



AltaGas Utilities Inc.

2015-2016 Unaccounted-for Gas Rate Rider E and Rate Rider H

November 23, 2015

Alberta Utilities Commission

Decision 20806-D01-2015

AltaGas Utilities Inc.

2015-2016 Unaccounted-for Gas Rate Rider E and Rate Rider H
Proceeding 20806

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1 Introduction

1. On September 8, 2015, AltaGas Utilities Inc. (AltaGas or AU) submitted an application to the Alberta Utilities Commission requesting approval for annual adjustments to its unaccounted-for gas (UFG) rate riders E and H, effective December 1, 2015. AltaGas is proposing Rider E be reduced from 1.31 per cent to 1.30 per cent, and Rider H be reduced from 1.33 per cent to 1.31 per cent.¹

2. On September 9, 2015, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by September 16, 2015. In their SIPs, parties were to indicate whether they supported or objected to the application, the reasons for their position, any perceived need for further process and the supporting rationale for their position.

3. The Commission received a SIP from the Consumers' Coalition of Alberta (CCA). The CCA requested the opportunity to test the application with a process of written information requests.

4. Based on its review of the application and the SIP, the Commission issued a September 22, 2015 process letter which advised that the application would be considered by way of a basic written process, and included information requests and responses as well as a process step for parties to comment on any need for argument:²

Process Step	Deadline
Information requests issued to AltaGas	September 30, 2015
AltaGas response to information requests	October 9, 2015
Comments on need for argument	October 14, 2015

5. On October 14, 2015, AltaGas and the CCA filed their comments on the need for further process. AltaGas submitted that there was sufficient information on the record to enable the Commission to fully assess the application and requested that the Commission dispense with argument and reply argument. The CCA submitted that the record was complete and the matter should proceed to argument and reply argument.

6. By letter dated October 19, 2015, the Commission determined that process steps for argument and reply argument would be added to the proceeding. The deadlines were set as October 26, 2015 and November 2, 2015, respectively.

¹ Exhibits 20806-X0001 and X0002.

² Exhibit 20806-X0007.

7. The Commission considers the record for this proceeding to have closed on November 2, 2015. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. Accordingly, reference 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 a particular matter.

2 Background

8. In Decision 2011-425,³ in response to concerns that AltaGas' efforts had not resulted in a reduction to UFG levels, the Commission directed AltaGas to provide the following information in its next UFG application:

- (a) monthly receipt and delivery volumes for the past five years and UFG percentage loss or gain
- (b) a clear and detailed explanation of the seasonal difference in UFG rates, and the specific reasons for negative UFG amounts in any month during a period where this UFG rate is in effect
- (c) the reasons for any increases/decreases in UFG for AltaGas and what additional steps AltaGas is taking to reduce UFG in its next UFG application
- (d) explanation of all capital projects and operation and maintenance programs that have been initiated over the last five years and any forecast initiatives designed to improve UFG data and potentially reduce UFG amounts⁴

9. In Decision 2012-292,⁵ the Commission recognized AltaGas' efforts undertaken to understand and manage its UFG levels. The Commission stated that it expected more accurate data and improved detection of UFG will assist the Commission in better understanding the source(s) of AltaGas' UFG. AltaGas was directed to provide the following information in its next UFG application:

- (a) monthly receipt and delivery volumes and UFG percentage loss or gain from the most current month available back to June 2002
- (b) a clear and detailed explanation of the seasonal difference in UFG rates, and the specific reasons for negative UFG amounts in any month
- (c) the reasons for any increases/decreases in AUI's UFG and details of the additional steps AltaGas is taking to reduce UFG⁶

10. In Decision 2013-396,⁷ and Decision 2014-291,⁸ the Commission stated that while not all of the causes of UFG can be eliminated, it would expect that the percentages will be reduced

³ Decision 2011-425: AltaGas Utilities Inc. 2011-2012 Rate Rider "E" - Unaccounted-For Gas, Proceeding 1423, Application 1607636-1, October 27, 2011.

⁴ Decision 2011-425, paragraph 19.

⁵ Decision 2012-292: AltaGas Utilities Inc. 2012-2013 Rate Rider "E" - Unaccounted-For Gas, Proceeding 2133, Application 1608828-1, October 30, 2012.

⁶ Decision 2012-292, paragraph 32.

⁷ Decision 2013-396: AltaGas Utilities Inc. 2013-2014 Rider E and Rider H (Unaccounted-for Gas), Proceeding 2815, Application 1609896-1, October 31, 2013.

⁸ Decision 2014-291: AltaGas Utilities Inc. 2014-2015 Unaccounted-for Gas Rider E and Rider H, Proceeding 3369, Application 1610779-1, October 22, 2014.

over time due to AltaGas' initiatives to reduce UFG. The Commission directed AltaGas to continue with its commitment to quantify the causes of UFG, to continue to take action going forward to reduce UFG fluctuations and UFG overall, and to continue to provide historical monthly data.⁹

3 Discussion of issues

3.1 Calculations and levels of Rider E and Rider H

11. In the application, AltaGas did not propose any change to its approved methodology for calculating riders E and H. Rider E is calculated using the most recent five-year arithmetic average of the annual UFG percentages, based on system receipts. Rider H is similarly calculated using the most recent five-year arithmetic average of the annual UFG percentages, but it uses system deliveries in the calculation, as required by Rule 028: *Natural Gas Settlement System Code*. The five-year historical average calculations were included in the application as Schedule B (for Rider E) and Schedule D (for Rider H). The five-year average calculations for riders E and H are reproduced in tables 1 and 2 below:

Table 1. Determination of UFG Rider E percentage for 2015-2016¹⁰

Previous five years UFG percentages for the year ended May 31	Percentage loss
2011	1.61
2012	1.18
2013	1.36
2014	1.07
2015	1.26
Arithmetic average	1.30

Table 2. Determination of UFG Rider H percentage for 2015-2016¹¹

Previous five years UFG percentages for the year ended May 31	Percentage loss
2011	1.64
2012	1.19
2013	1.38
2014	1.08
2015	1.28
Arithmetic average	1.31

12. The Commission has compiled Table 3 below to show the last nine years of approved amounts for UFG recovery through Rider E, using the most recent five-year arithmetic average

⁹ Decision 2013-396, paragraph 34; Decision 2014-291, paragraph 22.

¹⁰ Exhibit 20806-X0002, application, Schedule B, page 5.

¹¹ Exhibit 20806-X0002, application, Schedule D, page 7.

of the annual UFG percentages. A similar table has not been compiled for Rider H because Rider H has only been in existence since 2013:¹²

Table 3. AltaGas Rider E – approved UFG amounts on an annual basis from 2006 to 2015

AltaGas historical approved UFG percentages to be recovered through Rider E	Percentage loss
2006-2007	0.73
2007-2008	0.74
2008-2009	0.82
2009-2010	0.86
2010-2011	0.97
2011-2012	1.21
2012-2013	1.24
2013-2014	1.28
2014-2015	1.31
2015-2016 (proposed)	1.30

3.2 Compliance with previous Commission directions

13. In the application, AltaGas provided updated monthly data to the most current month and continued to provide the information regarding UFG factors, consistent with Decision 2012-292 and Decision 2014-291. AltaGas provided:

- Monthly data for the period from June 2010 to May 2015.¹³ The Commission notes that at paragraph 35 of the application, AltaGas refers to “Attachment AUI Rider ‘E’ and Rider ‘H’ Historical Data 2002-2015.” However, the attachment only includes data from June 2010 to the most currently available month, May 2015.
- An explanation for the seasonal differences in UFG rates. AltaGas explained that the two main factors driving seasonal differences and negative UFG in some months are: timing differences in natural gas deliveries and receipts, and low natural gas flow metering in the summer.
- The other factors identified by AltaGas that can have either a positive or negative impact on UFG, most of which may not be accurately quantified or forecasted. These are:
 - Operations – pipeline leaks.
 - Measurement – incorrect instrument configuration, documentation, installation, replacement or maintenance activities; device wear, damage or failure.
 - Other factors – to a lesser extent, accounting/billing, theft, facility damages, purging of pipe.¹⁴

3.3 UFG adjustments by region

14. The CCA submitted that, in future UFG applications, AltaGas should be directed to provide a list of UFG adjustments and details separated into regions. The CCA stated that it found AltaGas’ list of UFG adjustments, separated into the North, Central and South regions in

¹² Decision 2013-367: AltaGas Utilities Inc., Application Requesting a New Rate Rider H (Unaccounted-for Gas) for Compliance with AUC Rule 028, Proceeding 2721, Application 1609767-1, September 27, 2013.

¹³ Exhibit 20806-X0001.

¹⁴ Exhibit 20806-X0002, application, Schedule E, pages 8-18.

response to AUI.CCA-2015SEP30-003, helpful in understanding UFG issues that AltaGas faces.¹⁵

15. AltaGas responded to the CCA's submission as follows, "... should the AUC find it of assistance, the Company would be amenable to providing the requested data by North, South & Central regions as part of future filings."¹⁶

3.4 Quantification of UFG

16. The CCA expressed dissatisfaction with AltaGas' compliance with Commission directions with respect to quantifying UFG, and reducing UFG fluctuations and UFG overall. The CCA argued that AltaGas provided a detailed description of the potential causes of UFG on pages 8 to 17 of the application, but that generic list could be repeated for any UFG application. The application does not quantify the causes of UFG nor document AltaGas' actions to reduce UFG fluctuations and UFG overall. The CCA requested that the Commission direct AltaGas to document, in future UFG applications, its efforts to reduce fluctuations and UFG overall because this would allow the AUC and parties to understand and review AltaGas' actual UFG reduction efforts.¹⁷

17. AltaGas replied that it had identified the main causes of UFG on its distribution system and explained why it is not possible to specifically quantify the causes of UFG in its application and responses to information requests. The possible sources of UFG may be similar from year-to-year but the degree to which each factor may contribute to the overall UFG varies. AltaGas provided the following example:

... in a few instances there may be enough information to estimate gas lost from a leak, but this is rare and only occurs when multiple factors about the leak are known. In AUI's submission, any itemized quantification of losses by causal factor would be based on speculation; rather than any available empirical data.¹⁸

18. Contrary to the CCA's assertion, AltaGas submitted that it had provided details of specific actions taken to monitor the causes of UFG and implement programs, initiatives and activities to mitigate UFG fluctuations and overall UFG. Examples of continual processes used for monitoring and managing UFG are the use of leak surveys, pressure testing of its pipelines and general maintenance of its facilities. AltaGas described other actions it takes to minimize and manage UFG and its sources, such as implementation of a new gas accounting system, installation of automated meter reading at delivery points and the ongoing capital tracker programs related to pipes, stations and gas supply.¹⁹

3.5 June to May UFG data set and November 1st UFG effective date

19. The CCA submitted that AltaGas should be directed to examine the data sets it utilizes for UFG, the date a UFG application should be filed and the UFG effective date. The CCA stated that this information should be filed with the Commission and based its submission on the following:

¹⁵ Exhibit 20806-X0014, CCA argument, paragraphs 4-5.

¹⁶ Exhibit 20806-X0017, AltaGas reply argument, Section 2.

¹⁷ Exhibit 20806-X0014, CCA argument, paragraphs 6-9.

¹⁸ Exhibit 20806-X0017, AltaGas reply argument, paragraph 3.

¹⁹ Exhibit 20806-X0017, AltaGas reply argument, paragraphs 4-5.

The CCA notes the June to May time frame put into place approximately 25 years ago in Decision E90057. The CCA submits it would be appropriate to re-examine the timing of UFG applications and the data sets utilized. The CCA submits the use of data sets ending with shoulder months should be examined, the date of filing an UFG application as well as the date the UFG would begin. The historical use of November 1 for the beginning of a UFG year which was the beginning of the natural gas year may have had relevance 25 years ago but may not have relevance in an era where natural gas is purchased monthly and daily.²⁰

20. The CCA also submitted that AltaGas should consider future UFG processes that do not coincide with other likely regulatory processes, such as PBR applications.²¹

21. AltaGas responded that the November 1st UFG rate implementation date continues to be appropriate because:

- It is consistent with the date used by ATCO Gas and is in keeping with retailers' and producer transportation customers' expectations for a single time in the year to update UFG rates.
- While delivery estimation variances in shoulder and summer months may result in negative UFG, the negative variances are low in relation to total UFG volumes and generally reverse or correct themselves over a one-year period or less.
- If AltaGas were to change the implementation date and associated calculation period, estimation and proration issues would continue to cause the same, or similar, issues, simply because of month-over-month differences.
- Continued use of monthly meter reading and implementation of automated meter reading is allowing more actual delivery data to be collected within the data base used for the estimation and proration calculations. This actual data should result in improved accuracy in estimation and proration of monthly volumes.
- If the data reference period were changed, the historical averages would need to be recalculated to ensure consistency in the calculation of the five-year average and to facilitate any year-over-year comparisons.
- There are numerous proceedings that arise throughout the year, making it unlikely that any one time will be better than another.²²

Commission findings

22. The Commission has reviewed the calculations for Rider E and Rider H and is satisfied that AltaGas' proposed UFG rate calculations are accurate and consistent with the methodology approved in previous decisions, most recently in Decision 2014-291.

23. AltaGas' annual UFG percentages for the past five years have ranged from a low of 1.07 per cent to a high of 1.61 per cent for Rider E; and a low of 1.08 per cent to a high of 1.64 per cent for Rider H, based on a historical averages, if Rider H had been in place for the past five years. The proposed amounts to be recovered through the rate riders fall in the range of historical percentages for each of the rate riders, based on the five-year historical average

²⁰ Exhibit 20806-X0014, CCA argument, paragraph 11.

²¹ Exhibit 20806-X0014, CCA argument, paragraph 12.

²² Exhibit 20806-X0017, AltaGas reply argument, paragraphs 9-15.

calculation. Further, as shown in Table 3 above, the five-year average underlying the 2015-2016 Rider E UFG has declined slightly, for the first time since 2006-2007.

24. The Commission has reviewed the historical UFG data, the reasons for annual changes in UFG, and the steps AltaGas has taken to reduce UFG in response to previous Commission directions, including the directions in Decision 2014-291.

25. As mentioned in Decision 2013-396 and Decision 2014-291, the Commission recognizes that all gas distribution pipeline systems have UFG as a common element in the operation of a natural gas distribution system. The Commission also recognizes that, due to the many factors that impact UFG, the UFG percentage will fluctuate over time.

26. With respect to future UFG amounts, in response to a CCA information request, AltaGas stated:

... Although implementation of the initiatives identified in AUI's Application are expected to reduce UFG to some extent; there are several factors outside AUI's control affecting UFG levels. These factors, also identified in the Application, may cause the UFG to increase, rather than decrease, year-to-year. Even with the successful implementation of monthly meter reading; ongoing capital tracker programs related to pipes, stations and gas supply; and automated meter reading (AMR), AUI expects future UFG percentages will continue to fluctuate within approximately the same range as in the past.

As discussed in AUI's Application, major projects and activities undertaken having an effect on both the prevention and detection of the major causes of UFG include the Capital Tracker Pipe Replacement Program, the AMR Project, Gas Accounting Project and Leak Surveys.²³

27. AltaGas also stated:

Although, implementation of initiatives identified in AUI's Application are expected to reduce UFG over time to some extent; there are several factors outside of AUI's control positively or negatively impacting UFG levels.²⁴

28. While the Commission understands that not all of the causes of UFG can be eliminated, it would be expected that the UFG fluctuations and overall UFG percentages should be reduced over time due to AltaGas' various ongoing initiatives and expenditures to reduce UFG. The Commission is of the view that the slight decrease in UFG in the current application is encouraging. In future efforts to manage UFG, AltaGas noted the implementation of its automatic meter reading program in 2016 may improve the accuracy of delivery data and identify potential gas theft and meter tampering. In addition, the Commission would expect that AltaGas' pipeline replacement program should reduce pipeline leaks, which AltaGas states in the application are a major suspected source of UFG.

²³ Exhibit 20806-X0010, AUI.CCA-2015SEP30-004(a).

²⁴ Exhibit 20806-X0017, AltaGas reply argument, paragraph 7.

29. Therefore, in accordance with paragraph 22 of Decision 2014-291, the Commission directs AltaGas in its future UFG applications to continue to:

- Quantify the causes of UFG, where possible, and provide reasons for any increases/decreases in AltaGas' UFG; and continue to take action to reduce UFG fluctuations and UFG overall.
- Update the historical data set, which spans the period June, 2002 to the most current month for the monthly receipt and delivery volumes and UFG percentage losses or gains.

30. With respect to the CCA's request for a list of UFG adjustments and details by region, the Commission considers that provision of UFG adjustments and explanations, broken down by region, may be helpful in understanding the causes of AltaGas' UFG causes and any corresponding issues. Accordingly, the Commission directs AltaGas to provide this information and any explanation and insight gained from such a regional analysis in its next UFG application.

31. With respect to the CCA's submissions regarding the quantification of UFG, the Commission accepts AltaGas' position that it is unable to further quantify its UFG at this time. For the purposes of this application, the Commission is satisfied with the UFG explanations provided in the application and given in response to AUI.CCA-2015SEP30-004. AltaGas indicated that it continues to work on better understanding the source of UFG amounts and fluctuations and its explanations include a relative ranking of UFG causes and specific actions that AltaGas has taken and is taking to reduce UFG fluctuations and UFG overall. The Commission directs AltaGas to continue to quantify, where possible, the causes of UFG, provide reasons for any increases/decreases in AltaGas' UFG, and continue to take action to reduce UFG fluctuations and UFG overall. The Commission expects that AltaGas, over time, will be able to provide greater UFG quantification, which will, in turn, help to determine UFG causes and to identify any resources to manage UFG.

32. With respect to the November 1st UFG effective date and the associated data set months, the Commission finds the reasons provided by AltaGas for the continued use of a November 1st effective date and a June to May data set to have merit. The Commission agrees with AltaGas that:

- The negative UFG volumes that can result are low in relation to total UFG volumes and are generally smoothed out in the following month or as part of the same UFG annual calculation period.
- If the annual UFG effective date and associated calculation period were changed, estimation and proration issues would continue to show month-over-month differences regardless of the start and end date of the 12-month calculation period.

33. Accordingly, the Commission denies the CCA's request to direct AltaGas to examine the data sets used for UFG, the date a UFG application should be filed and the UFG effective date.

34. For the above reasons, the Commission is satisfied, for the purposes of the 2015-2016 UFG application, that AltaGas' calculations and proposed decreases to Rider E and Rider H are reasonable. The Commission approves Rider E at 1.30 per cent and Rider H at 1.31 per cent, effective December 1, 2015. The Rider E and Rider H rate schedules are approved, and the schedules are attached to this decision as [Appendix 3](#) and [Appendix 4](#), respectively.

4 Order

35. It is hereby ordered that:

- (1) The Commission approves AltaGas Utilities Inc.'s Rider E at 1.30 per cent, effective December 1, 2015.
- (2) The Commission approves AltaGas Utilities Inc.'s Rider H at 1.31 per cent, effective December 1, 2015.
- (3) The Rider E and Rider H rate schedules are approved as filed, attached to this decision as Appendix 3 and Appendix 4, respectively.

Dated on November 23, 2015.

Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
AltaGas Utilities Inc. (AltaGas or AUI)
Consumers' Coalition of Alberta (CCA)

The Alberta Utilities Commission
Commission panel M. Kolesar, Vice-Chair
Commission staff K. Kellgren (Commission counsel) P. Howard N. Mahbub

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. Therefore, in accordance with paragraph 22 of Decision 2014-291, the Commission directs AltaGas in its future UFG applications to continue to:
 - Quantify the causes of UFG, where possible, and provide reasons for any increases/decreases in AltaGas' UFG; and continue to take action to reduce UFG fluctuations and UFG overall.
 - Update the historical data set, which spans the period June, 2002 to the most current month for the monthly receipt and delivery volumes and UFG percentage losses or gains. Paragraph 29
2. With respect to the CCA's request for a list of UFG adjustments and details by region, the Commission considers that provision of UFG adjustments and explanations, broken down by region, may be helpful in understanding the causes of AltaGas' UFG causes and any corresponding issues. Accordingly, the Commission directs AltaGas to provide this information and any explanation and insight gained from such a regional analysis in its next UFG application. Paragraph 30
3. With respect to the CCA's submissions regarding the quantification of UFG, the Commission accepts AltaGas' position that it is unable to further quantify its UFG at this time. For the purposes of this application, the Commission is satisfied with the UFG explanations provided in the application and given in response to AUI.CCA-2015SEP30-004. AltaGas indicated that it continues to work on better understanding the source of UFG amounts and fluctuations and its explanations include a relative ranking of UFG causes and specific actions that AltaGas has taken and is taking to reduce UFG fluctuations and UFG overall. The Commission directs AltaGas to continue to quantify, where possible, the causes of UFG, provide reasons for any increases/decreases in AltaGas' UFG, and continue to take action to reduce UFG fluctuations and UFG overall. The Commission expects that AltaGas, over time, will be able to provide greater UFG quantification, which will, in turn, help to determine UFG causes and to identify any resources to manage UFG. Paragraph 31

Appendix 3 – Rider E unaccounted-for gas

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RATE RIDER E	UNACCOUNTED-FOR GAS
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FOR THE DETERMINATION OF UNACCOUNTED-FOR GAS (UFG)

The Unaccounted-For Gas Rate Rider will be used in the calculation of the Gas Cost Recovery Rate Rider ‘D’, the Third Party Transportation Rate Rider ‘G’ and to determine the amount of Unaccounted-For Gas as defined in AltaGas Utilities Inc.’s Terms and Conditions of Service.

Unaccounted-For Gas Rider: 1.30%

EFFECTIVE DATE: December 1, 2015	REPLACING RATE EFFECTIVE: November 1, 2014	Page 13 of 1 RIDER E
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AltaGas Utilities Inc.

Appendix 4 – Rider H unaccounted-for gas – gas settlement

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RATE RIDER H	UNACCOUNTED-FOR GAS GAS SETTLEMENT
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FOR THE DETERMINATION OF UNACCOUNTED-FOR GAS (UFG)

The Unaccounted-For Gas Rate Rider H will be applied to all Retailers in the determination of Gas Settlement amounts. Retailers will be assessed a distribution UFG charge at the Point of Delivery. The UFG assessment will be made up ‘in-kind’ from each Retailer account.

Unaccounted-For Gas Rider: 1.31%

EFFECTIVE DATE: December 1, 2015	REPLACING RATE EFFECTIVE: November 1, 2014	Page 14 of 1 RIDER H
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AltaGas Utilities Inc.