



**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**

December 13, 2011

The Alberta Utilities Commission

Decision 2011-488: AltaGas Ltd., as Administrator for AltaGas Energy Limited Partnership, and ECNG Energy L.P. and on behalf of AltaGas Utilities Inc.

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Audit Reports

Application Nos. 1607646, 1607647 and 1607648

Proceeding ID No. 1431

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1. On September 6, 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 the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 as requested by the Commission in Decision [2011-348](#).¹ In that decision, the Commission approved revised work plans for the 2010 audit of AELP, ECNG and AUI pursuant to sections 39 and 40 of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 and ordered that the audit for 2010 must be conducted, and the results filed with the Commission, no later than September 6, 2011.
2. Section 40 of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 requires the auditor to give a report in accordance with section 5815 of the Canadian Institute of Chartered Accountants (CICA) Handbook with respect to sections 7, 17, 22, 23 24, and 26 to 29 and a report in accordance with section 8600 of the CICA Handbook with respect to all other sections of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003. A separate detailed report must also be prepared for any and all contraventions discovered and must include any action taken to address the contraventions and prevent further contraventions.
3. In their audit opinions Ernst & Young LLP (E&Y) stated that as of December 31, 2010, AELP, ECNG and AUI were in compliance, in all material respects, with the criteria established by sections 7, 17, 22, 23 24, and 26 to 29 of the *Gas Utilities Act Code of Code Regulation*, AR 183/2003 and the respective compliance plans.
4. With respect to sections 3 to 6, 8 to 16, 18 to 21, 25, 32 to 34, 37, 39, 40 and 42 of the *Gas Utilities Act Code of Code Regulation*, AR 183/2003, for which a review engagement was undertaken, E&Y referred to each contravention report and stated that nothing had come to its attention that caused it to believe that AELP, ECNG and AUI were not in compliance with the *Gas Utilities Act Code of Code Regulation*, AR 183/2003 and the respective compliance plans.
5. The Commission had some concerns regarding the unqualified opinions given by E&Y in regard to AELP and ECNG under subsection 40(1)(b) of the *Gas Utilities Act Code of Code Regulation*, AR 183/2003, even though separate contravention reports were prepared in accordance with Section 40(2).

¹ Decision 2011-348: AltaGas Utilities Inc., AltaGas Energy Limited Partnership, ECNG Energy L.P., *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003, Approval of Revised Audit Work Plans, Application Nos. 1607517, 1607518 and 1607519, Proceeding ID. No. 1361, August 23, 2011.

6. On October 26, 2011, the Commission requested additional information regarding E&Y's audit reports. AltaGas Ltd. submitted responses, as provided by E&Y, to the Commission on November 3, 2011.

7. In their responses, E&Y clarified that although management's interpretation in Appendix A to the reports for AELP and ECNG stated that "accounts are segregated so as to comply with generally accepted accounting principles in all material respects, as materiality is defined in relation to the consolidated accounts of AltaGas Ltd." this statement was not meant to imply that immaterial records would not be kept separate between AUI, ECNG, and AELP. E&Y further stated that based on having completed the relevant sections of their work plan they determined that it is plausible to conclude that management kept records separate without consideration of materiality.

8. E&Y also advised that the combined number of contraventions for acknowledgements not received at the time of their review and audit for AELP and ECNG was five out of 184. The Commission would find it helpful if the number of contraventions identified and the size of the population were referred to in the contravention reports.

9. Additionally, E&Y clarified that although the time reference in their reports was "as at December 31, 2010," the *Gas Utilities Act Code of Code Regulation*, AR 183/2003 compliance audits and reviews relate to the year ended December 31, 2010.

10. E&Y determined that under the scope of a review engagement, compliance with Section 3 of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 is plausible despite the identified contraventions of the compliance plan. E&Y explained that management had taken all of the reasonable steps to ensure compliance with both its compliance plan and the *Gas Utilities Act Code of Code Regulation*, AR 183/2003 as substantiated by the following:

- a) All instances of incomplete acknowledgements were communicated by ECNG and AELP management prior to our review procedures
- b) The explanations for incomplete acknowledgements as provided by management are plausible, and
- c) Management has taken appropriate action to follow up and obtain outstanding acknowledgements in a timely manner.

11. As stated in Bulletin 2010-25,² the Commission considers that non-compliance with the measures in the plan is an instance of non-compliance with the spirit and intent of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003. Therefore, the Commission expects that future audit or review opinions will, if applicable, make reference to any identified contraventions or the separate contravention reports provided.

² Bulletin 2010-25, Gas Utilities Act Code of Conduct Regulation, AR 183/2003 process changes and clarification of requirements (issued September 17, 2010).

12. The Commission is satisfied that AELP, ECNG and AUI are in compliance in all material respects with the *Gas Utilities Act Code of Code Regulation*, AR 183/2003 and the respective compliance plans.

Dated on December 13, 2011.

The Alberta Utilities Commission

(original signed by)

Kay Holgate
Commission Member