



PUBLIC INTEREST ADVOCACY CENTRE

LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002 ext 26

Fax: (613) 562-0007

e-mail: mjanigan@piac.ca

<http://www.piac.ca>

June 19, 2013

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Mr. Bruce McLennan, Chair

**Re: Yukon Electrical Company Limited – 2013 - 2015 General Rates Application
UCG Registration as Intervenor and Submission on Proposed Interim Rates**

Dear Mr. McLennan:

Our client, the Utilities Consumers' Group ("UCG") hereby registers as an intervenor in the proceeding to review the application by Yukon Electrical Company Limited ("YECL") for approval of forecast revenue requirements for the 2013, 2014 and 2015 test years, an interim refundable rate rider effective July 1, 2013, approval for the continued use of deferral accounts listed in the application, approval to discontinue purchasing third party distribution property insurance after July 1, 2014, and approval of updated depreciation parameters.

The nature of UCG's participation in this proceeding is to protect the interests of residential and small business consumers of electricity in the Yukon. Of particular concern is that the result of this application will likely be a series of increases in the bills for these ratepayers over the next few years, particularly the more vulnerable low and fixed income earners.

UCG has retained the services of the Public Interest Advocacy Centre in Ottawa as legal counsel for this proceeding as well as a regulatory consultant (Pat McMahon) both of whom have assisted UCG in previous regulatory proceedings before the YUB. UCG will be submitting a cost claim at the end of these proceedings in accordance with the YUB's Rules of Practice and Scale of Costs Policy. Attached is the retainer letter from UCG.

All communications related to this application and its review should be copied to UCG's Roger Rondeau (rondeau@northwestel.net), Mr. McMahon (patrick.mcmahon@sympatico.ca) and myself (mjanigan@piac.ca).

Proposed Interim Rates

In its Application, YECL has requested approval of a 6.5% interim refundable rate rider (Rider R) for electricity consumption on or after July 1, 2013. YECL argues that by implementing the rate on July 1, 2013, Rider R will recover approximately 50% of its forecast revenue shortfall in 2013¹. YECL argues that this proposal to collect 50% of its forecast revenue shortfall is consistent with the approach filed for and approved by the Board for Yukon Energy

¹ Application Cover Letter dated May 27, 2013, page 2 and Application Section 12.

Corporation's 2012 6.4% interim refundable rider in Board Order 2012-5.

UCG notes that YECL originally applied on December 6, 2012 to have its existing rates extended on an interim refundable basis effective January 1, 2013. The Board did not consider YECL's interim rate application since it had not filed a related general rate application. Since YECL waited another 6 months to file its general rates application, UCG submits that YECL has forfeited its opportunity to recover proposed revenue deficiencies for any period prior to the implementation of an interim rate rider. If that is July 1, 2013, then the YUB should only be considering whether or not YECL should be entitled to recover 25% of its proposed revenue deficiency from 2013 between July 1 and December 31, 2013.

If 25% of the non-fuel portion of the 2013 total revenue deficiency is \$912,250, then UCG submits that the YUB should only be considering whether a 3.25% interim rate rider should be implemented.

Given YECL's original willingness to live with existing rates until its proposed revenue requirements can be reviewed, UCG submits the following arguments as to why the YUB should only consider making existing rates interim.

YECL justifies its request for an interim rate increase by referring to Board Order 2008-6, Appendix A which pertained to YECL's 2008-2009 General Rates Application. UCG submits that YECL has put its own spin on what the YUB actually stated in its Order.

YECL states that the YUB stated that "*denying interim rates could jeopardize the ability of a utility to implement and recover the final approved revenue requirement*"². What the YUB actually stated in its Order 2008-6 findings was that "*the Board agrees with YECL that the Board should be careful not to deny interim rates altogether **if doing so** could jeopardize the ability of the utility to implement and recover the final revenues determined by the Board to be just and reasonable in the test period*".

UCG submits that YECL has not established that the forecast revenue deficiency for the applied for 2013-2015 test period is probable and material and nor that the interim rate increase was necessary to ensure YECL's financial integrity or to ensure the continued safe operation of its system. To follow YECL's own reasoning, UCG submits that there is nothing in the application that suggests that YECL is in any jeopardy of recovering its allowed revenue requirement for the 2013-2015 test period if it does not get an interim rate increase effective in 2013.

UCG submits that YECL's own evidence clearly indicates that they are not in any financial difficulty. In its Application at Schedule 2.1 (line 51), YECL indicates that its total actual revenues have increased steadily from \$44.8 million in 2008 to \$49.9 million in 2012. The 8.8% increase in total actual revenues between 2011 and 2012 is obviously reflective of a company with extensive access to revenue without the need for an interim rate increase. UCG questions why any utility could not be expected to live within its means as any Yukon ratepayer must do.

YECL also argues that "*any difference between the amounts collected on interim refundable rates and those finally approved by the Board will be refunded to, or recovered from customers*"³. While UCG agrees that approving interim rates will ultimately result in a true-up once rates are finalized, UCG submits that there is no way to guarantee that those that pay the higher interim rates will be the consumers that will receive the refund should the interim rates be

² Application, page 12-1.

³ Application, page 12-1.

deemed excessive when finalized. UCG questions how YECL will be able to track those consumers that may move out of its franchise area prior to the finalization of rates and how interim rates set without this ability can be determined fair and reasonable.

While YECL makes reference to Board Order 2012-05, UCG submits that the YUB noted in that Order that even if interim rates are approved, the *“Board also considers important that the interim rates would only be collected for approximately one-half of the applied-for revenue requirement increase for 2012”*⁴. YECL’s application addresses a 3 year test period (2013-2015) and, given the recent experience with applications of this type, Yukon ratepayers would be expected to pay the interim rate rider at least until mid to late 2014 which means that YECL would recover 100% of the proposed 2013 revenue shortfall and some of the proposed 2014 revenue shortfall while this proposed rider is in place. UCG submits that this is not consistent with any previous determinations of the YUB.

UCG submits that Yukon ratepayers should not be held liable for a utility like YECL delaying its application until a full 5 months have elapsed in 2013. Given that timing, UCG submits that there is no way for the YUB and interested parties to consider 2013 revenues and costs in order to reduce the uncertainties alleged by YECL. Given the most recent experience with the review of Yukon Energy Corporation’s 2012-2013 General Rates Application taking over 14 months (and counting) before a decision will be issued on a compliance filing, UCG submits that there was absolutely no way that YECL should have expected any decision on final rates for its 2013-2015 test period until well into 2014. UCG submits that YECL’s application was submitted with full knowledge of the standard regulatory time requirements.

If there was any urgency related to ensuring additional revenue is recovered, or if there were legitimate concerns that YECL would not be able to recover its prudently incurred costs, then YECL should have made its application in 2012 for 2013 recoveries.

YECL notes in its application that members of the Yukon Legislative Assembly have discussed the possibility of the ending of the Yukon Interim Electrical Rebate (IER) although it is expected to stay in place until March 31, 2014. UCG agrees with YECL that the ending of the IER would have a significant impact on residential customers’ cost of electricity. UCG submits that even with this potential impact on bills, YECL has not taken the impact of the discontinuance of the IER into consideration within its application for an interim rate increase⁵. Without a more robust and comprehensive analysis of the potential impact on the bills to be paid by Yukon ratepayers, UCG submits that the YUB should not approve any adjustment to rates at this time.

If there are any questions concerning the contents of this submission, I would ask that they be directed to me by email at mjanigan@piac.ca or by phone at (613) 562-4002 ext 26.

Yours truly,



Michael Janigan
Counsel for UCG

cc: Yukon Electrical Company Limited

⁴ Appendix A to Board Order 2012-05, page 3.

⁵ Application, page 2-7.

UTILITIES CONSUMERS' GROUP
Box 9300
29 Wann Rd.
Whitehorse, Yukon Y1A 4A2
Contact: rroudeau@northwestel.net

June 15, 2013

Yukon Utilities Board
Whitehorse, Yukon

**Re: Retainer of legal counsel and regulatory consultant for
Yukon Electrical 2013-15 General Rate Application**

Dear Board members:

The Utilities Consumers' Group would like to notify the Yukon Utilities Board that we have retained the services of Michael Janigan from the Public Interest Advocacy Centre, as counsel and Pat McMahon, as energy/regulatory consultant, for the upcoming GRA.

Regards,

Roger Rondeau