



AltaGas Utilities Inc.

2014-2015 Unaccounted-for Gas Rider E and Rider H

October 22, 2014



The Alberta Utilities Commission

Decision 2014-291: AltaGas Utilities Inc.

2014-2015 Unaccounted-for Gas Rider E and Rider H

Application No. 1610779

Proceeding No. 3369

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1 Introduction

1. On August 8, 2014, AltaGas Utilities Inc. (AltaGas or AUI) submitted an application to the Alberta Utilities Commission (AUC or Commission) requesting approval for annual adjustments to its unaccounted-for gas (UFG) rate riders E and H, effective November 1, 2014. AltaGas is proposing Rate Rider E be increased to 1.31 per cent from 1.28 per cent, and Rate Rider H be increased to 1.33 per cent from 1.30 per cent.¹
2. On August 12, 2014, the Commission issued a notice of application for the proceeding. Any party who wished to intervene in the proceeding was required to submit a statement of intent to participate (SIP) to the Commission by August 22, 2014.
3. The Commission received SIPs from ATCO Gas and Pipelines Ltd. (ATCO Gas) and the Consumers' Coalition of Alberta (CCA). The CCA requested a written process including information requests and filing of argument and reply argument.
4. On August 25, 2014, the Commission determined that a written process was required and established the following process schedule for the application:

Process step	Deadline
Information requests (IRs) to AltaGas	September 5, 2014
Responses to IRs from AltaGas	September 15, 2014
Argument	September 25, 2014
Reply argument	October 3, 2014

5. By letter dated September 25, 2014, the CCA submitted that it had no further comments or argument.² ATCO Gas monitored the proceeding and did not provide submissions related to the application.
6. In a September 25, 2014 letter,³ AltaGas stated that it did not intend to file argument and recommended the record of the proceeding be closed.
7. On September 30, 2014,⁴ the Commission informed the registered parties that it considered the close of record of the proceeding was September 30, 2014.

¹ Exhibit No. 2, application, page 1.

² Exhibit No. 14.01.

³ Exhibit No. 15.01.

⁴ Exhibit No. 16.01.

8. In reaching the determinations set out 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

9. In Decision 2011-425,⁵ in response to concerns that AltaGas' efforts had not resulted in a reduction to UFG levels, the Commission directed AltaGas to provide the following information in its next UFG application:

- (a) monthly receipt and delivery volumes for the past five years and UFG percentage loss or gain
- (b) a clear and detailed explanation of the seasonal difference in UFG rates, and the specific reasons for negative UFG amounts in any month during a period where this UFG rate is in effect
- (c) the reasons for any increases/decreases in UFG for AltaGas and what additional steps AltaGas is taking to reduce UFG in its next UFG application
- (d) explanation of all capital projects and operation and maintenance programs that have been initiated over the last five years and any forecast initiatives designed to improve UFG data and potentially reduce UFG amounts⁶

10. In Decision 2012-292,⁷ the Commission recognized AltaGas' efforts undertaken to understand and manage its UFG. The Commission stated that it expected more accurate data and improved detection of UFG will assist the Commission in better understanding the source(s) of AltaGas' UFG. AltaGas was directed to provide the following information in its next UFG application:

- (a) monthly receipt and delivery volumes and UFG percentage loss or gain from the most current month available back to June 2002
- (b) a clear and detailed explanation of the seasonal difference in UFG rates, and the specific reasons for negative UFG amounts in any month
- (c) the reasons for any increases/decreases in AUI's UFG and details of the additional steps AltaGas is taking to reduce UFG⁸

11. On October 31, 2013, in Decision 2013-396,⁹ the Commission stated that while not all of the causes of UFG can be eliminated, it would expect that the percentages will be reduced over time due to AltaGas initiatives to reduce UFG. The Commission directed AltaGas to continue

⁵ Decision 2011-425: AltaGas Utilities Inc. 2011-2012 Rate Rider "E" - Unaccounted-For Gas, Application No. 1607636, Proceeding ID No. 1423, October 27, 2011.

⁶ Decision 2011-425, paragraph 19.

⁷ Decision 2012-292: AltaGas Utilities Inc. 2012-2013 Rate Rider "E" - Unaccounted-For Gas, Application No. 1608828, Proceeding ID No. 2133, October 30, 2012.

⁸ Decision 2012-292, paragraph 32.

⁹ Decision 2013-396: AltaGas Utilities Inc. 2013-2014 Rider E and Rider H (Unaccounted-for Gas), Application No. 1609896, Proceeding ID No. 2815, October 31, 2013.

with its commitment to quantify the causes of UFG and take action going forward to reduce UFG fluctuations and UFG overall.¹⁰

3 Discussion of issues

3.1 Calculation of Rider E and Rider H

12. AltaGas did not propose any change to its approved methodology for calculating riders E and H. Rider E is calculated using the most recent five-year arithmetic average of the annual UFG percentages, based on system receipts. Rider H is similarly calculated using the most recent five-year arithmetic average of the annual UFG percentages but uses system deliveries in the calculation, as required by AUC Rule 028.¹¹ The five-year historical average calculations were included in the application as Schedule B (for Rider E) and Schedule D (for Rider H). The five-year average calculations for riders E and H are reproduced in tables 1 and 2 below:

Table 1. Determination of UFG Rate Rider E percentage for 2014-2015¹²

Previous five years UFG percentages for the year ended May 31	Percentage loss
2010	1.33
2011	1.61
2012	1.18
2013	1.36
2014	1.07
Arithmetic average	1.31

Table 2. Determination of UFG Rate Rider H percentage for 2014-2015¹³

Previous five years UFG percentages for the year ended May 31	Percentage loss
2010	1.35
2011	1.64
2012	1.19
2013	1.38
2014	1.08
Arithmetic average	1.33

13. The Commission has compiled Table 3 below to show the last eight years of approved amounts for UFG recovery through Rider E, using the most recent five-year arithmetic average of the annual UFG percentages:

¹⁰ Decision 2013-396, paragraph 34.

¹¹ AUC Rule 028: *Natural Gas Settlement System Code Rules*.

¹² Exhibit No. 2, application, Schedule B, page 5.

¹³ Exhibit No. 2, application, Schedule D, page 7.

Table 3. AltaGas Rider E – approved UFG amounts on an annual basis from 2006 to 2014¹⁴

AltaGas historical approved UFG percentages to be recovered through Rider E	Percentage loss
2006-2007	0.73
2007-2008	0.74
2008-2009	0.82
2009-2010	0.86
2010-2011	0.97
2011-2012	1.21
2012-2013	1.24
2013-2014	1.28
<u>2014-2015 (proposed)</u>	<u>1.31</u>

14. In the current application, AltaGas updated the monthly data to the most current month and continued to provide the information regarding UFG factors, consistent with Decision 2012-292. AltaGas included in its application:

- Monthly data for the period from June 2002 to May 2014.¹⁵
- An explanation for the seasonal differences in UFG rates. AltaGas explained that the two main factors driving seasonal differences and negative UFG in some months are: timing differences in natural gas deliveries and receipts, and low natural gas flow metering in the summer.
- The other factors identified by AltaGas that can have either a positive or negative impact on UFG, most of which may not be accurately quantified or forecasted, are:
 - Operations – pipeline leaks.
 - Measurement – incorrect instrument configuration, documentation, installation.
 - Other factors – to a lesser extent, accounting/billing, theft, facility damages, purging of pipe, timing of receipt meter reads and missing delivery volumes.¹⁶

Commission findings

15. The Commission has reviewed the calculations for Rider E and Rider H and is satisfied that AltaGas' proposed UFG rate calculation is accurate and is consistent with the methodology approved in previous decisions, and most recently in Decision 2013-396.

16. AltaGas' annual UFG percentages for the past five years have ranged from a low of 1.07 per cent to a high of 1.61 per cent for Rider E; and a low of 1.08 per cent to a high of 1.64 per cent for Rider H based on a historical averages, if Rider H had been in place for the past five years. The Commission finds that AltaGas has demonstrated that the proposed amounts to be recovered through the rate riders fall in the range of historical percentages for each of the rate riders, based on the five-year historical average calculation. AltaGas' proposals for the amounts to be recovered through the riders are further supported by the historical data available for Rider E and the additional calculations provided for Rider H.

¹⁴ A comparable table has not been prepared for Rider H because the data is not available for the entire period of 2006-2014.

¹⁵ Exhibit No. 1.

¹⁶ Exhibit No. 2, application, Schedule E, pages 8-18.

17. The Commission has reviewed the historical UFG data, the reasons for annual changes in UFG, and the steps AltaGas continues to take to reduce UFG in response to previous Commission directions in Decision 2012-292.

18. As mentioned in Decision 2013-396, the Commission recognizes that all gas distribution pipeline systems have UFG as an element of operating a natural gas distribution system. The Commission also recognizes that, due to the many factors that impact UFG, the UFG percentage will continue to fluctuate over time.

19. For the above reasons, the Commission is satisfied, for the purposes of the 2014-2015 UFG application, that AltaGas' proposed increases to Riders E and H are reasonable. The Commission approves Rider E at 1.31 per cent and Rider H at 1.33 per cent, effective November 1, 2014. The Rider E and Rider H rate schedules are approved, and the schedules are attached to this decision as [Appendix 3](#) and [Appendix 4](#), respectively.

20. However, in the proceeding for AltaGas' 2012-2013 Rate Rider E – UFG, leading to Decision 2012-292, AltaGas stated:

AUI as the utility owner has the ultimate interest in controlling UFG as part of its service to customers. As such, AUI will continue to quantify the causes of UFG and take action going forward to reduce UFG fluctuations and UFG overall.¹⁷

21. With respect to the future UFG applications to determine Rider E and Rider H, in AUC-AltaGas-1(a), AltaGas responded to the Commission regarding an expected future decline of UFG rates, and stated:

Although implementation of the initiatives identified in AUI's Application are expected to reduce UFG to a certain extent; there continues to be several factors outside AUI's control affecting UFG levels. These factors, also identified in the Application, may cause the UFG to increase rather than decrease year-to-year. Even with the successful implementation of monthly meter reading, ongoing capital tracker programs related to pipes, stations and gas supply, and AMR [automatic meter reading] installation at receipt meters, AUI expects the future UFG percentages will continue to fluctuate within approximately the same range as in the past.¹⁸

22. While the Commission understands that not all of the causes of UFG can be eliminated, it would be expected that the UFG fluctuations and overall UFG percentages should be reduced over time due to AltaGas' initiatives and expenditures to reduce UFG, as described in the application. In accordance with paragraph 34 of Decision 2013-396, the Commission directs AltaGas in its future UFG applications to continue to:

- Quantify the causes of UFG, where possible, and provide reasons for any increases/decreases in AltaGas' UFG; and to continue to take action to reduce UFG fluctuations and UFG overall.
- Provide updates to the data, up to and including the most current month for the monthly receipt and delivery volumes and UFG percentage losses or gains.

¹⁷ Decision 2012-292, paragraph 31.

¹⁸ Exhibit No. 12.01, AUC-AltaGas-1(a).

4 Order

23. It is hereby ordered that:

- (1) The Commission approves AltaGas Utilities Inc.'s Rider E at 1.31 per cent, effective November 1, 2014.
- (2) The Commission approves AltaGas Utilities Inc.'s Rider H at 1.33 per cent, effective November 1, 2014.
- (3) The Rider E and Rider H rate schedules are approved as filed, attached to this decision as Appendix 3 and Appendix 4, respectively.

Dated on October 22, 2014.

The Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
AltaGas Utilities Inc. (AltaGas) J. Coleman
ATCO Gas (ATCO Gas) A. Green D. Connolly
Consumers' Coalition Of Alberta (CCA) J. Wachowich J. Thygesen

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

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. While the Commission understands that not all of the causes of UFG can be eliminated, it would be expected that the UFG fluctuations and overall UFG percentages should be reduced over time due to AltaGas’ initiatives and expenditures to reduce UFG, as described in the application. In accordance with paragraph 34 of Decision 2013-396, the Commission directs AltaGas in its future UFG applications to continue to:
 - Quantify the causes of UFG, where possible, and provide reasons for any increases/decreases in AltaGas’ UFG; and to continue to take action to reduce UFG fluctuations and UFG overall.
 - Provide updates to the data, up to and including the most current month for the monthly receipt and delivery volumes and UFG percentage losses or gains.
..... Paragraph 22

Appendix 3 – Rate Rider E Unaccounted-for Gas

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Appendix 3 - Rider E

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Appendix 4 – Rate Rider H Unaccounted-for Gas – Gas Settlement

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Appendix 4 - Rider H

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RATE RIDER "E"	UNACCOUNTED-FOR GAS RIDER
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FOR THE DETERMINATION OF UNACCOUNTED-FOR GAS (UFG)

The Unaccounted-For Gas Rate Rider will be used in the calculation of the Gas Cost Recovery Rate Rider 'D', the Third Party Transportation Rate Rider 'G' and to determine the amount of Unaccounted-For Gas, as defined in AltaGas Utilities Inc.'s Terms and Conditions of Service.

Unaccounted-For Gas Rider: 1.31%

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AltaGas Utilities Inc.

RATE RIDER "H"	UNACCOUNTED-FOR GAS GAS SETTLEMENT
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FOR THE DETERMINATION OF UNACCOUNTED-FOR GAS (UFG)

The Unaccounted-For Gas Rate Rider 'H' 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: 1.33%

EFFECTIVE DATE: November 1, 2014 Decision 2014-291	REPLACING RATE EFFECTIVE: November 1, 2013 Decision 2013-396	Page 1 of 1 RIDER "H"
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