

ELECTRICITY AND THE AUC

How does Alberta's electric industry work?

Getting electrical power to consumers involves three major steps:

- Generation (power plants)
- Transmission – high voltage lines used to carry power long distances
- Distribution – Low voltage lines that deliver power to customers
- Retail sales (electricity retailers; consumers)

Most electricity in Alberta is generated through coal-fired plants, but an increasing number of **generation plants** are fuelled by natural gas. In addition, some electricity is generated by hydroelectric plants and wind-powered plants.

Electricity is sent from the generating plants over high-voltage **transmission lines** to local transformers that reduce the voltage level. Local distribution systems, owned by **distributors or wire owners**, then deliver the electric power over local lower-voltage lines to customers. This electricity is sold to the end customer by a **retailer**.

How has the restructuring of the electric industry affected Alberta and the rates consumers pay?

The main phase of restructuring of the electric industry occurred on January 1, 2001. Before restructuring, one company typically provided generation, transmission, distribution, and the sale of electricity to customers. Electric utilities had assigned service areas, and which company sent you your bill depended on where you lived in the province, as shown on the map on page 5.

Utility restructuring has impacted the rate-making jurisdiction of the Alberta Utilities Commission (AUC), formerly the Alberta Energy and Utilities Board,. There are two main components to electricity rates: the charges for the energy commodity itself and the charges relating to the delivery of the energy to a customer's home. In the restructured electric industry, different companies may now provide these components. While the delivery component remains fully regulated, the energy charges are now determined in a competitive marketplace. Eligible customers may choose to continue receiving their energy from a retailer that is regulated by the AUC, called the regulated rate option (RRO), or they may choose to obtain their energy from a competitive retailer. It is the AUC's responsibility only to review the regulated retailer's

energy charges to make sure that they are being passed along accurately to customers, the AUC does not regulate the energy rates of competitive retailers.

How does the AUC regulate utilities within its jurisdiction?

The AUC regulates investor-owned electric distributors and RRO providers, along with certain municipally owned electric utilities, setting their terms and conditions of service, as well as their rates. In establishing rates, our mandate is to balance the interests of both customers and the utility companies. It is the AUC's responsibility to ensure that customers receive safe and reliable service at just and reasonable rates. In setting rates through a utility rate application, we must allow a utility to recover its reasonable costs of providing the service, including a fair return on its investment, in order that it will be financially viable and able to provide customers with adequate service now and in the future.

How is Alberta's electric industry regulated?

Under the restructuring of the electric industry in Alberta, the price of generation is no longer regulated. Power is now freely traded through an exchange operated by the independent Alberta Electric System Operator (AESO). In the spot market operated by the AESO, competing generators submit price bids for specific amounts of electricity. The maximum bid accepted becomes the pool price for that hour. The AUC continues to ensure that power facilities are built, operated, and decommissioned in an economic, efficient, and environmentally responsible way.

If Alberta has restructured its electric industry, why are transmission and distribution still fully regulated?

Transmission and distribution remain fully regulated because they are considered to be natural monopolies. It wouldn't make economic sense to have more than one set of wires and poles to deliver electricity to customers. Regulation is necessary to set the rates for services of those parts of the electric industry where competition is not practical or possible.

The AUC approves the distribution rates for investor-owned and certain municipally owned wire owners to ensure that they are just and reasonable. Delivery charges for other distributors continue to be set by the applicable regulator—by municipal councils with respect to some municipally owned utilities and by the board of directors for Rural Electrification Associations (REAs). However, since January 1, 2006 the AUC approves transmission tariffs for the municipalities of Calgary, Red Deer, Lethbridge and Edmonton.

The transmission tariffs provide the wire owners with income for the use of their facilities. While wire owners continue to own the transmission lines, the AESO now administers the province's transmission system. Its role is to

provide buyers and sellers with nondiscriminatory access to the market and to ensure that the transmission system is reliable and operated efficiently. More information on the role of the AESO may be found on the Web at

www.aeso.ca.

What is a rate application?

A rate application to the AUC is required when an investor owned distributor or a RRO provider want approval to change their rates. The rate application is typically dealt with in a two-phase process. The first phase determines how much revenue the utility requires to operate and earn a fair return on its investment. The second phase determines the amount of revenues that should be recovered from each rate class; this is predominantly based on the cost to provide service to the rate classes. The second phase of an application also reviews the terms and conditions of service.

Most rate applications are approved during the course of an oral public hearing, with the exception of those handled in a written process or a negotiated settlement. Hearings are a quasi-judicial process following the rules of natural justice with formal procedures. The typical hearing steps are

- receipt of application
- issuance of a public notice of hearing
- interrogatories to applicant
- intervener evidence
- interrogatories to interveners
- possible rebuttal evidence
- hearing
- argument and reply (usually written)

In the case of a negotiated settlement process, the utility negotiates its rates with representatives of customer groups, with the AUC acting as an observer. Once negotiations have been successfully concluded, rates determined by a negotiated settlement have to be filed with and approved by the AUC before they can take effect.

As part of AUC policy, a decision must be issued within 90 days of the close of the proceeding, whether it included a hearing or was a negotiated settlement process, with written reasons for the Commission's findings.

What do I pay for when I pay my electricity bill?

Rates that Regulated Rate customers pay reflect charges for each of the three major services described above—generation, transmission, and distribution. You have always paid for all three services, but the charges have not always been separated on your bill. This has changed under deregulation, and separate charges are now shown on your bill.

The **Distribution and Transmission** charges on your bill recover the costs incurred by the distribution company to get electricity service to customers. These charges include the design, maintenance, and financing of the electric system as well as meter reads.

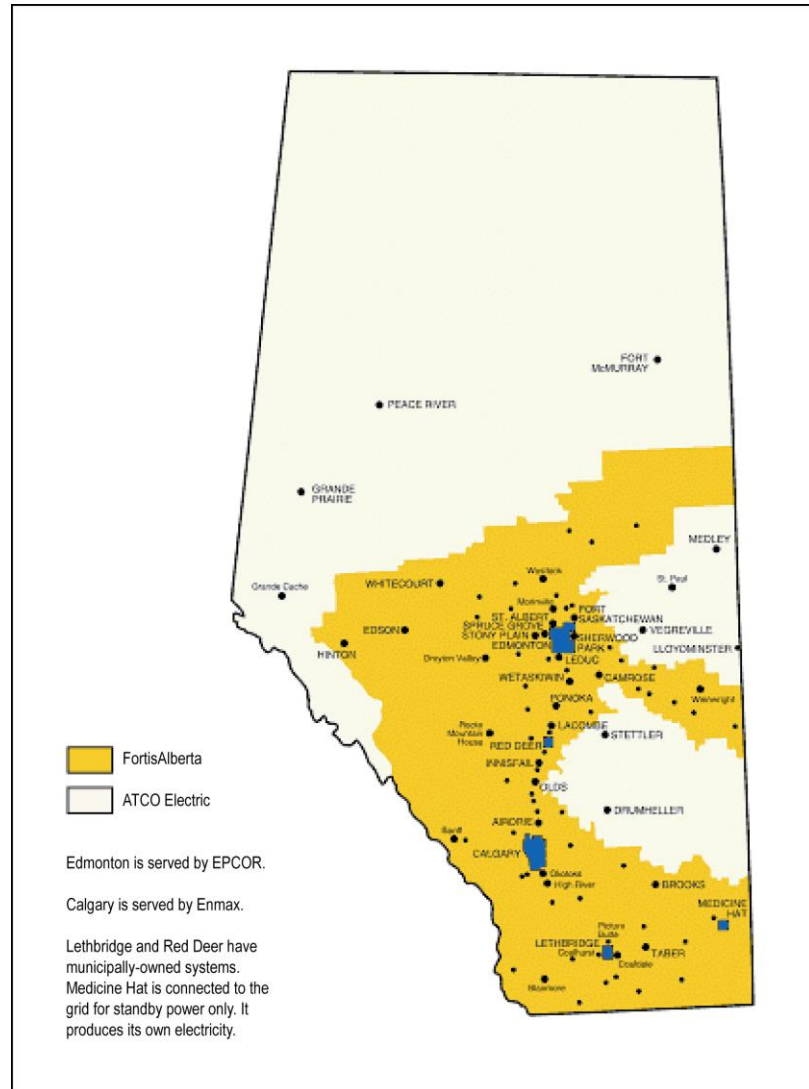
The **Local Access Fee** is billed on behalf of some municipalities through a franchise agreement with your wire service owner. It is designed to recover the fee paid by the distributor to the municipality for the use of public right-of-way land.

Rate Riders are widely used within regulated businesses in Alberta and within the electricity industry. Rate riders are a temporary surcharge or refund to be applied to all customers in a given rate class for a defined period of time. A rate rider is designed to collect or refund a specific amount over a period of time. A rider can appear either as a credit or a debit, depending on the costs incurred by the utility.

What are deferral accounts, and how do they affect my bill?

Deferral accounts are used for cost items that are difficult to forecast or are highly volatile in price. In essence, there is an “approval in principle” of the deferred item, but these items are still subject to a prudence review in a future AUC hearing. There are many examples of items that are placed in deferral accounts or given deferral accounting treatment. These include pension costs, financing costs, purchased power costs, variances in income tax rates, and variances in income tax deductions. Deferred amounts may be recovered by rolling the amount forward to be included in future base rates or via a specific rate rider, as noted above.

What are the service areas for electricity?



What is the regulated rate option (RRO), and who is eligible for this rate?

To ensure continuity of service, the majority of electricity customers in Alberta are not required to make a choice respecting retailers. Residential and farm customers, as well as small commercial and industrial customers whose annual consumption of electricity does not exceed 250 000 kilowatt hours (kWh), are able to remain on a regulated rate. The RRO will continue with a blend of short- and long-term hedges, providing protection and certainty to consumers while encouraging the development of competitive markets and expanded customer choice.

The regulated rate option is basically a pass-through of costs associated with procuring the electric energy. This energy charge forms one component of customers' bills. Other charges recover the costs of transmission and distribution wires, local access fees, and other billing and administrative costs.

The AUC is responsible for establishing the regulated rate for customers within the service areas of ATCO Electric and FortisAlberta, and within the City of Edmonton and the City of Calgary. Other wire owners, including municipalities such as Red Deer, Lethbridge, and the Crowsnest Pass and REAs are required to file their RROs with the AUC for information purposes only.

What happens if I am not eligible for a regulated rate?

Commencing January 1, 2001, customers not eligible for the RRO who had not yet chosen a retailer started to receive service from a default supplier at an unregulated rate. These customers are entitled to leave default supply upon giving three days' notice if they wish to obtain service from a competitive retailer.

Whom do I contact if I have inquiries or concerns about my electricity service?

Concerns about service problems, such as outages, and meter reading issues should be raised with your wires company, the distribution utility. Any concerns respecting your billing should be raised with your retailer.

Regulated Retailers for Electricity:	Toll-Free Phone Number:	Electricity Distributors:	Toll-Free Phone Number:
Direct Energy	1-888-420-3181	ATCO Electric	1-800-668-2248
Regulated Services			
ENMAX Energy (Calgary customers)	310-2010	ENMAX Power (Calgary Customers)	1-877-579-7999
EPCOR Energy (Edmonton Customers)	(780) 412-4000	EPCOR Distribution and Transmission (Edmonton Customers)	(780) 412-4500
EPCOR Energy Alberta (Fortis Customers)	310-4300	FortisAlberta (formerly 310-WIRE (9473) Aquila)	

Where can I find current delivery and RRO rates?

Current rates can be found on the AUC Web site at www.auc.ab.ca or by calling Consumer Relations at 780-427-4903; to call toll free, dial 310-0000 first, then enter 780-427-4901 and press 1. Alternatively, you may contact your retailer directly.

What are the terms and conditions of service, and who must abide by them?

Terms and conditions of service are approved by the AUC in rate applications to provide guidelines, regulations, and rules for the distribution company, the retailer and the customer to adhere to respecting the non-rate aspects of service. You agree to abide by the terms and conditions of service by

accepting electricity service. Copies of the terms and conditions of service may be obtained from your retailer, your distribution company or the AUC website at www.auc.ab.ca. The purpose of the terms and conditions of service is to bring guidance and standardization in quality of service and clarity on specific contentious issues. Only provincial and federal legislation would supersede any or all portions of the terms and conditions of service.

When may a utility disconnect my service?

Pursuant to the [Electric Utilities Act](#), the Distribution Tariff Regulation amendment of January 9, 2004, an electricity distributor may not disconnect a residential or farm rate customer for nonpayment of a retailer's bill at any time during the period from October 15 to April 15 or at any time when the temperature is forecast to be below 0° Celsius in the 24-hour period immediately following the disconnection. However, the distributor is allowed to install a device to limit or reduce the amount of electric energy provided to the customer during this period.

A distribution company may terminate service without notice for evidence of actual or threatened danger to life or property, safety violations, energy theft, or fraud or if there is any tampering with any company facilities.

Failure to receive a bill does not release you from your obligation to pay the retailer. If your account has not remained in good standing with a retailer and a disconnection notice (whether by letter, collection call, notice on the billing statement, or some other valid form of communication) has been issued, you are required to contact the financial collection department of the retailer to make payment arrangements that are satisfactory to the retailer. These payment arrangements are binding like a contract, and if you fail to complete the terms agreed upon, disconnection of service may occur without further notice (*except during the period from October 15 to April 15 or when the temperature is expected to be below 0°C 24 hours after the disconnection*). Prior to having the service reconnected, the retailer may request payment of

- any amount owing to the retailer,
- the applicable reconnection fee (as per terms and conditions of service rate schedule), and
- a security deposit, if required according to the terms and condition of service.

What is a security deposit and when is it required?

A security deposit is money paid to a retailer for a predetermined dollar value for a specific amount of time to secure payment when a customer has not been able to demonstrate credit worthiness. Any bad debt expense incurred by the utility is an expense that can be recovered through the rates of all customers. Therefore it is essential that all debt is recovered and the customer

pays for the service provided.

A retailer can request a deposit or increase an existing deposit for reasons such as:

- customer cannot demonstrate a satisfactory credit rating,
- customer paid a bill late more than once in a specific time period,
- customer's cheque has been returned for insufficient funds in a specific time period,
- there has been a substantial increase in customer's average monthly consumption, or
- customer requests reconnection of service after having been disconnected for nonpayment.

The retailer has the sole discretion to waive a security deposit. The maximum deposit varies as per the approved terms and conditions of service for each retailer. A deposit may be applied against any outstanding balance for unpaid bills. The security deposit is returned when your service is terminated and the account is closed or when a satisfactory payment history is achieved. After a specified period of on time, full payments, the retailer is required to return the deposit and pay interest to the customer for the money held in trust. For specific guidelines and time frames, refer to the appropriate retailer's approved terms and conditions of service.

What are the types of meters, and how often must my meter be read?

The types of meters available for measurement of consumption are interval and cumulative meters. Interval meters are for high-usage (industrial) customers and are designed to measure consumption on an hourly basis, as electric energy is priced on an hourly basis. Cumulative meters are used for residential, farm, and small general service (non-industrial) sites to measure the ongoing flow of energy; it is not measured at a specific time but is the accumulated consumption over a period of time. In addition, an automatic meter reading device can be used with a cumulative meter. This device electronically transmits the meter reading back to the distribution company. For sites not equipped with the automatic meter reading device on the cumulative meters, the distribution company generally attempts to read the meter every other month.

Frequency of meter reading has been established as part of the Settlement System Code. Previously, the Settlement System Code was overseen by AESO, however as of January 1, 2008 it is overseen by the AUC. Under these rules, electric distributors are required to make reasonable attempts to obtain an actual meter reading every two months. The AUC also approves the practice of estimating consumption during a period when a meter reading has not been taken. While attempts are made to read the meter every two months, under revisions to the [Electric Utilities Act](#), distributors are required to

obtain an actual meter reading at least twice a year at sites where consumption is metered. The distributor then uses these meter readings to calculate their delivery charges. The distributor sends their delivery charges and the consumption information to the retailer so that the retailer is able to accurately bill customers the distributor's delivery charges and their own energy charges.

What do I do if I think my meter is registering inaccurately?

If you have concerns regarding the amount of metered consumption showing on your bills, you should contact the distributor. If you aren't satisfied with the response from the wire service provider, you may contact Measurement Canada to have the meter in question tested or calibrated, subject to a fee at your expense. If the meter in question is found to be accurate within the limits prescribed from time to time by Measurement Canada, no adjustment will be made to your billings. However, if the test of the meter discloses that it is not accurate within the prescribed limits, then any meter handling and meter testing fees you paid will be refunded and your billings will be adjusted accordingly.

You may contact Measurement Canada in

- Edmonton at 780-495-2491
- Calgary at 403-292-5606

What if I am unhappy with the service provided by my utility company or need further information?

Concerns about service problems, such as outages, and meter reading issues should be raised with your distributor. Any concerns respecting your billing should be raised with your retailer. If you are still dissatisfied after speaking directly with the distributor and/or the retailer, you may contact the AUC for assistance.

The AUC deals with complaints respecting those companies that it regulates. The AUC regulates all investor-owned and some municipally owned distribution utilities and certain RRO providers, to ensure that they are providing customers with safe and adequate service at just and reasonable rates.

It is important to understand that the AUC's authority to deal with your complaint is limited to certain legislated powers, which mainly include the terms, conditions, and rates under which a regulated utility provides services to its customers. In some situations, your dispute may be beyond the AUC's jurisdiction.

What are Service Quality and Reliability Plans, and how do they affect the level of service provided by utilities?

Owners of electric utilities have always been required to provide safe and adequate service. In 2003, pursuant to the *Electric Utilities Act* (EUA), the AUC gained the legislative authority to make and enforce rules respecting service quality standards of electric utilities. This legislation authorizes the AUC to impose penalties on distributors and regulated retailers and require the payment of credits to customers as compensation for a retailer's failure to meet the rules respecting service quality standards.

On December 19, 2003, the AUC's predecessor, the EUB, issued *Directive 002*, now known as *Rule 002*, and *Directive 003*, now known as *Rule 003*.

Rule 002 sets out the standards by which a distributor's performance will be measured, and requires the distributor to monitor and report the results of its performance in these areas. While *Rule 003* sets out the standards by which the retailer's customer service performance will be measured, and likewise requires the retailer to monitor and report the results of its performance in these areas.

At this time, the only penalty provision is in *Rule 003*, which allows for a \$75 credit from the retailer for customers disconnected from service because of the retailer's error.

How do I make a formal complaint to the AUC?

The [Public Utilities Act, formerly the Public Utilities Board Act](#), and the Alberta Utilities Commission Act grant the AUC the jurisdiction and power of investigation of utilities and rates.

If you contact your utility regarding your concerns and are not satisfied with the response, please contact the AUC by telephone, letter, fax, or e-mail, detailing the nature of the issue, the facts surrounding the complaint, and the action you would like to have taken. **Please note that complaints need to be received in writing to proceed to a more formal review level at the AUC.** This correspondence must indicate your permission for the AUC to investigate the matter on your behalf and allow the utility to release personal information to the AUC.

AUC Edmonton Office

Phone: 780-427-4903

Fax: 780-427-6970

E-mail: utilitiesconcerns@auc.ab.ca

Address: 10055 - 106 Street, Tenth floor, Edmonton, Alberta T5J 2Y2

You can also consult the AUC's *AUC Information No. 5: Utility Concerns: How to Make a Complaint to the AUC*, which may be of assistance. This series of questions and answers is available on the AUC Web site at www.auc.ab.ca, along with a Customer Complaint Form for your convenience.

What happens to my complaint?

AUC staff will let you know by letter, e-mail, or telephone that the AUC has received your written complaint. If we do not need an explanation from the utility in question, we will send you information directly from our office. However, usually we contact the utility first and have it report back to us or to you regarding your inquiry. We will then review the utility's response and contact you by letter, explaining our findings. Sometimes a public hearing may be required to resolve the complaint. If you are not satisfied with the resolution or information provided, you may contact the AUC for further clarification. This process will not change the rates and regulations approved by the AUC in current decisions.

What happens if my complaint is outside the AUC's jurisdiction?

For information on **competitive retailers** of natural gas and electric power, contact the *Utilities Consumer Advocate* (UCA) from anywhere in Alberta at 310-4822 or check out the UCA's Web site at www.ucahelps.gov.ab.ca.

For questions about services provided by **competitive retailers** of natural gas and electric power, contact them directly.

You might also consider pursuing concerns you have with a distribution company, regulated retailer or a competitive retailer through the Office of the Utilities Consumer Advocate (UCA). Alberta's appointed UCA and his staff hear and deal with concerns about utility service in the province. They monitor complaints to identify patterns and trends and provide an analysis of this information to consumers, utilities, government, and regulators to make sure consumer concerns are heard. A key function of the UCA is monitoring proceedings of the AUC and other regulatory bodies to ensure that decisions take residential, small business, and farm customer concerns into account. They may directly intervene in regulatory proceedings or put consumers in touch with like-minded individuals or groups already making their case before the regulators. You can reach the UCA by phone anywhere in Alberta at 310-4822; by e-mail at ucahelps@gov.ab.ca; or on the Web at www.ucahelps.gov.ab.ca.

Although the UCA does not duplicate the investigation procedures of the AUC, it will be able to monitor a complaint to ensure that future regulatory proceedings address the customer's concerns.

For concerns about **municipally owned utilities**, contact your local service provider, local council members, or mayor. The AUC has limited authority over these utilities, restricted to investigating complaints when a consumer believes rates are discriminatory, improperly imposed, or fail to conform to the rate structure established by the municipality. The only exception is that effective

January 1, 2004, the AUC assumed full jurisdiction over the electrical distribution and regulated rate option (RRO) and terms and conditions of service of EPCOR in the City of Edmonton and ENMAX in the City of Calgary.

For **Rural Electrification Associations (REAs)**, contact the directors of the specific REA or

The Federation of REAs
 #100 – 115 Portage Close
 Sherwood Park, Alberta T8H 2R5
 Telephone: (780) 417-3396
 Toll free: (1-877) 717-3496

The AUC also has limited jurisdiction to hear complaints about the distribution tariffs of REAs.

What protection do customers have regarding service provided by competitive retailers?

Retailers wishing to sell to the core market—comprising residential, farm, and small businesses consumers—have to be licensed by *Service Alberta* under the *Fair Trading Act* and post a \$1 million bond. They also have to follow a strict code of conduct with respect to the marketing of their services to the core market. If you choose to sign a competitive retail market contract as an agreement for electric supply to your site, you have a 10-day “cooling-off” period during which you may cancel the contract.

If you have questions, further information about licensing requirements of licensed retailers is available on the Service Alberta Web site at www.servicealberta.ca or by calling the Consumer Services division toll free at 1-877-427-4088.

Where can I learn more about my options?

To learn more about the emerging electricity and natural gas marketplaces and the choices that Albertans may now make regarding their utility services, you are encouraged to visit the *Utilities Consumer Advocate* Web site at www.ucahelps.gov.ab.ca.

Additional Information

For additional information on the AUC or its processes or if you have general questions about utilities in the province of Alberta, contact the AUC: Monday to Friday (8:00 a.m. - 4:30 p.m.), at 403-592-8845. Complaints about your utility service can be directed to Consumer Relations at 780-427-4903 (for toll free access, dial 310-000 then enter 780-427-4901 and press 1).

This AUC Information No. 3 is one in a series.

- [No. 1](#) *What Is the Alberta Utilities Commission?*
- [No. 2](#) *Having Your Say at an EUB Hearing*
- [No. 3](#) *Electricity and the EUB*
- [No. 4](#) *Natural Gas Utilities*
- [No. 5](#) *Utility Concerns: How to Make a Complaint to the AUC*

AUC Offices

Head Office	403-592-8845
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Fifth Avenue Place
400, 425 First Street SW
Calgary, Alberta T2P 3L8

Edmonton Office	780-427-4901
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HSBC Bldg.
Tenth Floor, 10055 – 106 Street
Edmonton, Alberta T5J 2Y2

To call the above numbers toll free, dial 310-0000.