



ATCO Gas and Pipelines Ltd.

2015-2016 Rider D Application

October 26, 2015

Alberta Utilities Commission
Decision 20737-D01-2015
ATCO Gas and Pipelines Ltd.
2015-2016 Rider D Application
Proceeding 20737

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1 Introduction

1. On August 14, 2015, ATCO Gas and Pipelines Ltd. (ATCO Gas) filed an application with the Alberta Utilities Commission requesting approval of its unaccounted-for gas (UFG) rate rider (Rider D) for 2015 and 2016. In its application, ATCO Gas requested approval to increase Rider D to 1.220 per cent from 1.125 per cent, effective November 1, 2015.

2. On August 18, 2015, the Commission issued a notice of application. Any party who wished to intervene in this proceeding was required to submit a statement of intent to participate (SIP) to the Commission by August 31, 2015.

3. The Commission received a SIP from the Consumers' Coalition of Alberta (CCA). The CCA indicated that it intended to file information requests, review responses, and file argument and reply argument.

4. In a September 2, 2015 letter, the Commission determined that the application would be considered by way of a minimal written process, and set out the following process schedule:

Process step	Deadline
Information requests to ATCO Gas	September 11, 2015, 4 p.m.
Responses to information requests by ATCO Gas	September 18, 2015, 4 p.m.
Argument	September 25, 2015, 4 p.m.
Reply argument	October 2, 2015, 4 p.m.

5. The Commission considers that the record for this proceeding closed on October 2, 2015.

6. In reaching the determinations contained within this decision, the Commission has considered all relevant materials comprising the record of this proceeding including the arguments submitted by each party. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

2 Background

7. Changes for UFG are recovered in-kind from all shippers on the ATCO Gas distribution system, including the default supply providers. The ATCO Gas north and south systems utilized

a three-year calendar average of physical measurement data to determine UFG. This method was approved for both ATCO Gas North and ATCO Gas South in Decision [2009-183](#).¹

8. In Decision [2013-380](#),² the Commission approved a single province-wide UFG rate and Rider D as ATCO Gas was going to implement a single load balancing deferral account.³

3 Discussion of issues

3.1 Calculation of Rider D

9. ATCO Gas calculated its Rider D using measurement data from the preceding three years for the UFG calculations, i.e., 2012, 2013 and 2014. The UFG percentages for 2012, 2013 and 2014 are averaged to determine the Rider D rate.

Table 1. Annual UFG percentages and the calculation of the proposed 2015-2016 Rider D

	UFG %
2012 UFG	0.895 %
2013 UFG	1.488 %
2014 UFG	1.276 %
Three-year average UFG	1.220 %

10. Attachment 1⁴ included in the application, contained detailed calculations regarding the derivation of the percentages in the above table.

3.2 Compliance with previous Commission directions

11. In compliance with the direction given in Decision [2008-105](#),⁵ ATCO Gas reconciled the 2012 and 2013 data used in this application with the 2012 and 2013 data used in its last Rider D application (ATCO Gas 2014-2015 Rider D application).

12. In Decision [2014-290](#),⁶ the Commission directed ATCO Gas to provide the following:
Accordingly, consistent with Decision 2013-380, the Commission directs ATCO Gas to continue to provide the following in future Rider D applications:

¹ Decision 2009-183: ATCO Gas (A Division of ATCO Gas and Pipelines Ltd.), 2009-2010 Unaccounted for Gas Rates – Rider “D,” Proceeding 282, Application 1605369-1, October 23, 2009.

² Decision 2013-380: ATCO Gas Rider D Application for Unaccounted for Gas, Proceeding 2796, Application 1609860-1, October 16, 2013.

³ Paragraph 21.

⁴ Exhibit 20737-X0001.

⁵ Decision 2008-105: ATCO Pipelines and ATCO Gas, 2008-2009 Unaccounted for Gas and Fuel Gas Rates – Rider “D” and Load Balancing Deferral Account Rider “F,” Proceeding 96, Application 1583677-1, October 28, 2008, page 7.

⁶ Decision 2014-290: ATCO Gas and Pipelines Ltd., Rider D Application for Unaccounted-for Gas, Proceeding 3380, Application 1610790-1, October 22, 2014.

- Clear explanations of seasonal UFG differences, measurement corrections and reasons for UFG increases or decreases.
- Information on practices and procedures it has employed to reduce UFG in its future applications.⁷

13. In compliance with the above direction ATCO Gas provided explanation of the seasonal differences in UFG. ATCO Gas explained:

ATCO Gas continues to identify the major cause of variable UFG from month to month and to a much lesser extent, season to season, as the limited estimating ability of the Daily Forecasting and Settlement System (DFSS) to allocate cycle billing reads to day and calendar month usage. This estimating effect can make UFG appear higher or lower in any particular month or run of months. ATCO Gas again continues to reiterate that accuracy of UFG is identified over a period of time such as a year to reduce the timing effect of DFSS estimates.

As noted in its previous Applications, ATCO Gas has over 1.1 million delivery points where the vast majority are read on monthly cycles. The DFSS allocates monthly meter readings to daily flow using daily average temperature and other factors such as season and day of week. ATCO Gas, as well as most utilities, use cycle billing as the most cost effective methodology for billing large number of customers. As a result, the calendar monthly deliveries reported are only estimates, however the data is still based upon actual meter reads, and therefore over a longer time period, it represents actual flow. Receipts are vastly different as gas is bought, sold and exchanged on a daily basis in the market, and therefore ATCO Gas has over 90% of the receipt measurement reported daily.⁸

14. ATCO Gas also provided details of the aggregated amount of measurement adjustments processed (terajoules) for 2014. In 2014 there were 16 measurement equipment failures and 10 occurrences of reallocation of measurement identified and corrected. ATCO Gas also processed five terajoules of post final settlement adjustments in 2014.⁹

15. ATCO Gas proposed that Rider D should be increased to 1.220 per cent from 1.125 per cent, which is an increase of approximately of 8.4 per cent in the Rider D rate. ATCO Gas identified one potential cause for the increase, which is due to temporary mixing of gas from two or more gas sources which have differing heat values. ATCO Gas elaborated further on this issue:

As a result of the ATCO Pipelines Urban Pipeline Replacement (UPR) program, ATCO Gas is relocating several gate stations to the Transportation and Utility Corridor (“TUC”) in Calgary and Edmonton. The relocating of gate stations involves building new stations in or near the TUC; then removing existing stations within the cities. New heat area boundaries are then established for the new configuration of the system. During the temporary transition period, two stations operate and higher UFG may be experienced. In 2012 and 2013, there was an unexpected delay in ATCO Pipelines’ construction of the Edmonton SW Connector Project due to a regulatory review of the UPR program overall. This caused a longer than normal temporary transition period in 2013 and 2014 whereby two stations connected to different gas sources fed a large portion of west Edmonton. This was required as the work related to the NW Connector Project had already been substantially completed, and the new distribution system configuration required either the

⁷ Paragraph 30.

⁸ Exhibit 20737-X0002, application, paragraphs 17-18.

⁹ Exhibit 20737-X0002, application, paragraphs 14 and 16.

existing ATCO Pipelines system or the SW Connector Project to provide adequate capacity to ATCO Gas' system. ATCO Gas plans its work to ensure these situations are minimized, but there can be unforeseen circumstances where they are unavoidable.¹⁰

16. ATCO Gas takes various additional steps to improve UFG, such as implementing procedures to ensure measurement is accurate during all flow conditions, which involves monitoring and reviewing all current measurement equipment for correct meter sizing and replacing where warranted. ATCO Gas has also implemented a program to monitor all gate stations for low flow conditions, as gas may slip by unmeasured at receipt gas meters if the flow is below the minimum range of the meter. ATCO Gas also added that it makes collaborative efforts with ATCO Pipelines to make improvements in measurement equipment, data monitoring, verification of measurement data, operational adjustments to ensure measurement accuracy, adjusting gas analysis points and improving reporting between groups regarding awareness of potential UFG issues.¹¹

3.3 The rising trend of the UFG rate

17. The CCA raised concerns with the rising trend in UFG rates and that the trend is “ultimately to the detriment of consumers.”¹² The CCA argued that since all gas utilities experience UFG, then it seems reasonable that there could be some cost-effective and efficient means of gathering Canada wide data with which to compare the increasing trend of UFG and hopefully discover better UFG management practices. The CCA also suggested that “to be whole and effective any decision requires some objective comparison of UFG data.”¹³ The CCA requested that the Commission direct ATCO Gas to survey Canadian utilities for measurements of UFG and submit a report outlining industry standards and trends in UFG in other jurisdictions with its next Rider D application.

18. The CCA supported its recommendation by concluding:

The CCA further submits that some objectively supported mechanism is necessary to commence some effective and incremental resolution to UFG and the volatility of UFG with the goal of more optimal ongoing stability for consumers. Finally, the CCA submits that an objective survey from similar utilities across Canada is the best starting point toward a necessary objective mechanism to ensure that UFG levels remain within industry standards. This information will permit the AG, the Commission and interested parties to identify and rectify UFG levels which are outside of industry standards and work toward solutions in the best interests of rate-payers. Thus the CCA requests the Commission to direct AG to provide this additional data in their next Rider D application.¹⁴

19. With respect to the CCA's concern regarding the rising trend in UFG rates, ATCO Gas submitted that the UFG percentage declined noticeably from 2013 to 2014 by 0.212 per cent, that the applied-for Rider D rate is less than a 0.10 per cent increase over last year and that the increase in Rider D over the last five years has been less than 0.36 per cent.¹⁵

¹⁰ Exhibit 20737-X0002, application, paragraph 20.

¹¹ Exhibit 20737-X0002, application, pages 23-24.

¹² Exhibit 20737-X0013, CCA argument, paragraph 12.

¹³ Paragraph 14.

¹⁴ Exhibit 20737-X0013, CCA argument, paragraph 15.

¹⁵ ATCO Gas reply argument, paragraph 5.

20. ATCO Gas also noted that in its 2013-2014 Rider D application,¹⁶ the CCA submitted a similar proposal in their argument¹⁷ and wrote:

The CCA submits that there would be benefit with an assessment of AG's UFG efforts against other North American peers. The CCA submits that if AG cannot provide American distribution utilities UFG rates through industry associations, AG should be directed to provide a survey of the North American UFG rates for the last three years of available data.¹⁸

21. ATCO Gas cited the following from the Commission's finding with regard to the CCA's proposal in Decision 2013-380:¹⁹

With regard to the suggestion by the CCA that AG be directed to provide a survey of North American UFG rates in order to provide a benchmark, the Commission has considered the request and finds it to be unnecessary. The AG UFG rate is stable and, as noted above, AG has committed itself to locate and correct sources of UFG as they are found. Benchmarking AG against an assembly of its peers, while an interesting idea, would not likely be of any practical use in the current instance and therefore the Commission declines to impose any such requirement on AG at this time.²⁰

22. ATCO Gas expressed its agreement with the Commission's previous findings that comparing ATCO Gas's UFG percentages with other North American utility companies would not be of any practical use to benchmark its UFG. The operating conditions as well as data reporting procedures of each company will affect the results of a UFG analysis. It also added that "it could be expected that this exercise would be extremely extensive and not likely produce results that would be useful in determining an industry standard."²¹

23. In conclusion ATCO Gas submitted:

ATCO Gas considers these fluctuations in UFG to be very minor in a gas distribution system with over 1.2 million customers, 38,000 km of pipe of various vintage and under the construction stage of a major pipeline improvement program in the largest cities it serves.

Due to the nature and variability of the causes of UFG, accurately forecasting the UFG rate is not possible. However, ATCO Gas has a well established UFG monitoring and mitigation program, and maintains that these rigorous processes ensure that preventable UFG is identified and addressed and therefore the Rider D rates requested in this application are within historic levels, and remain appropriate.²²

¹⁶ Exhibit 0003.00.ATCOGas-2796, ATCO Gas 2013-2014 Rider D Application, Proceeding 2796.

¹⁷ Exhibit 20737-X0014.

¹⁸ Proceeding 2796, ATCO Gas 2013-2014 Rider D Application.

¹⁹ Exhibit 0016.01.CCA-2796, Proceeding 2796, CCA argument.

²⁰ Decision 2013-380, paragraph 15.

²¹ Exhibit 20737-X0016, ATCO Gas reply argument, paragraph 8.

²² Ibid., paragraphs 9-10.

4 Commission findings

24. The Commission recognizes that all gas distribution pipeline systems have UFG as an element of operating a natural gas distribution system. Due to the numerous factors that impact UFG, the UFG percentage will fluctuate over time.

25. The Commission finds that ATCO Gas has complied with the directions from Decision 2014-290. In its application, ATCO Gas has provided an explanation for the measurement adjustments processed, the seasonal differences in UFG, the reason for changes in UFG, and the efforts to implement operational changes and metering related to UFG.

26. The Commission has reviewed the CCA's arguments on the rising trend in UFG rates, and its request for a survey of Canadian utilities for measurements of UFG and a report outlining industry standards and trends in UFG in other Canadian jurisdictions. The Commission remains of the view expressed in 2013-380. Specifically, the Commission considers that efforts to benchmark UFG against other Canadian utilities may be expensive and sensitive to each utility's unique operating conditions and data reporting procedures. The Commission has no evidence that the CCA's recommendation is technically feasible or that the benefits of pursuing such an approach outweigh any potential costs (or what those costs might be). Further, it is not clear to the Commission how implementing such an approach could ultimately lead to any reductions to ATCO Gas's UFG.

27. The Commission also takes comfort in the fact that the UFG percentage declined from 2013 to 2014, that the applied-for Rider D rate is less than a 10 per cent increase in the Rider D rate over the last year and that the current Rider D of 1.220 per cent is reasonably close to the average UFG value of 1.11 per cent of the past five years from 2009 to 2014.²³ Based on the foregoing, the Commission will not implement the CCA's request directing ATCO Gas to demonstrate that their system withstands objective, industry-wide scrutiny.

28. However, the Commission is cognizant of the unpredictable nature of UFG and the need to constantly have a sound monitoring and mitigation program to keep it under control. The Commission continues to view it important for ATCO Gas to track the system UFG, as it is an important part of sound management of a gas distribution system. The Commission also takes note of the various means ATCO Gas has adopted to reduce its overall UFG rate.²⁴ As variances in UFG will continue over time, the Commission directs ATCO Gas to continue to provide an explanation of any increase in UFG and steps taken to reduce its impact. Accordingly, consistent with Decision 2014-290, the Commission directs ATCO Gas to continue to provide the following in future Rider D applications:

- Clear explanations of seasonal UFG differences, measurement corrections and reasons for UFG increases or decreases.
- Information on practices and procedures it has employed to reduce UFG in its future applications.

²³ Exhibit 20737-X0012, AG-CCA-2015SEP11-006.

²⁴ Exhibit 20737-X0002, paragraphs 21-24.

29. The Commission also directs ATCO Gas to continue with the direction provided at page 7 of Decision 2008-105 and provide detail with respect to all adjustments showing the reconciliation of prior years' data.

30. The Commission has reviewed ATCO Gas's calculation of Rider D. The calculation is consistent with the methodology approved in previous decisions, most recently in Decision 2014-290. For these reasons, the Commission is satisfied, for the purposes of the 2015 and 2016 UFG application, that ATCO Gas's proposed increase to Rider D for UFG is reasonable.

31. The Commission approves Rider D at 1.220 per cent, effective November 1, 2015. The Rider D schedule is approved, and is attached as [Appendix 3](#) to this decision.

5 Order

32. It is hereby ordered that:

- (1) ATCO Gas and Pipelines Ltd.'s unaccounted-for gas rate rider, Rider D, is approved as filed, effective November 1, 2015.

Dated on October 26, 2015.

Alberta Utilities Commission

(original signed by)

Bill Lyttle
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
ATCO Gas and Pipelines Ltd. (ATCO Gas)
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel B. Lyttle, Commission Member
Commission staff K. Kellgren (Commission counsel) N. Mahbub B. Whyte

Appendix 2 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. However, the Commission is cognizant of the unpredictable nature of UFG and the need to constantly have a sound monitoring and mitigation program to keep it under control. The Commission continues to view it important for ATCO Gas to track the system UFG, as it is an important part of sound management of a gas distribution system. The Commission also takes note of the various means ATCO Gas has adopted to reduce its overall UFG rate. As variances in UFG will continue over time, the Commission directs ATCO Gas to continue to provide an explanation of any increase in UFG and steps taken to reduce its impact. Accordingly, consistent with Decision 2014-290, the Commission directs ATCO Gas to continue to provide the following in future Rider D applications:
 - Clear explanations of seasonal UFG differences, measurement corrections and reasons for UFG increases or decreases.
 - Information on practices and procedures it has employed to reduce UFG in its future applications. Paragraph 28

2. The Commission also directs ATCO Gas to continue with the direction provided at page 7 of Decision 2008-105 and provide detail with respect to all adjustments showing the reconciliation of prior years’ data. Paragraph 29

Appendix 3 – Rate Rider D

[\(return to text\)](#)

Effective November 1, 2015 to October 31, 2016 by Decision 20737-D01-2015
This Replaces Rider “D” Previously Effective November 1, 2014

ATCO GAS AND PIPELINES LTD.
ATCO GAS
RIDER “D” TO DISTRIBUTION ACCESS SERVICE CUSTOMERS FOR
THE RECOVERY OF
UNACCOUNTED-FOR GAS (UFG)

All Retailer and Default Supply Provider Customers utilizing Distribution Access Service for delivering gas off the ATCO Gas distribution system will be assessed a distribution UFG charge of 1.220% at the Point of Delivery. The UFG assessment will be made up “In-Kind” from each Customer Account.