GOVERNMENT OF ALBERTA

Annual Report

Affordability and Utilities

2022-2023

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each ministry.

On October 24, 2022, the government announced new ministry structures. As such, some responsibilities were transferred from the Ministries of Energy; Service Alberta; and Agriculture, Forestry and Rural Economic Development to the Ministry of Affordability and Utilities. The 2022–23 Annual Report reflects the 2022–25 ministry business plans, the Government of Alberta Strategic Plan, and the ministry's activities and accomplishments during the 2022–23 fiscal year, which ended on March 31, 2023.

The Annual Report of the Government of Alberta contains Budget 2022 Key Results, the audited Consolidated Financial Statements, and Performance Results, which compare actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Affordability and Utilities contains:

- the Minister's Accountability Statement;
- the ministry's Financial Information;
- Results Analysis, which compare actual performance results to desired results set out in the ministry business plan;
- the financial statements of entities making up the ministry, including the Alberta Utilities Commission and the Balancing Pool, for which the minister is responsible; and
- other financial information as required by the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*, as separate reports, to the extent that the ministry has anything to report.

Each Ministry Annual Report should be considered along with the Government of Alberta Annual Report to provide a complete overview of the government's commitment to openness, accountability, and fiscal transparency.

Minister’s Accountability Statement

The ministry’s annual report for the year ended March 31, 2023, was prepared under my direction in accordance with the *Fiscal Planning and Transparency Act* and the government’s accounting policies. All of the government’s policy decisions as at June 6, 2023, with material economic or fiscal implications of which I am aware, have been considered in the preparation of this report.

[Original signed by]

Honourable Nathan Neudorf
Minister of Affordability and Utilities

Message from the Minister

It is my great pleasure to present the inaugural report of the Ministry of Affordability and Utilities for the 2022–23 fiscal year. This report summarizes the major achievements of the department and highlights key initiatives in support of Government of Alberta strategic priorities.

Fiscal 2022–23 was largely defined by one of the worst inflation and affordability periods in nearly half a century. The Ministry of Affordability and Utilities was created in October 2022 to lead the coordination of the government's actions to help reduce costs for Albertans while also working across government and utilities to chart a more affordable path for the future. Throughout the fall of 2022 and winter of 2023, Affordability and Utilities focussed on working with other departments to provide timely, effective relief where it was needed most.

The cornerstone of that work was the coordination and implementation of a suite of affordability measures that was the largest inflation relief package of its kind in Canada, including broad-based support for all Albertans and targeted measures for families, seniors, and vulnerable Albertans who rely on government benefits. Key initiatives delivered by Affordability and Utilities helped to keep energy affordable, including:

- the Electricity Rebate Program, which provided electricity rebates totalling $500 to help more than 1.9 million homes, farms, and businesses manage high electricity costs during the winter;
- the Natural Gas Rebate Program, which provides cost certainty and price protection to more than 1.6 million families, farms, and businesses; and
- the Regulated Rate Option (RRO) Stability Program, which protected consumers from high winter utility rates by setting a temporary ceiling on the RRO rate of 13.5 cents per kilowatt hour for January, February, and March 2023, with those deferred costs to be spread out over 21 months.

In addition, in 2022–23 the department worked to advance a modern, safe, and reliable utilities system that meets the everyday needs of all Albertans, attracts investment, and supports job creation. This work included:

- developing the *Electricity Statues (Modernizing Alberta's Electricity Grid) Amendment Act* to help lower long-term energy costs while attracting investment in the electricity sector and maintaining system reliability;
- providing education, mediation, and regulatory interventions through the Utilities Consumer Advocate to increase consumer engagement and direct cost savings for Alberta's small-business, farm, and residential consumers of electricity, natural gas, and water; and
- investing over $5.8 million to support rural gas and electricity infrastructure expansion and upgrades.

I want to express my sincere gratitude to everyone at Affordability and Utilities for their hard work and dedication to serving Albertans during what was a uniquely challenging time.

Moving forward, the department will continue to build on the successes from 2022–23 to keep Alberta affordable for years to come.

[Original signed by]

Honourable Nathan Neudorf
Minister of Affordability and Utilities

Management's Responsibility for Reporting

The Ministry of Affordability and Utilities includes the:

- Department of Affordability and Utilities,
- Alberta Utility Commission, and
- Balancing Pool.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations, and policies.

Ministry business plans, annual reports, performance results, and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports, and other financial and performance reporting.

Responsibility for the integrity and objectivity of the accompanying ministry financial information and performance results for the ministry rests with the Minister of Affordability and Utilities. Under the direction of the Minister, as senior executives, we oversee the preparation of the ministry's annual report, which includes the financial information, performance results on all objectives and initiatives identified in the Ministry Business Plan, and performance results for all ministry-supported commitments that were included in the 2022–25 Government of Alberta Strategic Plan. The financial information and performance results, out of necessity, include amounts that are based on estimates and judgments. The financial information is prepared using the government's stated accounting policies, which are based on Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliable – information used in applying performance measure methodologies agrees with the underlying source data for the current and prior years' results.
- Understandable – the performance measure methodologies and results are presented clearly.
- Comparable – the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Complete – outcomes, performance measures and related targets match those included in the ministry's Budget 2023.

As senior executives, in addition to program responsibilities, we are responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control that give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance, and the Minister of Affordability and Utilities the information needed to fulfill their responsibilities; and

- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Planning and Transparency Act*.

In fulfilling our responsibilities for the ministry, we have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by]

Stephanie Clarke
Deputy Minister of Affordability and Utilities

June 6, 2023

Results Analysis

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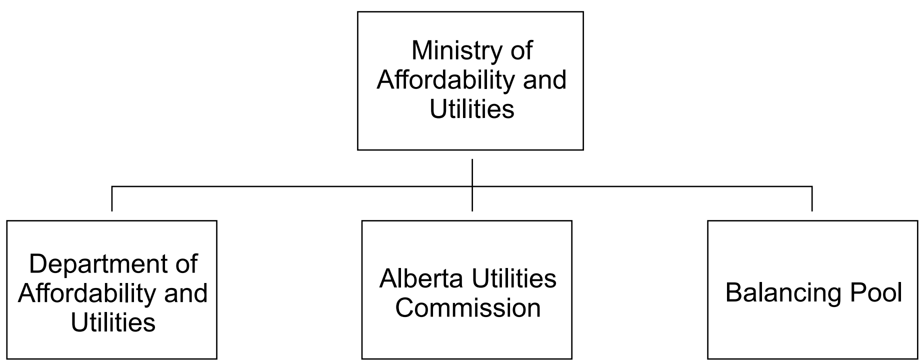
Ministry Overview

The Ministry of Affordability and Utilities leads and coordinates the government's ongoing efforts to make everyday life more affordable for Albertans. Affordability is a significant challenge facing Albertans today, and the Government of Alberta has taken action to address the rising cost of living. This includes Alberta's Affordability Action Plan, announced in November 2022, which includes a suite of initiatives to help Albertans manage the impacts of inflation. The ministry has taken a leadership role in the development and coordination of this Plan, delivering broad-based inflation relief to Albertans, with specific targeted supports for families, seniors, and vulnerable Albertans.

The Ministry of Affordability and Utilities is responsible for the province's utility systems, ensuring Albertans can reliably power and heat their homes and businesses. In addition, the ministry works to ensure a safe, reliable, and affordable electricity system for all Albertans.

A more detailed description of the Ministry of Affordability and Utilities and its programs and initiatives can be found at www.alberta.ca/affordability-and-utilities.aspx.

Organizational Structure



The Department of Affordability and Utilities

- Leads the government's ongoing efforts to make everyday life more affordable for Albertans.
- Manages policy, legislation, regulation, and programming related to the generation, transmission, distribution, and retail and wholesale markets for electricity to support a competitive, safe, reliable, and affordable power system for Albertans.
- Manages policy, legislation, regulation, and programming related to the distribution and retail marketing of natural gas to ensure a competitive, safe, reliable, and affordable supply of natural gas for retail gas consumers.
- Manages the policy and programs supporting the expansion and upgrading of rural utility infrastructure.
- Represents, educates, and supports residential, small-business, and farm consumers of electricity and natural gas through the Utilities Consumers Advocate—an integral part of the Ministry.

The Alberta Utilities Commission

- Regulates investor owned electric, natural gas and water utilities, and certain municipally owned electricity utilities to ensure customers receive safe and reliable utility service at just and reasonable rates.
- Independently makes decisions on the need, siting, construction, alteration, operation, and decommissioning of natural gas utilities' facilities and electricity transmission facilities.
- Regulates power plants in a similar fashion, except the need for new power plants, which is determined by market forces.
- Develops and amends rules that support the orderly operation of the retail natural gas and electricity markets, and adjudicates on market and operational rule contraventions that the Market Surveillance Administrator may bring before the Alberta Utilities Commission.
- Ensures that the delivery of Alberta's utility services takes place in a manner that is fair, responsible, and in the public interest.

The Balancing Pool

- Supports a fair, efficient, and openly competitive electricity market in Alberta by performing the legislated duties and responsibilities set out in its mandate.[1]

[1] For more information, see "Dissolving the Balancing Pool" section on page 26.

Key Highlights

The Ministry of Affordability and Utilities was established to deliver immediate cost-of-living and inflation relief while also working across government and with utility providers to support long-term affordability.

The ministry also works to advance a modern, safe, and reliable utilities system that meets the everyday needs of all Albertans, attracts investment, and supports job creation.

Some key highlights in 2022–23 include:

- Led the development and coordinated implementation of Alberta's Affordability Action Plan, which included a total of $2.9 billion in affordability supports in the 2022–23 fiscal year.
- Delivered the Electricity Rebate Program, whereby Albertans received rebates on their electricity bills from July 2022 to April 2023. In total, the Government of Alberta has provided $500 in rebates to each of about 1.9 million homes, farms, and businesses. Rebates total nearly $1 billion.
- Introduced the Natural Gas Rebate Program to ensure Albertans are protected from spikes in natural-gas rates. Any time the regulated retail natural-gas rates exceed $6.50 per gigajoule, eligible Albertans will receive rebates automatically on their utility bills.
- Developed the *Regulated Rate Option Stability Act* to protect Albertans from price increases on electricity charges. This provided for the Regulated Rate Option (RRO) Stability Program that protected consumers from high winter utility rates by setting a temporary ceiling on the RRO rate of 13.5 cents per kilowatt hour for January, February, and March 2023.
- Developed the *Electricity Statues (Modernizing Alberta's Electricity Grid) Amendment Act* to help lower long-term costs while attracting investment in the electricity sector and maintaining system reliability.
- Continued to use education, mediation, and regulatory interventions through the Utilities Consumer Advocate to achieve increased consumer engagement and direct cost savings for Alberta's small-business, farm, and residential consumers of electricity, natural gas, and water.
- Invested over $5.8 million to support rural gas and electricity infrastructure expansion and upgrades.

Further information about these initiatives can be found in this report's discussion and analysis of results under Outcome One and Outcome Two.

Discussion and Analysis of Results

Actions that Support the Priorities of the Government of Alberta Strategic Plan

Priority One:
Enhancing Government services now and for the future

Objective Three:

Supporting Albertans most in need

Red Tape Reduction

When it was created in 2022, the Ministry of Affordability and Utilities assumed responsibility for regulations and regulatory reforms formerly managed by Alberta Energy; Alberta Agriculture, Forestry and Rural Economic Development; and Service Alberta. The Ministry of Affordability and Utilities remains committed to regulatory approaches and program delivery that improve access to government services, attract investment, support innovation and competitiveness, and grow Alberta businesses.

Since 2019, when the Government of Alberta committed to cutting existing regulations by one-third to reduce costs, speed up approvals, and make life easier for Albertans and businesses, the Ministry of Affordability and Utilities and its agencies have reduced regulatory requirements by 37 per cent, exceeding the target of 33 per cent for fiscal year 2022–23. Some of the Red Tape Reduction initiatives completed in 2022–23 include changes to the *Rural Utilities Act* that support the sustainability of Rural Electrification Associations and new rules from the Alberta Utilities Commission that allow for time-saving, checklist-based applications for generators below a certain threshold. This was in addition to the ongoing efforts from the Alberta Utilities Commission to reduce hearing times and ongoing adjustments by the Alberta Electric System Operator to improve efficiencies and remove duplication in reporting requirements.

Outcome One:

Everyday life is more affordable for Albertans

Throughout fiscal year 2022–23, inflation was elevated to levels not seen in several decades. The Ministry of Affordability and Utilities led and coordinated the Government of Alberta's inflation relief response in 2022–23. In turn, Albertans and Alberta businesses were supported during elevated inflation to manage their cost of living and conduct business.

Coordination of Affordability Initiatives

The Government of Alberta is focused on timely, effective action to help reduce or alleviate the current cost-of-living pressures, while also identifying policy options to reduce inflation and cost of living over the long term.

The actions taken in 2022–23 to support affordability have been a collaborative government effort involving numerous ministries and organizational units. Budgets and program leadership are dispersed across the Government of Alberta. Overall, the Government of Alberta provided a total of $2.9 billion to affordability supports in the 2022–23 fiscal year. This allocation is part of the total $8.7 billion in forecast spending on affordability supports planned between the 2021–22 and 2025–26 fiscal years. This spending represents one of the most comprehensive packages to support citizens with the cost of living of any province or territory in Canada.

In April 2022, the Government of Alberta introduced several measures to address some of the affordability challenges caused by inflation. Those measures included:

- **Fuel Tax Relief Program**.[2] This program provided relief by suspending the provincial tax on gasoline and diesel based on the price of West Texas Intermediate (WTI) crude oil. When average WTI prices exceeded $90 a barrel, the program paused the collection of the full 13-cents-per-litre fuel tax. The Government of Alberta introduced a fuel tax collection pause in April 2022 and in October 2022. When oil prices eased, the government reintroduced partial tax collection at the rate of 4.5 cents per litre.
- **Natural Gas Rebate Program.**[3] Most households, small apartment buildings, farms, and small industrial and commercial businesses were eligible for rebates if regulated natural-gas rates exceeded $6.50 per gigajoule between October 1, 2022, and March 31, 2023. This was later extended to provide year-round protection. Rebates were not issued in 2022–23, as the cost of natural gas did not reach the trigger price of $6.50 per gigajoule.
- **Electricity Rebate Program**.[4] Beginning July 2022, Albertans received a $50 rebate on their electricity bills for each month from July to December 2022.

Subsequently, in November 2022, the Government of Alberta announced the Affordability Action Plan, which included:

- Issuing $600 payments, covering the period January to June 2023, for each dependant child and senior in households whose 2021 adjusted income was less than $180,000; and payments of $600 for Albertans on the following core-benefits programs: Assured Income for the Severely Handicapped (AISH), Income Support (IS), Alberta Seniors Benefit (ASB), and the Persons with Developmental Disabilities program (PDD).[5]

[2] Led by Treasury Board and Finance.

[3] Led by Affordability and Utilities; see page 18 for more information about this program.

[4] Led by Affordability and Utilities; see page 18 for more information about this program.

- Resuming the resumption of a full pause on collection of the fuel tax from January to June of 2023, regardless of oil prices. The tax collection rate would then revert to WTI price-based triggers. By the end of 2022, the program had saved Albertans an estimated $850 million in fuel tax relief. Albertans continue to pay some of the lowest gas prices in Canada.[6]
- Extending the electricity rebate program into 2023 by issuing $75 rebates on Albertans' January and February bills, and $25 rebates on their March and April bills.[7]
- Indexing social-assistance support for AISH, ASB, IS, and the Alberta Child and Family Benefit (ACFB) also provided much needed relief to Albertans.[8]
- Establishing a price-stability mechanism for electricity customers on the Regulated Rate Option.[9]
- Providing funding for food banks and low-income transit passes.[10]
- Establishing the relief on fuel tax and the natural gas rebate program as permanent programs to be activated at certain price trigger points.

Within the 2022–23 fiscal year, the Government of Alberta announced further affordability supports to Albertans, including:

- Pausing private passenger auto insurance rate increases.[11]
- Negotiating an agreement with the federal government to increase the number of non-profit child-care spaces and to introduce a child-care subsidy for families with children up to kindergarten age and that earn up to $180,000 annually.[12]
- Expanding the $600 affordability payments to those receiving the Canada Pension Plan Disability Benefit.[13]
- Providing supports to post-secondary students, including student loan interest and repayment supports, capping tuition increases, and increasing the Alberta Student Grant.[14]

2022–23 Aggregate Impacts of Alberta's Affordability Action Plan[15]

Alberta's affordability measures have had a significant impact on offsetting the effects of inflation on Albertans. In 2022–23, it is estimated that Alberta's affordability measures reduced the impact of inflation by over 50 per cent for the average Alberta family with two children.

The consequence of the broad-based relief mechanisms on fuel and utilities was that the rate of inflation in Alberta was reduced. Fuel tax relief, electricity rebates, and the RRO price deferral mechanism lowered the price of these commodities for consumers. In turn, this reduced the rate of inflation. In the 2022 calendar year, Alberta, along with Newfoundland and Labrador, had the lowest rate of inflation in the country (6.4 per cent compared to the national rate of 6.8 per cent).[16] In March of 2023, Alberta's inflation rate was 3.3 per cent year-over-year, compared to 4.3 per cent at the national level.[17] Electricity prices in Alberta fell 45.6 per

[5] Led by Seniors, Community and Social Services.

[6] Led by Treasury Board and Finance.

[7] Led by Affordability and Utilities; see page 18 for more information about this program.

[8] Led by Children's Services and Seniors, Community and Social Services.

[9] Led by Affordability and Utilities; see page 19 for more information about this program.

[10] Led by Seniors, Community and Social Services.

[11] Led by Treasury Board and Finance.

[12] Led by Children's Services.

[13] Led by Seniors, Community and Social Services.

[14] Led by Advanced Education.

[15] This analysis covers the impacts of Alberta's child benefit, senior benefit, and electricity and fuel rebates. See Performance Measure and Indicator Methodology, beginning on page 36, for more information.

cent in January, the largest monthly decline on record.[18] Gasoline prices reflected a year-over-year decline of 6.4 per cent.[19]

For moderate- and middle-income Alberta households, Alberta's affordability measures have had an even greater impact. Estimates indicate that for Alberta households in the $50,000 to $100,000 income range, Alberta's affordability measures reduced the impact of inflation by 68 per cent for the average couple with two children, and by 87 per cent for the average senior couple in this income range.

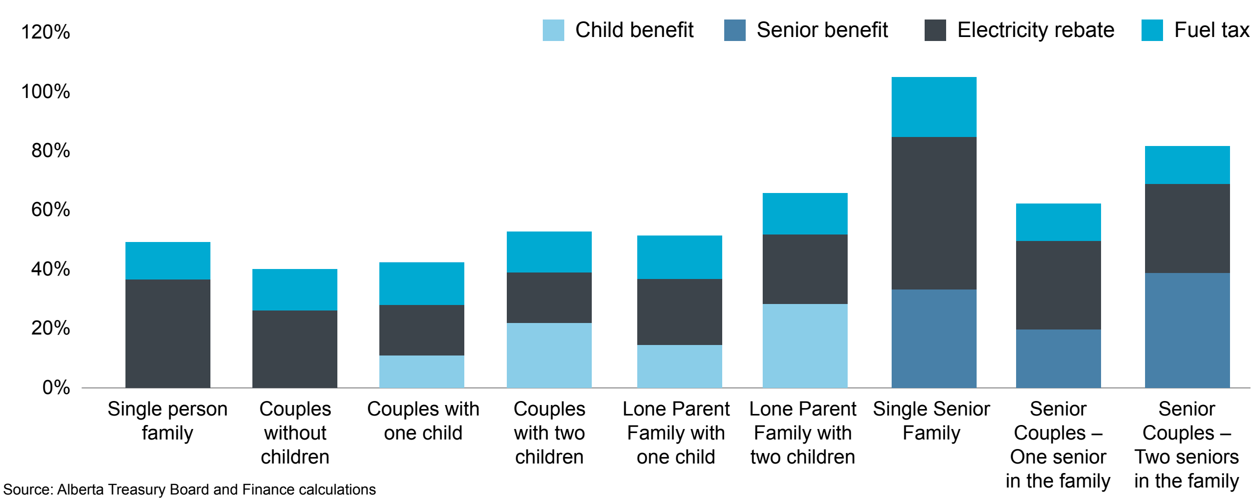
The estimated inflation offset was the highest for the single-senior household, with an average offset of 105 per cent, meaning that for this household type, affordability program benefits exceeded the estimated impact of inflation in 2022–23. The average Alberta senior couple had over 80 per cent of inflation offset through Alberta's affordability measures.

The estimated inflation offset was the lowest for couples without children. Nevertheless, on average, 40 per cent of inflation was offset in 2022–23 for this group through the electricity rebates and fuel tax relief programs.

The individual effects of the various affordability measures in offsetting inflation are summarized in the chart below. Some highlights include the following:

- For the children's benefit, it is estimated that this benefit alone offset nearly 30 per cent of inflation in 2022–23 for single parents with two children (on average).
- The senior benefit offset 50 per cent of inflation for the average senior couple with an income below $50,000.
- On average, electricity rebates offset 17 per cent of inflation for families with children, over 50 per cent for single-senior households, and 36 per cent for single-person households.
- The fuel tax relief measure offset between 12 per cent and 19 per cent of inflation in 2022–23, depending upon family type and income.

2022–23 Impact of Alberta affordability measures in offsetting inflation



Source: Alberta Treasury Board and Finance calculations

[16] https://www150.statcan.gc.ca/n1/daily-quotidien/230117/cg-b005-eng.htm

[17] https://www150.statcan.gc.ca/n1/daily-quotidien/230418/t002a-eng.htm

[18] https://www.auc.ab.ca/current-electricity-rates-and-terms-and-conditions/

[19] https://www150.statcan.gc.ca/n1/daily-quotidien/230221/dq230221a-eng.htm

Affordability and Utilities will continue to monitor the impact of the supports put in place and will identify new approaches or mechanisms that may be required as cost-of-living pressures evolve.

Reporting on affordability initiatives implemented by other ministries can be found in the annual reports of their lead ministries. For initiatives led by Affordability and Utilities, more information can be found later in this report.

Natural Gas Rebate Program

In April 2022, the Government of Alberta announced the Natural Gas Rebate Program to help Albertans pay for high winter heating costs. The program began on October 1, 2022. In November 2022, the Government of Alberta announced it would make the program year-round under the Affordability Action Plan. The program provides price protection for more than 1.6 million Alberta households, small apartment buildings, farms, and small industrial and commercial operations:

- Albertans connected to the natural-gas distribution system and who use less than 2,500 gigajoules (GJ) of natural gas annually.
- Albertans who are not connected to the natural-gas distribution system or who use other heating fuels, such as propane, kerosene, and heating oil. Monthly and yearly limits apply. See the table below:

	Monthly Limit	Yearly Limit
Propane (litres)	16,334	97,925
Heating Oil (litres)	10,780	64,625
Kerosene (litres)	11,068	66,350
Non-connected Natural Gas (gigajoules)	417	2,500

Rebates are triggered if regulated monthly natural gas rates exceed $6.50/GJ. Rebates will cover the difference between $6.50/GJ and the highest regulated rate for that calendar month. For example, if the highest monthly rate is $7.50/GJ, all eligible consumers would get rebates on their bills, covering $1 for every gigajoule consumed. Regulated natural gas providers did not charge more than $6.50/GJ during the initial program period, October 2022 to February 2023; consequently, rebates were not issued.

More information on the Natural Gas Rebate Program can be found at https://www.alberta.ca/affordability-programs.aspx.

Electricity Rebate Program

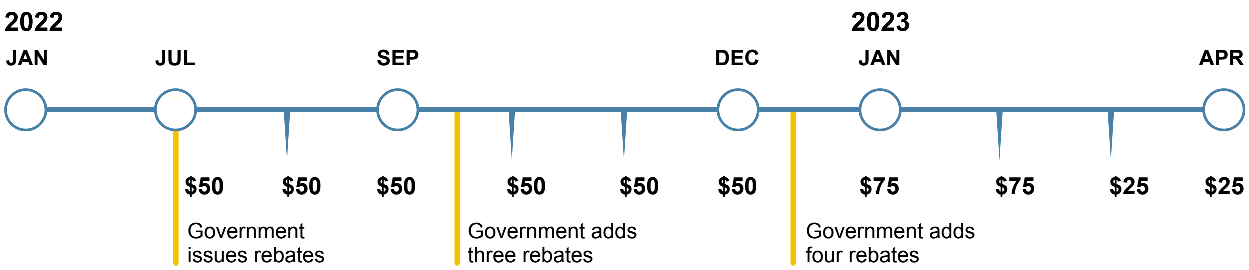
In April 2022, the Government of Alberta announced the Electricity Rebate Program to help eligible Albertans pay for high electricity costs during the winter of 2022.

The program originally applied $150 in rebates via three $50 installments to Albertans' January, February, and March 2022 utility bills. Authorizing the rebates required that the government draft new legislation, which pushed rebate issuance to July 2022 for the January through March bills. In July 2022, the Government of Alberta added three more $50 rebates to the original rebate schedule (for October, November, and December 2022). In December 2022, the Government of Alberta added another $200 to the rebate schedule

Did you know?

Electricity costs in Alberta fell 45.6 per cent in January 2023, compared with December 2022, the largest monthly decline on record. The decline follows a provincial initiative to reduce electricity rates and increase the provincial electricity rebate.

via two $75 rebates, one each in January and February 2023, and two $25 rebates, one each in March and April 2023. Overall, the government provided $500 in rebates over the ten-month program, ending in April 2023. Refer to the timeline below.



To implement the program, Affordability and Utilities:

- Ensured consumers received their rebates in a timely fashion. Rebates were designated as bill credits titled "GOA Utility Commodity Rebate".
- Ensured retailers and distributors complied with program requirements, such as including the rebates as line items on utility bills.
- Will reimburse reasonable costs and expenses incurred by retailers and distributors when complying with new legislation, in addition to paying the rebate amounts. Eligible costs include costs of system and bill formatting charges to accommodate and administer the rebate program. Retailers and distributors may apply for cost reimbursements until July 31, 2023.

More information on the Electricity Rebate Program can be found at https://www.alberta.ca/affordability-action-plan.aspx.

Regulated Rate Option Stability Program

Alberta operates in an open, competitive electricity market that allows Albertans to choose between regulated rate providers or retailers to provide their electricity. Electricity rates for the Regulated Rate Option (RRO), the default price for those who have chosen not to or are unable to sign a competitive contract, have been experiencing record highs.

To help RRO customers pay their electricity bills, the government introduced the *Regulated Rate Option Stability Act*, which the Lieutenant Governor proclaimed on December 15, 2022. The act established the RRO Stability Program. Under the program, the Government of Alberta placed a price ceiling of 13.5 cents per kilowatt-hour (kWh) on electricity charges for residential RRO customers for January, February, and March 2023. Utility providers deferred any costs above the price ceiling until the end of March 2023, after which they will recover those costs over a 21-month "levelized" recovery period, which will occur from April 2023 to December 2024. This temporary price ceiling ensured price certainty for nearly 800,000 consumers on their utility bills for the three months it was in place.

Residential customers in Alberta consume on average 600 kilowatt-hours (kWh) per month. The table below shows the effect the RRO Stability Program had on the average electricity bills for Albertans who are RRO customers.

	Examples	Jan	Feb	Mar
Actual RRO Rate (¢kWh)	600 kWh 28.64 ¢kWh X $171.84	28.64	31.91	20.05
Actual Energy Bill (for 600kWh; before price ceiling applied)		$171.84	$191.46	$120.30
Deferred Energy Bill (600kWh; after price ceiling applied; deferred amounts to be collected over 21 months)		$90.84	$110.46	$39.30
Adjusted Energy Bill (for 600kWh; after price ceiling applied)	600 kWh 13.5 ¢kWh X $81.00	$81.00	$81.00	$81.00

Notes:
• The increase to the electric energy charge is forecast to range between two and four cents per kilowatt-hour over the 21-month “levelized” recovery period.
• The energy bills above do not include the electricity rebate.

The Alberta Utilities Commission and the Market Surveillance Administrator report program information each month to the Minister, including the status of deferral accounts, amounts that have been recovered from customers, accumulated interest on deferral amounts, and any other information the minister requires.

The Ministry of Affordability and Utilities provided $222 million in interest-free loans for RRO providers to mitigate the impact of interest costs on consumers and to support RRO providers in remaining financially viable while administering the program on behalf of the government. This strategy aligned with the Government of Alberta’s priority of minimizing the amount that RRO customers are billed during the repayment period. Due to the interest-free nature of the loans, the government had forgone $10 million in interest.

While Affordability and Utilities offered the loans to all RRO providers, all but four RRO providers took this financial option to help. Beginning in June 2023, these four providers will be able to recover interest charges at the AUC’s approved rate of prime plus 1.75 per cent.

The Electricity Rebate Program and the Regulated Rate Option Stability Program taken together contributed to Alberta having a lower rate of inflation compared to other provinces and lower than the national rate. Both measures supported consumers directly on the price they pay for electricity. As a result, the rate of inflation was lowered by these measures for the months they were in place.

Remote Area Heating Allowance Program

The Government of Alberta established the Remote Area Heating Allowance (RAHA) program in the early 1980s under the *Heating Oil and Propane Rebate Act* and Rebate Authorization Regulation to help rural Albertans pay for heating costs in areas without economical access to natural-gas services. The program benefits Albertans who live in rural and remote areas, Indigenous communities in remote areas (about 61 per cent of claims), and farmers without access to sufficient volumes of natural gas to dry their grain. The program differs from the alternative fuels component of the Natural Gas Rebate Program since that program addresses spikes in utility bills.

Providing natural-gas services to Alberta’s remote rural communities, especially communities in northern and western Alberta, at levels equivalent to that in urban areas is a challenge. Low populations, growing farm sizes, and expanding economic diversification efforts make the challenge harder to meet. While the Rural Gas Program expanded natural-gas service to over 80 per cent of rural Alberta from 1973 to the present, supply and service remains uneconomical for some Albertans or is unavailable in many remote northern communities, especially Alberta’s Indigenous communities. These Albertans must use expensive fuels such as propane and heating oil to heat their homes. Grain dryers also increased demand on the program because the high volume of natural gas required for today's large grain dryers often exceeds the volume of gas that the existing distribution system can provide without extensive, costly upgrades.

Program rebates are based on volume established by the Rebate Authorization Regulation. The program provides rebates for up to 18,185 litres (4,000 gallons) of propane, 12,275 litres (2,700 gallons) of heating oil, or a proportionate combination of both for each calendar year. Rebates equal about 25 per cent of heating costs, to a maximum equivalent of 450 gigajoules of natural gas. Applicants learn about the program through their local gas distributors, their propane suppliers, or word of mouth.

Affordability and Utilities has not set specific targets for the RAHA program because it is consumer driven. The government tracks the annual number of successful applicants and value of claims made based on the four categories of eligibility: primary residence, commercial, not-for-profit, and grain dryers. Winter weather conditions drive variations in program expenditures; cold winters generally lead to an increase in applications and higher rebate values. Similarly, wet fall harvest conditions increase demand for grain drying. Over the past 20 years, the program has processed over 47,000 claims, valued at close to $22.9 million in rebates directly to eligible Albertans. Annually over this period, the program provided approximately $1.14 million for 2,354 claims, an average claim being $485. The following table shows annual results for the past five years:

	2018–19	2019–20	2020–21	2021–22	2022–23
Number of Approved Applications	2,421	2,936	2,484	1,984	2,012
Amount of Average Rebate	$637	$598	$557	$525	$604
Total Rebates Paid	$1,541,497	$1,755,946	$1,382,467	$1,042,172	$1,214,949

For 2022–23, the program processed over 2,000 claims, valued at over $1.2 million in rebates directly to Albertans. These amounts break down as follows:

	Primary Residence	Commercial	Not-for-Profit	Grain Dryers	Total
Number of Approved Applications	1,787	140	42	43	2,012
Amount of Average Rebate	$483	$1,839	$1,500	$756	N/A
Total Rebates Paid	$862,031	$257,427	$62,982	$32,509	$1,214,948

The Utilities Consumer Advocate[20]

Established in 2003, the Utilities Consumer Advocate (UCA) has a mandate to advocate on behalf of consumers on regulatory decisions before the Alberta Utilities Commission as well as to provide information, education, and consumer mediation. It specifically serves Alberta's small-business, farm, and residential electricity, natural-gas, and water consumers.

The Office of the UCA is established under the *Government Organization Act* and the Utilities Consumer Advocate Regulation. The overall UCA program is budgeted at $6.7 million annually, actual

Winter Awareness Campaign

In 2022–23, $1.1 million was budgeted for a UCA winter utilities awareness campaign, which launched on December 26, 2022. The advertising campaign of radio, internet, and billboard ads encourages consumers to visit the UCA website to learn more about options that could save them hundreds of dollars this winter. Since the campaign began, daily traffic to the UCA website has increased by more than 500 per cent with an average of over 5,000 users daily.

[20] The UCA supports both outcomes of the Ministry of Affordability and Utilities: Everyday life is more affordable for Albertans; Albertans benefit from a safe, reliable, and affordable utilities system.

2022–23 expenditures being $6 million. The UCA is funded through a levy on utilities, 80 per cent coming from the Balancing Pool for electricity consumers and 20 per cent coming from natural gas distributors for gas consumers. The $6.7 million equates to about 25 cents on the average monthly consumer bill in 2022–23 and is easily offset by the benefits of the UCA's regulatory advocacy to consumers.

The UCA educates consumers via the www.ucahelps.alberta.ca website, UCA and Government of Alberta social media channels, and the UCA Consumer Outreach Program. Consumers visited the UCA website 815,745 times between April 1, 2022, and March 31, 2023, a 16 per cent increase over the 2021–22 reporting period. The UCA's Winter Utility Awareness Advertising campaign likely drove this increase in visits.

The UCA Mediation Program is run through a call centre staffed by mediation officers. Mediation officers provide objective, independent information and mediation services to support consumers with advice and resolve disputes between utilities and consumers. Mediation officers also provide advice and information to consumers about their retail options in the Alberta market. The centre received 21,927 calls and conducted 623 mediations between April 1, 2022, and March 31, 2023. Compared to the same period in the prior year, calls and mediations were reduced. This decrease follows a winter price shock that occurred last year and that prompted a large volume of calls and led many consumers to switch their retail plans. Winter prices were high again this year, but the increase had precedent from the previous year, and the government introduced the Regulated Rate Option Stabilization Program, which alleviated the immediate impact to consumers.

The regulatory program is focused on prioritizing submissions to the Alberta Utilities Commission and emphasizing that affordable utility rates are a significant factor in business competitiveness. Thirty-one regulatory proceedings delivered decisions that cited UCA evidence. The Alberta Utilities Commission agreed with UCA evidence 61 per cent of the time, resulting in utility provider costs of $63 million not being passed on to consumers (cost disallowance). The UCA's rolling three-year average of cost disallowances is down from $181 million to $146 million for 2022–23. This decrease results from two main factors: the Alberta Utilities Commission conducted fewer proceedings, which led to less opportunities to achieve cost disallowances, and several of the traditionally "high value" rate proceedings were deferred, decisions not being expected until the 2023–24 fiscal year.

The UCA releases its own annual reports, which are available at https://ucahelps.alberta.ca/annual-report.aspx.

Performance Indicator 1.b: Alberta annual inflation rate compared to national[21]

Alberta / Canada (Per cent change)		2018	2019	2020	2021	2022
	All Items	2.5 / 2.3	1.7 / 2.0	1.1 / 0.7	3.2 / 3.4	6.5 / 6.8
	Food	1.6 / 1.9	3.7 / 3.4	2.6 / 2.3	2.7 / 2.5	8.3 / 8.9
	Energy[22]	14.8 / 6.7	-3.5 / -2.2	-3.7 / -7.6	26.0 / 18.9	20.9 / 22.6
	Shelter	2.3 / 2.1	2.4 / 2.5	1.3 / 1.7	3.2 / 3.9	6.6 / 6.9

Government has limited tools available to control the rate of inflation, but in 2022–23 some of the policy tools employed, notably the electricity rebates and the fuel tax relief, did reduce the headline rate in Alberta.

The annual inflation rate for all items is the growth in the calendar-year average of the Consumer Price Index (CPI). It declined from 1.5 per cent in 2017 to 1.1 per cent by 2020, and then rose to 3.2 per cent in 2021. The annual inflation rate for 2022 was 6.5 per cent, the highest since 1982, when it was 11.3 per cent.

Between 2019 and 2021, inflation in Alberta was above the national average for food and energy but below the national average for shelter. In 2022, Alberta inflation fell below the national level for all items, including food, energy, and shelter. Overall consumer inflation in Alberta has receded somewhat in the first three months of 2023, but some CPI component categories continue to increase. When considering the March 2022 to 2023 period, Alberta had the lowest rate of inflation of all provinces at 3.3 per cent:

March 2022 to March 2023[23]	% Change
Canada	4.3
Newfoundland And Labrador	3.4
Prince Edward Island	3.9
Nova Scotia	4.6
New Brunswick	4.2
Quebec	4.7
Ontario	4.3
Manitoba	5.2
Saskatchewan	4.9
Alberta	3.3
British Columbia	4.7

[21] For more information, see the Performance Measure and Indicator Methodology section of this report on page 36.

[22] Note: Energy includes gasoline, natural gas, and electricity prices.

[23] https://www150.statcan.gc.ca/n1/daily-quotidien/230418/t002a-eng.htm.

Outcome Two:

Albertans benefit from a safe, reliable, and affordable utilities system

A safe, reliable, and affordable utilities system is critical to meeting the everyday needs of all Albertans. The Ministry of Affordability and Utilities will advance a modern and competitive utilities system that attracts investment, supports job creation, and upholds the public interest of Alberta.

Modernizing Alberta's Electricity Grid

The Government of Alberta introduced the *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act* to help lower long-term costs, while attracting private investment in the electricity sector and maintaining system reliability. The act aims to integrate new technologies and innovations into Alberta's electricity system by enabling energy storage and self-supply with export, and by instituting a planning framework for the distribution system to help plan for electric vehicles, renewable power sources, and other distributed-energy resources. Additionally, the act begins the first phase of dissolving the Balancing Pool, reducing the number of agencies in the electricity sector and saving costs accordingly.

To develop the act, the government held extensive stakeholder engagement beginning in 2020. The Government of Alberta initially introduced the act in the fall of 2021. After requests for additional input were received, the Government of Alberta undertook further engagement, amended the act, and introduced it as Bill 22 in the spring of 2022. The act received royal assent on May 31, 2022.

Upon proclamation, the act will achieve efficiencies and encourage investment in the following areas:

- Self-supply with export amendments will broadly enable previously restricted self-supply and export activities, opening new investment opportunities for on-site generation. This measure should help large consumers manage their costs, and it should increase supply and competition in the energy market.
- Energy storage amendments will clarify energy storage regulatory treatment, streamlining approvals and promoting regulatory certainty for energy storage investors.
- Dissolving the Balancing Pool will eliminate the agency's overhead costs. This measure will simplify the electricity agency framework by reducing the number of arms-length government organizations in the electricity sector.

There are currently 3,000 megawatts of energy-storage projects proposed in the coming years, and there are several self-supply and export projects pursuing regulatory approvals. Some of this investment is attributed to the anticipated changes to the electricity legislative framework.

Did you know?

About 30 per cent of Alberta's electricity demand was self-supplied in 2022.* Cogeneration located on industrial sites, especially in the oil sands, accounts for most on-site generation. Cogeneration allows electricity to be produced as a byproduct of other industrial activities and can supply the broader electricity grid. Self-supply with export is expected to increase when the act comes into force.

*excludes self-supply occurring on the distribution system, such as rooftop solar.

New Legislation, Amendments, and Red Tape Reduction

The Flare Gas Generation Regulation and the Payment in Lieu of Taxes Regulation were set to expire in the 2022–23 fiscal year. Since both regulations remain relevant and necessary, the Government of Alberta extended the Payment in Lieu of Taxes Regulation for three years and the Flare Gas Generation Regulation for five years.

The Flare Gas Generation Regulation provides exemptions for electricity generation fueled by solution gas, which would otherwise be flared from certain aspects of the deregulated electricity market. The regulation authorizes the Alberta Electric System Operator to request information related to the production of electricity from these units. The regulation provides a simplified avenue to repurpose solution gas for electricity generation rather than flaring it, thereby providing an economic use for producers while reducing emissions and improving local air quality.

The Payment in Lieu of Tax (PILOT) Regulation provides for fair competition and a level playing field between non-taxable municipally owned entities and taxable investor-owned entities competing in Alberta's electricity market. It requires municipal entities to make annual PILOT payments to the Balancing Pool in amounts equal to what they would otherwise pay in federal and provincial income tax if they were not tax-exempt. Treasury Board and Finance, Tax and Revenue Administration (TRA), administers the PILOT Regulation on behalf of Affordability and Utilities and the Balancing Pool.

Energy Storage

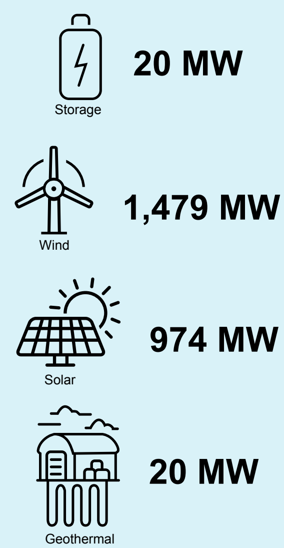
The *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act* will provide regulatory certainty surrounding the ownership of energy storage resources. Energy storage resources are unique assets that can act as generating units or loads or as non-wires alternatives for transmission and distribution services. Energy storage resources reduce costs by enabling producers to build more renewable energy resources and by potentially lowering the cost of new transmission and distribution infrastructure. Upon proclamation, the act will enable energy storage in Alberta in three ways:

- Formally define energy storage resources in relevant legislation to recognize its unique attributes.
- Allow transmission and distribution facility owners to own and operate energy storage resources under specific conditions.
- In most instances, enable the competitive procurement of energy storage for distribution and transmission services from market participants.

Alberta's deregulated electricity market has been able to attract 90 megawatts of energy storage resources. An additional 3,000 megawatts of energy storage are currently at various stages of development. Some of this increased investor interest may be related to the anticipated coming into force of the act.

Did you know?

Last fiscal year, Alberta added almost 2,500 megawatts (MW) of new generation capacity: 20 MW of storage, 1,479 MW of wind, 974 MW of solar, and 20 MW of geothermal.



Renewable Electricity

Alberta has some of the best wind and solar resources in Canada for power generation. Renewable-electricity developers benefit from these natural conditions and from credits associated with being non-emitting generators. Moreover, many renewable projects in Alberta can enter into power purchase agreements with companies interested in the green attributes, which are certificates of renewable electricity consumption that aid their environmental, social, and governance profiles. And Albertans benefit, as the renewable developments create construction and transportation jobs, additional electricity supply, and green energy.

Alberta's Renewable Electricity Program (REP) uses a contract-for-difference design, through which confidential strike prices are contractually agreed to with each REP participant. The government receives revenue when electricity pool prices are higher than the strike price and is obligated to fund generators when the pool price is lower than the strike price.

Federal Clean Electricity Regulations

Under the proposed Clean Electricity Regulations, Environment and Climate Change Canada (ECCC) is proposing to mandate a net zero greenhouse gas electricity grid in Canada by 2035. There are many unknowns associated with how the market will react to the policy and whether investments will occur given an assortment of incentives (tax credits, Technology Innovation and Emissions Reduction (TIER) credits) and penalties (carbon levy, high performance benchmarks). To champion the best interests of Albertans, Affordability and Utilities, the Alberta Electric System Operator, and Environment and Protected Areas (EPA) formed a working group and are collaborating on three initiatives:

- Engaging with ECCC to understand the Clean Electricity Regulations and to advocate for the Alberta context, especially the province's unique energy-only market structure, reliability requirements, importance of natural gas, and realistic technology-adoption and intertie assumptions.
- Engaging with Alberta electricity stakeholders to develop a position that is in the best interests of Alberta.
- Assessing the potential impacts of the Clean Electricity Regulations, with particular focus on the affordability and reliability of the system.

Dissolving the Balancing Pool

In 1999, when Alberta deregulated its electricity market, there were very few generators in the market, and all of them had strong market positions. The Government of Alberta created Power Purchase Arrangements (PPAs) as one of the first steps to deregulate Alberta's electricity market. PPAs promoted competition in the newly created energy-only market by separating ownership of the power plant from the right to sell power and auctioning it to outside parties. The Government of Alberta established the Balancing Pool to manage PPAs.

PPAs gave buyers the right to purchase electricity generated by contracted generators at fixed prices for specified periods of time. PPA electricity purchases were sold in the wholesale electricity market at the pool price. PPAs generated revenue when the pool price was above the contracted price, and they lost money when the pool price was below the contracted price.

PPAs expired at the end of 2020, eliminating the Balancing Pool's main responsibility. In 2021–22, the Government of Alberta reviewed the Balancing Pool's mandate to ensure it remained relevant and continued to serve the best interest of Albertans. The Government of Alberta decided to initiate the wind down of the Balancing Pool via the *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act*. Consequential regulatory amendments are under development. Once the act comes into force, the dissolution of the Balancing Pool will begin.

The Government of Alberta will dissolve the Balancing Pool in stages. The Balancing Pool will be downsized and will operate under a limited scope until it discharges its remaining expiring responsibilities, including repayment of the Balancing Pool's remaining debt and the conclusion of its legal matters, after which the agency and its board will permanently dissolve. The Government of Alberta will transfer the Balancing Pool's ongoing responsibilities to other entities.

Hydrogen Blending

The Alberta Recovery Plan and Alberta's Natural Gas Vision and Strategy, released in October 2020, recognize hydrogen as a key growth area for Alberta. The provincial Hydrogen Roadmap, released in November 2021, included consideration for legislative amendments to allow hydrogen blending in the natural-gas distribution system. The Roadmap also considered the potential for pure hydrogen heating.

On March 23, 2022, the Government of Alberta issued an order-in-council directing the Alberta Utilities Commission (AUC) to inquire into and report back to the Minister of Energy about matters relating to hydrogen blending into the natural-gas distribution system. The AUC's report suggested the Minister of Energy could consider legislative amendments to the *Gas Utilities Act* and *Gas Distribution Act* to enable hydrogen blending.

Affordability and Utilities is now collaborating with the Ministry of Energy and Minerals and the Ministry of Municipal Affairs to explore legislative requirements for hydrogen blending in the natural-gas utility system. This work is in its early stages. The Government of Alberta will establish appropriate performance metrics once it clarifies the scope of potential hydrogen blending and use.

Rural Electric Program

Rural electrification associations (REAs) have been distributing electricity to rural Albertans since the 1940s, contributing to rural economic and social development. The Ministry of Affordability and Utilities supports the construction of electrical services, such as wires, poles, and transformers, on Alberta's farms and ranches through Rural Electric Program grants. The Ministry of Affordability and Utilities delivers the grant to help electricity distributors provide services to farms and ranches in sparsely populated areas where providing these services would be uneconomical at the same level of service that they are provided in high-density areas. Distributors use program grants to build new distribution services or upgrade old ones.

Since March 2013, the Alberta Federation of Rural Electrification Associations Ltd (AFREA) has administered Rural Electric Program grants on behalf of the Ministry of Affordability and Utilities, using criteria developed in collaboration with the ministry.

Distributors apply to AFREA for grants on behalf of farms or ranches, which must be actively operating and must use the new services to augment their operations. AFREA determines eligibility for and processes the grants. The program awards grants of up to $5,250 for each service. There is no limit on the number of services held by any one grant recipient. The program is capped at $700,000, which includes administration costs. Through the program, rural Albertans have access to an efficient, modern electricity distribution system that is safe, reliable, resilient, and environmentally responsible.

Over the last five years, between 127 and 157 distributors applied to AFREA annually for grants. AFREA-awarded grants averaged between $3,747 and $4,156 per recipient. See the table below:

	2017–18	2018–19	2019–20	2020–21	2021–22[24]
Number of Applicants	132	148	142	127	157
Average Amount of Grant	$3,747	$4,156	$3,915	$4,129	$4,044
Total Amount of Grants Paid	$494,639	$615,170	$555,930	$524,473	$634,873

[24] Last full year of data, available as of March 31, 2023.

Rural Gas Program

Rural gas co-ops have been providing gas services to rural Albertans since the 1960s. Given low population densities throughout most of rural Alberta, coupled with increasing farm sizes and growing economic diversification efforts, providing natural gas services to thriving rural communities, particularly in remote areas of the province, is challenging. The Government of Alberta established the Rural Gas Program in 1973 to help expand and upgrade Alberta's rural natural gas pipeline system. The program awards grants to rural gas distributors to help them provide gas services to sparsely populated areas that are otherwise uneconomical to serve at the same level as Alberta's high-density urban and industrial areas. Distributors use the grants to build distribution services or upgrade aging infrastructure. Distributors apply to the program on behalf of their customers.

Since March 2013, the Federation of Alberta Gas Co-ops Ltd. has administered program grants through an agreement with the Ministry of Affordability and Utilities. The program awards grants to each applicant based on that applicant's construction activities from the prior year. Consumers see the impact of the grants in their utility bills, which would be noticeably higher without the grants.

The Ministry of Affordability and Utilities annually tracks the number of new rural gas services and kilometers of distribution pipeline installed across the province. The ministry does not set construction targets because new installations reflect consumer demand for rural utility services at specific points in time. Installation rates vary from year to year. Approximately 50 rural gas distribution utilities benefit from the program each year.

New installations make more-affordable natural gas available to areas in Alberta that currently use propane or heating oil to heat their homes. Households in these areas currently rely on the Remote Area Heating Allowance (RAHA), which rebates the higher costs of propane and heating oil. Although not specifically tracked and not easily measured, expanding natural-gas infrastructure into northern and western Alberta should help Albertans rely less on the RAHA.

By helping distributors expand natural gas to Alberta's remote communities, the Rural Gas Program potentially creates long-term jobs in rural Alberta. The Federation of Alberta Gas Co-ops Ltd. cites that its member utilities employ over 580 full-time positions, totalling $35 million in annual wages, in rural Alberta.

The program has been oversubscribed for several years, which illustrates the high demand for building new distribution infrastructure or upgrading old infrastructure. This demand is expected to further increase in the years ahead as Alberta's rural natural gas system continues to age. Budget 2023 increased funding for the program.

During the 2021–22 construction year[25], program recipients installed 2,164 gas services and built 949 kilometres of pipe. With over 142,000 kilometers of low-pressure natural-gas pipelines serving over 230,000 rural customers, Alberta's rural natural-gas distribution system is the largest of its kind in the world.

	2017–18	2018–19	2019–20	2020–21	2021–22
Gas Services Installed	2,052	2,462	2,225	1,930	2,164
Kilometres of Pipe	761	863	791	841	949
Amount Expended	$2,085,360	$2,525,265	$2,444,424	$2,380,595	$4,742,607

[25] Last full year of data, available as of March 31, 2023.

Rural Utilities Act Amendments

Rural utility associations supply electricity, natural gas, water, or sewage disposal to rural communities in Alberta. Associations are locally owned and operated, providing pride of ownership and building co-operative spirit in Alberta's rural communities. In recent years, the viability of these associations has been jeopardized, particularly the REAs, whose numbers have significantly declined since the 1980s. Associations have contemplated selling their assets to investor-owned utilities (IOUs) and dissolving. Doing so could decrease opportunities for rural utility associations to participate in rural economic development, which could negatively affect job growth in and benefits for rural communities.

To enable rural utility associations to expand their services, the Government of Alberta proposed two amendments to the *Rural Utilities Act* in May of 2022 under Bill 21 (*Red Tape Reduction Statutes Amendment Act, 2022*). The amendments allowed rural utility associations to diversify their offerings, such as offering fibre optic goods and services. The amendments also allowed REAs to purchase other REAs.

The sale of REAs to one another requires additional engagement with stakeholders, which the Government of Alberta plans to undertake in 2023–24. Through amendments to regulation, however, the provision of fibre optic goods and services proceeded in 2022–23 through amendments to the Rural Utilities Regulation that were proclaimed in March 2023. The amendments provided direction regarding the flow of cash to those utilities interested in pursuing a secondary line of business. Acceptable diversified offerings must provide tangible benefits for rural Alberta and consider potential impacts they could have on other local providers. By implementing these changes, the Government of Alberta reduced red tape, and these changes should improve the viability and sustainability of the co-operative utility delivery model in rural Alberta.

Alberta Utilities Commission

The Alberta Utilities Commission (AUC) is focused on improving how the province regulates utilities. It has produced strong efficiency results and continues to pursue new improvements, while exploring emerging regulatory issues and serving as a resource for the government.

Since 2008, when the AUC was established, it has been committed to continuous regulatory enhancement, process improvements, and streamlining. The AUC reaffirmed this commitment in 2020–21, when it prioritized modernizing its operations, mainly by improving its rates proceedings timelines and streamlining regulatory processes. This complemented organization-wide efforts to reduce red tape to increase investor confidence in Alberta's electricity sector. These goals were backstopped by the *Red Tape Reduction Act*, which mandated that by 2023 the AUC reduce by one-third the number of regulatory requirements in its 33 rules and that it reduce regulatory lag.

Through its oversight of the AUC, the Ministry of Affordability and Utilities is responsible for setting the legislative and policy framework for the AUC to ensure safe, reliable, and affordable electricity and natural gas for Albertans.

The cost of the AUC's activities in 2022–23 was $28.9 million and was fully funded by consumers through levies paid by regulated industry.

Process Improvement and Streamlining at the AUC

In 2022–23, within an overall effectiveness and efficiency agenda, the AUC's primary strategic pillar continued to be efficiency and limiting regulatory burden, supported by facilitating change in the utilities sector and ensuring the commission has the people resources to reach its goals. The AUC accomplished its goal to become one of the fastest and most effective regulators in North America. The efficiency and regulatory burden reduction program is intended to:

- Ensure consumers bear the lowest prudent cost of regulation.
- Make sure industry is not unnecessarily burdened by regulatory time and cost.
- Provide a regulatory regime that is cost-effective, timely, and proportionate.
- Underpin a positive investment climate in Alberta to support investment and job creation.

The AUC continued to implement third-party recommendations to improve its rates proceedings, to explore mediated settlements, and to streamline regulatory applications requirements. The AUC also continued to review its rules to modernize its approaches, address industry and stakeholder concerns, and reduce red tape. Some examples of rule reviews in 2022–23 include:

- Noise Control (Rule 012): The AUC launched a two-phase process involving significant stakeholder input to clarify Rule 012 and to streamline and improve regulatory processes related to the rule. The rule amendment also incorporates regulatory evolution around guidelines applicable to specific sound environments.
- Rules on Costs in Utility Rate Proceedings (Rule 022): The AUC continued to explore changes to Rule 022 to clarify the rule and to promote consistent, effective participation in AUC rates proceedings, while encouraging participants to reduce costs to consumers. The AUC uses a highly consultative approach to ensure changes help retain high-quality experts and allow ratepayers to be fairly and adequately represented in rates proceedings.

Additionally, to understand evolving regulatory issues and facilitate growth in emerging technologies, the AUC completed initiatives in many areas outside its rules, including:

- Upon direction from the government, completing an inquiry regarding hydrogen blending into Alberta's natural-gas distribution systems. Completed in roughly 100 days, the report provides observations and advice about how hydrogen blending might be accomplished in Alberta. The adoption of clean hydrogen has the potential to significantly reduce greenhouse gas emissions by 2030.
- To support and inform industry planning, continuing to investigate and explore the implications of changes to standards of service for new-home connections and associated maximum investment levels. An in-depth and iterative consultative process led the AUC to conclude that a proceeding process was required. Completed in December 2022, the proceeding set levels for 2023 for each of the distribution facility operators. A second proceeding will set rates for 2024 and future years.

The AUC has recorded material improvements in its regulatory performance and continues to mark further improvements. These improvements are based on a November 2020 third-party benchmarking report that compared the AUC's application and process timelines against similar North American regulators, and they include:

- As of March 31, 2023, the AUC had overall decreased the application-review time by 36.1 per cent. To reduce the full-cycle timeline, the AUC implemented new tools in the regulatory process, including assertive case management, application streamlining, and mediated settlements.
- Assertive case management, as recommended by third-party experts, had reduced proceeding timelines by 32.1 per cent as of March 31, 2023.
- Application streamlining, which includes the use of checklist applications, delegated authorities, and other expedited processes for low-risk applications, had reduced timelines by 48.2 per cent as of March 31, 2023.

- Mediated settlements reduced application times by 50.1 per cent as of March 31, 2023.
- On the facilities side, continuous process streamlining and a rationalization of application requirements reduced facilities application processing times by 19 to 32 per cent. At the same time, the number of applications increased by 15 per cent.

Cases started after November 2020 have been reduced to an average of 5.4 months, putting the AUC in the first quartile of performance among peer North American regulators. As of March 31, 2022, the AUC reported it had accomplished a 48.2 per cent reduction in the regulatory requirements set out in its rules, well ahead of the government's target of a one-third reduction of mandatory requirements by 2023.

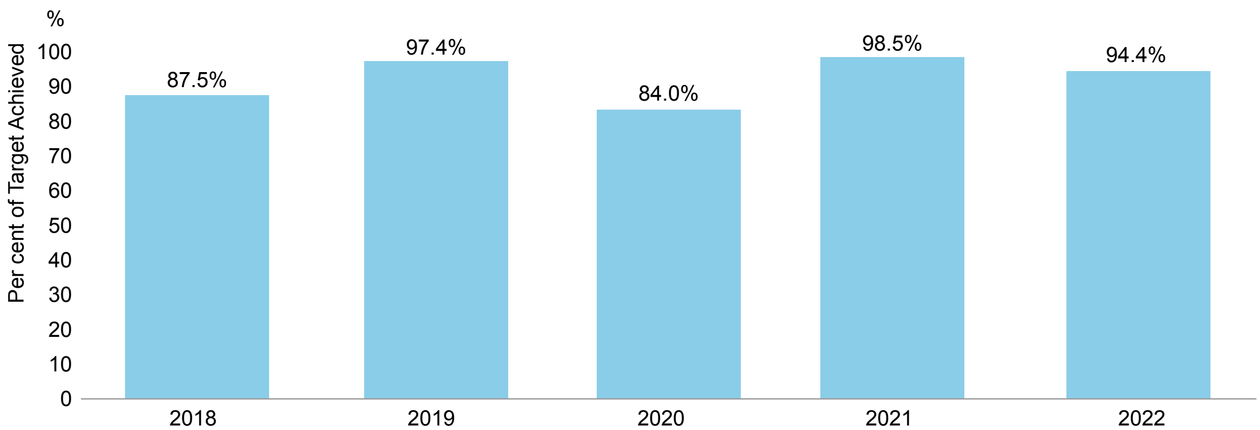
Reducing regulatory burden has resulted in cost and time savings and other benefits for stakeholders, industry, and the AUC. An important consideration of the AUC's efficiency improvements in the regulation of monopoly electricity and natural gas infrastructure, and the adjudication of market cases, is that efficiency must not come at the expense of stakeholder and investor confidence in a fair process, market integrity, or reliably independent and consistent regulation. All are critical to a properly functioning utilities sector.

By reducing regulatory requirements, the AUC has simplified the approach existing and new utility companies must take to operate and invest in Alberta's utilities sector. These efficiencies also reduced costs of regulation.

Performance Measure 2.a: Timeliness of the needs and facility applications (Alberta Utilities Commission)

Target: 100 per cent

Percentage of Alberta Utilities Commission needs and facilities applications that were determined within 180 days.



Source: Alberta Utilities Commission[26]

In accordance with standards established in Alberta law, the AUC, when considering an application for an approval, permit, or license in respect of a needs-identification document, transmission line, or part of a transmission line, must decide in a timely manner, and if possible, within 180 days after receipt of a complete application.

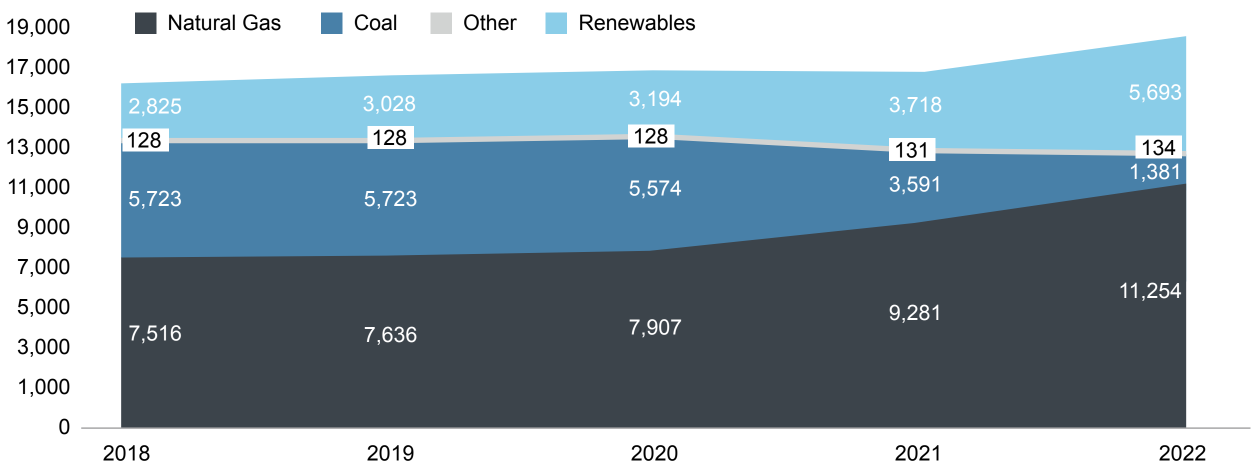
For 2022, the AUC met this standard 94.4 per cent of the time; the commission issued 67 of 71 decisions within the 180-day timeline.

[26] For more information, see the Performance Measure and Indicator Methodology section of this report on page 36.

Performance Indicator 2.b: Generation and storage capacity (in megawatts)[27]

This indicator focuses on the generation capacity of electricity by type for Alberta as a whole and storage capacity of the entire system. The types of generation provided include natural gas, coal, renewables (hydro, wind, solar, and biomass or biogas), and others. The indicator supports the government's environment, social, and governance goals by demonstrating changes in capacity among generation sources and the shift from coal to less emissions-heavy sources.

Generation Capacity



Natural gas generates the vast majority of Alberta's electricity at more than 11,000 megawatts (MW) of installed capacity, with cogeneration accounting for 5,438 MW of this capacity.

In 2022, Alberta's renewable-energy generation increased to 5,693 MW of installed capacity, up from 2,825 MW in 2018. Renewable-energy capacity is expected to continue growing. Currently, more than 3,400 MW of wind and solar projects, worth at least $2.7 billion, are under construction in the province. Another 147 renewable-energy projects are currently in the development queue, including announced, proposed, and approved projects.

Reduction in coal generation is driven by Alberta's commitment to phase-out coal by 2030. Alberta's coal phase-out is measured by the amount of coal generation on the system each year leading up to 2030. Coal-fired power is expected to be fully phased out by the end of 2023 through shut-down, conversion to natural gas, or repowering to natural gas.

Storage Capacity

Energy-storage resources are increasing in Alberta. The province currently has 90 megawatts (MW) of energy-storage capacity available on its grid. Capacity increased to 70 MWh in 2022, compared to 50 MWh in 2021 and 10 MWh in 2020.

The *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act* establishes the required regulatory framework for advanced energy-storage resources. Once proclaimed, the act is expected to further increase energy storage capacity within the province by enabling energy-storage resources.

[27] For more information, see the Performance Measure and Indicator Methodology section of this report on page 36.

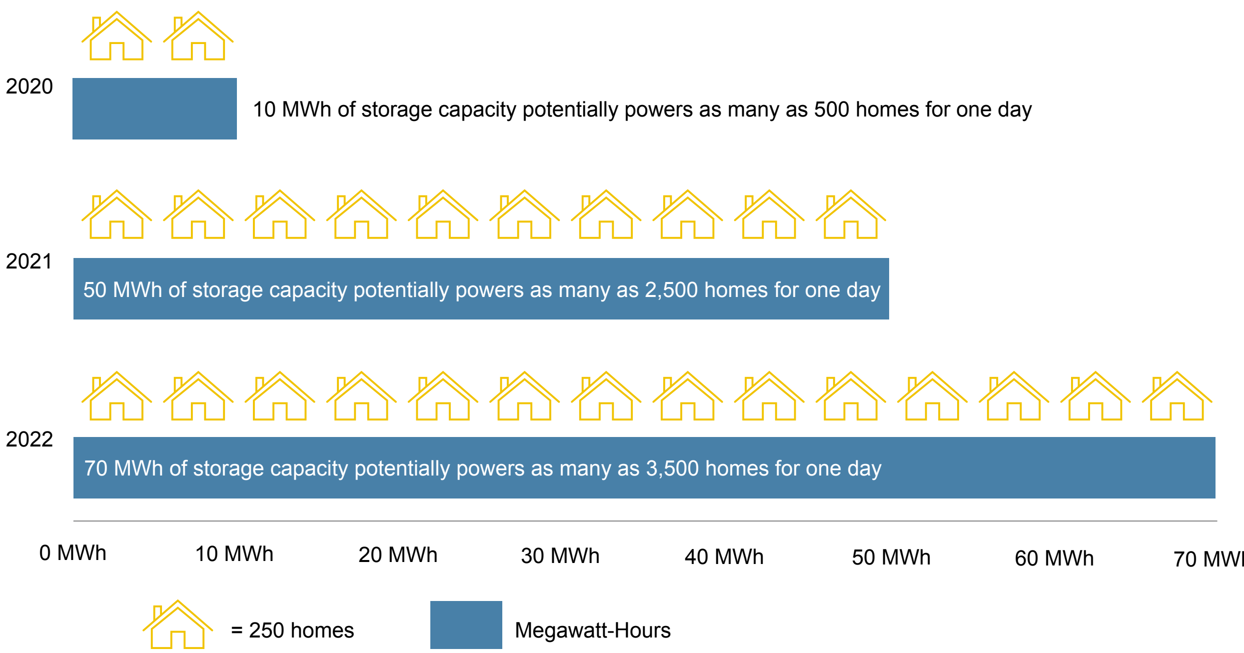
Additionally, there is 100 MW of storage capacity under construction and over 610 MW of storage capacity either proposed or with regulatory approval.

Energy-storage resources bring many benefits, including:

- they help reduce the long-term cost of electricity in Alberta
- they enable the integration of intermittent renewable-energy resources
- they help optimize future investments in transmission infrastructure

This benefits Albertans by creating new opportunities to store energy at times when prices are low for use later and provides non-wires alternatives for further cost savings.

Estimated Number of Alberta Households Storage Capacity can Supply for One Day

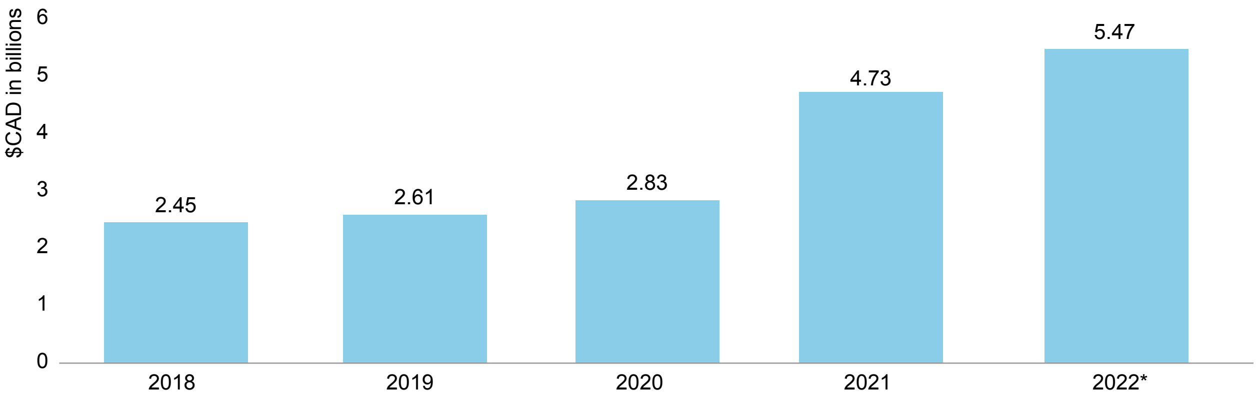


Based on an average energy consumption of 600 kWh per month per Alberta household, or 20 kWh per day for 30 days
600 kWh = 0.6 MWh; 20 kWh = 0.02 MWh
Storage assumed to operate at 100 per cent of its capacity

Performance Indicator 2.c: Alberta investment in electricity generation, transmission, and distribution[28]

This indicator was introduced for the first time in the 2023–26 Business Plan for the Ministry of Affordability and Utilities. The indicator focuses on capital expenditures made in Alberta to increase capacity in the generation, transmission, and distribution of electricity.

Capital Investment in Electricity Generation, Transmission, and Distribution
Alberta, 2018–2022



Source: Statistics Canada

* The 2022 result is preliminary actual and will likely be revised in the future.

Results Analysis:

Capital expenditures in electricity generation, transmission, and distribution increased in 2022, likely driven by investments in electricity generation. Last year, 1,964 megawatts of generation came online, representing the largest addition to Alberta's generation supply during a single year in over two decades. Increased generation investment benefits Alberta because it increases supply and competition, which enhance reliability and reduce electricity prices.

Alberta has a deregulated market-based generation system. Private investors determine which investments are viable based on their expectations of earning a return in the market. Although Alberta relies on the market to guide private investors to develop new generation, rather than centralized planning like other Canadian jurisdictions, the Ministry of Affordability and Utilities plays a key role in fostering investment by setting the policy framework that governs the market.

Investment in the transmission and distribution sectors is also growing. This indicates that delivery infrastructure is being expanded to keep pace with broader system growth and to transmit the power that Albertans need. Because investments are planned based on demand, transmission and distribution growth reflect growth in generation and the sectors driving demand.

The increased use of distributed energy in the coming years will need proactive planning of new distribution system infrastructure to ensure efficient investments in the distribution system.

[28] For more information, see the Performance Measure and Indicator Methodology section of this report on page 36.

Performance Measure and Indicator Methodology

Performance Indicator 1.b

Alberta annual inflation rate compared to national level

Methodology

Using 2022 as an example, the annual inflation rate for a particular year for one of the three sub-indices (food, energy, shelter) is calculated by taking the average of the monthly Consumer Price Index for 2022 (there would be 12 of them), subtracting the average monthly Consumer Price Index for 2021, and then dividing that result by the average monthly Consumer Price Index for 2021.

Source: Consumer Price Index for Alberta and Canada, table 18-10-0005-01. The individual monthly indices for both Alberta and Canada can be found in table 18-10-0004-01.

Performance Measure 2.a

Timeliness of the needs and facility applications (Alberta Utilities Commission)

Methodology

The statutory deadline for issuing decision reports is 180 days, with possible 90-day extensions under certain circumstances. These statutory timelines begin on the date when the Alberta Utilities Commission (AUC) deems the application complete. The status of applications is tracked daily via the AUC's eFiling system.

Data for the preceding fiscal year becomes available in mid-April of the succeeding fiscal year.

Source: Alberta Utilities Commission

Performance Indicator 2.b

Generation and storage capacity (in megawatts)

Methodology

Generation Capacity

The Alberta Utilities Commission (AUC) publicly releases generation capacity data on its Annual electricity data web page. The data is available in .pdf (Adobe Acrobat) or .xls (Microsoft Excel) format. This data is compiled and used by Alberta Energy for planning and forecasting, the Alberta Energy Regulator to compile its ST-98 report providing a supply-demand outlook, and by the AUC.

Some of the original data provided on the AUC's website was put into categories to summarize the capacity of various means of generating electricity. The category of "Renewables" includes the generation capacity of hydro, wind, solar, biogas and biomass. The category of "Other" includes oil, diesel, and waste heat.

The AUC collects the data from third-party sources. Data is provided to the AUC annually through reporting required under the Hydro and Electric Energy Regulation. It is restated rarely, if ever, and only to correct errors.

Storage Capacity

Individual operators provide storage-capacity estimates via annual reporting required under the Hydro and Electric Energy Regulation. The operators input the estimates into a form that the AUC gives to them.

Source: Alberta Utilities Commission

Performance Indicator 2.c

Alberta investment in electricity generation, transmission, and distribution

Methodology

The Ministry of Affordability and Utilities introduced this indicator in the ministry's 2023–26 Business Plan. The indicator reflects capital expenditures in Alberta's "Electric power generation, transmission, and distribution," which is identified under the North American Industry Classification System (NAICS) code 2211.

Generally, Statistics Canada updates the data required for this indicator annually. Statistics Canada releases preliminary actuals for the most recent year and actuals for the prior year. The Government of Alberta obtained statistics with the requested breakdown from Statistics Canada in December 2022.

Source: Statistics Canada

2022–23 Aggregate Impacts of Alberta's Affordability Action Plan

Methodology

- Statistics Canada's Survey of Household Spending (SHS) is a national survey that collects data about the spending habits of Canadians. The SHS was used to estimate how much Albertans' household spending increased because of inflation.
  - The most recent SHS is from 2019, which collected spending data from over 17,000 Canadian households in the 10 provinces and three territories.
  - The data collected in the SHS included detailed expenditures by household type, dwelling characteristics, household demographics, and income level.
- For this analysis, data on average (mean) household expenditures was taken from the 2019 SHS for various family and household types, including single persons, couples without children, couples with children, lone-parent families, single seniors, and senior couples.
  - For each family type, in addition to data on average expenditures for all income levels (i.e., an 'overall' average), households in three specific ranges of household income were selected for analysis: $0–$50,000, $50,000–$100,000, and over $100,000.
  - To enhance the accuracy of the estimates, inflation and household expenditures were measured for each of the various sub-categories within the CPI 'basket' of goods and services (i.e., food, shelter, etc.), and then aggregated.
- For each family type and income category, average household expenditures from the 2019 SHS were adjusted to estimate the effects of inflation through March 2022; i.e., to end of the 2021–22 fiscal year. This was done by applying the relevant CPI inflation rate to each sub-category of expenses (i.e., food, shelter, etc.) over the intervening period.
- From the resulting 'adjusted' mean household expenditure base at the end of 2021–22, the subsequent increase in household expenditure in 2022–23 was estimated for each family type, income category, and sub-category of goods and services using CPI inflation data for 2022–23.
- To estimate the inflation-induced increase in Alberta household expenditures in 2022–23, monthly CPI inflation (y/y basis) for each expenditure sub-category was calculated for the months of April 2022 to March 2023. The 12-month (fiscal year) averages of these inflation rates were then applied to the adjusted

March 2022 base expenditures for each expenditure sub-category, for each family type, and for income range.

- Results for the various household expenditure sub-categories were then aggregated to estimate the total effect of inflation on Albertans' household spending in 2022–23 for each family type and income category.
- The Affordability Action Plan benefits received in 2022–23 by a representative Alberta household of each family type were as follows:
  - Eligible families with children received children's benefits of $300 per child from January to March 2023. The analysis was conducted for families with one child (who received $300) and two children ($600).
  - Eligible seniors received affordability payments of $300 per senior for the months of January to March 2023. Senior couples who were both 65+ years old received $600, while senior couples with only one member aged 65+ received $300.
  - For each family type, the benefit received from fuel tax relief was estimated based on 2019 fuel consumption levels for this family type.
  - All eligible Alberta households received $475 through electricity rebates.
- Finally, for each family type, the 'inflation offset' from Alberta's affordability measures was estimated by comparing the total benefits from the four Alberta programs in 2022–23 to the estimated total effect of inflation on household spending in 2022–23 (calculated according to the method described above).
- There were some limitations with the SHS data, as outlined below.
  - For senior households (both singles and couples), Alberta SHS data was suppressed by Statistics Canada for the selected household income ranges. As a result, SHS data at the national level (i.e., for all of Canada) was used for these income ranges. SHS data for Alberta was used for average single senior and senior couple family (i.e., for the average family across all income ranges).
  - Alberta SHS data was also suppressed for lone-parent families in the selected income ranges. For this family type, only average expenditures (across all income ranges) were used in the analysis[29].
  - Data was also limited for other family types at some income ranges, preventing analysis of the affordability measures in these cases.

Source: Treasury Board and Finance Calculations

[29] National SHS data was used for senior households but not for lone-parent families because national and Alberta household expenditures are substantially more similar for the former group.

Financial Information

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Reporting Entity and Method Consolidation

The financial information is prepared in accordance with government's stated accounting policies, which are based on Canadian Public Sector Accounting Standards.

The reporting entity is the ministry for which the Minister of Affordability and Utilities is accountable. The accounts of the ministry, which includes the department and the entities making up the ministry, are consolidated using the line-by-line method, except those designated as government business enterprises (GBEs).

Under this method, accounting policies of the consolidated entities are adjusted to conform to those of the government and the results of each line item in their financial statements (revenue, expense, assets, and liabilities) are included in government's results. Revenue and expense, capital, investing, and financing transactions and related asset and liability balances between the consolidated entities have been eliminated.

GBEs are accounted for on a modified equity basis, with the equity being computed in accordance with the accounting standards applicable to those entities. Under the modified equity method, the accounting policies of the GBEs are not adjusted to conform to those of the government. Inter-entity revenue and expense transactions and related asset and liability balances are not eliminated.

A list of the individual entities making up the ministry are shown on the "Management's Responsibility for Reporting" statement included in this annual report.

Ministry Financial Highlights

Statement of Revenues and Expenses (unaudited)

End of the year March 31, 2023

	2023		2022	Change from	
	Budget (Restated)	Actual	Actual (Restated)	Budget	2022 Actual
		(in thousands)			
Revenues					
Investment Income	$ 50	$ 933	$ 37	$ 883	$ 896
Utilities Regulation Industry Levies and Licenses	30,306	27,351	27,273	(2,955)	78
Other revenue	6,707	157,614	53,334	150,907	104,280
Net Income from Balancing Pool	111,700	144,690	95,984	32,990	48,706
Ministry total	148,763	330,588	176,628	181,825	153,960
Inter-ministry consolidation adjustments	0	(433)	0	(433)	(433)
Adjusted ministry total	148,763	330,155	176,628	181,392	153,527
Expenses - Directly Incurred					
Ministry Support Services	2,721	2,326	1,073	(395)	1,253
Affordability and Utilities	18,669	22,243	32,166	3,574	(9,923)
Utility Rebate and Grant Programs	0	644,442	295,548	644,442	348,894
Climate Change	33,787	21,178	23,341	(12,609)	(2,163)
Utilities Regulation	30,671	28,947	28,092	(1,724)	855
Ministry total	85,848	719,136	380,220	633,288	338,916
Inter-ministry consolidation adjustments	0	(115)	(104)	(115)	(11)
Adjusted ministry total	85,848	719,021	380,116	633,173	338,905
Annual surplus (deficit)	$ 62,915	$ (388,866)	$ (203,488)	$ (451,781)	$ (185,378)

Revenue and Expense Highlights

Revenues

Total 2022–23 revenues for the Ministry of Affordability and Utilities were $330 million, $181 million higher than budgeted and $154 million higher than 2021–22.

Affordability and Utilities' 2022–23 revenues consist of the following:

- **Investment Income** – A total of $1 million of interest earned on investments by the Alberta Utilities Commission (AUC), the variances from budget and prior year arising from higher than expected interest rates.
- **Industry Levies and Licenses** – Totaled $27 million from levies and licenses collected from industry by the AUC to finance its operations. This is $3 million below budget but is comparable to the amount collected in the prior fiscal year.
- **Other Revenue** – A total of $158 million of Other Revenue was collected in the 2022–23 fiscal year, which reflects an increase of $151 million from budget and $104 million from the prior year. This is largely attributable to higher Renewable Electricity Program (REP) revenues due to higher than anticipated wholesale electricity prices and a fine levied by the AUC that was not originally anticipated.
- **Income from Government Business Enterprises** – This represents income associated with the operation of the Balancing Pool (BP) from electricity consumers and Payments in Lieu of Taxes (PILOT) from municipal entities, which were $33 million higher than budget and $49 million higher than the prior year.

Expenses

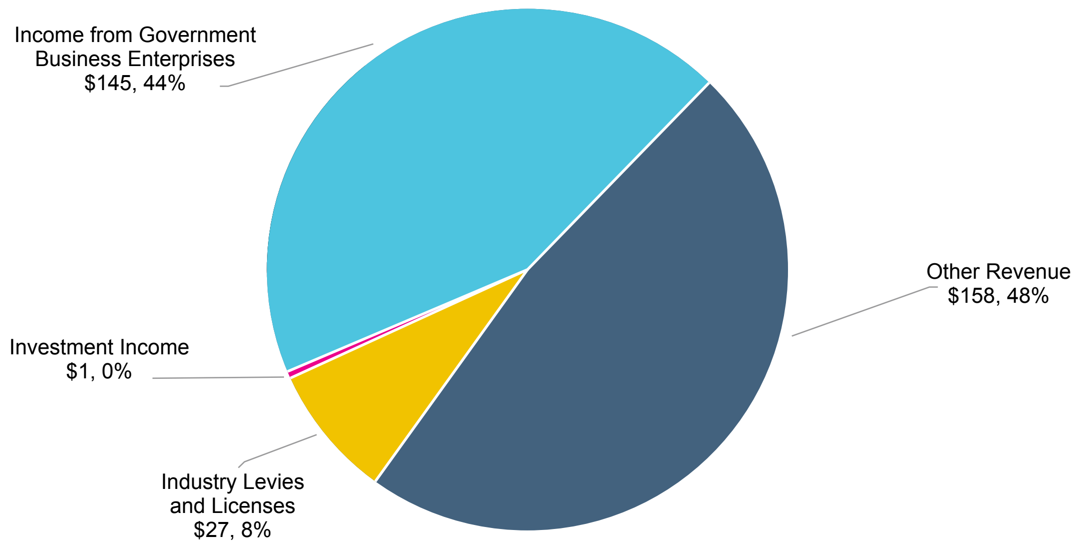
The Ministry's 2022–23 expenses totaled $719 million, which was $633 million higher than budgeted expenses of $86 million and $339 million higher than 2021–22 expenses of $380 million. This was primarily related to:

- **Utility Rebate and Grant Programs** – These programs received funding subsequent to the release of *Budget 2022* and therefore are not reflected in the original budget. In 2022–23, the total expense for the ministry's utility rebate programs was $634 million. In addition, $10 million was incurred for foregone interest recorded as a grant expense for the new RRO program. Total expense of $644 million was incurred under Utility Rebate and Grant Programs, an increase of $348 million above the prior-year expense of $296 million due to extending electricity rebates to support Albertans with rising energy costs.
- **Climate Change** – The costs included in this program relate to the Renewable Electricity Program and interest on the annual payments for the Coal Phase-Out Agreements. The ministry spent $13 million less than budgeted in 2022–23, primarily due to lower than anticipated payments under REP.

Breakdown of Revenues (unaudited)

The following information presents detailed revenues of the ministry. The objective of detailed revenues disclosure is to provide information that is useful in understanding and assessing the financial impact of government's revenue raising and for enhancing legislative control.

2023 Actual
(in millions)

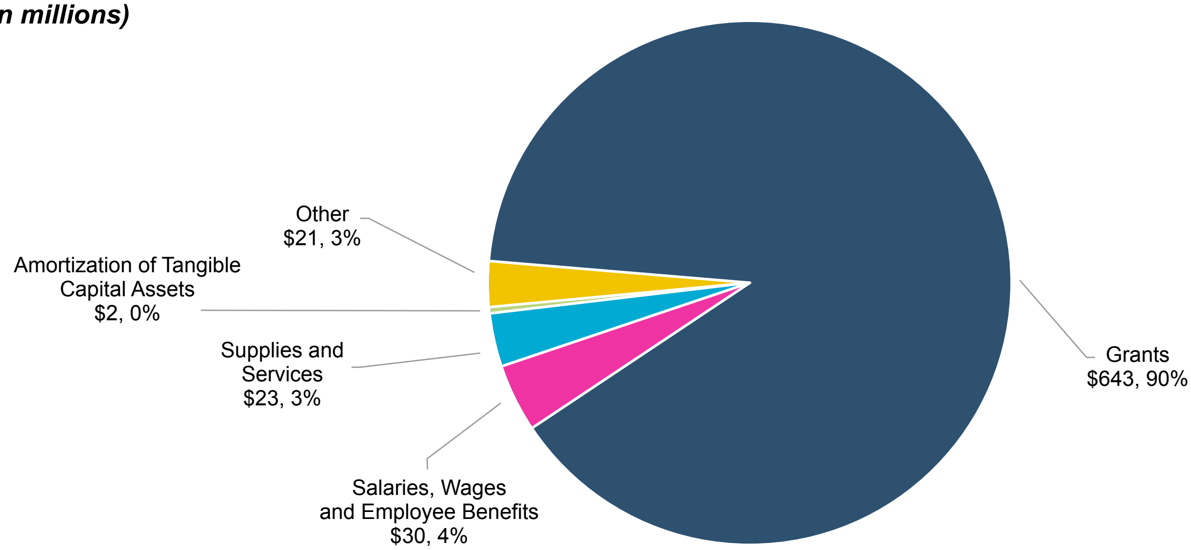


- **Other Revenue** – Representing forty eight per cent of total revenue, a total of $158 million of Other Revenue were collected in the 2022–23 fiscal year, comprised primarily of Renewable Electricity Program receipts, AUC fines, and UCA revenues.
- **Income from Government Business Enterprises** – Representing forty-four per cent of total revenue, the Balancing Pool collects revenue from electricity consumers and Payments in Lieu of Taxes (PILOT) from municipal entities.
- **Industry Levies and Licenses** – Representing eight per cent of total revenues, $27 million was collected from levies and licenses by the Alberta Utility Commission to finance its operations.
- **Investment Income** – Representing less than one per cent of total revenues, $1 million of interest was earned on investments by the Alberta Utilities Commission.

Expenses – Directly Incurred Detailed by Object (unaudited)

The following information presents expenses of the ministry that were directly incurred by object. The objective of disclosure of expenses by object is to provide information that is useful in evaluating the economic impact of government acquiring or consuming various types of resources.

2023 Actual
(in millions)



- **Grants** – Representing ninety per cent of total operating expense ($643 million), were the largest component of the ministry's operating expense. Grants primarily consisted of payments under the Electricity Rebate Program ($626 million), foregone interest under the RRO Stabilization Program ($10 million) and Rural Utilities programs ($7 million).
- **Salaries, Wages and Employee Benefits** – Representing four per cent of total operating expense ($30 million), primarily in support of affordability and utility programs, development of policy, regulatory work of the AUC and Balancing Pool, as well as the overall support and management of ministry operations.
- **Supplies and Services** – Representing three per cent of total operating expense ($23 million), this consisted primarily of the costs to inform Albertans of how to obtain affordability programs ($5 million) and ongoing supply requirements for the ministry, such as contracts and contract services, materials and supplies, and shared services ($18 million).
- **Other Expenses** – Representing three per cent ($21 million) of total operating expense, primarily consisted of interest expenses related to the Coal Phase-Out Agreements ($21 million).
- **Amortization of Tangible Capital Assets** – Representing less than one per cent ($2 million) of total operating expense, records the amortization of capital assets used in the ministry, primarily computer hardware and software.

Supplemental Financial Information

Assets

RRO Stability Loans

Under the *RRO Stability Act*, a 13.5 cents per kilowatt hour price ceiling was set for January, February, and March 2023 for RRO customers to protect them from high electricity prices. Costs above the price ceiling were deferred and will be recovered from RRO consumers over 21 months, from April 2023 to December 2024. Electricity providers were provided $222 million in interest-free loans to stabilize prices for Albertans and ensure interest costs were not an additional burden for ratepayers.

Liabilities

Coal Phase-Out Agreements

On November 24, 2016, the Minister of Energy, on behalf of the Province of Alberta, reached agreements with three coal-fired generators to cease operations on or before December 31, 2030. The coal-fired generation plants covered under agreements include: Sheerness 1 and 2; Genesee 1, 2, and 3; and Keephills 3.

The Ministry of Affordability and Utilities will pay a total of $97 million annually to the three generators as per an eight-year payment schedule that commenced July 31, 2017. In return, the coal-fired plants named above will meet a number of conditions on an annual basis and will cease operations in the coal-fired electricity generation plants on or before December 31, 2030. These conditions are specific to each party, generally requiring each of the coal-fired generator owners to spend a minimum specified amount in the communities in which the plants were located, along with future specified value of investment and investment related activities in Alberta with respect to the electricity business.

The present value of the remaining eight payments, discounted at an imputed interest rate of 3 per cent (representing the government's average 10-year bond rate at time of negotiations), is $687 million. The amount of the draw down over the next five years and thereafter are as follows:

	(in thousands)		
	Annual Payment	**Principal**	**Interest**
2023–24	96,024	77,117	18,907
2024–25	96,024	79,457	16,567
2025–26	96,024	81,869	14,155
2026–27	96,024	84,354	11,670
2027–28	96,024	86,914	9,110
Thereafter	288,067	276,895	11,172
	$ 768,187	$ 686,606	$ 81,581

Financial Statements of Other Reporting Entities

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Balancing Pool

Financial Statements

Years Ended December 31, 2022 and 2021

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Independent auditor's report

To the Board of Directors of Balancing Pool

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Balancing Pool (the Corporation) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Corporation's financial statements comprise:

- the statement of financial position as at December 31, 2022;
- the statement of income and comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

pwc

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 12, 2023

Statements of Financial Position

Balancing Pool

(in thousands of Canadian dollars)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	**52,470**	32,963
Trade and other receivables (Note 5)	**17,270**	18,556
Right-of-use assets (Note 7)	**2**	25
	69,742	51,544
Right-of-use assets (Note 7)	**-**	2
Property, plant and equipment	**1**	7
Total Assets	**69,743**	51,553
Liabilities		
Current liabilities		
Trade payables and other accrued liabilities (Note 9)	**5,144**	11,468
Current portion of related party loan (Note 16)	**610,738**	206,952
Current portion of reclamation and abandonment provision (Note 10)	**25,418**	169
Current portion of lease liability (Note 11)	**2**	25
	641,302	218,614
Reclamation and abandonment provision (Note 10, Note 13)	**28**	41,988
Lease liability (Note 11)	**-**	2
Related party loan (Note 16)	**-**	503,873
Total Liabilities	**641,330**	764,477
Net liabilities attributable to the Balancing Pool deferral account (Note 1, 12)	**(571,587)**	(712,924)
Contingencies and commitments (Note 13)		
Subsequent events (Note 13, Note 17)		

On behalf of the Balancing Pool:

[Original signed by]

Greg Clark
Chair

[Original signed by]

Greg Pollard
Vice-Chair

The accompanying notes are an integral part of these financial statements.

Statements of Income (Loss) and Comprehensive Income (Loss)

Balancing Pool

(in thousands of Canadian dollars)

	2022	2021
Revenue from contracts with customers		
Consumer collection (Note 3)	**131,656**	135,798
Other income (loss) from operating activities		
Payments in lieu of tax	**23,446**	(16,901)
Interest income	**575**	575
	24,021	(16,326)
Expenses (income)		
Cost of sales (Note 14)	**144**	7,437
Reclamation and abandonment costs (recovery) (Note 10, Note 13)	**(6,787)**	4,265
Mandated costs (Note 16)	**4,111**	3,827
General and administrative	**1,897**	3,095
Commercial disputes recovery (Note 15)	**(891)**	(10,236)
	(1,526)	8,388
Income from operating activities	**157,203**	111,084
Other income (expense)		
Finance expense (Note 8)	**(16,377)**	(13,983)
Other income	**511**	1,675
	(15,866)	(12,308)
Change to the Balancing Pool deferral account (Note 12)	**141,337**	98,776

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Balancing Pool

(in thousands of Canadian dollars)

	2022	2021
Cash flow provided by (used in)		
Operating activities		
Change to the Balancing Pool deferral account	**141,337**	98,776
Adjustments for		
Amortization and depreciation (Note 7)	**31**	107
Reclamation and abandonment provision (Note 10)	**(6,787)**	4,265
Finance expense (Note 8)	**16,377**	13,983
Reclamation and abandonment expenditures (Note 10)	**(10,214)**	(617)
Net change in non-cash working capital:		
Trade and other receivables	**1,285**	90,636
Trade payable and other accrued liabilities	**(6,324)**	(388,243)
Net cash provided by (used in) operating activities	**135,705**	(181,093)
Financing activities		
Lease payments (Note 11)	**(25)**	(102)
Payments on related party loan (Note 16)	**(641,044)**	(698,710)
Proceeds from issue of related party loan (Note 16)	**540,077**	702,671
Finance expense paid on related party loan	**(15,206)**	(13,540)
Net cash used in financing activities	**(116,198)**	(9,681)
Change in cash and cash equivalents	**19,507**	(190,774)
Cash and cash equivalents, beginning of year	**32,963**	223,737
Cash and cash equivalents, end of year	**52,470**	32,963

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Balancing Pool

Notes to Financial Statements

1. Reporting Entity and Nature of Operations

Formation and Duties of the Balancing Pool

The Balancing Pool was formed to facilitate policy implementation and to support the functioning of the electricity industry for the benefit of Albertans. The *Electric Utilities Act (2003)* ("EUA") and certain regulations made under it established the mandate of the Balancing Pool, which was principally to manage certain assets, liabilities, revenues, and expenses associated with the ongoing evolution of Alberta's electric industry.

The Balancing Pool was originally established in 1998 as a separate financial account of the Power Pool Council (the "Council") and commenced operations in 1999. The Council was a statutory corporation established under the *Electric Utilities Act of Alberta (1995)*. With the proclamation of the EUA on June 1, 2003, the Balancing Pool was established as a separate statutory corporation (the "Corporation"). The assets and liabilities of the Council that related to the duties, responsibilities and powers of the Balancing Pool were transferred to the Corporation.

Under the EUA, the Corporation is required to operate without a profit or loss (Note 12). No share capital for the Corporation has been issued.

The Balancing Pool Board of Directors (the "Board") consists of individual members who are independent of persons having a material interest in the Alberta electric industry. The members of the Board are appointed by the Minister of Affordability and Utilities of the Government of Alberta ("Minister of AU").

The head office and records of the Balancing Pool are located at Suite 520, 330 - 5th Avenue SW, Calgary, Alberta, Canada.

Activities of the Balancing Pool

The initial allocation of assets and liabilities to the Balancing Pool was charged to a deferral account. Differences between annual revenues and expenditures are also charged or credited to the Balancing Pool deferral account.

The EUA requires that the Balancing Pool forecast its revenues and expenses. Any excess or shortfall of funds in the accounts is to be allocated to, or provided by, electricity consumers over time.

The Balancing Pool's business activities included the collection of funds from electricity consumers, payments (refund) in lieu of tax, repayment of the outstanding loan with the Provincial government, resolving outstanding commercial and legal disputes related to the PPAs, collection of funds related to the Utility Bill Deferral Program, acting as agent for Small Scale Generators and funding the Utility Consumer Advocate and funding certain decommissioning obligations.

Revenue from Contracts with Customers

i) Consumer collection

Pursuant to Section 82 of the EUA, the Balancing Pool collects or allocates an annualized amount from electricity customers. The consumer collection from the AESO is being accounted for as revenue of the Balancing Pool. The Balancing Pool has applied judgment in determining that the consumer collection collected via rate Rider F, as specified in the EUA, is analogous to a contract with a customer. The legislation contained in the EUA established the Balancing Pool's right to recover operating shortfalls from electricity customers via Rider F of the AESO tariff and can be interpreted as a contract with a customer.

Notes to Financial Statements

Balancing Pool

Other Income

i) Investment income and changes in fair value of investments

Cash, cash equivalents and investments held by the Balancing Pool generate investment income consisting of interest.

ii) Payments (refunds) in Lieu of Tax ("PILOT")

Pursuant to Section 147 of the EUA, the Balancing Pool collects installments (refunds) a notional amount of tax from electricity companies controlled by municipal entities that are active in Alberta's competitive electricity market and are otherwise exempt from the payment of tax under the *Income Tax Act* or the *Alberta Corporate Tax Act*. The Balancing Pool does not calculate instalment payments or refunds and it does not audit PILOT filings. PILOT instalments are calculated by the payer and PILOT filings are subject to audit by Alberta Tax and Revenue.

Expenses

i) Cost of sales

Under the terms of the various PPAs, the Balancing Pool was obligated to pay certain fixed and variable costs to the PPA Owners of the various generation assets. Included in Cost of Sales are costs associated with the administration of the Small Scale Generation Regulation.

ii) Other costs

Under the terms of government legislation, the Balancing Pool is obligated to make payments to certain entities for such matters as reclamation and abandonment. The Minister of AU may direct the Balancing Pool to also fund specific payments under Section 148 of the EUA, which amounts are included in mandated costs.

2. Basis of Presentation

These financial statements for the year ended December 31, 2022, have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include as comparative information the year ended December 31, 2021.

These financial statements were authorized and approved for issue by the Board of the Balancing Pool on April 12, 2023.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are as follows:

Basis of Measurement

These financial statements have been prepared on a historical cost convention.

Revenue from Contracts with Customers

The Balancing Pool applies IFRS 15, *Revenue from contracts with customers*, for its revenue arrangements.

Notes to Financial Statements

Balancing Pool

(a) Consumer Collection (Allocation)

Upon adoption of IFRS 15, consumer collection revenue is recognized in the statement of income and comprehensive income on an accrual basis in the period in which amounts are charged (refunded) to electricity customers based on an annualized tariff amount, which is the point in time when control of the goods and services passes to the customer. Consumer collection revenue is measured at the fair value of the consideration received or receivable. The Corporation has elected to recognize revenue based on amounts invoiced.

The timing of revenue recognition does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time. The Balancing Pool has applied judgment in the application of its accounting policy that the consumer collection (allocation) represents a contract with a customer in the scope of IFRS 15 (see Note 1).

Other Income (Expense) Recognition

(a) Investment income

Investment income resulting from interest is recorded on an accrual basis when there is reasonable assurance as to its measurement and collectability.

(b) Payments (refunds) in Lieu of Tax ("PILOT")

PILOT funds are accrued based on instalments received from or refunds paid to a municipal entity for a particular tax year. PILOT payments are calculated by the municipal entities and are subject to assessment and audit by Alberta Tax and Revenue Administration. Adjustments, if any, arising from audits, or other legal proceedings, are recorded in the current year, upon receipt.

Income Taxes

No provision has been made for current or deferred income tax as the Balancing Pool is exempt from Federal and Provincial income tax.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit at the bank.

Trade and Other Receivables

Trade and other receivables are classified and measured at amortized cost less any impairment.

Leases

The Corporation has recognized a lease liability and right-of-use asset for the office lease. Lease liability for the office lease is measured at the present value of the remaining lease payments.

Right-of-use assets was recognized for the office lease and are amortized on a straight-line basis over the remaining term of the office lease.

Property, Plant and Equipment ("PP&E")

PP&E are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the asset. When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant, and equipment are determined by comparing the proceeds from disposal with the carrying amount of PP&E and are recognized within other income in profit and loss. PP&E, which comprises office equipment, is depreciated on a straight-line basis over a three-to-five-year useful life.

Notes to Financial Statements

Balancing Pool

Impairment – Non-Financial Assets

For the purpose of impairment testing, non-financial assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets – a cash generating unit ("CGU").

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the amount recoverable from the asset is estimated. The recoverable amount is the greater of the value in use or fair value less costs to dispose.

Value in use is based on the estimated net future cash flows discounted to their present value. The discounted cash flow is determined using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is generally computed by reference to the present value of the future cash flows. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the Statement of Income and Comprehensive Income.

Impairment losses recognized in prior years are reassessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been permitted to be recognized.

Impairment – Financial Assets

The Corporation applies IFRS 9, *Simplified approach to measuring expected credit losses*, which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Corporation, and a failure to make contractual payments for a period of greater than 120 days past due.

No impairment provision has been recorded at December 31, 2022, related to trade and other receivables. The Corporation considers trade and other receivables to be low risk.

Reclamation and Abandonment Obligations

Reclamation and abandonment obligations include legal obligations requiring the Balancing Pool to fund the decommissioning of tangible long-lived assets such as generation and production facilities. A provision is made for the estimated cost of site restoration.

Reclamation and abandonment obligations are measured as the present value of management's best estimate of expenditures required to settle the present obligation at the period end date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance expense. Increases / decreases due to changes in the estimated future cash flows are expensed. Actual costs incurred upon settlement of the reclamation and abandonment obligations are charged against the provision to the extent the provision was established.

The Balancing Pool's estimates of reclamation and abandonment obligations are based on reclamation standards that meet current regulatory requirements. The estimate of the total liability

Notes to Financial Statements

Balancing Pool

of future site restoration costs may be subject to change based on amendments to laws and regulations. Accordingly, the amount of the liability will be subject to re-measurement at each period end date.

The Balancing Pool has recorded an estimate of the cost to remediate certain Isolated Generating Unit sites in Alberta. Actual expenditures incurred to remediate these sites will reduce this liability and any increase in this liability will be charged to expense when estimated costs are known to exceed the remaining liability balance.

An amount has also been provided for the decommissioning of the H.R. Milner generating station which is being accreted annually; revisions to this estimate will be charged or credited to net results of income (loss).

Pursuant to Section 5 of the *Power Purchase Arrangements Regulation*, a PPA Owner may apply to the Alberta Utilities Commission ("AUC") to receive from the Balancing Pool the amount by which decommissioning costs related to a former PPA unit exceed the amount the PPA Owner collected from consumers before January 1, 2001 and subsequently through the PPA, provided that the unit has ceased generating electricity and the application is made within one year of the termination or expiration of the PPA. Section 5 of the *Power Purchase Arrangements Regulations* does not apply after December 31, 2018.

The reclamation and abandonment provision includes an estimate of the expected future costs associated with decommissioning costs for the Sundance A unit.

The discount rate used to value these liabilities is based upon the risk-free rate and adjusted for other risks associated with these liabilities.

Other Provisions

Provisions for obligations are recognized when the Balancing Pool has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a risk-free discount rate that reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognized as finance expense.

4. Significant Accounting Judgments, Estimates and Assumptions

The timely preparation of the financial statements requires that management make estimates and assumptions and use judgment regarding the reported value of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported for the year. Such estimates reflect management's best estimate of future events as of the date of the financial statements. These financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below. Accordingly, actual results will differ from estimated amounts as future confirming events occur.

Notes to Financial Statements

Balancing Pool

Critical Judgment in Applying Accounting Policies

Management has made critical judgment in applying accounting policies, such as concluding that the consumer collection (allocation) is accounted for as revenue (refund of revenue) from a contract with a customer (Note 1, 12).

This critical judgement has been made in the process of applying accounting policies and has a significant effect on the amount recognized in the financial statements.

Key Sources of Estimation Uncertainty

Since the determination of certain assets, liabilities, revenues and expenses is dependent upon and determined by future events, the preparation of these financial statements requires the use of estimates and assumptions. These estimates and assumptions have been made using careful judgment. Actual results are likely to differ from the results derived using these estimates.

The following are items that have been derived using key assumptions concerning future outcomes and subject to several other key sources of estimation uncertainty. Consequently, there is a significant risk of a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- Reclamation and abandonment provision (Note 10)
- Contingent legal matters (Note 13)

In the opinion of management, these financial statements have been properly prepared in accordance with IFRS, within reasonable limits of materiality and the framework of the significant accounting policies summarized in Note 3 to the financial statements.

5. Trade and Other Receivables

(in thousands of dollars)	**2022**	**2021**
Trade receivables	12,076	15,558
Retailer receivables	-	1,911
Other receivables	5,194	1,087
	17,270	18,556

On May 12, 2020, the Government of Alberta initiated a program that permitted residential, farm, and small commercial businesses to defer the payment of utility bills for 90 days. The Balancing Pool issued $36.1 million in loans during 2020. Over the course of 2021 and 2022, the Balancing Pool received re-payments of $36.1 million directly from retailers and through the Utility Payment Deferral Program rate rider.

At December 31, 2022, no accounts receivable amounts are past due.

6. Accounting for Financial Instruments

6.a) Risk Management Overview

The Balancing Pool's activities expose the Corporation to interest rate risk and liquidity risk.

i) ***Interest Rate Risk:*** The Balancing Pool is exposed to interest rate risk on the related party loan. There is the possibility that the value of the related party loan will change due to fluctuations in market interest rates.

ii) ***Liquidity Risk:*** Liquidity risk is the risk that the Balancing Pool will not be able to meet its financial obligations as they fall due. To manage this risk, management forecasts cash flows for a period of 12 months and beyond and will adjust the consumer collection according to

Notes to Financial Statements

Balancing Pool

the *Balancing Pool Regulation* and borrow from the Government of Alberta. The changes to the EUA, enacted in December of 2016, provide the Balancing Pool with the capacity to borrow from the Government of Alberta (Note 16).

The following below analyzes the Balancing Pool's financial and other liabilities into relevant maturity groupings based on the remaining period from the period end date to the contract maturity date.

December 31, 2022 *(in thousands of dollars)*	**1 year**	**2 - 5 years**	**Total**
Trade payables	1,314	-	1,314
Other accrued liabilities	3,478	352	3,830
Related party loan – principal	604,239	-	604,239
Related party loan – interest	6,499	-	6,499
Reclamation and abandonment	25,418	28	25,446
Lease liability	2	-	2
Total	640,950	380	641,330

December 31, 2021 *(in thousands of dollars)*	**1 year**	**2 - 5 years**	**Total**
Trade payables	658	-	658
Other accrued liabilities	4,018	6,792	10,810
Related party loan – principal	206,894	499,130	706,024
Related party loan – interest	58	4,743	4,801
Reclamation and abandonment	169	41,988	42,157
Lease liability	25	2	27
Total	211,822	552,655	764,477

6. b) Fair Value Hierarchy

Financial instruments carried at fair value are categorized as follows:

December 31, 2022 *(in thousands of dollars)*	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
Assets	Level 1	Level 2	Level 3	
Cash and cash equivalents	52,470	-	-	52,470
	52,470	-	-	52,470

December 31, 2021 *(in thousands of dollars)*	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
Assets	Level 1	Level 2	Level 3	
Cash and cash equivalents	32,963	-	-	32,963
	32,963	-	-	32,963

Notes to Financial Statements

Balancing Pool

i) Level 1

Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities.

ii) Level 2

Assets and liabilities in Level 2 include valuations using inputs other than Level 1 quoted prices for which all significant inputs are observable, either directly or indirectly. Fair values for fixed income investments were determined using quoted market prices in active markets.

iii) Level 3

Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Changes in valuation methods may result in transfers into or out of an assigned level. There were no transfers between Level 3 and Level 2.

7. Right-of-Use Assets

(in thousands of dollars)	**2022**	**2021**
At January 1	27	89
Amortization and depreciation	(25)	(99)
Additions	-	37
At December 31	2	27

8. Finance Expense

(in thousands of dollars)	**2022**	**2021**
Interest expense – related party loan (Note 16)	16,087	13,924
Interest expense – lease liability	-	1
Accretion expense – reclamation and abandonment (Note 10)	290	58
	16,377	13,983

9. Trade Payable and Other Accrued Liabilities

(in thousands of dollars)	**2022**	**2021**
Trade payables	977	658
Accrued liabilities – Historical line loss	45	511
Accrued liabilities – Mandated costs	3,197	3,349
Accrued liabilities – Other	925	6,950
	5,144	11,468

Notes to Financial Statements

Balancing Pool

10. Reclamation and Abandonment Provision

(in thousands of dollars)	H.R. Milner Generating Station	Isolated Generation Sites	Sundance A Generating Station	Total
At January 1, 2021	10,216	418	27,817	38,451
Increase (decrease) in liability	(529)	104	4,690	4,265
Liabilities paid in year	(226)	(391)	-	(617)
Accretion expense	15	1	42	58
At December 31, 2021	9,476	132	32,549	42,157
Less: Current portion	(100)	(69)	-	(169)
	9,376	63	32,549	41,988
At January 1, 2022	9,476	132	32,549	42,157
Increase (decrease) in liability	627	49	(7,463)	(6,787)
Liabilities paid in year	(10,145)	(69)	-	(10,214)
Accretion expense	42	1	247	290
At December 31, 2022	-	113	25,333	25,446
Less: Current portion	-	(85)	(25,333)	(25,418)
	-	28	-	28

a) Decommissioning Costs of H.R. Milner Generating Station

Under the Asset Sale Agreement for the H.R. Milner generating station between the Balancing Pool and ATCO Power Ltd ("ATCO"), which was executed in 2001, the Balancing Pool assumed the liability for the costs of decommissioning the station at the end of operations. When the asset was subsequently re-sold to Milner Power Limited Partnership in 2004, the Balancing Pool retained the liability for decommissioning the generating station. In 2011, a bilateral agreement was reached with Milner Power Limited Partnership wherein the Balancing Pool's exposure to future decommissioning costs was capped at $15.0 million. On July 6, 2022, the Balancing Pool and Milner Power Limited Partnership amended the bilateral agreement wherein Milner Power Limited Partnership assumed responsibility to decommission the station at the end of operations. The Balancing Pool returned the collateral held to Milner Power Limited Partnership including a payment of $10.1 million representing the balance of the decommissioning obligation. At December 31, 2022, the Corporation has no further obligation related to decommissioning H.R. Milner generating station.

b) Isolated Generation Sites

Under the *Isolated Generating Units and Customer Choice Regulations of the EUA*, the Balancing Pool is liable for the reclamation and abandonment costs associated with various Isolated Generation sites. Expenditures of $0.4 million (2021 – $0.1 million) were incurred in 2022. Pursuant to the Negotiated Settlement Agreements approved by the AUC, the ultimate payment of these costs must be reviewed and approved by the Remediation Review Committee. The Remediation Review Committee was established to monitor, verify and approve all costs associated with the reclamation and abandonment of the Isolated Generation sites. Estimated reclamation and abandonment costs have been discounted at 4.52% (2021 – 0.76%). The provision is based upon management's best estimate and the timing of the costs.

Notes to Financial Statements

Balancing Pool

c) Decommissioning Costs of PPA Units

Pursuant to Section 5 of the *Power Purchase Arrangements Regulation*, a PPA Owner may apply to the Alberta Utilities Commission ("AUC") to receive from the Balancing Pool the amount by which decommissioning costs related to a former PPA unit exceed the amount the PPA Owner collected from consumers before January 1, 2001 and subsequently through the PPA, provided that the unit has ceased generating electricity and the application is made within one year of the termination or expiration of the PPA. Section 5 of the *Power Purchase Arrangements Regulations* does not apply after December 31, 2018.

In December 2018, TransAlta submitted an application to the AUC as well as three amendments to decommission Sundance unit A. On December 31, 2022, the Balancing Pool recorded a $7.5 million decrease (2021 – $4.3 million increase) to the provision for decommissioning the Sundance A unit. The provision for Sundance A is based upon management's best estimate of decommissioning costs. Estimated decommissioning costs were discounted at 4.52% (2021 – 0.76%). The AUC will determine the amount owed to TransAlta. See also Note 13.

11. Lease Liability

(in thousands of dollars)	**2022**	2021
At January 1	27	91
Finance expense	-	1
Lease payments	(25)	(102)
Reassessment of lease liability	-	37
At December 31	2	27

12. Capital Management

The Balancing Pool's objective when managing capital is to operate as per the requirements of the EUA, which requires the Balancing Pool to operate with no profit or loss and no share capital and to forecast its revenues, expenses, and cash flows. Any excess or shortfall of funds in the accounts is to be allocated to, or provided by, electricity consumers over time. During 2016, the Alberta Government enacted amendments to the *Balancing Pool Regulation* that defined the method by which the Balancing Pool would calculate the amounts to be allocated to, or provided by, electricity consumers through to 2030. In January 2017, the Balancing Pool signed a loan agreement with the Government of Alberta. The loan agreement was put in place through Alberta Treasury Board and Finance to fund operating losses of the Balancing Pool, including obligations associated with the terminated PPAs.

A reconciliation of the opening and closing Balancing Pool deferral account is provided below.

Balancing Pool Deferral Account *(in thousands of dollars)*	**2022**	2021
Deferral account, beginning of year	(712,924)	(811,699)
Change to the Balancing Pool deferral account	141,337	98,776
Deferral account, end of year	(571,587)	(712,924)

In December 2021, the Board of Directors approved a 2022 consumer collection of $2.20/MWh for a total collection from electricity consumers of $131.7 million in accordance with the *Balancing Pool Regulation*. In October 2022, the Board of Directors approved a 2023 consumer collection of $2.20/MWh for an estimated total collection from electricity consumers of $132.0 million in accordance with the *Balancing Pool Regulation*.

Notes to Financial Statements

Balancing Pool

13. Contingencies and Commitments

Reclamation and Abandonment

TransAlta has submitted an application as well as three amendments to the AUC to decommission Sundance A and is seeking $59.8 million (2021 - $76.0 million) in funding from the Balancing Pool. The Balancing Pool disagrees with several aspects of the application. A provision of $25.3 million (2021 - $32.5 million) to decommission Sundance A has been recorded. The final amount due will be determined by the AUC.

Legal Claim

On June 12, 2019, the Balancing Pool received a statement of claim from a power producer seeking $17.5 million in damages from the Balancing Pool. The Balancing Pool considers the claim to be without merit. Section 92 of the *Electric Utilities Act* provides the Balancing Pool with strong liability protection for such claims.

On August 6, 2021, the Court of Queen's Bench granted the Balancing Pool's application to strike the entire claim. The claimant appealed the ruling. On March 3, 2022, the Court of Queen's Bench dismissed the claimant's appeal, and the claim was struck entirely. On April 1, 2022, the claimant filed an appeal with the Court of Appeal of Alberta. On December 6, 2022, the Court of Appeal of Alberta dismissed the issues raised in the Appeal by the claimant. The Balancing Pool was ultimately successful in defending this claim.

Legal Claim – Line Loss Proceeding

On January 27, 2021, the Balancing Pool received a statement of claim from a power producer related to the line loss rule proceeding and is seeking $53.2 million (2021 - $10.3 million) in damages from the Balancing Pool. The Balancing Pool's statement of defense has been filed.The Balancing Pool considers the claim to be without merit.

At December 31, 2022, no contingent liability has been recorded (2021 - $nil).

Arbitration - Line Loss Proceeding

In April 2021, a power producer gave notice to the Balancing Pool of a formal arbitration proceeding regarding the historical line loss proceeding. The power producer is seeking $56.6 million from the Balancing Pool for historical line loss amounts invoiced by the AESO to the power producer. The Balancing Pool considers the matter to be without merit. The arbitration concluded in December 2022. On April 11, 2023, the arbitration panel released its decision in favour of the Balancing Pool.

At December 31, 2022, no contingent liability has been recorded (2021 - $nil).

Legal Claim

On April 28, 2022, the Balancing Pool received a statement of claim from a power producer seeking $483.0 million in damages from the Balancing Pool. The Balancing Pool considers the claim to be without merit. Section 92 of the *Electric Utilities Act* provides the Balancing Pool with strong liability protection for such claims. Balancing Pool's legal counsel is preparing the statement of defense.

At December 31, 2022 no contingent liability has been recorded.

Other Legal Claims

The Balancing Pool is involved in other legal claims and legal proceedings arising in the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, the Corporation does not consider the Balancing Pool's exposure to litigation to be material to these financial statements. Accruals for litigation, claims and assessments are recognized if the

Notes to Financial Statements

Balancing Pool

Balancing Pool determines that the loss is probable and the amount can be reasonably estimated. The Balancing Pool believes it has made adequate provisions for such legal claims.

14. Cost of Sales

(in thousands of dollars)	**2022**	2021
Power Purchase Arrangements costs (recovery)	(17)	7,278
Small scale generator costs	130	52
Amortization and depreciation on right-of-use assets	31	107
	144	7,437

15. Commercial Dispute costs (recovery)

(in thousands of dollars)	**2022**	2021
Force Majeure recovery	-	(12,000)
Commercial dispute costs (recovery)	(891)	1,764
	(891)	(10,236)

In 2022, the Balancing Pool incurred $4.1 million in commercial dispute costs and recorded a $5.0 million recovery in legal fees previously accrued, resulting in a net recovery of $0.9 million.

16. Related Party Transactions

Key Management Compensation

Key management includes members of the Board of the Balancing Pool and the Chief Executive Officer. The compensation paid or payable to key management for services is shown below.

Key Management Compensation *(in thousands of dollars)*	**2022**	2021
Salaries, other short-term employee benefits and severance	481	480
	481	480

Government-Related Entity

The Balancing Pool considers itself to be a government-related entity as defined by IAS 24 – *Related Party Disclosures* and applies the exemption from the disclosure requirements of Paragraph 18 of IAS 24 – *Related Party Disclosures.* The members of the Board are appointed by the Minister of AU. The financial information of the Balancing Pool is consolidated with the Ministry of Affordability and Utilities.

In January 2017, the Balancing Pool signed a loan agreement with the Government of Alberta. The loan agreement will remain until December 31, 2030 when all outstanding loan amounts are due to be paid back to the provincial government. As the Balancing Pool has short-term and long-term related party notes outstanding which mature prior to December 31, 2030, the Balancing Pool expects to repay maturing notes through its consumer collection (Note 12) or refinance maturing notes outstanding with the Government of Alberta (Note 17), subject to the terms of the loan agreement. Details of the Balancing Pool's related party loans outstanding are as follows:

Notes to Financial Statements

Balancing Pool

(in thousands of dollars)	**Interest Rate**	**2022**
Short-term note due on September 13, 2023	2.65%	504,199
Short-term discount note due on January 10, 2023	3.56%	19,980
Short-term discount note due on February 14, 2023	4.11%	86,559
		610,738

(in thousands of dollars)	Interest Rate	2021
Long-term note due on September 13, 2023	2.65%	503,873
Short-term discount note due on January 20, 2022	0.19%	54,967
Short-term discount note due on March 15, 2022	0.30%	151,985
		710,825
Less: Current portion		(206,952)
		503,873

At December 31, 2022, the Balancing Pool had $610.7 million (2021 – $710.8 million) in short-term discount and long-term notes issued to the Government of Alberta, including accrued interest of $5.3 million (2021 – $5.6 million). During 2022, net payments of $116.2 million (2021 - $9.6 million payment) were remitted on the outstanding loan. Fair value of the loan is the same as the amortized cost of borrowing. During 2022, interest of $14.1 million was paid on the related party loan (2021 – $13.6 million).

Directed by the Minister of AU, the Balancing Pool is mandated to make payments to the Office of the Utilities Consumer Advocate ("UCA") to cover 80% of their annual operating costs. In 2022, the Balancing Pool expensed $4.1 million (2021 – $3.8 million) for the UCA.

The Balancing Pool also considers the AESO a government-related entity. The EUA requires the Balancing Pool to forecast its revenues and expenses with any excess or shortfall of funds in the accounts to be allocated to, or provided by, electricity consumers over time. Pursuant to the EUA, the AESO facilitates the collection or distribution of any excess or shortfall through an annualized amount included in the AESO's transmission tariff. In 2022, the Balancing Pool collected $131.7 million (2021 – $135.8 million) from electricity consumers through the AESO's transmission tariff.

17. Subsequent Events

Related Party Transactions

The discount note that matured on January 10, 2023 (Note 16), was paid in full. The short-term note that matured on February 14, 2023, was re-financed with the terms noted below.

(in thousands of dollars)	Interest Rate	Amount re-financed
Short-term discount note due on May 15, 2023	4.51%	67,000

Alberta Utilities Commission

Financial Statements

For the Year Ended March 31, 2023

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Auditor General
OF ALBERTA

Independent Auditor's Report

To the Members of the Alberta Utilities Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of the Alberta Utilities Commission (the AUC), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AUC as at March 31, 2023, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the AUC in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the AUC’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the AUC’s financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AUC’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AUC’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the AUC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by]

W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General

May 10, 2023
Edmonton, Alberta

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Alberta Utilities Commission (AUC) have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). The financial statements necessarily include some amounts that are based on informed judgments and best estimates of management.

Management is responsible for maintaining an effective system of internal controls designed to provide reasonable assurance that financial information is reliable, transactions are properly authorized, assets are safeguarded and liabilities are recognized.

The Auditor General of Alberta, the AUC's external auditor appointed under the *Auditor General Act* , performed an independent external audit of these financial statements in accordance with Canadian generally accepted auditing standards, and has expressed his opinion in the accompanying Independent Auditor's Report.

The Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Commission exercises this responsibility through the Chair's Management Committee, composed of the Chair, any Vice-Chair(s), or any Commission member assigned by the Chair. The Chair's Management Committee meets with the external auditors-both in the presence and in the absence of management to discuss their audit, including any findings as to the integrity of financial reporting processes and the adequacy of AUC's systems of internal controls. The external auditors have full and unrestricted access to the Chair's Management Committee.

[Original signed by Bob Heggie]

Chief Executive

[Original signed by Darek Kogut]

Executive Director, Corporate Services

Date: May 10, 2023

Statement of Operations

Alberta Utilities Commission
Year Ended March 31, 2023

	2023				2022 (Restated)	
	Budget (Schedule 3)		Actual		Actual	
	(in thousands)					
Revenues						
Administration fees	$	30,306	$	27,738	$	27,273
Investment income		50		500		37
Professional services and other revenue		15		119		244
		30,371		28,357		27,554
Expenses						
Utility regulation (Schedule 1)		30,671		28,947		28,092
Annual operating deficit		(300)		(590)		(538)
Accumulated surplus, beginning of year		12,298		12,298		12,902
Restatement adjustment (Note 3)		-		-		(66)
Accumulated surplus, end of year	**$**	**11,998**	**$**	**11,708**	**$**	**12,298**

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position

Alberta Utilities Commission
As At March 31, 2023

	2023	2022 (Restated)
	(in thousands)	
Financial Assets		
Cash and cash equivalents (Note 6)	$ 9,731	$ 9,899
Accounts receivable	60	83
Accrued pension asset (Note 7)	983	769
	10,774	10,751
Liabilities		
Accounts payable and other accrued liabilities (Note 8)	2,341	2,006
Deferred lease incentive (Note 9)	3,467	4,121
Asset retirement obligation (Note 10)	191	184
	5,999	6,311
Net Financial Assets	4,775	4,440
Non-Financial Assets		
Capital assets (Note 11)	6,112	7,112
Prepaid expenses	821	746
	6,933	7,858
Net Assets		
Accumulated surplus (Note 12)	$ 11,708	$ 12,298

Contractual obligations (Note 13)

The accompanying notes and schedules are part of these financial statements.

Statement of Change in Net Financial Assets

Alberta Utilities Commission
Year Ended March 31, 2023

	2023		2022 (Restated)
	Budget (Schedule 3)	Actual	Actual
	(in thousands)		
Annual operating deficit	$ (300)	$ (590)	$ (538)
Acquisition of capital assets (Note 11)	(1,500)	(561)	(389)
Amortization of capital assets (Note 11)	1,800	1,554	1,709
Net (gain) loss on disposal and writedowns of capital assets	-	(1)	215
Proceeds on disposal of capital assets	-	8	41
(Increase) decrease in prepaid expenses	-	(75)	265
Increase in net financial assets in the year	-	335	1,303
Net financial assets, beginning of year	4,440	4,440	3,315
Restatement adjustment (Note 3)	-	-	(178)
Net financial assets, end of year	**$ 4,440**	**$ 4,775**	**$ 4,440**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows

Alberta Utilities Commission
Year Ended March 31, 2023

	2023	2022 (Restated)
	(in thousands)	
Operating transactions		
Annual operating deficit	$ (590)	$ (538)
Non-cash items included in annual deficit:		
Amortization of capital assets (Note 11)	1,554	1,709
Pension expense	553	634
Asset retirement obligation accretion (Note 10)	7	6
Net (gain) loss on disposal and writedowns of capital assets	(1)	215
Decrease in accounts receivable	23	11
Increase (decrease) in accounts payable and other accrued liabilities	350	(156)
(Increase) decrease in prepaid expenses	(75)	265
Cash provided by operating transactions	1,821	2,146
Capital transactions		
Acquisition of capital assets (Note 11)	(561)	(389)
Proceeds on disposal of capital assets	8	41
Cash applied to capital transactions	(553)	(348)
Financing transactions		
Pension obligations funded	(767)	(680)
Net lease incentives repaid	(654)	(677)
Net lease obligations repaid	(15)	(19)
Cash applied to financing transactions	(1,436)	(1,376)
(Decrease) increase in cash and cash equivalents	(168)	422
Cash and cash equivalents, beginning of year	9,899	9,477
Cash and cash equivalents, end of year	**$ 9,731**	**$ 9,899**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements

Alberta Utilities Commission
March 31, 2023
(in thousands of dollars)

Note 1 Authority

The Alberta Utilities Commission (AUC) operates under authority of the *Alberta Utilities Commission Act, Chapter A-37.2* . The AUC also exercises powers and authorities under a number of other statutes. The AUC is an independent, quasi-judicial agency of the government of Alberta that ensures the delivery of Alberta's utility services takes place in a manner that is fair, responsible and in the public interest. The AUC regulates investor owned electric, natural gas and water utilities, and certain municipally owned electricity utilities to ensure customers receive safe and reliable service at just and reasonable rates. The AUC is responsible for making timely decisions on the need, siting, construction, alteration, operation and decommissioning of natural gas and certain electricity transmission facilities. The AUC also regulates power plants in a similar fashion except the need for new power plants is determined by market forces. The AUC develops and amends rules that support the orderly operation of the retail natural gas and electricity markets, and adjudicates on market and operational rule contraventions that the Market Surveillance Administrator may bring before the AUC. The AUC is exempt from income taxes under the *Income Tax Act* .

Note 2 Summary of significant accounting policies and reporting practices

Basis of financial reporting

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant accounting policies are as follows:

Revenues
All revenues are reported on the accrual basis of accounting. Cash received for which services have not been provided by year end is recognized as unearned revenue and recorded in accounts payable and other accrued liabilities.

Expenses
All expenses are reported on the accrual basis of accounting. The cost of all goods consumed and services received during the year is expensed. Contributed services are not recognized in the Statement of Operations but are disclosed in Note 14 of the financial statements.

Foreign currency translation
Foreign currency transactions are translated at the exchange rate prevailing at the date of transaction. Monetary liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at fiscal year-end.

Valuation of financial assets and liabilities
The AUC's financial assets and liabilities are generally measured as follows:

Financial Statement Component	Measurement
Cash and cash equivalents	Cost
Accounts receivable	Lower of cost or net recoverable value
Accrued pension asset	Projected benefit method
Accounts payable and other accrued liabilities	Cost
Deferred lease incentive	Amortized cost
Capital lease obligation	Lower of cost or present value of minimum lease payments
Asset retirement obligation	Present value

The AUC does not carry any financial assets or liabilities at fair value and has no derivatives or unsettled exchange gains or losses, therefore the statement of remeasurement gains or losses is not included in these financial statements.

Notes to the Financial Statements

Alberta Utilities Commission
March 31, 2023
(in thousands of dollars)

Note 2 Summary of significant accounting policies and reporting practices (continued)

Financial assets
Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the AUC's financial claims on external organizations and individuals at the year end.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits.

Accounts receivable
Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recorded when recovery is uncertain.

Accrued pension asset
Accrued pension asset represents pension plan contributions made in excess of the pension expense which is actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels, and length of service to the time of retirement.

For the purpose of calculating pension expense, the AUC uses the expected future rate of return on plan assets as its discount rate. For the purpose of calculating the expected return, plan assets are valued at market-related values.

Past service costs arising from plan amendments are expensed in the period of the plan amendment. Any actuarial gain or loss is amortized over the average remaining service period of active employees.

Defined contribution plan accounting is applied to the government of Alberta multi-employer defined benefit pension plans as the AUC has insufficient information to apply defined benefit plan accounting.

Liabilities
Liabilities are present obligations of the AUC to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts. Generally, liabilities include trade payables, accrued liabilities and accrued employee vacation entitlements.

Deferred lease incentive
Lease incentive benefits are amortized on a straight line basis over the term of lease as a reduction to rental expense.

Capital lease obligation
Capital lease obligation and the corresponding leased capital asset is recorded at the lower of the leased property's fair value and the present value of the minimum lease payments.

Asset Retirement Obligation (ARO)
Asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset (TCA). Asset retirement activities include all activities relating to an asset retirement obligation. This may include, but is not limited to decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date:
(a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
(b) the past transaction or event giving rise to the liability has occurred;
(c) it is expected that future economic benefits will be given up; and
(d) a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

Notes to the Financial Statements

Alberta Utilities Commission
March 31, 2023
(in thousands of dollars)

Note 2 Summary of significant accounting policies and reporting practices (continued)

Non-financial assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

(a) are normally employed to deliver AUC services;
(b) may be consumed in the normal course of operations; and
(c) are not for sale in the normal course of operations.

Non-financial assets include capital assets and prepaid expenses.

Capital assets

Capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of capital assets, are amortized on a straight-line basis over its estimated useful life as follows:

Computer hardware and software	Four to seven years
Furniture and equipment	Four to forty years
Leasehold improvements	Lease term

Capital assets are written down when conditions indicate that they no longer contribute to the AUC's ability to provide services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

The capitalization threshold for all capital assets is $1.5 unless they are included in certain capital asset pools.

Prepaid expenses

Prepaid expenses are recorded at cost and amortized based on the terms of the agreement.

Measurement uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The amounts recorded for amortization of capital assets are based on estimates of the useful life of the related assets. Also, the accrued pension asset incorporates multiple assumptions. Actual results for amortization and accrued pension asset may differ from reported values.

There is measurement uncertainty related to asset retirement obligation as it involves estimates in discount rates used and settlement timing and amount. Changes to any of these estimates and assumptions may result in a change to the obligation.

Notes to the Financial Statements

Alberta Utilities Commission
March 31, 2023
(in thousands of dollars)

Note 3 Change in accounting policy

Effective April 1, 2022, the AUC adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

On the effective date of the PS 3280 standard, the AUC recognized the following to conform to the new standard:
(a) asset retirement obligations, adjusted for accumulated accretion to the effective date;
(b) asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in use;
(c) accumulated amortization on the capitalized cost; and
(d) adjustment to the opening balance of the accumulated surplus.

Amounts are measured using information, assumptions and discount rates where applicable that are current on the effective date of the standard. The amount recognized as an asset retirement cost is measured as of the date of the asset retirement obligation incurred. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to that date of which this standard is first applied.

Impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

	2022		
	As previously reported	Adjustment recognized	As restated
Statement of Operations			
Revenues	$ 27,554	$ -	$ 27,554
Expenses	28,070	22	28,092
Annual operating deficit	(516)	(22)	(538)
Accumulated surplus at beginning of year	12,902	(66)	12,836
Accumulated surplus at end of year	12,386	-	12,298
Statement of Financial Position			
Financial assets	10,751	-	10,751
Liabilities	6,127	184	6,311
Net financial assets	4,624	(184)	4,440
Non-financial assets	7,762	96	7,858
Net assets	12,386	(88)	12,298
Statement of Change in Net Financial Assets			
Annual deficit	(516)	(22)	(538)
Other changes - e.g. amortization, acquisition, disposal	1,825	16	1,841
Net financial assets at beginning of year	3,315	(178)	3,137
Net financial assets at end of year	$ 4,624	$ (184)	$ 4,440

Note 4 Future changes in accounting standards

On April 1, 2023, the AUC will adopt the following new accounting standards approved by the Public Sector Accounting Board:

PS 3400 Revenue
This accounting standard segregates revenue into exchange and non-exchange transactions. Management has performed a review of PS 3400 Revenue and does not anticipate a change from its current revenue recognition policy.

PS 3160 Public Private Partnerships
This accounting standard provides guidance on accounting for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner. Management does not anticipate any impact on the financial statements as the AUC does not procure any infrastructure using a private sector partner.

Notes to the Financial Statements

Alberta Utilities Commission
March 31, 2023
(in thousands of dollars)

Note 5 Financial instruments

The AUC has the following financial instruments: accounts receivable, accounts payable and other accrued liabilities.

The AUC has exposure to the following risks from its use of financial instruments:

Liquidity risk
Liquidity risk is the risk that the AUC will encounter difficulty in meeting obligations associated with financial liabilities. The AUC does not consider this to be a significant risk as it collects the majority of annual revenues at the beginning of the year and maintains a significant cash reserve to meet all obligations that arise during the year.

Credit risk
The AUC is not exposed to any significant credit risk from potential non-payment of accounts receivable. As at March 31, 2023, the balance of accounts receivables does not contain amounts that were past due or uncollectible.

Note 6 Cash and cash equivalents

Cash and cash equivalents consist of deposits in the Consolidated Liquidity Solution (CLS). Effective July 4, 2022, the CLS replaced the Consolidated Cash Trust Fund (CCITF). Under the CCITF, money was pooled to make investments whereas under the CLS, money is pooled to reduce government debt outstanding. The CLS participants are paid interest monthly on their cash balance at an interest rate based on the twelve weeks rolling average of the province's borrowing rate.

Note 7 Pension

The AUC participates in the Government of Alberta's multi-employer pension plans of Management Employees Pension Plan, Public Service Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equal to the contribution of $1,701 for the year ended March 31, 2023 (2022: $1,827). The AUC is not responsible for future funding of the plans deficit other than through contribution increases.

In addition, the AUC maintains its own defined benefit Senior Employees Pension Plan (SEPP) and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

The effective date of the most recent actuarial funding valuation for SEPP was December 31, 2021. The accrued benefit obligation as at March 31, 2023 is based on the extrapolation of the results of this valuation. The effective date of the next required funding valuation for SEPP is December 31, 2024.

Pension plan assets are valued at market values. During the year ended March 31, 2023 the weighted average actual return on plan assets was -1.11 per cent (2022: 2.12 per cent).

Significant weighted average actuarial and economic assumptions used to value accrued benefit obligations and pension benefit costs are as follows:

	March 31, 2023	March 31, 2022
Accrued benefit obligations		
Discount rate	4.65%	4.00%
Rate of compensation increase	3.00%	3.00%
Long-term inflation rate	2.00%	2.00%

	2023	2022
Pension Benefit costs for the year		
Discount rate	4.00%	3.97%
Expected rate of return on plan assets	4.00%	3.97%
Rate of compensation increase	3.00%	3.00%

Notes to the Financial Statements

Alberta Utilities Commission
March 31, 2023
(in thousands of dollars)

Note 7 Pension (continued)

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	March 31, 2023	March 31, 2022
Market value of plan assets	$ 16,830	$ 16,717
Accrued benefit obligations	15,549	15,400
Plan (deficit) surplus	1,281	1,317
Unamortized actuarial loss (gain)	(298)	(548)
Accrued pension asset	$ 983	$ 769

The pension benefit costs for the year include the following components:

	2023	2022
Current period benefit costs	$ 660	$ 650
Interest cost	628	627
Expected return on plan assets	(679)	(658)
Amortization of actuarial losses	(56)	15
	$ 553	$ 634

The average remaining service period of active employees is 6.2 years (2022: 6.2 years).

Additional information about the defined benefit pension plans is as follows:

	2023	2022
AUC contribution	$ 767	$ 680
Employees' contribution	151	156
Benefits paid	616	777

The asset allocation of the defined benefit pension plans' investments is as follows:

	March 31, 2023	March 31, 2022
Equity securities	45.49%	46.41%
Debt securities	15.57%	16.00%
Other	38.94%	37.59%
	100.00%	100.00%

Note 8 Accounts payable and other accrued liabilities

	2023	2022
Accounts payable	$ 644	$ 635
Other accrued liabilities	1,697	1,356
Capital lease obligation	-	15
	$ 2,341	$ 2,006

Notes to the Financial Statements

Alberta Utilities Commission
March 31, 2023
(in thousands of dollars)

Note 9 Deferred lease incentive

The AUC has received lease incentives through its office lease agreements. During 2023, the AUC received $35 in lease incentives in the form of cash (2022: $0).

	2023	2022
Opening balance	$ 4,121	$ 4,798
Cash incentive received	35	-
Rent free period received	-	-
Lease incentive amortized	(689)	(677)
Closing balance	$ 3,467	$ 4,121

Note 10 Asset retirement obligation

	2023	2022
Asset retirement obligation, beginning of year	$ 184	$ 178
Liability incurred	-	-
Liability settled	-	-
Accretion expense	7	6
Revision in estimates	-	-
Asset retirement obligation, end of year	$ 191	$ 184

Tangible capital assets with associated retirement obligations include leasehold improvements for leased office building.

Asset retirement obligation is initially measured as of the date the legal obligation was incurred, based on management's best estimate of the amount required to retire tangible capital assets and subsequently re-measured taking into account any new information and the appropriateness of assumptions used. The estimate of the liability is based on a third-party quote.

A present value technique is used to measure the liability where the liability is adjusted for the passage of time and is recognized as accretion expense in the Statement of Operations. At March 31, 2023, the undiscounted amount of estimated future cash required to settle this obligation is $166 and is discounted using a discount rate of 3.5 per cent. The ARO is expected to be settled in 2028.

Note 11 Capital assets

	March 31, 2023				March 31, 2022 (Restated)
	Furniture and equipment	Computer hardware and software	Leasehold improvement	Total	Total
Historical cost					
Beginning of year	$ 2,406	$ 8,281	$ 5,988	$ 16,675	$ 18,809
Additions	150	348	63	561	389
Disposals	(10)	(1,480)	-	(1,490)	(2,523)
	$ 2,546	$ 7,149	$ 6,051	$ 15,746	$ 16,675
Accumulated amortization					
Beginning of year	$ 1,129	$ 6,156	$ 2,278	$ 9,563	$ 10,121
Amortization expense	232	691	631	1,554	1,709
Effect of disposals	(4)	(1,479)	-	(1,483)	(2,267)
	$ 1,357	$ 5,368	$ 2,909	$ 9,634	$ 9,563
Net book value at March 31, 2023	**$ 1,189**	**$ 1,781**	**$ 3,142**	**$ 6,112**	**$ 7,112**
Net book value at March 31, 2022 (Restated)	**$ 1,277**	**$ 2,125**	**$ 3,710**	**$ 7,112**	

Notes to the Financial Statements

Alberta Utilities Commission
March 31, 2023
(in thousands of dollars)

Note 12 Accumulated surplus

Accumulated surplus is comprised of the following:

	2023			2022 (Restated)
	Investments in capital assets	Unrestricted surplus	Total	Total
Opening balance	$ 7,112	$ 5,186	$ 12,298	$ 12,836
Annual operating deficit	-	(590)	(590)	(538)
Net investment in capital assets	(1,000)	1,000	-	-
Closing balance	$ 6,112	$ 5,596	$ 11,708	$ 12,298

Note 13 Contractual obligations

Contractual obligations are obligations of the AUC to others that will become liabilities in the future when the terms of those contracts or agreements are met. Contractual obligations for each of the next five years and thereafter are as follows:

Obligations under operating leases, contracts and programs:

	Total
2024	$ 4,375
2025	2,956
2026	2,588
2027	2,402
2028	2,269
Thereafter	178
	$ 14,768

Note 14 Related party transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. For the year ended March 31, 2023 the AUC received and paid $153 (2022: $139) for services from other government of Alberta organizations. The AUC had not received or provided any contributed goods or services from other government of Alberta organizations. Related parties also include key management personnel and close family members of those individuals at the AUC. There were no transactions between the AUC and its key management personnel or close family members during the year.

Note 15 Approval of financial statements

These financial statements were approved by the AUC's Chair's Management Committee.

Expenses – Detailed by Object

Alberta Utilities Commission
Year Ended March 31, 2023
Schedule 1

	2023		2022 (Restated)
	Budget	Actual	Actual
	(in thousands)		
Salaries, wages and employee benefits	$ 23,140	$ 22,337	$ 20,792
Supplies and services	5,731	5,057	5,376
Amortization of capital assets (Note 11)	1,800	1,554	1,709
Net (gain) loss on disposal of capital assets	-	(1)	215
	$ 30,671	$ 28,947	$ 28,092

Salary and Benefits Disclosure

Alberta Utilities Commission
Year Ended March 31, 2023
Schedule 2

	2023				2022
	Base Salary [1]	Other Cash Benefits [2]	Other Non-cash Benefits [3]	Total	Total
	(in thousands)				
Chair of the Commission	$ 331	$ 54	$ 100	$ 485	$ 448
Vice-Chair	250	43	24	317	264
Vice-Chair [4]	182	30	58	270	218
Commission Member	206	23	58	287	258
Commission Member	191	30	54	275	256
Commission Member [5]	169	61	29	259	289
Commission Member [6]	163	31	20	214	-
Commission Member [7]	82	21	17	120	256
Commission Member [8]	49	1	13	63	264
Commission Member [9]	-	-	-	-	-

(1) Includes pensionable base pay.

(2) Includes payments in lieu of vacation, health and pension benefits. No bonuses have been paid.

(3) Employer's contributions to all employee benefits including Employment Insurance, Canada Pension Plan, Alberta pension plans, health benefits, professional memberships, tuition fees and fair market value of parking. Automobiles were provided but no dollar amount included in other non-cash benefits.

(4) The position was vacant from October 23, 2021 to July 8, 2022. New Vice-Chair was appointed on July 9, 2022.

(5) The position was occupied by two individuals at different times during 2023. Previous Commission Member departed May 13, 2022. New Commission Member was appointed on July 18, 2022.

(6) The position was vacant from August 5, 2020 until April 24, 2022.

(7) The position became vacant on August 26, 2022.

(8) The position became vacant on July 9, 2022.

(9) The position became vacant as of June 24, 2020.

Authorized Budget

Alberta Utilities Commission
Year Ended March 31, 2023
Schedule 3

	Budget (Estimate)	Authorized Changes	Authorized Budget	Actual
	(in thousands)			
Revenues				
Administration fees	$ 30,306	$ -	$ 30,306	$ 27,738
Investment income	50	-	50	500
Professional services	15	-	15	119
	30,371	-	30,371	28,357
Expenses				
Utility regulation	30,671	-	30,671	28,947
Net Capital Investment				
Capital investment	1,500	-	1,500	561
Amortization	(1,800)	-	(1,800)	(1,554)
Proceeds on disposal of capital assets	-	-	-	(8)
Net gain on disposal	-	-	-	1
	(300)	-	(300)	(1,000)
	$ -	$ -	$ -	$ 410

Note:

The Budget is based on the AUC Business Plan for the year ended March 31, 2023. The Budget and Authorized Changes have been approved by the government of Alberta.

Other Financial Information

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Statement of Credit or Recovery (unaudited)

Department of Affordability and Utilities
Year Ended March 31, 2023

(in thousands)

	Authorized Spending	Actual Revenue Recognized	Unearned Revenue	Total Amount Received / Receivable	(Shortfall) / Excess
Expense amounts					
Utilities Consumer Advocate[(1)]	$ 6,662	$ 5,791	$ -	$ -	$ (871)
	$ 6,662	$ 5,791	$ -	$ -	$ (871)

(1) The Utilities Consumer Advocate represents the interests of residential, farm, and small business consumers of electricity and natural gas. It influences utility regulations, policies, and practices and informs consumers about electricity and natural gas issues.

Eighty per cent of its funding is received through the Balancing Pool (section 148 of the *Electric Utilities Act*) and twenty per cent from three provincial natural gas distributors (section 28.1 of the *Gas Utilities Act*). Funding is based on the actual amount expended during the year.

Lapse/Encumbrance (unaudited)

Department of Affordability and Utilities
Year Ended March 31, 2023

(in thousands)

	Voted Estimate[(1)]	Supplementary Estimate[(2)]	Adjustments[(3)]	Adjusted Voted Estimate	Voted Actuals[(4)]	Over Expended (Unexpended)
EXPENSE VOTE BY PROGRAM						
1. Ministry Support Services						
1.1 Minister's Office	$ 572	$ 260	$ -	$ 832	$ 565	$ (267)
1.3 Deputy Minister's Office	552	52	-	604	705	101
1.5 Corporate Services	1,597	-	-	1,597	846	(751)
	2,721	312	-	3,033	2,116	(917)
2. Affordability and Utilities						
2.1 Affordability and Utilities	5,577	6,598	-	12,175	10,025	(2,150)
2.3 Utilities Consumer Advocate	6,662	-	-	6,662	5,791	(871)
	12,239	6,598	-	18,837	15,816	(3,021)
3. Utility Rebate and Grant Programs	-	348,547	-	348,547	347,213	(1,334)
4. Climate Change						
4.1 Renewable Electricity Program	12,400	-	-	12,400	-	(12,400)
CAPITAL GRANTS						
2. Affordability and Utilities						
2.1 Affordability and Utilities	6,400	525	-	5,875	5,875	-
Total	33,760	354,932	-	388,692	371,019	(17,673)
Credit or Recovery Shortfall			(871)	(871)		871
	$ 33,760	$ 354,932	$ (871)	$ 387,821	$ 371,019	$ (16,802)
(Lapse)/Encumbrance						$ (16,802)
FINANCIAL TRANSACTIONS VOTE BY PROGRAM						
1. Ministry Support Services						
1.1 Minister's Office	-	-	-	-	-	-
1.2 Deputy Minister's Office	-	-	-	-	-	-
	-	-	-	-	-	-
LOANS AND ADVANCES						
3. Utility Rebate and Grant Programs	-	254,236	-	254,236	222,371	(31,865)
LEGAL LIABILITY RETIREMENT						
4. Climate Change						
4.2 Coal Phase-Out Agreements	96,970	-	-	96,970	96,024	(946)
Total	96,970	254,236	-	351,206	318,395	(32,811)
Credit or Recovery Shortfall			-	-		-
	96,970	254,236	-	351,206	318,395	(32,811)
						(32,811)
CONTINGENCY VOTE BY PROGRAM						
3. Utility Rebate and Grant Programs	-	-	286,803	286,803	286,803	-
Total	$ -	$ -	$ 286,803	$ 286,803	$ 286,803	$ -
(Lapse)/Encumbrance						$ -

(1) As per "Expense Vote by Program", "Capital Investment Vote by Program", and "Financial Transaction Vote by Program" on page 31 of the 2022–23 Government Estimates.

(2) Per the Supplementary Supply Estimates approved on March 28, 2023.

(3) Adjustments include encumbrances, capital carry over amounts, transfers between votes, credit or recovery increases approved by Treasury Board, and credit or recovery shortfalls. An encumbrance is incurred when, on a vote-by-vote basis, the total of actual disbursements in the prior year exceed the total adjusted estimate. All calculated encumbrances from the prior year are reflected as an adjustment to reduce the corresponding voted estimate in the current year.
Adjustments also include supply vote transfers for "Contingency" as approved by the Lieutenant Governor in Council under the direction of the Minister of Finance. The Contingency supply vote consists of a provisional funding authority transferable to any ministry. Upon approval by the Lieutenant Governor in Council, the President of Treasury Board and Minister of Finance may either spend or transfer all or a portion of this supply vote to another Minister for public emergencies, disasters, or unanticipated costs. The Ministry of Affordability and Utilities received a Contingency supply vote by Order in Council Number 135/2023 on March 30, 2023.

(4) Actuals exclude non-voted amounts, as no cash disbursement is required (non-cash amounts), or because the Legislative Assembly has already provided the funding authority pursuant to a statute other than an appropriation act. Non-cash amounts (such as amortization, valuation adjustments, and other provisions) are excluded, as these amounts do not require any expenditure or payment of public money. Year-end expense accruals and payables that will immediately require a cash outlay (payment of public money) to settle or otherwise extinguish the liabilities are included in Actuals.

Annual Report Extracts and Other Statutory Reports

Statutory Report: Public Interest Disclosure Act

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* reads:

32 (1) Every chief officer must prepare a report annually on all disclosures that have been made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.

(2) The report under subsection (1) must include the following information:

(a) the number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;

(b) the number of investigations commenced by the designated officer as a result of disclosures;

(c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

(3) The report under subsection (1) must be included in the annual report of the department, public entity or office of the Legislature if the annual report is made publicly available.

There were no disclosures of wrongdoing filed with my office for your department between April 1, 2022, and March 31, 2023.