

utilitiesconsumer advocate

Annual Report to the Minister 2017-2018

December 21st, 2018

Honourable Brian Malkinson
Minister of Service Alberta
423 Legislature Building
Edmonton, AB T5K 2B6

Dear Minister Malkinson:

RE: ANNUAL REPORT FOR 2017-18

The Office of the Utilities Consumer Advocate's (UCA) efforts during last fiscal year included several enhancements to our existing education, mediation, and regulatory advocacy activities, but also involved supporting changes to evolve the Office to further protect consumers. Submission of this Annual Report is later than usual, in order to allow for its review by the new Power and Natural Gas Consumers' Panel and to provide a quick update on implementation of *An Act to Empower Utility Consumers*.

Ministerial Order Number SA:002/2017, issued on September 26, 2017, established the Power and Natural Gas Consumers' Panel and issued its terms of reference. Following a rigorous, competitive recruiting process, members of the Power & Natural Gas Consumers' Panel were appointed in June 2018, and the first meeting of the Panel was held September 13-14th 2018. This meeting was primarily focused on initial orientation briefings to the Panel. I have enclosed the Chair's previous letter to you reporting on this meeting for reference. The Panel met again on November 30th, and I look forward to working with them in 2019 to continue to identify and address issues of concern to consumers.

On December 1st 2018, *An Act to Empower Utility Consumers* came into force. The Act consolidates the mandate of the UCA in one piece of legislation, and it also expanded the consumer education and mediation programs to water utility consumers. The UCA is currently working with water providers to ensure seamless implementation of the Act. While electricity and natural gas utilities are part of a provincial grid, which is regulated by the Alberta Utilities Commission, water utilities are local municipal infrastructure that is regulated by the local municipal government. This difference requires the UCA to work collaboratively with municipal governments and water providers in order to understand the distinct terms and conditions of each water utility, and mediate solutions that are fair and reasonable for all parties. Through our initial implementation workshops with municipalities, we have also identified good opportunities for the UCA Consumer Education Program to complement and reinforce municipal programs that promote water conservation and help consumers control their bills.

The UCA's consumer education outreach program expanded significantly this past year with staff conducting 87 outreach events across the province, directly engaging with nearly 8,500 individuals. This outreach was complemented by over 194,000 visits to the UCA website.

UCA staff also received over 24,000 calls from Albertans through the 310-4UCA line. Most calls are from consumers looking for advice and information about their utility situation; however, over 5,200 of the

total calls included mediation services. The majority of mediation calls dealt with customer service, billing, or disconnection issues. The UCA has analyzed these trends and made recommendations to the AUC and the Department of Energy (DoE) on ways to ensure greater transparency, accountability, and responsiveness from energy utility providers on problems negatively impacting consumers, particularly with respect to billing and customer service. As well, the UCA focused significant staff effort into the AUC Winter Utility Reconnection Program to ensure vulnerable Albertans had essential heat and electricity during the 2017-18 winter season.

The UCA Regulatory Affairs section provided evidence cited in Alberta Utilities Commission (AUC) decisions last fiscal that resulted in almost \$248 million in cost disallowances, which translate into real savings for Alberta's electricity and natural gas consumers. This figure also represents a return on investment of \$56 for every \$1 spent on the UCA's Regulatory Affairs program. The UCA Market Policy and Analysis Team worked with the DoE and other stakeholders to understand the many emerging issues related to rapid technological and policy changes occurring in the transition of the electricity sector. The DoE has appreciated our recommendations that reflect consumers' interests and perspectives.

Alberta's residential, small business, and farm consumers of electricity and natural gas still have many concerns with their utilities bills and services. The UCA helps consumers understand their bill and how the charges were determined, and mediates disputes with their utility providers. The UCA also represents their interests to the policy makers and regulators making decisions about electricity and natural gas rates and service quality in a complex and evolving marketplace.

I trust you will find this work of value and highly supportive of your consumer protection agenda.

Sincerely,

A handwritten signature in blue ink that reads "C.W. Hunt". The signature is written in a cursive style with a large, sweeping "H" and "t".

Chris Hunt
Advocate

October 10, 2018

Honourable Brian Malkinson
Minister of Service Alberta
103 Legislature Building
Edmonton, AB T5K 2B6

Dear Minister Malkinson,

POWER & NATURAL GAS CONSUMERS' PANEL

The Power and Natural Gas Consumers' Panel met for the first time in September. We very much appreciated your attendance and inaugural remarks, along with the attendance of Deputy Minister David Morhart. We further look forward to providing advice to you on issues of concern to consumers, and to work closely with the Utilities Consumer Advocate (UCA).

As part of our inaugural and orientation meeting, the Panel reviewed the draft of the UCA's Annual Report for 2017-18 along with the 2018-2021 Strategic Plan. Given the Panel is brand new, we look forward to being more involved in the reporting and strategic processes in the future, while supporting their ongoing work now. The Panel will continue to work with the UCA to ensure its strategic plan and key performance measures reflect the priorities of the electricity and natural gas consumers we represent.

Our next meeting is expected to take place in late 2018. The Panel appears to be an engaged, capable and creative group, and we look forward to digging deeper into the power and natural gas issues facing Albertans.

Sincerely,



Rhiannon M. Mesler
Chair
Power and Natural Gas Consumers' Panel

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1 Introduction

The UCA empowers residential, small business and farm consumers of electricity, natural gas, and water utility consumers in Alberta through its three core functions:

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

The UCA's mandate is set out in Schedule 13.1 of the *Government Organization Act* which was recently refined in *An Act to Empower Utility Consumers*. The UCA also administers the budget of the Transmission Facilities Cost Monitoring Committee, a committee established by the Minister of Energy pursuant to Ministerial Order 64/2010.

1.1 Vision

Alberta's residential, farm, and small business utility consumers are confident the UCA provides them with the information and representation they need to protect their interests.

1.2 Mission

The UCA educates, mediates, and advocates for Alberta's residential, farm, and small business utility consumers and provides the information they need to make informed decisions about their utility services.

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.

An Act to Empower Utility Consumer was passed by the Legislature on May 31st, 2018 and came into force on December 1st 2018. The Act amends the *Government Organization Act*, Schedule 13.1 and 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, natural gas and water utilities issues;
- (d) to disseminate independent and impartial information to assist electricity and natural gas consumers in choosing a distributor, provider or retailer, including
 - (i) complaints made under this Schedule, the *Electric Utilities Act* or the *Alberta Utilities Commission Act* and the outcome of any recommendation, hearing or settlement,
 - (ii) investigations, orders, administrative penalties or convictions conducted, awarded or made under the *Electric Utilities Act*, the *Alberta Utilities Commission Act* or the *Consumer Protection Act*,
 - (iii) compliance records of a distributor, provider or retailer in adhering to the standards and codes prescribed under the *Electric Utilities Act*, the *Alberta Utilities Commission Act* and the *Consumer Protection Act*, and

- (iv) any other matters the Utilities Consumer Advocate considers necessary to carry out the purposes of this clause;
- (e) to assist in the resolution of any consumer issue, complaint or dispute between a consumer and a distributor, provider or retailer relating to the provision of electricity, natural gas or water as the Utilities Consumer Advocate considers appropriate and, if a resolution is not reached, to refer the complaint to the person, body or authority the Utilities Consumer Advocate considers appropriate;
- (f) to develop and undertake activities that the Utilities Consumer Advocate considers appropriate for the purposes of
 - (i) preventing the disconnection of electricity or natural gas provided by a retailer or provider to a consumer, or
 - (ii) facilitating the reconnection of electricity or natural gas provided by a retailer or provider to a consumer;
- (g) to carry out such other responsibilities relating to electricity, natural gas and water as the responsible Minister determines.

2 UCA Educates

2.1 Consumer Education and Awareness Program

The UCA Consumer Education and Awareness Program includes three complementary components:

- (1) The www.ucahelps.alberta.ca website;
- (2) UCA social media channels; and
- (3) UCA Consumer Outreach Program.

2.2 Website

The www.ucahelps.alberta.ca website is the foundation of the UCA Consumer Education and Awareness Program. The UCA website provides an important objective source of information for consumers about retail choice, their monthly bills, helpful tips and hints, and where to go for help. The site also includes detailed information about the energy markets, and utility regulatory processes and decisions. The website even includes a cost-comparison tool so that consumers can easily review the products available in their area.

In 2016-17, website visits almost doubled from last previous Fiscal Year (FY), increasing annual site visits from 105,221 in FY 2015-16 to 203,104 in FY 2016-17. This substantial increase in web traffic was attributed to the more user and mobile-friendly website design, and promotion of the website through social media, and the UCA Consumer outreach program. Website visits in 2017-18 remained relatively flat in 2017-18 declining ~4% to 195,893.

2.3 Social Media Engagement

Late in FY 2016-17, the UCA hired a Digital Content and Engagement Specialist, who not only updated website content continually, but established and administered the UCA social media accounts on Facebook and Instagram. FY 2017-18 marked the first year of UCA social media activity. The UCA's Facebook page gained 1325 likes and 1336 followers with 324 posts during FY 2017-18, while the UCA's Instagram page gained 1718 followers with 263 posts. Posts were also provided to Service Alberta Communications for updates on Service Alberta and Government of Alberta social media accounts, and the UCA is working with Communications and Public Engagement on ways to enhance use of social media to educate more utility consumers.

2.4 Consumer Outreach Program

During FY 2016-17, the UCA hired a Senior Consumer Education and Engagement Specialist to coordinate the Consumer Outreach Program across Alberta and implement it in Northern Alberta. A Consumer Education and Engagement Specialist was also hired to implement the program in Southern Alberta. The team was hired in the latter half of 2016-17, but still presented and/or staffed displays/booths at 14 different outreach events including teachers conventions, trade shows,

association conferences, and home and garden shows around the province. The general audience for these outreach activities are any Albertan over the age of 15, but the priority groups are seniors, low-income Albertans, newcomers, young movers and indigenous households. In addition, the Consumer Outreach Team conducted many other one-on-one meetings with stakeholders and attended other events. The direct engagement of consumers enabled the Consumer Outreach Team to share feedback that facilitated improvements to the UCA website and social media posts, as well as referrals to the UCA Mediation Team and the identification of regulatory and policy issues to the Regulatory Affairs section. In FY 2017-18, the Consumer Outreach Team's efforts expanded significantly as they conducted 87 activities, directly engaging with 8,500 people.

Table 1 – UCA Consumer Outreach Activity Summary

2017-18 FISCAL YTD TOTALS (April 1, 2017 - March 31, 2018)		
Event Type	# of Events	# of People
Presentation	20	356
Trade Show	43	8,096
Meeting/Networking	23	36
Event Attendee	1	12
TOTAL	87	8,500

Table 2 – 2017-18 Outreach Events by category

Presentations (20)
Alberta Education Field Services – April 19
Coalhurst High School (Social Studies 9)– May 5
Coalhurst High School (Legal Studies 10) – May 5
Coalhurst High School (Social Studies 30) – May 5
Alberta Works Red Deer – May 11
Capital Region Housing – July 20
Grande Prairie Centre for Newcomers – October 2
Greenview FCSS (Valleyview) – October 2
Bow Valley College (newcomer students) – November 15
Momentum – November 15
Spruce Grove FCSS – November 22
Calgary Immigrant Educational Society – November 27
Edmonton Mennonite Centre for Newcomers – December 8
Calgary Public Library ESL Conversation Club – December 8
Calgary Public Library ESL Conversation Club – December 11
Financial Empowerment Collaborative (Calgary) – January 15
Calgary Immigrant Educational Society – January 26
Multicultural Health Brokers (Edmonton) – March 5
Greenview FCSS (Valleyview) – March 7
EFEC (Edmonton) – March 15

Trade Shows/Information Booths (43)
Cold Lake Chamber of Commerce Trade Show – April 7-9
Calgary Woman's Show – April 8-9
Alberta Hotel & Lodging Association Conference – April 9-10
Edson Trade Show – April 21-22
Drumheller Trade Show – April 21-23
Newcomers Canada Fair – April 22
Brooks & District Chamber of Commerce Trade Expo April 28-30
Fort McMurray Spring Show – April 28-30
Edmonton Women's Show – April 29-30
High River & District Chamber of Commerce Trade Show – May 5-6
Whitecourt & District Chamber of Commerce Trade Show – May 12-14
Alberta Mortgage Brokers' Association Conference – June 11
Edmonton K-Days – July 21-30
Grey Matters Conference (Seniors' Care) – September 11-13
Fort McMurray Fall Show & Market – September 22-24
Grande Prairie Fall Home & Leisure Show – September 30-October 1
Okotoks Women's Show – October 14
Fall Edmonton Woman's Show – October 14-15
Calgary Fall Women's Show – October 21-22
Calgary Career & Settlement Immigrant Fair – October 28
Cochrane Women's Show – October 29
Edmonton Career & Settlement Immigrant Fair – October 30
Fabulous@50 Women's Show (Edmonton) – November 4
FarmFair International (Canadian Finals Rodeo) – November 8-12
Calgary Renovation Show – January 12-14
North Central Teachers' Convention (Edmonton) – February 8-9
Calgary City Teachers' Convention – February 15-16
NorthEast Teachers' Convention – February 15-16
Edmonton Chamber of Commerce Mixer & Trade Show – February 20
Palliser District Teachers' Convention (Calgary) – February 22-23
Service Alberta Calgary Fraud Prevention Month Launch Event – March 1
Service Alberta Edmonton Fraud Prevention Month Launch Event – March 1
Calgary Residential Rental Association Trade Show – March 6
Mighty Peace Teachers' Convention (Grande Prairie) – March 8-9
Camrose Regional Trade Show – March 9-11
Calgary Police Service Fraud Prevention Month Event – March 17
Lethbridge Home & Garden Show – March 21-24
Edmonton Home & Garden Show – March 22-25
Bowness Seniors' Fraud Prevention Information Session – March 28

Stakeholder Meetings (23)
Capital Region Housing – June 8
Catholic Social Services – June 20
City of Edmonton – July 12
EMCN – July 18
Alberta Works Hinton – September 12
Alberta Works Edson – September 12
City of Edmonton – September 14
Alberta Works – September 22
YMCA – September 22
Momentum – December 1
Canadian Home Program (Edmonton) – January 8
Millwoods Seniors Association – January 25
Bromwich & Smith (Calgary) – January 26
8760 Ken Klassen – January 29
United Way Capital Region – January 29
Multicultural Health Brokers – January 31
Calgary Fraud Prevention Month Meeting – January 31
Boris Contreras – February 5
Catholic Social Services – February 5
Money Mentors (Calgary) – February 7
Edmonton Garrison Military Family Resource Centre – February 14
Beyond Food (Edmonton Food Bank) – March 2
Bearpaw Legal Education – March 6

Event Attendee (1)
Poverty Institute Energy Poverty Roundtable – November 30

3 UCA Advocates

3.1 Regulatory

The UCA Regulatory Affairs Section reviews all of the hundreds of applications submitted to the Alberta Utilities Commission (AUC) each year, and typically intervenes in a few dozen proceedings that could have the most impact on consumers. The UCA advocates for safe, reliable, cost-effective utility service that meets the needs of consumers today and tomorrow. Most of the AUC proceedings where the UCA intervenes address service quality, terms and conditions, or rates for consumers.

The UCA intervened in 52 AUC proceedings during the 2017-18 FY; 33 of those proceedings were concluded and a decision issued by the end of the FY on March 31st, 2018. UCA evidence and arguments cited by the AUC in its decisions prevented unjustified expenses from being downloaded to consumers.

Table 3 on the following page summarizes the participation and value of UCA regulatory interventions in AUC proceedings since 2013. These cost disallowances are significant, totalling \$1.066 billion since 2013, and almost \$248 million during FY 2017-18. Table 3 also demonstrates the strong return on investment consumers have received from the UCA's Regulatory Affairs program during 2017-18; for every \$1 dollar invested, \$56 in cost disallowances were recorded. The UCA has included a performance measure of a rolling three-year average for cost disallowances to adjust for the variance in the number of AUC proceedings and decisions that occur from year to year. For 2017-18, that rolling three-year average was almost \$161 million.

Table 3: UCA Participation in AUC Regulatory Proceedings, 2013-18

UCA Participation in AUC Regulatory Proceedings					
	2013-14	2014-15	2015-16	2016-17	2017-18
Initiated participation (number of proceedings)	60	44	35	33	33*
Number of issues contained in those proceedings	612	689	429	471	369
Intervened in (number of issues)	115	232	127	108	125
Filed evidence (per cent of issues)	21.2%	18.2%	66.4%	73.7%	72%
Filed Argument on (per cent of issues)	94.6%	96.9%	98.1%	95.83%	86%
The AUC agreed with the UCA on (per cent of issues)	58.7%	59.9%	50%	72.5%	42%
The UCA was the sole intervener on (per cent of issues)	48.3%	35%	47.3%	33.27	52%
UCA Regulatory Affairs Program Costs	\$4.99 million	\$5.02 million	\$4.64 million	\$3.92 million	\$4.42 million
UCA evidence and argument cited in AUC decisions as cost disallowances (dollar value) **	\$48 million	\$522 million	\$30 million	\$204 million	\$248 million
Cost disallowances per dollar invested in UCA Regulatory Affairs	\$9.62	\$103.98	\$6.47	\$52.04	\$56.03
Rolling three-year average of cost disallowances	N/A	N/A	\$200 million	\$252 million	\$161 million

* 33 AUC proceedings involving the UCA were concluded during FY 2017-18. The UCA was active in 52 proceedings throughout FY 2017-18.

** The significant variance in annual cost disallowances is largely tied to the value of issues being examined by the AUC in their proceedings and the decisions published in each fiscal year. For example, AUC Decision 2941-D01-2015 Generic Cost of Capital included cost disallowances of \$239.6 million and was published on March 23, 2015. Had it been published nine days later, it would have counted against 2015-16 statistics.

4 UCA Mediates

4.1 Mediation

The UCA received 24,435 calls from Albertans through the 310-4UCA (310-4822) line during FY 2017-18. 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. Of the total calls, 5,290 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; early exit fees; concerns about billing and customer service; and disconnections for non-payment or non-application.

Each year, the UCA participates in the AUC's Winter Utility Reconnection Project. The UCA is supplied with the names and contact information for Albertan consumers whose electricity and/or natural gas services were disconnected over the summer and whom their utility provider has not been able to reach at the approach 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 required. As part of the AUC Winter Utility Reconnection Program, the UCA helped reconnect 110 disconnected households during the 2017-18 winter season.

5 Transmission Facilities Cost Monitoring Committee

The Transmission Facilities Cost Monitoring Committee (TFCMC) was established by the Minister of Energy in July 2010 and is responsible for reviewing records related to cost, scope, schedule and variances of Alberta transmission facility projects that are forecast to cost in excess of \$100 million.

The TFCMC has 13 members representing the following:

- Rural Municipalities of Alberta;
- Alberta Chambers of Commerce;
- Alberta Direct Connect Consumers Association;
- Alberta Electric Systems Operator;
- Alberta Federation of Rural Electrification Associations;
- Alberta Urban Municipalities Association;
- Consumers' Coalition of Alberta;
- Canadian Federation of Independent Business;
- Independent Power Producers Society of Alberta;
- Industrial Power Consumers Association of Alberta;
- Office of the Utilities Consumer Advocate;
- Two appointed Independent Members

The TFCMC releases reports semi-annually which can be found on the UCA website at:

<https://ucahelps.alberta.ca/regulatory-reporting.aspx>

While the UCA does have a representative who participates as a member of the TFCMC, its other function is to provide administrative support to the Committee. The Committee's expenses are tracked as a program area within the UCA budget, and later recovered through the Balancing Pool.

6 Financial Information

The UCA's financial results (unaudited) for the 2017-18 FY are presented in Table 4.

Table 4: Financial Report, 2017-18 Fiscal Year Ending March 31, 2018

STATEMENT OF OPERATIONS ¹			
(thousands of dollars)	2017-18	2017-18	2017-18
Expense	Budget	Actual	Variance
Advocacy Services	1,036	976	60
Mediation Services	776	745	31
Regulatory Affairs	6,126	4,421	1,705
Consumer Education & Awareness	933	675	258
Power & Natural Gas Consumers Panel	0	0	0
Transmission Facilities Cost Monitoring Committee ²	154	89	65
Total Expense	9,025	6,906	2,119

For FY 2017-18, the UCA had an overall budget surplus of \$2,119,494. The majority of the surplus came from two programs:

- The Regulatory Affairs program, which had a surplus of \$1,705,096, was the single largest contributor to the overall variance. Of that, that vast majority was a \$1,667,025 surplus in contract services as internal UCA staff were used for the majority of research and project management services on regulatory interventions, instead of external consultants.
- Consumer Education and Awareness program, with a surplus of \$257,867 was the second largest variance. This variance was due to gaps in staffing, and the deferral of several consumer education and outreach projects.

Also of note, due to fewer meetings, the Transmission Facilities Cost Monitoring Committee program had a surplus of \$64,704.

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

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