



**ATCO GAS**, a division of ATCO Gas and Pipelines Ltd.

**2010-2011 Unaccounted for Gas Rates – Rider "D"**

**October 27, 2010**



**ALBERTA UTILITIES COMMISSION**

Decision 2010-506: ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

2010-2011 Unaccounted for Gas Rates – Rider “D”

Application No. 1606503

Proceeding ID. 799

October 27, 2010

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**ATCO GAS,  
A DIVISION OF ATCO GAS AND PIPELINES LTD  
2010-2011 UNACCOUNTED FOR GAS RATES – RIDER “D”**

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## **1 INTRODUCTION**

1. By letter dated August 27, 2010, ATCO Gas (AG), a division of ATCO Gas and Pipelines Ltd., filed an application (the Application) with the Alberta Utilities Commission (AUC or Commission) respecting the determination of unaccounted for gas (UFG) percentage charges (Rider “D”) for each of the North and South service territories (referred to as AGN and AGS respectively) for the November 1, 2010-October 31, 2011 gas year. In the Application AG requested approval, effective November 1, 2010, of the applied for Rider “D” charges and Rate Schedules applicable to all Distribution Access Service customers as follows:

	North	South
AG (distribution access service customers delivering gas off the AG distribution systems)	0.484%	0.840%

2. The Commission understands that Rider “D” is applied to all shippers contracting for Distribution Access Service including retailers and Default Supply Provider (DSP) and therefore is of the view that the Rate Rider schedule should include mention of the DSP. The Commission has amended AG’s proposed Rider “D” schedules in the attached Appendix 3 to include the description “Retailer and Default Supply Provider Customers utilizing Distribution Access Service” rather than just “Retailer Delivery Service.”

3. The Commission served Notice of the Application by electronic mail on August 30, 2010 to the Commission’s notification contact list for gas and pipeline proceedings. The Commission dealt with the Application in a written process, the record for which closed on October 27, 2010 which was the date of AG filing a letter respecting a computational error as discussed below.

4. Parties that participated in the proceeding or registered as interveners are listed in [Appendix 1](#) to this Decision. The Consumers’ Coalition of Alberta (CCA) was the only intervening party to actively participate in the proceeding.

5. 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 ISSUES

### 2.1 Background and UFG Data and Calculation Method

6. Charges for UFG are recovered in-kind from all shippers on the AG distribution system including from the DSPs. The North and South systems utilize a three-year (calendar) average of physical measurement data to determine UFG. The method was approved in Decision 2009-183<sup>1</sup> which approved the UFG calculation for the 2009-2010 Unaccounted for Gas – Rider “D”.

### 2.2 UFG

7. In the Application AG used physical measurement data from January 2007 to December 2009 in the UFG calculation for both the North and the South which was averaged to determine the UFG percentages for both the North and the South shown in Table 1.<sup>2</sup>

Table 1. Physical UFG Percentages

	AGN	AGS
2007	0.431	0.360
2008	0.470	0.726
2009	0.550	1.433
Average	0.484	0.840

8. In AUC-AG-2, the Commission noted that AGS’s UFG has been steadily increasing and queried whether there appeared to be a systemic issue with UFG measurement. AG responded that “the UFG in 2009 as well as the three year average of 2007-2009 is well within historic levels.”<sup>3</sup>

### 2.3 Corrections to Data Used in the UFG Calculation

9. In Decision 2008-105<sup>4</sup> the Commission expressed concerns over the size and volume of UFG measurement adjustments.<sup>5</sup> Corrections to the data utilized in the calculation of UFG are necessary as meters are read and as errors are identified and subsequently corrected. AG provided the comparison of prior years’ UFG Adjustments to the adjustments made in the Application<sup>6</sup> in Tables 3.1 - 3.4 of the Application. The size and volume of adjustments have decreased since Decision 2008-105. The largest individual adjustment within AGN and AGS amounted to 0.0013 percent of receipts, which the Commission considers to be minor.

### 2.4 ATCO Pipelines Adjustments

10. The CCA was concerned with how UFG adjustments by ATCO Pipelines (AP) in respect of gas deliveries to AG are accounted for. The CCA stated:

<sup>1</sup> Decision 2009-183: ATCO Gas (A division of ATCO Gas and Pipelines Ltd.) 2009-2010 Unaccounted for Gas Rates – Rider “D” (Application No. 1605369, Proceeding ID. 282) (Released: October 23, 2009).

<sup>2</sup> In Exhibit 16, AG indicated that there was a computational error in the Application Table submitted and that the AGS UFG rate should be 0.840, rather than 0.834.

<sup>3</sup> Exhibit 12.01, AUC-AG-2(b).

<sup>4</sup> 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” (Application No. 1583677, Proceeding ID. 96) (Released: October 28, 2008).

<sup>5</sup> Decision 2008-105, page 5.

<sup>6</sup> Calculated using the absolute value of the adjustments. The adjustments were 157 terajoules on Receipts of 122,9151 terajoules for AGN. AGS adjustments were lower.

...AP is not crediting back UFG adjustments to the UFG account... the adjustment appears to go to the AG financial statements.<sup>7</sup>

11. AG argued that “there is nothing for AP to credit back to AG related to ‘UFG Adjustments’.”<sup>8</sup> Delivery customers on the AP system, including AG, are not charged UFG so there are neither charges nor credits to AG’s Firm Service Utility (FSU) accounts.

12. Measurement adjustments resulting from metering or calculation errors are flowed through AG’s FSU accounts on an ongoing basis.

## 2.5 UFG Adjustments Outside the Daily Forecasting and Settlement System

13. The CCA stated that measurement adjustments made by AG which occur after the four month final settlement period in the Daily Forecasting and Settlement System (DFSS) “appears to go to the AG financial statements.”<sup>9</sup> The CCA recommended that:

AG should be directed to disclose all UFG adjustments that occurred after the four month final adjustment period and those adjustments should be credited back to customers as an adjustment to UFG. The amounts should not be booked to AG’s financial statements to the credit of AG’s shareholders.

14. AG responded that

[w]hether billing adjustments occur within the four month settlement period or after the four month settlement period, those billing adjustments must impact ATCO Gas financial statements, as that is where ATCO Gas records its sales revenues.<sup>10</sup>

15. AG further indicated that adjustments which occurred outside of the four month settlement period are immaterial. AG stated that:

...ATCO Gas was able to demonstrate in the Retailer Service Part 3 Proceeding – Natural Gas Settlement System Code (Application No. 1566825, ID 21) that the effect of such delivery adjustments was minimal (ATCO Gas was able to track the effect of delivery adjustments for a short period of time through the DFSS in order to demonstrate their immateriality).<sup>11</sup>

## 2.6 Distribution Meter Adjustments

16. The CCA also stated that it is concerned with the tracking of meter adjustments stating:

...ATCO Gas does not track distribution meter adjustments. The CCA considers that these should be tracked and provided in future UFG applications. Further, each adjustment should show how the adjustment was recorded. For example, was the adjustment included in DFSS and charged to a retailer? AG should be directed to provide disclosure of all accounting practices with respect to LBDA [Load Balancing Deferral Account], UFG and DFSS adjustments.<sup>12</sup>

<sup>7</sup> Exhibit 14.01, CCA Argument, paragraph 6.

<sup>8</sup> Exhibit 15.01, AG Reply Argument, paragraph 4.

<sup>9</sup> Exhibit 14.01, CCA Argument, paragraph 6.

<sup>10</sup> Exhibit 15.01, AG Reply Argument, paragraph 6.

<sup>11</sup> Exhibit 15.01, AG Reply Argument, paragraph 3.

<sup>12</sup> Exhibit 14.01, CCA Argument, paragraph 7.

17. AG responded to the CCA’s concern indicating that it had previously been addressed. AG stated:

...[t]his issue was raised by the CCA in the 2009/2010 proceeding (Application 1605369, ID 282). In response to CCA-AG-2(a), ATCO Gas provided the following information:

There are ongoing adjustments to ATCO Gas delivery customers that relate to the distribution system only. Some reasons for these adjustments are delayed meter read adjustment, failed meters, incorrect meter factors, theft recovery, incorrect meter reads, improperly identified meters, etc.

ATCO Gas has over 1,000,000 delivery meters in service and adjustments are carried out in the normal course of business. It would not be practical to report all these adjustments.

It should be noted that in proceeding ID 282, the CCA advised the AUC that it had no objection to the ATCO Gas filing.

In order to track billing adjustments for over 1 million customers, and report details about those billing adjustments as suggested by the CCA, significant, costly changes would be required to the ATCO CIS system, data storage costs and reporting costs. ATCO Gas will not undertake such costly adjustments, which in its view are unnecessary, without prior approval from the Commission.<sup>13</sup>

18. AG concluded by stating:

...The CCA is raising matters that have been considered and addressed in previous regulatory proceedings without having given any indication as to why those matters must yet again be reviewed in the current proceeding.<sup>14</sup>

### 3 COMMISSION FINDINGS

19. The Commission notes that the size and volume of UFG adjustments as shown in Tables 3.1 -3.4 of the Application have reduced from the level discussed in Decision 2008-105 and finds the overall level of adjustments in this application to be minor.

20. With respect to the UFG percentage volume itself, as noted earlier in this Decision, the trend, particularly for AGS, appears to be increasing. However, the Commission takes comfort in AG’s response that UFG “is well within historic levels”<sup>15</sup> and also notes that none of the interveners opposed the UFG percentage calculations proposed in this Application. However, the Commission is concerned with the overall trend. Should forecast UFG levels increase next year in AGS and AGN the Commission directs AG in its next UFG application to discuss the reasons for the increase and what additional steps it is taking to reduce UFG.

21. While the CCA expressed concern that AP is not crediting AG for UFG adjustments it did not provide any evidence that this was in fact occurring. The Commission accepts AG’s

<sup>13</sup> Exhibit 15.01, AG Reply Argument, paragraphs 7-8.

<sup>14</sup> Exhibit 15.01, AG Reply Argument, paragraph 10.

<sup>15</sup> Exhibit 12.01, AUC-AG-2(b).



evidence that “there is nothing for AP to credit back to ATCO Gas related to ‘UFG Adjustments’ ”<sup>16</sup> as delivery customers of AP are not charged UFG by AP.

22. The CCA was concerned that AG measurement adjustments which occur after the four month final settlement period in DFSS appear to go to the AG financial statements, rather than appear as credits or debits to customers, as would be the case if they were recorded in the DFSS system. In respect of this issue, the Commission accepts AG’s explanation. These adjustments must be recorded and accordingly will “impact ATCO Gas financial statements, as a component of sales revenues.”<sup>17</sup> AG estimates UFG using three prior periods to calculate an average which is then utilized to determine a charge on a prospective basis. As with any forecast charge based on a rolling average, over or under forecasting can occur which may benefit customers or the utility as the case may be. No evidence has been provided in this proceeding that the calculation method results in a consistent over or under collection of UFG. As AG points out “billing adjustments have as great a probability of being a reduction to ATCO Gas’ revenue as an increase.”<sup>18</sup> The Commission also notes the evidence of AG that such adjustments outside the four month settlement period are immaterial. The Commission has considered the amounts of variances as filed and accepts AG’s argument that such adjustments are immaterial.

23. Finally, the CCA proposed detailed tracking of distribution meter adjustments. In the Commission’s view, this would require substantial effort involving a very large number of meters, resulting in higher costs in the calculation of the UFG.<sup>19</sup> No evidence was provided by the CCA of the benefits of implementing such a process. Accordingly, the Commission rejects the CCA’s proposed change.

24. The Commission has reviewed the calculation of Rider “D” and considers that it is reasonable and has been calculated in accordance with the methodologies approved and the directions provided in Decision 2009-183. Accordingly the Commission approves the applied for UFG rates as shown in [Appendix 3](#) of this Decision.

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<sup>16</sup> Exhibit 15.01, AG Reply Argument, paragraph 4.

<sup>17</sup> Exhibit 15.01, AG Reply Argument, paragraph 6.

<sup>18</sup> Exhibit 15.01, AG Reply Argument, paragraph 6.

<sup>19</sup> Exhibit 15.01, AG Reply Argument, paragraphs 2-3.

**4 ORDER**

25. IT IS HEREBY ORDERED THAT:

- (1) Effective November 1, 2010, the applied for Rider “D” rates, as included in Appendix 3 of this Decision, shall be applied to all Retailer Delivery Service Accounts including Default Supply Providers in the ATCO Gas North and South service territories respectively. This Rider “D” shall be effective until October 31, 2011.

Dated on October 27, 2010.

**ALBERTA UTILITIES COMMISSION**

*(original signed by)*

Carolyn Dahl Rees  
Vice-Chair

*(original signed by)*

Anne Michaud  
Commissioner

*(original signed by)*

Bill Lyttle  
Commissioner

**APPENDIX 1 – PROCEEDING PARTICIPANTS**[\(Return to text\)](#)

Name of Organization (Abbreviation) Counsel or Representative
ATCO Gas (AG) G. Schmidt J. Santos
BP Canada Energy Company (BP) C. G. Worthy G. W. Boone
Consumers Coalition of Alberta (CCA) J. A. Wachowich J. A. Jodoin

Alberta Utilities Commission
Commission Panel
C. Dahl Rees, Vice-Chair
A. Michaud, Commissioner
B. Lyttle, Commissioner
Commission Staff
B. McNulty (Commission Counsel)
J. Thygesen, CA, M.B.A.
R. Armstrong, P.Eng.
D. R. Weir, CA
B. Whyte
B. Leung

**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 the UFG percentage volume itself, as noted earlier in this Decision, the trend, particularly for AGS, appears to be increasing. However, the Commission takes comfort in AG’s response that UFG “is well within historic levels” and also notes that none of the interveners opposed the UFG percentage calculations proposed in this Application. However, the Commission is concerned with the overall trend. Should forecast UFG levels increase next year in AGS and AGN the Commission directs AG in its next UFG application to discuss the reasons for the increase and what additional steps it is taking to reduce UFG..... Paragraph 20

**APPENDIX 3 – ATCO GAS RIDER “D”**

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

By Decision 2010-506  
Effective November 1, 2010 to October 31, 2011  
This Replaces Rider “D”  
Previously Effective November 1, 2009

**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 system will be assessed a distribution UFG charge of 0.484 % at the Point of Delivery. The UFG assessment will be made up “In-Kind” from each Customer Account.

**APPENDIX 3 – ATCO GAS RIDER “D”**

By Decision 2010-506  
Effective November 1, 2010 to October 31, 2011  
This Replaces Rider “D”  
Previously Effective November 1, 2009

**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 system will be assessed a distribution UFG charge of 0.840 % at the Point of Delivery. The UFG assessment will be made up “In-Kind” from each Customer Account.