



**YUKON ENERGY
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November 25, 2015

Mr. Bruce McLennan, Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Mr. McLennan:

Re: Diesel Contingency Fund (“DCF”) Quarterly Report

Pursuant to Yukon Utilities Board (“YUB” or the “Board”) direction provided in Order 2015-01 and 2015-06, this correspondence provides Yukon Energy Corporation’s (“Yukon Energy” or “YEC”) first Quarterly Report summarizing DCF activities up to September 30, 2015, and includes the following information:

- **Attachment 1** - DCF calculations and balance updates based on interim determination prior to a fiscal year end.
- **Attachment 2** - Updated Rider E document (approved in Order 2015-06 at \$0.68 c/kWh rebate effective September 1, 2015 and until March 31, 2016).

A summary of the background for this quarterly report as well as a summary of each of the above documents follows.

Background for DCF Quarterly Report

Yukon Energy’s application to revise the Diesel Contingency Fund¹ resulted in Order 2015-01 which approved the DCF subject to the direction set out in the Reasons for Decision. YEC was ordered to commence quarterly reports regarding the balance in the DCF account effective March 31, 2015, however, this direction was delayed due to subsequent issues related to the April 7, 2015 Compliance Filing.

Subsequent to the April 2015 Compliance Filing, Order 2015-06 (August 18, 2015) also approved the following:

¹ An Application by Yukon Energy Corporation to Revise the Diesel Contingency Fund & Related Amendments to Rate Schedule 42 Pertaining to the Energy Reconciliation Adjustment filed January 31, 2014. The related Compliance Filing was provided April 7, 2015 following Board Order 2015-01.

- The Revised DCF Term Sheet (as set out in Attachment 1 of YEC's April 7, 2015 Compliance Filing);
- The DCF amounts provided in Table A1 of Appendix A (DCF amounts for 2012 and 2013 were approved as final and DCF amounts for 2014 were approved as preliminary);
- A DCF Rider rate schedule (Rider E) as shown in response to YUB-YEC-1-006, Table 1, applied to consumption effective September 1, 2015 and until or on March 31, 2016, with a rebate of 0.68 cents/kWh for all firm kWh retail and major industrial sales in Yukon of YEC and YECL.

Requirement for Quarterly and Annual Filings

The approved DCF Term Sheet (included in the April 7, 2015 Compliance Filing) outlines the requirement for quarterly and annual reporting as follows:

An annual report is required to be filed with the Board detailing additions and deletions to the Fund and a forecast of water conditions for the next year. The annual report to the Board is also to include a proposed rate rider to refund/collect any amount that exceeds the approved cap. The Board will direct YEC on the additions and deletions to the Fund, and on any proposed rate rider.

Quarterly reports regarding the DCF calculations and DCF balance updates will be provided to the Board based on interim determinations prior to a fiscal year end. The quarterly DCF calculations will be based on forecast loads for the year at the time of calculation as the DCF table calculates the expected diesel amount based on annual load, not quarterly.

Any interim determinations prior to a fiscal year end will only be placeholders; only the year end determinations will in fact have ongoing relevance for accounting and rate riders.

The approved DCF Term Sheet recognizes that the DCF calculated expected diesel generation are to be based only on actual annual load and that interim determinations prior to a fiscal year end will only be placeholders.

DCF Calculations and Balance Updates – Q3 2015

Attachment 1 provides DCF calculations and balance updates based on interim determinations prior to the 2015 fiscal year-end. Actual monthly results are shown to the end of Q3, and initial business plan load forecasts are provided for the remaining three months. The interim balance update indicates as follows:

- Based on actual load for 9 months and forecast load for the remaining 3 months, an "expected" (i.e., based on long term average water conditions) thermal requirement for 2015 of 9.066 GW.h;
- Based on actual diesel generation (net of capital and RFID diesel) for 9 months and forecast diesel generation for the remaining 3 months, forecast 2015 actual diesel generation of 2.069 GW.h (as noted below, this assessment does not yet include any provision for actual LNG thermal generation in 2015);
- Based on the above, and the DCF balance at the end of the previous year (2014) net of the forecast impact of the current Rider E rebate applicable until March 31, 2016, the forecast DCF balance at 2015 year end is \$9.933 million.

As indicated in the approved DCF Term Sheet, the quarterly calculations included in Attachment 1 are intended to be used as placeholders based on forecast loads for the year at the time of calculation, with ultimate final calculations performed only on the annual final calendar year values.

As noted in the Attachment 1, the Q3 2015 quarterly report excludes any LNG generation (see below regarding annual DCF report after the next quarter).

Updated Rider E

The updated Rider E is provided as Attachment 2. In Order 2015-06, the Board directed YEC to issue its refund of excess DCF contributions (Rider E) estimated at 0.68 cents/kWh effective September 1, 2015, and continuing until March 31, 2016.

The DCF calculations and balance update for 2015 (Attachment 1) indicates that a new Rider E refund to ratepayers is expected to be required after the 2015 fiscal year-end for implementation April 1, 2016. Accordingly, YEC will provide a rate rider application within 60 days of when the DCF is reported to be outside the range in accordance with the approved DCF Term Sheet, i.e., as determined at the end of a fiscal year. The rate rider application will include an update on the current Rider E rebates.

2015 DCF Annual Report – Status

The approved DCF Term Sheet requires YEC to file an annual report with the Board detailing additions and deletions to the Fund and a forecast of water conditions for the next year. The annual report to the Board is also to include a proposed rate rider to refund/collect any amount that exceeds the approved cap.

In accordance with Board directions, YEC will file the required annual report within 60 days of the fiscal year end.

The DCF annual report will also provide for Board review and approval a proposed approach for inclusion of LNG in ongoing DCF determinations.

YEC's LNG facilities at the Whitehorse thermal plant were available for service in July 2015 – however, deficiency correction and various commissioning activities have continued into Q4 2015, and YEC is not able at this time to set out proposals for inclusion of LNG in ongoing DCF determinations. YEC will include in its December 31, 2015 year end DCF filing a proposed approach for inclusion of LNG in ongoing DCF determinations. Because the year-end DCF filing will determine final DCF amounts for 2015, the delay in dealing with LNG will not prejudice these final 2015 determinations.

Yours truly,

A handwritten signature in black ink, appearing to read 'Ed Mollard', written in a cursive style.

Ed Mollard, CGA
Chief Financial Officer
Yukon Energy Corporation

ATTACHMENT 1: DCF CALCULATIONS AND BALANCE UPDATES – Q3 2015

		Diesel Contingency Fund Quarterly Report (2015 Q3)												
		(Excluding LNG generation - see Note)												
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	
Generation Report														
L1	YEC Grid Load (MW.h) [excluding LNG generation - see Note]	42,876	40,665	39,287	33,667	28,103	29,500	27,739	28,817	30,168	33,987	38,621	41,703	415,134
L2	Less Secondary Sales with Losses (MW.h)	(538)	(716)	(986)	(913)	(725)	(593)	(561)	(632)	(524)	(463)	(600)	(818)	(8,068)
L3	YECL Fish Lake (MW.h)	798	626	436	819	802	924	947	716	777	775	698	1,092	9,410
L4=L1-L2+L3	Total Grid Load excluding secondary sales (MW.h)	43,136	40,576	38,738	33,573	28,179	29,831	28,125	28,901	30,421	34,299	38,720	41,978	416,475
Actual Generation Sources														
L5	YECL Fish Lake (MW.h)	798	626	436	819	802	924	947	716	777	775	698	1,092	9,410
L6=L1+L2-L7-L8-L9	YEC Hydro (MW.h) [residual: YEC Grid firm load less thermal and wind]	41,774	39,401	38,181	32,603	26,959	28,478	27,004	27,809	29,110	33,441	37,980	40,598	403,337
L7	YEC Diesel (MW.h)	565	512	57	24	386	333	95	281	477	42	42	281	3,093
L7a	YEC Diesel Charged to Capital and RFID	-	14	-	-	368	115	-	119	407	-	-	-	1,024
L7b=L7-L7a	YEC Net Diesel	565	498	57	24	18	218	95	161	70	42	42	281	2,069
L8	YEC LNG (MW.h) [see Note]	-	-	-	-	-	-	-	-	-	-	-	-	-
L8a	YEC LNG Charged to Capital and RFID	-	-	-	-	-	-	-	-	-	-	-	-	-
L8b=L8-L8a	YEC Net LNG	-	-	-	-	-	-	-	-	-	-	-	-	-
L9	YEC Wind (MW.h)	-	36	63	127	33	97	80	95	58	42	-	7	636
L10	Total Grid Load excluding secondary sales (MW.h)	43,136	40,576	38,738	33,573	28,179	29,831	28,125	28,901	30,421	34,299	38,720	41,978	416,475
Expected Generation Sources														
L11	YECL Fish Lake (expected) (MW.h)													8,730
L12	YEC Wind (expected) (MW.h)													238
L13=L10-L11-L12	YEC Grid Load net of expected Fish Lake and Wind (MW.h)													407,507
L14	Grid Load Benchmark (MW.h) (Col A of Table 1-1, Approved DCF Term Sheet)													405,000
L15	Diesel as % of incremental Grid Load above line 14 (%)													40%
L16	Expected Base Diesel Generation at Benchmark (MW.h)													7,800.00
L17=(L13-L14)xL15	Expected Incremental Diesel Generation (MW.h)													1,003
L18=L16+L17	Total Expected Diesel Generation (MW.h)													8,803
L19=L18	Expected Diesel Generation in Rates (MW.h)													8,803
L20=L7b+L8b	Actual YEC Diesel Generation (net of capital & RFID Thermal) (MW.h)													2,069
L21=L20-L19	Diesel Generation to be Included in DCF (MW.h)													(6,734)
L22	Diesel Fuel Cost per kW.h (\$/kW.h)(Compliance Filing Average Fuel Cost)													0.2871
L23=L21xL22	Incremental YEC Diesel Generation Cost to Charge (Refund) DCF (\$000s)													(\$1,933)
L24	DCF Balance at 2014 Year End (\$000)													9,627
L25	Rider E (Rebate) forecast by March 31, 2016 [as per response to YUB-YEC-1-006 Compliance Filings IRs]													(1,627)
L26=L24+L25-L23	DCF Balance at 2015 Year End (\$000) [Forecast, excluding LNG]													9,933

Note: LNG generation is not included in this Q3 report. The final year end report will provide procedures for including LNG for review and approval of the Board.

ATTACHMENT 2: UPDATED RIDER E RATE SCHEDULE

Page 1 of 1

Effective: 2015 05 01
Supercedes:

RIDER E

DIESEL CONTINGENCY FUND RIDER

AVAILABLE: To all retail and major industrial electric services throughout the Yukon Territory.

APPLICABLE: To all retail and major industrial classes of service [not applicable to secondary sales].

RATE: Service will be rendered at the applicable rates with the following surcharge/(refund):

A refund of -0.68 ¢ per kW.h will be applied to all firm kWh consumed.

NOTE: Rider E will be applied to all firm kWh consumed for the period from September 1, 2015 to March 31, 2016.

Rider E does not apply to Rate Schedule 32 Secondary Energy.