



Apex Utilities Inc.

2023-2024 Unaccounted-For Gas Rider E and Rider H

September 11, 2023

Alberta Utilities Commission

Decision 28368-D01-2023

Apex Utilities Inc.

2023-2024 Unaccounted-For Gas Rider E and Rider H
Proceeding 28368

September 11, 2023

Published by the:

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Contents

1 Decision summary 1

2 Introduction and background 1

3 Analysis of issues 2

3.1 UFG calculations and Rider E and Rider H amounts 2

3.2 Compliance with previous Commission directions 4

4 Order..... 5

Appendix 1 – Proceeding participants 7

Appendix 2 – Summary of Commission directions..... 8

Appendix 3 – Apex Rate Rider E..... 9

Appendix 4 – Apex Rate Rider H 10

List of tables

Table 1. Determination of UFG Rider E and Rider H amounts for 2023-2024..... 3

Table 2. Historical Commission-approved UFG Rider E and Rider H..... 3

1 Decision summary

1. For the reasons set out in this decision, the Alberta Utilities Commission approves Apex Utilities Inc.'s unaccounted-for gas (UFG) Rate Rider E of 1.07 per cent and Rate Rider H of 1.09 per cent, as filed, effective November 1, 2023.

2 Introduction and background

2. In the process of delivering natural gas to customers through the distribution system, some gas goes unaccounted for and a variance results between the amount of natural gas that goes into the distribution system (from gas producers or gas transmission pipelines) and the deliveries actually received by customers (as measured at customers' meters). This difference is referred to as unaccounted-for gas or UFG.

3. There are a number of reasons why gas may be lost throughout the distribution system: these can be broadly categorized into (i) physical losses (such as pipeline leaks or pipeline damages caused by a third party); and (ii) measurement and accounting errors.¹ Although it is not possible to completely eliminate UFG, a utility should make efforts to keep it at reasonable levels to reduce costs to customers, ensure the safety of its distribution system and protect the environment.

4. In accordance with the current regulatory framework, the cost of UFG is ultimately passed on to customers through retailers; gas producers using the distribution system to deliver their product also pay for their share of UFG. In Apex's case this is done by means of Rider E and Rider H.

5. Rider H recovers UFG in kind from all retailers and default supply providers that use the Apex distribution system.² For example, if the applied-for Rider H of 1.09 per cent is approved, retailers and default supply providers must buy an extra 1.09 per cent of natural gas than what is delivered to their customers to offset for UFG and zero balance the deliveries and receipts on the system.³

6. Rider E recovers UFG associated with producer transportation service to ensure the quantity of gas Apex delivers on behalf of gas producers is kept in balance with the quantity of gas Apex receives from the producers. Based on Rider E, producer transportation customers must provide their share of UFG in kind. For example, if the applied-for Rider E of 1.07 per cent

¹ UFG is commonly referred to as "gas losses"; however, there are many other drivers of UFG. For example, as discussed further in this decision, one of the drivers is metering and billing errors, and they may result in a positive amount of UFG (i.e., gas "gains" rather than "losses").

² Decision 2013-396: AltaGas Utilities Inc., 2013-2014 Rider E and Rider H (Unaccounted-For Gas), Proceeding 2815, Application 1609896-1, October 31, 2013, paragraph 10.

³ Exhibit 28368-X0001, application, PDF page 8.

is approved, producer transportation customers will have to inject 1.07 per cent more gas in Apex's distribution system to ensure that the contracted amount is delivered to a point of delivery. Rider E is also used in the determination of Apex's gas cost recovery rate (Rider D) and third-party transportation rate (Rider G).⁴

7. Both riders are similarly designed and follow the same Commission-approved methodology to calculate the amounts. Specifically, Rider E is calculated annually using the most recent five-year average of Apex's annual UFG percentages, which are derived by dividing UFG (system receipts minus deliveries) by system receipts.⁵ Rider H is calculated using the most recent five-year average of Apex's annual UFG percentages, but uses system deliveries as the divisor in the calculation, as required by Rule 028: *Natural Gas Settlement System Code Rules*.⁶

8. On July 31, 2023, Apex filed an application with the Commission requesting approval of its 2023-2024 UFG Rider E and Rider H, effective November 1, 2023. Apex calculated Rider E to increase from the currently approved value of 1.02 per cent to 1.07 per cent, and Rider H to increase from 1.03 per cent to 1.09 per cent.

9. In past UFG decisions,⁷ the Commission stated that while not all causes of UFG can be eliminated, it expects Apex to improve its ability to identify and quantify UFG and pursue cost-effective strategies to minimize fluctuations and total UFG amounts. The Commission directed Apex to quantify the causes of UFG, where possible, and to provide reasons for any year-over-year change in UFG. Apex was also directed 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 as well as a regional UFG breakdown.

3 Analysis of issues

3.1 UFG calculations and Rider E and Rider H amounts

10. In the application, Apex did not propose any changes to the approved methodology for calculating Rider E or Rider H. Table 1 shows the calculation of the riders based on the most recent five-year averages and also includes 10 years of historical values for reference.

⁴ Exhibit 28368-X0001, application, PDF page 6.

⁵ As explained in 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, September 27, 2013, at PDF pages 7-8, unlike other forms of distribution service on Apex's system, where customer-specific measurement is undertaken at the point of delivery, customer-specific measurement for producer transportation service is undertaken at the point of receipt. Due to this, UFG for producer transportation service must be calculated on measured receipt quantities and, therefore, requires a separate rider calculated as a percentage of receipts.

⁶ Exhibit 28368-X0001, application, PDF page 2.

⁷ Most recently in Decision 27552-D01-2022: Apex Utilities Inc., 2022-2023 Unaccounted-For Gas Rider E and Rider H, Proceeding 27552, September 12, 2022.

Table 1. Determination of UFG Rider E and Rider H amounts for 2023-2024⁸

UFG percentages for the year ended May 31	Annual UFG percentage loss	
	Rider E	Rider H
2014	1.07	1.08
2015	1.26	1.28
2016	0.88	0.89
2017	1.04	1.05
2018	0.96	0.96
2019	1.35	1.37
2020	0.68	0.69
2021	0.83	0.84
2022	1.27	1.28
2023	1.23	1.25
5-year arithmetic average (2019-2023)	1.07	1.09

11. The Commission has compiled Table 2 below to show the last five years of approved Rider E and Rider H.

Table 2. Historical Commission-approved UFG Rider E and Rider H

Year	UFG Rider E	UFG Rider H
2018-2019	1.04	1.05
2019-2020	1.10	1.11
2020-2021	0.98	0.99
2021-2022	0.97	0.98
2022-2023	1.02	1.03
2023-2024	1.07	1.09

12. In the application, Apex indicated that the most significant causes of UFG, in the order of estimated contribution to overall UFG on its system, were:⁹

- Third-party pipeline damages.
- Pipeline leaks.
- Safe purging of natural gas to the atmosphere due to construction activities.
- Measurement issues, including meter failures and billing errors.
- Gas theft.
- Natural gas releases due to normal system operation such as purging and maintenance.

13. The Commission is satisfied that Apex's calculations of the UFG Rider E and Rider H are accurate and consistent with the prior-approved methodology.

⁸ Exhibit 28368-X0001, application, PDF page 2, Exhibit 28368-X0002, Attachment 1.

⁹ Exhibit 28368-X0001, application, Appendix 3, PDF page 10.

14. In prior decisions, the Commission recognized that UFG is an expected element of operating a natural gas distribution system. The Commission also recognized that, due to the many factors that impact UFG, the UFG amount will fluctuate over time.¹⁰ As shown in Table 1 above, Apex's calculated UFG percentages for the 2023 reporting period (i.e., based on the June 2022 to May 2023 receipts and deliveries data) fall within the historical range.

15. The Commission is satisfied with Apex's explanation of the most significant causes of UFG for the reporting period and with the further analysis of its UFG as detailed in Section 3.2 of this decision. Based on this information, the Commission finds that variances in UFG levels such as those observed in the tables above can be expected from normal operation of the gas distribution system. For the purposes of this decision, the Commission is satisfied that the reported variances in Apex's UFG are not a cause of concern.

16. For these reasons, the Commission approves Apex's Rate Rider E of 1.07 per cent and Rate Rider H of 1.09 per cent, both effective November 1, 2023.

3.2 Compliance with previous Commission directions

17. In addition to identifying the most significant causes of UFG, Apex provided the following information in compliance with the directions in Decision 27552-D01-2022:¹¹

- Monthly data for the period of June 2013 to May 2023.¹²
- UFG by region.
- A description of actions taken to reduce UFG and UFG fluctuations, which includes ongoing review and monitoring; Apex's infrastructure renewal program; meter testing; Apex's active leak survey program and the practice of immediate leak remediation; continual support of damage prevention efforts; and continual improvement of processes that identify and reduce UFG.

18. Apex provided a regional analysis of UFG data separated into north, central and south regions from June 2022 to May 2023.¹³ Where possible, Apex described the causes of UFG and any identified issues by region, but reiterated that the exact quantification of UFG is impractical given the variable nature of each of the known contributors.¹⁴

19. Apex indicated that the north region saw a minimal decrease in UFG primarily due to a slight decrease in pipeline leaks. During the 2022-2023 reporting period, Apex identified and repaired 62 leaks compared to 87 leaks identified during the 2021-2022 reporting period. Apex explained that leak frequency fluctuates year-to-year; however, Apex continues to focus on the replacement of non-certified polyethylene pipe in the area through its infrastructure renewal capital program.¹⁵

¹⁰ Decision 2013-396, paragraph 30.

¹¹ Decision 27552-D01-2022, paragraph 25.

¹² Exhibit 28368-X0002, Attachment 1 – Rider E and Rider H 10-Year Historical Monthly Data - 2023-07-31.

¹³ Exhibit 28368-X0003, Attachment 2 – UFG by Region 2023-07-31.

¹⁴ Exhibit 28368-X0001, application, paragraph 4.

¹⁵ Exhibit 28368-X0001, application, PDF pages 11-12.

20. The central region saw a decrease in UFG in 2022-2023 compared to the previous reporting period. Apex attributed this to many factors, of which the most notable was the reduction in facility damages from 36 in 2021-2022 to 27 in the 2022-2023 reporting period. Apex observed that in the last several years there have been fewer third-party damages in the central region.¹⁶

21. The south region saw a slight increase in UFG in 2022-2023 compared to the previous reporting period. Apex explained that the increase in UFG stems from the normal, expected variability in each of the contributing factors listed in paragraph 12 above.¹⁷

22. The Commission has reviewed the historical UFG data, the reasons provided by Apex for variations in the UFG amounts, Apex's explanation for UFG broken down by region and the steps that Apex has taken to reduce UFG in response to previous Commission directions, most recently set out in Decision 27552-D01-2022. The Commission finds that Apex has complied with the directions from that decision.

23. The Commission continues to expect Apex to improve its ability to identify and quantify the causes of UFG at various points on its system, which will help it identify and pursue the most cost-effective solutions for minimizing UFG fluctuations and overall UFG amounts. Accordingly, consistent with past decisions, the Commission directs Apex, in its next UFG application, to continue to:

- Provide a relative ranking of UFG causes and quantify the causes of UFG, where possible.
- Describe the specific actions taken by Apex to reduce UFG fluctuations and UFG overall amounts.
- Provide reasons for year-over-year changes in Apex's UFG.
- Provide 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.
- Provide a regional UFG breakdown and any explanation and insight gained from the regional analysis.

4 Order

24. It is hereby ordered that:

- (1) Apex Utilities Inc.'s Rate Rider E is approved at 1.07 per cent, effective November 1, 2023.
- (2) Apex Utilities Inc.'s Rate Rider H is approved at 1.09 per cent, effective November 1, 2023.

¹⁶ Exhibit 28368-X0001, application, PDF page 12.

¹⁷ Exhibit 28368-X0001, Appendix 3, PDF page 12.

- (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 11, 2023.

Alberta Utilities Commission

(original signed by)

Olexandr Vasetsky
Director, Electric and Gas Distribution, Rates
On behalf of the Alberta Utilities Commission

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Apex Utilities Inc. (Apex)

Alberta Utilities Commission
Delegated authority O. Vasetsky, Director, Electric and Gas Distribution
Commission staff V. Wang

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. The Commission continues to expect Apex to improve its ability to identify and quantify the causes of UFG at various points on its system, which will help it identify and pursue the most cost-effective solutions for minimizing UFG fluctuations and overall UFG amounts. Accordingly, consistent with past decisions, the Commission directs Apex, in its next UFG application, to continue to:
 - Provide a relative ranking of UFG causes and quantify the causes of UFG, where possible.
 - Describe the specific actions taken by Apex to reduce UFG fluctuations and UFG overall amounts.
 - Provide reasons for year-over-year changes in Apex’s UFG.
 - Provide 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.
 - Provide a regional UFG breakdown and any explanation and insight gained from the regional analysis.....paragraph 23

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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RATE RIDER E	UNACCOUNTED-FOR GAS
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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: 1.07%

EFFECTIVE DATE: November 1, 2023	REPLACING RATE EFFECTIVE: November 1, 2022	Page 1 of 1 RIDER E
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Apex 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: 1.09%

EFFECTIVE DATE: November 1, 2023	REPLACING RATE EFFECTIVE: November 1, 2022	Page 1 of 1 RIDER H
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Apex Utilities Inc.