



**AltaGas Utilities Inc.  
AltaGas Energy Limited Partnership  
ECNG Energy L.P.**

***Gas Utilities Act Code of Conduct Regulation, AR 183/2003***  
**Approval of Auditors, Audit Plans and Waivers**

**July 7, 2011**

**The Alberta Utilities Commission**

Decision 2011-296: AltaGas Utilities Inc., AltaGas Energy Limited Partnership, and ECNG Energy L.P.

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

Approval of Auditors, Audit Plans and Waivers

Application Nos. 1607368, 1607369 and 1607370

Proceeding ID. No. 1260

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## 1 Introduction

1. On May 31, 2011, AltaGas Ltd., as Administrator for AltaGas Energy Limited Partnership (AELP) and ECNG Energy L.P. (ECNG) and on behalf of AltaGas Utilities Inc. (AUI), filed applications pursuant to Decisions [2011-193](#)<sup>1</sup> and [2011-194](#)<sup>2</sup> requesting the Alberta Utilities Commission (the AUC or the Commission) to:

- a) approve the appointment of Ernst & Young LLP as auditors for AUI, AELP and ECNG for the 2010 audit
- b) approve the work plan for the 2010 audit for each of AUI, AELP and ECNG
- c) waive the requirement of Section 37 of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 for each gas distributor or default service provider and its affiliated retailer to each appoint an independent auditor

2. Further to the Commission's recommendations in Decisions 2011-193 and 2011-194, AltaGas Ltd. and AUI have explored the opportunity to reduce their audit costs and they have submitted that they believe certain cost savings will be achieved by jointly utilizing Ernst & Young LLP for the 2010 audit.

## 2 Background

3. Applications by AUI<sup>3</sup> and AltaGas Ltd., as administrator for AELP<sup>4</sup> and ECNG<sup>5</sup> were filed with the the Commission on February 15 and March 15, 2011 respectively. The applications requested exemptions from conducting compliance audits for the 2010 audit year, pursuant to Section 41(1)(a) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003.

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<sup>1</sup> Decision 2011-193: AltaGas Utilities Inc., *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003, Audit Exemption, Application No. 1607029, Proceeding ID No. 1089, May 3, 2011.

<sup>2</sup> Decision 2011-194: AltaGas Energy Limited Partnership, *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003, Audit Exemption, Application No. 1607107 and ECNG Energy LP, *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003, Audit Exemption, Application No. 1607108, Proceeding ID No. 1122, May 3, 2011.

<sup>3</sup> Application No. 1607029, Proceeding ID No. 1089.

<sup>4</sup> Application No. 1607107, Proceeding ID No. 1122.

<sup>5</sup> Application No. 1607108, Proceeding ID No. 1122.

4. On May 3, 2011, the Commission issued Decision 2011-193 for AUI and Decision 2011-194 for AELP and ECNG which denied the respective applications for exemptions from the requirement to conduct compliance audits for the 2010 audit year pursuant to Section 41(1)(a) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003.
5. AUI, AELP and ECNG were ordered to file by May 31, 2011, applications requesting approval of their auditors and work plans describing the audits, the review procedures to be used and the scope of the work as required under sections 37 and 38 of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003.
6. The Commission recommended that AUI, AELP and ECNG explore opportunities to reduce audit costs by undertaking a joint audit. The Commission also indicated that it would be willing to waive the requirement of Section 37 of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 for each gas distributor or default supply provider and its affiliated retailer to each appoint an independent auditor.

### 3 Views of the Commission

7. The Commission has reviewed the submitted work plans prepared by Ernst & Young LLP for the three companies. The Commission is of the view that the work plans are sufficient for the requirements of Section 40(1)(b) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 which requires reporting pursuant to Section 8600 of the CICA Handbook “Reviews of Compliance with Agreements and Regulations” (review components).
8. The work plans, as filed, do not allow the Commission to adequately assess whether the requirements of Section 40(1)(a) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 will be attained. This section requires that an auditor give a report in accordance with Section 5815 of the CICA Handbook, “Special Reports – Audit Reports on Compliance with Agreements, Statutes and Regulations” (audit components).
9. For components of the work plan related to Section 40(1)(a) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003, the Commission expects the work plans to include both an overall strategy, as included in the work plans provided in this application, and a detailed approach to the execution of the engagement. The detailed approach to the execution of the engagement requires that the work plans describe the specific procedures to be undertaken to ensure that sufficient and appropriate audit evidence is obtained. For example, when words such as “test” and “ensure” are used in the work plan, the Commission requires that the specific procedures to accomplish these objectives also be provided.
10. The Commission agrees that certain cost savings may be achieved by AUI, AELP and ECNG all using Ernst & Young LLP to perform the 2010 audit.

#### 4 Order

11. It is hereby ordered that:

- (1) Ernst & Young LLP is approved to perform a joint audit for AUI, AELP and ECNG.
- (2) The work plans for the sections of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 addressed in Section 40(1)(a) be revised to describe the specific procedures which will be undertaken to ensure that sufficient and appropriate audit evidence is obtained. The revised work plans must be submitted to the AUC by July 22, 2011.
- (3) The requirement of Section 37 of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 for each gas distributor or default service provider and its affiliated retailer to each appoint an independent auditor is waived.
- (4) In consideration of the timing of this decision, and the timeline requirements of Section 39(1) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 the timelines with respect to when an audit must be conducted are waived, however, the audit must be conducted no later than September 6, 2011.

Dated on July 7, 2011

#### The Alberta Utilities Commission

*(original signed by)*

Kay Holgate  
Commission Member