

IN THE MATTER OF the *Public Utilities Act*

and

**General Rate Application by Yukon Energy Corporation
for Approval of Revenue Requirements for 2017 and 2018**

BEFORE: R. Laking, Chair) December 27, 2018
A. Fortin)
M. Hannam)
B. King)
P. Fitzgerald)

BOARD ORDER 2018-10

WHEREAS:

- A. On June 22, 2017, Yukon Energy Corporation (YEC) filed an application with the Yukon Utilities Board (Board), pursuant to the *Public Utilities Act* (Act), and Order-In-Council 1995/90, requesting an order approving a forecast revenue requirement of \$48.544 million for 2017 and \$49.864 million for 2018 (Application);
- B. The Board issued Board Order 2017-04 on July 4, 2017, in which the Board provided notice of the Application and set out a process schedule for the Application;
- C. July 27, 2017, the Board issued Board Order 2017-05, which granted intervener status to:
 - ATCO Electric Yukon (AEY);
 - City of Whitehorse (CW);
 - Utilities Consumers' Group (UCG);
 - Yukon Conservation Society (YCS); and
 - John Maissan (Mr. Maissan).
- D. On August 21, 2017, the Board issued Board Order 2017-06 approving an interim refundable rate rider (Rider J) for 2017 of 16.51% for retail firm rates and 12.86% for industrial firm rates, which represents an increase of 5.5% for retail and industrial customers for all electrical consumption on or after September 1, 2017;

- E. In accordance with the process schedule, the Board and interveners submitted Information Requests (IRs) to YEC on August 25, 2017. YEC filed IR responses on September 22, 2017, in accordance with the process schedule;
- F. On September 12, 2017, the Court of Appeal of Yukon released a judgement on an appeal by Yukon Energy Corporation related to certain aspects of Board Order 2015-06 (appeal judgement). That judgement set aside the order of the Board related to the issues of the Diesel Contingency Fund (DCF) and the wholesale rates provision in Section 7 of Rate Policy Directive, OIC 1995/90. The Court remitted the matter back to the Board with directions "...to set a wholesale rate that enables Yukon Energy to recover all of its diesel generation costs, which costs include any net DCF payment made by Yukon Energy attributable to Yukon Electrical's above-forecast wholesale purchases of electricity.";
- G. The Board issued a letter on September 22, 2017 requesting comments from parties by no later than September 28, 2017 on the process that should be established to address the appeal judgement and the scope of the issues to give effect to the Court of Appeal's directions to the Board. The Board also sought comments on the following specific issues with respect to the current YEC Application:
- (1) Is there any effect of the appeal judgement on the current GRA, the DCF mechanism contained in the current GRA, and the Energy Reconciliation Adjustment mechanism?
 - (2) How should the Board proceed with respect to the GRA — for example, if amendments to the application are required, and any effects on the current oral hearing scheduled from November 28 to 30, 2017?
 - (3) Any comments parties may have regarding the impact of the appeal judgement on the use of long-term averages for forecasting hydro generation;
- H. On September 28, 2017, UCG filed a motion with the Board, requesting a ruling on further and better IR responses from YEC. In the motion, UCG provided its arguments in support of the motion and identified 18 IRs that it considered have not been fully responded to by YEC. On October 3, 2017, Mr. Maissan also filed a motion, requesting the Board direct YEC to provide complete IR responses. Mr. Maissan provided arguments in support of the request and identified seven IRs that he considered needed more complete answers. On October 4, 2017, the Board asked for comments from the parties on these motions. Given the motions and the process for the appeal judgement, the Board determined that a revised

process schedule for the application was needed, which it would issue in due course;

- I. Based on the comments received from the parties with respect to giving effect to the appeal judgement, the Board issued Board Order 2017-08 on October 18, 2018, in which the Board ordered that:
 - (1) YEC file a separate two-part application to comply with the direction from the Court of Appeal of Yukon and the further directions of the Board within 30 days of the issuance of the order from the Court of Appeal of Yukon. The first part of the application was to address 2012 Energy Reconciliation Adjustment (ERA) issues. The second part of the application was to address how YEC proposes to address Diesel Contingency Fund (DCF), ERA, wholesale rates, and long-term hydro generation for the period 2017 forward;
 - (2) Effective January 1, 2017, YEC continue to treat the DCF as a placeholder to be adjusted upon final determination of the Board in the separate application to be established in response to the Court of Appeal of Yukon decision;
 - (3) YEC provide an alternative GRA forecast, using a short-term hydro-electric forecast for the test period in question and any consequential changes to the thermal generation forecast, removing any DCF references in that alternative forecast and filing the alternative forecast within 60 days of the issuance of this order; and
 - (4) The GRA process schedule established in Order 2017-04 and revised by the October 4, 2017 letter from the Board to all parties was suspended.
- J. On November 15, 2017, the Board issued Board Order 2017-09, in which the Board ruled on the UCG motion and the motion from Mr. Maissan for better and further IR responses;
- K. On December 6, 2017, in response to Board Order 2017-08, YEC filed a letter and a two-part application regarding the ERA. Part 1 of the two-part application responded to the Board's direction to YEC to provide evidence as to how the 2012 ERA amount of \$439,000 was derived and whether there should be any adjustments to the 2012 amount. Part 2 of the two-part application responded to the Board's other directions which are noted above. In addition, in its letter of December 6, 2017, YEC argued that the contingency fund mechanism needed to be determined concurrent with the current GRA process review of hydro forecasts. It contended that separating and deferring review of the Part 2 application

- from the current GRA process raised procedural concerns. YEC requested that the Board consider its Part 2 application either prior to the current GRA process or as part of the current GRA proceeding given it addresses the period of 2017 and forward. YEC also stated that in Appendix 2.4 to Part 2 of the two-part application it provided a description of the actual YECSIM model and a copy of the YECSIM Model User Manual relating to the constraints, processes and operational rules of this model for testing and assessment. YEC also offered the Board and interveners the opportunity to review the model and its results including a potential workshop or other discussion process for review of its specific use (inputs and outputs) for the 2017-18 GRA forecasts and the updated DCF Term Sheet Table 3.4-1 in Appendix 3.4 to the Application;
- L. On December 15, 2017, the Board requested comments from parties as to whether the Part 1 application proceeding should be a separate written proceeding which would involve IRs, IR responses, argument and reply. With respect to the Part 2 application, the Board sought comments on the YEC proposals, the timing of IRs and IR responses arising from the Part 2 application including the YECSIM model, if the Part 2 application was included in the Application. Intervenors were to file comments by January 16, 2018 and YEC was to file reply comments by January 23, 2018;
 - M. In response to the Board's December 15, 2017 letter, UCG, CW, and AEY filed comments on January 16, 2018. YEC replied to these comments on January 19, 2018;
 - N. Given that the parties were in agreement with the written process proposed by the Board for the Part 1 application, the Board issued Board Order 2018-01. With respect to the process for the Part 2 application including the testing of the YECSIM model, the parties were in agreement that the Part 2 application should be considered as part of the Application. Consequently, the Board decided to include the Part 2 application in the current Application. As a result, the Board issued Board Order 2018-02 on January 31, 2018 which set out a revised process schedule.
 - O. On February 3, 2018, YEC requested a rescheduling of the oral hearing. The Board invited parties to the proceeding to provide comments and comments were received from CW, YCS, and Mr. Maissan, all of whom confirmed their availability for an oral hearing during the week of June 25, 2018. The Board rescheduled the oral hearing from June 26-28, 2018 in Board Order 2018-03.
 - P. The oral hearing took place in Whitehorse from June 26-28, 2018.

- Q. YEC submitted its final undertaking response from the oral hearing to the Board on July 20, 2018. The Board asked YEC follow-up questions on its undertaking responses and provided a process schedule for YEC to respond to those questions and set dates for final argument and reply argument.
- R. YEC provided its responses to the questions on its undertakings on July 27, 2018. Final argument was received on August 9, 2018 and reply argument was received on August 23, 2018.
- S. The Board considers the record for this proceeding closed on August 23, 2018.
- T. The Board considered the extensive evidence and the written argument and reply argument of the parties respecting the Application.

NOW THEREFORE, based on the reasons set out in Appendix A to this Order, the Board orders the following:

1. YEC is to submit a compliance filing to the Board within 60 days of issuance of this Order in accordance with the directions set out in the reasons found in Appendix A;
2. The 2017 and 2018 revenue requirement for YEC is approved with the changes directed in the reasons set out in Appendix A; and
3. YEC is directed to provide a new Low Water Reserve Account to replace the DCF in compliance with the directions as set out in Appendix A to this decision. YEC is further directed to amend the ERA portion of Rate Schedule 42 to comply with the directions as provided in Appendix A to this decision.

DATED at the City of Whitehorse, Yukon, this 27th day of December 2018.

BY ORDER



Robert Laking
Chair