

## Public Accounts – Written-in Questions and Follow Up Responses

1. **(AER)** One of the things that I didn't get to ask – and this can be in writing. You know, typically when CEOs or agencies, boards, and commissions come in to talk to ministers, it's the CEO, the board chair, the deputy or another department official, and the minister in the room or some variation on that; as my friend from Edmonton-Glenora describes it, a four-legged stool. Did this happen from the beginning of the creation of the AER? "When did it change?" I think is the question there.

A: The executive leadership, primarily the CEO, that previously took part in engagements with the Minister's Office are no longer employed with the AER and as a result specific details are not available as to how the process for briefing the ministers initially emerged. Based on existing information, the initial CEO met with the ministers separately at select times as well as with the AER Chair as part of the creation of the new regulatory system. The process developed for the transition carried on until the departure of the initial AER CEO.

2. **(AER)** Other questions that I would have are: did the federal money ever transpire? I believe it did not, but I want to know if any other external funding from other levels of government did transpire.

A: The AER did not receive funding from other government sources outside of the funds received for the training engagement in Mexico. Select funds were provided by the Inter-American Development Bank to support an unconventional resource development training workshop in Colombia.

3. **(AER)** What was the nature of the relationships with Mexican officials around that training and so on?

A: The relationship centered around the AER supporting an ICORE Not For Profit contract for regulatory training with Mexico. The primary objectives of the training included building subject matter expertise in the hydrocarbon sector in order to meet the requirements of the Government of Mexico. The project sought to increase the capacity and competency of current and future regulators of the Mexican energy industry to develop energy policy instruments.

4. **(AER)** Then if the agency would be so kind, I think that an interesting thing for the public to know is around the concept of regulatory excellence. It is, in the first instance, not a terrible concept at all. It was the misallocation of resources and the former CEO's desire to develop himself an international business consultancy where the things went off the rails. Perhaps in writing can folks follow up with some observations on that regulatory excellence piece and the value of the original intent as the minister, even beginning in 2014, understood it from a regulatory excellence perspective? I'd be interested in that.

A: The initial concept of regulatory excellence emerged out of a 'best in class' (BIC) project initialized by the AER in 2014. The BIC project was aimed at ensuring the AER developed the necessary capabilities, regulatory processes, and human resources, to drive performance across the organization. The BIC project had three main objectives including identifying best in class attributes, determining how to adopt these attributes within the organization, and developing measurable criteria to chart progress. As part of this work, the AER worked with academics from the University of Pennsylvania. From this work, the AER developed a general plan and series of associated projects with the purpose of achieving regulatory excellence which included a plan to develop an internal training center to ensure staff were trained to the required level.

5. **(AER)** Thanks. I noticed that the Auditor General has made a recommendation regarding "obtaining formal and periodic assertions from management that activities comply with legislation and AER policies." In this particular case it really required a whistle-blower – thank goodness the legislation was there – to come forward. I'm wondering about: what are the new formal and periodic assertion processes that have been put into place in order to respond to the Auditor General's recommendation so that we can ensure that any activities that are being undertaken by the CEO are, in fact, in line with the policies of the AER and the legislation that are there? How are those processes engaged, and how are they then reported out so that that information is widely available?

A: The AER Board is in the process of implementing a new system and structure to ensure Board awareness of major activities in the AER as well as a process for ensuring executives are carrying out their functions in line with the organization's mandate and legislated authority. The new process will be reported publicly on the AER website as part of the investigation follow up as well as directly to the OAG.

6. **(AER)** Just quickly, I'd like to ask Mr. Lambert if he feels, given his large international reputation and work in the energy field, that the AER's international reputation is being successfully repaired by the implementation of the OAG's recommendations or if it is his assessment that it's fatally flawed and perhaps needs wider repair.

A: Mr. Lambert is very proud of the actions taken to date and into the future by the AER Board and the organization in responding to the OAG recommendations and we are on the right track to rebuild and strengthen our reputation. The reputation of the organization is foundationally based on our staff and their actions every day that demonstrate commitment to the AER mandate and to serving the people of Alberta. This reality provides considerable confidence about the AER's future and its reputation.

7. **(ENERGY)** Thank you, Chair. Let's start from the same question. Page 53 also states that industry was aware of ICORE activities, concerned about the misallocation of resources, and raised concerns. What has the department done to ensure that industry is being listened to when they raise very legitimate concerns, and in hindsight what might have been done to act on them at that time?

A: The Government of Alberta is committed to ensuring that Alberta remains a predictable place to invest, and a world leader in responsible resource development. In September, the government announced a review of the AER. The purpose of the review is to identify enhancements to the AER's mandate, governance and system operations. The AER review is not the direct result of the ICORE investigations. As part of the review, government sought input from stakeholders, industry and the general public. As part of this process, the government heard from more than 300 stakeholders, including First Nations and Metis groups, industry, investors, municipalities, landowners, environmental non-governmental organizations, academics, think tanks, and Albertans. The feedback received is currently under review.

8. **(ENERGY)** What has the department done with respect to fiscal and governance managers to ensure that its ABCs cannot spend millions of dollars on initiatives outside their mandate?

A: After concerns were raised about ICORE and AER's involvement in its operations, the regulator was ordered to suspend all ICORE-related activities in November 2018. An interim board has been established and continues to set the direction of the AER's work. Together, the directors approve regulatory changes and set performance expectations for the organization.

The interim board has begun work to implement the ICORE recommendations of the Auditor General, Public Interest Commissioner and Ethics Commissioner. Additionally, it's important to note that the individuals involved in ICORE's operations are no longer with the AER—and that ICORE ceased operations, as directed, in 2018.

9. **(ENERGY)** Page 33 states that the AER board did not have the skills necessary to conduct proper oversight, nor did they contract out to fill in the gaps. How did it come to pass that the board did not have the proper skill set, nor were the skills shortages addressed over the years in question?

A: The Government of Alberta is committed to an open, transparent, competency-based recruitment and appointment process for Alberta's public agencies. Board appointments balance knowledge, expertise, and requirements of the public agency. As the AER is responsible for ensuring the development of Alberta's hydrocarbon resources in a safe and environmentally responsible manner, all board members are selected based on their capacity to oversee the development and delivery of its mandate. The review of the AER will identify enhancement to its mandate, governance and systems operations.

10. **(ENERGY)** Disturbingly, the report states that the AER board chair was heavily involved with the ICORE scheme. What is the department doing to ensure that the board and the executives in question are held accountable and managed appropriately given that the board chair and the executives appear to have been operating in concert?

A: It's important to note that the individuals involved in ICORE's operations are no longer with the AER—and that ICORE ceased operations, as directed, in 2018. Additionally, in March 2019, the AER launched a lawsuit against ICORE for reimbursement for the development and delivery of training manuals. The executives identified in the report are no longer working for the AER. There is now an interim board that replaced the old AER board.

The Government of Alberta has undertaken a review of the AER. The review will identify enhancements to the AER's mandate, governance, and system operations to ensure that Alberta remains a predictable place to invest and a world leader in responsible resource development. Additionally, the interim board has begun work to implement the ICORE recommendations of the Auditor General, Public Interest Commissioner and Ethics Commissioner.

11. **(AER)** The Auditor General recommends that the AER "evaluate whether any additional funds expended on ICORE activities are recoverable." Has the AER performed this evaluation? If so, what were the results?

A: The AER Board has hired outside counsel to provide advice on the recovery of any outstanding available funds. Updates on this issue will be reported to the Office of the Auditor General.

12. **(ENERGY)** Page 33 states that the AER board did not have the skills necessary to conduct proper oversight, nor did they contract out to fill in the gaps. How did it come to

pass that the board did not have the proper skill set, nor were the skills shortages addressed through appropriate recruitment over the years in question?

A: Please see response to question #9.

13. **(ENERGY)** Disturbingly, the report states that the AER board chair was heavily involved with the ICORE scheme. What is the department doing to ensure that the board and the executives in question are held accountable and managed appropriately given that the board chair and the executives appear to have been operating, if not in concert, at the very least without independent oversight?

A: Please see response to question #10.

14. **(ENERGY)** Lastly, could you please respond to the committee with respect to the involvement of the Minister of Energy and the minister of environment at the time of the activities of ICORE and how the lack of oversight or overcoming the normal government's policies and procedures affected the outcome of the ICORE activities?

A: The Ministers of Energy and Environment and Parks are not responsible for the day-to-day operations of the AER. Government provides an oversight role in terms of establishing their mandate, outlining their roles and accountabilities but not how they are achieved.

