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IN THE MATTER OF YUKON ENERGY AND THE YUKON ELECTRICAL COMPANY LIMITED FOR REVIEW OF RIDER F – FUEL ADJUSTMENT RIDER & DEFERRED FUEL PRICE VARIANCE POLICY

A written proceeding before the

YUKON UTILITIES BOARD

June 2011 to November 2011

REPLY ARGUMENT OF JOHN MAISSAN
LEADING EDGE PROJECTS

1. Reply Argument on significant issues

This Reply Argument focuses on the main issues that Leading Edge wishes to address. When, in this Reply Argument, Leading Edge does not comment on issues raised or argued by YEC/YECL (the Utilities) it indicates that Leading Edge believes that the Board has adequate information to make a decision, it does not indicate that Leading Edge supports the position views of YEC/YECL.

2. Interpretation of OIC 1995/90

We are still of the view that, consistent with previous Board decisions, this Board has the authority to interpret Section 8 of OIC 1995/90. Although it has been the practice of the Utilities to interpret this Section to apply to all fuel consumed there is nothing in history or present documentation to indicate that it must be so, thus we believe it is within the Board's jurisdiction to interpret.

3. Timing of adjustments to Rider F

There is nothing in Written Argument by any Party to cause Leading Edge to change its views on the timing of adjustments to Rider F. At least twice a year the Utilities should undertake a detailed review at the DFPVA, including its balance and rate of change, plus the then current price and volumes of fuel required, and to institute changes to the Rider F if appropriate. It makes most sense to do this on a seasonal basis for a Rider F change, if required, on January 1 and July 1 each year.

4. Diesel Contingency Fund (DCF), capital projects accounts, and potential avoidance impact on the DFPVA

As per Leading Edge's Written Argument, there is ample evidence to show that Leading Edge's projection of Yukon Energy's generation requirement in 2011 of about 387.5 GWh is very near the long term average annual hydro availability (about 391 GWh). In fact Leading Edge's projection may be too low as the information on Yukon Energy's website indicates that the November 2010 to October 2011 total energy requirement was 398.4 GWh (sum of monthly totals). Given the seasonal nature of the hydro availability and the seasonal nature of the electrical loads, diesel generation must have been on the margin for a number of months in 2011. If above average hydro generation was utilized in one or more of these months to minimize the diesel fuel being used then the DCF must be credited. The record makes it very clear that the DCF is required to be calculated on a monthly basis (not annual or some longer period). Also, if above average hydro generation was utilized then unless the diesel fuel price that would have been incurred for those months was exactly the Board approved price, there should be a credit or a debit to the DFPVA. So Rider F is affected in each and every case where the DCF must be applied.

Yukon Energy has not provided any information to indicate the actual hydro and diesel generation utilized in each and every month of 2011 to indicate whether they have or have not utilized above average hydro generation. If they have and continue to argue that the DCF should not apply then they have avoided having to pay for the diesel generation displaced by the extra hydro into the DCF. As well, adjustments to the DFPVA would have been avoided.

Two capital projects under construction by Yukon Energy, the Aishihik third turbine, and Mayo B, have resulted in required plant shutdowns and the running of diesel generation this past summer. Similar to the DCF situation, if diesel allocations to these projects have been reduced by the use of above long term average hydro generation then both the capital accounts for these projects are not correct and the DFPVA has been impacted.

5. DFPVA / Rider F interplay with DCF, capital projects, Reserve for Injuries and Damages (RFID), and other operating (and maintenance) accounts

Leading Edge continues to be of the view that it makes no sense to have the DFPVA apply to diesel fuel price variances in calculations regarding the DCF, the RFID (including actual insurance claims where applicable), and capital projects. In each of these cases there is no earthly reason why the actual fuel cost cannot be (or should not be) charged to the accounts. The ratepayers will pay for these either directly or indirectly and sooner or later, and these do not impact the utility earnings in any way. The OIC does not say that Rider F must include these accounts.

For the Utilities to say that the DFPVA is not related to any of these other accounts is not credible – the DFPVA has to be applied to the diesel fuel price in each and every one of these cases and if any of these accounts do not correctly absorb the diesel generation they should, the DFPVA will also not be correct.

Leading Edge also believes that actual diesel costs should be used in allocations to any operating and maintenance accounts.

6. DCF (and other accounts) comments

Leading Edge remains of the view that the DCF can and should be applied to 2011 even if the Utilities have not yet updated the methodology as they should have done with changes in the WAF and Mayo-Dawson City (M-DC) systems. At least until June 17, 2011 the WAF system was not connected to the M-DC system and so the DCF can and should be applied unaltered from its original form. From that point forward the monthly DCF calculation can be applied to the combined system by simply adding the monthly long term average Mayo A hydro generation capability to that of Aishihik and Whitehorse Rapids. If the Board is of the view that the required DCF changes need to be formalized first, the Board should provide for retroactive review of 2011 DCF and DFPVA calculations once the methodologies have been updated. As of November 21 2011 neither the Mayo B nor the Aishihik third turbine projects are operational, so there is no additional complication to that point. After these projects are operational the long term average hydro projections will need to be updated by Yukon Energy and reviewed in a Board proceeding.

Similarly the accounts related to capital projects, and the RFID (in addition to any O&M accounts that should have been allocated diesel costs) would need retroactive review – including their impacts on the DFPVA.

If the Board rules that any or all of the DCF, RFID, any actual insurance claims, capital project accounts, and O&M accounts should be allocated actual diesel fuel costs then their impacts on the DFPVA would not need to be made (unless the utilities have already made any allocations to these accounts based on GRA fuel costs and made corresponding adjustments to the DFPVA).

7. Test year / next GRA

If 2011 is to be a test year in the next Yukon Energy GRA, either by a Yukon Energy commitment to make it so or a Board Order requiring it to be so, most of the issues of concern could be addressed in that GRA. However, in the absence of such a requirement Leading Edge is very concerned that the ratepayers could be significantly shortchanged. The Utilities' written argument has done nothing to lessen that concern.

Respectfully submitted,

John Maissan
Leading Edge Projects
November 14, 2011