

**Yukon Energy Corporation
2012-13 GRA**

**Board Information Request (YUB) Round 2 to
Yukon Energy Corporation (YEC)**

YUB-YEC-2-1

Reference:

YUB-YEC-1-1

Issue/Sub-Issue:

Forecast Accuracy

Quote:

For example, the 2011 Resource Plan Update forecast non-industrial load for 2011 was at 339.3 GW.h, while the 2011 actual non-industrial load was 357.7 GW.h (including 8.7% losses), which is 18.4 GW.h higher than the 2011 Resource Plan forecast.

Request:

- (a) When was the 2011 Resource Plan Update forecast completed?
- (b) Does YEC consider an 18.4 GW.h or 5.5% error rate in its update forecast acceptable?

YUB-YEC-2-2

Reference:

YUB-YEC-1-2

Issue/Sub-Issue:

Cost of Service

Quotes:

It is also important to note that, in the case of residential customers, cost of service studies for all Yukon (YEC and YECL consolidated) have consistently shown in the mid 1990s and more recently (2009) that existing rates do not recover even 85% of the average costs to serve these customers.

And

... YEC is not able at this time to assess the incremental costs and revenues for load growth associated with each of the non-industrial retail firm rate classes in Yukon (most of these customers are served directly by YECL).

Request:

- (a) Would YEC characterize its 2012 costs as materially different from those in the mid-1990s?
- (b) Did YEC collaborate with YECL in the development of its load forecast?
- (c) If the answer to (b) is no, how did YEC arrive at its load forecast?

YUB-YEC-2-3

Reference: YUB-YEC-1-4, LE-YEC1-19
Issue/Sub-Issue: Mayo A & B

Request:

- (a) Does the inclusion of Mayo B effectively de-rate or reduce the possible generation output of Mayo A?
- (b) Is there any scenario where both Mayo A & B are simultaneously used at full rated capacity?

YUB-YEC-2-4

Reference: YUB-YEC-1-5
Issue/Sub-Issue: Aishihik Third Turbine

Quote: As noted in LE-YEC-1-21 (a) and (b), the overall scope of the project was not reduced or changed since tendered costs were provided in 2010.

Request:

- (a) Please provide all scope changes from the time the project was first proposed (20-Year Resource Plan) and 2010 and the reasons for the changes.

YUB-YEC-2-5

Reference: YUB-YEC-1-6(b)
Issue/Sub-Issue: Faro Dewatering Account Funds

Quote: As in past proceedings, it is recognized that an alternative would be for the full outstanding balance of the Reserve for Injuries and Damages to be included in rate base. As in past proceedings, it was recognized that this alternative provides much less benefit to ratepayers than the alternative proposed based on past practice.

Request:

- (a) Please provide the calculations in support of the above-mentioned statements.
- (b) Please confirm that other than what was provided in the (b) response to the referenced question, that YEC did not consider other alternatives to the use of the funds in the Faro Dewatering Account. If not confirmed, please discuss the other alternatives.

YUB-YEC-2-6

Reference: YUB-YEC-1-8(b)
Issue/Sub-Issue: Atlin Storage

Request:

- (a) Were any amounts in relation to this project expensed after a Park Designation was granted to the area by the Government of British Columbia? If yes, please detail the amounts.

- (b) Was a cancellation clause included in the agreement with the consultant for the Atlin project?
If not, why not?

YUB-YEC-2-7

Reference:

YUB-YEC-1-25

Issue/Sub-Issue:

Marsh Lake Storage

Preamble:

The 2006 20-Year Resource Plan estimated an increase in long-term average hydro energy from this facility by 7.7 GW.h/year at a capital cost of no more than \$1.0 Million. The 2012 GRA is forecasting a total cost in the area of \$10,500,000.

Request:

- (a) Please reconcile and fully explain the difference in the two cost estimates.
(b) At what dollar level does YEC view this project as uneconomical?

YUB-YEC-2-8

Reference:

YUB-YEC-1-25

Issue/Sub-Issue:

Gladstone Diversion

Request:

- (a) Is the Gladstone diversion project supported by the Department of Fisheries and Oceans, and the Champagne and Aishihik First Nations?
(b) If the answer to part (a) is affirmative, please explain the basis for your answer.
(c) If the answer to part (a) is not affirmative, please discuss the prudence of continued expenditures on this project.

YUB-YEC-2-9

Reference:

CW-YEC-1-18, City of Whitehorse (CW), 2012/2013 General Rate Application Interrogatory Responses Filed

Issue/Sub-Issue:

Transmission Brushing Costs

Quotes:

In 2010, labour drops \$0.134 million from 2009; the primary cause of this is the loss of the two power line technicians in June of that year. In 2011, these positions were successfully re-staffed and labour costs recovered close to 2009 levels.

And

Table 1: Transmission Costs per km of Transmission Line (\$000)

Preamble:

The Board would like to understand how the loss of the two power line technicians affected brushing and vegetation management.

Request:

- (a) Please comment on how losing the two power line technicians affected the quantity and quality of YEC's brushing program in 2010.
- (b) Please comment on any consequences experienced by the reduction of the two power line technicians and any brushing activities in 2010.
- (c) Please comment on whether YEC can sustain brushing costs at levels similar to that experienced in 2010 levels without creating any problems or issues in the future.

YUB-YEC-2-10

Reference: CW-YEC-1-19, City of Whitehorse (CW), 2012/2013 General Rate Application Interrogatory Responses Filed

Issue/Sub-Issue: Distribution Brushing Costs

Quotes: Actual expenses were lower in 2009 and 2010 for several reasons: brushing – completed with internal labour as opposed to contractors;

And

Table 1: Distribution Costs per km of Transmission Line (\$000)

Preamble:

The Board would like to better understand distribution brushing costs. *Table 1: Distribution Costs per km of Transmission Line ('000)* shows that the brushing costs per km of distribution lines in 2009 and 2010 was less than 40 per cent of the brushing costs for 2009 GRA compliance and FYF 2011.

Request:

- (a) Please confirm that these savings are due to using internal labour instead of contractors.
- (b) Please comment on why YEC is not using internal labour for brushing despite the significant cost savings.
- (c) Please comment on whether YEC is currently using contractors to brush the transmission lines and whether the same cost savings could be expected if internal labour were used.

YUB-YEC-2-11

Reference: YUB-YEC-1-38, Yukon Utilities Board (YUB), 2012/2013 General Rate Application Interrogatory Responses Filed

Issue/Sub-Issue: Demand-side Management (DSM) Accounting Policy

Quote: Improvements in Corporate end use are not directly designed to influence choices of ratepayers (i.e., either to reduce or shift loads); however, this does provide a positive example for the community regarding efforts that can be made by all consumers in order to be more efficient. Yukon Energy is itself an end user of electricity, consequently, conservation efforts by Yukon Energy within its own facilities helps to reduce loads and requirements for costly baseload diesel generation on the grid – which benefits all ratepayers.

Preamble:

The Board would like to better understand YEC's DSM accounting policy.

Request:

- (a) Please comment on whether it is common practice for a utility to include improvements in corporate end use in DSM.
- (b) Please comment on any other jurisdictions which have allowed similar improvements to be included in DSM.

YUB-YEC-2-12

Reference: YECL-YEC-1-46, Yukon Electrical Company Limited (YECL), 2012/2013 General Rate Application Interrogatory Responses Filed

Issue/Sub-Issue: Vacancy Rates

Quote: Table 1: Annual Vacancy Rate by Department

Preamble: The Board would like to better understand YEC's vacancy forecast.

Request:

- (a) Please confirm that the units in *Table 1: Annual Vacancy Rate by Department* are FTEs and not percentages.
- (b) Please describe how YEC came up with the forecast vacancy rates for the test period.
- (c) Please comment on why the same vacancy rate is expected in each department.

YUB-YEC-2-13

Reference: YUB-YEC-1-20, Yukon Utilities Board (YUB), 2012/2013 General Rate Application Interrogatory Responses Filed

Issue/Sub-Issue: Administration/Communication Costs

Quote: No decision has been made as to the level of funding beyond 2013; however, it is expected that the current level of effort in communications will be an ongoing Corporate commitment.

Preamble: The Board would like to better understand the information campaign.

Request:

- (a) Please provide more information regarding YEC's public information campaign (e.g., type of material sent out / information disseminated) and a breakdown of each cost.
- (b) Has the information campaign been successful? How has YEC been tracking this success? What results can YEC show to justify this costs and continuing this program? Please quantify (e.g., How many questions has Janet received?).
- (c) How has the information campaign benefitted rate payers?
- (d) If the website upgrade costs \$0.05 million, why does the communications budget not decrease by \$0.05 million in 2013?

YUB-YEC-2-14

Reference: YUB-YEC-1-55 & YUB-YEC-1-56, Yukon Utilities Board (YUB), 2012/2013 General Rate Application Interrogatory Responses Filed

Issue/Sub-Issue: Costs of converting to IFRS

Quote: YEC does not anticipate any incremental costs associated specifically with the deferral of IFRS adoption. Management expects the costs to be the

same as if the deferral had not occurred, only spread over a longer time frame.

And

The advisor started collaborating with YEC in order to execute IFRS in about March 2009

And

The advisor's mandate was initially expected to end within a few months of conversion, originally planned for January 1, 2011.

And

The advisor will continue to work with YEC through conversion, probably into the first quarter of 2013.

Preamble: The Board would like to better understand YEC's transition into IFRS.

Request:

- (a) How is the advisor compensated (e.g., hourly, fixed salary)?
- (b) Given that the ASB did not grant the 2012 deferral option until October 2010, YEC should have been ready, or very close to being ready, for IFRS starting January 2011. Please comment and provide a percentage to demonstrate how prepared YEC was for IFRS in October 2010.
- (c) Please describe in detail what work the advisor has completed since January 2011 and what work still needs to be completed for the 2013 transition.
- (d) Please provide the total amount (related to the IFRS adoption) that YEC would have added to the rate base if YEC had adopted IFRS in 2011.
- (e) Please provide the total amount (related to the IFRS adoption) that YEC is expecting to add to rate base following the adoption of IFRS in 2013.
- (f) Please confirm that no incremental costs are associated with the deferral of IFRS adoption.

YUB-YEC-2-15

Reference:

Issue/Sub-Issue:

Quote:

YUB-YEC-1-39

YEC planning cost accounting policy (PCAP)

...This reflects the reality that at any decision point in the project planning phases up to the point of the *Decision to Construct* there may also be a decision not to proceed with a project.

...

...it was determined that pushing significant deferred costs to the future would shift risks and cost burden to future ratepayers in a manner that may not be viewed as equitable.

...

...Future deferred costs will need to be reviewed by the Board prior to being included in rates. At that time the Board and intervenors will have the opportunity to review the prudence of such expenditures.

Request:

- (a) The PCAP refers to “planning and study costs which are pure research in nature. Please provide why YEC customers should be accountable for “planning and study costs which are pure research in nature.” What test does YEC for determining prudence for such costs?
- (b) Please list previous planning and study costs which are pure research in nature or are related to ongoing operations.
- (c) Are “Planning costs incurred in relation to major projects that do not meet Reasonable Assurance [which YEC proposes to promptly close] out in annual stages, and [amortize] over 5 years”¹ considered to be reviewed during a GRA process? If not how are such costs reviewed by the Board or intervenors?
- (d) Under 2.2 (a) of YEC’s proposed PCAP, how long can future expenditures be held without meeting YEC’s reasonable assurance test? Further, if these costs are then deferred, when do these costs come under regulatory review?
- (e) Please explain how the PCAP provides a clear decision-making framework which addresses transparency/accountability and intergenerational equity concerns.
- (f) With respect to the above quote taken from YUB-YEC-1-39 (d), on what basis does YEC make the decision to proceed or not to proceed? Economics – i.e. dollars per KW? Additionally, in its response to YUB-YEC-1-39 (d), is YEC stating that costs such as assessment, licensing, engineering and tendering costs are hard to forecast with any reasonable assurance. Please explain.
- (g) In its answer to YUB-YEC-1-39 (e), is YEC submitting that these costs will not form part of the total project costs?

¹ Application, Appendix 5.1, 2.3, page 5.1-1.

YUB-YEC-2-16

Reference: YUB-YEC-1-42

Issue/Sub-Issue: Marsh Lake storage

Quote: An LCOE (2010\$) is estimated at 8.5 cents per kW.h, assuming a capital cost (2010\$) of \$10.5 million, full utilization of annual generation of 6.4 GWh on average over a 65 year life, focused in winter months at current Whitehorse plant, and annual operating cost (2010\$) of \$8/MWh. Marsh Lake is assumed to provide 1 MW of added reliable winter peak.

Preamble: The Board requires further information

Request:

- (a) Please provide the 8.5 cents per kWh full utilization LCOE analysis (lines 9-12, page 5-33 of the Application) in an EXCEL spreadsheet with all formulae intact, including all underlying assumptions.
- (b) Table 1 of YUB-YEC-1-42, compares default diesel requirement with Marsh Lake storage on lines 1 and 2. Respecting the default diesel requirement please provide the rationale for comparing 6.4 GW.h/yr Marsh Lake storage to 292 GW.h/yr default diesel.
- (c) Please provide the underlying assumptions for all the columnar items in Table 1 of YUB-YEC-1-42, on a line-by-line basis.
- (d) Is the \$10.5 million² forecast cost to complete the project over and above the \$4.83 million³ total projected deferred cost?
- (e) If the answer to (d) above is no, please explain why the total projected deferred costs are not included in Table 1, as part of the capital costs for the Marsh Lake project?
- (f) When reviewing projects, does YEC adhere to a \$/MW.h benchmark to make a decision whether or not to proceed with a project. Please justify the criteria that may or may not signal the end to a project from YEC's perspective.

YUB-YEC-2-17

Reference: YUB-YEC-1-47

Issue/Sub-Issue: Major projects, waste to energy/biomass/biogas

Quote: Please see Table 1 below for Waste to Energy and Biomass thermal projects present value (PV) analysis prepared as part of 2011 Resource Plan Update (See YECL-YEC-1-18).

Preamble: The Board requires further information.

Request:

- (a) Please provide Table 1 in an EXCEL spreadsheet with all formulae intact and please include all underlying assumptions.
- (b) Table 1 of YUB-YEC-1-47, compares default diesel requirement with waste to energy, 25 and 15 MW wood biomass, and 3 MW wood pilot scenarios. Respecting the default diesel

² Application, page 5-33, line 3

³ Application, page 5-31, line 20.

requirement, please provide the rationale for comparing the different capacities, i.e. 2.2, 25, 15 and 3 MW for the scenarios vs 37 MW capacity for the default diesel requirement.

- (c) The default diesel requirement is made up of \$56 million capital costs. Please provide all underlying costs that make up this total.
- (d) Do the capital costs for the waste to energy, wood biomass and wood pilot projects include the costs of feasibility costs to date and future related studies? If not, please explain why project-related costs shown in Table 1 of YUB-YEC-1-40 should not be capitalized with their respective projects.

YUB-YEC-2-18

Reference:

YUB-YEC-1-45

Issue/Sub-Issue:

Mayo Lake enhancement project

Quote:

The GRA forecast \$0.660 million to be expensed in 2012 for project activities. These preliminary estimates for remaining work are under active review at this time. Activities include continuance of fieldwork and analysis; preparation of YESAB Designated Office Project Proposal (including participation by NND); and preparation of Yukon Water Board Licensing Amendment Application (and review process) and preparation and review of DFO Fisheries Act Authorization.

Please note that there was a typographical error in GRA Application on page 5-28 (line 16), the spending to end of 2011 is \$1.43 million as shown in the table above, not \$1.46 million. This correction will not affect any other numbers in GRA Application.

Preamble:

The Board requires further information.

Request:

- (a) Please provide the 6.3 cents per kW.h full utilization LCOE analysis (lines 17-19, page 5-38 of the Application) in an EXCEL spreadsheet with all formulae intact and please include all underlying assumptions.
- (b) Are the above-noted expenses to be capitalized as Mayo Lake enhancement project expenses when the project has been completed? Please explain.

YUB-YEC-2-19

Reference:

YUB-YEC-1-43

Issue/Sub-Issue:

Major projects, Gladstone (\$4.4 million)

Request:

- (a) Please provide the 6.3 cents per kW.h full utilization LCOE analysis (lines 17-20, page 5-34 of the Application) in and Excel spreadsheet with all formulae intact and please include all underlying assumptions.