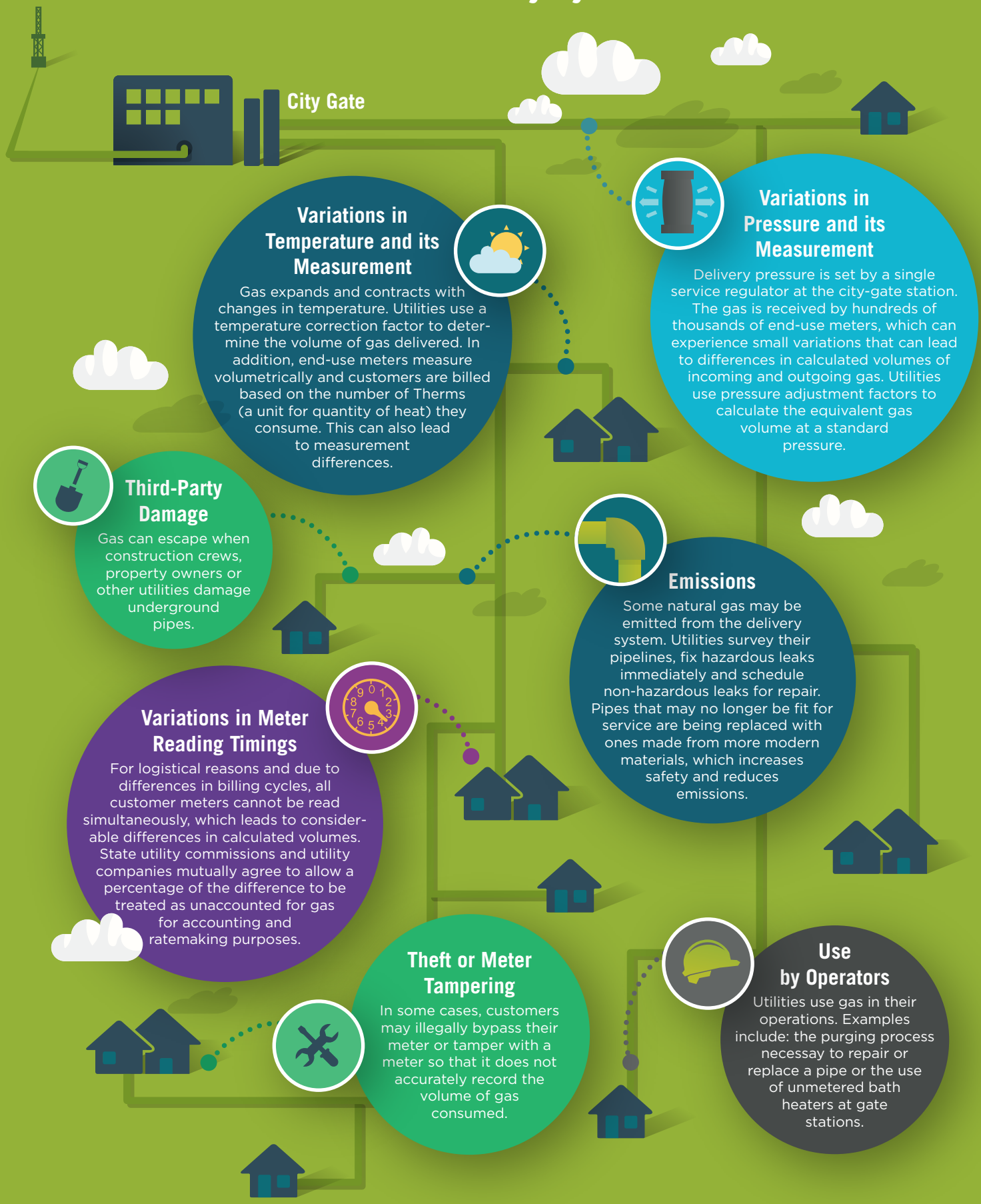
# Unaccounted for Natural Gas

## in the Utility System



**At a city gate,** natural gas is transferred from an interstate or intrastate pipeline to a local natural gas utility. At that moment, some utilities measure the volume of gas using highly sophisticated technology that is able to quickly and precisely take into account a variety of factors, including temperature and pressure. The utility reports the volume of gas sold to customers as represented on their bills. The difference between the city-gate measurement and the volume of gas sold is treated as unaccounted for gas by regulators who build a form of reimbursement for this gas into the utility's rate structure.

Unaccounted for gas is the inevitable imbalance that exists at any given time between the measured gas coming into a utility distribution system and the measured gas going out of the same system.

For natural gas utilities and regulators, unaccounted for gas (sometimes called LUAF) is an accounting and ratemaking issue — not an operational issue. The cost of unaccounted for gas is recovered through accounting and ratemaking measures, and these measures differ from state to state. Under traditional ratemaking, natural gas distribution companies do not make a profit on the sale of the natural gas commodity that they acquire on behalf of their customers. Instead, utilities pass through the costs of natural gas supply, including those of unaccounted for gas, in base rates and/or through rate adjustments, which are set and approved by state utility commissions.

The U.S. Environmental Protection Agency also rejects the idea that unaccounted for gas could provide an indication of or could be used to formulate policy on fugitive methane emissions. In response to comments on its Mandatory GHG Reporting Rule it said, "EPA disagrees on the use of LUAF as a surrogate for greenhouse gas emissions data collection … there are other multiple factors associated with LUAF, such as inaccuracies of gas measurement, and thus would not provide the desired level of data accuracy and quality to achieve the objectives of [the reporting] rule. Most importantly, because LUAF would not identify the exact sources of the emissions, there would be further inadequacies for informing future policy. Finally, no current studies exist that accurately define the percentage of LUAF that is emissions from a system."