



## **ATCO Gas**

### **Rider "D" Application for Unaccounted for Gas**

**October 16, 2012**

**The Alberta Utilities Commission**

Decision 2012-282: ATCO Gas

Rider “D” Application for Unaccounted for Gas

Application No. 1608761

Proceeding ID No. 2082

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## **1 Introduction**

1. On August 21, 2012, ATCO Gas (AG), a division of ATCO Gas and Pipelines Ltd., filed an application with the Alberta Utilities Commission (Commission) requesting approval of its ATCO Gas South (AGS) and ATCO Gas North (AGN) unaccounted for gas (UFG) rate riders (Rider “D”) effective November 1, 2012 to October 31, 2013. The Rider “D” rates are calculated using the average UFG based on measurement data from the prior three calendar years consistent with previous applications. AG requested Commission approval of the applied for Rider “D” Rates of 1.171 per cent for AGS and 0.832 per cent for AGN and corresponding rate schedules.

2. The Commission issued a notice of application on August 22, 2012, wherein interested parties were requested to file a statement of intent to participate (SIP) by September 6, 2012.

3. The Commission received a SIP from the Office of the Utilities Consumer Advocate (UCA) requesting that the Commission establish a process that includes information requests to test the application and an opportunity to submit further comments regarding the remainder of the written process.

4. The Commission established the following process schedule:

<b>Process step</b>	<b>Deadline date</b>
Information requests to ATCO Gas	September 20, 2012
Information responses	September 27, 2012
Argument	October 4, 2012
Reply argument	October 11, 2012

5. The Commission considers that the record for this proceeding closed on October 11, 2012.

6. In reaching the determinations contained within this decision, the Commission has considered all relevant materials comprising the record of this proceeding, including the evidence and argument provided 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. In Decision 2011-414,<sup>1</sup> the Commission found that AG's proposed UFG rates were reasonable when compared against historical UFG rates that the UFG calculation methodology was consistent with the methodology approved in Decision 2010-506. The Commission therefore approved AG's proposed UFG Rider "D" rates for AGS of 0.671 per cent and 1.053 per cent for AGN. AG was directed to provide the following information with its next UFG application:

- A clear and detailed explanation of the seasonal difference in UFG rates at the time of its next Rider "D" application.
- In all month(s) where measured system deliveries exceed measured system receipts AG will provide the following:
  - (a) the aggregate daily forecasting system actual to estimate imbalance
  - (b) the aggregate amount (GJ) of measurement corrections processed
  - (c) the aggregate customer account imbalances
  - (d) the aggregate Load Balancing transactions
- The reasons for any increases/decreases in UFG for AGN and AGS and what additional steps it is taking to reduce UFG in its next UFG application.<sup>2</sup>

## 3 Discussion of issues

8. AG submitted that, it has calculated the proposed Rider "D" rates based on the average of the physical UFG percentages for the years 2009, 2010 and 2011 consistent with past practices, resulting in UFG rates that fall within the normal expected UFG range for ATCO Gas' distribution systems and historical rates.

9. In argument, AG stated that it continues to support the use of a three-year average UFG for the Rider "D" rate as an effective method that minimizes fluctuations in annual UFG and creates a smoother transition from year to year in the Rider "D" rate.<sup>3</sup> AG therefore requested that the Commission approve AG's UFG rates as filed.

10. The UCA does not object to the proposed Rider "D" in this application. However, as discussed below, the UCA expressed concerns regarding AG's failure to provide insight into the increase in UFG and its failure to respond to the Commission's direction in Decision 2011-414.

11. In argument, the UCA expressed concern regarding AG's compliance with the direction given in Decision 2011-414. Specifically, the UCA expressed dissatisfaction with AG's explanation regarding the seasonal differences in UFG rates, the reasons for any increases/decreases in UFG and what additional steps AG is taking to reduce UFG.

12. The UCA was especially concerned with negative UFG measurements in the summer and shoulder months. It stated that since negative UFG or line gain has no physical explanation, the answer could lie with the estimated meter readings on both the receipt and delivery ends or with

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<sup>1</sup> Decision 2011-414 (Errata): ATCO Gas, a division of ATCO Gas and Pipelines Ltd., Errata to Decision 2011-414, 2011-2012 Unaccounted for Gas Rates – Rider "D", Application No. 1607609, Proceeding ID No. 1408, and Decision 2011-417 (Errata): ATCO Gas, Errata to Decision 2011-417, Transmission Service Charge – Rider "T", Application No. 1607481, Proceeding ID No. 1336, October 28, 2011.

<sup>2</sup> Decision 2011-414, paragraph 18.

<sup>3</sup> Exhibit 14.01, AG argument, paragraph 9.

the daily forecasting and settlement system (DFSS) itself. Consequently, the UCA concluded that the direction regarding the causes of seasonal and negative UFG should be continued for at least the next application.<sup>4</sup>

13. In reply argument, AG noted that the DFSS has been approved by the Commission with the support of Retailers as a reasonable means of providing daily estimation of customers' gas usage in lieu of actual physical daily measurement. AG submitted that the only option to improve the DFSS system would be reading all meters on the last day of each month, an option in which the cost would exceed the benefits.<sup>5</sup>

14. The UCA expressed its satisfaction with the information provided in compliance with the part of the direction on daily balances and load balancing transactions.<sup>6</sup> However, the UCA recommended directing AG to continue to report and explain the aggregate amount (GJ) of measurement corrections processed as measurement errors continue to be a component of UFG.

15. The UCA also stated that it found the information provided by AG with respect to the steps it takes to reduce UFG to be inadequate. Given that UFG for AGN and AGS has generally been on the rise for five years, AG should fully and properly explain the reasons for these increases, where possible.

16. In reply argument, AG clarified, that for AGS, UFG has declined over the past three years, not increased. Although AGN UFG has increased in each year, AGS and AGN are trending toward similar UFG levels, a reasonable expectation. Further, AG referred to specific programs to manage UFG described in response to UCA-AG-05 and stated that the cost of all programs to identify and correct sources of UFG must be offset with reasonably certain benefits.<sup>7</sup>

17. The UCA submitted that the Commission's directions from Decision 2011-414 to AG, with the exception of the directions regarding imbalances and balancing transactions, should be repeated, with wording indicating that the Commission remains concerned with the long-term upward trend of UFG for both AGN and AGS.<sup>8</sup>

18. The UCA also submitted that the Commission should direct AG to:

- provide in detail the reasons for any increase and what additional steps it is taking to reduce UFG in its next Rider "D" application
- deem a UFG rate at unmeasured locations that is at least equivalent to the rest of the system for the purpose of reporting UFG on the AGN and AGS systems and for reporting the amount of gas that is received from the gas transmission system
- deem UFG at its unmeasured locations in future Rider "D" applications<sup>9</sup>

19. In reply argument, AG noted that unmetered usage is immaterial and cannot increase or decrease the UFG as receipts are equal to deliveries in the UFG calculation. Further, as all

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<sup>4</sup> Exhibit 13.02, UCA argument, paragraph 9.

<sup>5</sup> Exhibit 15.01, AG reply argument, paragraph 4.

<sup>6</sup> Exhibit 13.01, UCA argument, paragraph 11.

<sup>7</sup> Exhibit 16.01, AG reply argument, paragraph 5.

<sup>8</sup> Exhibit 13.02, UCA argument, paragraph 22.

<sup>9</sup> Exhibit 13.02, UCA argument, paragraph 23.

Retailers are charged the Rider "D" rate based on their customers' usage, UFG is included in the Retailers nominations for unmetered locations.

### 3.1 Commission findings

20. Although the UCA expressed concerns with respect to AG's explanations regarding AG's compliance to directions from Decision 2011-414, the UCA did not object to AG's proposed UFG rates.

21. Upon review of AG's application, the Commission is satisfied that AG's proposed UFG rates are reasonable when compared against historical UFG rates, and concurs with AG that a three-year average mitigates the impact of any annual UFG abnormalities. Further, the UFG calculation methodology is consistent with the methodology approved in Decision 2011-414. The Commission therefore approves AG's proposed UFG Rider "D" rates and related rate schedules as filed:

AGN 2012/2013 Rider "D": 0.832%

AGS 2012/2013 Rider "D": 1.171%

22. With respect to AG's compliance to directions from Decision 2011-414, the Commission finds that AG adequately addressed the issues regarding load balancing matters in its application. However, the Commission would like to continue to monitor measurement corrections and directs AG to provide an explanation for the aggregate amount (GJ) of measurement corrections processed in its next UFG application.

23. AG also provided a reasonable explanation of the underlying drivers of UFG and seasonal differences in UFG. Given that UFG is an ongoing issue, the Commission finds merit in AG continuing to provide information on seasonal variations in UFG and increases/decreases in UFG. AG is therefore directed to provide a clear and detailed explanation of the seasonal difference in UFG rates; and, the reasons for any increases/decreases in UFG for AGN and AGS and an explanation of additional steps it is taking to reduce UFG in its next UFG application.

24. With regard to the UCA's submission that the Commission should direct AG to deem a UFG rate for unmetered locations, the Commission accepts AG's explanation that UFG is included in the retailer nominations for unmetered locations and retailers are charged the Rider "D" rate based on usage. Therefore the Commission does not accept the UCA proposal regarding a deemed UFG rate for unmetered locations.



**4 Order**

25. It is hereby ordered that:

- (1) ATCO Gas's unaccounted for gas rate Rider "D" is approved as filed, effective November 1, 2012.

Dated on October 16, 2012.

**The Alberta Utilities Commission**

*(original signed by)*

Kay Holgate  
Commission Member



**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation) counsel or representative</b>
ATCO Gas (AG) A. Green N. Carter
Office of the Utilities Consumer Advocate (UCA) T. D. Marriott K. Kelgren R. Daw B. Shymanski G. Garbutt K. Dannacker

The Alberta Utilities Commission
Commission Panel K. Holgate, Commission Member
Commission Staff S. Ramdin (Commission counsel) N. Mahbub B. Whyte M. McJannet

**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. With respect to AG’s compliance to directions from Decision 2011-414, the Commission finds that AG adequately addressed the issues regarding load balancing matters in its application. However, the Commission would like to continue to monitor measurement corrections and directs AG to provide an explanation for the aggregate amount (GJ) of measurement corrections processed in its next UFG application. .... Paragraph 22
2. AG also provided a reasonable explanation of the underlying drivers of UFG and seasonal differences in UFG. Given that UFG is an ongoing issue, the Commission finds merit in AG continuing to provide information on seasonal variations in UFG and increases/decreases in UFG. AG is therefore directed to provide a clear and detailed explanation of the seasonal difference in UFG rates; and, the reasons for any increases/decreases in UFG for AGN and AGS and an explanation of additional steps it is taking to reduce UFG in its next UFG application. .... Paragraph 23

**Appendix 3 – ATCO Gas North unaccounted for gas rate Rider “D” effective  
November 1, 2012**

Effective November 1, 2012 to October 31, 2013 by Decision 2012-282  
This Replaces Rider ‘D’  
Previously Effective November 1, 2011

**ATCO GAS AND PIPELINES LTD. - NORTH  
ATCO GAS - NORTH  
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 North distribution systems will be assessed a distribution UFG charge of 0.832% at the Point of Delivery. The UFG assessment will be made up “In-Kind” from each Customer Account.

**Appendix 4 – ATCO Gas South unaccounted for gas rate Rider "D" effective  
November 1, 2012**

Effective November 1, 2012 to October 31, 2013 by Decision 2012-282  
This Replaces Rider 'D'  
Previously Effective November 1, 2011

**ATCO GAS AND PIPELINES LTD. - SOUTH  
ATCO GAS - SOUTH  
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 South distribution systems will be assessed a distribution UFG charge of 1.171% at the Point of Delivery. The UFG assessment will be made up "In-Kind" from each Customer Account.