



## **AltaGas Ltd.**

**Gas Utilities Act Code of Conduct Regulation, AR 183/2003  
Audit Exemption for 2013 and 2014**

**July 3, 2014**

**The Alberta Utilities Commission**

Decision 2014-198: AltaGas Ltd.

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

Audit Exemption for 2013 and 2014

Application No. 1610391

Proceeding No. 3119

July 3, 2014

Published by

The Alberta Utilities Commission

Fifth Avenue Place, Fourth Floor, 425 First Street S.W.

Calgary, Alberta

T2P 3L8

Telephone: 403-592-8845

Fax: 403-592-4406

Website: [www.auc.ab.ca](http://www.auc.ab.ca)

**Contents**

**1 Introduction..... 1**

**2 Background ..... 2**

**3 The application..... 2**

**4 Commission findings..... 3**

**5 Order ..... 4**

**Appendix 1 – Proceeding participants ..... 7**

**Appendix 2 – Summary of Commission directions..... 8**



## 1 Introduction

1. On March 13, 2014, AltaGas Ltd. (AltaGas) filed an application with the Alberta Utilities Commission (AUC or 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 audit reports for the years 2013 and 2014 pursuant to Section 40(3) of the *Gas Utilities Act Code of Conduct Regulation*. Section 41(1)(a) enables 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. Section 37 of the *Gas Utilities Act Code of Conduct Regulation* requires a gas distributor or default supply provider, and its affiliated retailer, to each appoint an independent auditor to perform a compliance audit on an annual basis in accordance with the *Gas Utilities Act Code of Conduct Regulation*.

3. Section 41(2)(a) of the *Gas Utilities Act Code of Conduct Regulation* provides:

**41(2)** The Commission must not approve an exemption or an alternative compliance plan unless the Commission is satisfied that it is in the public interest to do so and that

- (a) any exemption does not significantly affect the obligations of the applicant, or that the obligations can be or will be met in other ways....

4. The Commission issued a notice of application on March 18, 2014, requesting parties who wished to intervene in the proceeding to submit a statement of intent to participate (SIP) to the Commission by April 1, 2014. The Commission did not receive any SIPs.

5. On April 7, 2014, the Commission issued information requests to AltaGas. AltaGas responded to the information requests on April 22, 2014.

6. The Commission considers that the record for this proceeding closed on April 22, 2014.

## 2 Background

7. The purpose of the *Gas Utilities Act Code of Conduct Regulation* is:

...to ensure that distribution companies, default supply providers and retailers conduct themselves in a manner that supports the competitive operation of the retail natural gas market and that their conduct does not distort that market by offering unfair advantages to retailers.<sup>1</sup>

8. Operations are to be conducted in a manner that is consistent with the eight areas that are addressed in Part 2, Part 3 and Part 4 of the *Gas Utilities Act Code of Conduct Regulation*:

1. equality of treatment for customers
2. confidentiality of customer information
3. equality of treatment of retailers
4. business practices
5. prevention of unfair competitive advantage
6. maintenance of separate records and accounts
7. development of a compliance plan, and related reporting and monitoring
8. compliance audits

9. AltaGas, a publically owned retail gas supplier, is considered to be an affiliated retailer of AltaGas Utilities Inc. (AUI) within the meaning of the *Gas Utilities Act Code of Conduct Regulation*. AUI is a wholly owned subsidiary of AltaGas Utility Holdings Inc., which, in turn, is a wholly owned subsidiary of AltaGas Utility Group Inc. (AUGI). AUGI is wholly owned by AltaGas.

10. AltaGas has been audited twice by Ernst & Young LLP (E&Y). Once for the year ending on December 31, 2010 and again for the year ending on December 31, 2012. In both instances, the resulting audit opinions stated that AltaGas was, in all material respects, in compliance with the *Gas Utilities Act Code of Conduct Regulation*. AltaGas submitted it has previously been granted audit exemptions by the Commission for the calendar years 2006, 2007, 2008, 2009 and 2011.<sup>2</sup>

## 3 The application

11. AltaGas provided the following grounds in support of its application for an exemption from the requirement to conduct a compliance audit for each of 2013 and 2014:

- (a) AltaGas has demonstrated material compliance in previous years. E&Y performed AltaGas' audits for 2010 and 2012 and found AltaGas to be, in all material aspects, in compliance with the *Gas Utilities Act Code of Conduct Regulation*.

---

<sup>1</sup> Bulletin 2010-25, *Gas Utilities Act Code of Conduct Regulation*, AR 183/2001 process changes and clarification of requirements, September 17, 2010.

<sup>2</sup> Exhibit No. 5.01, AUC-AltaGas-1.

- (b) AltaGas has reported three cases of non-compliance since 2010. In each instance, it submitted that it has implemented measures to mitigate the non-compliance and minimize the potential for similar instances going forward.<sup>3</sup>
- (i) The first identified instance of non-compliance related to the annual certification by AltaGas personnel for 2010, to be completed and collected within 30 days of year end.
  - (ii) The other two instances of non-compliance, reported in 2012 and 2013, related to AltaGas' compliance training program. In both cases, AltaGas new personnel had not received the required compliance training within 30 days of being added to the personnel list as required by AltaGas' compliance plan.<sup>4</sup> AltaGas proposed to remediate these identified shortcomings by instituting improvements to its training process.
- (c) AltaGas has improved its compliance training process for all AltaGas personnel and has adopted other processes to further ensure awareness of the *Gas Utilities Act Code of Conduct Regulation* requirements in accordance with its compliance plan. Accordingly, AltaGas expects the potential for any non-compliance during the requested exemption period to be minimal.
- (d) An exemption from the requirement to conduct audits for 2013 and 2014 would be consistent with regulatory efficiency.

12. In response to an information request from the Commission, AltaGas estimated that an audit for 2013 would cost approximately \$30,000, while a joint audit for AUI and AltaGas would cost approximately \$61,000.

13. In Decision [2013-451](#),<sup>5</sup> the Commission issued directions regarding confirmation of the implementation of the proposed remediation measures and the requirement to file quarterly reports. AltaGas confirmed the implementation of its remediation measures in Application No. 1610390 and filed its first quarterly report, as directed, in Application No. 1610561.

#### 4 Commission findings

14. Pursuant to Section 37 of the *Gas Utilities Act Code of Conduct Regulation*, compliance audits are mandatory and, as such, AltaGas 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*.

15. The Commission considers that AltaGas' submission that it has complied in all material respects with the *Gas Utilities Act Code of Conduct Regulation* in the years audited does not

---

<sup>3</sup> Exhibit No. 5.01, AUC-AltaGas-1.

<sup>4</sup> Decision [2011-174](#): AltaGas Ltd., ECNG Energy LP, Gas Code of Conduct Compliance Plans, Application Nos. 1607120 and 1607121, Proceeding ID No. 1127, April 27, 2011.

<sup>5</sup> Decision 2013-451: AltaGas Utilities Inc., AltaGas Ltd., and ECNG Energy L.P., Gas Utilities Act Code of Conduct Regulation, AR 183/2003, 2012 Audit Reports, Application Nos. 1610058, 1610060, 1610061, Proceeding ID No. 2906, December 17, 2013.

ensure that the company has been in compliance in 2013 or will be in compliance in 2014. Additionally, the Commission observes that between the years 2010 and 2012, AltaGas experienced instances of non-compliance with respect to Section 3 of the *Gas Utilities Act Code of Code Regulation*, and specifically with regard to Mechanism 5<sup>6</sup> and Mechanism 9<sup>7</sup> of its compliance plan.

16. Further, the only self-reported non-compliance events in 2011, 2012 and 2013 occurred after the auditors identified non-compliance events in 2010 and 2012.

17. The Commission finds that, although some issues of non-compliance were identified and reported by AltaGas for 2013, an audit may identify non-compliance instances undetected by AltaGas.

18. The Commission finds that AltaGas has not discharged its onus to establish that exempting it from compliance audits for the years 2013 and 2014 is in the public interest, and that any exemption will not significantly affect AltaGas' obligations, or that its obligations can be and will be met in other ways. Therefore, the Commission denies AltaGas' request pursuant to Section 41(1)(a) of the *Gas Utilities Act Code of Conduct Regulation* for an exemption from the requirement to appoint an independent auditor to conduct an audit, and provide the Commission with audit reports, for each of the 2013 and 2014 calendar years.

19. With respect to the 2013 compliance audit, the Commission is willing to consider waiving the requirement in Section 37 of the *Gas Utilities Act Code of Conduct Regulation* for each gas distributor or default service provider and its affiliated retailer to appoint an independent auditor. However, the Commission will only consider waiving this requirement if AUI and AltaGas can demonstrate that a combined audit could achieve the purpose of the *Gas Utilities Act Code of Conduct Regulation* on a cost effective basis, and that the combined audit will meet the substantive requirements of the *Gas Utilities Act Code of Conduct Regulation*.

## 5 Order

20. It is hereby ordered that:

- (1) AltaGas' application for an exemption under Section 41(1)(a) of the *Gas Utilities Act Code of Conduct Regulation* from the requirement to appoint an independent auditor to conduct an audit pursuant to Section 37 of the *Gas Utilities Act Code of Conduct Regulation* is denied.
- (2) AltaGas is directed to file an application, requesting approval of its auditor for the 2013 calendar year as required under Section 38(1)(a) of the *Gas Utilities Act Code of Conduct Regulation* by July 22, 2014.

---

<sup>6</sup> Application No. 1607646, Proceeding No. 1431, *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 – Audit Reports, AltaGas Energy Limited Partnership Compliance Contravention Report; Application No. 1608256, 2011 Annual Compliance Report.

<sup>7</sup> Application No. 1610058, Proceeding No. 2906, *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 – Audit Reports, Exhibit No. 6, AltaGas Ltd. Compliance Contravention Report; Application No. 16010388, Q4 2013 Compliance Report of AltaGas Ltd.



- (3) Consistent with its previous practice, AltaGas may file the auditor's work plan describing the audit, the review procedures to be used and the scope of the work, as required under Section 38(1)(b) of the *Gas Utilities Act Code of Conduct Regulation*, simultaneously with its application for approval of the auditor. Otherwise, the Commission will set a date for filing of the auditor's work plan once AltaGas' appointed auditor is approved by the Commission.

Dated on July 3, 2014.

**The Alberta Utilities Commission**

*(original signed by)*

Kay Holgate  
Commission Member



## Appendix 1 – Proceeding participants

Name of organization (abbreviation)  
counsel or representative

AltaGas Ltd. (AltaGas)  
D. A. Dawson

The Alberta Utilities Commission

Commission Panel

K. Holgate, Commission Member

Commission Staff

R. Finn (Commission counsel)

L. Desaulniers (Commission counsel)

L. Maruejols

C. Arnot

## 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. AltaGas is directed to file an application, requesting approval of its auditor for the 2013 calendar year as required under Section 38(1)(a) of the *Gas Utilities Act Code of Conduct Regulation* by July 22, 2014. .... Paragraph 20(2)