



## **AltaGas Utilities Inc. and AltaGas Ltd.**

**Gas Utilities Act Code of Conduct Regulation, AR 183/2003  
2013 Audit Reports and Audit Work Plans**

**April 24, 2015**

**Alberta Utilities Commission**

Decision 20118-D01-2015

AltaGas Utilities Inc. and AltaGas Ltd.

Gas Utilities Act Code of Conduct Regulation, AR 183/2003

2013 Audit Reports and Audit Work Plans

Proceeding 20118

April 24, 2015

Published by the:

Alberta Utilities Commission

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## **1 Introduction**

1. On January 28, 2015, AltaGas Utilities Inc. (AUI), on behalf of itself and AltaGas Ltd. (AltaGas), filed 2013 audit reports and updated audit work plans with the Alberta Utilities Commission, pursuant to Section 40 of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003. These filings were made in compliance with Decision [2014-318](#),<sup>1</sup> which revised and approved the audit work plans for each of the applicants for 2013 and directed AUI and AltaGas (collectively, the applicants) to file their completed audit reports no later than January 28, 2015.

2. On February 4, 2015, the Commission issued a notice of application that required interested parties to file a statement of intent to participate by the participation closing date of February 18, 2015. No statements of intent to participate were received.

3. The Commission issued information requests to the applicants on February 26, 2015, and the applicants responded on March 12, 2015.

4. The Commission considers the record for this proceeding to have closed on March 12, 2015.

5. Section 40 of the *Gas Utilities Act Code of Conduct Regulation* requires the auditor to report on compliance with sections 7, 17, 22 to 24, and 26 to 29 of the regulation in accordance with Section 5815 of the Canadian Institute of Chartered Accountants (CICA) Handbook and on compliance with all other sections of the *Gas Utilities Act Code of Conduct Regulation* in accordance with Section 8600 of the CICA Handbook. Section 40(2) of the regulation provides that a separate detailed report must also be prepared in respect of contraventions discovered, including a description of any action taken to address specific identified contraventions and to prevent their recurrence.

6. The audits required pursuant to Section 40 of the *Gas Utilities Code of Conduct Regulation* also assessed the applicants' adherence to the provisions of compliance plans previously filed by AUI and AltaGas in accordance with Section 30 of the same regulation.

7. Ernst & Young LLP (E&Y), which was approved in Decision 2014-318 to serve as auditor for each of the applicants, stated that for the year ended December 31, 2013, AUI and AltaGas were in compliance, in all material respects, with the criteria established by sections 7, 17, 22 to 24, and 26 to 29 of the *Gas Utilities Act Code of Conduct Regulation* and their respective compliance plans.

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<sup>1</sup> Decision 2014-318: AltaGas Utilities Inc. and AltaGas Ltd., Gas Utilities Act Code of Conduct Regulation, AR 183/2003 Approval of Auditor, Audit Plans and Waiver, Proceeding 3335, Application 1610730-1, November 14, 2014.

8. A review engagement was undertaken by E&Y to test AUI's compliance with sections 3 to 6, 8 to 16, 18 to 20, 32 to 34, 37, 38 and 42 of the *Gas Utilities Act Code of Conduct Regulation*,<sup>2</sup> and the compliance of AltaGas with sections 3, 4, 6, 9 to 12, 19, 20, 21, 32 to 34, 37, 38 and 42 of the same regulation.<sup>3</sup> In its report, E&Y indicated that nothing had come to its attention that caused it to believe that the applicants were not in compliance with the identified sections of the regulation, except for those instances identified in the AltaGas contravention report.

## 2 Commission findings

### 2.1 Audit work plans

9. In Decision 2014-318, the Commission directed AUI and AltaGas to update procedures E32 and E24 of their respective audit work plans. This direction was provided with regard to procedures to verify the absence of cross-subsidization in gas purchases.<sup>4</sup>

10. The Commission also directed AUI to update its audit work plan to include a procedure to determine whether meetings with retailers occurred within 30 days of receipt of a request for a meeting and, for meetings that did not occur within 30 days, a procedure to assess the reasonableness of the delay.<sup>5</sup>

11. The Commission has reviewed the revised audit work plans for AUI and AltaGas, and is satisfied that the applicants made the directed changes to their respective audit work plans and are in compliance with Decision 2014-318.

### 2.2 Audit reports

12. The Commission reviewed the 2013 compliance reports prepared by E&Y for AUI and AltaGas, and the contravention report prepared by E&Y for AltaGas. A contravention report was not submitted for AUI as there were no contraventions of the *Gas Utilities Act Code of Conduct Regulation* or the related compliance plan identified for AUI.<sup>6</sup>

13. In its contravention report for AltaGas, E&Y observed that although not all employees received compliance plan training within 30 days of being added to the AltaGas personnel list, as required under Section III(A), Policy 1, Mechanism 9 of the AltaGas compliance plan, all employees did receive training.<sup>7</sup> In response to information requests, AUI indicated on behalf of AltaGas that E&Y tested a population of 55 new hires, of which 26 did not receive the training within the required 30 days.<sup>8</sup>

14. Further, after AltaGas' January 1, 2014 implementation of remediation measures to address this type of contravention, 99 of the reported 103 new personnel added to the AltaGas

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<sup>2</sup> Exhibit 20118-X0008, AUI 2013 Compliance Report, PDF page 5.

<sup>3</sup> Exhibit 20118-X0005, AltaGas 2013 Compliance Report, PDF page 5.

<sup>4</sup> Decision 2014-318, paragraph 14.

<sup>5</sup> Decision 2014-318, paragraph 16.

<sup>6</sup> Exhibit 20118-X0014, response to AUI-AUC-2015FEB26-001 a).

<sup>7</sup> Exhibit 20118-X0004, AltaGas 2013 Compliance Contravention Report, PDF page 4.

<sup>8</sup> Exhibit 20118-X0014, response to AUI-AUC-2015FEB26-003 a).

personnel list in the first and second quarters of 2014 received their training within the required 30 days. No contraventions of this type were reported for the third and fourth quarters of 2014.<sup>9</sup>

15. The remediation measures included creating a web-based compliance training site to improve tracking of the training of new personnel, and requiring the personnel to certify that they have fulfilled the training requirements before being added to the personnel list.

16. The Commission finds that the remediation measures implemented by AltaGas with respect to compliance plan training for new employees have substantially reduced the frequency of contraventions in 2014. The Commission is satisfied that no additional action is required on this issue.

17. E&Y also reported a contravention by AltaGas of sections 9 and 12 of the *Gas Utilities Act Code of Conduct Regulation*. E&Y observed that no quarterly written approvals of the Electronic Customer Information Repository were prepared by the compliance officer in contravention of Section V(A), Policy 1, Mechanism 5 of AltaGas' compliance plan, which states:

The Compliance Officer will be required on a quarterly basis to approve, in writing, the content of the accessibility field in each Electronic Customer Information Repository Description associated with an Electronic Customer Information Repository maintained by AltaGas to ensure the access rights are consistent with the access granted under the Compliance Plan, and will maintain a written record of such approvals.

18. The contravention report states that the compliance officer already receives and reviews a monthly report on the Electronic Customer Information Repository. It also states that AltaGas will address its administrative process to ensure that the compliance officer also provides the approval, in writing, once per quarter, as required by AltaGas' compliance plan. E&Y further noted that AltaGas is implementing enterprise software, which AltaGas anticipates will assist with administration of this item in 2015.<sup>10</sup> The Commission considers that the monthly review is a substantive but undocumented way to achieve the objective of Mechanism 5 of AltaGas' compliance plan. As AltaGas submitted that it is in the process of implementing new software that it anticipates will assist with administration of this item, the Commission considers no action is required at this time.

19. In a prior decision related to the assessment of compliance audits for AUI, AltaGas Energy Limited Partnership and ECNG Energy L.P., the Commission stated that it would find it helpful if contravention reports included the number of contraventions identified, if any, and the size of the reference population.<sup>11</sup> The Commission continues to hold this view and directs that, in future audits, contravention reports prepared in accordance with Section 40(2) of the *Gas Utilities Act Code of Conduct Regulation* must include the number of contraventions identified and the size of the reference population.

<sup>9</sup> Exhibit 20118-X0014, response to AUI-AUC-2015FEB26-003 a).

<sup>10</sup> Exhibit 20118-X0004, AltaGas 2013 Compliance Contravention Report, PDF page 5.

<sup>11</sup> Decision 2011-488: AltaGas Ltd., as Administrator for AltaGas Energy Limited Partnership, and ECNG Energy L.P. and on behalf of AltaGas Utilities Inc., Gas Utilities Act Code of Conduct Regulation, AR 183/2003, Audit Reports, Proceeding 1431, Applications 1607646-1, 1607647-1 and 1607648-1, December 13, 2011, paragraph 8.

### 2.3 Compliance with the Gas Utilities Act Code of Conduct Regulation

20. E&Y provided audit opinions that for the year ended December 31, 2013, AUI and AltaGas were in compliance, in all material respects, with the criteria established by sections 7, 17, 22 to 24 and 26 to 29 of the *Gas Utilities Act Code of Conduct Regulation*.

21. E&Y provided review engagement reports for AUI and AltaGas, and the related contravention report for AltaGas, as described above. As stated in the review engagement reports, a review does not constitute an audit and consequently E&Y did not express audit opinions on these aspects of the applicants' overall compliance. However, E&Y stated that based on its reviews, with the exception of the contraventions reported for AltaGas, nothing had come to its attention that caused it to believe that either AUI or AltaGas were not in compliance with sections 3 to 6, 8 to 16, 18 to 20, 32 to 34, 37, 38 and 42 of the *Gas Utilities Act Code of Conduct Regulation*, related interpretations, and the applicable compliance plans.

22. As stated in Bulletin 2010-25,<sup>12</sup> the Commission considers that non-compliance with the measures in an applicable compliance plan constitutes non-compliance with the spirit and intent of the *Gas Utilities Act Code of Conduct Regulation*.

23. The Commission has reviewed the reports provided and considered the number and nature of the contraventions reported therein. The *Gas Utilities Act Code of Conduct Regulation* requires an audit of the companies' compliance with sections 7, 17, 22 to 24 and 26 to 29, and a review engagement of their compliance with other identified sections. As an audit opinion provides a higher degree of assurance than a review engagement report, the Commission considers contraventions of those sections for which an audit is required to be of greater import than contraventions of the sections for which a review engagement is required.

24. E&Y did not identify any contraventions with respect to the sections subject to audit.

25. For AltaGas, E&Y reported 26 contraventions of Section 3 of the *Gas Utilities Act Code of Conduct Regulation* and Section III(A), Policy 1, Mechanism 9 of AltaGas' compliance plan relating to staff training within a 30-day period for 2013. As noted above, in 2014 four contraventions related to 103 employees occurred in the second quarter after the implementation of the remediation measures, with no contraventions in the last half of the year. Based on this information, the Commission is satisfied with the remediation measures implemented by AltaGas in 2014.

26. E&Y also reported contraventions of sections 9 and 12 of the *Gas Utilities Act Code of Conduct Regulation* and Section V(A), Policy 1, Mechanism 5 of AltaGas' compliance plan relating to quarterly written approvals of the Electronic Customer Information Repository by the compliance officer. As noted above, the Commission considers the monthly review to be an undocumented control designed to achieve the same objective as Mechanism 5. The Commission acknowledges that AltaGas has stated it will address its administrative process to ensure compliance with Section V(A), Policy 1, Mechanism 5 of its compliance plan. For these reasons, the Commission considers that no further action is needed at this time.

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<sup>12</sup> Bulletin 2010-25, *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003, process changes and clarification of requirements, September 17, 2010.



27. The Commission is satisfied that AUI and AltaGas were, in all material respects, in compliance with the provisions of the *Gas Utilities Act Code of Conduct Regulation* and their respective individual compliance plans for 2013.

28. For the foregoing reasons, the Commission approves, as filed, the 2013 audit reports and the updated audit work plans for AUI and AltaGas, which were filed pursuant to directions from the Commission in Decision 2014-318.

### **3 Order**

29. It is hereby ordered that:

- (1) In future audits, contravention reports prepared in accordance with Section 40(2) of the *Gas Utilities Act Code of Conduct Regulation* must include the number of contraventions identified and the size of the reference population.
- (2) The 2013 audit reports and the updated audit work plans for AltaGas Utilities Inc. and AltaGas Ltd. are approved, as filed.

Dated on April 24, 2015.

**Alberta Utilities Commission**

*(original signed by)*

Kay Holgate  
Commission Member



## Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
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AltaGas Utilities Inc. (AUI) AltaGas Ltd. (AltaGas)
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Alberta Utilities Commission
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Commission panel
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K. Holgate, Commission Member
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Commission staff
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L. Desaulniers (Commission counsel)
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C. Arnot
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## Appendix 2 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. In a prior decision related to the assessment of compliance audits for AUI, AltaGas Energy Limited Partnership and ECNG Energy L.P., the Commission stated that it would find it helpful if contravention reports included the number of contraventions identified, if any, and the size of the reference population. The Commission continues to hold this view and directs that, in future audits, contravention reports prepared in accordance with Section 40(2) of the *Gas Utilities Act Code of Conduct Regulation* must include the number of contraventions identified and the size of the reference population. ....  
..... Paragraph 19