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Our File No.: 71310-0018

May 28, 2012

Yukon Utilities Board  
Box 31728  
Whitehorse, Yukon Y IA 6L3

**Attention: Bruce McLennan, Chair**

Dear Sir:

**Re: YEC Application for Interim Rates effective July 1, 2012**

We are writing on behalf of the City of Whitehorse (the "City") with respect to the above-noted matter. Yukon Utilities Board ("YUB" or the "Board") Order 2012-04, dated May 22, 2012, states that "Intervenors are invited to submit comments with respect to YEC's request for interim refundable rates to the Board by 4:00 p.m. May 28, 2012."

In its cover letter of April 27, 2012 (page 2 of 4), YEC applied for interim rates (the "Application") as follows:

Rates arising from the final order in this GRA are not expected to be approved and in place until late 2012. Interim refundable rate orders provide necessary flexibility to accommodate regulatory lag between the GRA filing date and the date the final Board order in the matter is issued. This effectively helps keep both ratepayers and the Yukon Energy whole.

To ensure that YEC has a reasonable ability to recover its prudent costs for 2012 (as may be finally approved by the Board after a full hearing), the Application includes a request to implement overall rate adjustments of 6.4% for retail customers and 2.9% for industrial customers through implementation of Rider J (applicable to retail customers and industrial customers), effective July 1, 2012 on an interim refundable

basis. Any required "true up" between the utility and ratepayers for 2012 will be part of the Board's final order setting out rates arising from this Application.

The City, by letter dated May 11, 2012, set out the City's position on the Application:

In the City's submission, this application should be denied or, alternatively, YEC should only be allowed to collect a percentage of the proposed 6.4% increase for 2012 absent a hearing to review the revenue requirement dictating such an increase. In the City's submission, interim, refundable rates should not allow a utility to recover 100% of its forecast revenue requirement (including contentious items) absent testing and approval of this forecast by the regulator.

There are two reasons for denying YEC an interim rate increase equal to the final rate increase it requests in its general rate application<sup>1</sup>. Firstly, the City submits that, after a full hearing to consider YEC's general rate application, the Board will likely approve a portion of the rate increase YEC has applied for, but it is unlikely to grant YEC the full increase requested. The City notes that this was the case in YEC's 2008/2009 general rate application. Furthermore, information requests will not be completed until July 12, 2012. This will be the first opportunity for the Board and intervenors to evaluate whether all elements of YEC's forecast revenue requirement, such as the large additions to rate base, are prudent. In the City's submission, the Board should not allow YEC to recover 100% of the rate increase associated with its untested, forecast revenue requirement without any assessment of the prudence of this revenue requirement.

Secondly, the City submits that, denying YEC the interim rate increase in whole or in part, would result in rate stability. YEC's application would likely see customers' 2012 rates increase in June only to decrease later in the year (if, as the City submits, YEC's approved revenue requirement is less than YEC forecasts in its general rate application). If rates must increase, the City considers that two moderate rate increases are preferable to a large increase followed by a smaller decrease. At most, the City considers that retail rates should not increase by any more than the 3.4% increase already experienced by industrial customers. Accordingly, industrial rates would receive no interim rate increase. This would also adhere to the principles of OIC 2012/68 rate direction that all rate adjustments for retail customers and major industrial customers apply equally.

In summary, the City's preference is to deny the interim rate increase pending examination of the general rate application in full. Should the Board determine that some rate relief is required, then the retail rate increase should be limited to 3.4% and the industrial customers should receive no further rate increase.

Yours truly,

BROWNLEE LLP

Kristjana E. Kellgren

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<sup>1</sup> In the Application, YEC states that it seeks to "recover its prudent costs for 2012 (as may be finally approved by the Board after a full hearing)."  
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