



**Apex Utilities Inc.**

**2021-2022 Unaccounted-For Gas Rider E and Rider H**

**September 7, 2021**

**Alberta Utilities Commission**

Decision 26740-D01-2021

Apex Utilities Inc.

2021-2022 Unaccounted-For Gas Rider E and Rider H

Proceeding 26740

September 7, 2021

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## 1 Decision summary

1. For the reasons set out in this decision, the Alberta Utilities Commission approves Apex Utilities Inc.'s Rate Rider E of 0.97 per cent and Rate Rider H of 0.98 per cent, as filed, effective November 1, 2021. Rider E and Rider H are designed to recover the amounts associated with unaccounted-for gas (UFG).

## 2 Introduction and procedural summary

2. On July 28, 2021, Apex filed an application with the Commission requesting approval of its 2021-2022 UFG Rider E and Rider H, effective November 1, 2021. Apex calculated Rider E to decrease from 0.98 per cent to 0.97 per cent, and Rider H to decrease from 0.99 per cent to 0.98 per cent.

3. The Commission issued notice of application on July 29, 2021, requesting interested parties to file a statement of intent to participate (SIP) by August 9, 2021. The Commission received a SIP from the Consumers' Coalition of Alberta (CCA) on August 9, 2021, stating its intention to participate in this proceeding. While the Commission acknowledged the SIP submitted by the CCA, the CCA did not identify any issues that would be addressed through its intervention. The Commission determined that no further process was necessary.<sup>1</sup>

4. The Commission reviewed this filing through its *notice-only* process, as outlined in Bulletin 2015-09,<sup>2</sup> and considers the record of this proceeding to have closed on August 9, 2021.

## 3 Background

5. Rider E and Rider H are designed to recover the UFG amounts. Specifically, Rider E recovers the amount of UFG associated with producer transportation service and Rate Rider H recovers the amount of UFG associated with Natural Gas Settlement System (NGSS) processes.<sup>3</sup>

6. Rider E is calculated using the most recent five-year average of Apex's annual UFG percentages, based on system receipts. Rider H is similarly calculated using the most recent five-year average of the annual UFG percentages, but uses system deliveries in the calculation, as required by Rule 028: *Natural Gas Settlement System Code Rules*.<sup>4</sup>

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<sup>1</sup> Exhibit 26740-X0009, AUC letter – Close of record

<sup>2</sup> Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

<sup>3</sup> See 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>4</sup> Exhibit 26740-X0001, application, PDF page 2.

7. In previous UFG decisions, most recently Decision 25747-D01-2020,<sup>5</sup> the Commission stated that while not all causes of UFG can be eliminated, it expects the percentages to decrease over time. The Commission directed AltaGas Utilities Inc. (the predecessor to Apex) in that decision to quantify the causes of UFG, to provide reasons for any increases or decreases in UFG amounts, 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.

8. In Decision 25747-D01-2020, the Commission directed AltaGas to provide, in this proceeding, results of, or an update to, an audit that began in 2020 aimed at assessing anomalies in UFG in the south region of its system.<sup>6</sup>

#### 4 Analysis of issues

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

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

10. Apex included the five-year historical average calculations in the application, reproduced below:

**Table 1. Determination of UFG Rider E amounts for 2021-2022<sup>7</sup>**

Previous five years UFG percentages for the year ended May 31	Annual UFG percentage loss
2017	1.04%
2018	0.96%
2019	1.35%
2020	0.68%
2021	0.83%
<b>Arithmetic average</b>	<b>0.97%</b>

**Table 2. Determination of UFG Rider H amounts for 2021-2022<sup>8</sup>**

Previous five years UFG percentages for the year ended May 31	Annual UFG percentage loss
2017	1.05%
2018	0.96%
2019	1.37%
2020	0.69%
2021	0.84%
<b>Arithmetic average</b>	<b>0.98%</b>

11. The Commission has reviewed the calculation of Rider E and Rider H and is satisfied with the methodology used as it is consistent with previous decisions. The 2021-2022 UFG amounts of 0.83 per cent for Rider E and 0.84 per cent for Rider H are below the five-year

<sup>5</sup> Decision 25747-D01-2020: AltaGas Utilities Inc., 2020-2021 Unaccounted-For Gas Rider E and Rider H, Proceeding 25747, September 24, 2020.

<sup>6</sup> Decision 25747-D01-2020, paragraph 23.

<sup>7</sup> Exhibit 26740-X0001, application, Schedule B.

<sup>8</sup> Exhibit 26740-X0001, application, Schedule D.

averages of 0.97 per cent and 0.98 per cent, respectively. UFG percentages also continue to generally trend downwards as shown in the tables 1 and 2 above. This downward trend can be attributed to Apex's ongoing efforts and initiatives to reduce UFG and is consistent with Commission expectations.

#### 4.2 Compliance with previous Commission directions

12. In its application, Apex provided the following information in compliance with the directions in Decision 25747-D01-2020:

- Monthly data for the period of June 2011 to May 2021.<sup>9</sup>
- UFG by region.
- The most significant causes of UFG, in the order of importance (that is, estimated contribution to overall UFG on its system):<sup>10</sup>
  - Pipeline damages primarily due to third-party interference;
  - Pipeline leaks;
  - 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.
- A description of actions taken to reduce UFG and UFG fluctuations, which includes ongoing review and monitoring, Apex'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.
- 2021 south region UFG audit report,<sup>11</sup> detailing audit activities that were undertaken to determine the nature of the positive gain of gas in the south region.

13. Apex provided regional analysis of UFG data separated into north, central and south regions from June 2020 to May 2021. It also described the causes of UFG and any corresponding identified issues by region, details of which are summarized below. Apex reiterated that the exact quantification of most causes of UFG is impractical given the variable nature of known contributors.<sup>12</sup>

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<sup>9</sup> Exhibit 26740-X0002, Attachment 1 - Rider E and Rider H 10-Year Historical Monthly Data 2021-07-28.

<sup>10</sup> Exhibit 26740-X0001, application, Schedule E, paragraph 2.

<sup>11</sup> Exhibit 26740-X0004, Attachment 3 - 2021 South Region UFG Audit Report - 2021-07-28.

<sup>12</sup> Exhibit 26740-X0001, application, Schedule E, paragraph 3.

14. Apex indicated that in the north region, there was a decrease in UFG year-over-year due to a reduction in leaks. In the Barrhead/Westlock/Morinville area, within the north region, it identified and repaired 79 leaks compared to 128 from the previous reporting period. Apex explained that the large number of leaks in the region was due to the high volume of non-certified polyethylene (NCPE) pipe in the area. Apex stated that further reduction in leaks and resulting UFG for this area is expected as more NCPE pipe is replaced as part of the Apex's System Betterment Capital Program.

15. The central region saw an increase in UFG in 2020-2021 compared to the previous reporting period. Apex attributed this increase to increases in facility damages caused by third-party interference. Specifically, 61 third-party pipeline damages occurred during the 2020-2021 reporting period compared to 42 in the previous period.

16. Since 2018 and continuing to the current reporting period, Apex has identified a trend in its south region where its calculations for UFG suggest a gain in gas rather than a loss.<sup>13</sup> Apex noted that identifying the source of this abnormality has proven difficult. Multiple investigations and efforts have not yielded substantial explanations. Apex is currently performing an audit within this region to determine the nature and source of the calculated gain in gas.

17. Apex attached its audit report for the south region in compliance with the direction from Decision 25747-D01-2020. A list of audit activities completed to date are as follows:

- Confirmed electric volume corrector configurations;
- Confirmed technicians are using properly configured pressure gauges;
- Conducted pressure factor checks;
- Validated elevation zones;
- Verified supercompressibility factors;
- Inspected all source stations;
- Confirmed valve positions; and
- Verified purchase meter and instrument configurations.

18. Remaining audit activities require physical site visits to review locations with elevated delivery pressure within the south region. These activities were delayed due to COVID-19 restrictions related to physical site visits. Apex stated that it expects the final audit activities to be completed by June 2022. Apex also indicated that a final and updated version of the audit report will be submitted as part of its 2022-2023 UFG filing.

19. The Commission finds that by providing regional UFG figures and accompanying regional explanations, Apex has complied with previous Commission directions. Further, the Commission has reviewed the audit report for the south region and is satisfied with its progress to date. The Commission finds that Apex has complied with all directions from

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<sup>13</sup> Exhibit 26740-X0004, Attachment 3 - 2021 South Region UFG Audit Report - 2021-07-28, paragraph 2.

Decision 25747-D01-2020 in providing an update to the ongoing audit. Audit activities completed to date have ruled out most potential sources of the net gain of gas in the region and no single problem or issue has been identified.

## 5 Conclusion

20. The Commission approves Apex's Rate Rider E of 0.97 per cent and Rate Rider H of 0.98 per cent, both effective November 1, 2021.

21. In accordance with past decisions, the Commission directs Apex, 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 Apex to reduce UFG fluctuations, UFG gains and UFG overall amounts;
- Provide reasons for any year-over-year changes in Apex'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.

22. The Commission reiterates its expectation that, over time, Apex 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.

## 6 Order

23. It is hereby ordered that:

- (1) Apex Utilities Inc.'s Rate Rider E is approved at 0.97 per cent, effective November 1, 2021.
- (2) Apex Utilities Inc.'s Rate Rider H is approved at 0.98 per cent, effective November 1, 2021.
- (3) Rate Rider E and Rate Rider H schedules are approved as filed and as attached to this decision as [Appendix 3](#) and [Appendix 4](#), respectively.



Dated on September 7, 2021.

**Alberta Utilities Commission**

*(original signed by)*

Cairns Price  
Commission Member

**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation)</b> <b>Company name of counsel or representative</b>
Apex Utilities Inc. (AUI or Apex, formerly known as AltaGas Utilities Inc.)

Alberta Utilities Commission
Commission panel C. Price, Commission Member
Commission staff B. Edwards L. Bondad

**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 past decisions, the Commission directs Apex, 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 Apex to reduce UFG fluctuations, UFG gains and UFG overall amounts;
  - Provide reasons for any year-over-year changes in Apex’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 21

## Appendix 3 – Apex Rate Rider E

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Appendix 3 - Rate  
Rider E

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## Appendix 4 – Apex Rate Rider H

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Appendix 4 - Rate  
Rider H

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Apex Utilities Inc.

2021-2022 UFG Rate Rider E and Rate Rider H

Application

**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 Apex Utilities Inc.'s Terms and Conditions of Service.

Unaccounted-For Gas Rider: ..... 0.97%

EFFECTIVE DATE: November 1, 2021	REPLACING RATE EFFECTIVE: November 1, 2020	Page 3 of 1 RIDER E
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Apex 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 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 Apex Utilities Inc.'s Terms and Conditions of Service.

Unaccounted-For Gas Rider: ..... 0.98%

EFFECTIVE DATE: November 1, 2021	REPLACING RATE EFFECTIVE: November 1, 2020	Page 5 of 1 RIDER E
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Apex Utilities Inc.