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# Memorandum

**TO:** Chairman's Executive Committee  
**FROM:** Darcy Mazurkewich, Head, Utility Audit and Compliance Group  
**DATE:** March 21, 2006

**RE: REGULATORY AUDIT REPORT – ENMAX POWER CORPORATION**

Attached is the audit report arising from the regulatory audit of ENMAX Power Corp. that we completed recently. Also attached is management's response to the audit report.

As noted in the report, we determined that ENMAX Power Corp. has effective controls for their Regulated Retail Tariff Billing processes. In addition, the transactions tested with respect to these processes were complete and accurate, properly supported, timely, and in accordance with applicable regulatory requirements. There were some minor observations arising from the audit, which were discussed and cleared with management during the course of the audit. The observations were not sufficiently significant to warrant being included in the audit report.

As noted in the final paragraph, we received the full cooperation of ENMAX Power Corp. management and staff throughout the audit process.

If you have any comments about the attached, please call me at 297-7365.

*<Approved for distribution by>*

Darcy Mazurkewich

cc: Bob Heggie, Executive Manager, Utilities Branch  
Allan R. Buchignani, President and Chief Operating Officer, ENMAX Power Corp.



Alberta Energy and Utilities Board  
640-5<sup>th</sup> Avenue S.W.  
Calgary, AB  
T2P 3G4

Attention: Mr. Darcy Mazurkewich  
Audit and Compliance Group

Dear Sir:

**Subject: Enmax Power Corporation  
Regulatory Audit Report #2006-001  
Regulatory Audit of the RRT Billing Process for the  
12-month period Ended December 31, 2005**

ENMAX Power Corporation  
141 - 50 Avenue SE  
Calgary AB T2G 4S7  
Canada  
enmax.com

Allan R. Buchignani  
*President and  
Chief Operating Officer*  
Tel (403) 514-2665  
Fax (403) 514-1412  
abuchignani@enmax.com

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ENMAX Power Corporation (EPC) appreciates the opportunity to review and respond to the Regulatory Audit Report as conducted by the EUB. We understand that this response will be appended to the above noted Audit Report #2006-001 and posted to the EUB website.

The management of EPC has reviewed the report and is pleased that the results reflect our commitment to maintaining high quality operational processes and internal controls while remaining compliant to regulatory standards.

We believe the report to be complete, accurate, and reflective of the findings communicated by the EUB during the audit process. As discussed, EPC will review and address those areas of minor exceptions.

We would like to thank the EUB for their accommodation of our internal schedules and commend the Audit Team for their Professional manner and conduct throughout the audit process.

Should you have any questions or concerns please feel free to contact me at (403) 514-2657.

Sincerely,

Allan R. Buchignani  
President and Chief Operating Officer  
ENMAX Power Corporation

cc: Roy Nesbitt, VP, Billing Retail and Regulated Services  
Grant Weismiller, Director, Regulatory Affairs, EPC



# ENMAX Power Corporation

Regulatory Audit of the RRT Billing Process for the  
12-Month Period Ended December 31, 2005

March 2006

Audit Team:

Darcy Mazurkewich  
Nick Iannone

**ALBERTA ENERGY AND UTILITIES BOARD**

Regulatory Audit Report #2006-001: ENMAX Power Corporation  
Regulatory Audit of the RRT Billing Process

March 2006

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Alberta Energy and Utilities Board  
640 – 5 Avenue SW  
Calgary, Alberta  
T2P 3G4

Telephone: (403) 297-8311

Fax: (403) 297-7040

Web site: [www.eub.gov.ab.ca](http://www.eub.gov.ab.ca)

## Objectives and Scope

The overall objective of the assignment was to conduct a regulatory audit of the financial and operational controls over the Regulated Rate Tariff (RRT or retail) billing processes of ENMAX Power Corporation (EPC).

The audit included a review of the RRT billing operations, the associated financial information and related regulatory requirements. Sample transactions were tested and a review of the controls over key components of the billing process was performed for the 12-month period ended December 31, 2005. The audit resulted in the expression of an opinion on the effectiveness of the controls and procedures with respect to this key activity, as well as an indication of whether the activity conforms to regulatory requirements.

This audit is the first of a series of annual audits that will be carried out at EPC as part of a three-year regulatory audit plan. The plan has been developed to audit key activities of utilities that are regulated by the Alberta Energy and Utilities Board (EUB) and that have been determined to be of interest to stakeholders in the regulatory process. The key objective of the audits is to instill greater confidence in the regulatory process on the part of all stakeholders through an independent, professional review of the selected activities. At the end of the three year period, a new plan will be developed to address the next three-year cycle.

The activities examined during this audit were selected following a review of financial information provided to the EUB by EPC, as well as a review of Decisions arising from applications made to the EUB by EPC during the two-year period ended December 31, 2005. These applications dealt with billing regulations, energy price setting negotiated settlements, regulated rate tariffs, distribution tariffs, energy price setting plans for 2004 and 2005, continuation of the provision of regulated rate tariff service, energy and non-energy price components, and various rate riders.

The Audit and Compliance group of the EUB's Utilities Branch carried out the assignment between January 30 and February 24, 2005, when the closing meeting was held with management.

## Overview

With the passage of the new Electric Utilities Act, SA 2003, c.E-5.1, EPC came under the jurisdiction of the Board for approval of its Distribution and Regulated Rate tariffs in the Calgary service territory effective January 1<sup>st</sup>, 2004.

EPC is a wholly owned subsidiary of ENMAX Corporation which is a wholly owned subsidiary of the City of Calgary. EPC builds, owns, and maintains the electrical distribution and transmission system serving the Calgary area. Maintenance of the distribution system includes managing the functions of revenue metering, meter data management, customer enrolment services, load settlement and wholesale billing. EPC also provides some or all of these services in Red Deer, Fort Macleod, Cardston, and the Municipality of Crowsnest pass.

Under Alberta Regulations 168/2003 (the RDS Regulation) and 262/2005 (Regulated Rate Option Regulation) EPC as a wires owner is responsible for the provision of the Regulated Rate Tariff billing option for eligible residential and commercial customers. As of January 1<sup>st</sup> 2001

EPC had arranged for ENMAX Energy Corporation (EEC) which is also a wholly owned subsidiary of ENMAX Corporation to perform all the duties and functions of EPC under the RDS Regulation. EEC and EPC entered an agreement effective July 1<sup>st</sup> 2005, assigning to EPC responsibility for the management of the RRT Process, as well as responsibility to manage all customer billing and customer care services for EEC. This agreement covers both RRT customers and customers on competitive contracts. In addition EPC manages the billing of the City of Calgary water services customers. It is notable that EEC remains legally responsible for the provision of the RRT option under these arrangements.

The billing and customer care function that EPC manages is contracted to and performed by Accenture Business Services for Utilities (ABSU).

The Regulated Rate Tariff is a regulated power pricing option available to all eligible residential, farm and small commercial customers in Alberta. This option provides a “transition” or “hedged” rate to eligible customers until June 30, 2010. By hedging most of the RRT energy requirements, i.e. acquiring electricity in advance of customers consuming the energy, customers are provided with an opportunity to pay a relatively stable rate for energy within a given year.

## **Audit Coverage**

### **The Customer Billing Process**

In 2004 and 2005 ENMAX invested significant time and effort into improving their billing process after having “experienced some operational issues” with their billing practices as noted in their 2004 annual report.

In the twelve-month period ended December 31, 2005, EPC billed on average 347,000 RRT customer sites each month in the Calgary service area. Total RRT billed revenue was in excess of \$208 million excluding distribution charges

EPC through its contractor ABSU bills all customers on a monthly basis. Bill statements are generated for each customer account, and may include charges for competitive electricity and non-electric services, as well as charges for RRT electricity consumption. As a result, there is a single daily billing run, which combines the charges for all of the respective services into one bill statement for each customer account.

On a daily basis tens of thousands of transactions are generated by EPC’s wholesale systems and are feed into the RRT bill process along with thousands of other transactions from other wire service providers for competitively billed customers. These transactions include meter readings, meter details, enrolments, energization status changes, distribution tariff charges, and details regarding customer move-ins or move-outs. In 2005 EPC attempted to read each customer meter once a month which was evident based on the small number sample bill statements tested having estimated consumption.

These wholesale transactions are validated in the RRT bill process to ensure that they are reasonable before being used in the bill process. In addition validations are in place to capture bill statements generated with deviations from defined standards, in order to cancel the statement and issue a correct statement before it is sent to the customer. Both controls were tested during the audit.

The following is a summary of the significant procedures tested and the audit work done.

- The key components, procedures, control points, issues, and risks associated with the RRT customer billing process were identified.
- These items were reviewed to determine whether related procedures and controls were adequate and tests were conducted to determine their effectiveness in practice.
- Alberta Regulations, EUB Decisions, and EUB Directives were reviewed and the related regulatory requirements were identified and built into the audit tests in this section.
- A sample of RRT customer bill statements was selected covering the twelve-month period, and tests were carried out to verify that the selected items were complete, properly supported and accurate. The audit team also tested that the customer bill statements and revenues were recognized in the correct entity and time period; and were in accordance with regulatory requirements.
- A sample of transactions used as inputs to the billing process was selected, and tests were carried out to verify that the bill statements issued to customers were consistent with the original information.
- EPC's validation and reconciliation controls to ensure completeness of data inputs and completeness of bill statements, were reviewed and tested for completeness, ownership, and timeliness.
- Reports pertaining to billing accuracy were reviewed to verify compliance with the requirements of Board Directive 003.

The audit conclusion is that ENMAX Power Corporation has an effective process for controlling the regulated rate tariff customer billing process, and that billing transactions were complete and accurate, properly reviewed and supported, generated on a timely basis, and were in accordance with regulatory requirements.

### **Principal Audit Findings and Overall Conclusion**

Overall, the financial and operational controls over the selected key activity of ENMAX Power Corporation were effective and the related transactions were in accordance with regulatory requirements. Some minor exceptions of non-material amounts were noted. These items were brought to the attention of management along with suggestions to help improve the effectiveness of the related procedures. Management provided their responses to these items, including an appropriate timetable for dealing with the matters noted. These items however, were not considered of sufficient significance to warrant inclusion in this report.

We thank the management and staff of ENMAX Power Corporation for their very valuable help and cooperation during the audit. We appreciate the time and effort that they made to provide the audit team with detailed explanations and answers to our queries.