

YUKON
ENERGY



**YUKON ENERGY
CORPORATION**

P.O. Box 5920
WHITEHORSE
YUKON Y1A 6S7
(867) 393-5300

File: 2703-06-P11-001

February 14, 2011

Mr. Bruce McLennan, Chair
Yukon Utilities Board
P.O. Box 31728
Whitehorse, YT Y1A 6L3

Dear Mr. McLennan,

RE: Rate Schedule 39 0 Escalation of Demand and Energy Charges per OIC 2007/94

In accordance with direction provided by the Board in order 2010-12, please find attached YEC's responses to information requests submitted in the above proceeding.

Yours truly,

A handwritten signature in black ink, appearing to read 'Ed Mollard', written in a cursive style.

Ed Mollard
Chief Financial Officer

**YUKON
ENERGY**



YUKON ENERGY CORPORATION

**RATE SCHEDULE 39
ESCALATION OF DEMAND & ENERGY CHARGES
UNDER OIC 2007/94**

Interrogatory Responses Filed

February 14, 2011

**UTILITIES CONSUMERS GROUP
(UCG)**

1 **REFERENCE:** **Application, November 30, 2010, page 1**

2

3 **QUESTION:**

4

5 a) Please confirm that the "*Escalation of Demand and Energy Charges*" clause of
6 OIC 2007/94 referenced in the first paragraph of YEC's application should read:

7

8 Demand and Energy charges for the directed changes are to be escalated once
9 each calendar year, starting January 1, 2010, based on the latest percentage
10 increase in the 12 month implicit chain price index for gross domestic **product** at
11 market prices for Canada as reported by Statistic Canada.

12

13 **ANSWER:**

14

15 **(a)**

16

17 Confirmed.

1 **REFERENCE:** **Application, November 30, 2010, page 1**

2

3 **QUESTION:**

4

5 a) Please confirm that the "*Escalation of Demand and Energy Charges*" clause of
6 OIC 2007/94 states that the demand and energy charges to industrial customers
7 "*are to be escalated once each calendar year*" and that there is no provision in
8 the OIC 2007/94 for demand and energy charges to be reduced or not escalated.

9

10 **ANSWER:**

11

12 **(a)**

13

14 Confirmed as regards no provision to reduce. Please also see response to UCG-YEC-1-
15 6. As regards no provision to be "not escalated", the OIC specifies the only condition
16 under which escalation is to occur and does not otherwise mandate any escalation or
17 change of the charges.

1 **REFERENCE:**

2

3 **QUESTION:**

4

- 5 a) Please provide a copy of the schedule produced by Statistics Canada which, at
6 the time of the Application, indicated that the 12 month Implicit Chain Price Index
7 for the Third Quarter of 2010 warranted an increase in demand and energy
8 charges of 2.8%.

9

10 **ANSWER:**

11

12 **(a)**

13

14 The November 30, 2010 letter to the Yukon Utilities Board seeking approval for the
15 required escalation of demand and energy charges pursuant to the OIC provided the
16 following reference to the supporting information on the Statistics Canada website:

17

18 <http://www40.statcan.gc.ca/l01/cst01/gdps05a-eng.htm>

19

20 This is also provided as an attachment to this response.

Implicit chain price indexes, gross domestic product (quarterly)

Page 1 of 1



[Home](#) > [Summary tables](#) >

Related tables: [Gross domestic product](#), [Income and expenditure accounts](#).

Implicit chain price indexes, gross domestic product (quarterly)

	3rd quarter 2009	2nd quarter 2010	3rd quarter 2010	2nd quarter 2010 to 3rd quarter 2010	3rd quarter 2009 to 3rd quarter 2010
	seasonally adjusted				
	2002=100			%	
Gross domestic product at market prices	119.1	121.9	122.4	0.4	2.8
Personal expenditure on consumer goods and services	110.3	111.4	111.9	0.4	1.5
Government current expenditure on goods and services	122.6	125.0	125.7	0.6	2.5
Government gross fixed capital formation	118.6	119.8	119.8	0.0	1.0
Business gross fixed capital formation	116.2	117.4	117.8	0.3	1.4
Exports of goods and services	103.6	106.6	107.2	0.6	3.5
Imports of goods and services	90.9	89.0	90.0	1.1	-1.0
Final domestic demand	114.2	115.6	116.1	0.4	1.7

Sources: Statistics Canada, CANSIM, table (for fee) 380-0003 and Catalogue no. 13-001-X.
Last modified: 2010-11-30.

[Find information](#) related to this table (CANSIM table(s); Definitions, data sources and methods; *The Daily*; publications; and related Summary tables).

Date Modified: 2010-11-30

1 **REFERENCE:**

2

3 **QUESTION:**

4

5 a) Please identify whether the schedule provided in response to UCG-3 is
6 seasonally adjusted or not. If seasonally adjusted, please identify where in OIC
7 2007/94 this adjustment is required.

8

9 **ANSWER:**

10

11 **(a)**

12

13 The 12 month Implicit Chain Price Index for gross domestic product to be used for this
14 adjustment as mandated by OIC 2007/94 is as provided in response to UCG-YEC-1-3.
15 To the best of YEC's knowledge, no other relevant 12 month Implicit Chain Price Index
16 for gross domestic product at market prices for Canada as reported by Statistics Canada
17 is available.

1 **REFERENCE:**

2

3 **QUESTION:**

4

5 a) Please provide the 12 month Implicit Chain Price Index for the Third Quarter of
6 2010 without seasonal adjustment. Please provide all relevant data and
7 calculations.

8

9 **ANSWER:**

10

11 **(a)**

12

13 Please see response to UCG-YEC-1-4.

1 **REFERENCE: Application, November 30, 2010, page 1**

2
3 YEC indicates that the current Rate Schedule 39 was approved in a proceeding that
4 resulted in Board Order 2008-13.

5
6 **REFERENCE: YEC Application for Approvals regarding the Alexco Power**
7 **Purchase Agreement, YEC Response to UCG-YEC-1-3(e)**
8 **(December 1, 2010)**

9
10 “OIC 2007/94 provides for annual “escalation” at January 1 of each year (from 2010 until
11 2012) based on the most recent 12 month implicit chain price index for GDP per
12 Statistics Canada. During the process to finalize Rate Schedule 39 (early last fall) Yukon
13 Energy committed to provide a letter to YUB by December 5, 2009 that would set out
14 any required adjustment.

15
16 In 2009, there were no basis for an increase, i.e., the Implicit Chain Price Index (CPI) for
17 the Third Quarter of 2009 was negative, indicating no increase in CPI and no
18 requirement pursuant to OIC 2007/94 to escalate the demand and energy charges.
19 Given the OIC requires an adjustment for “escalation” and not reduction, no change to
20 demand and energy charges in Rate Schedule 39 was required.”

21
22 **QUESTION:**

- 23
24 a) Please provide a copy of YEC’s submission to the YUB in 2009 which indicated
25 that there was no requirement pursuant to OIC 2007/94 to escalate the demand
26 and energy charges in Rate Schedule 39 effective January 2010.
27
28 b) Please provide evidence of YEC’s submission referenced in part (a) being
29 circulated to other interested parties in the Yukon and a listing of those parties.
30
31 c) Please provide a copy of any notices that were publicly published related to
32 YEC’s submission referenced in part (a).
33
34 d) Please provide a copy of all correspondence among the YUB, YEC and other
35 parties regarding the submission referenced in part (a).

1 **ANSWER:**

2

3 **(a) to (d)**

4

5 Please see Attachment 1 to this response for copies of all related information available
6 to YEC. Yukon Energy initially filed a letter with the Yukon Utilities Board December 4,
7 2009 indicating that the anticipated filing could not be made at that time given the fact
8 that Statistics Canada had yet to update the Implicit Chain Price index for the 3rd quarter
9 of 2009 and that this filing would be provided once such information was available. This
10 subsequent filing was made to the Board on December 24, 2009 noting that there was
11 no requirement at that time to escalate these demand and energy charges (because
12 there had been a decline in the relevant reported Implicit Chain Price Index).

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December 4, 2009

Ms. Wendy Shanks, Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Ms. Shanks,

RE: Rate Schedule 39 – Escalation of Demand and Energy Charges per OIC 2007/94

YEC committed during the review and finalization of Rate Schedule 39 (application filed by Yukon Energy August 25, 2008 leading to Board Order 2008-13) that prior to December 5, 2009, YEC would submit a letter to the Board setting out, for approval by the Board, the adjustments to rates as required to effect escalation of demand and energy charges as directed by OIC 2007/94. This procedure would be repeated as need prior to December 5, 2010 and 2011.

Yukon Energy is unable to make the noted adjustment at this time due to the fact that the Q3 chain price index data is currently not available from Statistics Canada. Yukon Energy will submit for Board approval any escalation of these charges once the required information is available.

Yours Truly,

Ed Mollard
Chief Financial Officer



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YUKON ENERGY
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YUKON Y1A 5L6
(867) 393-5300

File: 2703-01-01

December 24, 2009

Mr. Bob Laking, A/Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Mr. Laking,

RE: Rate Schedule 39 – Escalation of Demand and Energy Charges per OIC 2007/94

OIC 2007/94 provides for the "escalation" of demand and energy charges as follows:

Demand and Energy charges for the directed changes are to be escalated once each calendar year, starting January 1, 2010, based on the latest percentage increase in the 12 month implicit chain price index for gross domestic product at market prices for Canada as reported by Statistics Canada.

YEC committed during the review and finalization of Rate Schedule 39 that prior to December 5, 2009, YEC would submit a letter to the Board setting out, for approval by the Board, the adjustments to rates as required to effect escalation of demand and energy charges as directed by OIC 2007/94. This procedure would be repeated as need prior to December 5, 2010 and 2011.

The most recent data available from Statistics Canada indicates that the Implicit Chain Price Index (CPI) for the Third Quarter of 2009 is -3.5%¹. Based on this latest data, which indicates no increase in CPI, there is currently no requirement pursuant to OIC 2007/94 to escalate the demand and energy charges at this time.

Yours truly,

A handwritten signature in black ink, appearing to read "Ed Mollard".

Ed Mollard
Chief Financial Officer

¹ See <http://www.statcan.gc.ca/daily-quotidien/091130/091130a6-eng.htm>

Canadian economic accounts: Table 6 Gross domestic product, implicit chain price indexes Page 1 of 1



[Home](#) > [The Daily](#) > [Monday, November 30, 2009](#) > [Canadian economic accounts](#) >

(Note: Content area on this page may be wider than usual.)

Table 6
Gross domestic product, implicit chain price indexes

Gross domestic product, implicit chain price indexes						
	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	Third quarter 2009
	Using seasonally adjusted data (2002=100)					
	year-over-year % change					
Personal expenditure on consumer goods and services	1.5	2.3	1.6	1.3	0.6	-0.1
Business gross fixed capital formation	1.8	3.2	7.1	6.5	3.7	1.4
Exports of goods and services	10.8	17.6	12.4	-1.4	-11.1	-15.0
Imports of goods and services	1.1	9.1	18.9	12.8	4.2	-4.0
Gross domestic product at market prices	4.9	5.8	1.6	-1.3	-3.4	-3.5
Final domestic demand	1.6	3.1	3.3	2.8	1.8	0.6

Date Modified: 2009-11-30

1 **REFERENCE:**

2

3 **QUESTION:**

4

5 a) Please confirm that YEC intends to submit similar applications in 2011 and 2012
6 to the YUB for Rate Schedule 39 demand and energy charge escalations
7 effective January 1, 2012 and January 1, 2013.

8

9 **ANSWER:**

10

11 **(a)**

12

13 As committed in fall of 2008, Yukon Energy will file for approval of the Board any further
14 changes to Rate Schedule 39 as may be required to address escalation of demand and
15 energy charges as provided for in OIC 2007/94. This OIC terminates December 31,
16 2012, and thus does not mandate any escalations effective January 1, 2013.

1 **REFERENCE: Board Order 2010-13, Reasons for Decision, pages 3 and 4**

2

3 Consolidated Firm Rate Revenue Requirements - \$50,833,000

4

5 YEC/YECL 2009 Consolidated Customer, Demand and Energy Forecast

6

<u>Customer Class</u>	<u># of Customers</u>	<u>Demand (kW)</u>	<u>Energy (kW.h)</u>
8 Res-Non Gov't	14,128		137,637,626
9 Res-Gov't	252		2,160,438
10 Gen Serv-Non Gov't	2,539	484,399	113,497,895
11 Gen Serv-Gov't	547	165,716	51,410,733
12 Industrial	1	62,400	29,023,000
13 Street Lights (61/66)	5,392	9,264,080 (W)	3,712,124
14 Street Lights (67)	64	222,600 (W)	87,660
15 Sentinel Lights (75/76)	977	1,666,600 (W)	645,700
16 Sub-total	23,900		338,175,176
17 Secondary Sales	23		7,584,000
18 Total	23,923		345,759,176

19

20 **QUESTION:**

21

22 a) Based on the approved consolidated customer, demand and energy forecast in
23 Board Order 2010-13, please identify revenues deemed to be recovered from the
24 industrial class related to demand and energy charges under the current Rate
25 Schedule 39.

26

27 b) Please provide details of the actual revenues for 2009 and 2010 recovered from
28 the industrial class related to demand and energy charges under the current Rate
29 Schedule 39. Please provide calculations.

30

31 c) Please provide details of the forecast revenues for 2011 to be recovered from the
32 industrial class related to demand and energy charges under the current Rate
33 Schedule 39.

34

35 d) Please provide details of the forecast revenues for 2011 to be recovered from the
36 industrial class related to demand and energy charges under the proposed Rate
37 Schedule 39.

1 **ANSWER:**

2

3 **(a) to (d)**

4

5 In Order 2011-2 the Yukon Utilities Board made specific determinations related to scope
6 of this proceeding noting that the "scope of the proceeding is limited to the escalation of
7 the Demand and Energy charges in Rate Schedule 39 and the Intervenor should
8 govern themselves accordingly".

9

10 In Yukon Energy's view, the information requested in (a) and (b) is outside the scope of
11 this proceeding as determined in Order 2011-2. With regard to the projected revenue
12 impact of the requested escalation, please see response to YUB-YEC-1-2(a).

1 **REFERENCE:**

2

3 **QUESTION:**

4

5 a) Please provide details of any mechanism in place or available to credit or
6 accumulate credits for non-industrial ratepayers for over-recovery of approved
7 rate revenue requirements.

8

9 **ANSWER:**

10

11 **(a)**

12

13 There is no mechanism in place or contemplated "to credit or accumulate credits for non-
14 industrial ratepayers for over-recovery of approved rate revenue requirements".

1 **REFERENCE: Rate Schedule 39, Base Load Energy**

2

3 “A Base Load Energy amount per month may be established for a customer of 90% of
4 forecast use when YEC expects to require diesel fuel generation to service use in
5 excess of such a Base Load Energy amount. At such time, Rate Schedule 39 will be
6 submitted to the Yukon Utilities Board for amendment to adjust the Energy rate as
7 required for a two part rate that yields the same overall energy charge at forecast energy
8 use, with all energy consumed in excess of the Base Load being charged at a rate
9 reflecting the incremental cost of service using diesel fuel generation and all other
10 energy being charged at the reduced rate required to yield the same overall energy
11 charge at forecast energy use”.

12

13 **QUESTION:**

14

15 a) Please confirm that, in the event that diesel generation is forecast to be on the
16 margin, YEC has the option to apply to the Board to implement the Base Load
17 Energy rate provisions of Rate Schedule 39.

18

19 b) Please identify when diesel generation was on the margin in 2009, 2010 and
20 2011 to date.

21

22 c) Please identify Base Load Energy amounts that have been established for any
23 customer served by YEC.

24

25 d) Has YEC actually required diesel fuel generation to service use in excess of such
26 Base Load Energy amounts?

27

28 **ANSWER:**

29

30 **(a) to (d)**

31

32 In Order 2011-2 the Yukon Utilities Board made specific determinations related to scope
33 of this proceeding noting that the “scope of the proceeding is limited to the escalation of
34 the Demand and Energy charges in Rate Schedule 39 and the Intervenors should
35 govern themselves accordingly”.

36

37 The information requested is outside of the scope of this proceeding.

**YUKON UTILITIES BOARD
(YUB)**

1 **REFERENCE:** **Application, page 1**

2

3 **QUOTE:**

4

5 YEC committed to file for approval of the Board any further changes to
6 Rate Schedule 39 as may be required to address escalation of demand
7 and energy charges as provided for in OIC 2007/94. In this regard, has
8 YEC committed to submit a letter to the Board prior to December 5 of
9 each related year setting out, for approval by the Board, the adjustments
10 to rates as required to effect escalation of demand and energy charges as
11 directed by OIC 2007/94.

12

13 **QUESTION:**

14

15 a) Please confirm that YEC did not make a similar application prior to December 5,
16 2009.

17

18 b) If part (a) has been confirmed, please explain why no such application was
19 made.

20

21 **ANSWER:**

22

23 **(a) and (b)**

24

25 YEC filed a letter with the Board December 4, 2009 indicating that the anticipated filing
26 related to Rate Schedule 39 escalation as required under OIC 2007/94 could not be
27 made at that time given that Statistics Canada had yet to update the Implicit Chain Price
28 Index for the 3rd quarter of 2009 and that this filing would be provided once such
29 information was available. This subsequent filing was made to the Board on December
30 24, 2009 noting that there was no requirement at that time to escalate these demand
31 and energy charges (because there had been a decline in the relevant reported Implicit
32 Chain Price Index). Please see Attachment 1 to response UCG-YEC-1-6 for copy of
33 these letters.

34

35 The requirement to escalate the demand and energy charges in accordance with the
36 OIC once each calendar year did not commence until January 1, 2010 – pursuant to the

37 OIC direction, prior to that date these charges could not be changed, i.e., no similar
38 application was permitted in late 2008 for rate adjustments as of January 1, 2009.

1 **REFERENCE:** **Application, page 1**

2

3 **ISSUE/SUB-ISSUE:** **Proposed Rate Schedule 39 increase**

4

5 **QUOTE:**

6

7 The most recent data available from Statistics Canada, in the 12-month
8 Implicit Chain Price Index is for the Third Quarter of 2010 and indicates
9 that the latest percentage increase is 2.8%.

10

11 **QUESTION:**

12

13 a) Please provide the incremental revenue for 2011 to YEC if the Board approves
14 the requested escalations.

15

16 b) Please confirm that for the YEC/YECL 2009 Phase II proceeding, it was the
17 position of the Companies (YEC and YECL) that the revenue to cost ratio for
18 Rate Schedule 39 customers exceeded unity.

19

20 c) If part (b) is confirmed, then please provide the justification to increase this rate
21 (Rate Schedule 39) further.

22

23 d) If part (b) cannot be confirmed, please provide all references from the record of
24 the YEC/YECL 2009 Phase II proceeding that shows evidence that the revenue-
25 to-cost rate for Rate Schedule 39 are less than unity.

26

27 e) Please confirm the proposed escalation is not cost-based (i.e. based on a new
28 cost of service study) but index based.

29

30 f) Can YEC provide its estimate of incremental costs to provide service in 2011 to
31 Rate Schedule 39 customers? If so please provide the estimated costs showing
32 price and volume variances.

1 **ANSWER:**

2

3 **(a)**

4

5 The currently projected incremental revenue for 2011 to YEC if the Board approves the
6 requested escalations to Rate Schedule 39 demand and energy charges is \$123,648, as
7 detailed below:

8

	Primary Sales	Billed Demand
	KWh	kVa
BP 2011	42,800,000	80,400
2011 Rate	\$ 0.0781	\$ 15.4200
2010 Rate	\$ 0.0760	\$ 15.0000
Delta	\$ 0.0021	\$ 0.4200
Units x Delta	\$ 89,880	\$ 33,768
Incremental Revenue for 2011	\$ 123,648	

9

10

11 **(b)**

12

13 Confirmed.

14

15 **(c) and (d)**

16

17 The increase is mandated by OIC 2007/94.

18

19 **(e)**

20

21 The escalation is index based as required by OIC 2007/94.

22

23 **(f)**

24

25 YEC understands that estimates of YEC costs of service or incremental costs for 2011
26 go beyond the scope of this proceeding (i.e., as directed in Order 2011-02, the scope of
27 this proceeding is limited to the requested escalation of the Demand and Energy
28 charges in Rate Schedule 39).

29 In any event, YEC cannot at this time provide an updated cost of service for 2011 for the
30 Rate Schedule 39 customers, or a comprehensive estimate of all incremental costs to
31 provide service in 2011 to Rate Schedule 39 customers as compared to the 2009 costs
32 last reviewed and approved by the Board. However, YEC can confirm that it is expecting
33 to experience continuing and notable escalations in diesel generation fuel and operating
34 costs as well as other costs, and that such escalations are expected to be well in excess
35 of the incremental revenues as estimated in response to (a) above.

1 **REFERENCE:**

2

3 **ISSUE: Who Will Benefit from the Proposed Rate Increase for Rate**
4 **Schedule 39**

5

6 **QUESTION:**

7

8 a) Is YEC of the view that the requested rate increase should go directly to YEC?
9 Please justify this position.

10

11 b) Could any portion of the rate escalation be shared with customers through some
12 form of deferral account?

13

14 c) If YEC affirms the premise of part (b), how would YEC propose to share any
15 portion of the escalation with all customers?

16

17 **ANSWER:**

18

19 **(a) to (c)**

20

21 The requested rate increase is mandated by OIC 2007/94. As noted in response to YUB-
22 YEC-1-3, the resulting incremental revenues are expected to be less than YEC's
23 ongoing incremental cost escalations. Aside from a full new GRA filing, no mechanism
24 exists to assign any portion of the incremental revenues or incremental costs among
25 customers; and on balance, YEC would expect that any new GRA at this time would
26 need to address YEC's ongoing escalations in costs that exceed its escalations in
27 revenues. YEC does not see any basis or need for a deferral account.

