2020 fiscal year we took an important step in meeting this objective by launching a comprehensive review of AUC Rule 007. This review will examine and enhance the approval process for evolving infrastructure projects, including wind, solar and battery storage.

Another initiative was to examine coordinated planning processes to enable efficient system decisions, including whether an investment at a transmission or distribution level is in the best interests of consumers. The AUC will continue to work with the AESO to test its understanding of where any regulatory clarifications or changes may be needed. Also, the Distribution System Inquiry findings will speak to coordinated distribution and transmission systems planning.

### 2.1.3. Efficiency and Limiting Regulatory Burden

#### *Reducing regulatory burden and improving the efficiency of our processes and procedures.*

Providing timely and efficient regulation is critical as it lowers costs for utilities and consumers, provides certainty to industry, increases transparency and reduces regulatory burden.

To be successful and accountable, it is important to set benchmarks against which performance can be measured.

#### **Our Progress:**

Our efficiency agenda includes three main elements. First, we are focused on improving our operational performance through business planning and performance metrics. Second, through our regulatory process we are focused on improving efficiency in the electricity and gas sectors through performance and incentive mechanisms. Lastly, we are working to improve our decision making process for our adjudicative work by improving our practices as they relate to hearings.

Our work in the past year and our focus in the upcoming year is on improving the Commission's decision making process. We are focused on reviewing the Commission's current hearing practices and procedures with a view to improving timeliness, ensuring cases are focused on relevant issues, and improving consistency, while maintaining transparency and openness. This report focuses on that issue and, given its importance, we have dedicated a separate section to this theme which provides a detailed review of our actions. Our report on this theme is found below in section 2.2.

#### 2.1.4. People

*Skilled, agile, professional and knowledgeable employees are critical to achieving excellence*

Maintaining and enhancing our industry-specialist skills will require a range of capability and leadership building activities. Enhancing our technical capabilities will enable us to better support the Commission and the industry through the emerging technology transformation, and help ensure technological advances benefit the sector broadly and consumers specifically.

#### **Our Progress:**

In this fiscal year the AUC introduced a leadership development and succession planning program with a focus on emerging leaders. That program drove discussions about the talent "pipeline" in our organization and partnerships were established with two universities to provide foundational leadership courses.

We introduced professional competency frameworks and more flexible resourcing to enable agile working and learning among our staff to better support the Commission in its work.

## 2.2. Efficiency and limiting regulatory burden results

The following reports on the progress we have made to deliver on commitments made in our strategic and operational plans to drive efficiency and reduce regulatory burden.

This is a summary of our progress. More details on our actions are available in [Appendix B](#).

#### **Our Approach**

Over the past 12 months the Alberta Utilities Commission has begun a process to reduce regulatory burden and improve the efficiency of our processes and procedures.

We realize that there is real opportunity in looking hard at how we work to make more of our resources and find ways to do things better.

All of our work is done within a legal framework that is varied in scope and includes, among other things, regulating gas and electricity infrastructure monopolies and adjudicating cases in competitive markets. That suggests to us that our work to improve how we exercise these various functions cannot come at the expense of providing a fair opportunity for parties to present their cases before us, or by compromising the integrity of the market.

This work can and will reduce rules and procedural complexity while maintaining or improving stakeholder confidence and market integrity.

During the past year the Alberta government committed to cutting red tape as part of its plan to support jobs and boost productivity. This work can and will streamline rules and reduce procedural complexity while maintaining or improving stakeholder confidence and market integrity. The Alberta government's red tape reduction target commitment is to reduce regulatory requirements by one-third by 2023.

We have interpreted this duty widely and our approach, while aligned with the Alberta government's commitment, also includes how we might improve on our effectiveness or make our processes more efficient.

As we pursue this objective, our efforts are not limited to these initiatives. All of our actions are guided by three key principles. First, that our regulation should be more principles-based to reduce the reliance on prescriptive rules. Second, that our planning approach will integrate efficiency aspirations into our strategic objectives and outcomes. Third, that we will continue to engage with stakeholders to explore eliminating or streamlining processes and rules through continuous improvement and adopting a more risk-based approach.

The AUC's work consists of the following elements:

- Regulatory burden reduction roundtable
- Regulatory Burden Reduction Task Force
- Project Green Light
- Red tape reduction efforts in support of the Alberta government's commitments
- AUC Annual Report Card

#### 2.2.1. [Regulatory burden reduction roundtable](#)

Central to this effort is hearing what stakeholders have to say about how regulatory burden impacts them, and where the AUC should focus its attention and resources.

On October 4, 2019 the AUC held a roundtable with stakeholders to gather feedback on regulatory burden. We also invited parties to provide us with written submissions. In total we received 16 written submissions and approximately 50 participants attended the roundtable.

We asked for comments in three areas: defining regulatory burden, suggested areas for improvement and next steps. We grouped the suggestions into three main areas and took action immediately to address some of the concerns.

As part of the identified next steps, on January 17, 2020 the AUC invited roundtable participants to further define what was meant by regulatory burden and its impact. The results were very clear. The most important aspect of regulatory burden for AUC stakeholders is the process, practice and procedures used by the AUC in adjudicating rates related applications.

Accordingly, the Commission decided to focus its attention on improving the effectiveness and timeliness of the processes and procedures used in rates proceedings. As a result, in March of 2020 the AUC established an ad hoc committee of outside experts to look into the procedures and processes of the Commission and provide recommendations on how to make the Commission's adjudicative process related to rates applications more productive and efficient. The committee will consult with other counsel and participants in AUC proceedings, as necessary to formulate its recommendations. The committee's report is expected to be completed in July of 2020.

The regulatory burden roundtable initiative is part of the AUC's commitment to continuously improve how we regulate. We will continue to engage with those we regulate and other key stakeholders through roundtables and other vehicles to solicit ongoing feedback and to ensure progress continues.

### 2.2.2. Regulatory Burden Reduction Task Force

In 2019, the AUC established a Regulatory Burden Reduction Task Force to focus its internal efforts by identifying steps that can be taken to enhance the efficiency of its regulatory processes. The task force is led by our general counsel and includes the AUC's two vice-chairs. Its mandate is to act as an internal forum where the Commission, its panels and staff can exchange ideas on the adjudicative operations, procedures and processes of the Commission with the objective of making the Commission's work and its proceedings more efficient, timely and productive.

Reporting to the AUC chair, its work includes regularly reviewing the status of proceedings before the Commission to determine whether they will meet AUC performance targets, identifying solutions if proceedings are off track and making recommendations on how processes can be made more efficient and productive.

### 2.2.3. Project Green Light

Project Green Light is a new grassroots program to transform the way we work by enabling our staff to drive and pace innovation and change at the AUC. The process established to “green light” projects clears the way for all staff to develop and implement innovative ideas and approaches to increase efficiency and improve our processes by challenging the existing ways we do our work. It is a Commission-wide effort to empower staff to deliver on outcomes and seek new ways of executing to ensure decisions are made rapidly.

### 2.2.4. Red tape reduction efforts in support of the Alberta government’s commitments

Alberta recently passed a law designed to reduce red tape and regulatory burden. Agencies, including the AUC, form part of this commitment.

The approach is to look at the number of regulatory requirements included in legislation, regulation and rules. All regulatory requirements are to be counted and the commitment is to reduce these requirements by one-third by 2023.

The AUC is responsible for tracking, reporting and monitoring its progress, with the Department of Energy offering guidance, support and feedback. Direction to the AUC outlining its responsibilities was received by the AUC by way of Ministerial Order 181/2020.

### 2.2.5. Annual Report Card

This AUC Annual Report Card is an important element of the regulatory reduction process that will report on the progress we have made to deliver on our long term goal of burden reduction, as we continue to engage and collaborate with our stakeholders to improve how we operate.

We know that the extent of our regulation can have impacts on the regulated sector. In order to objectively assess the external implications of what we do, we will be conducting an industry impact assessment to better understand the costs, benefits and impacts of our regulation. The impact assessment tool will better help to explain the effects of AUC regulation on those impacted by our work. The results will be included in the AUC Annual Report Card.

As we advised in [Bulletin 2020-17](#), due to the COVID-19 pandemic, we delayed the formal industry impact assessment for one year.

Additionally, for the first time we will be quantifying the benefits of the initiatives we have taken to reduce burden and improve efficiency. While quantification can be complex, our aim is, where possible, to ascribe within a range, the monetary benefits resulting from our actions. Those results will also be included in the AUC Annual Report Card.

In addition to reporting on our burden reduction and efficiency improvement efforts, the AUC Annual Report Card will also detail the outcomes we have achieved in the balance of our work, including a report of associated performance measures and our progress in supporting the Alberta government's efforts to reduce red tape.

### 2.3. Quantifying benefits of efficiency initiatives

The Alberta Utilities Commission has committed to the objective of management initiatives that will improve process efficiency and use its resources efficiently, while being accountable to stakeholders for its performance. This objective, in various forms, has been part of the AUC's business planning since its inception in 2008.

The AUC has recommitted to that objective in its current strategic plan and its approach has been refined to include a number of new initiatives, as outlined above, including the AUC's commitment to the Alberta government red tape reduction efforts.

As part of this approach the Commission is committed to publishing new measures of the AUC's cost of regulation.

The Commission has consistently reported on the following three measures of its regulatory costs:

- Independent financial information that confirms that AUC spending is restricted to its approved budget. This information is reported through the government process of estimates and budgeting and is included in the Ministry of Energy's financial statements. Our financial statements are independently audited by the Auditor General of Alberta and are included as [Appendix C](#).
- Standards benchmarking involves comparing the AUC's regulatory costs against an objective cost standard. Since inception, the AUC has measured its expenditures as a cost per utility customer site. While no single cost measure is perfect, this measure has proven useful as a broad measure of our cost performance and effectiveness. Our historic and current results are attached as [Appendix D](#).
- The AUC has also maintained a strong commitment to improving the timeliness and efficiency of processing applications, including our processes for hearings and rendering decisions. For more than a decade we have worked within performance standards that are specific to application types and based on the number of business days required to complete the various types of applications. These standards cover all areas of the application process from start to finish. We track and report our performance in meeting these standards.

Through our regulatory burden reduction roundtable initiative and the government's red tape reduction efforts, it is clear that timeliness in processing applications and perspective in rate setting continue to be important issues.

As a result we are now spending considerable effort and time developing new approaches to our processes to improve service and efficiency.

As we pursue our efficiency and regulatory burden reduction agenda, we are interested in helping explain the benefits of our initiatives, both for our own direct costs as well as for the utilities we regulate and other stakeholders.

To that end we have developed a regulatory cost model aimed at quantifying or "monetizing" the benefits realized through our initiatives in order to gain a better understanding of the value of our efficiency improvements to all stakeholders from reduced.

The tool we have developed will measure cost savings related to the component or process under review (salaries and other direct operations and maintenance costs). However, for the time being, it will not capture the cost savings realized by utilities and other stakeholders.

As a next step, the AUC will be soliciting that information from utilities through the industry impact assessment tool. For the moment, however, our focus is on AUC direct costs.

Quantification can be complex and our initial work below presents the benefits as ranges to illustrate a plausible margin of error associated with the assessments.

The details of our approach to assessing the impacts of our initiatives – in particular how we monetized the benefits – involves estimating an internal standard cost for each of the process steps involved in application processing under three scenarios; simple, average and complex application types. We then quantify the effect of the initiative taken – for example saving 100 hours of staff and Commission member time and any associated operations and maintenance savings. Those benefits are monetized and compared against the baseline case.

The achieved results are reflected in [Appendix B](#).

The amount of realized cost savings, which are within a range of \$221,000 to \$270,000 in the 2019 – 2020 fiscal year, should be considered with the understanding that many of these programs that gave rise to these savings have recently commenced and would be expected to provide greater savings in the future as they are implemented over a longer period and become more widely incorporated. Additionally, many benefits and improvements created by the Commission's savings initiatives are more qualitative and cannot be easily monetized.

We remain committed to capturing the cost savings enjoyed by the utilities as a result of our efficiency and red tape reduction initiatives through the industry impact assessment and those savings will be quantified in our next AUC Annual Report Card.

In future AUC Annual Report Cards we will consider whether and how to include a discussion of the qualitative benefits of our efficiency efforts and include those along with our quantitative analysis.

## 2.4. Performance measure results

The Commission has, since its inception, included a series of performance measures in its rolling three year business plans. The standards are comprehensive and are divided into four categories related to our operational divisions: market oversight and enforcement, facilities, rates and organization management.

This section comments on our results in a summary way. A more detailed report on our performance measure results is available in [Appendix E](#).

Our Progress:

In this reporting period, 86 per cent of our work was completed as planned and on schedule, including two new measures introduced by the Facilities Division during the fiscal year. This performance was achieved in a year where the AUC processed 1,020 applications, held 15 oral hearings over 72 hearing days, conducted 176 written proceedings and issued 585 decisions.

A key performance measure relates to the speed and efficiency of our application processes. Our standards are comprehensive; covering all areas of the application process from beginning to end. The result is a clear measure of “in and out” times for different kinds of standard applications.

Meeting these measures requires a commitment on the part of applicants and interveners as well. As a result, in circumstances where a milestone was not met for reasons outside of AUC control, the result is adjusted and the measure is reflected as “met” in the report.

Notwithstanding these results, stakeholders have told us we need to do better – particularly in processing and adjudicating rates related applications. As a result, we have committed resources to initiatives in our strategic and operational plans to improve efficiency in our regulation.

## Appendix A – Strategic and operational plan initiatives

Initiative		Progress	Next Steps
<i>Competition and Markets</i>			
1.	Obtain and summarize stakeholder feedback on the power plant self-supply export issues on behalf of the Department of Energy.	First draft of discussion paper shared with DOE in April. Revised draft prepared following two rounds of discussion.	Final draft of discussion paper delivered in first week of June.
2.	Evaluating existing connection practices to ensure equal access and treatment by the incumbent utility, where required.	Initiation of work pending.	Scheduled to commence in November 2020.
3.	Evaluating financial settlement practices to ensure prices reflect the value of new services to the system.	The AESO launched an engagement to examine the merits of moving to sub-hourly settlement for the energy market.	Should the AESO move to sub-hourly settlement, AUC Rule 021 will need to be revised to align with the AESO's settlement process.
4.	Review AUC Rule 017 to consider streamlining the AESO's filing requirements regarding consultation process.	AUC conducting internal review.	Consultation with stakeholders on proposed revisions to commence in Q3.
5.	Assessing whether incumbent utilities, or their affiliate businesses, should engage in competitive activities in conjunction with new entrants.	This issue is considered as part of the Distribution System Inquiry (Proceeding 24116). The evidence-gathering part of the inquiry is expected to finish in mid-July 2020, with the inquiry report due in September-October 2020.	Once the report on the inquiry is issued, the Commission will initiate a series of proceedings to resolve the issues identified in the report.
6.	Evaluating existing rate structures to ensure a level playing field for new unregulated services.	This issue is considered as part of the Distribution System Inquiry (Proceeding 24116). The evidence-gathering part of the inquiry is expected to finish in mid-July 2020, with the inquiry report due in September-October 2020.	Once the report on the inquiry is issued, the Commission will initiate a series of proceedings to resolve the issues identified in the report.
7.	Collaborate with the AESO and the Department of Energy (DOE) to design and implement a robust regulatory framework for electrical energy storage in Alberta.	This issue is considered as part of the Distribution System Inquiry (Proceeding 24116). Also, AUC staff have been taking part in consultations with the AESO and DOE. As well, AUC representative Olex Vasetsky was included in the AESO's Energy Storage Industry Learnings Forum.	The AUC will continue to take part in AESO and DOE discussions and the AESO's storage forum. Once the report on the inquiry is issued, the Commission will initiate a series of proceedings to resolve the issues identified in the report.

Initiative		Progress	Next Steps
<i>Infrastructure</i>			
8.	<p>Revise and rewrite AUC Rule 007. A more effective and efficient process to:</p> <ul style="list-style-type: none"> <li>(i) address new and evolving facility projects such as battery storage, wind and solar;</li> <li>(ii) consolidate and streamline relevant information requirements and eliminate outdated requirements; implement a trusted-traveller approach to low-risk applications whereby applications meeting prescribed information requirements will be approved subject to compliance audits; and</li> <li>(iii) update the AUC's Indigenous consultation requirements so that they are better coordinated with the consultation requirements of other government agencies.</li> </ul>	<p>Stakeholder feedback has been received on nine significant changes to Rule 007 to address emerging technologies. Included in proposed changes is a more flexible approach to wind turbine approvals that will take into account rapid technological change.</p>	<p>A blackline version of Rule 007 will be provided to stakeholders for review in August 2020.</p> <p>Continue to work with Alberta Environment and Parks (AEP) on a streamlined referral report process for projects on previously disturbed lands.</p>
9.	<p>Evaluating and consulting with the Alberta Electric System Operator about the development of uniform distribution planning and reliability requirements and considering how to better coordinate distribution and transmission planning to ensure overall system optimization, and to control costs.</p>	<p>The AESO has initiated stakeholder engagement on transmission and distribution coordination.</p> <p>This issue is considered as part of the Distribution System Inquiry (Proceeding 24116). The evidence-gathering part of the inquiry is expected to finish in mid-July 2020, with the inquiry report due in September-October 2020.</p>	<p>Participate in the AESO's consultation.</p> <p>Once the report on the inquiry is issued, the Commission will initiate a series of proceedings to resolve the issues identified in the report.</p>
10.	<p>Evaluate and explore the use of non-market valuation (NMV) in the Commission's legal requirement to assess the economic effects of a facility project in its review process, by applying established principles to specific AUC circumstances.</p>	<p>The AUC performed a jurisdictional scan to determine if NMV implemented in other jurisdictions was completed. Some regulators (Australia, U.S. states) also in the investigation stage, but have not implemented. Have developed an approach to further pursue NMV through a case study approach. Request for proposal and draft contract prepared. Looking for suitable expert to perform the case study.</p>	<p>Identify NMV expert to conduct case study, examine results. Determine if NMV is an effective means to enhance assessment of facility projects.</p>
11.	<p>Conducting a stakeholder-inclusive distribution inquiry to better understand the future of Alberta's electric and natural gas distribution systems.</p>	<p>The Commission has made progress on conducting the Distribution System Inquiry (Proceeding 24116). The evidence-gathering part of the inquiry is expected to finish in mid-July 2020, with the inquiry report due in September-October 2020.</p>	<p>Once the report on the inquiry is issued, the Commission will initiate a series of proceedings to resolve the issues identified in the report.</p>

Initiative	Progress	Next Steps
12.	Initiate follow-up proceedings required to address the observations or principles identified in the Distribution System Inquiry.	Pending (see #11 above).  Once the report on the inquiry is issued, the Commission will initiate a series of proceedings to resolve the issues identified in the report.
13.	An inclusive review of rate design around infrastructure-related expenses to promote efficient outcomes.	The AESO has initiated a consultation on the recently approved substation fraction calculation methodology. AUC staff are participating.  Continue to participate in the AESO's consultation and process applications that are filed as a result. Participate in potential bulk/regional cost allocation consultations that the AESO initiates.
14.	Considering alternative approaches to ensure the prudence of transmission investments. Examples of alternative approaches used in the past included using approved cost estimates, cost oversight managers and competitive procurement for transmission projects.	A review of previous efficiency attempts (including approved cost estimates and cost oversight managers) related to direct-assign capital deferral account (DACDA) applications is under way and a report with recommendations is expected in Q3 2020.  Complete the review and report.
15.	Consider alternative rate setting frameworks for transmission utilities (i.e., longer test periods, revenue requirement incentives or performance-based regulation (PBR) type structures).	ATCO Electric has submitted that they may apply for an i-x adjustment factor for 2023 following the conclusion of its current general tariff application (GTA) which is for 2020-2022.  As part of the proposal to consult with parties on scheduling of transmission GTAs we will explore the opportunity for longer test periods.
<i>Efficiency and Limiting Regulatory Burden</i>		
16.	The Facilities Division will assess the effectiveness of the new performance standards and other processes changes for processing facilities applications implemented in <a href="#">Bulletin 2019-15</a> .	New performance measures and changes to the AUC's application processing steps were introduced in August 2019. Initial analysis of eight months of data showed that full cycle timelines were reduced by 30 per cent across four of five categories of proceedings.  Once the AUC has one year of data it will assess the effectiveness of the improvements and whether further adjustments to performance metrics or processing steps are required.
17.	Identifying and reducing regulatory overlap across different regulatory bodies and jurisdictions, and targeting regulations that could be removed and administered at lower cost and with more flexibility, and more quickly, through the AUC's rulemaking process.	AUC Rule 033 came into force on July 1, 2019. The rule promotes greater consistency between AEP recommendations for wildlife monitoring and AUC decisions on projects so that regulatory gaps, overlaps and inconsistencies between  Complete.

Initiative	Progress	Next Steps	
	the two agencies are substantially reduced or eliminated.		
18.	<p>Improved coordination with Alberta Environment and Parks (AEP) on industrial approvals for thermal plants and referral reports for renewable projects to better align the AUC and AEP processes and approvals.</p>	<p>The AUC held initial meetings with AEP industrial approval staff.</p> <p>The AUC has met with AEP to consider a streamlined approach to referral reports for solar projects on pre-disturbed land. Initial requirements have been drafted but further refinement is required.</p>	<p>Further meetings will take place with the goal of aligning timelines for both processes.</p>
19.	<p>The AUC will work with the Aboriginal Consultation Office and other government of Alberta offices that address Indigenous consultation to coordinate requirements and explore shared training opportunities.</p>	<p>In 2019, the AUC hired an experienced Indigenous consultation lead (ICL). The ICL has introduced effective interim measures to ensure that the AUC's consultation process aligns with the practices of the Aboriginal Consultation Office. The ICL has spearheaded significant changes to the AUC's assessment of facility projects to ensure that the AUC's processes are consistent with the legal obligations of the Crown when assessing the impacts of a project on Aboriginal rights. With the assistance of the ICL, the AUC will implement new Indigenous consultation requirements in conjunction with its revisions to Rule 007.</p>	<p>Additional stakeholder engagement to ensure that the AUC's draft consultation framework is effective and efficient. When safe to do so, this will include personal consultation with Indigenous communities most likely to be affected by utility facility projects.</p>
20.	<p>Conducting regular application workshops for new entrants with generation projects who have little or no experience with AUC processes, to reduce the time required to complete the record development phase of proceedings.</p>	<p>The Facilities Division hosted one application workshop for new renewable-energy project entrants with little or no experience with AUC processes. Stakeholder feedback was positive and one outcome of the meeting was a material increase in pre-application meetings with stakeholders to assist them with the application process.</p>	<p>In response to stakeholder feedback, the workshop will be held annually. This year's workshop will be held after the revised and updated Rule 007 is issued.</p>
21.	<p>Examining the potential for more negotiated settlements and advance rulings, the introduction of alternative dispute resolution and the use of round-table discussions and technical meetings to improve time and cost efficiency of AUC processes, relative to traditional court-like hearings.</p>	<p>The Rates Division made increasing use of various strategies and tools in an effort to improve time and cost efficiency of AUC-processes, including:</p> <ul style="list-style-type: none"> <li>• Approving requests for negotiated settlement processes, such as ENMAX's request to pursue a</li> </ul>	<p>The Rates Division will coordinate feedback received from stakeholders, recommendations received from the independent expert committee aimed at reducing regulatory</p>

Initiative	Progress	Next Steps	
	<p>negotiated settlement process with customers in its recent Phase II distribution tariff application.</p> <ul style="list-style-type: none"> <li>• Issuing advanced rulings on confidentiality, alleviating the need for further process around requests for confidential treatment of material that is consistently treated as confidential in Commission proceedings.</li> <li>• Successful use of technical meeting in proceeding 24681 (AML 2016-2018 DACDA).</li> <li>• Adopted a streamlined process to adjudicate two disputes regarding REA boundaries, decreasing the amount of time taken to adjudicate and decide these disputes from a 195 day time frame to a 51 day timeframe.</li> </ul>	<p>burden and learnings from implementing initiatives on specific proceedings with a view to formalizing changes to existing practices and requirements to be more streamlined and effective.</p>	
22.	<p>Implement internal procedural changes allowable under the existing Rule 011. These procedural changes may include the use of more negotiated settlements, the introduction of round-table discussions and technical meetings to improve the time and cost-efficiency of water general rate application processes.</p>	<p>The Rates Division made use of technical meetings involving all stakeholders in the Blazer Water rates proceeding, the outcome of which allowing the utility to modify its application in a manner which eliminated the majority of customer concerns.</p>	<p>The Rates Division will continue to look for opportunities to hold technical meetings with stakeholders to improve the efficiency of water rate applications as they arrive, and also to encourage the use of negotiated settlements where possible.</p>
23.	<p>Developing a framework to govern and provide greater certainty on intervener costs, while encouraging better intervention.</p>	<p>The Commission has established an internal working group to review Rule 022: <i>Rules on Costs in Utility Rate Proceedings</i>.</p>	<p>External consultation on proposed rule changes will follow. Consultation expected to conclude and changes to Rule 022 enacted by December 31, 2020.</p>
24.	<p>The facilities and rates divisions will establish new performance metrics for the development of the record for intervener costs applications and Stage 1 review and variance proceedings. Currently, both processes are guided by internal standards that do not have external record development metrics.</p>	<p>The Facilities and Rates Divisions are developing measurable, external facing performance standards to promote accountability and consistency in the processing of cost applications and reduce the time required to issue a decision.</p>	<p>The AUC will implement record development and decision writing performance measures for cost and review and variance proceedings by Q4.</p>

Initiative	Progress	Next Steps
25.	Implement a process that reviews the 36-month application forecast with utilities and intervener groups with the goal of spacing important applications out to utilize resources more effectively.	Review of the 36-month application forecast was delayed in response to the pandemic outbreak.
26.	<p>The AUC's strategic plan objective to improve efficiency and limit regulatory burden includes: stakeholder roundtables to identify and implement streamlining measures; a dedicated AUC Regulatory Burden Reduction Task Force to reduce bottlenecks; Project Green Light (PGL), to facilitate staff development of new ways of doing business; and the government's red tape reduction initiative.</p>	<p>On October 4, 2019 the AUC hosted a stakeholder roundtable on reducing regulatory burden. In <a href="#">Bulletin 2019-18</a> the AUC acknowledged that stakeholders would like to see improvements made to adjudicative hearings, role of parties and pre-hearing processes. The AUC initiated a number of measures to improve efficiency within rates and facilities proceedings and is reporting on these efforts and their impact through the AUC Annual Report Card.</p> <p>On October 18, 2019, AUC Chair Mark Kolesar established the Regulatory Burden Reduction Task Force. The members of the task force are AUC vice-chairs Anne Michaud and Henry van Egteren, and AUC General Counsel Doug Larder.</p> <p>In advance of and in accordance with Ministerial Order 181/2020, in January 2020 the AUC's regulatory efficiency working group was established to manage the AUC's efficiency and regulatory burden reduction efforts.</p> <p>The working group is creating a work plan for reducing AUC requirements by one-third by 2023, reviewing AUC regulatory requirements for efficiencies and duplication, working with the Department of Energy to assess and implement red tape recommendations, assisting with red tape reduction information and reporting requests, and submits monthly progress reports</p>

Initiative	Progress	Next Steps	
	<p>to the Minister of Energy. The working group is monitoring 63 projects.</p> <p>On May 8, 2020 <a href="#">Bulletin 2020-17</a> announced the creation of an independent, external committee to review processes and procedures in rates proceedings.</p> <p>The Project Green Light committee is established and six innovation projects have been identified and endorsed by the committee.</p>	<p>The committee's report is expected July 15, 2020.</p> <p>The PGL committee will continue to encourage and consider new proposals put forward by staff.</p>	
27.	<p>Conducting an annual industry impact assessment to evaluate the effectiveness of our processes and to ensure alignment with the principles outlined in the <i>Red Tape Reduction Act</i>.</p>	<p>On January 17, 2020 the AUC issued <a href="#">Bulletin 2020-02</a> inviting stakeholders to provide feedback on the AUC's proposed industry impact assessment tool for measuring and quantifying the impact the Commission's regulation has on companies it regulates; for non-adjudicative matters. The responses requested the assessment focus on the AUC's adjudicative process for rate applications.</p>	<p>Due to COVID-19 the industry impact assessment is delayed for one year.</p>
28.	<p>Analyze best practices of comparable regulatory agencies in Canada and the U.S. to gain information about common responsibilities and regulatory processes in order to continue to develop benchmark performance measures.</p>		<p>Identify opportunities to apply different processes at the AUC with the objective of improved efficiency and reduced regulatory burden.</p>
29.	<p>Implement the confidential eFiling enhancement to support the exchange of confidential documents between proceeding participants.</p>	<p>The confidential eFiling enhancement was implemented in February 2020, resulting in reduced regulatory burden by reducing timely and costly processes associated with a previously rudimentary and manual workflow for confidential proceedings.</p>	<p>Complete.</p>
<i>People</i>			
30.	<p>Establishing a re-tooled competency framework and a framework for assessing new roles.</p>	<p>In 2019, the AUC identified new leadership competencies required for emerging leaders and established initial criteria for new roles.</p>	<p>The AUC will conduct an environment scan to identify the skillset required to keep pace with an evolving utilities industry, including revising current competencies while also identifying new competencies to</p>

Initiative	Progress	Next Steps
		align with a changing utility skill set.
31.	Creating a director of learning role accountable for evaluating, overseeing and delivering our education program.	The AUC will continue to assess the feasibility of this initiative in light of other organizational priorities and the attendant required resources.  Conduct a feasibility assessment.
32.	Formalizing our succession and leadership plan.	The AUC introduced an AUC leadership development program with a keen focus on emerging leaders. A cohort was established in partnership with Mount Royal University and the University of Calgary, to provide foundational leadership courses with a view to allow for experiential learning opportunities through detailed career development plans.  The cohort also, with the support of the HR group, meets monthly to share experiences that they can learn from collectively to enhance their learning and development.  Three emerging leaders were promoted this past cycle as a result of developing key leadership and technical skills, enabling them to take on more senior responsibilities.
33.	Maintaining and improving the AUC value proposition for staff, which includes fair compensation, benefits, pension and the ability to achieve work-life balance.	The AUC formalized its employee value proposition to highlight what an employee can expect in return for their commitment and contribution.  There are a number of compelling reasons why people choose to work at the AUC and factors such as the type of work we do, enhanced work-life balance, employee benefits, fair compensation, commitment to professional development and career progression, and strong organizational values were all highlighted.
34.	Develop a more decentralized, multi-disciplinary and team-based approach to our work.	In March 2020 the AUC Law Division was decentralized so legal services could be provided directly as part of the individual divisions and teams they have traditionally served.  AUC leadership will continue to review the organizational structure and work practices to identify opportunities that develop an agile,

Initiative		Progress	Next Steps
			decentralized, multi-disciplinary team-based approach to its work.
<b>Additional Initiatives</b>			
35.	Initiate a process to consider intertemporal issues related to depreciation including net salvage and other agreed to matters.	Proceeding commenced on May 14, 2020. The Commission's stated objective is to keep this proceeding narrowly focused and to minimize procedural delays in order to ensure that a determination can be made as expeditiously as possible.	Comments from parties due June 18, 2020. Thereafter, the Commission will issue further communication with respect to the proceeding scope, procedural steps and cost recovery.
36.	Proactively engage stakeholders to enable better understanding of our compliance and enforcement activities.	Report on 2019 activities completed.	Report to be posted in Q2.
37.	Pursue reforms to AUC Rule 027: <i>Specified Penalties for Contravention of Reliability Standards</i> relating to the lag time between the approval of new or revised reliability standards or the removal of obsolete reliability standards and the inclusion of the new or revised reliability standards. Review AUC Rule 019: <i>Specified Penalties for Contravention of ISO Rules</i> to consider the Market Surveillance Administrator's request to amend the penalty table.	Revised Rule 027 with updated reliability standards approved and became effective June 1, 2020.  Internal analysis is being conducted to determine how best to incorporate approved changes in reliability standards into Rule 027.	Initiative to address lag time to commence internally in June.  Review of Rule 019 to commence with discussion with MSA in June to review its proposed changes.
38.	Revision of AUC rules (e.g., Rule 032: <i>Specified Penalties for Contravention of AUC Rules</i> ).	Consultations with stakeholders will be commencing in June and will likely go until August.	Schedule meetings with stakeholders over the next three months.
39.	Review of policy changes brought forward by Measurement Canada.	Existing policy changes been addressed and implemented (i.e., totalized and subtracted metering)	Proposed policy changes put on hold by Measurement Canada due to COVID situation.
40.	Upgrade current information technology with a view to extend the life of the AUC's regulatory recording-keeping system (eFiling System) and support Project Green Light initiatives requiring information technology system investment.	Preliminary work completed toward upgrading the platform of the eFiling System from SharePoint 2013 to 2016.  IT group supported Project Green Light initiatives and implemented one IT change in February 2020.	SharePoint 2016 will be implemented in June 2020 and then again to SharePoint 2019 by March 2021.  Implementation of future IT enhancements supporting Project Green Light initiatives

Initiative	Progress	Next Steps
		(e.g., filing announcements).
41.	<p>Performance-based regulation:</p> <ul style="list-style-type: none"> <li>Develop a plan for rebasing of the subsequent generation of performance-based regulation (PBR) that will occur after the current 2018-2022 term.</li> </ul> <ul style="list-style-type: none"> <li>AUC Rule 002: <i>Service Quality and Reliability Performance Monitoring and Reporting for Owners of Electric Distribution Systems and for Gas Distributors</i> will also be reviewed to include the distribution utilities' asset management program.</li> </ul>	<p>Internal analysis is being conducted to determine what changes or updates to the existing PBR framework are required, and exploring different approaches to rebasing the distribution utilities in 2023 with a goal of finalizing next term's going-in rates at the outset of the term.</p> <p>A proceeding will be commenced in the fall, 2020 to:</p> <ul style="list-style-type: none"> <li>Obtain evidence and submissions from utilities and customers regarding 2023 rebasing and the next PBR term.</li> <li>Establish the AUC's approach to 2023 rebasing and the next PBR term.</li> </ul> <p>Annual Rule 002 meetings now being scheduled to discuss this reporting requirement.</p>

Appendix B – Efficiency and limiting regulatory burden results

Principle	Commitment	Project	Impact
Light-handed regulation	The AUC is committed to a more principles-based approach to regulation to reduce the reliance on prescriptive rules, while supporting flexibility, innovation and proportionality.	Adopting a streamlined approach to straightforward cost claims.	Too early to identify savings for the 2019-2020 FY. Too early to estimate savings for the 2020-2021 FY.  Savings are expected going forward both in terms of decreased staff overtime (mostly that of the cost coordinators), fewer IRs on costs claim applications and quicker decisions.
		Commission approved a "no notice" process for future LED maintenance multiplier applications by ATCO Electric. This means these decisions will, going forward, be issued within 10 days of receiving an application. The AUC is exploring this approach with all electric distribution facility owners and seeking Commission approval to process these applications, which are uncontested, by way of delegated authority.	No opportunity to implement at this time.
		Streamlining through the use of materiality thresholds to test revenue requirement in a cost of service environment.	Too early to identify savings for the 2019-2020 FY. Too early to estimate savings for the 2020-2021 FY.
		Establish standard post-approval monitoring requirements for renewables projects. This will provide a clearer, more effective way for applicants to file their applications and for the Commission to review those applications, as well as generating more reliable, consistent data.	It is difficult to determine if this initiative, on its own results in material time savings, although it is anticipated it will result in less information requests (IRs) and decision drafting.
		Use technical meetings to define scope and issues, clarify application content to reduce	Cost savings could not be identified or estimated at this time. The proceedings are

Principle	Commitment	Project	Impact
Light-handed regulation	The AUC is committed to a more principles-based approach to regulation to reduce the reliance on prescriptive rules, while supporting flexibility, innovation and proportionality.	IRs, schedule process steps with fixed dates (including hearing dates), and deal with interlocutory matters on an expedited basis.	ongoing.
		Allocated time limits for oral reply argument (proceeding 24325; second stage R&V regarding anomalies).	2019-2020 FY cost savings = between \$6,000 to \$7,400.  If this approach is utilized in future proceedings, these savings may be realized in the 2020-2021 FY.
		The Facilities Division will implement a "trusted traveller" approach for low-risk applications. For the identified application types, the applicant will file a simple checklist confirming compliance with regulatory requirements and an approval will be issued shortly thereafter.	Savings to be realized on a go-forward basis. Decision writing time is expected to be shortened but there will be offsetting audit costs. More experience with this initiative and observable data is required before forecasting future savings.  Proceeding cycle time will be reduced by a minimum of 15 days. This initiative also reduces applicant time in uploading documents (in some circumstances as many as 15 to 20) for minor proceedings.
		The Facilities division established a new category of proceedings for applications that proceed to a hearing on an expedited basis. These proceedings relate to issues where the facts are not in question or limited issues have been raised.	Any cost savings realized will result in cost savings on a go-forward basis for similar proceedings. It is too early to estimate future cost savings. These efforts are expected to result in avoiding rounds of IRs for Category 4 proceedings. Full cycle time was reduced by three weeks on three proceedings and 98 days on one proceeding.
		New performance metrics initiative. The AUC issued <a href="#">Bulletin 2019-15</a> in September 2019 which announced new performance metrics for the processing of facility applications. The new performance standards are clearer than the	Initial analysis of eight months of data showed that full cycle timelines were reduced by 30 per cent across four of five categories of proceedings.

Principle	Commitment	Project	Impact
Light-handed regulation	The AUC is committed to a more principles-based approach to regulation to reduce the reliance on prescriptive rules, while supporting flexibility, innovation and proportionality.	predecessor standards and, in many cases provide faster processing times for applications.	The Facilities division will evaluate the effectiveness of these changes once it has a year's worth of data to allow an effective comparison against the previous standards.
		Develop virtual information sessions detailing information typically provided at an information session in order to make better use of AUC staff and stakeholder time and financial resources.	This project has not been initiated yet.
		Approving a negotiated settlement process in circumstances where the Commission might have otherwise either refused to allow parties to negotiate or in a case where the Commission might have carved out certain issues from the negotiated settlement process (proceeding 24820; ENMAX Phase II).	The Commission approved a negotiated settlement process, with the hope that parties would achieve a successful negotiated settlement agreement that arrives at just and reasonable rates, and that fairly represents the interests of all customers. Parties were unable to reach a settlement agreement.
		Reduce stakeholder reporting requirements and AUC's internal processing times and efforts for post approval directions. The Commission issued <a href="#">Bulletin 2020-11</a> on March 30, 2020 announcing two new process changes to reduce regulatory burden. Effective immediately construction progress reports for approved power plants are no longer required to be submitted to the Commission. Second, going forward, the Commission will use eFiling to indicate compliance with routine directions rather than issuing a letter.	2019-2020 FY cost savings are considered immaterial.  2020-2021 FY estimated cost savings are between \$2,500 to \$3,100.

Principle	Commitment	Project	Impact
Strategic planning	The AUC is committed to a strategic planning approach that will integrate our efficiency aspirations into our strategic objectives and performance outcomes.	Develop measurable, external-facing performance standards to promote accountability and consistency in the processing of cost applications and review and variance (R & V) applications and reduce time required to issue a decision.	This is a brand new project that has not been implemented yet. This project is being initiated with other changes to the costs and R&V process intended to streamline both. This process will set timelines for process steps and may ultimately reduce the full-cycle time frame for issuing cost and R & V decisions.
		Inform and educate applicants new to renewable-energy projects about the AUC's application process. This will allow proponents to develop proper applications more easily and reduce review time by the AUC.	Unable to quantify internal savings for this type of initiative.
		The AUC is reviewing and completely re-writing Rule 007 to address emerging issues, consolidate requirements, eliminate unnecessary information requirements and improve application processing efficiency. The AUC is also implementing new consultation requirements for Indigenous communities so that the AUC's requirements are aligned with the Aboriginal Consultation Office's requirements.	There are no cost savings to identify or estimate at this time. The project is expected to be implemented in the fall of 2020.
		Pursue reforms regarding specified penalties for contraventions of reliability standards related to critical infrastructure protection (CIP standards).	Cost savings could not be identified or estimated at this time. The project has not been implemented.

Principle	Commitment	Project	Impact
Strategic planning	The AUC is committed to a strategic planning approach that will integrate our efficiency aspirations into our strategic objectives and performance outcomes.	Upgrade the eFiling regulatory systems to allow for the management of confidential filings within eFiling versus outside. This initiative received favourable support from stakeholders.	<p>This initiative was successfully implemented on February 8, 2020. Since the start of the COVID-19 pandemic, the IT team moved previous confidential motions, rulings and undertakings into eFiling.</p> <p>The estimated net benefit including additional enhancements approved in May 2019 was between \$139,000 to \$170,000.</p>
		In 2020, establish a draft cloud computing adoption strategy and timeline that will allow the AUC to adopt cloud computing in a gradual approach that minimizes risk to the organization, with the potential to realize organizational savings.	The AUC has formalized a cloud computing adoption strategy and timeline and has taken initial steps toward transitioning to cloud computing. The first major cloud computing initiative will be the implementation of Microsoft Office 365 including implementation of MS Teams, a cloud collaboration tool. Initial steps have also been taken to assess the feasibility of moving the financial and human resources systems to a cloud-based tool in 2020-2021.
		Review of corporate processes to identify areas where improvements and efficiencies can be made.	New overtime policies were implemented as a result of changes to the Employment Standards Code. The AUC anticipates savings from overtime in the range of \$50,000 - \$100,000 for the 2020-2021 fiscal year.
		Introduction of a streamlined and effective governance structure for review of administrative decisions including approval of budget, administrative fee and other corporate matters. This new governance structure allows for a dedicated focus for Commission members on regulatory and adjudicative matters.	Corporate, administrative and financial matters are completed more efficiently through a streamlined governance structure.

Principle	Commitment	Project	Impact
Strategic planning	The AUC is committed to a strategic planning approach that will integrate our efficiency aspirations into our strategic objectives and performance outcomes.	Establish a new committee to focus on regulatory efficiency at the Commission. The committee's mandate is to identify and eliminate unnecessary processes and procedures to enhance the efficiency of AUC work on a broad cross-divisional level.	On October 18, 2019, AUC Chair Mark Kolesar established the Regulatory Burden Reduction Task Force. The members of the task force are AUC vice-chairs Anne Michaud and Henry van Egteren, and AUC General Counsel Doug Larder.
		Establish and implement Project Green Light which will provide a way for AUC staff and Commission members to develop and implement innovative ideas and approaches that improve AUC operations and create benefits by challenging existing processes and ways of doing business.	Six Project Green Light proposals have been endorsed.
		Improving Commission's operations by optimizing eFiling's current notification procedure. The Project Green Light committee endorsed this proposal on January 31, 2020.	Not implemented yet.
Simplifying processes and rules	The AUC is committed to engaging with stakeholders to explore eliminating or streamlining processes and rules through continuous improvement and adopting a more risk-based approach.	Support the government's Utility Payment Deferral Program.	Sixteen applications reviewed and approved by May 28, 2020 of which 13 applications were for funding requests. Average time between application and approval dates was seven days.
		Project Green Light proposal to improve efficiency in the process involved in creating filing announcements and notice of applications.	The process is more efficient internally, saving at least one day per month in employee time. Eliminates delay between the receipt of applications and issuance of filing announcements.
		Project Green Light proposal to improve landowners' understanding of proposed utility project developments through new methods and revised processes for producing and distributing notices, mail outs and newspapers.	Increased effectiveness of the notice procedure itself, by providing more specific and targeted delivery of notice. Cost savings estimated at approximately \$10,000 per year, which ultimately reduces the cost passed

2019-2020 Annual Report Card  
June 19, 2020

Principle	Commitment	Project	Impact
Simplifying processes and rules	The AUC is committed to engaging with stakeholders to explore eliminating or streamlining processes and rules through continuous improvement and adopting a more risk based approach.		onto ratepayers.
		Reduce time required to issue decision on confidentiality motions (proceeding 24681; AML 16-18 DACDA).	2019-2020 FY cost savings = between \$11,000 to \$13,500.  Due to eFiling changes savings are not expected to continue.
		Reduce time required to issue decision on confidentiality motions (Proceeding 25015; AML Edmonton DACDA).	2019-2020 FY cost savings = between \$11,000 to \$13,500.  Due to eFiling changes savings are not expected to continue.
		Compress overall application timelines through early identification of issues, and extent of IRs through technical meetings between staff, applicant and intervenors.	Too early to identify savings for the 2019-2020 FY. Too early to estimate savings for the 2020-2021 FY.
		Commission issues IRs first in order to reduce duplicative IRs issued by intervenors (proceeding 24964; AET 2020-2022 GTA).	No AUC work avoided, but efforts did result in intervener savings.
		Identification of application deficiencies (shared services, depreciation, wildfire mitigation) in order to reduce the number of IRs.	No significant savings identified for the 2019-2020 FY or estimated for the 2020-2021 FY.
		Reducing intervenor IRs through the use of technical meetings (proceeding 24964; AET 2020-2022 GTA).	No significant savings identified for the 2019-2020 FY or estimated for the 2020-2021 FY.
		Reduce extensive legal review of staff-generated IRs in order to reduce overall time for issuance of Commission IRs (proceeding 24964; AET 2020-2022 GTA).	2019-2020 FY savings = between \$11,400 to \$13,900.  There is not enough information at this time to estimate future potential savings.
		Reduce time for parties' cross-examination by having Commission lawyer go first (proceeding	There were no AUC savings or external benefits realized from these efforts or

2019-2020 Annual Report Card  
 June 19, 2020

Principle	Commitment	Project	Impact
Simplifying processes and rules	The AUC is committed to engaging with stakeholders to explore eliminating or streamlining processes and rules through continuous improvement and adopting a more risk based approach.	23848, AML GTA).	anticipated for the 2020-2021 FY.
		Reduce the need for further and better IRs through the use of AUC staff-led technical meetings (proceeding 24681; AML 16-18 DACDA)	2019-2020 FY cost savings = between \$17,500 to \$21,400.  There is not enough information at this time to estimate 2020-2021 FY cost savings.
		Project Green Light expedited hearing process to resolve certain boundary disputes involving whether a rural electrification association (REA) or distribution company should serve a specific customer.	2019-2020 FY cost savings = between \$3,600 to \$4,500.  2020-2021 FY estimated cost savings are uncertain at this time. Savings will depend on whether these types of applications are brought forward during the fiscal year.  This approach successfully reduced the historical processing time for this type of application by 75 per cent and reduced processing time to 46 days from an average of 186 days.
		Implement early identification of intervenors and accelerated interventions to speed up proceedings.	Unable to quantify internal savings. This initiative was launched with several others so it is difficult to assess the impact of this initiative in isolation.
		Improve process steps (including eliminating steps) and turnaround times in preferential sharing of records and Code of Conduct applications.	Initiative identified but not implemented yet.
		Identify and address overlap between agencies and discuss options for making the application process more flexible to address rapid technological change.	This project ties into other initiatives. Costs savings and estimates could not be isolated at this time.

2019-2020 Annual Report Card  
 June 19, 2020

Principle	Commitment	Project	Impact
Simplifying processes and rules	The AUC is committed to engaging with stakeholders to explore eliminating or streamlining processes and rules through continuous improvement and adopting a more risk-based approach.	Issue an expedited decision on compliance applications that are straightforward (proceeding 25255; DERS).	2019-2020 FY cost savings = between \$11,200 to \$13,700.  Depending on how often this approach is used, these savings may be realized in the 2020-2021 FY.
		Improve process efficiency by removing reporting requirements in AUC rules 002 and 003.	Cost savings are primarily external.
		Issuing interlocutory rulings on motions without further process (proceeding 24747; ATCO Electric Phase II).	2019-2020 FY cost savings = between \$5,200 to \$6,300.  There is a potential for cost savings to be realized in the 2020-2021 FY if there are opportunity to apply this approach in future proceedings.
		Establishing a comprehensive process schedule well in advance (proceeding 24110; 2021 GOCO).	Process was suspended in response to the COVID-19 pandemic and the economic conditions. There are no costs savings or estimates to be identified at this time.
		Asking for parties comments on timing of compliance in a decision (proceeding 24325; second stage R & V regarding anomalies).	Quantifiable results are not available for this initiative.
		Conference call among counsel to discuss procedural and process matters (proceeding 24747; AE Phase II).	2019-2020 FY cost savings = between \$2,100 to \$2,600.  Estimated cost savings for the 2020-2021 FY are unknown.
		Reduce process times for IRs and related motions through the use of an oral discovery process (proceeding 25422).	The opportunity to test cost and time saving measures was interrupted by the COVID-19 pandemic. The proposed approach to replace IRs on the application and reply

Principle	Commitment	Project	Impact
Simplifying processes and rules	The AUC is committed to engaging with stakeholders to explore eliminating or streamlining processes and rules through continuous improvement and adopting a more risk-based approach.		evidence with oral processes was cancelled. Going forward, the proceeding will be conducted using the traditional written processes.
		Reduce process times by ruling on the scope of IRs prior to the deadline for responses.	Immaterial cost savings, if any. The primary benefit was realized by the applicant.
		Improve process efficiency by eliminating unnecessary internal legal reviews on standard preferential sharing of records files.	2019-2020 FY cost savings cannot be identified. Implementation of the project is pending.  2020-2021 FY estimated cost savings are between \$2,600 to \$3,200.
Statutory duty to reduce regulatory burden	The AUC is committed to keeping its activities under review pursuant to the provisions of the <i>Red Tape Reduction Act</i> .	Government of Alberta's baseline count of regulatory requirements that will be used to measure progress towards the government's target of reducing regulatory requirements by one-third.	The AUC regulatory baseline count was completed on February 19, 2020; identifying 16,253 requirements. New rules and rule amendments made between May 1, 2019 and March 31, 2020 resulted in a net reduction of 24 regulatory requirements.

## Appendix C – Financial statements



Financial Statements

## Appendix D – Cost per utility customer site

The Commission is committed to using its resources efficiently. Consistent with this commitment, the Commission has, since inception in 2008, continuously tracked and benchmarked its operating expenses as a unit measure per customer site count.

In an effort to assess its cost of regulation and the efficiency of its operations, the AUC measures its costs to industry (and ultimately ratepayers) captured through the AUC administration fee over the number of regulated gas and electric sites in Alberta. Since the AUC was established in 2008 the cost of regulation has declined to \$10.05 per regulated site (a 23.5 per cent reduction). In 2008 the cost of regulation was \$13.13 per regulated site. During this period, the number of regulated sites in Alberta rose 28.1 per cent to more than 3.1 million. At the same time, the administration fee collected by the AUC fell by two per cent in nominal terms, and by 16 per cent in real terms.

Since 2008 Albertans have received increased value for the cost of AUC regulation.

The following table illustrates the Commission's results on this cost measure.

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	
<b>Consumer Site Counts</b>	2,430,009	2,430,009	2,559,389	2,606,657	2,648,661	2,802,949	2,861,701	2,928,030	2,983,468	3,025,239	3,067,942	3,112,670	
<b>% change</b>		0.00%	5.32%	1.85%	1.61%	5.83%	2.10%	2.32%	1.89%	1.40%	1.41%	1.46%	25.19%
<b>AUC Admin Fee</b>	31,917,000	30,858,000	31,307,000	33,858,000	34,494,000	33,300,000	33,782,000	32,855,000	30,628,000	31,412,000	31,125,000	31,291,000	
<b>% change</b>		-3.32%	1.46%	8.15%	1.88%	-3.46%	1.45%	-2.74%	-6.78%	2.56%	-0.91%	0.53%	
	\$ 13.13	\$ 12.70	\$ 12.23	\$ 12.99	\$ 13.02	\$ 11.88	\$ 11.80	\$ 11.22	\$ 10.27	\$ 10.38	\$ 10.15	\$ 10.05	
								\$ 1.91			\$ 2.84		
								14.6%			21.9%		

Commentary:

The figure used for the AUC administration fee includes operating and capital expenditures collected through an assessment of the natural gas and electricity sector participants it regulates. This regulatory cost measure compares year-to-year changes in total AUC costs to the number of regulated natural gas and electricity sites served by Alberta's utilities to produce a unit regulatory cost of dollars per year per site.

For this reporting period, the AUC operating expense per site count decreased by ten cents (0.01 per cent) from 2018-19 to 2019-20. Since inception, AUC operating expense per site count decreased by 23.5 per cent from 2008-09 to 2019-20.

## Appendix E – Performance measures

Performance Measure		2019-2020 Results
<i>Market Oversight and Enforcement</i>		
1.a	100 per cent of decisions are issued within 90 days after the close of record.	100 per cent (27 out of 27)
1.b	100 per cent of decisions regarding micro-generation disputes are issued within 30 days after the close of record, as legislated.	No disputes filed; not measurable.
1.c	100 per cent of decisions regarding uncontested reliability standards or ISO rule applications are issued within 30 days after the close of record.	100 per cent (7 out of 7)
1.d	100 per cent of all ISO rule notices are issued within five calendar days, as legislated.	100 per cent (5 out of 5)
1.e	100 per cent of all other notices are issued within established timelines.	100 per cent (22 out of 22)
1.f	80 per cent of code of conduct proceedings will have the record completed within established timelines.	100 per cent (11 out of 11)
1.g	No disputes between the market participants are being brought to the AUC for adjudication under rules 002, 003, 004, 010, 021 and 028.	Performance measure met; no disputes filed.
1.h	Continue to develop asset monitoring reporting plans for the distribution utilities under the second generation of performance-based regulation.	Completed in Q4
1.i	75 per cent of consultation participants surveyed indicate they are satisfied with the effectiveness of the consultation process.	88 per cent
<i>Facilities</i>		
*2.a	100 per cent of decisions for proceedings with an oral or written hearing are issued within 90 days after the close of record. <i>(Performance measure discontinued August 1, 2019)</i>	100 per cent (20 out of 20).
*2.b	100 per cent of decisions for proceedings not requiring an oral or written hearing are issued within 30 days after the close of record. <i>(Performance measure discontinued August 1, 2019)</i>	100 per cent (128 out of 128).
2.c	100 per cent of need, electric and gas pipeline facility decisions are issued within 180 days of the application being deemed complete.	96 per cent (74 out of 77)
2.d	100 per cent of application response letters are sent within 15 working days of the application being filed.	100 per cent (372 of 372)
2.e	The AUC will conduct a minimum of one information session for each major facility application, and those applications proceeding to an oral hearing.	100 per cent (7 information sessions completed)
*2.f	80 per cent of facility applications are processed within established full-cycle timelines. <i>(Performance measure discontinued August 1, 2019)</i>  Category 1 - Routine pipeline or electric facilities Category 2 - Minor need, pipeline or electric facilities (Notice of Application – no objections) Category 3 - Similar to prior category, except with extended clarification and resolution of application Category 4 - Complex applications for major need pipeline or electric facilities (written process) Category 5 - Complex applications for major need, pipeline or electric facilities (oral hearing)	Average by Category 49 per cent - Binary 75 per cent - Adjusted when factors beyond AUC's control were considered.
2.g	80 per cent of proceeding participants surveyed indicate they understand the needs and facility application process.	90 per cent (218 of 243 respondents indicated they were treated fairly).

Performance Measure		2019-2020 Results
2.h	85 per cent of proceeding participants surveyed indicate they were treated in a fair, open and transparent manner.	93 per cent (286 of 308 respondents indicated they were treated in a fair, open and transparent manner).
2.i	<p>Record development (<i>performance measure introduced August 1, 2019</i>)</p> <p>90 per cent of category 1 - 3 applications complete the record development process within the following timelines:</p> <ul style="list-style-type: none"> <li>- Category 1 – (No notice, objections or information requests) - 5 business days</li> <li>- Category 2 – (No notice, objections, one round of information requests) - 35 calendar days</li> <li>- Category 3 – (Notice, no objections or persons with standing, information requests) - 90 calendar days</li> </ul> <p>80 per cent of category 4 - 5 applications complete the record development process within the following timelines:</p> <ul style="list-style-type: none"> <li>- Category 4 – (Streamlined proceeding hearing with no participant information requests) - 120 calendar days</li> <li>- Category 5 – (Complex proceeding) - 205 calendar days</li> </ul>	<p>Average by Category (1-3)</p> <p>77 per cent - Binary 97 per cent - Adjusted when factors beyond AUC's control were considered.</p> <p>Average by Category (4-5)</p> <p>73 per cent - Binary 82 per cent - Adjusted when factors beyond AUC's control were considered.</p>
2.j	<p>Decision writing (<i>performance measure introduced August 1, 2019</i>)</p> <p>100 per cent of facility Category 1 - 5 applications are decided within the following timelines:</p> <ul style="list-style-type: none"> <li>- Category 1 - 15 calendar days</li> <li>- Category 2 - 20 calendar days</li> <li>- Category 3 - 30 calendar days</li> <li>- Category 4 - 75 calendar days</li> <li>- Category 5 - 90 calendar days</li> </ul>	<p>Average by Category (1-3)</p> <p>100 per cent - Binary Average by Category (4-5)</p> <p>92 per cent - Binary 100 per cent - Adjusted when factors beyond AUC's control were considered.</p>
*The Facilities Division updated its performance measures on August 1, 2019. The performance measures in 2.a, 2.b and 2.f were replaced with the performance measures set out in 2.i and 2.j.		
<b>Rates</b>		
3.a	Notices or response letters will be issued for all applications within established target timelines.	100 per cent (245 of 245)
3.b	80 per cent of the proceedings for each proceeding type will have the record completed within established target timelines including those outlined in <a href="#">Bulletin 2015-09</a> and AUC Rule 011.	64 per cent - Binary (56 of 87) 94 per cent - Adjusted when factors beyond AUC's control were considered (76 of 81).
3.c	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 applicable target timelines including those outlined in <a href="#">Bulletin 2015-09</a> and AUC Rule 011.	96 per cent - Binary (84 of 88) 96 per cent - Adjusted when factors beyond AUC's control were considered (84 of 88).
<b>Organization</b>		
4.a	The employee satisfaction index as measured in the annual AUC Employee Survey meets or exceeds the AUC's five-year average.	Survey moved to biennial cycle. No results this past year.

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Performance Measure		2019-2020 Results
4.b	The work environment index as measured in the annual AUC Employee Survey meets or exceeds the AUC's five-year average.	Survey moved to biennial cycle. No results this past year.
4.c	The organizational leadership/direction index as measured in the annual AUC Employee Survey meets or exceeds the AUC's five-year average.	Survey moved to biennial cycle. No results this past year.
4.d	The AUC's satisfaction index, as measured in the stakeholders satisfaction survey meets or exceeds 85 per cent.	Survey cancelled
4.e	AUC's stakeholders are able to access the AUC's website which includes the eFiling System 97 per cent of the time on business days between 7 a.m. and 7p.m.	99.81 per cent
4.f	80 per cent of information technology system maintenance on the AUC's website including the eFiling System will occur during the regular scheduled system maintenance outages.	100 per cent - all scheduled maintenance outages occurred within the regular scheduled time.
4.g	The AUC's annual financial statement audit and periodic systems audits do not result in recommendations published in the report of the Auditor General of Alberta.	100 per cent - no recommendations received.
4.h	100 per cent of costs decisions will be issued within 90 days after the costs application close of record.	100 per cent (62 of 62)
4.i	40 per cent of costs decisions will be issued within 60 days after the close of record.	45 per cent (28 of 62)
4.j	100 per cent of Stage 1 review and variance decisions will be issued within 90 days after the close of record.	100 per cent (11 of 11)
4.k	85 per cent of complaints/inquiries will be responded to and closed within five working days.	98 per cent (3,169 of 3,234)
4.l	No Commission decision for which permission to appeal has been granted by the Court of Appeal of Alberta will be overturned on grounds of procedural fairness.	100 per cent - no Commission decision successfully appealed.

## Appendix C

# ALBERTA UTILITIES COMMISSION Financial Statements For the year ended March 31, 2020

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Change in Net Financial Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 - Expenses - Detailed by Object

Schedule 2 - Salary and Benefits Disclosure

Schedule 3 - Authorized Budget

## Independent Auditor's Report



To the Members of the Alberta Utilities Commission

### Report on the Financial Statements

#### Opinion

I have audited the financial statements of the Alberta Utilities Commission, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alberta Utilities Commission as at March 31, 2020, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Alberta Utilities Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Alberta Utilities Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alberta Utilities Commission's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alberta Utilities Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Alberta Utilities Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Alberta Utilities Commission to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]  
Auditor General

May 12, 2020  
Edmonton, Alberta

**ALBERTA UTILITIES COMMISSION**  
**STATEMENT OF OPERATIONS**  
Year Ended March 31, 2020

	<u>2020</u>		<u>2019</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	<u>(Schedule 3)</u>		
----- <i>(in thousands)</i> -----			
<b>Revenues</b>			
Administration fees	\$ 31,685	\$ 31,291	\$ 31,125
Investment income	300	309	310
Professional services and other revenue	100	142	389
	<u>32,085</u>	<u>31,742</u>	<u>31,824</u>
<b>Expenses</b>			
Utility regulation (Schedule 1)	32,885	32,530	32,243
Annual operating deficit	(800)	(788)	(419)
Accumulated surplus, beginning of year	14,059	14,059	14,478
<b>Accumulated surplus, end of year</b>	<u><b>\$ 13,259</b></u>	<u><b>\$ 13,271</b></u>	<u><b>\$ 14,059</b></u>

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

**ALBERTA UTILITIES COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31, 2020**

	<u>2020</u>	<u>2019</u>
	----- <i>(in thousands)</i> -----	
<b>Financial Assets</b>		
Cash and cash equivalents (Note 5)	\$ 8,356	\$ 8,637
Accounts receivable	74	371
Accrued pension asset (Note 6)	585	345
	<u>9,015</u>	<u>9,353</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	1,533	1,643
Deferred lease incentive (Note 8)	5,559	6,320
	<u>7,092</u>	<u>7,963</u>
<b>Net Financial Assets</b>	<u>1,923</u>	<u>1,390</u>
<b>Non-Financial Assets</b>		
Capital assets (Note 9)	10,151	11,423
Prepaid expenses	1,197	1,246
	<u>11,348</u>	<u>12,669</u>
<b>Net Assets</b>		
Accumulated surplus (Note 10)	<u>\$ 13,271</u>	<u>\$ 14,059</u>

Contractual obligations (Note 11)

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

**ALBERTA UTILITIES COMMISSION**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
Year Ended March 31, 2020

	2020		2019
	Budget (Schedule 3)	Actual	Actual
	----- <i>(in thousands)</i> -----		
Annual operating deficit	\$ (800)	\$ (788)	\$ (419)
Acquisition of capital assets (Note 9)	(1,000)	(729)	(907)
Amortization of capital assets (Note 9)	1,800	1,995	1,933
Net loss (gain) on disposal of capital assets		4	(8)
Proceeds on disposal of capital assets		2	21
Increase in prepaid expenses		49	95
Increase in net financial assets in the year	-	533	715
Net financial assets, beginning of year	1,390	1,390	675
<b>Net financial assets, end of year</b>	<b>\$ 1,390</b>	<b>\$ 1,923</b>	<b>\$ 1,390</b>

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

**ALBERTA UTILITIES COMMISSION**  
**STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2020

	<u>2020</u>	<u>2019</u>
	----- <i>(in thousands)</i> -----	
<b>Operating transactions</b>		
Annual operating deficit	\$ (788)	\$ (419)
Non-cash items included in annual deficit:		
Amortization of capital assets (Note 9)	1,995	1,933
Pension expense	662	540
Net loss (gain) on disposal of capital assets	4	(8)
Decrease (increase) in accounts receivable	297	(227)
Decrease in prepaid expenses	49	95
Decrease in accounts payable and accrued liabilities	(94)	(5,738)
Cash provided by (applied to) operating transactions	<u>2,125</u>	<u>(3,824)</u>
<b>Capital transactions</b>		
Acquisition of capital assets (Note 9)	(729)	(907)
Proceeds on disposal of capital assets	2	21
Cash applied to capital transactions	<u>(727)</u>	<u>(886)</u>
<b>Financing transactions</b>		
Pension obligations funded	(902)	(595)
Net lease incentives (amortized) capitalized	(761)	3,315
Net lease obligations repaid	(16)	(18)
Cash (applied to) provided by financing transactions	<u>(1,679)</u>	<u>2,702</u>
Decrease in cash and cash equivalents	(281)	(2,008)
Cash and cash equivalents, beginning of year	8,637	10,645
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 8,356</u></b>	<b><u>\$ 8,637</u></b>

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

**ALBERTA UTILITIES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2020**  
(in thousands of dollars)

**Note 1 Authority**

The Alberta Utilities Commission (AUC) operates under authority of the *Alberta Utilities Commission Act, Chapter A-37.2*. The AUC also exercises powers and authorities under a number of other statutes. The AUC is an independent, quasi-judicial agency of the government of Alberta that ensures the delivery of Alberta's utility services takes place in a manner that is fair, responsible, and in the public interest. The AUC regulates investor owned electric, natural gas and water utilities, and certain municipally owned electricity utilities to ensure customers receive safe and reliable service at just and reasonable rates. The AUC is responsible for making timely decisions on the need, siting, construction, alteration, operation and decommissioning of natural gas and certain electricity transmission facilities. The AUC also regulates power plants in a similar fashion except the need for new power plants is determined by market forces. The AUC develops and amends rules that support the orderly operation of the retail natural gas and electricity markets, and adjudicates on market and operational rule contraventions that the Market Surveillance Administrator may bring before the AUC. The AUC is exempt from income taxes under the *Income Tax Act*.

**Note 2 Summary of significant accounting policies and reporting practices**

**Basis of financial reporting**

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant accounting policies are as follows:

**Revenues**

All revenues are reported on the accrual basis of accounting. Cash received for which services have not been provided by year end is recognized as unearned revenue and recorded in accounts payable and accrued liabilities.

**Expenses**

All expenses are reported on the accrual basis of accounting. The cost of all goods consumed and services received during the year is expensed. Contributed services are not recognized in the Statement of Operations but are disclosed in Note 12 of the financial statements.

**Foreign currency translation**

Foreign currency transactions are translated at the exchange rate prevailing at the date of transaction. Monetary liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at fiscal year-end.

**Valuation of financial assets and liabilities**

The AUC's financial assets and liabilities are generally measured as follows:

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash and cash equivalents	Cost
Accounts receivable	Lower of cost or net recoverable value
Accrued pension asset	Projected benefit method
Accounts payable and accrued liabilities	Cost
Deferred lease incentive	Amortized cost
Capital lease obligation	Lower of cost or present value of minimum lease payments

The AUC does not carry any financial assets or liabilities at fair value and has no derivatives or unsettled exchange gains or losses, therefore the statement of remeasurement gains or losses is not included in these financial statements.

**Note 2 Summary of significant accounting policies and reporting practices (continued)**

**Financial assets**

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the AUC's financial claims on external organizations and individuals at the year end.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Accounts receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recorded when recovery is uncertain.

Accrued pension asset

Accrued pension asset represents pension plan contributions made in excess of the pension expense which is actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels, and length of service to the time of retirement.

For the purpose of calculating pension expense, the AUC uses the expected future rate of return on plan assets as its discount rate. For the purpose of calculating the expected return, plan assets are valued at market-related values.

Past service costs arising from plan amendments are expensed in the period of the plan amendment. Any actuarial gain or loss is amortized over the average remaining service period of active employees.

Defined contribution plan accounting is applied to the government of Alberta multi-employer defined benefit pension plans as the AUC has insufficient information to apply defined benefit plan accounting.

**Liabilities**

Liabilities are present obligations of the AUC to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts. Generally, liabilities include trade payables, accrued liabilities and accrued employee vacation entitlements.

Deferred lease incentive

Lease incentive benefits are amortized on a straight line basis over the term of lease as a reduction to rental expense.

Capital lease obligation

Capital lease obligation and the corresponding leased capital asset is recorded at the lower of the leased property's fair value and the present value of the minimum lease payments.

**Non-financial assets**

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver AUC services;
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations.

**Note 2 Summary of significant accounting policies and reporting practices (continued)**

Non-financial assets include capital assets and prepaid expenses.

Capital assets

Capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of capital assets, are amortized on a straight-line basis over its estimated useful life as follows:

Computer hardware and software	Four to seven years
Furniture and equipment	Four to forty years
Leasehold improvements	Lease term

Capital assets are written down when conditions indicate that they no longer contribute to the AUC's ability to provide services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

The capitalization threshold for all capital assets is \$1.5 unless they are included in certain capital asset pools.

Prepaid expenses

Prepaid expenses are recorded at cost and amortized based on the terms of the agreement.

**Measurement uncertainty**

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The amounts recorded for amortization of capital assets are based on estimates of the useful life of the related assets. Also, the accrued pension asset incorporates multiple assumptions. Actual results for amortization and accrued pension asset may differ from reported values.

**Note 3 Future accounting changes**

The Public Sector Accounting Board has approved the following accounting standards:

**PS 3280 Asset Retirement Obligations (effective April 1, 2021)**

This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets. Management is currently assessing the impact of this standard on the financial statements.

**PS 3400 Revenue (effective April 1, 2022)**

This standard segregates revenue into exchange and non-exchange transactions. Revenue for exchange transactions is recognized when each performance obligation is satisfied. Non-exchange transactions do not contain performance obligations. Management has performed a review of PS 3400 Revenue and does not anticipate a change from its current revenue recognition policy.

**ALBERTA UTILITIES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2020**  
(in thousands of dollars)

**Note 4 Financial instruments**

The AUC has the following financial instruments: accounts receivable, accounts payable and accrued liabilities.

The AUC has exposure to the following risks from its use of financial instruments:

Liquidity risk

Liquidity risk is the risk that the AUC will encounter difficulty in meeting obligations associated with financial liabilities. The AUC does not consider this to be a significant risk as it collects the majority of annual revenues at the beginning of the year and maintains a significant cash reserve to meet all obligations that arise during the year.

Credit risk

The AUC is not exposed to any significant credit risk from potential non-payment of accounts receivable. As at March 31, 2020, the balance of accounts receivables does not contain amounts that were past due or uncollectible.

**Note 5 Cash and cash equivalents**

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide interest income at competitive rates while maintaining appropriate security and liquidity of depositors' capital. The Fund is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2020, securities held by the Fund have a time-weighted return of 1.9 per cent per annum (2019: 1.8 per cent).

**Note 6 Pension**

The AUC participates in the Government of Alberta's multi-employer pension plans of Management Employees Pension Plan, Public Service Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equal to the contribution of \$2,078 for the year ended March 31, 2020 (2019: \$1,810). The AUC is not responsible for future funding of the plans deficit other than through contribution increases.

In addition, the AUC maintains its own defined benefit Senior Employees Pension Plan (SEPP) and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

The effective date of the most recent actuarial funding valuation for SEPP was December 31, 2018. The accrued benefit obligation as at March 31, 2020 is based on the extrapolation of the results of this valuation. The effective date of the next required funding valuation for SEPP is December 31, 2021.

Pension plan assets are valued at market values. During the year ended March 31, 2020 the weighted average actual return on plan assets was 1.47 per cent (2019: 6.55 per cent).

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

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Accrued benefit obligations		
Discount rate	4.26%	4.71%
Rate of compensation increase	3.50%	3.50%
Long-term inflation rate	2.00%	2.00%

**ALBERTA UTILITIES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2020**  
(in thousands of dollars)

**Note 6 Pension (continued)**

	<u>2020</u>	<u>2019</u>
Pension Benefit costs for the year		
Discount rate	4.71%	4.70%
Expected rate of return on plan assets	4.71%	4.70%
Rate of compensation increase	3.50%	3.50%

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

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Market value of plan assets	\$ 13,306	\$ 12,414
Accrued benefit obligations	14,514	11,276
Plan (deficit) surplus	(1,208)	1,138
Unamortized actuarial loss (gain)	1,793	(793)
Accrued pension asset	<u>\$ 585</u>	<u>\$ 345</u>

The pension benefit costs for the year include the following components:

	<u>2020</u>	<u>2019</u>
Current period benefit costs	\$ 643	\$ 556
Interest cost	591	484
Expected return on plan assets	(610)	(526)
Amortization of actuarial losses	38	26
	<u>\$ 662</u>	<u>\$ 540</u>

The average remaining service period of active employees is 6.6 years (2019: 6.6 years).

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

	<u>2020</u>	<u>2019</u>
AUC contribution	\$ 902	\$ 595
Employees' contribution	192	107
Benefits paid	390	168

The asset allocation of the defined benefit pension plans' investments is as follows:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Equity securities	43.40%	47.40%
Debt securities	17.59%	17.40%
Other	39.01%	35.20%
	<u>100.00%</u>	<u>100.00%</u>

**ALBERTA UTILITIES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2020**  
(in thousands of dollars)

**Note 7 Accounts payable and accrued liabilities**

	2020	2019
Accounts payable	\$ 220	\$ 425
Accrued liabilities	1,259	1,148
Capital lease obligation	54	70
	<u>\$ 1,533</u>	<u>\$ 1,643</u>

**Note 8 Deferred lease incentive**

The AUC has received lease incentives through its office lease agreements. During 2020, the AUC received \$0 in lease incentives in the form of cash and free rent (2019: \$4,019).

	2020	2019
Opening balance	\$ 6,320	\$ 3,005
Cash incentive received	-	2,754
Rent free period received	-	1,265
Lease incentive amortized	(761)	(704)
Closing balance	<u>\$ 5,559</u>	<u>\$ 6,320</u>

**Note 9 Capital assets**

	March 31, 2020				March 31, 2019
	Furniture and equipment	Computer hardware and software	Leasehold improvement	Total	Total
<b>Historical cost</b>					
Beginning of year	\$ 3,109	\$ 9,203	\$ 6,325	\$ 18,637	\$ 20,889
Additions	1	723	5	729	907
Disposals	(17)	(585)	-	(602)	(3,159)
	<u>\$ 3,093</u>	<u>\$ 9,341</u>	<u>\$ 6,330</u>	<u>\$ 18,764</u>	<u>\$ 18,637</u>
<b>Accumulated amortization</b>					
Beginning of year	\$ 664	\$ 5,610	\$ 940	\$ 7,214	\$ 8,427
Amortization expense	333	965	697	1,995	1,933
Effect of disposals	(15)	(581)	-	(596)	(3,146)
	<u>\$ 982</u>	<u>\$ 5,994</u>	<u>\$ 1,637</u>	<u>\$ 8,613</u>	<u>\$ 7,214</u>
<b>Net book value at March 31, 2020</b>	<u>\$ 2,111</u>	<u>\$ 3,347</u>	<u>\$ 4,693</u>	<u>\$ 10,151</u>	<u>\$ 11,423</u>
<b>Net book value at March 31, 2019</b>	<u>\$ 2,445</u>	<u>\$ 3,593</u>	<u>\$ 5,385</u>	<u>\$ 11,423</u>	

**ALBERTA UTILITIES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2020**  
(in thousands of dollars)

**Note 10 Accumulated surplus**

Accumulated surplus is comprised of the following:

	2020			2019
	Investments in capital assets	Unrestricted surplus	Total	Total
Opening balance	\$ 11,423	\$ 2,636	\$ 14,059	\$ 14,478
Annual operating deficit	-	(788)	(788)	(419)
Net investment in capital assets	(1,272)	1,272	-	-
Closing balance	\$ 10,151	\$ 3,120	\$ 13,271	\$ 14,059

**Note 11 Contractual obligations**

Contractual obligations are obligations of the AUC to others that will become liabilities in the future when the terms of those contracts or agreements are met. Contractual obligations for each of the next five years and thereafter are as follows:

Obligations under operating leases, service contracts and maintenance agreements		Total
2021		\$ 3,919
2022		2,882
2023		2,444
2024		2,526
2025		2,397
Thereafter		7,129
		<u>\$ 21,297</u>

**Note 12 Related party transactions**

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. For the year ended March 31, 2020 the AUC received and paid \$196 (2019: \$169) for services from other government of Alberta organizations. The AUC had not received or provided any contributed goods or services from other government of Alberta organizations. Related parties also include key management personnel and close family members of those individuals at the AUC. There were no transactions between the AUC and its key management personnel or close family members during the year.

**Note 13 Approval of financial statements**

These financial statements were approved by the AUC's Chair's Management Committee.

ALBERTA UTILITIES COMMISSION  
 EXPENSES - DETAILED BY OBJECT  
 Year Ended March 31, 2020

Schedule 1

	2020		2019
	Budget	Actual	Actual
	----- <i>(in thousands)</i> -----		
Salaries, wages and employee benefits	\$ 24,645	\$ 25,028	\$ 24,390
Supplies and services	6,440	5,503	5,920
Amortization of capital assets (Note 9)	1,800	1,995	1,933
Loss on disposal of capital assets	-	4	-
	<u>\$ 32,885</u>	<u>\$ 32,530</u>	<u>\$ 32,243</u>

**ALBERTA UTILITIES COMMISSION**  
**SALARY AND BENEFITS DISCLOSURE**  
Year Ended March 31, 2020

Schedule 2

	2020			2019	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-cash Benefits <sup>(3)</sup>	Total	Total
----- <i>(in thousands)</i> -----					
Chair of the Commission <sup>(4)</sup>	\$ 333	\$ 99	\$ 26	\$ 458	\$ 378
Vice-Chair	219	47	62	328	311
Vice-Chair <sup>(5)</sup>	143	52	12	207	-
Commission Member	197	35	58	290	270
Commission Member	194	30	58	282	260
Commission Member	197	18	56	271	266
Commission Member	197	15	56	268	271
Commission Member	197	13	42	252	254
Commission Member <sup>(6)</sup>	68	10	5	83	238
Commission Member <sup>(7)</sup>	3	2	-	5	81

(1) Includes pensionable base pay.

(2) Includes payments in lieu of vacation, health and pension benefits. No bonuses have been paid.

(3) Employer's contributions to all employee benefits including Employment Insurance, Canada Pension Plan, Alberta pension plans, health benefits, professional memberships, tuition fees and fair market value of parking. Automobiles were provided but no dollar amount included in other non-cash benefits.

(4) Vice-Chair was acting as Chair from May 1, 2018 to July 22, 2018.

(5) The Vice-Chair was appointed on August 5, 2019.

(6) The position was replaced by Vice-Chair position as of August 5, 2019.

(7) The position was vacant from July 23, 2018 to March 24, 2020.

ALBERTA UTILITIES COMMISSION  
 AUTHORIZED BUDGET  
 Year Ended March 31, 2020

Schedule 3

	<u>Budget (Estimate)</u>	<u>Authorized Changes</u>	<u>Authorized Budget</u>	<u>Actual</u>
----- <i>(in thousands)</i> -----				
<b>Revenues</b>				
Administration fees	\$ 31,685	\$ -	\$ 31,685	\$ 31,291
Investment income	300	-	300	309
Professional services	100	-	100	142
	<u>32,085</u>	<u>-</u>	<u>32,085</u>	<u>31,742</u>
<b>Expenses</b>				
Utility regulation	<u>32,885</u>	<u>(300)</u>	<u>32,585</u>	<u>32,530</u>
<b>Net Capital Investment</b>				
Capital investment	1,000	-	1,000	729
Less:				
Amortization	(1,800)	-	(1,800)	(1,995)
Loss on disposal of capital assets	-	-	-	(4)
Proceeds on disposal of capital assets	-	-	-	(2)
	<u>(800)</u>	<u>-</u>	<u>(800)</u>	<u>(1,272)</u>
	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 484</u>

Note:

The Budget is based on the AUC Business Plan for the year ended March 31, 2020. The Budget and Authorized Changes have been approved by the government of Alberta.