Appendix A
Yukon Utilities Board
Reasons for Decision — Board Order 2013-03

1 Introduction

1. On May 1, 2013, Yukon Energy Corporation (YEC, Company or Applicant) filed with the Yukon Utilities Board (Board) for approval a compliance filing, pursuant to Board Order 2013-01 and pertaining to YEC's 2012-13 General Rate Application (GRA).

   YEC's compliance filing requested the following approvals:

   a. Approval to set an ongoing Rider J at 11.87% for all non-industrial retail firm rates and 8.19% for industrial firm rates, effective July 1, 2013, applicable to all YEC and YECL firm retail and industrial rates, including fixed Rider F and fixed monthly payments for major industrial rates (all YECL recoveries from this rider would flow through to YEC).

   b. Approval to set a time-limited Rider R of 4.72%, to be in effect from July 1, 2013 to June 30,2014, applicable to all YEC and YECL firm retail and industrial rates (all YECL recoveries from this rider would flow through to YEC), to collect the remaining 2012 and 2013 net revenue shortfall. Effective July 1, 2014, Rider R would be set to zero.

   c. Approval to establish and maintain a hearing cost reserve account going forward.

   d. Approval, effective January 1, 2012, of a revised Diesel Contingency Fund (DCF) as described in Section 4 of the compliance filing, and more specifically in Attachment 4.1 to Appendix 4.1 of the compliance filing. In the event that the revised DCF proposal is approved, direction as to the treatment of secondary sales revenues as requested in Attachment 4.1 of the compliance filing.

   e. In the event that the Board directs YEC to continue applying any secondary sales to income (with adjustments to the Rider F account as currently occurs for variances in the rate from the GRA forecast), approval, for the forecast secondary rate effective January 1, 2012, as required to apply any secondary sales revenues to the Rider F account as this has been done in the past, of 8.7 cents/kWh for retail secondary sales and 7.6 cents/kWh for wholesale secondary sales.

2. In the Order to which this Appendix A is attached, the Board does not grant all the above requested approvals. The Board denies the requested approvals pertaining to Rider J, Rider R and the DCF. The Board does not approve the requests (Rider R, Rider J and DCF) because those requests are not in accordance with Board Order 2013-01. The Board sets out below its reasons for denying the revised Rider J, Rider R and DCF proposal.

3. With respect to the Rider R and Rider J proposals, YEC used a five-year amortization of deferred project costs for Atlin, Geothermal and Waste-to-Energy[1]. Footnote 18 of the compliance filing stated, "The Application proposed 10-year amortization as a transition measure under the new Planning Cost Accounting Policy, which the Order did not approve." Yet, paragraph 346 of Appendix A to Board Order 2013-01 stated "… YEC proposed that the feasibility study costs to date total $2.2 million be amortized over 10 years starting in 2012." The Board, in paragraph 350 of that decision, stated, "… the Board approves the costs as proposed", in reference to the Atlin Lake study.

4. With respect to waste-to-energy, paragraph 372 of Appendix A to Board Order 2013-01 referenced that, "… YEC proposed that these costs be closed and amortized over 10 years starting in 2013." In paragraph 375 of that Appendix A, it was the Board's view that "… the Board accepts the costs for this project as filed …".

5. Regarding geothermal costs, paragraph 386 of that same Appendix A, noted that "YEC proposed that $1.95-million forecast feasibility study costs to the end of 2011 be closed and amortized over 10 years starting in 2012." The Board determined the following at paragraph 390 of Appendix A: "… the Board accepts the geothermal expenditures as requested by YEC."

6. For the three projects noted above, the Board accepted the proposal of YEC, namely the magnitude of the costs and the proposed amortization period. As YEC did not use the 10-year amortization period, the Board rejects the revised revenue requirement as proposed by YEC. The Board directs YEC to refile a new compliance filing that takes these changes into account and provide this filing within 10 days of the issuance of this Board Order.

7. Section 4 of YEC's compliance filing contained a revised DCF proposal. In that proposal, YEC advanced that its new proposal incorporated other non-diesel generation facilities (Fish Lake hydro, wind) forecasts in its model. It also responded to suggestions on how DCF transactions are to be reported and provided an example of five years of transactions to show how the balance in the DCF will change and how those changes will be reported[2].

8. YEC notes that Board Order 2013-01 "did not specify a date for filing the revised DCF proposal"[3] and that it did not suggest that with minor changes the DCF proposal would be acceptable to the Board.

9. Further, YECL, in its May 10, 2013 response to YEC's compliance filing, stated that as of that date "YECL confirms that it has not met with YEC to discuss the preparation of a joint recommendation on the DCF and how it will affect the Energy Reconciliation Account (ERA) in Rate Schedule 42"[4]. YECL also stated that the DCF and ERA are highly integrated and therefore requested "… that the

[1] YEC Compliance filing, page 1-7.
[2] YEC Compliance filing, Attachment 4.1, page 4.1-15
[3] YEC Compliance filing, page 4-1.
[4] YECL comments on YEC 2012-2013 GRA compliance filing, page 2.

Board reject YEC's revised DCF proposal, or any related matters associated with the Energy Reconciliation Account in Rate Schedule 42, until such time as a joint proposal is filed by the companies"[5].

10. The Utilities Consumers' Group (UCG), in its May 10, 2013 correspondence, expressed concerns that YEC submitted its compliance filing in PDF format without providing Excel versions of the tables and calculations[6]. Regarding the DCF, UCG disagreed with YEC; it submitted that a compliance filing was not the appropriate forum to submit a revised policy. UCG argued that including the revised DCF proposal in the compliance filing denied stakeholders the opportunity to thoroughly review the proposal and underlying assumptions and appropriately test the model and any alternative approaches. UCG concluded that it is premature for the Board to approve the revised DCF proposal and underlying assumptions until stakeholders have an opportunity to better test the proposal[7].

11. In YEC's reply submission of May 17, 2013, YEC stated, "On the matter of interrelationship between DCF and the ERA, the DCF determines costs incurred by YEC for diesel generation — and therefore determines YEC's incremental diesel generation costs that flow through to YECL via the approved ERA when wholesales vary from GRA forecasts approved by the Board. Therefore clarity is needed on what DCF has been approved by the Board in order to address how the DCF will affect the ERA — but the ERA does not in any way affect the DCF"[8]. YEC also included an Attachment A: ERA to its reply submission. In that submission, YEC noted that the companies (YEC and YECL) met and discussed the ERA that is included in Rate Schedule 42.

YEC disagreed with the assertions made by UCG regarding the revised DCF proposal. YEC restated its response to similar issues raised by YECL, namely[9]:

a. The revised DCF included in the compliance filing carried out the directions at paragraph 255 of Board Order 2013-1 for three specific straight forward adjustments to the updated DCF that was proposed in the Application and reviewed at length during the proceeding. Further, it addressed the implications for the DCF of other Board directions. Finally, recent meetings with YECL have confirmed that, while the DCF is crucial to informing the ERA calculation, the same is not true for the converse — i.e. resolution today on the ERA is not required for the Board to approve the DCF as proposed in the compliance filing.

b. Approval of an updated DCF is integral to YEC being able to have clarity as to how its actual diesel generation costs are to be accounted for in 2012 (and going forward) given that the Board has directed that rates be set based on diesel generation at 100% of long-term average (LTA) hydro generation.

[5] YECL comments on YEC 2012-2013 GRA compliance filing, page 2.
[6] UCG comments on YEC 2012-2013 GRA compliance filing, page 1.
[7] UCG comments on YEC 2012-2013 GRA compliance filing, page 4.
[8] YEC reply, page 2.
[9] YEC reply comments, page 7.

c. Clarity on the DCF is also required in order to assess how the DCF will affect the ERA, and how the Board's directions relating to LTA and DCF impact YEC's 2012 financial statements.

12. In reaching the determinations contained within this decision, the Board has considered all relevant materials the record of this proceeding is comprised of, including the evidence and argument provided by each party. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Board's reasoning related to a particular matter and should not be taken as an indication that the Board did not consider all relevant portions of the record with respect to that matter.

Views of the Board

13. The Board agrees with UCG's comments regarding the filing of electronic spreadsheets such as Excel with formulae intact. The filing of the electronic version of schedules and tables allows for more efficient testing of the provided information. As a result, the Board directs that, in future, YEC will include excel versions, with formulae intact of all schedules and tables used to support its filings.

Diesel Contingency Fund

14. The Board stated the following in paragraph 255 of Appendix A to Board Order 2013-01: Reasons for Decision:

> Given the above concerns, the Board does not approve YEC's proposed DCF but directs YEC to provide a revised DCF proposal. In the revised DCF proposal, YEC is to incorporate other non-diesel generation facilities (wind, Fish Lake hydro) forecasts into its model. In addition, YEC is to incorporate the suggestions of CW and UCG as to how DCF transactions are to be reported. Further, in that submission, YEC is to provide an example of approximately five years of transactions which will show how the balance in the DCF will change and how those changes will be reported. Finally, <u>YEC is to work with YECL, and the two utilities will provide a joint recommendation on how the DCF will affect the Energy Reconciliation Account in Rate Schedule 42 and any proposed wording changes to that rate schedule. The Board will leave it to the discretion of YEC and YECL as to when the revised DCF proposal is to be filed with the Board</u>. Given the foregoing, the Board does not approve YEC's requests regarding the DCF and therefore does not approve YEC's proposed changes to Rider F. Secondary sales, as they occur, will continue to be credited to the Rider F account. (underlining added)

15. The Board notes that the revised DCF proposal was not filed jointly by YEC and YECL and that there was not a joint recommendation by the companies on how to amend the wording regarding the ERA in Rate Schedule 42. The Board considers that the revised DCF proposal has not been tested in a proceeding. Given the foregoing, the Board does not approve the revised DCF proposal filed in YEC's 2012-13 GRA compliance filing. Consequently, the Board will not allow any changes regarding 2012 and the effects of any DCF proposal.

16. YEC may file a future revised DCF proposal and ERA application. The Board prefers a joint filing from YEC and YECL. However, if agreement cannot be reached, a filing in which the companies state which aspects of the revised DCF proposal <u>and</u> ERA amendment they agree upon, the aspects they disagree upon, and the position of each company on those aspects they disagree upon is acceptable. The filing must also address the concerns raised in Board Order 2013-01 Attachment A: Reasons for Decision. This future revised DCF proposal and ERA application will be separate from the compliance filing directed in this order.