



ATCO Gas

Rider D Application for Unaccounted for Gas

October 16, 2013

The Alberta Utilities Commission

Decision 2013-380: ATCO Gas

Rider D Application for Unaccounted for Gas

Application No. 1609860

Proceeding ID No. 2796

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1 Introduction

1. On August 21, 2013, 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, 2013, to October 31, 2014. 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 0.966 per cent for AGN and 0.942 per cent for AGS and corresponding rate schedules.

2. The Commission issued a notice of application on August 22, 2013, wherein interested parties were requested to file a statement of intent to participate (SIP) by September 4, 2013.

3. The Commission received SIPs from the Office of the Utilities Consumer Advocate (UCA) and the Consumers' Coalition of Alberta (CCA). Both the UCA and the CCA requested that the Commission establish a process including information requests to test the application along with argument and reply argument.

4. The Commission established the following process schedule:

Process step	Deadline date
Information requests to ATCO Gas	September 13, 2013
Information responses	September 20, 2013
Argument	September 27, 2013
Reply argument	October 4, 2013

5. The Commission considers that the record for this proceeding closed on October 4, 2013.

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 2012-282,¹ the Commission found that AG's proposed UFG rates were reasonable when compared against historical UFG rates and that the UFG calculation methodology was consistent with the methodology approved in Decision 2011-414.² The Commission therefore approved AG's proposed UFG Rider D rates for AGN of 0.832 per cent and 1.171 per cent for AGS. The Commission found that AG had adequately addressed the issues relating to load balancing, underlying drivers of UFG and seasonal differences in UFG. AG was directed to provide the following information with its next UFG application:

- An explanation for the aggregate amount (GJ) of measurement corrections processed in its next UFG application.
- A clear and detailed explanation of the seasonal difference in UFG rates.
- 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.³

3 Compliance with directions from Decision 2012-282

8. AG provided a table in its application⁴ detailing the aggregate amount of measurement adjustments processed after the submission of its previous Rider D application. AG also described how it is continuing to refine its daily forecasting and settlement system (DFSS) in order to better track the differences between physical gas flow and financial receipt and delivery nominations.

9. The CCA suggested that AG should be directed to provide a survey of North American UFG rates for the last three years of available data in order to benchmark AG against its peers.⁵

10. AG noted that every utility has very different physical delivery systems, financial tracking mechanisms and methodologies to calculate UFG and that a UFG rate that is stable and reasonable should be its goal.⁶

11. The UCA submitted that AG should be directed to do a study assessing the DFSS system and its relationship to the UFG process:

This study should also assess the cost effectiveness of the DFSS compared to other potential alternatives in estimating monthly UFG values, including using the annual UFG as an estimate of monthly UFG, as discussed by ATCO Gas in this proceeding.⁷

¹ Decision 2012-282: ATCO Gas, Rider "D" Application for Unaccounted for Gas, Application No. 1608761, Proceeding ID No. 2082, October 16, 2012.

² 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.

³ Decision 2012-282, paragraph 22 and 23.

⁴ Exhibit 3, Table 3.

⁵ Exhibit 16.01, paragraph 9.

⁶ Exhibit 20.01, page 3.

⁷ Exhibit 18.02, paragraph 11.

12. AG responded that:

the DFSS is the system developed by ATCO Gas for the purpose of calculating forecast, backcast and settlement gas consumption for retailer daily balancing. DFSS was developed and implemented to provide retailers with the estimated total load information for all sites on a daily basis. DFSS has been approved by the AUC with the support of Retailers as a reasonable means of providing daily estimation of customers' gas usage in lieu of actual physical daily measurement. DFSS was not developed or implemented for the purposes of calculating UFG.⁸

13. The UCA also requested that the Commission continue to direct AG to provide clear explanations of seasonal differences in UFG rates, any reasons for increases/decreases in UFG and an explanation of any steps it is taking to reduce UFG.

Commission findings

14. The Commission has reviewed the responses by AG and finds that it has responded satisfactorily to all directions from Decision 2012-282. The Commission finds that the level of detail in the UFG applications is sufficient and in that vein directs AG to continue to provide clear explanations of seasonal UFG differences, measurement corrections and reasons for UFG increases or decreases. The Commission also considers that AG takes the issue of UFG minimization seriously and encourages it to make all reasonable efforts to find and correct sources of UFG. The Commission therefore directs AG to continue to provide information on practices and procedures it has employed to reduce UFG in its future applications.

15. With regard to the suggestion by the CCA that AG be directed to provide a survey of North American UFG rates in order to provide a benchmark, the Commission has considered the request and finds it to be unnecessary. The AG UFG rate is stable and, as noted above, AG has committed itself to locate and correct sources of UFG as they are found. Benchmarking AG against an assembly of its peers, while an interesting idea, would not likely be of any practical use in the current instance and therefore the Commission declines to impose any such requirement on AG at this time.

16. The Commission has also considered the suggestion by the UCA that AG undertake an assessment of the relationship between DFSS and UFG, and the cost effectiveness of DFSS. The Commission is aware that in order for AG's retailers to have an account position to balance against on a daily basis there must be some estimation. Retailers employ sophisticated load forecasting methodologies of their own and would likely inform AG if their daily load forecast and those provided by DFSS were wildly divergent. Daily balancing to estimates is the normal course of action in Alberta. The DFSS system has been enhanced over time with improved forecasting tools and the Commission expects AG to continue its refinement as needed. Accordingly, the Commission denies the request by the UCA to direct AG to prepare a report on its DFSS system at this time.

⁸ Exhibit 20.02, paragraph 8.

4 Province-wide UFG rate

17. AG submitted that it has calculated the proposed Rider D rates based on the average of the physical UFG percentages for the years 2010, 2011 and 2012 in a manner consistent with past practices. In the result, its reported UFG rates fall within the normal expected UFG range for AG's distribution systems and historical rates.

18. In an information response⁹ AG discussed combining the north and south Rider D into one rate for the entire province. AG noted that the calculation method of Rider D would remain the same but would be done on aggregated north and south data. The combined Rider D rate for November 1, 2013 would be 0.954 per cent. AG noted that it had no concerns with combining the north and south UFG percentages for a single Rider D.¹⁰

19. AG further stated:

In Decision 2013-106^[11], the AUC directed that ATCO Gas provide a cost and benefit study on combining the current load balancing deferral accounts (LBDA) into a single account. Implementing a single deferral account will also require a combined Rider 'D' rate. ATCO Gas' recommendation will be that a single account is adopted for the LBDA and a single combined Rider 'D' rate.¹²

20. Both the CCA and the UCA were supportive of the combined UFG rate effective November 1, 2013. The UCA stated:

An analysis of the respective average rates of UFO for AGN and AGS over the last 10 years (2003 through 2012) show that they too are very similar. Pursuant to the historic UFG values provided in the table in UCA-AG-02a, the 10 year average for UFG for AGN is 0.662% and for AGS is 0.696%. Thus, over time any variation between AGN and AGS UFG values has evened out over the ten year period.¹³

Commission findings

21. The Commission has reviewed the evidence on the record of this proceeding and agrees with parties that a single province-wide UFG rate and Rider D should be implemented. As AG will be applying for a single LBDA, it must first have a single UFG rate in order to properly allocate load balancing transactions. If the Commission were to delay implementation of a province-wide UFG rate to November 1, 2014, it would also necessitate delaying the implementation of a single LBDA to the same time period. As AG holds a single transmission account with NOVA Gas Transmission it is unnecessary to track its load balancing transactions and UFG percentages by north and south segments.

⁹ Exhibit 14.01, CCA-AG-1(a).

¹⁰ Exhibit 17.01, paragraph 10.

¹¹ Decision [2013-106](#): ATCO Gas, North Load Balancing Rate Rider, Application No. 1609109, Proceeding ID No. 2290, March 20, 2013.

¹² Exhibit 17.01, paragraph 9.

¹³ Exhibit 19.02, paragraph 10.

22. The Commission is mindful that cross-subsidization is an issue it must consider whenever rates are combined. Using data provided by AG in an information response¹⁴ the Commission has prepared the attached table showing the actual UFG rates during the 2000 to 2012 period along with a calculation of the average and the standard deviation.

Table 1. Actual UFG rates 2000 to 2012

Year	AGN UFG %	AGS UFG %	Average %
2000	0.757	0.103	0.430
2001	0.926	0.016	0.471
2002	1.482	0.890	1.186
2003	0.996	0.822	0.909
2004	0.531	0.446	0.489
2005	0.580	0.172	0.376
2006	0.008	0.274	0.141
2007	0.431	0.360	0.396
2008	0.474	0.706	0.590
2009	0.700	1.357	1.029
2010	0.778	1.097	0.938
2011	1.014	1.060	1.037
2012	1.105	0.670	0.888
Average	0.752	0.613	0.683
Standard deviation	0.354	0.406	0.314

23. The Commission finds that tracking the average actual AG UFG rates back to 2000 indicates that while a degree of cross-subsidization may occur, it is likely to be minor in nature.

24. The Commission also finds that the use of a system average is likely to minimize UFG volatility. The use of the statistical tool of standard deviation in particular shows how the swings in the UFG rate decrease. Using the 13-year actuals in their response, the system-wide UFG average is 0.683 per cent, and the resulting standard deviation is 0.314 percentage points. By combining the UFG into a province-wide system the result is a small decrease in the year-to-year volatility, as 68 per cent of the time the combined AG system-wide actual UFG rate would have been between a ceiling of 0.997 per cent and a floor of 0.369 per cent. Minimizing the year-to-year volatility of UFG is beneficial to AG's customers as the resulting increases or decreases in Rider D are smaller. This results in less impact to customer bills and lower rate shock.

25. Both the applicant and all interveners in this proceeding are in agreement the time is right to move to a province-wide UFG rate. The Commission approves the move to a combined province-wide UFG rate and directs AG to continue to provide its annual UFG rate filings in this manner on a go-forward basis.

¹⁴ Exhibit 15.01, UCA-AG-2(a).

5 Order

26. It is hereby ordered that:

- (1) ATCO Gas's unaccounted for gas rate province-wide Rider D is approved as 0.954 per cent for November 1, 2013.

Dated on October 16, 2013.

The Alberta Utilities Commission

(original signed by)

Bill Lyttle
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
ATCO Gas (AG) R. Trovato T. Rushfeldt D. Petasky C. Morrison A. Green D. Tchir
Office of the Utilities Consumer Advocate (UCA) T. D. Marriott K. Kellgren R. Daw A. Glenn H. Gnez G. Garbutt
Consumers Coalition of Alberta (CCA) J. A. Wachowich J. A. Jodoin

The Alberta Utilities Commission
Commission Panel B. Lyttle, Commission Member
Commission Staff R. Finn (Commission counsel) B. Whyte

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. The Commission has reviewed the responses by AG and finds that it has responded satisfactorily to all directions from Decision 2012-282. The Commission finds that the level of detail in the UFG applications is sufficient and in that vein directs AG to continue to provide clear explanations of seasonal UFG differences, measurement corrections and reasons for UFG increases or decreases. The Commission also considers that AG takes the issue of UFG minimization seriously and encourages it to make all reasonable efforts to find and correct sources of UFG. The Commission therefore directs AG to continue to provide information on practices and procedures it has employed to reduce UFG in its future applications. Paragraph 14
2. Both the applicant and all interveners in this proceeding are in agreement the time is right to move to a province-wide UFG rate. The Commission approves the move to a combined province-wide UFG rate and directs AG to continue to provide its annual UFG rate filings in this manner on a go-forward basis. Paragraph 25

Appendix 3 – ATCO Gas unaccounted for gas rate Rider D effective November 1, 2013

Effective November 1, 2013 to October 31, 2014 by Decision 2013-380
This Replaces Rider 'D'
Previously Effective November 1, 2012

**ATCO GAS AND PIPELINES LTD.
ATCO GAS 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 distribution systems will be assessed a distribution UFG charge of 0.954% at the Point of Delivery. The UFG assessment will be made up "In-Kind" from each Customer Account.