



**AltaGas Utilities Inc.**

**2020-2021 Unaccounted-For Gas Rider E and Rider H**

**September 24, 2020**

**Alberta Utilities Commission**

Decision 25747-D01-2020

AltaGas Utilities Inc.

2020-2021 Unaccounted-For Gas Rider E and Rider H

Proceeding 25747

September 24, 2020

Published by the:

Alberta Utilities Commission

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## 1 Decision summary

1. AltaGas Utilities Inc.'s rate riders E and H are designed to recover amounts associated with unaccounted-for gas (UFG). Rider E recovers the amount of UFG associated with producer transportation service and Rider H recovers the amount of UFG associated with Natural Gas Settlement System (NGSS) processes. For the reasons set out in this decision, the Alberta Utilities Commission approves AltaGas's rate riders E and H as filed, effective November 1, 2020.

## 2 Introduction and procedural summary

2. On July 24, 2020, AltaGas filed an application with the Commission requesting approval of its 2020-2021 UFG rate riders E and H, effective November 1, 2020. AltaGas proposed decreasing Rider E from 1.10 per cent to 0.98 per cent, and decreasing Rider H from 1.11 per cent to 0.99 per cent.

3. The Commission issued a notice of application on July 28, 2020, asking interested parties to file a statement of intent to participate (SIP) by August 10, 2020. The Commission received a SIP from the Consumers' Coalition of Alberta (CCA) stating its intention to participate in this proceeding and file information requests (IRs).

4. The Commission reviewed this filing through its *basic written* process, as outlined in Bulletin 2015-09,<sup>1</sup> and considers the record of this proceeding to have closed on September 16, 2020.<sup>2</sup>

5. 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 a particular matter.

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<sup>1</sup> Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

<sup>2</sup> While the Commission indicated in earlier correspondence (Exhibit 25747-X0015, AUC letter – Close of record) that it considered the close of record to be September 8, 2020, the Commission received correspondence from both the CCA and AltaGas after September 8 that it has considered as part of the record of this proceeding. Accordingly, the Commission considers the record of the proceeding to have closed with the filing of the correspondence from AltaGas on September 16, 2020.

### 3 Background

6. Rider E and Rider H are designed to recover amounts associated with UFG. Before the implementation of Rule 028: *Natural Gas Settlement System Code*, and AltaGas's NGSS, Rider E was used to calculate all of AltaGas's UFG. In Decision 2013-367,<sup>3</sup> the Commission accepted AltaGas's request for two separate UFG rate riders: Rider H for NGSS processes, and Rider E for producer transportation service as a consequence of the implementation of Rule 028 and AltaGas's NGSS.<sup>4</sup>

7. Rider E is calculated using the most recent five-year arithmetic average of AltaGas's 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 it uses system deliveries in the calculation, as required by Rule 028.<sup>5</sup>

8. In past UFG decisions, most recently in Decision 24763-D01-2019,<sup>6</sup> the Commission has stated that while not all causes of UFG can be eliminated, it expects the percentages to decrease over time as a result of AltaGas's initiatives to reduce UFG. The Commission directed AltaGas to quantify the causes of UFG, to provide reasons for any increases or decreases in UFG, to continue to take action to reduce UFG fluctuations and UFG amounts overall and to provide historical monthly data for the receipt and delivery volumes and UFG percentage losses or gains and a regional UFG breakdown.<sup>7</sup>

### 4 Discussion of issues

#### 4.1 UFG calculations and Rider E and Rider H amounts

9. In the current application, AltaGas did not propose any change to the approved methodology for calculating Rider E or Rider H.

10. AltaGas included the five-year historical average calculations in the application as Schedule B (for Rider E) and Schedule D (for Rider H), reproduced below:

**Table 1. Determination of UFG Rider E amounts for 2020-2021**

Year ending May 31	Annual UFG percentage loss
2016	0.88
2017	1.04
2018	0.96
2019	1.35
2020	0.68
<b>Five-year arithmetic average</b>	<b>0.98</b>

<sup>3</sup> Decision 2013-367: AltaGas Utilities Inc., Application Requesting a New Rate Rider H (Unaccounted-For Gas) for Compliance with AUC Rule 028, Proceeding 2721, Application 1609767-1, September 27, 2013.

<sup>4</sup> Decision 2013-396: AltaGas Utilities Inc., 2013-2014 Rider E and Rider H (Unaccounted-For Gas), Proceeding 2815, Application 1609896-1, October 31, 2013, page 2.

<sup>5</sup> Exhibit 25747-X0001, application, page 2.

<sup>6</sup> Decision 24763-D01-2019: AltaGas Utilities Inc., 2019-2020 Unaccounted-For Gas Rider E and Rider H, Proceeding 24763, September 19, 2019.

<sup>7</sup> Decision 24763-D01-2019, paragraph 26.

**Table 2. Determination of UFG Rider H amounts for 2020-2021**

Year ending May 31	Annual UFG percentage loss
2016	0.89
2017	1.05
2018	0.96
2019	1.37
2020	0.69
<b>Five-year arithmetic average</b>	<b>0.99</b>

#### 4.2 Compliance with previous Commission directions

11. In its application, AltaGas provided the following information, in compliance with the direction in Decision 24763-D01-2019:

- Monthly data for the period of June 2010 to May 2020.<sup>8</sup>
- UFG by region.
- The most significant causes of UFG, in order of estimated contributions to overall UFG on its system:<sup>9</sup>
  - Pipeline leaks;
  - Pipeline damages primarily due to third-party interference;
  - Construction activities requiring the safe purging of natural gas to atmosphere;
  - Measurement issues, including meter failures and billing errors;
  - Gas theft;
  - Natural gas releases due to normal system operations such as purging for maintenance; and
  - Unknown customers at vacated sites.
- A description of actions taken to reduce UFG and UFG fluctuations, which includes ongoing review and monitoring, AltaGas's system betterment program, meter testing, the retirement and replacement of assets known to contribute to UFG, continual support of damage prevention efforts, and continual improvement of processes that identify and reduce UFG.

12. AltaGas provided UFG data separated into north, central and south regions from June 2019 to May 2020, and described the causes of UFG and any corresponding identified issues, by region, details of which are summarized below. AltaGas stated that the impact of each cause of UFG is difficult to quantify given that each occurrence of the above-listed causes is unique and comprises a number of unknown variables.<sup>10</sup>

<sup>8</sup> Exhibit 24747-X0002, Attachment 1 - Rider E and Rider H 10-Year Historical Monthly Data 2020-07.

<sup>9</sup> Exhibit 25747-X0001, application, Schedule E, paragraph 2.

<sup>10</sup> Exhibit 25747-X0001, application, schedule E, paragraph 4.

13. AltaGas explained that in the north region, in the Barrhead/Westlock/Morinville (BWM) area, there were 128 pipeline incidents that occurred mostly during the first half of the 2019-2020 reporting period, compared to 80 incidents reported for the full 2018-2019 reporting period. The distribution leak survey completed in the BWM area over the 2019-2020 period included a full survey of all distribution mains and services and resulted in a record number of leaks repaired in the area. With many of the leaks identified and repaired earlier in the reporting period, this resulted in the leaks occurring for a shorter period of time, and contributed to the reduction of overall gas lost from the system compared to the prior year.<sup>11</sup>

14. The majority of leaks repaired in the BWM area occurred on non-certified polyethylene (NCPE) pipe. NCPE is part of AltaGas's system betterment major replacement program, and the areas of high leak frequency in the BWM area are targeted for replacement as part of the program. AltaGas expects leak frequency to begin dropping as the program progresses.

15. The other significant factor contributing to a reduction in UFG in the north region was the absence of any high-pressure leaks during the 2019-2020 period. High-pressure leaks are typically large UFG contributors, and as such, the north region saw a reduction in UFG year over year with no high-pressure leak incidents. This is in contrast to three high-pressure leaks that occurred in the region during the 2018-2019 period.

16. AltaGas attributed the moderate increase in UFG in the central region between the 2018-2019 and 2019-2020 periods to the normal year-to-year fluctuations in UFG. After a thorough investigation, there were no significant UFG-related events in the central region to explain the year-over-year variance. The number of leaks, damages, gas theft instances and construction activities were similar between the periods, with nothing standing out as a singular explanation.

17. AltaGas's south region continues to show a net UFG gain, consistent with the last three years. Identifying the source of this variance has proven very difficult, with multiple investigations and efforts yielding no substantial explanation. To compound the complexity of the problem, AltaGas completed the transition off a major TC Energy lateral at the end of 2019 in conjunction with the in-service of the AltaGas Etzikom Lateral Project that included new pipelines serving the south region. This created a number of changes in how gas is balanced in the south region and AltaGas is monitoring the potential effects on UFG. In 2020, AltaGas will be conducting an in-depth physical audit of the problem areas. This will include a thorough physical examination of a large sample of receipt and delivery sites in the area.<sup>12</sup>

18. In IRs, the CCA requested further information from AltaGas surrounding the audit. In response, AltaGas noted that as the audit is ongoing, it could not provide further information during the course of this proceeding.<sup>13</sup> The CCA subsequently filed correspondence, noting that while the information on the record of this proceeding is sufficient for the Commission to render a decision, in this case, the Commission should direct AltaGas to submit the results of the audit released no later than January 15, 2021.<sup>14</sup> In response, AltaGas advised that while the audit will be complete by the end of 2020, the required analysis will not be complete by the CCA's

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<sup>11</sup> Exhibit 25747-X0001, application, Schedule E, paragraphs 9-17

<sup>12</sup> Exhibit 25747-X0001, application, Schedule E, paragraph 17.

<sup>13</sup> Exhibit 25747-X0011, AUI-CCA-24AUG2020-03.

<sup>14</sup> Exhibit 25747-X0014, CCA correspondence.

requested date, but proposed to include the results of this audit in its next UFG application, expected in late July 2021.<sup>15</sup>

## 5 Commission findings

19. The Commission has reviewed the calculations of Rider E and Rider H, and is satisfied that they are accurate and consistent with the methodology approved in previous decisions, most recently in Decision 24763-D01-2019.

20. As shown in tables 1 and 2 above, AltaGas's annual UFG percentages for the past five years have ranged from a low of 0.68 per cent to a high of 1.35 per cent for Rider E; and from a low of 0.69 per cent to a high of 1.37 per cent for Rider H, based on historical averages. The proposed rate riders fall within this historical range.

21. The Commission has reviewed and is satisfied with the historical UFG data presented, the reasons provided by AltaGas for the decrease in the UFG amounts, AltaGas's explanations of this year's UFG figures broken down by region, and the steps AltaGas has taken to reduce UFG in response to previous Commission directions. The Commission continues to expect that UFG fluctuations and overall UFG percentages should decrease over time as a result of AltaGas's ongoing initiatives and expenditures to reduce UFG. Specifically, the Commission continues to expect that AltaGas's implementation of its system betterment programs, pipeline replacements and station refurbishments, should reduce leaks and help to reduce or eliminate operations, measurement and delivery and receipt data inaccuracies, which AltaGas identified as areas with a significant effect on UFG.

22. In accordance with paragraph 26 of Decision 24763-D01-2019, the Commission directs AltaGas, in its next UFG application, 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, UFG gains 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
- Provide a regional UFG breakdown and any explanation and insight gained from the regional analysis.

23. The Commission reiterates its expectation that, over time, AltaGas will improve its ability to identify and quantify the causes of UFG at various points on its systems, which will help it to identify and pursue the most cost-effective solutions for minimizing UFG fluctuations

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<sup>15</sup> Exhibit 25747-X0016, AUI response to CCA correspondence.



and overall UFG amounts. The Commission also directs AltaGas to provide the data and results of the audit of the UFG problem areas in the south region in its 2021-2022 UFG application to be submitted to the Commission no later than July 30, 2021.

24. For the above reasons, the Commission is satisfied that AltaGas's proposed adjustments to Rider E and Rider H are reasonable. The Commission approves Rider E at 0.98 per cent and Rider H at 0.99 per cent, effective November 1, 2020. The Rider E and Rider H rate schedules are approved, and are attached to this decision as [Appendix 3](#) and [Appendix 4](#), respectively.

## 6 Order

25. It is hereby ordered that:

- (1) AltaGas Utilities Inc.'s Rider E is approved at 0.98 per cent, effective November 1, 2020.
- (2) AltaGas Utilities Inc.'s Rider H is approved at 0.99 per cent, effective November 1, 2020.
- (3) The Rider E and Rider H rate schedules are approved as filed and as attached to this decision as Appendix 3 and Appendix 4, respectively.

Dated on September 24, 2020.

### Alberta Utilities Commission

*(original signed by)*

Carolyn Dahl Rees  
Chair

**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation) Company name of counsel or representative</b>
AltaGas Utilities Inc. (AUI or AltaGas)
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel C. Dahl Rees, Chair
Commission staff B. Edwards A. Spurrell

**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. In accordance with paragraph 26 of Decision 24763-D01-2019, the Commission directs AltaGas, in its next UFG application, 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, UFG gains 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
  - Provide a regional UFG breakdown and any explanation and insight gained from the regional analysis.

.....paragraph 22
  
2. The Commission reiterates its expectation that, over time, AltaGas will improve its ability to identify and quantify the causes of UFG at various points on its systems, which will help it to identify and pursue the most cost-effective solutions for minimizing UFG fluctuations and overall UFG amounts. The Commission also directs AltaGas to provide the data and results of the audit of the UFG problem areas in the south region in its 2021-2022 UFG application to be submitted to the Commission no later than July 30, 2021.....paragraph 23

## Appendix 3 – AltaGas Rate Rider E

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## Appendix 4 – AltaGas Rate Rider H

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Appendix 4 -  
AltaGas Rate Rider H  
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**SCHEDULE A**

<b>RATE RIDER E</b>	<b>UNACCOUNTED-FOR GAS</b>
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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: ..... 0.98%

EFFECTIVE DATE: November 1, 2020	REPLACING RATE EFFECTIVE: November 1, 2019	Page 1 of 1 RIDER E
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AltaGas Utilities Inc.

**SCHEDULE C**

<b>RATE RIDER H</b>	<b>UNACCOUNTED-FOR GAS GAS SETTLEMENT</b>
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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: ..... 0.99%

EFFECTIVE DATE: November 1, 2020	REPLACING RATE EFFECTIVE: November 1, 2019	Page 1 of 1 RIDER H
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AltaGas Utilities Inc.