

July 24, 2019

Alberta Utilities Commission
Utilities Division
10th Floor, 10055 – 106 Street
Edmonton, AB T5J 2Y2

Attention: Michael Hagan, P. Eng., Executive Director, Rates

**Re: AltaGas Utilities Inc.
 2019-2020 Unaccounted-for Gas – Rate Rider E and Rate Rider H Application**

AltaGas Utilities Inc. (AUI or AltaGas) is applying for the annual adjustment to Rate Rider E – Unaccounted-For Gas and Rate Rider H – Unaccounted-For Gas, Gas Settlement. AUI proposes the 2019-2020 Rate Rider E be updated from the currently approved 1.04 per cent to 1.10 per cent, effective November 1, 2019, and Rate Rider H be updated from the currently approved 1.05 per cent to 1.11 per cent, also effective November 1, 2019.

AUI is not proposing any change to the existing, approved method of calculating Rider E or Rider H.

Rate Rider E

AUI is proposing Rate Rider E be approved at 1.10 per cent, effective November 1, 2019, as provided in Schedule A.

Consistent with the previously approved method, Rate Rider E is calculated using the arithmetic average of the annual unaccounted-for gas (UFG) percentages, based on receipts, of the last five years, as provided in Schedule B.

In addition to its use in determining AUI's Gas Cost Recovery Rate and Third-Party Transportation Rate, Rider E is used to establish UFG as described in AUI's Producer Transportation Service Rules.

Rate Rider H

AUI is proposing Rate Rider H be approved at 1.11 per cent, effective November 1, 2019, as provided in Schedule C.

Rider H is used in Natural Gas Settlement System Code (NGSSC) processes by retailers and AUI, and based on system deliveries, as stipulated in AUC Rule 028.

Rider H is determined using the same data and method approved for Rider E. The only difference is the divisor used in the UFG calculations. Specifically, AUC Rule 028 requires Rider H use deliveries in calculating the UFG; whereas Rider E uses system receipts as the divisor, as provided in Schedule D.

AUC Decision 23740-D01-2018 Directions

For responses to AUC directions from Decision 23740-D01-2018¹, please refer to Schedule E to this Application.

To allow sufficient time for retailers to incorporate the approved Rider H UFG percentage in their nominations, AUI requests this application be approved by October 18, 2019.

In the interim, should the Commission or its staff have any questions, please contact the writer.

AltaGas Utilities Inc.

Per:

[Electronically Signed]

Jennifer Coleman, CPA, CMA
Senior Regulatory Specialist

Attachments

¹ AltaGas Utilities Inc. 2018-2019 Unaccounted-For Gas Rider E and Rider H (October 25, 2018), Appendix 2-Summary of Commission Directions.

SCHEDULE A

RATE RIDER E	UNACCOUNTED-FOR GAS
---------------------	----------------------------

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: 1.10%

EFFECTIVE DATE: November 1, 2019	REPLACING RATE EFFECTIVE: November 1, 2018	Page 1 of 1 RIDER E
-------------------------------------	---	------------------------

SCHEDULE B

Determination of Unaccounted-For-Gas (UFG) Rate Rider E Percentage 2019-2020

Line	Previous Five Years UFG Percentages for the Year Ended May 31	% Loss (Gain)
1	2015	1.26%
2	2016	0.88%
3	2017	1.04%
4	2018	0.96%
5	2019	1.35%
6	Arithmetic Average	<u>1.10%</u>

NOTE: The Unaccounted-For Gas percentage is calculated on total throughput contributing to UFG.

SCHEDULE C

RATE RIDER H	UNACCOUNTED-FOR GAS GAS SETTLEMENT
---------------------	---

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: 1.11%

EFFECTIVE DATE: November 1, 2019	REPLACING RATE EFFECTIVE: November 1, 2018	Page 1 of 1 RIDER H
-------------------------------------	---	------------------------

SCHEDULE D

Determination of Unaccounted-For Gas (UFG) Rate Rider H Percentage 2019-2020

Line	Previous Five Years UFG Percentages for the Year Ended May 31	% Loss (Gain)
1	2015	1.28%
2	2016	0.89%
3	2017	1.05%
4	2018	0.96%
5	2019	1.37%
6	Arithmetic Average	<u>1.11%</u>

NOTE: The Unaccounted-For Gas percentage is calculated on total throughput contributing to UFG.

SCHEDULE E

RESPONSES TO DECISION 23740-D01-2018 DIRECTIONS²

AUC DIRECTION 1

With respect to AltaGas's request to revise the Commission direction in Decision 2012-292 to one where AltaGas is only required to provide the most recent 10 years of historical monthly data in future UFG applications, the Commission finds this request to be reasonable. The Commission, therefore, directs AltaGas to provide the most recent 10 years of historical monthly data in future UFG applications. (Paragraph 35)

RESPONSE TO AUC DIRECTION 1

Please refer to Attachment 1 – Rider E and Rider H 10-Year Historical Monthly Data.

AUC DIRECTION 2

With respect to the CCA's concern with AltaGas's meter slippage, the Commission considers that, based on AltaGas's submission, the meter slippage inaccuracies are relatively minor; however, the Commission finds that there is merit in having AltaGas provide more information with respect to the meters specifically designed to measure low flow of natural gas. Accordingly, AltaGas is directed in its next UFG application to provide information about the technology available that is intended to address meter slippage that occurs under low gas flow conditions, including a high-level cost-benefit analysis of implementing such technology, with any necessary assumptions regarding amounts of UFG associated with meter slippage. (Paragraph 37)

RESPONSE TO AUC DIRECTION 2

Please refer to Attachment 2 – Variable Flow Metering Report.

AUC DIRECTION 3

No response from AUI required.

² *Ibid.*

AUC DIRECTION 4

In accordance with paragraph 25 of Decision 22809-D01-2017³ and the earlier direction in this decision regarding the provision of monthly data, the Commission directs AltaGas in its future UFG applications to continue to:

- Develop and provide a relative ranking of UFG causes;
- Quantify the causes of UFG, where possible;
- Describe the specific actions taken by AltaGas to reduce UFG fluctuations and UFG overall amounts;
- Provide reasons for any year-over-year increases/decreases in AltaGas's UFG;
- Update the historical data set, which spans the period for the most recent 10 years of monthly data to the most current month for the receipt and delivery volumes and UFG percentage losses or gains; and
- To provide a regional UFG breakdown and any explanation and insight gained from the regional analysis. (Paragraph 41)

RESPONSE TO AUC DIRECTION 4

1) As with prior years' annual UFG filings, the largest contributing factor to UFG in the 2018-2019 period was pipeline failures, due to either leaks or facility damages. Other significant contributing factors, ranked by approximate contribution to overall UFG, include:

- Construction activities requiring the safe purging of natural gas to atmosphere;
- Gas theft;
- Normal system operations, including purging for maintenance and relief valve venting;
- Measurement issues, including meter failures and billing errors; and
- Unknown customers at vacated sites.

The above factors continue to contribute to AUI's UFG year-over-year, as discussed in detail in prior years' UFG filings⁴.

2) The impact of each cause of UFG is very difficult to quantify given each occurrence of the above listed causes is unique and is comprised of a number of unknown variables. For example, when a leak is identified and repaired, there is no reliable method to determine the length of time the leak existed with any reasonable accuracy.

³ Decision 22809-D01-2017, AltaGas Utilities Inc. 2017-2018 UFG Rider E and Rider H.

⁴ Proceedings 23740 (2018-2019 UFG), 22809 (2017-2018 UFG), and 21822 (2016-2017 UFG).

- 3) AUI continues to work toward an overall reduction of its UFG and year-over-year fluctuations through a number of initiatives:
- UFG Action Committee actively investigates identified UFG issues and researches potential solutions for mitigation;
 - Active leak survey programs to monitor for potential pipeline leaks;
 - Continual pressure monitoring of the gas system;
 - Replacement of aging infrastructure through AUI's System Betterment Major Replacement Program (System Betterment MRP);
 - Regular testing of meters to ensure compliance with Measurement Canada regulations;
 - Removal and replacement of operational assets that are known contributors to UFG (e.g., high bleed controllers);
 - Continual support of damage prevention efforts, including participation with Alberta One Call and the Alberta Common Ground Alliance;
 - A robust theft resolution process, utilizing automated meter reading, that allows AUI to discover the majority of instances of theft within 30 days of occurrence; and
 - Improvements to the unknown customer process to identify and associate customers as soon as possible after a site becomes vacant.

Year-over-year fluctuations are mainly due to the dynamic nature of the significant contributors to UFG. For example, pipeline leaks and damages vary greatly in frequency and severity from year to year. The same can be said for gas theft and meter failures; they are inconsistent year-over-year and have too many unique variables to accurately predict or forecast.

- 4) The historical data is updated for the most recent 10-year period, from June 2009 to May 2019, and included in Attachment 1 – Rider E and Rider H 10-Year Historical Monthly Data.
- 5) The regional UFG breakdown is included in Attachment 3 – UFG by Region. Explanations and insights gained from the regional analysis are provided below.
- a) North Region
- The North region experienced a considerable increase in UFG primarily due to two factors: i) an increase in leaks and damages in the Barrhead/Westlock/Morinville

(BWM) area; and ii) three high-pressure aluminum leaks identified and repaired during the period.

In the BWM area, there were 80 pipeline incidents during the 2018-2019 UFG reporting period of June 1 to May 31 compared to 56 incidents for the same reporting period in 2017-2018. This increase in incidents is primarily due to the continuing high leak rate of non-certified polyethylene (PE) pipe. As noted in previous filings, non-certified PE pipe replacement is part of AUI's ongoing System Betterment MRP.

Although it is difficult to accurately quantify UFG due to the unknown period of leakage, three high-pressure aluminum leaks that occurred in the North region, account for the largest portion of UFG and the significant year-over-year variance between 2017-2018 and 2018-2019. AUI continues to assess the viability of adding aluminum pipe to its System Betterment MRP.

b) Central Region

The Central region saw a significant decrease in new business activity between the 2017/2018 and 2018/2019 UFG reporting periods. New services installed declined from 1,056 to 919, while new mains installed also declined from 11 km to 7.9 km during the same period. This significant decrease in construction activity led to a corresponding decrease in purged gas, and thus a smaller amount of UFG between the reporting periods.

c) South Region

The South region experienced a UFG gain compared to the same reporting period in 2018-2019 and AUI continues to investigate the root cause. Initial data suggests this gain may be due to a major change in gas flow between suppliers in the South region coupled with a potential measurement issue.

To date, AUI has taken significant steps to investigate and mitigate the gains in the South region, including: a measurement audit of large customers; a matching of receipts

at the station level with deliveries to customer end points; and a physical rebuild of a primary purchase meter station in the problem area.