



ATCO Gas and Pipelines Ltd.

Rider D Application for Unaccounted-for Gas

October 22, 2014



The Alberta Utilities Commission

Decision 2014-290: ATCO Gas and Pipelines Ltd.

Rider D Application for Unaccounted-for Gas

Application No. 1610790

Proceeding No. 3380

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1 Introduction

1. On August 20, 2014, ATCO Gas and Pipelines Ltd. (ATCO Gas) filed an application with the Alberta Utilities Commission (Commission) requesting approval of its unaccounted-for gas (UFG) rate rider (Rider D) for 2014 and 2015. In its application, ATCO Gas proposed that Rider D should be increased to 1.125 per cent from 0.954 per cent, effective November 1, 2014.

2. On August 21, 2014, the Commission issued a notice of application. Any party who wished to intervene in this proceeding was required to submit a statement of intent to participate (SIP) to the Commission by August 28, 2014.

3. The Commission received SIPs from Direct Energy Marketing Limited (DEML) and the Consumers' Coalition of Alberta (CCA) within the deadline date for filing SIPs. DEML indicated that it intended to monitor the proceeding as an interested stakeholder. The CCA requested that the Commission establish a written process that includes information requests (IRs), argument and reply argument.

4. In a September 2, 2014 letter, the Commission determined that the application would be considered by way of a minimal written process, and set out the following process schedule:

Process step	Deadline
IRs to ATCO Gas	September 9, 2014
Responses to IRs from ATCO Gas	September 16, 2014
Argument	September 26, 2014
Reply argument	October 6, 2014

5. The Commission considers that the record for this proceeding closed on October 6, 2014.

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. Changes for UFG are recovered in-kind from all shippers on the ATCO Gas distribution system, including the default supply providers. The ATCO Gas north and south systems utilized a three-year calendar average of physical measurement data to determine UFG. This method was approved for both ATCO Gas North and ATCO Gas South in Decision [2009-183](#).¹

8. In Decision [2010-506](#),² the Commission approved ATCO Gas's 2010-2011 UFG Rider D rates for ATCO Gas North and ATCO Gas South, and included the following direction to ATCO Gas with respect to its next UFG application:

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" 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.³ (footnotes removed)

9. The Commission was satisfied that ATCO Gas had complied with the direction in the next UFG application, which resulted in Decision [2011-414](#),⁴ however it directed ATCO Gas to provide the following information in 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 [gigajoule]) 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.⁵

10. In Decision [2012-282](#),⁶ the Commission found that ATCO Gas'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. The Commission found that ATCO Gas had adequately addressed issues relating to load balancing, underlying drivers of UFG and seasonal differences in UFG. ATCO Gas was directed to provide the following information with its next UFG application:

¹ 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, October 23, 2009.

² 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.

³ Decision 2010-506, paragraph 20.

⁴ 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.

⁵ Decision 2011-414 (Errata), paragraph 18.

⁶ Decision 2012-282: ATCO Gas, Rider "D" Application for Unaccounted for Gas, Application No. 1608761, Proceeding ID No. 2082, October 16, 2012.

- An explanation for the aggregate amount gigajoule (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 ATCO Gas North and ATCO Gas South and the additional steps it is taking to reduce UFG in its next UFG application.⁷

11. In Decision 2013-380,⁸ the Commission found that ATCO Gas responded satisfactorily to the directions from Decision 2012-282. ATCO Gas was directed to continue to provide the following information with its next UFG application:

- Clear explanations of seasonal UFG differences, measurement corrections and reasons for UFG increases or decreases.
- Information on practices and procedures it has employed to reduce UFG in its future applications.⁹

12. In Decision 2013-380, the Commission also approved a combined province-wide Rider D for UFG and directed ATCO Gas to continue to provide its annual combined province-wide UFG rate filings in this manner, on a go-forward basis.¹⁰

3 Discussion of issues

3.1 Calculation of Rider D

13. In the proceeding for ATCO Gas's 2013-2014 Rate Rider D application, leading to Decision 2013-380 with respect to the combined province-wide UFG rider, ATCO Gas confirmed:

... that the calculation method of Rider D would remain the same but would be done on aggregated north and south data.¹¹

14. In the current application ATCO Gas did not propose any change to its approved methodology for calculating Rider D, and stated that the rider has been calculated consistent with methodologies approved in previous Rider D applications.¹²

15. The Rider D calculation is based on the average of the actual measurement data from the preceding three years for the UFG calculations. This three-year average calculation is reproduced in Table 1 below:

⁷ Decision 2012-282, paragraphs 22 and 23.

⁸ Decision 2013-380: ATCO Gas, Rider D Application for Unaccounted for Gas, Application No. 1609860, Proceeding ID No. 2796, October 16, 2013.

⁹ Decision 2013-380, paragraph 14.

¹⁰ Decision 2013-380, paragraph 25.

¹¹ Decision 2013-380, paragraph 18.

¹² Exhibit No. 3, application, paragraph 1.

Table 1. Determination of UFG Rate Rider D percentage for 2014-2015¹³

Previous three years UFG percentages for January 2011 to December 2013	Percentage loss
2011	1.035
2012	0.881
2013	1.458
Three-year arithmetic average and proposed 2014-2015 Rider D	1.125

3.2 Compliance with previous Commission directions and Decision 2013-380

16. ATCO Gas provided two tables¹⁴ detailing the reconciliation of 2011 and 2012 data used in the 2013 application for ATCO Gas's previous 2013-2014 Rate Rider D, to the 2011 and 2012 data used in the current application.

17. ATCO Gas provided an explanation of the seasonal UFG differences and information on the aggregated amount of measurement adjustments processed. It also explained the reasons for the increase and decrease in UFG, provided details on practices and procedures, and stated the steps it is implementing to further reduce UFG.

18. ATCO Gas identified two likely contributors to negative UFG in certain months. The first contributor is that customers' meters are on monthly cycle billing reads and, as a result, actual daily delivery data is not available. The second contributor is the effect of low flow on larger meters in receipt stations caused by summer flows that are below the normal operating range of the meter.¹⁵

19. ATCO Gas added:

UFG for the most part is the unknown component of a system balance and is expected to vary from year to year due to the wide variety of conditions affecting it. However, ATCO Gas does recognize the more recent increase in UFG in 2013 and continues to actively investigate and correct any issues it identifies. There are many sources of UFG and some can be very elusive at times, however ATCO Gas is taking the increase seriously and endeavors to identify these sources and reduce the UFG as much as possible.¹⁶

20. The CCA noted that the recent UFG rates are higher than those in the 2009 and 2010, when the Commission expressed concerns with the overall trend in UFG. Accordingly, ATCO Gas should be directed to provide extensive reasons for the increase of UFG and the steps it is undertaking to control and reduce UFG in its next application.¹⁷

21. ATCO Gas responded that, as measurement becomes more accurate and the source of the error is corrected, such as monitoring of meter failures, UFG rates could either decrease or

¹³ Exhibit No. 3, application, paragraph 7, Table 1.

¹⁴ Exhibit No. 3, application, Table 2.1 and Table 2.2, page 4.

¹⁵ Exhibit No. 13.01, ATCO Gas response to AUC-AG-01 and Exhibit No. 15.01 ATCO Gas argument, paragraphs 5 and 6.

¹⁶ Exhibit No. 3, application, paragraph 23.

¹⁷ Exhibit No. 14.01, paragraph 7.

increase.¹⁸ ATCO Gas stated that it did not object to reporting future changes in the methods it uses to reduce UFG in its upcoming applications.

22. In its application, ATCO Gas identified the areas that impact the UFG collected through Rider D, which are set out below.

3.2.1 Measurement adjustments processed

23. In 2013, 312 terajoules of measurement adjustments were required. These adjustments are typically necessary when system changes affect the actual measurement or when there are limitations of the measurement reporting program to allocate volumes.¹⁹

3.2.2 Seasonal differences in UFG

24. Monthly meter readings are allocated to daily flow by the daily forecasting and settlement system (DFSS) using daily average temperature and other factors such as season and day of week. ATCO Gas stated that it continues to identify the limited estimating ability of the DFSS to allocate monthly meter readings to daily flow as the major cause of variable UFG from month to month and season to season, because this estimating effect can make UFG appear higher or lower in any particular month. ATCO Gas explained:

As a result, the calendar monthly deliveries reported are only estimates, however the data is still based upon actual meter reads, and therefore over a longer time period, it represents actual flow. Receipts are vastly different as gas is bought, sold and traded on a daily basis in the market, and therefore ATCO Gas has over 90% of the receipt measurement reported daily.²⁰

3.2.3 Reasons for changes in UFG

25. ATCO Gas stated that “one potential source of increased UFG is due to temporary mixing of gas from two or more gas sources which have differing heat values.”²¹ Several new stations are being built, and two stations are operational during the temporary transition period, and therefore higher UFG may occur. In 2012 and 2013 an unexpected delay caused a longer than normal transition period between stations.

3.2.4 Steps to improve UFG

26. ATCO Gas implemented operational procedures to monitor and review all current measurement equipment to ensure correct meter sizing and the replacement of meters, where necessary.

27. Operational adjustments such as a program to monitor gate stations have been implemented. When the flow is below the minimum range of the meter, gas may slip by unmeasured. Where possible, ATCO Gas also sets some meters to zero flow during the low demand summer months. If the station cannot be set to zero flow, adjustments are made to

¹⁸ Exhibit No. 17.01, paragraph 3.

¹⁹ Exhibit No. 3, application, paragraphs 14 and 15.

²⁰ Exhibit No. 3, application, paragraph 17.

²¹ Exhibit No. 3, application, paragraph 19.

balance the flow among connected stations so all station meters are flowing within their recommended range.²²

Commission findings

28. The Commission recognizes that all gas distribution pipeline systems have UFG as an element of operating a natural gas distribution system. Due to the numerous factors that impact UFG, the UFG percentage will fluctuate over time.

29. The Commission finds that ATCO Gas has complied with the directions from Decision 2013-380. In its application, ATCO Gas has provided an explanation for the measurement adjustments processed, the seasonal differences in UFG, the reason for changes in UFG, and the efforts to implement operational changes and metering related to UFG. The Commission remains concerned that overall variances in UFG amounts may continue over time and agrees with the CCA that ATCO Gas should continue to provide an explanation of the increases and steps taken to reduce UFG.

30. Accordingly, consistent with Decision 2013-380, the Commission directs ATCO Gas to continue to provide the following in future Rider D applications:

- Clear explanations of seasonal UFG differences, measurement corrections and reasons for UFG increases or decreases.
- Information on practices and procedures it has employed to reduce UFG in its future applications.

31. The Commission has reviewed ATCO Gas's calculation of Rider D. The calculation is consistent with the methodology approved in previous decisions, most recently in Decision 2013-380. For these reasons, the Commission is satisfied, for the purposes of the 2014-2015 UFG application, that ATCO Gas's proposed increase to Rider D for UFG is reasonable.

32. The Commission approves Rider D at 1.125 per cent, effective November 1, 2014. The Rider D schedule, is approved, and is attached as [Appendix 3](#) to this decision.

²² Exhibit No. 3, application, paragraphs 20 and 21.

4 Order

33. It is hereby ordered that:

- (1) ATCO Gas and Pipelines Ltd.'s unaccounted-for gas rate rider, Rider D, is approved as filed, effective November 1, 2014.

Dated on October 22, 2014.

The Alberta Utilities Commission

(original signed by)

Anne Michaud
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
ATCO Gas and Pipelines Ltd. (ATCO Gas) A. Green D. Tchir D. Connolly E. Guhl
Consumers' Coalition of Alberta (CCA) J. Wachowich J. Thygesen
Direct Energy Marketing Limited (DEML) S. Parchewsky C. Bolton B. Wong N. Black

The Alberta Utilities Commission
Commission Panel A. Michaud, Commission Member
Commission Staff A. Sabo (Commission counsel) E. Deryabina C. Runge 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. Accordingly, consistent with Decision 2013-380, the Commission directs ATCO Gas to continue to provide the following in future Rider D applications:
 - Clear explanations of seasonal UFG differences, measurement corrections and reasons for UFG increases or decreases.
 - Information on practices and procedures it has employed to reduce UFG in its future applications. Paragraph 30

Appendix 3 – Rider D Unaccounted-for Gas

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



Appendix 3 - Rider D

(consists of 1 page)

Effective November 1, 2014 to October 31, 2015 by Decision 2014-290

This Replaces Rider "D"
Previously Effective November 1, 2013

**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 1.125% at the Point of Delivery. The UFG assessment will be made up "In-Kind" from each Customer Account.