

UTILITIES CONSUMERS' GROUP
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August 16, 2011

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Deana Lemke, Executive Secretary

**Re: YEC / YECL Application for Approval of Rider F – Fuel Adjustment Rider and Deferred
Duel Price Variance Policy**

Dear Ms. Lemke:

Pursuant to Board Order 2011-10, please find enclosed the interrogatories submitted by the Utilities Consumers' Group.

Yours truly,

Roger Rondeau
Utilities Consumers' Group

APPLICATION BY YUKON ELECTRICAL COMPANY LIMITED AND YUKON ENERGY CORPORATION FOR APPROVAL OF THE YEC & YECL RIDER F — FUEL ADJUSTMENT RIDER AND DEFERRED FUEL PRICE VARIANCE POLICY

**Utilities Consumers' Group
Information Request No. 1**

UCG 1-1

Reference: Application Cover Letter, page 1

The utilities indicate that Board Order 2010-13 (issued December 30, 2010) directed as follows:

To allow all interested parties to monitor the balance in the Rider F account, the Companies are to provide to the Board quarterly acknowledgement filings stating the balance in the Rider F account and concurrently posting those filings on each company's website for easy public access.

Request:

- (a) Please provide a copy of the quarterly acknowledgement filings filed with the YUB since the release of Board Order 2010-13 plus any associated correspondence from the YUB.
- (b) Please provide the dates for filing of these quarterly reports in 2011 and 2012.
- (c) Please explain how interested parties have been kept informed of these quarterly filings and where these filings are located on each utility's web site.

UCG 1-2

Reference: Application, page 1

The utilities indicate that "ratepayers pay overall rates that reflect the actual fuel costs per litre incurred by the Companies, regardless of GRA forecast prices".

Request:

- (a) Please confirm that both YEC and YECL stand by the principal that rates should be set at a level which is reasonable for the period the rates are to be in effect.
- (b) Please confirm that both YEC and YECL believe that the amount of fuel expense included in base rates should be sufficient to cover the fuel costs reasonably expected to be incurred the first year the rates go into effect.
- (c) Please confirm that both YEC and YECL agree that fuel adjustment clauses, in and of themselves, do not provide proper price signals from the utility because customers are always billed after the fact. In other words, the increase in fuel costs signalled by an increase in the fuel adjustment clause on a customer's bill is not communicated to that customer until after the customer has consumed the higher cost power.
- (d) For 2009, 2010 and 2011 to date, using forecast and actual fuel prices, please identify what proportion fuel costs are of the total cost of providing electricity.
- (e) For 2009, 2010 and 2011 to date, please identify the specific actions YEC and YECL have taken to acquire fuel and generate or purchase power or both so as to provide electricity to Yukon ratepayers at the lowest fuel cost reasonably possible.
- (f) Please confirm that any fuel adjustment charge applied for will not result in either utility earning a return in excess of the return authorized by the YUB. Please provide calculations confirming this confirmation.

UCG 1-3

Reference: Application, page 1

The utilities indicate that “for each actual litre of diesel consumed to generate electricity, the difference between the actual weighted average cost per litre of fuel consumed and the most recent GRA-approved fuel price is recorded in the DFPVA. The variance applies to actual diesel fuel consumed (all fuel consumed) when calculating additions or deletions to the account, i.e. the Companies remain at risk (at GRA-approved fuel prices) for changes in volume from the GRA Forecast”.

Request:

- (a) Please confirm that the YUB has approved an amount for fuel expense in the revenue requirements of each of the utilities. Please provide details of the approved annual expenses showing consumption and price.
- (b) Please provide a table for 2009, 2010 and 2011 to date comparing approved levels of fuel consumption by month at GRA-approved prices and actual fuel prices, and actual fuel consumption at GRA-approved prices and actual prices.
- (c) Please explain why the utilities are proposing the use of actual diesel fuel consumed in the fuel adjustment clause calculations rather than the fuel consumption levels approved by the YUB for recovery in rates.
- (d) Please provide copies of any YUB Orders authorizing the use of actual diesel fuel consumption in the calculation of the fuel adjustment clause.

UCG 1-4

Reference: Application, page 3

The utilities provide details of how the Diesel Fuel Price Variance Calculation would be undertaken.

Request:

Please provide a detailed illustration of this calculation for 2009 and 2010 diesel fuel costs.

UCG 1-5

Reference: Application, page 4

The utilities indicate that “the same rate applies per kWh for all sales regardless of rate block to all retail customers of both utilities [i.e., residential and general service customers for government and non-government customer classes, as well as street and space lights and industrial]”.

Request:

Please provide details of the sources of generation used to supply base levels of kWh consumption for 2009 and 2010. Please include a clear description of how different forms of generation are dispatched to meet demand.

UCG 1-6

Reference: Application, page 4

The utilities indicate that “Inter-company transfers ensure that neither Company is carrying a disproportionate share of the cumulative balance of the DFPVA”.

Request:

Please provide details of these inter-company transfers including administrative mechanics in 2009 and 2010. Provide details of any costs incurred as a result of these transfers.

UCG 1-7

Reference: Application, page 5

The utilities indicate that they “will use best judgment to determine the timing of any collection / refund rider, recognizing that at times filings may need to be deferred and balances may exceed the optimal range of +/- \$200,000”.

Request:

Please explain how this method provides any ratepayers with knowledge of impending electricity bill adjustments and fits in with the notion of rate stability and predictability.

UCG 1-8

Reference: Application, page 5

The utilities indicate that “If the pooled balance of the Companies’ Diesel Fuel Price Accounts is fluctuating over a broad range, the Companies refine the forecast variables to reflect changing economic conditions to arrive at a new Rider F rate”.

Request:

Please confirm the utilities’ understanding that it will be up to the YUB to determine that an emergency exists that could result in an abnormal change in fuel costs and that it will be the YUB that will approve the implementation of any new Rider F rate.

UCG 1-9

Reference: Application, page 6

The utilities indicate that they “typically provide the YUB with approximately 30 days notice before the Effective Date for implementation of the new rate. The short notification period improves the accuracy of the rate estimate relative to the forecast”.

Reference: *Public Utilities Act*, Section 28(1)

28.(1) No public utility shall charge any rate for the supply of the service for which it is franchised other than the rate set by the board pursuant to this Act unless, 90 days before it proposes to charge a different rate,

- (a) a statement showing the new rate is filed with the board; and
- (b) a notice showing the new rate is sent by mail or delivered to each municipality in which the service is provided and to the Minister.

Request:

Please explain how the 30 day notice proposed by the utilities is consistent with the requirements within the *Public Utilities Act* and allows enough time for a thorough public review of any proposed rate change.

UCG 1-10Reference: Application, page A-1

The utilities indicate that “Historically, a fuel adjustment mechanism has been in place in Yukon to provide for stability relative to swings in fuel prices since before the NCPC transfer”.

Request:

- (a) Please provide all available reports showing how the fuel adjustment mechanism has been calculated and implemented since before the NCPC transfer. Please include detailed descriptions of the data used in these calculations (e.g., actual versus forecast fuel consumption, etc.).
- (b) Please demonstrate how the fuel adjustment mechanism has provided ratepayers with benefits since before the NCPC transfer.

UCG 1-11Reference: Application, page A-1

The utilities indicate that “Subsequent to Rider F adjustments addressed in the 1991/92 GRA, the 1993/94 GRA noted that due to favourable fuel prices in 1992, the Rider F was terminated (set to zero) in November 1992. The 1996/97 GRA Application noted that Rider F had not been used since 1992 and over the period from 1993-1995 the rider was set to 0.0 cents/kWh. The Companies noted during the 1996/97 GRA that the Rider remained available “in the event of significant variance between fuel price implicit in the Companies rates and the actual fuel price”.

Request:

- (a) Please provide details of the difference in diesel fuel prices included in rates versus actual prices paid for the years during which the Rider F was set to 0.0 cents/kWh.
- (b) Please explain why any favourable balance in a fuel cost deferral account would not be credited back to ratepayers on a quarterly basis similar to the quarterly changes to secondary energy rates.

UCG 1-12Reference: Application, page A-3

The utilities indicate that “Since the 2008/2009 General Rate Application, a Fixed Rider F has been applicable to Rate Schedule 39 - Industrial Primary Rate customers. This adjustment is required due to OIC 2007/94 which requires “Rider F applied to energy charges only, set to \$0.0 for fuel price forecast filed November 20, 2006”.

Request:

Please provide details of the Rider F calculations related to industrial customers for 2005, 2006, 2007, 2008, 2009 and 2010 showing all calculations including kWh, rider rate charged and accumulated monthly amounts collected.