

**IN THE MATTER OF the *Public Utilities Act*
Revised Statutes of Yukon, 2002, c.186, as amended**

and

**An Application by Yukon Electrical Company Ltd. and
Yukon Energy Corporation
to Revise the Diesel Contingency Fund & Related Amendments
to Rate Schedule 42 Pertaining to the
Energy Reconciliation Adjustment**

BEFORE: B. McLennan, Chair) February 6, 2015
 R. Laking, Vice-Chair)
 A. Fortin)

BOARD ORDER 2015-01

WHEREAS:

- A. On January 31, 2014, the Yukon Electrical Company Ltd. (YECL; also known as “ATCO Electric Yukon”) and the Yukon Energy Corporation (YEC) (jointly, “the Companies”) each filed an application with the Yukon Utilities Board (Board) seeking an Order from the Board for approval of their proposals for revisions to the Diesel Contingency Fund (DCF) and Energy Reconciliation Adjustment (ERA). The applications were filed in response to the Board’s direction given in Appendix A¹ to Board Order 2013-01.²

- B. More specifically, the Board directed YEC to provide a revised DCF proposal. In the revised DCF proposal, YEC was to incorporate other non-diesel generation facilities (e.g. Fish Lake hydro, wind) forecasts into its model and the suggestions of the City of Whitehorse (CW) and the Utilities Consumers’ Group (UCG) as to how DCF transactions are to be reported. Further, YEC was to provide an example of approximately five years of transactions that would show how the balance in the DCF will change and how those changes will be reported. Finally, YEC was to work with YECL, and the two utilities were to provide a joint recommendation on how the DCF would affect the Energy Reconciliation Account (ERA) in Rate Schedule 42 and any proposed wording changes to that rate schedule.

- C. In its compliance filing application dated May 1, 2013, YEC requested approval of a revised DCF proposal that incorporated the directions of

¹ Board Order 2013-01, Appendix A: Reasons for Decision, March 25, 2013.

² Board Order 2013-01, YEC 2012-13 GRA Decision, March 25, 2013.

the Board, except for a joint recommendation from the Companies on the ERA. In Board Order 2013-03, Appendix A, the Board did not approve YEC's revised DCF because YEC had not filed a joint recommendation as directed in Paragraph 255 of Appendix A to Board order 2013-01 and the revised DCF proposal submitted in the compliance filing had not been tested in a proceeding. The Board further stated:

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 and 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.³

- D. Subsequently, in correspondence dated July 16, 2013, the Board directed YEC to file the revised DCF application by no later than September 30, 2013. YEC and YECL requested an extension of this filing deadline on September 23, 2013, which the Board granted, and a new filing deadline of November 15, 2013 was set. YEC and YECL requested a further extension to continue to meet and discuss the various aspects of the issue. The Board granted another extension of the filing deadline to January 31, 2014.
- E. On January 31, 2014, YEC informed the Board that YEC and YECL were not able to agree on a joint filing and each utility would be filing its position separately. On the same day, YEC filed the application which is the subject of this order, and YECL filed its proposals regarding the DCF and the ERA.
- F. In the revised DCF application, YEC proposed the following options: Option A provides for the DCF as proposed, with adjustments essentially as outlined in the May 1 compliance filing, but modifies the ERA, as proposed in the 2012-13 GRA and May 1, 2013 compliance filing, to reflect net cost to YEC after all added revenues related to wholesales variances, and provides for the YECL recovery through its deferral account and related rate rider of any net added cost after full consideration of added revenues due to increased sales.

³ Board Order 2013-03, Appendix A: Reasons for Decision, paragraph 16.

Option B provides for the Revised DCF as proposed in the 2012-13 GRA (with adjustments essentially as outlined in the May 1, 2013 compliance filing), but amends Rate Schedule 42 as requested by YECL to remove reference to an ERA mechanism; in place of an ERA, a new YEC Diesel Deferral Account (DDA) would be administered to address YEC's net thermal generation cost changes at LTA related to variances in firm YEC sales from GRA approved forecasts (after consideration of all revenue changes related to such variances in firm YEC sales).

G. YEC recommended Option A and requested the following approvals from the Board:

1. Approval, effective January 1, 2012, of Yukon Energy's Revised DCF proposal as described in the Revised DCF Term Sheet in Appendix 1, Attachment 1.1 to YEC's filing.
2. Approval to implement Option A to address the updated ERA, including the following specific approvals related to this option:
 - Approval to trigger the ERA provision of Rate Schedule 42 on an ongoing basis effective January 1, 2012, based on the Revised ERA as described in Appendix 2, Attachment 2.1 to YEC's filing.
 - Confirmation that all ERA charges or rebates to YECL will go directly to YECL's Purchase Power Flow Through deferral account, net of any related YECL revenue changes associated with the same purchase power variances addressed by the ERA charges or rebates, to flow through to ratepayers at such times and terms as approved by the Board.
3. Approval of final DCF and ERA amounts for 2012 and, if final numbers are available, for 2013.

H. YECL submitted that YEC's proposed changes would fundamentally alter the design of the DCF and ERA from what was originally agreed upon and approved by the Board. It added that YEC's proposed changes rely on a complicated, opaque model with questionable accuracy and assumptions that are not consistent with current or reasonably anticipated circumstances. It asserted that, if adopted, YEC's proposals would result in greater regulatory inefficiency and would increase regulatory costs to ratepayers. As a result, YECL has proposed using a deferral account instead of the DCF. Finally, YECL proposed that this matter be resolved by way of a Board-initiated mediated dispute resolution process, similar to the process used in 1999.

- I. In Board Order 2014-07, the Board set out that the revised DCF application proceed by way of a written process because the application pertained to a specific issue and that a Board-facilitated dispute resolution process may not be useful in this matter seeing that YEC and YECL had held discussions for about six months and could not arrive at a joint recommendation.
- J. Due to a heavy regulatory schedule, the Board was unable to hear the revised DCF application within 120 days of the receipt of the application; therefore, the Board extended the time for hearing the application to September 30, 2014.
- K. The Board issued Board Order 2014-07 on April 25, 2014, in which the Board set out a process schedule, pending ministerial approval.
- L. The Board issued Board Order 2014-08 on June 20, 2014, at the request of the Companies, revising the process schedule to the following:

Action	Original Date (2014)	Amended Date (2014)
YEC and YECL Supplementary Evidence		June 30
Information Requests to YEC and YECL	July 7	July 28
Information Responses from YEC and YECL	July 28	August 18
Intervener Evidence	August 11	September 3
Information Requests to Interveners	September 2	September 17
Information Responses from Interveners		October 1
YEC and YECL Rebuttal Evidence (if necessary)		October 15
Written Argument	September 16	October 29
Written Reply Argument	September 30	November 13

- M. The Board issued Board Order 2014-10 on July 29, 2014, in which the Board notified Parties that the Board had received ministerial approval to proceed with a written hearing and granted intervener status to the Utilities Consumers' Group (UCG).
- N. The Board has considered the evidence, written argument and written reply argument of the Parties respecting this proceeding.

NOW THEREFORE the Board orders as follows:

1. The Board approves the DCF and ERA amendments subject to the directions set out in the Reasons for Decision (Appendix A attached to this Order).
2. YEC is to commence quarterly reports regarding the balance in the DCF account effective March 31, 2015.
3. YEC is to provide a compliance filing within 60 days of the issuance of this decision.

DATED at the City of Whitehorse, Yukon, the 6th day of February 2015.

BY ORDER

A handwritten signature in black ink, appearing to read 'Bruce McLennan', with a long horizontal line extending to the right.

Bruce McLennan
Chair