



## **AltaGas Utilities Inc.**

**Application Requesting a New Rate Rider H (Unaccounted-for Gas) for Compliance with AUC Rule 028**

**September 27, 2013**

**The Alberta Utilities Commission**

Decision 2013-367: AltaGas Utilities Inc.

Application Requesting a New Rate Rider H (Unaccounted-for Gas) for Compliance with  
AUC Rule 028

Application No. 1609767

Proceeding ID No. 2721

September 27, 2013

Published by

The Alberta Utilities Commission

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## 1. Introduction

1. AltaGas Utilities Inc. (AUI) filed an application with the Alberta Utilities Commission (the AUC or the Commission) for approval of a new unaccounted-for gas (UFG) rate rider, Rate Rider H (Rider H). AUI requested that Rider H take effect immediately on Commission approval.

2. Previously,<sup>1</sup> and in the current application,<sup>2</sup> AUI identified three items requiring approval from the Commission, resulting from the implementation of AUI's new Natural Gas Settlement System Code processes. These three items are required to facilitate compliance with AUC [Rule 028: Natural Gas Settlement System Code Rules](#) (AUC Rule 028) and to correspond with implementation of the company's web portal (NPortal). NPortal is AUI's electronic interface that enables retailer account balancing and monitoring functionality. The three items are currently before the Commission in separate applications:

- UFG rate rider: AUI's current UFG Rate Rider E (Rider E) is calculated as a percentage of gas receipts. AUI has requested approval for a second UFG rate rider, Rate Rider H, that calculates UFG as a percentage of gas deliveries, to correspond with AUI's natural gas settlement system calculations and terms and conditions of service (T&Cs) under AUC Rule 028. This proposal is the subject of the current application, filed on July 18, 2013.
- T&Cs: AUI's current T&Cs are based on the existing monthly financial settlement model. AUI has proposed amendments to its T&Cs to correspond with the daily in-kind settlement calculations prescribed under AUC Rule 028. This proposal is currently being processed in Proceeding ID No. 2754.<sup>3</sup>
- Load balancing deferral account and Rate Rider L: AUI has proposed a load balancing deferral account and associated rider mechanism to facilitate the tracking and recovery of revenues and expenses associated with load balancing. This proposal is currently being processed in Proceeding ID No. 2772.<sup>4</sup>

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<sup>1</sup> Application No. 1609741, Proceeding ID No. 2700, AUI Compliance Filing to AUC Decision 2012-189 and Application for a Further Exemption from the Requirements of AUC Rule 028 Pursuant to AUC Decision 2011-346, paragraph 6.

<sup>2</sup> Exhibit 3, AUI application, paragraph 1.

<sup>3</sup> Application No. 1609810, Proceeding ID No. 2754, Application for Revisions to T&Cs Required to Facilitate Compliance with AUC Rule 028 Natural Gas Settlement System Code.

<sup>4</sup> Application No. 1609829, Proceeding ID No. 2772, Application for Load Balancing Deferral Account and Rate Rider.

3. On July 22, 2013, the Commission issued a notice of application for the request to approve a new Rider H for UFG. Any party who wished to intervene in this proceeding was required to submit a statement of intent to participate to the Commission by August 6, 2013. No statements of intent to participate were received.
4. The Commission issued an August 9, 2013, letter advising that it required further information with respect to the application and enclosing two information requests to AUI. AUI's responses to the information requests were received on August 16, 2013.
5. The Commission considers the record of the proceeding closed on August 16, 2013 as no further process was required.
6. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. 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 AUC Bulletin 2011-11,<sup>5</sup> issued on April 1, 2011, the Commission announced the approval of AUC Rule 028 which came into effect on April 4, 2011. All natural gas market participants operating in Alberta are required to comply with AUC Rule 028. In Bulletin 2011-11, the Commission temporarily delayed enforcement of AUI's compliance with certain sections of AUC Rule 028 and directed AUI to file an application for any required exemptions.
8. In Decision 2011-346,<sup>6</sup> the Commission approved a temporary six-month exemption from certain sections of AUC Rule 028. In Decision 2012-189,<sup>7</sup> the Commission approved a further exemption from compliance with certain sections of AUC Rule 028 and directed AUI to implement phase one of its natural gas settlement system by December 14, 2012. AUI was also directed to file an application consisting of its phase two implementation plan of the natural gas settlement system with the Commission by December 1, 2012, which was later extended to December 19, 2012.<sup>8</sup>

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<sup>5</sup> Bulletin 2011-11, Rule 028 (Version 1.0) *Natural Gas Settlement System Code Rules*, April 1, 2011.

<sup>6</sup> Decision 2011-346: AltaGas Utilities Inc., Natural Gas Settlement System Code Rules Exemption Application, Application No. 1607324, Proceeding ID No. 1236, August 23, 2011.

<sup>7</sup> Decision 2012-189: AltaGas Utilities Inc., Application for a Further Exemption from the Requirements of AUC Rule 028 Pursuant to Alberta Utilities Commission Decision 2011-346, Application No. 1608205, Proceeding ID No. 1746, July 18, 2012.

<sup>8</sup> Application No. 1608940, Proceeding ID No. 1746.

9. In Decision 2013-072,<sup>9</sup> the Commission approved an increase in project funding associated with AUI's request to extend the implementation date of phase two of the natural gas settlement system from March 15, 2013 to September 1, 2013.<sup>10</sup>
10. In Decision 2013-084,<sup>11</sup> the Commission approved AUI's plan for phase two of the natural gas settlement system, to be implemented September 1, 2013.
11. In Decision 2013-339,<sup>12</sup> the Commission approved another request from AUI for an extension to its exemption from compliance with certain sections of AUC Rule 028. The implementation date for phase two of AUI's natural gas settlement system was extended from September 1, 2013, to November 1, 2013.

### 3. Issues

12. AUI submitted in its application that a UFG rate rider, calculated as a percentage of system deliveries, is required to facilitate gas settlement and balancing calculations and ensure the associated terms and conditions of service are consistent with AUC Rule 028. This rider is necessary to calculate the retailers' and the default gas supply providers' share of UFG required under AUC Rule 028.

13. AUI explained that Rider H will be determined using the same data and method previously approved for determining the current UFG Rider E,<sup>13</sup> with the only difference being the denominator used in the UFG calculations. The Natural Gas Settlement System Code requires that Rider H use deliveries for the divisor in calculating the UFG rider, whereas Rider E uses system receipts. Consistent with Rider E, AUI proposed to base Rider H on a five-year arithmetic average of historical UFG percentages and provided the five-year calculations in its application. Based on the identical data used to derive AUI's 2012-2013 Rider E, AUI calculated the proposed Rider H for 2012-2013 to be 1.26 per cent.

14. In response to AUC-AUI-1(b), AUI stated that two UFG rate riders are required, one for natural gas settlement system processes and the other for producer transportation service, and provided a detailed explanation why Riders E and H cannot be incorporated into one rate rider. In AUC-AUI-2, AUI explained why the continuation of Rider E is required:

For AUI, continuing with existing Rate Rider "E" (represented as a percentage of system receipts) is necessary for one main reason: to ensure the quantity of gas AUI delivers for Producer Transportation customers is kept in balance with the quantity of gas AUI receives from its Producer Transportation customers. Unlike all other forms of

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<sup>9</sup> Decision 2013-072: 2012 Performance-Based Regulation Compliance Filings, AltaGas Utilities Inc., ATCO Electric Ltd., ATCO Gas and Pipelines Ltd., EPCOR Distribution & Transmission Inc. and FortisAlberta Inc., Application No. 1608826, Proceeding ID No. 2130, March 4, 2013.

<sup>10</sup> Decision 2013-072, paragraph 137.

<sup>11</sup> Decision 2013-084: AltaGas Utilities Inc., Compliance Filing to AUC Decision 2012-189 and Application for a Further Exemption from the Requirements of AUC Rule 028 Pursuant to AUC Decision 2011-346, Application No. 1609176, Proceeding ID No. 2335, March 13, 2013.

<sup>12</sup> Decision 2013-339: AltaGas Utilities Inc., Application for Extension to Exemption from compliance with AUC Rule 028, Application No. 1609741, Proceeding ID No. 2700, September 10, 2013.

<sup>13</sup> Decision 2012-292: AltaGas Utilities Inc. 2012-2013 Rate Rider "E" – Unaccounted-For Gas, Application No. 1608828, Proceeding ID No. 2133, October 30, 2012

distribution service on AUI's system, where customer-specific measurement occurs at the point of delivery; customer-specific measurement occurs at the point of receipt for Producer Transportation service. Due to this unique and necessary circumstance, unaccounted-for gas for Producer Transportation service must be calculated on measured receipt quantities and therefore, requires a rider calculated as a percentage of receipts.

Based on Rider "E", Producer Transportation customers must provide their share of unaccounted-for gas, in kind, as per Section 5.1 of AUI's Producer Transportation Service Rules:

...AUI agrees to tender for transportation to the Producer and the Producer will receive at the Point of Delivery, a volume of Gas containing the equivalent number of joules as are contained in the volume of Gas tendered by the **Producer at the Point of Receipt less the Producer's share of AUI's Unaccounted-For-Gas** and compressor fuel. **{Emphasis in original}**

In addition, AUI will continue to use Rate Rider "E" in the monthly determination of the Gas Cost Recovery Rate (GCRR) and the Third Party Transportation Rate (TPTR).<sup>14</sup>

15. AUI proposed that Rider H at 1.26 per cent remain in place until it is updated as part of AUI's next annual UFG application. After the current application was received by the Commission, AUI filed its annual adjustment application requesting increases to Rider E and Rider H, effective November 1, 2013.<sup>15</sup>

#### 4. Commission findings

16. The Commission accepts AUI's submission that it requires both Rider H and Rider E in order to facilitate gas settlement and balancing calculations associated with the implementation of AUI's natural gas settlement system for compliance with AUC Rule 028. AUI has sufficiently explained that Rider H is required for calculation of the apportionment of UFG to retailers and default gas suppliers for compliance under AUC Rule 028; and that the new Rider H is separate from the existing Rider E, which will calculate the portion of producer transportation customers' amounts of UFG.

17. The Commission accepts AUI's proposed methodology to use the historical data for calculation of Rider H, specifically the same five-year arithmetic average of historical UFG percentages that is used to calculate AUI's UFG Rider E, which is the method approved in previous AUC decisions, and most recently in Decision 2012-292.

18. The Commission approves the implementation of a new UFG rate rider, Rider H, at 1.26 per cent, effective the date of this decision. The 1.26 per cent rate will remain in effect until any change is approved by the Commission either through AUI's annual adjustment application in Proceeding ID No. 2815 or by way of a separate application.

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<sup>14</sup> Exhibit 10.01, AUI response to AUC-AUI-1(b).

<sup>15</sup> Application No. 1609896, Proceeding ID No. 2815, AltaGas Utilities Inc. 2013-2014 Rate Rider "E" and "H" Unaccounted-for Gas.



19. The Rider H rate schedule is attached to this decision as [Appendix 2](#).

**5. Order**

20. It is hereby ordered that:

- (1) AltaGas Utilities Inc. shall implement Rate Rider H (unaccounted-for gas) at 1.26 per cent, effective the date of this decision.

Dated on September 27, 2013.

**The Alberta Utilities Commission**

*(original signed by)*

Mark Kolesar  
Vice-Chair



## Appendix 1 – Proceeding participants

<b>Name of organization (abbreviation) counsel or representative</b>
AltaGas Utilities Inc. (AUI)

The Alberta Utilities Commission (AUC)
Commission Panel
M. Kolesar, Vice-Chair
Commission Staff
A. Sabo (Commission counsel)
P. Howard

## Appendix 2 – Rate Rider H rate schedule

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Appendix 2 - AUI  
Rider H

(consists of 1 page)

<b>RATE RIDER "H"</b>	<b>UNACCOUNTED-FOR GAS GAS SETTLEMENT</b>
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**FOR THE DETERMINATION OF UNACCOUNTED-FOR GAS FOR GAS SETTLEMENT**

The Unaccounted-For Gas Rate Rider 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: ..... 1.26%

EFFECTIVE DATE: September 27, 2013	REPLACING RATE EFFECTIVE:	Page 1 of 1 RIDER "H"
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AltaGas Utilities Inc.