

YUKON
ENERGY



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August 10, 2012

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

Dear Mr. McLennon:

Re: Utilities Consumer's Group (UCG) Requests for Further Information

In correspondence dated August 1, 2012, UCG made application for further information from Yukon Energy arguing that the information provided in responses filed July 27, 2012 was not fully responsive. The Board by letter dated August 3, 2012 invited Yukon Energy to provide comments by August 10, 2012 and provided UCG with the opportunity to respond to any comments by August 14, 2012.

Outlined below is Yukon Energy's response to UCG.

UCG Requests for further information

In general, UCG asserts that "it is apparent that appropriate and adequate responses" have not been provided in a number of interrogatory responses and that "it is necessary to have the numbers from previous years on the record of this proceeding" since "there has not been a thorough testing of these numbers since the last General Rate Application." UCG asserts that analysis of YEC's forecasts "requires a significant amount of historical results in order to adequately compare and test".

In response to this general statement, the General Rate Application provides actuals for 2009 and 2010 and full year forecast information for 2011. This information is sufficient to understand any existing trends in test year forecasts. Further, actual information prior to 2009 was thoroughly tested and reviewed as part of the 2008/2009 General Rate Application,¹ as well as the 2005 Required Revenues and Related Matters Application. UCG participated fully in these earlier reviews and in fact, in many instances UCG is requesting data that is already publically available and that was requested and provided as part of prior reviews.

¹ Materials from the 2008/2009 General Rate Application are available on the YUB website at the following link:
http://www.yukonutilitiesboard.yk.ca/proceedings/yec_rate_application/

Many of the other information requests noted in UCG's motion address issues that are clearly out of scope of the current revenue requirement application or are unreasonably extensive relative to the materiality of the issue. Responding to many of these questions would also require YECL customer data, which YEC does not have access to, or a full cost of service study, which would also require joint effort with YECL and could not practically be undertaken at this time. Where possible and relevant YEC has attempted below to clarify its responses, including elaborating on instances where requested information is either not available or not practicable to provide.

UCG has noted 42 information requests. Twenty questions are requests for actuals for years prior to 2009 and a further 10 questions are requesting information that would require an approved cost of service to respond to.

1. Request related to OIC 2012/68

UCG-YEC-1-3(b)

UCG requests that YEC provide "details of any discussions or information sharing that YEC was a party to related to the development of OIC 2012/068". UCG submits that nothing is out of scope for this proceeding since the Board did not provide an issues list, and this information is relevant to understanding how the directions of OIC 2012/68 were incorporated in the GRA and "whether the regulatory and stakeholdering processes were circumvented during the development of YEC's application".

YEC Response

The scope of this proceeding is bounded by the issues to be determined in the Application. These issues are summarized in the Notice of Application prepared by the Board and attached to Order 2012-03.

With regard to the OIC, Yukon Energy has provided its interpretation of OIC 2012/68 in response to YUB-YEC-1-60. The jurisdiction of the Yukon Utilities Board is defined by the *Public Utilities Act*, which includes the ability of the Yukon Government to provide specific directions to the Board in exercising its jurisdiction. It is not appropriate, or relevant to any application, for the parties to probe the Government's reasoning for defining the Board's jurisdiction under the Act or through Government direction. Accordingly, the question is out of scope.

2. Requests seeking cost of service allocations

UCG makes a number of information requests for YEC to provide explanations regarding how certain costs are tracked and allocated within the revenue requirement and how they will be recovered from certain rate classes. UCG submits that this information is relevant to determine the validity of YEC's proposed revenue requirement, and this is the only opportunity available to test the impact of these projects and verify the claimed benefits to ratepayers as well as prudence of costs incurred. UCG also argues that OIC 2012/68 "does not address how specific projects might impact specific customer classes", and notes that "different customer classes will benefit from projects differently and the balancing of these differences need only be balanced overall per OIC 2012/68".

UCG argues that the following requests related to revenue requirement per residential and general service customer, Rider F, projects in service in 2011 and major deferred cost projects did not provide complete responses: UCG-YEC-1-21(d); UCG-YEC-1-22(c); UCG-YEC-1-43(b); UCG-YEC-1-48(b); UCG-YEC-1-49(b); UCG-YEC-1-50(d); UCG-YEC-1-61(c); UCG-YEC-1-62(c); UCG-YEC-1-63(c); and UCG-YEC-1-64(c).

YEC Response

UCG's requests are focused on obtaining details regarding how costs will be recovered from specific rate classes. It is not possible to respond to these information requests at this time, as any response would require an approved cost of service study and rate design exercise. The Board specifically did not accept the cost of service study filed with the 2009 Phase II Rate Application in Order 2010-13. The last approved cost of service study was undertaken in 1996/97 and is therefore dated, and given the changes on the system since that time, would not provide meaningful results. Undertaking the analysis would require specific YECL data that YEC does not have access to and would require joint participation with YECL.

The focus of this current proceeding is to determine whether YEC costs included in the revenue requirement were prudently incurred. As indicated in the Application, the costs are proposed to be recovered from ratepayers via Rider J and Rider R for each test year consistent with the requirements of OIC 2012/68. It is not feasible or relevant to address rate impacts for each customer class as it is required that these impacts be as directed in OIC 2012/68. Accordingly, the information requested does not in any manner help to assess the prudence of expenditures or benefits provided to ratepayers.

With regard to UCG-YEC-1-21(d) and UCG-YEC-1-22(c) it is noted that to provide a meaningful response would require a cost of service study for the requested years. YEC has YECL as its major customer, which accounts for the largest share of its load and operational commitments. Therefore, un-weighted average revenue requirement per customer is of limited value.

3. Requests for actual information for 2007 and 2008 previously reviewed and tested as part of the 2008/2009 GRA or for information prior to 2009

UCG makes various information requests noting that actuals for years prior to 2009 are required in order to provide for a 5-Year trend. UCG argues that it is necessary to have all relevant information on the record of the current proceeding to make effective argument regarding YEC's forecasting and earnings history.

YEC Response

As indicated in responses to IRs, actuals for 2009 to 2011 have been provided. Yukon Energy does not agree that data prior to 2009 is directly relevant to testing Yukon Energy's forecasts in this proceeding. There is no established precedent for 5-year trending. Data for years prior to 2009 was available to be reviewed and tested as part of prior rate proceedings and much of this information was provided in responses to IRs, as part of the 2008 Update Filing, in the Compliance Filing or as part of YEC's Year End Filing for 2008. This information was reviewed and thoroughly tested in the 2008/2009 GRA and there is no need for it to be reviewed

and tested a second time. Further, with regard to the following IRs, the information was requested by UCG or other intervenors and responses were provided by YEC during the 2008/2009 GRA: UCG-YEC-1-17(c); UCG-YEC-1-19(b); UCG-YEC-1-20(a); UCG-YEC-1-21(a) and (b); UCG-YEC-1-22 (a) and (b); UCG-YEC-1-24(a); UCG-YEC-1-25 (b) and (c); UCG-YEC-1-26(a) and (b); UCG-YEC-1-27(a); UCG-YEC-1-28(a); UCG-YEC-1-29(a); UCG-YEC-1-30(a); UCG-YEC-1-31(a); UCG-YEC-1-32(a); UCG-YEC-1-33(a); UCG-YEC-1-34(a); UCG-YEC-1-35 (a) and (c); UCG-YEC-1-41(a); UCG-YEC-1-67(a); and UCG-YEC-1-68(a).

In many cases, the information requests above are duplicates of information requested by UCG in the 2008/2009 GRA and were responded to at that time. With regard to UCG-YEC-1-18(d), relevant information regarding expense by year for deferred projects (including DSM) from 2009 to 2011 FYF and 2012 and 2013 Forecast is addressed in Tables 5.3 to 5.7 of the Application. The same information regarding deferred project spending by year is available in the 2008/2009 GRA.

4. Other requests that are out of scope, unreasonably extensive and impractical to compile

UCG-YEC-1-5 (c)

UCG is requesting calculations of the total bill (including all riders, rate relief, and taxes) for a residential customer living in Whitehorse using 1000 kWh, 1200 kWh and 1400 kWh per month in January 1997, January 1998, January 1999, January 2000, January 2001, January 2002, January 2003, January 2004, January 2005, January 2006, January 2007, January 2008, January 2009, January 2010, January 2011, January 2012, July 2012 and January 2013 assuming that the 2012 and 2013 rate adjustments proposed by YEC are approved. UCG submits that ratepayers have been subject to confusion and extreme volatility since 1996, and in order to better understand what has made up the bill of Yukon ratepayers and the amounts of those bills, it is important to see the actual numbers and components of those bills. UCG argues that providing a graph depicting changes to ratepayer bills does not provide the detail requested and given that YEC is able to provide a summary graph, the details of the bills from 1997 and 1998 are obviously readily available.

YEC Response

The response did provide Whitehorse residential monthly bills for January 2009, January 2010, January 2011, January 2012, July 2012 and January 2013 for 1000 kWh, 1200 kWh and 1400 kWh monthly consumption, i.e., years directly relevant to the current Application. The response also noted that the full bill (including GST) before government rate relief in December 1999 (the last time Yukon Energy's rate was increased) was \$129 for 1000 kWh of usage.

The additional information requested for years prior to 2009 is not directly relevant to the current revenue requirement proceeding and is not readily compiled. However, to be helpful, the graph prepared as part of the Phase II proceeding, and readily available at time of filing IRs, was provided as Attachment 1 to the response. This graph illustrates Residential Non-Government: Rate & Bill History from July 1986 to January 2010 (for 1000 kWh). The information request made by UCG is far more extensive and detailed than the information contained in this graph (seeking bill calculations for 1000, kWh, 1200 kWh, and 1400 kWh per month in each year from January 1997 to January 2013). Given the information is only tangentially relevant to the

revenue requirement proceeding (which is supposed to focus on testing the prudence of Yukon Energy's forecasts), deploying the resources and incurring the costs necessary to undertake this work was not considered reasonable or prudent or particularly helpful to the Board in making its determinations.

UCG-YEC-1-7

UCG is requesting YEC provide details of bill calculations, revenue to cost ratios, details of customer base and cost of service upon which rates were designed and the legislation under which these rates are regulated and copies of regulatory or political decisions that approved the charging for rates used in this comparison.

YEC Response

Information regarding the bill calculations, revenue to cost ratios underpinning rates, customer base, cost of service and legislation under which rates are regulated in other jurisdictions is not part of the scope of the current Yukon Energy revenue requirement proceeding. UCG is requesting detailed research be undertaken by YEC on the rate regulation environment in other Canadian jurisdictions. This is not relevant to testing YEC's forecasts and would require YEC to expend a considerable level of effort and cost to complete. The referenced bill calculations provided in Appendix 4.2 are complete with references that outline the sources of the information relied upon and these sources of information are publically available and able to be reviewed by UCG or any other intervenor in this proceeding.

UCG-YEC-1-11

Request to provide all cost allocation and revenues evidence relied upon to come to conclusions in statement that "industrial connected growth continues to be material – but industrial load growth to date also continues to bring higher revenues that tend to more than offset any related incremental costs".

YEC Response

The response provided to YUB-YEC-1-2(a) outlines all of the relevant assumptions and supporting information underlying the above-quoted statement.

UCG-YEC-1-23(b) and (c)

UCG requests actual monthly kWh usage for 2009 to 2013 for all residential customers in each Yukon community and the average Yukon residential monthly usage. UCG also requests a table showing, for 2009 to 2013, the number of customer in each community using at, or below, 1000 kWh/month, 1000-1300 kWh each month, 1300 to 1500 kWh each month and more than 1500 kWh each month during the year.

YEC Response

Yukon Energy does not have access to the information necessary to provide this response as the majority of customers in Yukon are served at the retail level by YECL. Further, the information request is focused on rate design issues (i.e., whether actual consumption and consumption levels match blocks used by rates in Yukon) which are not relevant to this revenue requirement proceeding; rate design is a Phase II matter.

5. Other

UCG-YEC-1-26(c)

UCG requests an explanation of how YEC and YDC-related costs are tracked and allocated within YEC's revenue requirement. UCG notes that it is "looking for an explanation of how these costs are identified, tracked and recovered from YDC in order to confirm that Yukon ratepayers are not paying these costs".

YEC Response

YEC has an agreement to provide corporate and financial services to YDC on a cost-recovery basis. As described in YUB-YEC-1-13, Yukon Energy's revenue requirement is reduced for an allocation of 0.5 positions for services provided to YDC. There is no provision for non-labour items in the revenue requirement as these are 100% recovered from YDC via intercompany invoice.

UCG-YEC-1-45(d)

UCG requests a breakdown of the proposed 2012 revenue requirement assuming industrial rates increased at the same level as other customers and YEC is only allowed to recover proposed incremental revenue requirement for 8 months. UCG submits that the requested information is needed to properly calculate the impact of allowing YEC to recover the proposed revenue requirement.

YEC Response

Based on current Yukon practice and past precedents, utilities are permitted to file for full rates at any point in the year, and it is up to the Board to determine the amount the utility is entitled to recover. It is further noted that industrial and non-industrial rates must be determined by OIC 2012/68; accordingly, this information is not relevant to the current proceeding. Finally, revenue requirement analysis is undertaken on an annual basis and it is simply not technically feasible to provide this analysis on a monthly basis.

UCG-YEC-1-59(c) and UCG-YEC-1-66(b)

UCG's request was for a component breakdown of project expenditures by year for all capital and deferred projects with a cost estimate of \$500,000 or more. UCG submits that the application only provides a general description of the costs of projects over \$1 million without identifying the cost components. UCG submits that it is impossible to test the prudence of projects costing more than \$500,000 without seeing how the money is actually being spent.

YEC Response

Consistent with prior applications (i.e., the 2005 Required Revenues and Related Matters Application and the 2008/2009 GRA), the 2012/ 2013 GRA sets out extensive detail on all projects greater than \$1 million. The response to UCG-YEC-1-59(c) provides IR references where further detail regarding spending by component is available. This includes CSTP Stage 2, Aishihik 3rd Turbine, Mayo B, Aishihik Redundancy, Aishihik River Berm, Aishihik Elevator Modernization, Aishihik Third Turbine Spare Parts, Wind Feasibility, Mayo Substation, Mayo Headgate, Whitehorse Spillway and JDE Enterprise System. For all major projects, the

Application and further detailed information provided in IR responses filed July 27 provide sufficient basis to understand the justification and need for each project.

UCG-YEC-1-60(a)

UCG notes that YEC failed to fully respond to part (a) of this information request referring to the response to YUB-YEC-1-39(j). The referenced attachment to YUB-YEC-1-39(j) was not attached to the responses received by UCG.

YEC Response

The referenced attachment was provided and attached to the YUB-interrogatories filed July 27, 2012. It was also attached to the IR consolidation provided on YEC's website August 1, 2012. To be helpful the response to YUB-YEC-1-39(j) is attached.

Yours truly,

A handwritten signature in black ink, appearing to read "Ed Mollard". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ed Mollard
Chief Financial Officer