

Annual Report to the Minister 2015/2016

October 31, 2016

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The Honourable Stephanie McLean
Minister of Service Alberta
103 Legislature Building
10800 - 97 Avenue
Edmonton, AB T5K 2B6

Dear Minister McLean:

RE: ANNUAL REPORT FOR 2015/16

The Office of the Utilities Consumer Advocate (UCA) underwent significant change last year, including the establishment of a full-time Consumer Education and Awareness (CEA) Section, an increase in staff within the UCA Regulatory Affairs Section, and the dissolution of the UCA Advisory Board. Terms of reference are being finalized for a new Power and Natural Gas Consumers' Panel that improves representation for the ordinary consumer. Recent increases in UCA staff levels will save money and reduce dependence on contracted expertise. This change and investment has been achieved within our existing budget.

During fiscal year 2015/16, the UCA launched a CEA program which included: the re-design, build, and launch of a new user- and mobile-friendly UCA website; campaigns promoting awareness of UCA mediation services; and continued stakeholder outreach. The UCA Regulatory Affairs section provided evidence cited in Alberta Utilities Commission (AUC) decisions last fiscal year that resulted in tens of millions of dollars in cost disallowances, and ultimately, savings for Alberta's electricity and natural gas consumers. UCA staff also received almost 40,000 calls from Albertans through the 310-4UCA line. Most of the calls were from consumers looking for advice and information about their utility situation; however, almost 3,000 of the total calls included mediation services. The UCA also focused significant staff effort into the AUC Winter Utility Reconnection Program to ensure vulnerable Albertans had essential heat and electricity during the 2014/15 winter season.

Much was achieved during the last year to improve the professional regulatory advocacy, mediation, and education services we offer to Albertans. Looking ahead, the Office of the UCA is well-positioned to build on our strong track record, and implement our four-year strategic plan to enhance our capacity to educate, advocate, and mediate on behalf of Alberta's residential, small business, and farm consumers of electricity and natural gas.

Sincerely,



Chris Hunt
Advocate

Table of Contents

Contents

1	Introduction	3
1.1	Vision.....	3
1.2	Mission	3
1.3	Mandate.....	4
2	UCA Educates.....	5
2.2	Outreach Presentations	5
2.3	Website	6
3	UCA Advocates.....	7
3.1	Regulatory.....	7
4	UCA Mediates	8
4.1	Mediation.....	8
5	UCA Advisory Board.....	9
5.1	Advisory Board Members Fiscal Year 2015/2016	9
5.2	Advisory Board Activities	10
6	Financial Information.....	11
	Table 2: Financial Report, 2015/16 Fiscal Year, Period Ending March 31, 2016	11

List of Tables and Figures

Table 1:	UCA Participation in AUC Regulatory Proceedings, 2015/16.....	7
Table 2:	Financial Report, 2015/16 Fiscal Year, Period Ending March 31, 2016	11
Table 3:	Compensation of UCA Advisory Board Members	13

1 Introduction

The Office of the UCA represents the interests of Alberta's electricity and natural gas consumers. The UCA empowers electricity and natural gas consumers in Alberta through its three core functions:

- **Education**
The UCA provides information and advice to consumers to make informed choices about how to purchase electricity and natural gas based on their individual circumstances.
- **Advocacy**
 - The UCA acts as the voice of consumers in dozens of regulatory proceedings every year to ensure reasonable service with the lowest possible rates for Alberta utility consumers.
 - The UCA works closely with other government departments and agencies as well as utility service providers to ensure that consumer interests are addressed in policies, regulations, and industry practices.
- **Mediation**
When consumers have exhausted known avenues to resolve issues, the UCA will investigate and attempt to resolve their concerns through mediation with utility companies.

The UCA's mandate is set out in Schedule 13.1 of the *Government Organization Act* as well as in the Utilities Consumer Advocate Regulation 190/2014. The mandate consists of the following core program areas: Regulatory, Mediation, Advocacy Services, and Consumer Awareness. The UCA also administers the budget of the Transmission Facilities Cost Monitoring Committee, which was established by the Minister of Energy pursuant to Ministerial Order 64/2010.

1.1 Vision

The UCA is the trusted representative of Alberta's residential, farm, and small business energy consumers.

1.2 Mission

The UCA ensures residential, farm, and small business consumers have the information, protection, and representation they need in Alberta's electricity and natural gas energy industries.

1.3 Mandate

The UCA is established by the *Government Organization Act*, Schedule 13.1. The Act assigns the following responsibilities to the Office of the UCA:

- (a) to represent the interests of Alberta residential, farm, and small business consumers of electricity and natural gas before proceedings of the Alberta Utilities Commission and other bodies whose decisions may affect the interests of those consumers;
- (b) to disseminate independent and impartial information about the regulatory process relating to electricity and natural gas, including an analysis of the impact of decisions of the Alberta Utilities Commission, other bodies, and the courts relating to electricity and natural gas;
- (c) to inform and educate consumers about electricity and natural gas issues; and
- (d) to carry out such other responsibilities relating to electricity and natural gas as the responsible Minister determines.

2 UCA Educates

2.1 CEA Program

The UCA established a CEA program in response to research, customer need, the Retail Market Review Committee, and the recommendations of the Member of the Legislative Assembly Retail Market Review Committee Implementation Team regarding consumer education. Planning included a detailed review in 2014/15 of past information and research from a variety of sources, and a baseline study of 1,750 Albertans' understanding of the utility industry and their bills.

These pieces of information provided a segmentation analysis of the market and assisted in the identification of primary audience segments that would be most open to learning more about their retail electricity and natural gas choices. In summer 2015, the UCA hired a Manager of CEA, and re-organized to form a CEA Section of three staff.

Throughout the remainder of the 2015/2016 Fiscal Year, the UCA's CEA Section managed the following projects:

- the re-design of the UCA website;
- an awareness campaign promoting UCA Mediation Services;
- the development of the UCA component of the Consumer and Registry Services Division Social Media Engagement Program; and
- a stakeholder outreach program.

The re-design and re-build of the UCA website was and is the foundation of the UCA CEA Program. This project was launched in late summer 2015 to replace the dated and difficult user interface of the previous website to a user- and mobile-friendly website that consumers could easily use to answer their questions about their electricity and natural gas utility choices. The re-designed website even includes a cost-comparison tool so that consumers can easily review the products available in their area. The re-built website launched in early June 2016, and has received positive feedback from consumers and other stakeholders. In addition to staff time, the project cost \$453,622 during 2015/16 and the first quarter of 2016 when it was completed. The UCA has shared its previous market research and CEA lessons-learned with the Alberta Climate Change Office in order to assist with the design of Energy Efficiency Alberta's education programs. The UCA has also offered to assist in the implementation of energy efficiency education for consumers.

2.2 Outreach Presentations

The UCA continued to engage consumers through outreach presentations on utility choice and understanding electricity and natural gas billing to seniors' and community-based organizations.

The UCA also attended tradeshow and distributed information and materials to participants of:

- The Alberta Urban Municipality Association, reaching an audience of mayors, councillors, and support staff working with constituents on a regular basis.
- The Alberta Federation of Rural Electrification Associations, reaching an audience of Rural Electrification Board Members and support staff who work with their respective members.
- The Federation Alberta Gas Co-ops Ltd. (FedGas) Annual General Meeting, reaching an audience of Co-op Board Members and support staff who work with their respective members.
- The Greater Edmonton Teachers Convention, reaching an audience of Edmonton and area teachers, specifically targeting Career and Life Management teachers to provide classroom resources for making an initial utility choice.
- Seniors' Association of Greater Edmonton Seniors' Housing Forum, reaching an audience of seniors and housing-related organizations.
- The Alberta Power Summit, presenting on the importance of consumer education to electricity sector industries.

2.3 Website

The UCA website is consistently an important source of information for consumers. We use this tool as a way to provide customers with information about retail choice, their monthly bills, helpful tips and hints, and where to go for help. For those interested, the site also includes more detailed information about the energy markets and the regulatory process and decisions.

In 2015/16 there was a small decrease of approximately 3,000 visits from last previous fiscal year; however, the annual site traffic was still 105,221 visits to the old website, prior to the launch of the newly re-designed website in June 2016. Consumers were often more active calling the contact centre and visiting the website during times of significant price events. It is expected the website traffic will increase significantly during 2016/17 due to the new website being much more user- and mobile-friendly, as well as efforts to promote the website through outreach activities and marketing.

3 UCA Advocates

3.1 Regulatory

The UCA Regulatory Affairs Section reviews all of the hundreds of applications submitted to the AUC each year, and typically intervenes in a few dozen proceedings that could have the most impact on consumers. The UCA intervened in 35 AUC proceedings during the 2015/16 fiscal year. UCA evidence and arguments cited by the AUC in its decisions prevented the download of unjustified expenses to consumers.

Table 1 below summarizes the participation and value of UCA regulatory interventions in AUC proceedings since 2013. These cost disallowances are significant; for every \$1 dollar invested in UCA Regulatory Affairs in 2015/16, \$6.47 in cost disallowances were recorded. This return on investment has increased significantly since April 1, 2016, with \$66.51 in cost disallowances recorded for every \$1 invested in UCA Regulatory Affairs.

Table 1: UCA Participation in AUC Regulatory Proceedings, 2015/16

UCA Participation in AUC Regulatory Proceedings				
	2013/14	2014/15	2015/16	2016/17 YTD (Oct 18/16)
Initiated participation in (# of proceedings)	60	44	35	12
Number of issues contained in those proceedings	612	689	429	255
Intervened in (# of issues)	115	232	127	56
Filed evidence on (% of the issues)	21.2%	18.2%	66.4%	86.4%
Filed Argument on (% of the issues)	94.6%	96.9%	98.1%	90.6%
The AUC agreed with the UCA on (% of the issues)	58.7%	59.9%	50%	72.3%
The UCA was the sole intervener on (% of the issues)	48.3%	35.0%	47.3%	30%
UCA Regulatory Affairs Program Costs	\$4.99 million	\$5.02 million	\$4.64 million	\$3.05 million
Resulted in cost disallowances of (\$)	\$48 million	\$522 million	\$30 million	\$203 million

4 UCA Mediates

4.1 Mediation

The UCA regulation was approved on October 15, 2014. The regulation enables the UCA to be an effective mediator for Albertans who need to reconnect their electricity or natural gas. The regulation gives the UCA ongoing authority to indirectly collect, use, and disclose customer information to retain or restore utility service, or resolve disputes.

The UCA received 39,777 calls from Albertans through the 310-4UCA or 310-4822 line. The majority of calls to the UCA are customers looking for advice and information about their utility situation. Mediation Officers provide consumers with a list of retailers and product offers, education about the energy market, and information that will help a customer to make an informed choice about their service. For 2,955 of the total calls, customers were provided with mediation services. This included investigating concerns raised by consumers and attempts to resolve their concerns through mediation with utility companies. The most common reasons for mediation are billing issues; concerns about billing and customer service; early exit fees; and disconnections for non-payment or non-application.

Each year, the UCA participates in the AUC's Disconnection and Winter Reconnection Project which received the Leadership and Innovation Award from the Canadian Association of Members of Public Utility Tribunals in September 2013. The UCA is supplied with the names and contact information for Albertans whose electricity and/or natural gas services are disconnected at the beginning of the winter season. Multiple attempts are made to reach those individuals through phone calls and letters in an effort to assist in the reconnection process. This includes providing information and advice, mediating payment arrangements, and connecting consumers with support programs if they require it. As part of the AUC Winter Utility Reconnection Program, the UCA helped reconnect 67 Albertans during the 2014/15 winter season.

5 UCA Advisory Board

The Advisory Board provided advice to the Advocate and Minister of Service Alberta on multiple issues affecting the UCA. These include:

- positions to be taken on policy and regulatory issues that could impact Alberta residential, farm, and small consumers of electricity and natural gas;
- public awareness of the UCA, consumer education initiatives; and
- the use of mediation to resolve customer complaints with their retail service provider.

Following the Agencies, Boards, and Commissions Review by the Government of Alberta, the decision was made to dissolve the UCA Advisory Board in April 2016, and replace it with a Power and Natural Gas Consumers' Panel that better represents the interests of ordinary Albertans. Recruitment of the Panel is expected to take place in 2017.

5.1 Advisory Board Members Fiscal Year 2015/16

Ted Pound, Chair

Founding chair of the Advisory Board in 2004 (Advisory Council at that time), Mr. Pound served as a Member-at-Large between 2008 and 2013 when he was again appointed chair by Minister Bhullar effective September 6, 2013. He also served as Chair of the Retail Market Review Committee in 2012 in response to the Minister of Energy's request for a review of the retail electricity market in Alberta.

Bert Paulssen, Vice Chair

Appointed Vice-Chair of the Advisory Board effective September 6, 2013 and a member since 2009, Mr. Paulssen also sits on the Board of the Gull Lake Deer Creek Gas Co-op Ltd., is Chairman of FedGas, and is a Director of FedGas Zone 6 representing the interests of 11 rural gas utilities.

Dareld Cholak, Member representing FedGas

An Advisory Board member since 2009, Mr. Cholak is also a Director on the FedGas Board, the Chair of the Smoky Lake County Gas Utility Board, and a Councillor for Smoky Lake.

Paul Dawson, Member-at-Large representing the City of Calgary

An Advisory Board member since 2008, Mr. Dawson previously served as the Chief Commissioner/CEO as well as the Treasurer/CFO of the City of Calgary. He received the Alberta Lieutenant-Governor Award for Excellence in Public Administration, and is a Chartered Accountant and a Fellow Chartered Accountant. His appointment to the board ended on April 30, 2015.

Soren Odegard, Member representing AAMDC

An Advisory Board member since 2011, Mr. Odegard is a County of Two Hills Councillor and an Alberta Association of Municipal Districts and Counties Board Member responsible for District 5 Edmonton East.

Lisa Holmes, Member representing AUMA

Appointed to the Advisory Board in March 2014, Ms. Holmes is one of two new members to join in 2014. She is the Mayor of Morinville and owner of Holmes Professional Services Corp. Ms. Holmes is also the President of the Alberta Urban Municipalities Association and member of the Premier's Council on Alberta's Promise.

Dino Wylie, Member representing AFREA

Joining the UCA Advisory Board in May 2014, Mr. Wylie is the newest member. He has been a rural electrification association director since 1996 and currently serves as the President of Lindale Rural Electrification Association.

Marta Sherk, Member-at-Large representing the City of Edmonton

An Advisory Board member since 2008, Ms. Sherk is a lawyer with over 32 years' experience in the private and public sectors. She has authored a number of legal articles and is a frequent speaker at seminars. Her appointment to the Board expired on April 30, 2015.

5.2 Advisory Board Activities

Advisory Board activity during fiscal year 2015/16 was consistent with years past. The Advisory Board met regularly twice each month for an in-person review of ongoing activities, and a teleconference to discuss the UCA's participation in current regulatory proceedings. As part of the regular schedule, the Advisory Board also met for an annual two-day strategic planning session in September 2015. The focus of the session was to update the UCA's four-year strategic plan. The key sections reviewed were the CEA program and the re-structuring of the Regulatory Affairs Section to reduce its reliance on external consultants.

In April 2016, the UCA Advisory Board was dissolved following the Government's Agencies, Boards, and Commissions Review. A draft Terms of Reference for a Power and Natural Gas Consumers Panel is being finalized, so that a panel that is more representative of ordinary consumers can be established in 2017. This panel would provide advice to the Minister of Service Alberta on issues of concern to consumers of electricity and natural gas in Alberta.

6 Financial Information

The UCA's financial results (unaudited) for the 2015/16 fiscal year are presented in Table 2.

Table 2: Financial Report, 2015/16 Fiscal Year, Period Ending March 31, 2016

STATEMENT OF OPERATIONS¹			
(thousands of dollars)	2015 – 16	2015 – 16	2015 - 16
Expense	Budget	Actual	Variance
Advocacy Services	1,144	1,005	139
Mediation Services	689	629	60
Regulatory Affairs	5,547	4,636	911
Consumer Education & Awareness	1,347	936	411
Advisory Board	205	185	20
Transmission Facilities Cost Monitoring Committee ²	232	278	(46)
Total Expense	9,165	7,669	1,496

For fiscal year 2015/16, the UCA had an overall budget surplus of \$1,495,625. The majority of the surplus came from two programs. The Regulatory Affairs program, which had a surplus of \$911,000, was the single largest contributor to the overall variance. This program saw lower than expected costs in all areas including personnel, office administration, travel expenses, and contract services. Notably, a surplus of \$741,342 in contract services was created by increasing internal UCA staff and using them for research and project management services instead of external consultants.

The CEA program, with a surplus of \$411,000, was the second-largest variance. This variance was due to the promotion of the newly-designed UCA website being deferred to 2016/17. Also of note, the Transmission Facilities Cost Monitoring Committee program had a deficit of \$46,000. This variance was due to the assumption that the Committee would complete its work during the third quarter of the fiscal year and be replaced by a new type of cost oversight review mechanism; however, the Minister of Energy extended the Committee's mandate for the foreseeable future.

¹The UCA is funded 80 per cent by the Balancing Pool and 20 per cent by Natural Gas Utilities.

²Transmission Facilities Cost Monitoring Committee is funded 100 per cent by the Balancing Pool.

Appendix 1: Advisory Board Remuneration

Remuneration of Advisory Board Members is identified in Service Alberta Ministerial Order 012/2010 sections 13(a), (b), and (c) which state:

- (a) *The members including the Chair and the Vice-Chair shall be paid remuneration in accordance with OC 466/2007 Appendix 2, Schedule 1, Part A which includes the standard government travel and living expenses. The payment of remuneration shall comply with all applicable laws and regulations.*
- (b) *Fees payable to members of the Board shall not exceed those set out in sections 1 and 2 of Part A of OCT 466/2007 Appendix 2, Schedule 1.*
- (c) *Board members shall not be paid fees and expenses for more than three meetings per month.*

Note that OC 433/2007 Appendix 2 is rescinded effective April 1, 2009 and replaced by OC 433/2007 Appendix 3. A summary of the remuneration Board Members are eligible to receive is as follows:

Board Chair

\$219 for up to and including four hours in any day, \$383 for over four hours and up to and including eight hours in any day, or \$601 for over eight hours in any day. The Board Chair is also paid a monthly amount of \$2,022.

Board Member

\$164 for up to and including four hours in any day, \$290 for over four hours and up to and including eight hours in any day, or \$427 for over eight hours in any day. Board Members are also paid a monthly amount of \$1,445.

All Board Members

Travel and living expenses are in accordance with the Travel, Meal and Hospitality Expense Directive.

Remuneration

The total remuneration received by Board Members for the 2014/15 fiscal year was \$176,670, broken down as per Table 3 below:

Table 3: Compensation of UCA Advisory Board Members

Position	Name	Year	Compensation
Board Member	Cholak, Dareld	2015	\$23,875
Board Member	Dawson, Paul	2015	\$16,380
Board Member	Holmes, Lisa	2015	\$23,602
Board Member	Odegard, Soren	2015	\$20,909
Vice-Chair	Paulssen, Lambertus	2015	\$21,234
Chair	Pound , Ted	2015	\$29,907
Board Member	Sherk, Marta	2015	\$10,333
Board Member	Wylie, Dino	2015	\$21,821
Board Member	Oszli, Don G.	2015	\$8,609

Appendix 2: Acronyms

AUC	Alberta Utilities Commission
CEA	Consumer Education and Awareness
FedGas	Federation of Alberta Gas Co-ops Ltd.
UCA	Utilities Consumer Advocate