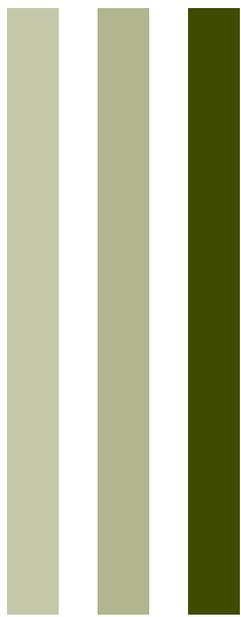




AUC

Alberta Utilities Commission

Alberta's independent utilities regulator

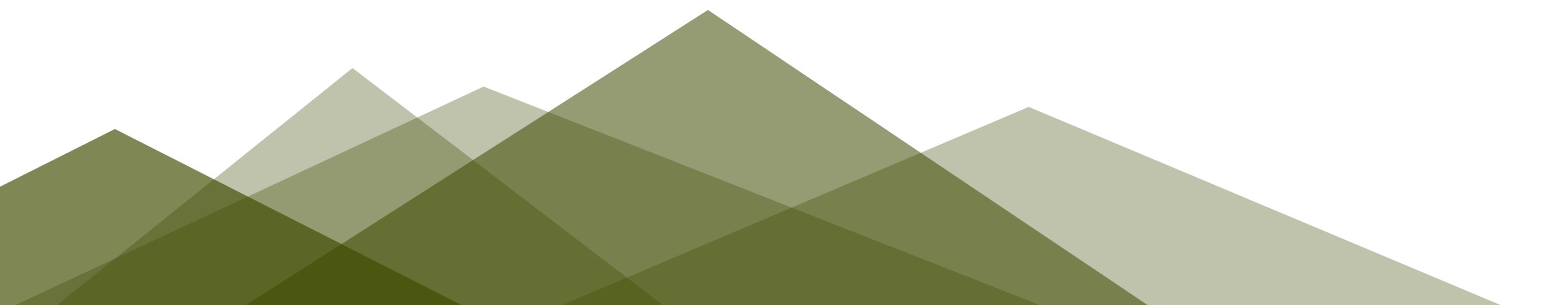


2022-2023

Report

Card





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AUC Chair Carolyn Dahl Rees on the AUC report card

As our team reflects on last year's accomplishments, one thing that has struck me is the pace of change. Alberta's electric and gas systems are evolving. Our way of working and our work loads have evolved, and the way we view the future is changing. Accelerated evolution is one way to describe 2022-2023.

The AUC, like many Albertans and Canadians, are wrestling with how to deal with rising inflation and more broadly, affordability. Many things affect the increasing costs in our daily lives: interest rates, supply chain delays and the war in Ukraine, to name a few. In a time of added fiscal pressure, we at the AUC have remained focused on the fundamental regulatory objective of safe and reliable utility services delivered to consumers at just and

reasonable rates. We have kept this goal in mind when handling major rate cases in the year, which included the rebasing of performance-based regulation (PBR) for six distribution utilities and the Alberta Electric System Operator (AESO)'s tariff application. These were some of our most involved hearings of the year, with many stakeholders,

representatives and experts contributing to ensure all pertinent information was available and considered. These decisions are important, complex and have multi-year rate implications. Related further proceedings are

still in progress. I want to recognize and thank all who have been engaged in these proceedings, including our staff, the AESO, the utilities consumer groups and other stakeholders.

"In a time of added fiscal pressure, we at the AUC have remained focused on the fundamental regulatory objective of safe and reliable utility services delivered to consumers at just and reasonable rates."

In recent rates proceedings we have seen a more pointed concern among several stakeholders for utility rates that are workable for consumers in times of financial pressures. This growing concern comes as the AUC transitioned to working with a new ministry this year, Affordability and Utilities. Although our day-to-day work remains the same, this change signals an important focus on the consumer as we go forward with the evolution of the electric and natural gas systems in Alberta.

Our work is accomplished by a diverse team of staff and Commission members. We were able to welcome several new staff members, as well as new full-time and acting Commission members this year. For our group of decision-makers, Michael Arthur was appointed as a full-time Commission member, and Dennis Frehlich and Doug Hawkins came on as acting Commission members. Their expertise and experience are most welcome to our team.

Throughout the year, the AUC also saw an increase in the size and complexity of applications, including applications for the largest wind and solar projects in the province, accompanied by applications for battery storage development. The changing landscape of electricity generation is evident in the breakdown of application types we have seen. As technology advances to meet new policy objectives, our team continues to work with the Alberta government and other stakeholders to integrate new technologies in an appropriate way, taking into account a proper risk assessed basis of reviewing developments.

The AUC undertook and completed an inquiry on hydrogen blending (up to 20 per cent) into the natural gas stream, informing a transition to incorporating hydrogen as a new and decarbonized energy source. Many are excited by this transition. We are also cognizant of the need to balance infrastructure costs, safety concerns, the effect on consumer costs and the overall public interest. The AUC is well-positioned to further review these issues with a goal of robust and affordable energy systems into the future.

Despite the increase in the number of applications and the complexity of the files, the AUC remains committed to red tape reduction and improving efficiency. This past year we reached a significant achievement of achieving a 48.2 per cent reduction in red tape. At the same time, we applied a renewed focus on streamlining our proceedings and reducing the overall time it takes to review applications.

As a result, we reduced our total application review times by 34.6 per cent. We achieved these outcomes by continuously refining our practices with the use of negotiated settlements, assertive case management and increased checklist (trusted traveller) applications. I continue to be very proud of our team's success in achieving such high levels of efficiency. We will not waver from the goals of efficiency and effectiveness as a regulator.

"Throughout the year, the AUC also saw an increase in the size and complexity of applications, including applications for the largest wind and solar projects in the province."

Carolyn Dahl Rees
AUC Chair

The Commission

The Alberta government, through orders-in-council, appoints members of the Commission

Acting Commission members (not pictured):

Dennis Frehlich John McCarthy
Doug Hawkins Bohdan (Don) Romaniuk
Vincent Kstesky



Carolyn Dahl Rees
Chair



Doug Larder
Vice-Chair



Renée Marx
Commission member



Matthew Oliver
Commission member



Kristi Sebalj
Vice-Chair



Michael Arthur
Commission member



Cairns Price
Commission member



Vera Slawinski
Commission member



Chief Executive Bob Heggie on the AUC report card

The 2022-2023 fiscal year was a period of significant change for the AUC. From a regulatory perspective, we have faced an immense increase in issue complexity and application volume. As our work has continued to evolve and adapt, so have our people.

The staff are the heartbeat of the AUC, and I am continuously astonished at how they enable us to innovate in our regulatory work with enthusiasm and a tireless desire to improve. This breadth of expertise enables us to bring forward new ideas to navigate the demands and requirements of a changing utilities industry.

In 2022-2023 we pushed forward to ensure a more equitable and inclusive workplace. We introduced new policies to ensure fairness and promote a culture of respect and understanding. We also held workshops on diversity and inclusion as well as provided additional resources for employees.

Culture is what people do when no one is looking. It means that in every decision we make, we are thinking of what is in the public interest. It means people feel comfortable disclosing mistakes and it means treating people respectfully.

A great culture celebrates diversity – not as a gimmick, but because it is right. It’s a resource and it’s an advantage. When those around us thrive, we ourselves thrive. Culture celebrates a generosity of spirit – where individuals genuinely care about one another on a personal level, as well as society as a whole. It acknowledges the importance of giving credit to others and fostering their growth.

We had a great year on many fronts because we are focused on doing the right thing.

Throughout the year the AUC has continued to see a considerable increase in renewable power generation, with solar energy development becoming increasingly prominent.

"We had a great year on many fronts because we are focused on doing the right thing."

The AUC received 837 applications last fiscal year. Of those applications, 447 were facilities applications, many of which were focused on solar generation.

I have not seen such a significant and stark transition in application types before. Many factors are contributing to this, and the AUC is working to understand how to best support this dynamic efficiently while ensuring we maximize the use of the existing transmission system to help maintain just and reasonable rates.

We’ve seen growing interest in energy storage, receiving six applications in 2022-2023 that received AUC approvals, including for projects near Cochrane and Coaldale. As more energy storage operators seek to take advantage of differentials in power demand and power pricing over time, these applications can also support grid reliability. These projects can include standalone storage and hybrid developments where energy storage is paired with renewable generation. We anticipate more applications for energy storage in 2023-2024.

The AUC’s enforcement group remained highly active in 2022-2023. Its work resulted in a landmark application coming before the AUC where the Commission accepted an agreed settlement that included a \$31 million administrative penalty imposed on ATCO Electric Ltd. for contraventions of utilities regulations.

The AUC enforcement group has been increasingly busy in recent years. Since 2019, the AUC has conducted nearly 700 investigations of potential contraventions with a steady increase in investigations each year. As a result of this increase in workload and the multi-faceted nature of compliance and enforcement, the AUC worked to ensure our organizational structure properly facilitates enforcement functions to better position us for the future.

The AUC has effectively adjusted its workload dynamics to suit the remote-working era, wherein virtual platforms have become the predominant means of interaction.

This has helped boost productivity and to lower costs, but it requires robust, resilient and flexible information technology. The AUC’s information technologies (IT) group accomplished a remarkable year in transitioning the AUC to new platforms and enhanced functionality across the entire organization. While the work was completed by our entire (and extraordinarily capable) IT staff, particular kudos go to AUC’s IT director and technical architect Scott McCallum.

Change and growth were apparent throughout the AUC last year and those things just don’t happen in any organization without great people.

The AUC is excited to have many new staff bringing new skills, new energies and new ideas to address our evolving regulatory and organizational challenges. This has unfolded throughout and after a pandemic. All the while, new expectations on diversity and inclusion have added complexity and required thoughtfulness and compassion. It has made for a very busy agenda

for the AUC’s human resources group, a challenge the group continues to meet with great aplomb.

As we work into the new fiscal year we expect themes similar to those that dominated 2022-2023 to occupy our attention. We feel prepared for these, and for new challenges that may emerge from the constantly evolving utilities sector we regulate.

In closing, I wish to extend my thanks to the staff and Commission members of the AUC for the important and hard work they do.

Bob Heggie
Chief Executive

"Change and growth were apparent throughout the AUC last year and those things just don’t happen in any organization without great people."



Our executive team

From left to right:

Riley Georgsen
Executive Director of External Affairs and Communications

Wayne MacKenzie
Executive Director of Facilities

Darek Kogut
Executive Director of Corporate Services

Bob Heggie
Chief Executive

JP Mousseau
General Counsel

Kristjana Kellgren
Executive Director of Rates

Fino Tiberi
Executive Director of Market Oversight and Enforcement

Efficiency and limiting regulatory burden

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



“The AUC continued to deliver on its commitment to efficiency and limiting regulatory burden in 2022-2023 by employing assertive case management, application streamlining, and promoting opportunities for settlements.

This commitment centres around conducting focused proceedings and producing well-reasoned, timely decisions that are in the public interest. This has many benefits, including reducing the costs of regulation (costs which are ultimately borne by customers), and helps all stakeholders navigate the regulatory process.”

- Kristjana Kellgren, Executive Director of Rates

Objective	Outcome	2022-2023 Results
1. Continuing to implement the recommendations from the Report of the AUC Procedures and Processes Review Committee to improve the regulatory efficiency of rate proceedings. For example, explore greater use of existing and new alternative dispute resolution approaches, including advanced rulings, mediated settlements, and consideration of revisions required to AUC rates-related rules.	Material, measurable improvement in regulatory effectiveness and efficiency.	1. The AUC's average time taken to process a rates proceeding was 22 days, down from 33 days in 2021-2022. The average time taken to process a large rate application was 252 days or 8.3 months (compared to 209 and 6.9 months in 2021-2022).
2. Developing new, more aggressive performance standards and processes for rate-related applications to reduce full-cycle timelines and align with the Commission's objective to be a North American benchmark for operational and regulatory efficiency and effectiveness.		2. New performance measures were introduced in 2022-2023.
3. Conducting an annual industry impact assessment, as part of the AUC Annual Report Card, to evaluate the cost benefits and effectiveness of our processes, and to track continuous improvement through future business cycles.		3. The AUC conducted annual industry impact assessments to evaluate the effectiveness of our processes with an estimated the overall cost savings of \$2.7 million for both industry and the AUC.
4. Enhance and standardize the process, protocols and procedures for running effective and efficient virtual proceedings.		4. The AUC held 22 proceedings that included 75 days of oral hearings in an online environment. These virtual proceedings have become increasingly effective. Further resources were directly to support virtual hearings including the establishment of a virtual hearing room in the Calgary office.
5. Review and revise AUC Rule 009: <i>Rules on Local Intervener Costs</i> and Rule 022: <i>Rules on Costs in Utility Rate Proceedings</i> to promote consistent and effective participation in AUC proceedings and provide clarity to participants.		Effectively use the Commission's cost authority to improve participation and encourage efficient, issue focused proceedings.

Facilitating change in the sector

The challenge:

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



"The AUC has seen its workload and the nature of applications change as new technologies are developed and brought to the fore."

"Our commitment is to ensure we continue to apply flexibility and innovation to address evolution and transition in the industry, continued progression and dynamic approaches in reviewing applications, and to continuously improving our regulatory efficiency to serve the public interest."

- Wayne MacKenzie, Executive Director of Facilities

Objective	Outcome	2022-2023 Results
1. Assessing the experience with performance-based regulation (PBR) in Alberta to date, to determine if performance-based regulation should be continued and if so, whether the design can be improved to ensure efficient outcomes.	Understanding of the successes and limitations of the experience with performance-based regulation to date, determining whether to proceed with a further PBR framework and improving any future PBR framework.	1. A proceeding was held to evaluate the existing PBR framework and determined PBR has been effective and that some improvements are needed. The AUC initiated Proceeding 27388 to consider improvements as part of PBR 3 and will look to establish, modify, or add parameters for the next generation of performance-based regulation.
2. Collaborating with the Alberta Electric System Operator, the Department of Energy and the Market Surveillance Administrator on a robust regulatory framework for electrical energy storage in Alberta.	Clear and comprehensive requirements that create certainty and consistency for market participants and promote efficient market outcomes.	2. The Alberta government passed Bill 22 outlining further details to support the integration of energy storage. The bill is not yet in force. During the last fiscal year the AUC has received eight new energy storage projects and issued decisions on two energy storage facilities.
3. Standardize (i) connection practices and processes among Alberta electric distribution utilities to ensure there are no barriers to entry for distributed energy resources and (ii) terms and conditions of service required by Alberta's distribution utilities to ensure customers receive consistent treatment.		3. Consultation began in June 2021 with a focus on standardizing and reviewing the costs for connection, disconnections and maximum investment levels for greenfield home construction. Engagement with interested parties will be ongoing throughout the year.
4. Evaluating the development of uniform distribution planning and reliability requirements to better coordinate distribution and transmission planning and ensure overall system optimization and control costs.		4. The AUC will support the Department of Energy as it establishes its distribution road maps related to legislation derived from Bill 22 when it comes into effect.

People



The challenge:

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



"The AUC has been able to achieve success over the past year by prioritizing our team members through our flexible hybrid work model, continued commitment to enhanced benefit offerings and career progression strategies.

Our foundation is built on a solid bedrock of team-work, collaboration, and a dedication to evolving with industry, and adapting to changes in the workplace."

- Darek Kogut, Executive Director of Corporate Services

Objective	Outcome	2022-2023 Results
1. Modernizing the AUC's workforce by developing a human capital road map to transform the skillset required to keep pace with an evolving utilities sector.	Modernized employee competency and educational plans.	The AUC's human resources group focused on ensuring a more equitable and inclusive workplace and improving onboarding as the organization welcome many new employees. This extended into once again offering summer student internship. Training continues to be offered across the organization to further improve effectiveness in how we complete our work, and to promote a culture of respect and understanding.
2. Encouraging, tracking, recognizing and rewarding staff innovation.	A more agile and innovative regulator striving for continuous improvement in the way we do our work.	Innovation has been incorporated in to how we do our day-to-day work. This past year the AUC continued to implement measures to improve our effectiveness and efficiency in how we review applications. The AUC implemented new initiatives from staff that change how we review data including new generation maps, IT systems and expansion of checklist applications.
3. Formalizing and evolving our succession and leadership development plan.	Identification and development of a diverse group of future leaders that possess the required technical and leadership skills to succeed the current leadership team.	The AUC initiated the second round of the AUC's emerging leaders program. This round of the program has an introductory stream and an experienced stream, with the experienced stream containing a mentorship component. The emerging leaders program will help prepare an even more diverse and inclusive cohort of employees from different divisions for career progression through a partnership with Mount Royal University to complete the emerging leaders certificate program, supplemental leadership courses and experiential learning on the job.
4. Evolving the AUC value proposition for staff, which includes fair compensation, benefits, pension and the ability to achieve work-life balance and other human resources programs.	Modern and flexible human resource programs and benefits.	The AUC recognizes there is important value in the mental health of our employees and works to support increased social interaction with colleagues through in-person and online initiatives. Going forward, the AUC will evaluate its workplace requirements to ensure it is utilizing the most efficient hybrid work model, which has been determined to be the best fit to our organization and employees' needs. To support our virtual strategy and increased capacity, the AUC has invested in a new hearing room, which is being used to maintain and ensure current trajectory of application timelines can be executed with minimal burnout.
5. Modernizing our workplace, allowing for increased collaboration and implementation of efficient approaches to our work.	A more collaborative and efficient organization.	The AUC continues to review and advance our organizational design and structure to ensure it can evolve our workplace and workforce. Key milestones included centralizing the legal team that further enhances cross-divisional opportunities and reduce silos at the organization, a recurrent theme of the AUC's efficiency strategy.

2022-2023 performance metrics and stats

497 
Decisions issued

76 
Written proceedings

837 
Applications received

198 
Notices issued

178 
Checklist applications received

75 
Hearing days

\$8.59 
Annual cost per regulated ratepayer site annually

1 
AUC rule revision ongoing

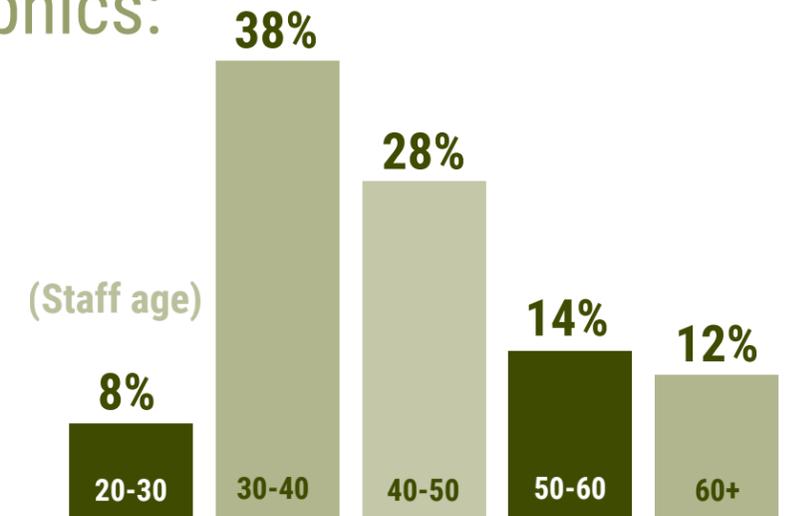
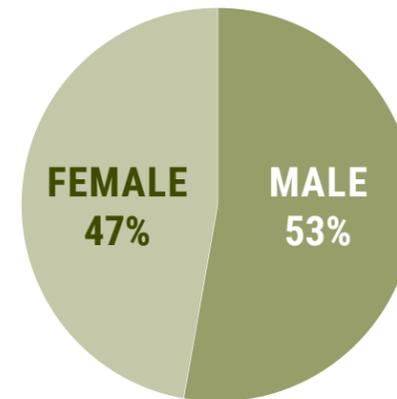
3,519 
Total annual interactions with Albertans

95% 
Efficiency initiatives completed or ongoing

34.6% 
Decrease in cost per ratepayer since 2008

\$1.04 
Million net surplus

AUC staff demographics:



Cumulative red tape reduction results:

30,916 
Total days saved

572 
Streamlined applications

34.6% 
Per cent improved approval time

937 
Assertive case management proceeding

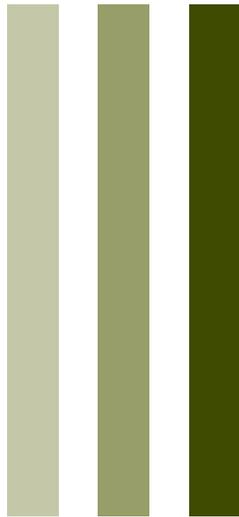
\$11.9 
Million total internal and industry cost savings estimates

48.2% 
reduction in red tape since November 2019



AUC

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