



AltaGas Utilities Inc.

2016-2017 Unaccounted-For Gas Rider E and Rider H

September 1, 2016

Alberta Utilities Commission

Decision 21822-D01-2016

AltaGas Utilities Inc.

2016-2017 Unaccounted-For Gas Rider E and Rider H

Proceeding 21822

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Fifth Avenue Place, Fourth Floor, 425 First Street S.W.

Calgary, Alberta

T2P 3L8

Telephone: 403-592-8845

Fax: 403-592-4406

Website: www.auc.ab.ca

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1 Introduction

1. On July 18, 2016, AltaGas Utilities Inc. (AltaGas) submitted an application to the Alberta Utilities Commission requesting approval for annual adjustments to its 2016-2017 unaccounted-for gas (UFG) rate riders E and H, effective November 1, 2016. AltaGas proposed reducing Rider E to 1.15 per cent from 1.30 per cent, and reducing Rider H to 1.16 per cent from 1.31 per cent.¹
2. The Commission issued a notice of application on July 19, 2016, asking interested parties who may be affected by this filing to provide their statements of intent to participate (SIPs) by August 2, 2016. The Commission did not receive any SIPs.
3. The Commission has reviewed this filing as a *notice only process*, as outlined in Bulletin 2015-09,² and considers the record of this proceeding to have closed on August 2, 2016.
4. 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

5. 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 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

¹ Exhibit 21822-X0003, application, page 1.

² Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

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

- (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

6. 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 continue 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

7. In Decision 2013-396,⁷ Decision 2014-291,⁸ and Decision 20806-D01-2015,⁹ the Commission stated that while not all of the causes of UFG can be eliminated, it would expect that the percentages will be reduced 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 provide reasons for any increases/decreases in AltaGas' UFG, to continue to take action going forward to reduce UFG fluctuations and UFG overall, and to continue to provide historical monthly data.¹⁰

8. In Decision 20806-D01-2015, the Commission directed AltaGas to provide UFG adjustments and explanations, broken down by region, and insight gained from such a regional analysis.¹¹

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, paragraph 32.

⁶ At paragraph 33 of Decision 2012-292, the Commission considered that the information requested in the fourth direction from Decision 2011-425 (i.e., part (d) of paragraph 5 above) is effectively captured under part (c) of paragraphs 5 and 6 above, particularly in light of the capital projects and operation and maintenance programs that were approved in Decision 2012-091: AltaGas Utilities Inc., 2010-2012 General Rate Application – Phase I, Proceeding 904, Application 1606694-1, April 9, 2012.

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.

⁹ Decision 20806-D01-2015: AltaGas Utilities Inc., 2015-2016 Unaccounted-For Gas Rate Rider E and Rate Rider H, Proceeding 20806, November 23, 2015.

¹⁰ Decision 2013-396, paragraph 34; Decision 2014-291, paragraph 22; Decision 20806-D01-2015, paragraphs 28-29.

¹¹ Decision 20806-D01-2015, paragraph 30.

3 Discussion of issues

3.1 Calculations and levels of Rider E and Rider H

9. 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*.

10. AltaGas included five-year historical average calculations 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 provided in tables 1 and 2 below:

Table 1. Determination of UFG Rider E percentage for 2016-2017¹²

Year ending May 31	Annual UFG percentage loss
2012	1.18
2013	1.36
2014	1.07
2015	1.26
2016	0.88
Five-year arithmetic average	1.15

Table 2. Determination of UFG Rider H percentage for 2016-2017¹³

Year ending May 31	Annual UFG percentage loss
2012	1.19
2013	1.38
2014	1.08
2015	1.28
2016	0.89
Five-year arithmetic average	1.16

11. The Commission has compiled tables 3 and 4 below to show the last 10 years of approved amounts for UFG recovery through Rider E, and the last four years of approved amounts for UFG recovery through Rider H, using the most recent five-year arithmetic averages of the annual UFG percentages. Rider H only has four years of approved amounts for UFG recovery because, before the implementation of Rule 028 and AltaGas' natural gas settlement system (NGSS), Rider E was used to calculate all of AltaGas' UFG. Rule 028 came into effect on April 4, 2011. In Decision 2013-367,¹⁴ the Commission approved the implementation of a

¹² Exhibit 21822-X0003, application, Schedule B, page 5.

¹³ Exhibit 21822-X0003, application, Schedule D, page 7.

¹⁴ 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.

new UFG rate rider, Rider H, for 2012-2013 at 1.26 per cent.¹⁵ In that decision, the Commission accepted that, as a consequence of the implementation of Rule 028 and AltaGas' NGSS, AltaGas required two separate UFG rate riders: Rider H for NGSS processes and Rider E for producer transportation service.¹⁶

Table 3. AltaGas Rider E – approved UFG amounts on an annual basis from 2006 to 2016

Year	Commission-approved five-year UFG average 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	1.30
2016-2017 (proposed)	1.15

Table 4. AltaGas Rider H – approved UFG amounts on an annual basis from 2012 to 2016

Year	Commission-approved five-year UFG average percentage loss
2012-2013	1.26
2013-2014	1.30
2014-2015	1.33
2015-2016	1.31
2016-2017 (proposed)	1.16

3.2 Compliance with previous Commission directions

12. In the application, AltaGas provided updated monthly data to the most recent month and continued to provide the information regarding UFG factors, consistent with Decision 2012-292, Decision 2014-291 and Decision 20806-D01-2015. AltaGas provided:

- Monthly data for the period from June 2002 to May 2016.¹⁷
- Reasons for increases/decreases in UFG:
 - Operations – physical loss due to line leaks or line hits, and purging.
 - Delivery data – unknown customers, meter failure/error.
 - Measurement – incorrect instrument configuration, documentation, installation, replacement or maintenance activities; device wear, damage or failure.

¹⁵ Decision 2013-367, paragraph 18.

¹⁶ Decision 2013-396, page 2.

¹⁷ Exhibit 21822-X0001.

Measurement impacts on UFG vary depending on the size of meter and the problem.

- Other factors – accounting, billing, theft and facility damages.
 - Actions taken to reduce UFG and UFG fluctuations, including the system betterment activities AltaGas is undertaking through its capital tracker programs.
13. AltaGas noted that most of these factors cannot be accurately quantified or forecasted.¹⁸
14. AltaGas provided UFG data separated into north, central and south regions from June 2015 to May 2016.¹⁹
15. AltaGas submitted that there were two main factors affecting UFG in the north region, specifically in the Barrhead/Westlock/Morinville (BWM) area and the High Level area. AltaGas explained that BWM:
- ... is historically a chronic gas loss area requiring high monitoring levels on a monthly basis. There were approximately 53 line leaks repaired on the BWM system from June 15, 2015, to June 20, 2016. This region has non-certified pipe and with notable leak issues. These pipes are scheduled to be replaced over the next several years.²⁰
16. AltaGas indicated that the High Level area had a metering problem on one of its main receipt point meters, and that the issue was identified and corrected in February 2016.
17. AltaGas submitted that there were no unusual occurrences contributing to increased or decreased UFG in the central region and the UFG is within expected levels.
18. AltaGas explained that there were two main issues in the south region that impacted the UFG in Pincher Creek and Stettler. First, AltaGas replaced the Pincher Creek district's main receipt station in order to improve the measurement of the gas delivered to the distribution system. Second, in September, October and November 2015, there were three large gas leaks discovered in Stettler. AltaGas noted that the duration and volume of gas loss from these leaks could not be quantified.
19. AltaGas submitted that the south region is also affected by irrigation usage that is sporadic in the summer and in shoulder periods because consumption is not temperature-sensitive. Rather, consumption is dependent on the amount of precipitation that occurs and the corresponding level of need for irrigation. In addition, receipt meters in this region may experience a high amount of slippage in measurement due to low gas flows through the meters.²¹

Commission findings

20. 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 20806-D01-2015.

¹⁸ Exhibit 21822-X0003, application, Schedule E, pages 8-17.

¹⁹ Exhibit 21822-X0008.

²⁰ Exhibit 21822-X0003, application, Schedule E, page 18.

²¹ Exhibit 21822-X0003, application, Schedule E, pages 18-19.

21. As shown in tables 1 and 2 above, AltaGas' annual UFG percentages for the past five years have ranged from a low of 0.88 per cent to a high of 1.36 per cent for Rider E; and from a low of 0.89 per cent to a high of 1.38 per cent for Rider H, based on historical averages. 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 calculation. Further, as shown in Table 3 above, the five-year average underlying the 2016-2017 Rider E UFG has declined, for the second year in a row since 2006-2007.

22. The Commission has reviewed the historical UFG data, the reasons provided by AltaGas for annual changes in the UFG amounts, UFG explanations broken down by region, and the steps AltaGas has taken to reduce UFG in response to previous Commission directions, including the directions in Decision 20806-D01-2015.

23. As mentioned in Decision 2013-396, Decision 2014-291 and Decision 20806-D01-2015, the Commission recognizes that all gas distribution pipeline systems have UFG as a common element in their operation. The Commission also recognizes that, due to the many factors that impact UFG, the UFG percentage will fluctuate over time.

24. 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' ongoing initiatives and expenditures to reduce UFG. The Commission is of the view that the decrease in UFG for two years in a row is encouraging.

25. AltaGas submitted that in March 2016 it completed an Automated Meter Reading project and fully replaced manual meter reading processes. In AltaGas' view, this project should increase the accuracy and timeliness of usage estimates and delivery meter read data going forward and, in the interim, is expected to reduce loss due to theft, stopped meters and gaps in customer information.²² The Commission would expect that AltaGas' system betterment programs, including the Automated Meter Reading project, pipeline replacements and station refurbishments should continue to reduce leaks and help to reduce or eliminate measurement inaccuracies, which AltaGas states in the application, continue to be a major source of UFG.

26. Therefore, in accordance with paragraph 29 and 31 of Decision 20806-D01-2015, the Commission directs AltaGas in its future UFG applications to continue to:

- Develop and provide a relative ranking of UFG causes.
- Quantify the causes of UFG, where possible.
- Describe the specific actions taken by AltaGas to reduce UFG fluctuations and UFG overall amounts.
- Provide reasons for any year-over-year increases/decreases in AltaGas' UFG.
- 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.

27. The Commission expects that AltaGas, over time, will be able to provide greater UFG identification and quantification, which will, in turn, help to identify any specific actions and resources to manage UFG fluctuations and UFG overall amounts.

²² Exhibit 21822-X0003, application, Schedule E, page 15.

28. With respect to the list of UFG details by region, the Commission considers that a regional breakdown is helpful in understanding the causes for AltaGas' UFG and any corresponding identified issues. Therefore, in accordance with paragraph 30 of Decision 20806-D01-2015, the Commission directs AltaGas to continue to provide this information and any explanation and insight gained from the regional analysis.

29. For the above reasons, the Commission is satisfied, for the purposes of the 2016-2017 UFG application, that AltaGas' calculations and proposed adjustments to Rider E and Rider H are reasonable. The Commission approves Rider E at 1.15 per cent and Rider H at 1.16 per cent, effective November 1, 2016. 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

30. It is hereby ordered that:

- (1) The Commission approves AltaGas Utilities Inc.'s Rider E at 1.15 per cent, effective November 1, 2016.
- (2) The Commission approves AltaGas Utilities Inc.'s Rider H at 1.16 per cent, effective November 1, 2016.
- (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 September 1, 2016.

Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
AltaGas Utilities Inc. (AltaGas)

Alberta Utilities Commission
Commission panel M. Kolesar, Vice-Chair
Commission staff J. Graham (Commission counsel) E. Deryabina P. Howard

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 29 and 31 of Decision 20806-D01-2015, the Commission directs AltaGas in its future UFG applications to continue to:
 - Develop and provide a relative ranking of UFG causes.
 - Quantify the causes of UFG, where possible.
 - Describe the specific actions taken by AltaGas to reduce UFG fluctuations and UFG overall amounts.
 - Provide reasons for any year-over-year increases/decreases in AltaGas’ UFG.
 - 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 26

2. With respect to the list of UFG details by region, the Commission considers that a regional breakdown is helpful in understanding the causes for AltaGas’ UFG and any corresponding identified issues. Therefore, in accordance with paragraph 30 of Decision 20806-D01-2015, the Commission directs AltaGas to continue to provide this information and any explanation and insight gained from the regional analysis.
..... Paragraph 28

Appendix 3 – Rider E

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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: 1.15%

EFFECTIVE DATE: November 1, 2016	REPLACING RATE EFFECTIVE: December 1, 2015	Page 1 of 1 RIDER ‘E’
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Appendix 4 – Rider H

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RATE RIDER H	UNACCOUNTED-FOR 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: 1.16%

EFFECTIVE DATE: November 1, 2016	REPLACING RATE EFFECTIVE: December 1, 2015	Page 1 of 1 RIDER ‘H’
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