

UTILITIES CONSUMERS' GROUP
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July 28, 2014

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Mr. Bruce McLennan, Chair

Re: Yukon Energy Corporation Application to Revise the Diesel Contingency Fund and Related Amendments to the Energy Reconciliation Adjustment

Dear Mr. McLennan:

Pursuant to Board Order 2014-08, the Utilities Consumers' Group (UCG) hereby submits its information requests to Yukon Energy Corporation (YEC) and the Yukon Electrical Company Limited (YECL).

UCG requests that each utility respond to questions where the issue is generic to the submissions of each utility. It is assumed that only one utility will respond to questions that are directed to only one utility.

It would improve the efficiency of this review process if the utilities could actually work together to submit a single PDF document of responses to all information requests and one document of Excel attachments so that the responses to questions can be more easily reviewed.

Yours truly,

Roger Rondeau
Utilities Consumers' Group

YUKON ENERGY CORPORATION
Application to Revise the
Diesel Contingency Fund and Related Amendments to the
Energy Reconciliation Adjustment

Utilities Consumers' Group
Information Request No. 1

1. *Reference:* YEC DCF-ERA Filing
YECL Revised Proposals on the DCF and Rate Schedule 42 ERA

Request to YEC and YECL:

- a) In YEC's and YECL's views, what are the specific purposes of the Diesel Contingency Fund, the Energy Reconciliation Adjustment and the Fuel Adjustment Rider?
- b) Does YEC and YECL believe that the current electricity cost paid by ratepayers is affordable in the short and long term?
- c) If stable and affordable electricity rates are a long term goal, what do these three mechanisms accomplish toward implementing a plan to ultimately reach that goal?

2. *Reference:* YEC DCF-ERA Filing
YECL Revised Proposals on the DCF and Rate Schedule 42 ERA

Request to YEC:

Please provide a copy of all YUB decisions / orders and Orders in Council that address the Diesel Contingency Fund, the Energy Reconciliation Adjustment, and other similar proposed adjustment mechanisms and provide specifics of references.

3. *Reference:* Board Order 2013-03, Page 2, Paragraph 5
"In future, YEC must file Excel versions, with formulae intact of all schedules and tables used to support its filings."

Request to YEC and YECL:

- a) Given the content of its current application, please explain what part of this direction from the YUB that YEC does not understand.
- b) While the direction in Board Order 2013-03 regarding the provision of Excel spreadsheets was specifically directed to YEC, does YECL not think that Board's direction to one utility in this regard should not apply to the other?
- c) Please provide Excel versions of all tables contained within YEC's application, including Tables 1 through 4, Figure 1.1-1, Table 1.1-1, Table 1.1-2, Table 1.1-3, Table 1.1-4, and Table 2-1.
- d) Please provide Excel versions of all tables contained within YECL's application, including Tables 3.1 and support schedules

4. *Reference:* Board Order 2013-03, Appendix A, Paragraph 16
"YEC may file a future revised DCF proposal and ERA application. The Board prefers a joint filing from YEC and YECL. However, if agreement cannot be reached, a filing in which the companies state which aspects of the revised DCF proposal and ERA amendment they agree upon, the aspects they disagree upon, and the position of each company on those aspects they disagree upon is acceptable. The filing must also address the concerns raised

in Board Order 2013-01 Attachment A: Reasons for Decision. This future revised DCF proposal and ERA application will be separate from the compliance filing directed in this order.”

Reference: YEC Application to Revise the DCF, Cover Letter, Page 2

“Unfortunately, despite the additional time provided, and their best efforts, the Companies have not been able to develop a joint recommendation or submission for the Board.”

Request to YEC and YECL:

Please provide a summary table of aspects of the revised DCF proposal and ERA amendment that YEC and YECL agree upon, the aspects YEC and YECL disagree upon, and the position of both YEC and YECL on those aspects they disagree upon.

5. Reference: YEC Application to Revise the DCF, Cover Letter, Attachment A

Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 1)

“Since the June 2013 issuance of Board Order 2013-03, Yukon Electrical has met with YEC on a number of occasions to develop a joint proposal for both the DCF and the ERA effective January 1, 2012. Unfortunately, the two utilities have been unable to agree on a proposal. YEC has been unwilling to make any substantive changes to the proposals for the DCF and ERA in its May 1, 2013 Compliance Filing, notwithstanding the significant concerns Yukon Electrical has raised with those proposals.”

Request to YEC and YECL:

- a) Please provide details on when the utilities met to develop a joint proposal including dates and duration of meetings, who was in attendance, copies of material reviewed and copies of minutes from these meetings.
- b) Please explain why the utilities were developing a proposal effective January 1, 2012 when the YUB had already determined in its Order 2013-03 that it would not allow any changes regarding 2012 and we are now in 2014.
- c) Please confirm that any charges to YECL levied under the ERA are ultimately paid by Yukon ratepayers.
- d) Please explain why Yukon ratepayers should be held responsible for retroactive policy changes when they have made their electricity use choices based on the rates in place at the time the electricity was being used.
- e) Please provide details of the “significant concerns” raised by YECL on YEC’s proposals and when during these meetings with YEC these concerns were raised.

6. Reference: YEC Application to Revise the DCF, Page 1

“Yukon Energy submitted its initial proposal to revise the DCF and ERA mechanisms as part of its 2012/13 General Rate Application (“GRA”) filed April 27, 2012.”

Request to YEC:

- a) Please provide details of the applications that YEC has made to change either the DCF mechanism or the originally agreed upon use of DCF monies since the DCF was established.
- b) Please provide a monthly continuity schedule for the DCF for each year since the DCF was created through June 2014 similar to that provided in response to UCG-YEC-2-31 (dated July 7, 1998) during the review of YECL’s 1997 Final Rate Application and YEC’s Revised Application.
- c) Please explain how the DCF monies could be protected such that they are only used for their intended purpose and not as a funding mechanism for other initiatives.

7. *Reference: YEC Application to Revise the DCF, Page 2*
“Yukon Energy’s proposed DCF and ERA adjustments address changes to reflect the newly integrated grid and Board directions in Order 2013-1 (including the adoption of LTA hydro generation forecasts when setting diesel generation costs included in approved rates), while remaining consistent with long established precedents and practice in Yukon.”

Request to YEC:

- a) Please provide details of the “long established precedents” to which YEC is referring.
- b) Please provide YEC’s explanation for how a regulator like the YUB establishes precedent and where in the *Public Utilities Act* the YUB is given the powers to set precedent.

8. *Reference: YEC Application to Revise the DCF, Page 7*
“Analysis of Options A and B confirms that Option A has a lower cost impact on ratepayers than Option B, and protects YECL as well as YEC from incurring unrecovered costs related to changes in YEC’s incremental diesel generation costs arising from changes in YECL power purchases from YEC. Option A also is consistent with past Board Orders and the directions in OIC 1995/90.”

Request to YEC:

Please provide details of where Option A is consistent with past Board Orders and the directions in OIC 1995/90 as amended.

9. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 2)*
“The purpose of the DCF was to ensure that ratepayers, rather than YEC and Yukon Electrical, covered the risk of changes in grid diesel generation due to fluctuations in hydro generation resulting from factors outside of the utilities’ control (i.e. drought conditions).”

Request to YECL:

Please provide documentation that confirms that parties to the 1996-1997 Joint Negotiated Settlement agreed that this was the purpose of the original DCF.

10. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 3)*
“At the time, YEC and Yukon Electrical were jointly managed by Yukon Electrical. All forecasts were prepared by Yukon Electrical and used jointly for both Yukon Electrical and YEC in common test period GRAs.”

Request to YECL:

- a) Please provide an explanation of what is meant by “all forecasts”.
- b) Please confirm that YECL prepared “all forecasts” for each year for both utilities and not just test periods included within a general rates application.

11. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 3)*
“Further to the above, the ERA mechanism was only active for a short period of time, and it has long since gone unused. Following the closure of the Faro mine in 1997, the ERA was not used for approximately 15 years. However, in 2012, YEC purported to charge \$439,000 to Yukon Electrical based on YEC’s unilaterally modified DCF and ERA mechanisms.”

Request to YECL:

Please confirm whether YECL was actually invoiced the \$439,000 and whether this charge or something different was actually paid to YEC.

12. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 4)*
“YEC has relied on the historical regulatory approval of the DCF and ERA to justify its attempt to revive the mechanisms now. However, circumstances have changed. The original ERA, and YEC's proposed DCF and ERA, are no longer appropriate.”

Request to YEC and YECL:

- a) Why was the DCF and ERA dormant for so long? Did either of the utilities benefit as a result of this dormancy?
 - b) Was the DCF de-activated? If not, why was it not incurring benefits for the consumer through all the years of high water levels and little diesel usage?
 - c) Why was the DCF not utilized when diesel was required to facilitate/bring on line Mayo B and Aishihik 3 projects? Was not diesel on the margin for these occasions?
 - d) Who makes the determination that diesel is on the margin? Is this not the jurisdiction of the regulator? What are the conditions and interpretation of the definition "diesel on the margin"?
 - e) Please confirm that the original DCF and ERA as approved by the YUB are still enforceable today as originally approved.
13. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 4)*
“Effective January 1, 1998, YEC moved to direct management. Since then, YEC and Yukon Electrical have prepared their own forecasts and filed separate GRAs. The ERA allowed for the sharing of forecast risk between the two companies, which was appropriate because the companies were under joint management and shared forecasts. This is no longer the case.”

Request to YEC and YECL:

Please explain why it is not appropriate for YEC and YECL to share the risks associated with load forecasts that, regardless of who develops them, directly impact the rates charged by each of the utilities.

14. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 5)*
“A further flaw in YEC's proposals is that it will create a regulatory structure where Yukon Electrical's actual sales revenue will be no greater or no less than what YEC forecasts in a YEC GRA. The YEC proposal appears to provide that all sales margin growth for Yukon Electrical in Yukon Electrical non-test years will flow through to Yukon Energy.”

Request to YECL:

Please provide a more detailed explanation of YECL's interpretation of YEC's proposal with reference to actual operating results from non-test years.

15. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 5)*
“For example, in 2012, if YEC's original wholesale sales forecast been equal to Actual Wholesale sales (310 GWh instead of 296 GWh), YEC would have forecast \$1.2M in additional revenue, and \$1.7M in additional expense. In turn, this would have increased YEC's revenue shortfall by \$0.5M, which would have been recovered from ratepayers through Rider J. Rider J for non-industrial customers would have increased from 6.85% to

7.58%, and Rider J for industrial customers would have increased from 3.34% to 4.04%.”

Request to YECL:

Please provide a table showing similar allowed forecast versus actual wholesale sales calculations / impacts for 2009 through 2013.

16. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Pages 5-6) “If YEC's proposal is adopted and Yukon Electrical's actual sales revenue can be no greater (or no less) than what YEC forecasts in a YEC GRA, and all sales margin growth for Yukon Electrical in Yukon Electrical non-test years will flow through to Yukon Energy, Yukon Electrical will be required to vigorously test YEC's wholesale sales forecast and diesel consumption forecasts, as well as the manner in which YEC operates its generation (to ensure that Yukon Electrical has prudently managed those assets in incurring diesel costs that YEC would seek to pass on to Yukon Electrical and its ratepayers). Yukon Electrical also anticipates that it would need to make every future year a test year (since it would have sales margin growth to offset any increases in Yukon Electrical's rate base or operating costs).”*

Request to YECL:

- a) Please confirm that YEC's proposal should equate sales revenues to those load / revenue forecasts allowed by the YUB for rate setting purposes and not simply YEC's forecasts.
 - b) Does YECL not already vigorously test YEC's wholesale sales forecast and diesel consumption forecasts both as prepared for budgeting purposes and for general rates applications? Why would YECL's efforts be any different going forward?
 - c) Please confirm that for the 2012-2013 test year period, YEC was directed by the YUB to consult with YECL regarding the wholesale sales forecast to be used for rate setting, that this consultation took place and that YEC's allowed wholesale sales forecast for 2012 and 2013 was based on these consultations.
 - d) Please explain why it would be a bad thing to ensure that every year is a test year within a multi-year general rates application.
17. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 6) “Yukon Electrical respectfully submits the creation of this type of regulatory framework going forward is neither efficient nor in the interest of ratepayers. Ratepayers directly benefit from reduced regulatory costs and increased inefficiency. YEC's proposal will significantly erode the benefits that Yukon Electrical's (and Yukon Energy's) ratepayers currently enjoy in this regard.”*

Request to YECL:

Please provide a table showing quantifiable benefits that Yukon ratepayers have received for 2009 through 2013 from YECL's alleged reduced regulatory costs and “increased inefficiency” (as is indicated in the YECL submission).

18. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 7) “In consideration of Yukon Electrical's concerns with Yukon Energy's proposal above and to resolve the Board's concerns as stated in Board Order 2013-01, Yukon Electrical believes the mechanism to address diesel volume variances must adhere to the following principles:*
- 1) *Simple, transparent, easily explainable and easily testable*
 - 2) *Allow a utility to recover its prudently-incurred costs*
 - 3) *Based on actual data and relates to all fuel volume variances on the*

interconnected system

4) Dispersed in a timely manner, so as to not mask market signals in times of a drought or flood and to avoid intergenerational inequity

5) The deferral account balance thresholds that trigger the disposal should be set at a reasonable level so as to not cause undue rate changes or rate impacts to customers.”

Request to YEC and YECL:

- a) Does YECL believe that the current DCF and Rate Schedule 42 ERA are already subject to these principles? If not, why not?
- b) Does YEC believe that the current DCF and Rate Schedule 42 ERA are already subject to these principles? If not, why not?

19. *Reference: YECL Revised Proposals on the DCF and Rate Schedule 42 ERA (Page 8)*
“Based on the above approvals, if it is ultimately determined that an ERA amount should be charged to Yukon Electrical, then Yukon Electrical respectfully submits this amount would be flowed through to all Yukon ratepayers. Further, if 100% of the ERA is to be recovered from all Yukon ratepayers, then, as submitted in Yukon Electrical's argument in YEC's 2012-2013 GRA, and agreed by YEC in its January 17, 2014 proposal, the ultimate recovery of the outstanding deferral is, from a regulatory efficiency perspective, better served being administered by YEC.”

Request to YECL:

Please confirm that ERA charges are recovered from all Yukon ratepayers including industrial customers.

20. *Reference: YEC Supplementary Filing, Cover Letter, Page 1*
“In contrast, the context provided by Order 2013-1 and 2013-3 is clearly focused on making revisions to the DCF prior to its activation. The Board directives do not indicate that alternatives to the DCF should be considered (or that the relationship and allocation between utilities and customers should be reconsidered or changed).”

Request to YEC:

- a) Please explain where the YUB has indicated that alternatives to the DCF cannot be considered as part of this review or that the relationship and allocation between utilities and customers should not be reconsidered or changed.
- b) In YEC's view, isn't the point of this review to determine how best to address the costs associated with water level variances in a manner that is deemed fair to all parties?