



AltaGas Utilities Inc.

**Gas Utilities Act Code of Conduct Regulation, AR 183/2003
Audit Exemption for 2014**

August 6, 2015

Alberta Utilities Commission

Decision 20390-D01-2015

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1 Introduction

1. On April 28, 2015, AltaGas Utilities Inc. (AUI) filed an application with the Alberta Utilities Commission pursuant to Section 41(1)(a) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003, requesting an exemption from the requirement to provide the Commission with an audit report for 2014 as set out in Section 40(3) of the *Gas Utilities Act Code of Conduct Regulation*. Section 41(1)(a) enables, among other things, a gas distributor or default supply provider, or its affiliated retailer, to apply to the Commission for an exemption from all or any provision of the *Gas Utilities Act Code of Conduct Regulation*.

2. The Commission issued notice of the application on May 1, 2015, and established a schedule for filing of statements of intent to participate. The Commission did not receive any submissions by the May 19, 2015 closing date.

3. By letter dated May 28, 2015, the Commission indicated that a formal process was not required; however, to complete the record of this proceeding, the Commission issued information requests to AUI. The Commission received AUI's information responses on June 8, 2015.

4. The Commission considers that the record for this proceeding closed on June 8, 2015.

2 Application

5. AUI submitted the requested exemption would create regulatory efficiency and would not diminish AUI's obligations under the *Gas Utilities Act Code of Conduct Regulation*. Further, the exemption would be more in line with the proposed timing of audits suggested under the new *Code of Conduct Regulation*, AR 58/2015, that will be effective January 1, 2016.

6. AUI referred to its compliance history to support its exemption request. In Decision [20118-D01-2015](#),¹ the Commission was satisfied that AUI was, in all material respects, in compliance with the provisions of the *Gas Utilities Act Code of Conduct Regulation* for 2013, the most recent year for which an audit was undertaken. Similarly, in compliance audits conducted for 2005, 2007, 2010 and 2012, AUI was found to be, in all material respects, in compliance with the *Gas Utilities Act Code of Conduct Regulation*.

7. With respect to the reporting requirement pursuant to the *Gas Utilities Act Code of Conduct Regulation*, for 2013 and 2014, AUI did not identify any instances of non-compliance.

¹ 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.

8. Finally, AUI advised that on November 1, 2013, to comply with [Rule 028: Natural Gas Settlement System Code Rules](#), it implemented a new natural gas settlement system, under which all daily gas transactions with retailers and affiliated retailers are settled “in kind” (gigajoule for gigajoule). With “in-kind” settlement, AUI submitted that the potential for any cross-subsidization is effectively eliminated. AUI noted that the new system had been audited by Ernst & Young LLP in 2013, stating that the system continues to operate in the same manner since implementation with no compliance issues identified to date.

3 Commission findings

9. Pursuant to Section 37 of the *Gas Utilities Act Code of Conduct Regulation*, compliance audits are mandatory and, as such, AUI bears the onus of satisfying the Commission that an exemption from this requirement is warranted pursuant to Section 41(2)(a) of the *Gas Utilities Act Code of Conduct Regulation*.

10. The Commission notes that AUI previously filed an application on February 18, 2014, requesting an exemption from the requirement to provide the Commission with audit reports for both the years 2013 and 2014. The Commission denied AUI’s application in Decision [2014-176](#).² At the time, the Commission considered AUI’s request for an audit exemption for 2014 to be premature, particularly given AUI’s 2013 implementation of the natural gas settlement system. The Commission finds that it now has sufficient information to make a determination on AUI’s audit exemption request for 2014.

11. The Commission has considered AUI’s history of compliance with the *Gas Utilities Act Code of Conduct Regulation* in the years in which audits were conducted, and AUI’s submission that in 2014 no instances of non-compliance were identified. Further, the Commission has also considered AUI’s recent implementation of an “in-kind” natural gas settlement system, which reduces the potential for any cross-subsidization.

12. The Commission has previously approved in Decision [2005-097](#)³ AUI’s compliance plan as addressing the requirements of the *Gas Utilities Act Code of Conduct Regulation*. The Commission is aware that non-compliance generally arises not from a lack of policies and procedures but from unusual circumstances such as changes to systems and staff, and human error. The Commission is not aware of any circumstances in 2014 that would indicate an increased risk of non-compliance by AUI with the *Gas Utilities Act Code of Conduct Regulation*.

13. The Commission has considered the risk of non-compliance as discussed in the previous paragraphs and the cost of undertaking an audit and concluded that the expenditure required to conduct an audit would not serve the public interest at this time.

14. Further, the Commission finds that granting an exemption to the requirement for an audit, as permitted under Section 41(2)(a) of the *Gas Utilities Act Code of Conduct Regulation*, will not diminish AUI’s obligations under the *Gas Utilities Act Code of Conduct Regulation* or its associated compliance plan.

² Decision 2014-176: AltaGas Utilities Inc., Gas Utilities Act Code of Conduct Regulation AR 183/2003 Audit Exemption for 2013 and 2014, Proceeding 3084, Application 1610320-1, June 19, 2014.

³ Decision 2005-097: AltaGas Utilities Inc., Gas Code of Conduct Regulation Compliance Plan, Proceeding 14359, Application 1372823-1, August 30, 2005.

15. Based on the preceding analysis, the Commission is satisfied that it is in the public interest to grant AUI's request for an audit exemption for 2014 and therefore grants the exemption to the requirement for an audit in Section 37 of the *Gas Utilities Act Code of Conduct Regulation*.

16. It is hereby ordered that:

- (1) AltaGas Utilities Inc.'s request for exemption from the requirement to conduct a compliance audit for 2014 is granted.

Dated on August 6, 2015.

Alberta Utilities Commission

(original signed by)

Kay Holgate
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
AltaGas Inc. (AUI)

Alberta Utilities Commission
Commission panel
K. Holgate, Commission Member
Commission staff
L. Desaulniers (Commission counsel)
C. Burt
C. Arnot