



**YUKON ENERGY
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File: 2711-03-02
2713-01-01

January 31, 2014

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

Dear Mr. McLennan:

**Re: Application to Revise the Diesel Contingency Fund ("DCF") & Related
Amendments to the Energy Reconciliation Adjustment ("ERA")**

Yukon Energy Corporation ("Yukon Energy" or "YEC") included in its 2012/2013 GRA filed in April 2012 proposals to revise the DCF and related amendments to the ERA in Rate Schedule 42. The Yukon Utilities Board ("YUB" or "the Board") in Order 2013-1 rejected the DCF as applied for and directed Yukon Energy to provide a revised DCF proposal that incorporates specific changes noted in the Order and to work with Yukon Electrical Company Limited ("YECL" or "Yukon Electrical") to provide a joint recommendation regarding how the DCF will affect the ERA in Rate Schedule 42. The Board in Order 2013-3 re-iterated its preference that YEC and YECL (jointly "the Companies") provide a joint filing regarding the revised DCF proposal and ERA, stating "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."

Since May 2013, pursuant to the YUB's direction, Yukon Energy and Yukon Electrical have worked together towards agreement on a joint application to review the DCF and ERA. This process was extended by the YUB on request from the Companies from September 30, 2013 (the original deadline set by the Board in its July 16, 2013 correspondence) to November 15, 2013 and finally to January 31, 2014. Over this period, the Companies continued to review

the matter to see if a joint position was possible – this process is summarized in Attachment A to this correspondence.

Unfortunately, despite the additional time provided, and their best efforts, the Companies have not been able to develop a joint recommendation or submission for the Board.

Given the significant delays to date, and in order that the matter can be reviewed by the Board and resolved as soon as possible in 2014, Yukon Energy provides with this correspondence its Application to Revise the DCF and Related Amendments to the ERA. It is understood that YECL will separately provide its own position on this matter to the Board.

Yours truly,

A handwritten signature in cursive script, appearing to read "Ed Mollard".

Ed Mollard, CGA
Chief Financial Officer

ATTACHMENT A – SUMMARY OF YUKON ENERGY & YUKON ELECTRICAL JOINT DISCUSSIONS RE: THE DCF AND ERA PROPOSALS

Pursuant to Board direction provided in Order 2013-1 and Order 2013-3, Yukon Energy and Yukon Electrical have met and corresponded since May 2013 to develop a joint recommendation regarding how the DCF will affect the ERA in Rate Schedule 42 and any proposed wording changes to that rate schedule.

The following summarizes the meetings and correspondence between the Companies regarding the DCF and ERA proposals being advanced by Yukon Energy:

- **May 16, 2013** – Representatives from Yukon Energy and Yukon Electrical met on May 16, 2013 to review Yukon Electrical's concerns regarding the proposed changes to the ERA. Yukon Energy provided to YECL a summary memo reviewing the relevant history for the ERA and rationale for proposed wording changes to Rate Schedule 42. Yukon Energy also reviewed the calculation of the ERA with YECL and provided an illustrative excel spreadsheet to YECL for review. The outcomes of this discussion were summarized in YEC's May 17, 2013 Response to Intervenor Comments on the Compliance Filing (Attachment A).
- **June 24, 2013** – Following Order 2013-3 (issued June 17, 2013), Yukon Energy provided correspondence to Yukon Electrical outlining YEC's understanding of each company's position and requirements for a joint filing. Yukon Energy also provided the following materials to YECL to facilitate discussion.
 - **YEC's Revised DCF Proposal** – Yukon Energy noted that this was the revised DCF proposal that YEC filed on May 1, 2013 as Section 4 of its Compliance Filing. Aside from format changes and edits to accommodate a standalone proposal, the only notable change was to remove any reference to secondary sales given Order 2013-03.
 - **Background on ERA** - Yukon Energy provided the May 13, 2013 memo prepared and forwarded to YECL May 15, 2013 prior to meeting the next day. Aside from review of relevant history, this memo also reviewed YEC's proposed wording changes to Rate Schedule 42 and a list of issues raised by YECL and Board directions re: DCF and ERA outlined in Board Order 2013-01.

- **Excel Spreadsheet analysis of 2012 Actuals to DCF for YEC and Related ERA Charge to YECL** - This excel sheet updated information provided at the May 16, 2013 meeting to reflect YEC's Revised Compliance Filing filed June 20, 2013 as well as updated actuals for 2012.
- **July 10, 2013** – Yukon Energy and Yukon Electrical met to discuss Yukon Electrical's views on the ERA. Yukon Electrical provided a two page "ERA/DCF Discussion Notes" paper background on the DCF and ERA, including quotes from Board Orders 2013-01 and 2013-3. The document also included a list of principles that should be reflected in mechanisms for the DCF and ERA, and the treatment of any related deferral account balances. The Companies reviewed the DCF requirements that, as in the past, result in actual costs to YEC based on long term average diesel generation requirements rather than actual diesel generation, and the proposal that ERA and DCF should be netted (taking into account related revenues) before being passed onto customers.
- **September 7, 2013** – Yukon Energy provided a draft of the proposed DCF and ERA filing to YECL for review and comment. The DCF remained unchanged from what had been provided before; the ERA was modified to reflect fully netting of all related revenues for both YEC and YECL.
- **September 19, 2013** – Yukon Energy and Yukon Electrical met to discuss Yukon Electrical's views on Yukon Energy's draft proposal. YECL indicated that they would require an additional month to develop and provide their written views and proposal regarding the DCF/ERA. Given the Board's direction that the filing to be provided on September 30, 2013 is to include the positions of both Companies, the Companies agreed to seek a one month extension to the filing deadline for the DCF/ERA proposal. The Board subsequently provided an extension to November 15, 2013.
- **October 11, 2013** – Yukon Electrical provided Yukon Energy a draft position paper on the DCF and ERA on a confidential and without prejudice basis.
- **On November 15, 2013** – the Companies sought an extension for filing the DCF/ERA proposal until January 31, 2014 noting ongoing work to complete the YECL GRA process and holiday season availability, as well as indicating a requirement for further time to consult and refine positions.
- **January 17, 2014** – Yukon Energy provided Yukon Electrical with a draft of YEC's proposed filing for review, comment and discussion prior to finalization and filing by

the January 31, 2014 deadline, and requested that YECL provide YEC with an opportunity to review and comment on any draft position paper that YECL intended to provide to the Board. This proposal included, in addition to Option A (YEC's preferred option), an Option B (Diesel Deferral Account Option) developed in response to Yukon Electrical's request that the ERA be discontinued and Yukon Energy's diesel cost recovery requirements be addressed through a new YEC diesel deferral account with a new rider mechanism to flow the deferral amounts through to all firm retail and industrial customers in Yukon as appropriate (and with no impacts on Yukon Electrical).