

**IN THE MATTER OF YUKON  
ENERGY CORPORATION RATE  
SCHEDULE 39 ESCALATION OF  
DEMAND & ENERGY CHARGES  
UNDER OIC 2007/94**

---

**REPLY ARGUMENT OF YUKON ENERGY CORPORATION**

---

P. John Landry  
Davis LLP  
2800 - 666 Burrard Street  
Vancouver, BC V6C 2Z7  
Tel: 604.643.2935

Counsel for Yukon Energy Corporation

March 23, 2011

## OVERVIEW

Yukon Energy Corporation filed an application with the Yukon Utilities Board (the “Board”) on November 30, 2010 (the “Application”) seeking an Order from the Board for approval of escalation of Rate Schedule 39 Demand and Energy Charges required pursuant to Order in Council (“OIC”) 2007/94. Board Order 2010-12 established a written process for review of the Application, with one round of interrogatories, written argument and reply. On March 17, 2011 written argument was submitted by Yukon Energy as well as Utilities Consumers’ Group (“UCG”) and Leading Edge (“LE”).

## YUKON ENERGY REPLY

Both LE and UCG raise issues in argument that the Board determined to be out of scope in Order 2011-2 when it noted “the scope of the proceeding is limited to the escalation of the Demand and Energy charges in Rate Schedule 39 and the Intervenors should govern themselves accordingly.” Issues related to potential new industrial customers, legal interpretations related to the Public Utilities Act and Rate Policy OIC’s and the utility obligation to serve are all outside the scope of the current proceeding. As these issues are outside the scope of this proceeding Yukon Energy will not address or comment on these matters further.

Yukon Energy will confine the balance of its Reply Argument to respond to various assertions made by UCG.

In addition to dealing with many matters that are outside the scope of this proceeding, UCG also fails to address the substance of Yukon Energy’s application. In specific reply to certain issues raised by UCG Yukon Energy notes as follows:

- **Assertions Related to Scope of Application Process and Adequacy of Documentation Provided in Support of the Application** - Yukon Energy agrees with LE’s submission that future escalations to Demand and Energy charges pursuant to the OIC should be considered administrative filings and for reasons of practicality and cost efficiency should be approved by the Board following verification that the appropriate escalation rates have been identified. UCG assertions that this review process should become more onerous (e.g., by requiring a full cost of service study and revenue requirement in support of this annual adjustment) are without merit and should be ignored.

In response to UCG’s assertions that the documentation provided to the Board was inadequate and the process did not afford parties with adequate notice or time to review

the rate adjustment proposals before the effective date is determined Yukon Energy notes:

- The documentation provided by Yukon Energy in the December 2009 correspondence to the Board (re: the 2010 adjustment) and the November 30, 2010 correspondence to the Board (re: the 2011 adjustment) is commensurate with the purely administrative nature of the filing. The source of information (i.e., link to source date on Statistics Canada’s website) was identified in each filing.
- With regard to providing adequate notice of the filing, Yukon Energy indicated the current timing and approach to the Board and all parties as part of the 2008 proceeding for final approval of Rate Schedule 39. Yukon Energy committed that prior to December 5, 2009, it 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 in OIC 2007/94. Yukon Energy committed that this procedure would be repeated as needed prior to December 5 of 2010 and 2011.
- **Assertions Related to Non-Compliance with OICs** –UCG incorrectly asserts that Yukon Energy has not complied with Sections 3 and 6(1) of OIC 1995/90. While UCG notes at para. 12 “nothing in OIC 2007/94 overrides the provisions of the Rate Policy Directive”, UCG fails to recognize that while OIC 2007/94 is in place it is part of the Rate Policy Directive and specifically amends OIC 1995/90 to provide that despite subsection 6(1) “the board must ensure that the rates charged to Major Industrial Customers from January 1, 2008 until December 31, 2012 conform to Rate Schedule 39, Industrial Primary, attached hereto as Schedule A.” UCG also fails to include in its discussion at para 12 the preamble to Section 3 of OIC 1995/90 which states, “except to the extent otherwise stated by this Directive or the Act”. In this regard Section 3 must be read in light of the direction provided in OIC 2007/94.
- **Assertions of Inadequate Charges to Industrials** – UCG, without foundation, asserts that Rate Schedule 39 charges to mines are inadequate (even with this estimated \$123,648 increase in 2011 charges) while concurrently asserting that the benefits of these increased charges to mines from this application should be used to reduce rates to non-industrial customers. There is no merit in any of UCG’s assertions regarding inadequate charges to industrial customers. The matter of the adequacy of existing rates relative to costs of service was fully addressed in the recent Phase II hearing where it was clearly

determined that Rate Schedule 39 charges are currently well in excess of the utility costs of service.

- **Assertions Relating to the Requirement for a Deferral Account for Incremental Revenues** – As Yukon Energy noted in its March 17, 2011 Argument, a deferral account mechanism is neither required nor appropriate in the current circumstances.
  - Yukon Energy has confirmed in interrogatories that it is expecting continuing and notable escalations in diesel generation fuel and operating costs as well as other costs, and such escalations are anticipated to be well in excess of the estimated incremental revenues arising from 2.8% escalation.
  - As confirmed in response to YUB-YEC-1-2(b), it was the position of Yukon Energy and YECL in the 2009 Phase II proceeding that the revenue to cost ratio for Rate Schedule 39 customers exceeded unity. Based on the findings of the Board in Board Order 2010-13, there is no basis to use higher revenues from industrial customers (who are clearly paying more than cost of service today) to further reduce rates today for non-industrial customers.
  - As noted in response to YUB-YEC-1-3(f): “Aside from a full new GRA filing, no mechanism exists to assign any portion of the incremental revenues or incremental costs among customers; and on balance, Yukon Energy would expect that any new GRA at this time would need to address Yukon Energy’s ongoing escalations in costs that exceed its escalations in revenues. Yukon Energy does not see any basis or need for a deferral account”. The incremental revenues from the Application are expected to be less than Yukon Energy’s ongoing incremental cost escalations for 2011 as compared to 2009.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**



---

P. John Landry  
Counsel for Yukon Energy Corporation