



Apex Utilities Inc.

2024 Load Balancing Deferral Account Application (Rider L)

February 4, 2025

Alberta Utilities Commission

Decision 29699-D01-2025

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Proceeding 29699

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1 Decision summary

1. In this decision the Alberta Utilities Commission approves the use of Apex Utilities Inc.'s previously established Rider L to recover amounts in its load balancing deferral account (LBDA). As of September 30, 2024, the LBDA balance was in a recovery position of \$3.87 million, to be collected over the period of May 2025 to October 2026. The Commission also approves the use of the LBDA to collect the unrecovered portion of the carbon tax charges levied on Apex due to the gas it consumes in the operations of its line heaters and carrying costs associated with the monthly balance of the LBDA.

2 Introduction

2. On December 9, 2024, Apex filed the present application notifying the Commission that the LBDA balance as at September 30, 2024, was in a recovery position of \$3.87 million, in excess of the established Rider L trigger thresholds.

3. On December 11, 2024, the Commission issued a notice of application requiring that any parties who wished to intervene submit a statement of intent to participate (SIP) by January 3, 2025. The Commission did not receive any SIPs. In its January 10, 2025, letter, the Commission issued information requests (IRs) to Apex, responses to which were received on January 17, 2025.¹ The Commission considers the record of this proceeding to have closed on January 17, 2025, when IR responses were received.

3 Background and application

4. In Decision 2013-395,² the Commission established Apex's LBDA and associated Rider L to facilitate the refund or recovery of amounts accumulated in the LBDA when a specified threshold is reached. In Decision 2013-395, the Commission approved the Rider L trigger thresholds of \pm \$1 million in the same direction for six consecutive months or \pm \$1.5 million in any single month.³

5. Load balancing is part of the physical operation of a gas pipeline system, whereby gas supplies are adjusted to maintain optimum operating pressure in the system in response to fluctuations in gas deliveries and/or receipts. When an imbalance between gas deliveries and/or receipts occurs on the distribution system, the operator of a gas distribution system, in this instance Apex, adjusts in real time the amount of gas it takes from the gas transmission system to

¹ Exhibit 29699-X0009, AUC letter - Request for additional information.

² Decision 2013-395: AltaGas Utilities Inc., Application Requesting a Load Balancing Deferral Account and Rate Rider L for Compliance with AUC Rule 028, Proceeding 2772, Application 1609829, October 31, 2013.

³ Decision 2013-395, PDF pages 14-15, paragraphs 52 and 60.

ensure operating pressure is maintained appropriately. Apex then reconciles the imbalances with individual retailers whose customers contributed to the discrepancy. The residual imbalances are accumulated in the LBDA and are disposed of by way of a Rider L, when an approved threshold is triggered, from all customers of Apex. In practice, the LBDA balance typically self-regulates with additions and removals maintaining the balance below the approved triggering thresholds. This is the first application for Rider L in the past 11 years.⁴

6. In Decision 2013-395, the Commission provided Apex with the following two directions (directions 1 and 2):

1. As discussed above, the Commission recently directed AG [ATCO Gas] to prepare and file a report on the merits of using WACC [weighted average cost of capital] rather than AUC Rule 023 [*Rules Respecting Payment of Interest*] interest rates. If any adjustments need to be considered with respect to AUI's [Apex] use of WACC in its LBDA balances, following any Commission directions with respect to AUI use of WACC, AUI is directed to include a proposal in its first Rider L application.
2. As noted above, AUI's six-month trigger is based on an approach similar to that used by AG, but AUI's one-month trigger is based on a 50 per cent premium to the six-month trigger while AG uses a 100 per cent premium. There was no evidence presented in this proceeding to explain the rationale for the difference in premiums, nor were there any concerns expressed by interveners. The one-month threshold is approved and the Commission directs AUI to monitor the threshold going forward for relevance to ensure a reasonable balance continues to be achieved and to consider a higher premium for the one-month trigger if it is found to be too low. The Commission will also continue to monitor the LBDA balances in future Rider L applications. AUI is directed to file the results of its monitoring of the one-month threshold at the time of its first Rider L application.⁵

7. In Decision 2013-395, the Commission approved Apex's proposed method of recovery or refund of its LBDA balances through the Rider L mechanism. The recovery or refund of the balance in the LBDA is to be allocated to all customers by rate class based on forecast throughput, and then converted into a per gigajoule (GJ) rate for implementation as the Rider L.

8. In the determination of the Rider L recovery rates (\$/GJ) applicable from May 1, 2025, to October 31, 2026, the LBDA balance allocated to each rate class is divided by its 18-month throughput forecast. For May to December 2025, Apex used the throughput forecast from its 2025 annual performance-based regulation (PBR) rate adjustment filing. For January to October 2026, Apex utilized the same methodology applied in its 2025 annual PBR rate adjustment filing to calculate the 2026 throughput forecast.⁶ The Commission has reviewed the allocation and throughput forecasts in the establishment of the Rider L and finds them reasonable.

⁴ Exhibit 29699-X0011, AUI-AUC-2025JAN10-001(b), PDF page 3.

⁵ Decision 2013-395, Appendix 2 – Summary of Commission directions, PDF page 18.

⁶ Exhibit 29699-X0001, application, PDF page 5, paragraph 9.

Table 1. Calculation of Rider L recoveries and rates by rate group⁷

Rate group	2025 annual throughput (GJ)	% of annual throughput	Allocation of recovery amount (\$)	May 2025 to October 2026 throughput (GJ)	Rider L recovery rate (\$/GJ)
Rate 1/11	15,162,380	80.99	3,132,490	18,183,370	0.172
Rate 2/12	1,251,316	6.68	258,517	1,600,080	0.162
Rate 3/13	2,277,800	12.17	470,585	3,055,900	0.154
Rate 4/14	30,745	0.16	6,352	60,545	0.105
Total	18,722,241	100.00	3,867,944	22,899,895	

9. Apex also provided an analysis of the customer bill impact of the Rider L, including and excluding the commodity charge. The bill impacts are below 10 per cent for all rate classes in both cases.

4 Carrying costs

10. In Decision 2013-395, the Commission approved the use of the WACC to calculate carrying costs on the monthly balances.⁸ Further, in Decision 2013-395, the Commission directed Apex to include a proposal in its first Rider L application should any adjustments need to be considered with respect to Apex's use of WACC.⁹

11. This application is the first since Decision 2013-395. Further, under an amendment to Rule 023 effective March 1, 2022, the Commission stated that it may approve the payment of interest on an outstanding balance; adjustment of rates, tariffs, tolls or charges; or other cost on its own initiative or in response to a request with interest calculated based on the Bank of Canada policy interest rate plus 1¾ per cent.¹⁰ Therefore, Apex calculated carrying charges on monthly LBDA balances from November 2013 to February 2022 using WACC, and carrying charges from March 2022 to September 2024 using the prescribed Rule 023 interest rate.¹¹

12. Apex also incorporated, in alignment with the treatment approved by the Commission, the netting of the deferred income tax effects of amounts recorded in the LBDA for purposes of the carrying cost calculation.¹²

13. The Commission through its IR process confirmed with Apex that carrying costs ought to be applied to the LBDA balance for all months following the threshold being exceeded. The Commission also queried Apex on the timing of filing of the application given the pattern of reversals in the past.¹³

14. The Commission is satisfied with the IR responses and approves the carrying costs, and the balance of the LBDA as filed.

⁷ Exhibit 29699-X0001, application, PDF page 4, Table 2-1.

⁸ Decision 2013-395, PDF page 13, paragraph 48.

⁹ Decision 2013-395, PDF pages 13-14, paragraph 49.

¹⁰ Rule 023, Section 3.

¹¹ Exhibit 29699-X0004, Appendix 3, "Sch 2—Carrying Charges."

¹² Decision 2013-395, PDF page 14, paragraph 50.

¹³ Exhibit 29699-X0011, AUI-AUC-2025JAN10-001(c), PDF page 4.

5 Carbon charges for line heaters

15. Apex pays carbon tax to the federal government for gas used to operate approximately 120 line heaters.¹⁴ Although the gas used to operate the line heaters is metered, it is not billed out to end-use customers and is instead included as part of unaccounted-for gas for recovery in-kind through Rider E and Rider H. Apex noted that there are currently no financial mechanisms to collect the associated carbon tax paid to the federal government on the gas used for line heaters as Rider E and Rider H are only recovered in-kind.

16. Consistent with the treatment approved for ATCO Gas, Apex requested approval to include current carbon charges, or any future government-imposed carbon charges, on gas used for line heaters in the LBDA. Apex proposed this change in treatment be effective January 1, 2025. Apex further explained that annual carbon taxes paid on gas used for line heaters in 2023 was \$77 thousand and in 2024 is expected to be \$99 thousand.

17. The Commission finds that it is reasonable to provide Apex an opportunity to collect these charges through the Rider L. However, consistent with the treatment the Commission levied on ATCO Gas in Decision 25798-D01-2020,¹⁵ the Commission denies Apex's ability to recover "any future government-imposed carbon charges." Apex is permitted to collect current carbon charges and increases to the current carbon charges on gas used for line heaters. However, if in the future Apex is exposed to additional carbon or climate-related fees related to the usage of its line heaters, Apex can propose a change through a future Rider L application or other appropriate instances such as an annual PBR rates application filing.

18. Through IRs, the Commission confirmed that Apex currently recoups part of the carbon charges through its PBR rates. Apex provided two options to ensure that it collects only the amount of carbon taxes levied for its line heaters without over-collecting because of the current mechanism within its PBR rates:

- By limiting the amount of carbon tax for recovery through the LBDA account to only the shortfall between actual carbon tax incurred and the amount recovered through Apex's PBR rates; or
- Through an adjustment to Apex's annual PBR rates (starting with 2025 rates) to reflect the removal of the \$40 thousand of carbon tax included in PBR3 going-in rates.¹⁶

19. The Commission approves Apex's first option and approves it to collect only the shortfall between actual carbon tax incurred and the amount recovered through Apex's PBR rates. Apex stated it would remove the carbon tax component of its distribution revenue requirement in the next PBR rebasing application and rely on the LBDA for the entire amount levied.¹⁷

¹⁴ The purpose of line heaters is to prevent equipment freeze-off and possible hydrate formation during pressure reduction at stations where a significant reduction in pressure is required. Line heaters are necessary to receive gas onto the distribution system and secure service to end-use customers.

¹⁵ Decision 25798-D01-2020: ATCO Gas and Pipelines Ltd., 2020 Unaccounted-for Gas Rider D, Proceeding 25798, October 23, 2020, PDF pages 10-11, paragraph 35.

¹⁶ Exhibit 29699-X0011, AUI-AUC-2025JAN10-002(c), PDF page 7.

¹⁷ Exhibit 29699-X0011, AUI-AUC-2025JAN10-002(c), PDF page 7.

6 Monitoring of LBDA threshold levels

20. In Decision 2013-395, the Commission directed Apex to monitor the one-month threshold of \pm \$1.5 million going forward for relevance to ensure a reasonable balance continues to be achieved and to consider a higher premium for the one-month trigger if it is found to be too low. Apex's one-month trigger threshold is based on a 50 per cent premium to the six-month trigger of \pm \$1.0 million. Given that this is Apex's first Rider L application in 11 years, Apex stated that the current trigger thresholds remain appropriate. The existing thresholds, along with Apex's monitoring practice, have proved effective in managing the balance without causing undue regulatory burden.¹⁸

21. The Commission agrees that at this time no changes to Apex's approved LBDA threshold levels are required.

7 Order

22. It is hereby ordered that:

- (1) The Commission approves Apex Utilities Inc.'s application for recovery of its load balancing deferral account balance, as at September 30, 2024, from all rates classes over the period May 1, 2025, to October 31, 2026, through the Rider L rates in [Appendix 2](#).

Dated on February 4, 2025.

Alberta Utilities Commission

(original signed by)

Matthew Oliver, CD
Commission Member

¹⁸ Exhibit 29699-X0001, application, PDF pages 11-12, paragraph 31.

Appendix 1 – Proceeding participants

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

Alberta Utilities Commission
Commission panel M. Oliver, CD, Commission Member
Commission staff B. Edwards

Appendix 2 – Rider L

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RATE RIDER L	LOAD BALANCING DEFERRAL ACCOUNT RIDER
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Unless otherwise specified by specific contracts or the AUC, to be applied to the energy delivered to all Gas Distribution Service Customers as per the schedule below:

Effective: May 1, 2025 to October 31, 2026

Rate 1/11 – Small General Service	\$0.172 per GJ
Rate 2/12 – Large General Service	\$0.162 per GJ
Rate 3/13 – Demand General Service	\$0.154 per GJ
Rate 4/14 – Irrigation Service	\$0.105 per GJ

EFFECTIVE DATE: May 1, 2025	REPLACING RATE EFFECTIVE: N/A	Page 1 of 1 RIDER L
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Apex Utilities Inc.