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August 14, 2012

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Mr. Bruce McLennan, Chair

**Re: Yukon Energy Corporation – 2012 / 2013 General Rates Application
YEC Responses to Information Requests**

Dear Mr. McLennan:

The Utilities Consumers' Group is in receipt of YEC's August 10, 2012 response to UCG's request for more complete responses to information requests in this proceeding. There is nothing in YEC's response which changes UCG's position that all of the requested information that remains outstanding is still required on the record of this proceeding except for the information related to the response to UCG-YEC-1-60(a).

YEC opens its response by stating that the information provided in its application "*is sufficient to understand any existing trends in test year forecasts*". UCG submits that YEC has again assumed that all parties would have the same understanding of its operations as they themselves do and that there is only one way to produce projections based on empirical analysis of operational data.

UCG submits that much of the requested information that remains outstanding appears to be readily available and the only reasons that YEC submits for not producing it are that it is on the record of previous proceedings, that it is out of scope for this proceeding and that they believe that they have provided sufficient amounts of data to allow parties to determine positions on YEC's various proposals.

UCG submits that the lack of cost of service analysis continues to lessen the ability of the Board and interested parties from thoroughly understanding YEC's proposals. It is common practice for regulated utilities to apply for approval of revenue requirements but, if the proposed revenue requirement is expected to require a rate adjustment, UCG is not aware of any other jurisdiction where a regulated utility would not submit cost allocation and rate design evidence as part of the general rates application. UCG submits that the ongoing use of rate riders continues to move the Yukon away from affordable, understandable rates and the equitable recovery of costs as they are incurred. To simply take the easy way out by applying for rate riders that are applied across-the-board flies in the face of accepted business and regulatory practice of other jurisdictions where rate riders are only used on a temporary basis and for extraordinary, isolated costs.

YEC submits that OIC 2012/068 restricts how any rate adjustment can be applied, but UCG submits that the blocked structure on retail rates allows some creativity to how the adjustments are applied to individual rates while still allowing impacts to be equal from a percentage view.

UCG submits that whether the requested information was reviewed in a previous regulatory proceeding is irrelevant for efforts to establish trends related to information put forward as proposed in the current application. UCG submits that while the utilities may have legal requirements to keep all operational data, interested parties should not be responsible for keeping large amounts of data from previous proceedings in case it is needed for reference in subsequent proceedings. It is not the job of the utility to determine how interested parties are to prepare their evidence or arguments on any specific issue nor is it up to the utility to determine how interested parties will develop historic trends and analysis of the historic results to determine how they will position their arguments to the Board.

As is the case for all regulatory proceedings, the Board must rely on the evidence and argument put forward during this proceeding in order to make a decision on the application's merits. In past proceedings, YEC has argued that "absent further evidence" to support positions of interested parties, there was no merit to arguments put forward.

UCG submits that without getting the information that YEC has in its possession on the record of this proceeding, interested parties are prevented from making fact-based arguments to the Board. The Board has previously dismissed arguments of interested parties where it considered the basis of these arguments to be "new evidence" that had not been discussed at the hearing. UCG submits that the lack of evidence (especially cost of service analysis) in support of its proposals results in YEC not having met its burden of proof.

UCG submits that it is trying to use the Board's previous decisions in order to gather sufficient data to provide valid analysis in its arguments. In its Reasons for Order 2008-5, the Board states:

...the Board agrees that some additional historical information is relevant and would be helpful. In particular, the Board considers that for certain items such as load forecasts and continuity of capital additions, five years of historical data are helpful.

The Board again uses a 5-year average in its Reasons for Decision in Board Order 2009-2 to make a determination on a component of YECL's revenue requirement:

...in the Board finds a vacancy rate of 3.5, the average actual vacancies for the period 2003 to 2007, to be reasonable for the test years.

UCG submits that the need for at least 5 years of historical data for trending analysis is not restricted to load forecasts and capital additions. All significant components of revenue requirements need to be carefully analyzed in this manner.

With respect to YEC comments on specific requests, UCG submits the following:

UCG-YEC-1-3(b)

YEC declares UCG's request to be "out of scope" for the current proceeding and that "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".

Regarding the scope of this proceeding, UCG submits that since OIC 2012/068 has played a significant part in how YEC developed its proposed interim refundable rate riders in this application and how the Board is able to make decisions related to the application, it is apparent that this OIC must be considered part of the application and an intricate part of the issues being reviewed.

What UCG requested was nothing about the Government's reasoning for issuing circumventing directions through OIC 2012/068 but rather what part YEC had in discussions or information sharing to which it was a party. UCG is trying to better understand how YEC developed the proposals in an application which supposedly took considerable time to develop, especially when the application was submitted only one day after OIC 2012/068 was released. If there are political motivations behind YEC's proposals and YEC developed its proposals over several months based on discussions it had with Government policy makers, then UCG submits that this information must be discussed in order to make effective arguments to the Board regarding the information needed to make a fair decision on YEC's proposals.

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); UCGYEC-1-62(c); UCG-YEC-1-63(c); and UCG-YEC-1-64(c)

YEC submits that it is not possible to respond to these ten specific information requests at this time, as any response would require an approved cost of service study and rate design exercise. YEC also submits that 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.

UCG submits that the lack of a cost of service study is the issue here. UCG submits that while OIC 2012/068 directs that rate adjustments for retail customers and major industrial customers apply equally, when measured as percentages, to all classes of retail customers, it is the level of the rate adjustment on the consumer's bill, the resulting revenue-to-cost ratios, the impact on affordability and the messages being sent to ratepayers that UCG is most concerned about.

UCG submits that the Board will not be able to approve rate adjustments for various customer classes unless it is able to justify the amount of revenue requirement being recovered from each of the customer classes as fair, reasonable and affordable.

UCG submits that any issues in this application relating to cost allocation, rates and rate design need to be addressed as part of a Phase II proceeding before any final decisions can be made in that regard. UCG submits that without accurate and current revenue-to-cost ratios for all rate classes, it would not be reasonable to approve any rate or rate design proposals.

The Board is already on record while approving YEC's 2005 Revenue Requirement and Related Matters that a "full GRA" which addresses cost of service, rate design and other related matters, as well as revenue requirements (requiring filings by both YEC and YECL) is required in order to comply with the Rate Directive OIC 1995-90. UCG does not understand why an application with respect to revenue requirements and rates for 2012 and 2013 would be any different.

The Reasons for Decision related to the Board's Order 2010-13 states:

197. In terms of pricing signals, the Board is of the view that the best pricing signals to customers are those prices that reflect the full cost to serve those customers. Arguments on incremental cost of diesel generation, or what portion of the incremental cost of diesel generation should be reflected in runoff rates should take a distant backseat to the proper alignment of costs to revenues for each rate class. Once rebalancing has occurred for the rate classes, then issues relating to runoff can be examined in greater detail.

UCG submits that regardless of whether OIC 2012/068 requires equal percentage adjustments, it is the base rates and the impact of YEC's proposed revenue requirements on affordability that need to be reviewed before any across-the-board adjustment is applied.

With respect to **UCG-YEC-1-21(d)** and **UCG-YEC-1-22(c)**, UCG submits that its request for revenue requirement per residential and general service customer for 2008, 2009, 2010, 2011, 2012 (forecast) and 2013 (forecast) would provide not only nearly 5 years of relevant historical data upon which to form an argument regarding the test years, but would also allow for the fairness of the rates being proposed for ratepayers to be measured against the affordability of YEC's operations by these customers. UCG submits that this requires a full cost of service analysis.

With respect to **UCG-YEC-1-43(b)**, UCG does not understand how a request for details on the recovery of revenue through Rider F and debits/credits to the Deferred Fuel Price Account has anything to do with the lack of a cost of service study. What is at issue here is that it does not appear as though YEC even submitted a request to YECL for any of the requested data which YECL has in its possession.

With respect to **UCG-YEC-1-48(b)**, **UCG-YEC-1-49(b)** and **UCG-YEC-1-50(d)**, UCG submits that it is inconceivable that YEC would not be able to provide information regarding the revenue requirement impact of projects like the Carmacks-Stewart Transmission Project – Stage 2, the Mayo Hydro Enhancement Project and the Aishihik 3rd Turbine. UCG is confused how the lack of a cost of service study would have anything to do with a component of a total revenue requirement that YEC has proposed and is seeking approval for from the Board. UCG maintains that the impacts on individual rate classes (through a full cost of service analysis) is still required in order to ensure that the recovery of costs matches cost causation and benefits received. As UCG argued previously, this is the only opportunity available to test the impact of these projects and to verify claimed benefits to ratepayers and the prudence of the related revenue requirements.

With respect to **UCG-YEC-1-61(c)**, UCG submits that while the Board may be able to approve overall levels of expenditures on DSM-related activities, it will not be able to establish a fair and reasonable recovery mechanism for these costs without a full cost of service study.

With respect to **UCG-YEC-1-62(c)**, **UCG-YEC-1-63(c)** and **UCG-YEC-1-64(c)**, UCG submits that while the Board may be able to approve overall levels of expenditures on Waste to Energy / Biomass, District Heating and LNG programs, it will not be able to establish a fair and reasonable recovery mechanism for these costs without a full cost of service study.

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); UCGYEC-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)

YEC submits that the requested data for 2009 to 2011 has been provided in other proceedings, that data requested for prior to 2009 is not directly relevant to testing YEC's forecasts in this proceeding, and that there is no established precedent for 5-year trending.

With respect to the last claim, please see references above to the Board's Orders 2008-5 and 2009-2 in which 5 years of data is deemed relevant for trending analysis.

With respect to YEC's claim about data being provided in other proceedings, please see reference above to the utility's responsibility to keep all operational data and the limited resources of interested parties. It should not be the responsibility of interested parties to search for data from historical proceedings and try to put it in the format presented by the utility in this current application. UCG submits that while the lack of stakeholder consultation prior to the application being finalized hampers the understanding by interested parties, the lack of cooperation to facilitate the analysis of interested parties significantly hampers these same efforts.

With respect to data prior to 2009 being relevant, UCG submits that without at least 5 years of actual data, interested parties would not be able to conduct 5-year trending analyses which the Board has already deemed relevant.

Given that there has been no arguments put forward that the requested data is not readily available, UCG submits that YEC should provide the data as requested.

UCG-YEC-1-5(c)

YEC submits that the additional information requested for years prior to 2009 is not directly relevant to the current revenue requirement proceeding and is not readily compiled.

UCG submits that every utility in the world must be able to track changes to ratepayer bills through its history, so this appears to be simply YEC not willing to provide the requested numbers. YEC notes that a graph illustrating Residential Non-Government bills from July 1986 to January 2010 has been provided in a previous proceeding. UCG submits that this surely means that the data has been compiled in the past so the tools are available to produce the requested information.

UCG submits that without the requested information, it will not be able to refute YEC's claim that the current 2012 / 2013 Application represents the first requested increase in YEC firm retail rates for non-industrial customers since the 1998/1999 rate review nor present fact-based arguments regarding the volatility of ratepayer bills, the ongoing use of rate riders and the decreased affordability of electricity in the Yukon.

YEC has already confirmed with its original response to this information request that the bills of Yukon ratepayers have continued to change since 1997 due to the reliance by YEC and YECL on across-the-board percentage rate riders to recover approved rate revenue requirements and changes to fuel costs beyond what was provided by 1997 base rates. UCG submits that it should be entitled to review the data related to this observation in order to make effective arguments to the Board.

UCG-YEC-1-7

YEC submits that the requested information about the other jurisdictions used to compare against the current application is not part of the scope of the current revenue requirement proceeding.

If a utility presents information as evidence within an application to justify its proposals, it is assumed that it has already undertaken the required analysis to ensure that it is comparing apples to apples. What UCG is requesting is relevant information to test YEC's positioning of its rates versus the rates of other jurisdictions.

If YEC is not able to prove that the situations within these other jurisdictions are similar to the Yukon and that rates are influenced by similar issues and direction, then they have not met their burden of proof and this part of YEC's application is irrelevant and carries no weight toward justifying their proposals.

UCG submits that it is not enough to simply accept the claims that YEC has made without knowing how the posted rates were established in other jurisdictions and under what circumstances.

If YEC is not able to provide the requested information and UCG and other parties are not able to test this evidence at the hearing, UCG submits that this section of YEC evidence should be removed from the record.

UCG-YEC-1-11

YEC submits that the information provided in response to YUB-YEC-1-2(a) satisfies UCG's information request.

The response to YUB-YEC-1-2(a) does provide an industrial load incremental cost of generation calculation for 2009 and 2013. UCG does not see any information provided regarding other components of the revenue requirement associated with industrial loads.

UCG submits that it is not simply generation costs that increase with the addition of load. There are many costs included in the costs to serve any customer class and this is the information requested by UCG in its information request.

If YEC is proposing the recovery of its total revenue requirement in 2012 and 2013, UCG submits that analysis must be conducted on how that revenue requirement is recovered. In UCG's view, details are required to ensure that rates charged to industrial customers are indeed recovering all the costs being incurred by this class of customer and that other rate classes are not subsidizing the industrials.

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

YEC submits that it does not have access to the information necessary to provide a response to UCG's information request and that rate design issues are a Phase II matter.

Per OIC 1995/90, "*the rates for each class of non-governmental retail customer must be the same throughout the Yukon without variation between Yukon Energy Corporation and the Yukon Electrical Company Limited customers*". Any rate adjustment proposal put forward by YEC affects the bills of all Yukoners whether they are customers of YEC or YECL.

UCG submits that without the requested information, it is not possible to adequately determine whether the proposed rate adjustments and revenue requirements are fair and reasonable to all Yukoners.

When preparing proposals that impact all ratepayers, YEC should have been proactive in securing information from YECL to ensure that all ratepayers are being treated fairly and reasonably. If this analysis is not able to be produced without a Phase II analysis, then this further illustrates the need to a Phase II proceeding prior to approving any rate adjustments.

To suggest that overall bill impacts on Yukoners is not relevant is an illustration of YEC's focus on simply recovering what it feels is its entitled revenue requirement no matter what burden is placed on consumers.

UCG-YEC-1-26(c)

YEC submits that its revenue requirement is reduced for an allocation of 0.5 positions for services provided to YDC and that there is no provision for non-labour items in the revenue requirement as these are 100% recovered from YDC via intercompany invoice.

UCG submits that this does not come close to responding to its information request related to how costs incurred and recovered from YDC are tracked and allocated.

UCG is looking for details of the costs incurred for and recovered from YDC to allow for analysis of their reasonableness as part of this proceeding. The review of affiliate relationships is a common element of revenue requirement reviews in every jurisdiction. UCG submits that it is not enough to simply state that there are no YEC-related costs in the revenue requirement without allowing interested parties an opportunity to review and ask questions in the hearing on their reasonableness and then make related arguments to the Board.

UCG-YEC-1-45(d)

In its original response, YEC stated that the requested calculation requires monthly breakdown of the proposed 2012 revenue requirement which was not yet developed. Now YEC submits that the requested information is not relevant to the current proceeding due to OIC 2012/068.

In approving interim rates through its Order 2012-05, the Board did not provide any interpretation of OIC 2012/068 and simply approved the interim rates in order to preserve YEC's opportunity to recover the revenues ultimately determined by the Board to be just and reasonable for 2012.

UCG submits that arguments still must be presented to the Board regarding how much of the applied-for revenue requirement increase for 2012 should be recovered from ratepayers.

What UCG is trying to determine with its information request is the percentage rate increase required under different interpretations of OIC 2012/068 and assuming that YEC is only allowed to recover the proposed incremental 2012 revenue requirement for 8 months (May-December) instead of 12 months.

Given YEC's limited disclosure of cost of service and rate design information, UCG submits that it is not possible for interested parties to make these calculations on their own in order to feed arguments in these areas.

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

YEC submits that it has provided “extensive detail on all projects greater than \$1 million” and provides IR references where further detail regarding spending by component is available.

UCG submits that YEC has only provided general descriptions of the several millions in costs on projects costing more than \$1 million and that additional detail is required in order to effectively test the prudence of these projects as well as the millions being spent on projects costing more than \$500,000. UCG submits that interested parties have not been given an opportunity to thoroughly review these major capital expenditures for prudence and UCG argues that YEC has not met its burden of proof.

UCG submits that it would be insufficient for the Board to limit its review of the current application to a consideration of whether or not YEC is operating in a manner that has been accepted in the past and whether or not it has applied well established principles of utility operations and ratemaking.

Without knowing more about what YEC has and is planning to spend on capital, it is not possible to prepare an effective argument on whether the capital expenditures have been or will be reasonable under the present circumstances.

UCG submits that there is no set dollar value on what should be considered a major capital project and that business cases including details of expenditures should be provided on all capital expenditures over \$500,000 since these projects have a significant impact on ratepayer bills over the years. Interested parties must be given a better opportunity to examine the business cases and details of the expenditures.

While UCG understands that utilities are required to undertake planning activities, UCG submits that these expenditures are the risk of the shareholder and not ratepayers until their prudence can be evaluated and tested in a regulatory proceeding. UCG submits that the request for additional detail regarding deferred cost project expenditures is needed to ensure that interested parties have an opportunity to not only review the details but test their prudence and the policies that YEC has implemented in this regard. UCG submits that ratepayers are being held responsible for costs incurred by YEC that may not be in their best interests.

UCG-YEC-1-60(a)

UCG submits that the requested information has been provided.

Should you have any questions on this submission, I would ask that they be directed to me by email at rroudeau@northwestel.net.

Yours truly,

Roger Rondeau
Utilities Consumers' Group