

UTILITIES CONSUMERS' GROUP
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September 26, 2011

Yukon Utilities Board
Box 31728
Whitehorse, Yukon
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Attention: Deana Lemke, Executive Secretary

**Re: Yukon Energy Corporation / Yukon Electrical Company Limited
Application for Approval of the Rider F — Fuel Adjustment Rider and Deferred Fuel
Price Variance Policy**

UCG Notice of Motion - Inadequate Responses to Information Requests

Dear Ms. Lemke:

The Utilities Consumers' Group is in receipt of the September 21, 2011 response by Yukon Energy Corporation and Yukon Electrical Company Limited to UCG's Notice of Motion regarding inadequate responses to information requests.

YEC and YECL suggest that the public review of the management of the Diesel Fuel Price Variance Account ("DFPVA") and related Rider F charges has been "narrowly focussed" by Section 8 of OIC 1995/90. UCG submits that there is nothing within Section 8 of OIC 1995/90 that addresses the rider management policy that is currently under review nor how such a review should be conducted. UCG submits that Section 8 of OIC 1995/90 simply provides the YUB with the authority to adjust rates to reflect fluctuations in the prices which the two utilities pay for diesel fuel. It does not specify how this adjustment is to be calculated nor reflected in rates paid by Yukon consumers. UCG submits that this is the point of the current review process – to determine how best to manage variances in diesel fuel prices.

YEC/YECL submit that the Board's May 26, 2011 letter and the Board's direction provided in Order 2010-13 have set a clear scope for the proceeding. The Board's May 26th letter simply states that it "will seek comments from interested parties on the proposed Rider F policy when received from the Companies". The Board's Order 2010-13 only directs the Companies to provide a written policy related to management of the Rider F account for approval by the Board. Order 2010-13 does not say anything about the process of how the Board will review the policy nor the scope of that review.

UCG submits that YEC and YECL are trying to avoid putting information on the public record that would allow ratepayers to understand how the Rider F works and its impact on the utilities' revenue recovery.

With respect to the utilities' specific responses to UCG's request for complete responses to information requests, UCG submits the following:

1. UCG-YEC/YECL-1-2 (d) and (e)

YEC/YECL classify these information requests as “revenue requirement issues” that are not relevant to this review.

In part (d) of this information request, UCG requested details on the proportion fuel costs are of the total cost of providing electricity in 2009, 2010 and 2011 to date, using forecast and actual fuel prices. UCG submits that this information is relevant to understand the bigger picture of how much of an impact that changing fuel prices might have on the utilities and whether this impact is something that the utilities could absorb, at least in part, without further burdening ratepayers.

UCG submits that if YEC and YECL are to retain a fuel adjustment clause, they should be required to demonstrate that their fuel costs constitute a significant proportion of their costs of providing electricity. Otherwise, the risk of price fluctuations is covered by the premium included in their rates of return.

In part (e) of this information request, UCG requested details of 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 in 2009, 2010 and 2011 to date. UCG submits that the utilities have been mandated to control the costs of supplying electricity in the Yukon but the existence of guarantees that the utilities would recover any extra costs removes the incentive for the utilities.

UCG submits that the existing fuel adjustment clause rewards the utilities which do not minimize their fuel costs. UCG submits that the fuel adjustment clause should not provide a mechanism for the automatic recovery of increased fuel costs due to abnormal outages of a utility's more economical generating units or increased fuel costs due to a utility not promoting conservation initiatives which is less expensive than the kilowatt hours which the utility would otherwise have to generate.

UCG requests that YEC and YECL provide the requested response to parts (d) and (e) of UCG-YEC/YECL-1-2.

2. UCG-YEC/YECL-1-3 (a), (b) and (c)

YEC/YECL submit that the concerns raised in these information requests are addressed in OIC 1995/90 and the fact that this direction makes it clear that fuel price risk is not to be undertaken by the Companies.

In part (a) of this information request, UCG is looking for confirmation and details of the amount for fuel expense that has been approved for recovery in rates approved by the YUB in order to have this base data included on the record of this proceeding. UCG submits that since the utilities make reference to this data (page 1 of the Application), it should be provided to ensure that there is no confusion as to the references being relied upon by the utilities.

In part (b) of this information request, UCG is looking for the utilities to provide data 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 in order to understand and verify the details behind the amounts recorded in the DFPVA. UCG is looking to confirm by its own analysis that the variance in fuel prices is applied to actual diesel fuel consumed (all fuel consumed) when calculating additions or deletions to the DFPVA. The utilities have made unsubstantiated claims within their application which UCG submits need to be verified with actual data. UCG submits that ratepayers need verification that they were given rebates on the total volumes of diesel burned during periods when diesel prices were lower than GRA forecasts.

In part (c) of this information request, UCG is looking for an explanation of 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 in order to better understand the alternative methods for calculating variances in fuel expense. Without this requested data, UCG submits that ratepayers and the Board cannot accurately determine the impacts that alternatives to the proposed policy might have on the utilities and ratepayers. UCG submits that the utilities should not be allowed to restrict access to data which could be used by other parties that are interested in exploring all viable alternatives that the utilities have ignored.

UCG requests that YEC and YECL provide the requested response to all parts of UCG-YEC/YECL-1-3.

3. UCG-YEC/YECL-1-5

YEC/YECL classify this information request as a "revenue requirement issue" that is not relevant to this review.

UCG is looking to understand how an across-the-board rate is justified by getting additional information on the cost drivers (i.e., the sources of generation used to supply base levels of kWh consumption for 2009 and 2010) and how this generation is dispatched to meet the demands of the various customer classes. This also allows a relevant review of whether the utilities have been controlling the costs of supplying electricity in the Yukon or simply relying on the guaranteed cost recovery no matter how they operate.

UCG requests that YEC and YECL provide the requested response to UCG-YEC/YECL-1-5.

4. UCG-YEC/YECL-1-11 (a)

The historical data requested goes beyond the scope of the process and/or is not readily available and that pursuant to OIC 1995/90 the Companies do not have a fuel price risk.

In this information request, UCG is looking for 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 in order to understand what the tolerance has been by the utilities in the past to accept forecast risk and whether ratepayers have been treated fairly to this point.

UCG submits that the YUB has already established an annual fuel cost for each utility as part of their allowed revenue requirements and any rate adjustment outside of a general rate case proceeding should be based on fuel costs that are outside the utility's fuel cost annual tolerance not just because fuel prices fluctuate from a level established at one point in time on a forecast basis.

UCG submits that, as an alternative to the proposed policy, once fuel cost plans are approved for YEC and YECL, the YUB could establish a symmetrical fuel price tolerance for each utility and only allow fuel adjustment clauses to be enacted once the actual fuel prices are outside this tolerance level. It is not possible to determine what this tolerance level is without getting the information requested.

UCG requests that YEC and YECL provide the requested response to UCG-YEC/YECL-1-11 (a).

5. UCG-YEC/YECL-1-12

YEC/YECL submit that this request relates to how amounts charged to the industrial class are booked by YEC as an offset to revenue requirement which is not a rate design issue or Rider F related matter.

UCG has requested 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.

UCG submits that the recovery of Rider F charges is relevant to this review of the management of the Rider F so that the Board and ratepayers understand how all customer classes are treated in a fair and equitable way in the area of revenue requirement recovery. It is UCG's belief that the fuel adjustment clause has not been applied to all kilowatt-hours sold so some customer classes have had to shoulder the entire burden of higher fuel prices. The requested information will allow verification of how the Rider F has been applied.

UCG requests that YEC and YECL provide the requested response to UCG-YEC/YECL-1-12.

Should you have any questions on this submission, please contact me directly.

Yours truly,

Roger Rondeau
Utilities Consumers' Group