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Our File No.: 71310-0018

October 19, 2012

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Deana Lemke, Executive Secretary

Dear Madam:

Re: Yukon Energy Corporation (YEC) Application for Interim Rates effective January 1, 2013

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") Memo dated October 12, 2012, invited parties to comment on YEC's request for 2013 interim rates by Friday, October 19.

In its letter of October 11, 2012 (the "Application") YEC applied for "an interim refundable revenue shortfall rider of 6.5% for 2013 (Rider R) to be applied to all retail and industrial firm rates (including the 2012 shortfall Rider J and the fixed Rider F) effective January 1, 2013."¹ YEC's reasons for the Application were given as follows:

1. Pursuant to Order 2012-5, Yukon Energy is only collecting revenues for six months of 2012 (and would therefore only receive approximately one-half of the applied for revenue requirement increase in 2012 on an interim refundable basis). The approach for 2012 interim rates essentially built in a cushion to take into account the fact that YEC may not receive the entire applied-for increase once a final order on the 2012/2013 GRA is issued by the Board. This is a significant cushion, i.e., the Board would have to reduce the annualized 2012 applied for rate increase by over 50% (\$1.7 million) before there would be any decrease from the interim rate increase approved.
2. Given that it is likely that final rates will not be approved for several months past January 1, 2013, approving an interim refundable Rider R as of January 1, 2013, will

¹ Application, page 2

promote rate stability and reduce the likelihood that rates finally approved by the Board will need to recover a shortfall for 2013 (similar to the issues raised in the 2012 Interim rate application). The full 6.5% Rider R rate increase on an interim refundable basis takes into account the significant cushion already provided with regard to the approved 2012 Rider J interim refundable rate increase.²

The City disagrees with YEC's premise that granting the full 2012 revenue requirement increase of 6.4% and 6.5% for 2013 will "promote rate stability". The City notes that the proposed 6.5% Rider R will be applied to the current base rates plus the existing interim rate Rider J of 6.4% and to Rider F. The City notes that including Rider F differs from YEC's proposed application of Rider R "to the base rates, after application of Rider J where applicable"³. Furthermore, stacking a 6.5% rate increase on top of an existing 6.4% increase (2.9% for industrial customers), as YEC proposes, will result in the recovery of far more than the revenue requirement that will ultimately be approved for 2013. The net result will be a refund of 2013 over-recoveries. Such a reduction after two significant rate increases in one year cannot be considered as promoting rate stability.

The City submits that YEC has provided insufficient evidence to justify its application and the City wishes to submit information requests to YEC and then examine YEC's witnesses at the November 12-14 hearing on the need for such large interim rate increases. The City considers that such a process should permit a brief oral argument at the end of the hearing on the matter of interim rates. Given that YEC asks for an implementation date more than two months away, there is no urgency to approve 2013 interim rates, which should allow for proper examination of the Application. The City further considers this is the most efficient process that would still allow the Board, after hearing the complete body of evidence regarding YEC's 2013 revenue requirement, to set just and reasonable interim rates well before the requested implementation date of January 1, 2013.

Should the Board wish to deal with this matter prior to next month's hearing, the City requests a full written process with information requests and argument and reply. As discussed above, the City submits that YEC's request is not adequately supported by evidence and that further information is required. This process will also permit the Board to issue a decision on YEC's request prior to the January 1, 2013 implementation date.

If the Board decides to proceed without any further process other than YEC's reply (which the City emphasizes it opposes), the City recommends that Rider J be reduced to the level of 3.2%, to be applied only to retail rates. This would recognize that industrial customers received a 3.4% rate increase at the beginning of 2012. This would also recognize that Rider J was intended to recover only 50% of the applied-for rate increase:

The Board also considers important that the interim rates would only be collected for approximately one-half of the applied-for revenue requirement increase for 2012. The Board is of the view that, until the merits of the General Rate Application are determined, these interim refundable rates promote rate stability and are just and reasonable to both the utility and consumers.⁴

² Application pages 2-3

³ YEC 2012-2013 General Rate Application, page 4.1-3

⁴ Board Order 2012-05, Appendix A, page 3
{17/10/2012 ,E1239211.DOCX;1}

The City recommends the Board approve a Rider R of 3.25% to be applied to retail and industrial rates as consistent with the precedent established in many jurisdictions of allowing a utility to recover less than 100% of a utility's forecast revenue requirement increase but to grant some percentage to minimize the turbulence of rate changes over short periods (as noted by the Board in 2008-6). The City submits that the combination of reduced Rider J and Rider R would promote rate stability and allow a smooth transition to final rates in 2013.

Please contact the writer with any questions or concerns.

BROWNLEE LLP

PER:

A handwritten signature in black ink, appearing to read 'Kristjana E. Kellgren', written over a horizontal line.

KRISTJANA E. KELLGREN