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May 10, 2013

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Mr. Bruce McLennan, Chair

**Re: Yukon Energy Corporation – 2012 / 2013 General Rates Application
Comments on Compliance Filing**

Dear Mr. McLennan:

The Utilities Consumers' Group (UCG) is in receipt of the Compliance Filing submitted to the Board by Yukon Energy Corporation on May 1, 2013. UCG's concerns are related to ensuring that YEC is implementing the directives made by the Board and the determination of accurate rates.

As an overall comment, UCG submits that its review of YEC's compliance filing has been hampered by the Board's scheduling in this proceeding. According to the Board's Scale of Costs which was approved by Order 2012-09 on October 17, 2012, participants may comment on cost claims filed by other participants within 14 days of the filing with the Board of a costs claim. This required UCG and its consultants to review hundreds of pages of costs claims between April 24, 2013 (the date YECL and YEC submitted their cost claims) and May 7, 2013. At the same time, the Board was looking for UCG and other stakeholders to conduct a robust review of YEC's compliance filing between May 1, 2013 and May 10, 2013. Given that the Board has not seen fit to compensate parties to review cost claims and compliance filings, UCG and its consultants have undertaken this work simply to better inform the decisions to be made by the Board.

However, the procedural schedule prevented a thorough review of the compliance filing so this submission simply highlights areas that appear inconsistent with the intent of the Board's directions in Order 2013-01. The Board should not assume that areas of the compliance filing not specifically mentioned in this submission are agreed to be UCG.

UCG also submits its displeasure at the way YEC has submitted its compliance filing knowing that it was being submitted for review by all parties. To submit a compliance filing in PDF format without providing EXCEL versions of the tables and calculations makes it nearly impossible given the limited review time allowed for parties to efficiently understand the inner workings of the compliance filing to ensure compliance and accuracy of the numbers and methodology employed by YEC. UCG submits that YEC has failed to act in the interests of ratepayers and is simply gaming this process in hopes of frustrating interested parties from actively reviewing the compliance filing.

UCG submits that if the Board does not improve upon this process, the effectiveness of this type of review will be severely compromised.

Wholesale Sales Forecast

While YEC has updated the wholesale sales forecast for 2013, there has been no adjustment made for 2012. UCG submits that YEC has not provided correspondence from YECL that confirms the specific changes that have been made with respect to the unavailability of Fish Lake Hydro during 2012 and 2013 (as was directed by the Board in Order 2013-01) and the addition of Whitehorse Copper Tailings as a YECL customer. YEC has not provided any detail regarding what information they have received from YECL regarding Fish Lake Hydro nor assumptions regarding the Whitehorse Copper Tailings load and associated YECL line losses.

UCG submits that YEC's compliance filing is incomplete in this regard.

Industrial Sales Forecast

As is noted in YEC's compliance filing, the Board's direction and intention regarding adjustments to the industrial sales forecast were very specific:

39. The Board is of the view that the most accurate and current information available at the time of the hearing should be used to make a decision on an application. This allows all parties to make submissions on any new information. Accordingly, the Board directs YEC to update its major industrial sales forecast in its compliance filing to account for the change to the 2012 and 2013 Minto sales forecasts referred to in the hearing.

UCG submits that if more accurate information is identified during the hearing, it should be incorporated into the compliance filing.

In its final argument, YEC noted that an updated Alexco sales forecast indicated that there was a small decline (0.5 GWh) in 2012 and a small increase (1.3 GWh) in 2013. While YEC felt free to adjust the industrial revenues for more accurate information related to Alexco, it did not do the same for sales.

UCG submits that the industrial sales forecast included in the compliance filing should be updated for the more accurate Alexco sales forecast identified at the hearing.

UCG notes that YEC's compliance filing has not made any mention of the "developer near Dawson City" not the potential load that could be connected as soon as mid-2013. If by May 1, 2013 YEC has no information regarding the connection of another industrial load, then it should be assumed that YEC is not expecting any revenues associated with it. UCG submits that if an additional load magically appears on the system during 2013, then all net revenues should be held in a deferral account and passed through to all Yukon ratepayers at the time of the next rate adjustment.

Secondary Sales

In its compliance filing, YEC continues to forecast no secondary sales. UCG submits that if secondary sales do occur in 2013 and subsequent years, then all net revenues should be held in a deferral account and passed through to all Yukon ratepayers at the time of the next rate adjustment.

Power Generation

While YEC was directed to take into consideration in its compliance filing any adjustments needed (if any) to reflect the effect of the Mayo A runner improvements, YEC simply confirmed that they were considered in the modelling. UCG submits that there is not enough information provided in the compliance filing to confirm what the impact is nor how the impact was reflected in the final numbers.

Fuel Cost

YEC's compliance filing does not include explanations of how the impacts of changes to the load forecast and generation mix have been calculated so there is no way to confirm YEC's adjustments to the 2012 and 2013 revenue requirements. Without being able to confirm the calculations, UCG cannot agree with the amount of the adjustment.

Cost of Debt

While the Board directed YEC to use 3.97% as the forecast cost for new debt for 2012 and 3.58% as the forecast cost for new debt for 2013, UCG is unable to determine whether this direction has been followed given the PDF version of Schedule 11 included in YEC's compliance filing. It is unclear to UCG how the approved debt rate has been incorporated within the cost of debt included in the compliance filing.

Diesel Contingency Fund

In its Order 2013-01 (appendix A), the Board stated the following:

255. Given the above concerns, the Board does not approve YEC's proposed DCF but directs YEC to provide a revised DCF proposal. In the revised DCF proposal, YEC is to incorporate other non-diesel generation facilities (wind, Fish Lake hydro) forecasts into its model. In addition, YEC is to incorporate the suggestions of CW and UCG as to how DCF transactions are to be reported. Further, in that submission, YEC is to provide an example of approximately five years of transactions which will show how the balance in the DCF will change and how those changes will be reported. Finally, YEC is to work with YECL, and the two utilities will provide a joint recommendation on how the DCF will affect the Energy Reconciliation Account in Rate Schedule 42 and any proposed wording changes to that rate schedule. The Board will leave it to the discretion of YEC and YECL as to when the revised DCF proposal is to be filed with the Board. Given the foregoing, the Board does not approve YEC's requests regarding the DCF and therefore does not approve YEC's proposed changes to Rider F. Secondary sales, as they occur, will continue to be credited to the Rider F account.

YEC has taken it upon themselves to submit a revised DCF proposal for approval by the Board as part of this Compliance Filing. UCG submits that it is completely absurd to submit a revised policy proposal such as this as part of a compliance filing and not give stakeholders an opportunity to thoroughly review the proposal and underlying assumptions, submit information requests pertaining to the revised proposal/assumptions and then allow for time to test alternative approaches. To provide stakeholders 9 days to review the entire compliance filing and comment on a policy proposal such as this is an abuse of the regulatory process and smells like another attempt by the government-owned utility to ram another policy by the Board and stakeholders.

In its compliance filing, YEC admits that it has not even completed the work required in order to understand the impact that the revised DCF proposal will have on Rate Schedule 42¹:

Wholesale Rate Schedule 42 & proposed ERA changes – As regards Rate Schedule 42 and the ERA-related changes in the Application, YEC is directed to work with YECL, and the two utilities are to provide a joint recommendation on how the DCF will affect the Energy Reconciliation Account (ERA) in Rate Schedule 42 and any proposed wording changes to that rate schedule (Board Order 2013-1, paragraph 255); accordingly, YEC is directed to re-file a Rate Schedule 42 in cooperation with YECL (paragraph 281). Yukon Energy has arranged to meet with YECL to develop a joint recommendation on how the DCF will affect the ERA in Rate Schedule 42 and any proposed wording changes to that rate schedule, and will report to the Board as soon as possible on this matter. This direction does not affect the ability to re-institute the DCF for YEC water availability impacts and accordingly YEC is re-filing a revised DCF as directed by the Board in Order 2013-1.

¹ YEC Compliance Filing, page 1-8

UCG disagrees with YEC's statement that the impact to Rate Schedule 42 is not related to the revised DCF policy. The Board itself included the work on Rate Schedule 42 as part of the directions related to Rate Schedule 42².

It is interesting to note that despite the Board's direction to incorporate the suggestions of UCG regarding reporting, YEC has not provided any EXCEL spreadsheets in the compliance filing to assist the Board and intervenors in understanding the supporting calculations related to the revised DCF proposal.

UCG submits that submitting a revised DCF proposal and underlying assumptions as part of the compliance filing was not the intent of the Board's directions especially when there are outstanding components of that direction that YEC has not yet undertaken. UCG submits that it is premature for the Board to approve the revised DCF proposal and underlying assumptions until stakeholders have an opportunity to better test the proposal.

Western Copper Aerial Mapping

The Board directed that \$30,233 related to aerial mapping to be put back into work in progress until it can be charged directly to Western Copper³. YEC's compliance filing identifies a \$6,000 reduction to depreciation in each of 2012 and 2013 but UCG does not see any changes being made to the rate base proposed for 2012 and 2013.

Deferred Projects and Accounts

While YEC's proposal to add Marsh Lake Storage (\$4.8 million) and Gladstone hydro enhancement (\$4.4 million) to rate base was denied, UCG only sees reductions to rate base of \$219,000 in 2012 and \$478,000 related to these projects. UCG does not see enough detail in the compliance filing to confirm that YEC has followed the Board's directions in this regard.

Given that section 26(2) of the *Public Utilities Act* states that "a public utility shall not change its accounting practices under subsection (1) except with the prior approval of the board", UCG submits that YEC should be applying for accounting orders from the Board to allow YEC to (1) establish the deferral accounts directed to be established by the Board in Order 2013-01 and (2) continue operation of existing deferral accounts in 2013 and beyond.

Proposed Rate Adjustments

UCG is not able to confirm YEC's calculations because of (1) the incompleteness of the compliance filing; (2) changes that UCG have identified above to the revenue requirement; and (3) the lack of EXCEL spreadsheets to allow UCG to properly test YEC's calculations and formulas contained within its spreadsheets and tables.

Yours truly,

Roger Rondeau
Utilities Consumers' Group

² Board Order 2013-01, page 54

³ Board Order 2013-01, page 63