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Yukon Utilities Board

Yukon Electrical Company Limited
2013-2015 General Rate Application

P R O C E E D I N G S

Volume 1
November 4, 2013
Whitehorse, Yukon

1 Proceedings taken at the High Country Inn, 4051-4th Avenue,
2 Whitehorse, Yukon.

3

4 Volume 1

5 November 4, 2013

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Mr. B. McLennan	Chair
Mr. N. Prasad	Board Member
Mr. A. Fortin	Board Member
Mr. R. (Les) Boisvert	Board Member

Ms. G. Bentivegna	Board Counsel
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Ms. D. Lemke	Executive Secretary
	Hearing Officer

Ms. C. Henry	Board Staff
Mr. C. Pham	Board Staff
Mr. D. Ward	Board Staff
Mr. B. Clarke	Board Staff

Ms. A.M. Sears	Yukon Electrical Company Ltd.
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Mr. J. Maissan	Leading Edge Projects Inc.
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Mr. M. Janigan	Utilities Consumers' Group
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Ms. A. Mittler	Yukon Conservation Society
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Ms. K. Kelgren	City of Whitehorse
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Adelle Jones, CSR(A)	Official Court Reporter
S.J. Lea Dormer, CSR(A)	Official Court Reporter

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22 (Proceedings commenced at 9:04 a.m.)

23 THE CHAIR: Please be seated. All these
24 happy faces. So I'm going to start with a bit of an opening
25 statement. Bear with me for a second here.

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1

So good morning, everyone. My name is Bruce
Page 2

2 McLennan, and I'm Chair of the Yukon Utilities Board, and I'm
3 chairing this hearing for the Yukon Electrical Company
4 Limited's 2013-2015 General Rate Application.

5 I'm joined on this Panel, and to my immediate
6 left is Naresh Prasad -- sorry, to my immediate right is
7 Naresh Prasad, and to my immediate left is André Fortin, and
8 to his left is Robert Boisvert.

9 Now, you'll notice that Bob Laking is not
10 here. He's a Vice-chair. He has a bit of an emerging health
11 issue this morning. So he's going to try and get that
12 corrected by going to the emergency department, and if
13 there's no objections, he's committed to reading the
14 transcripts and join us later on if he can get things under
15 control. So I'll leave that there if there are no objections
16 to that.

17 Oh, sorry, yes. I should just correct, the
18 name -- although it says on his name tag, Robert, he goes by
19 the name Les.

20 So on May 27th, 2013, Yukon Electrical Company
21 Limited filed it's 2013-2015 general rate application with
22 the Yukon Utilities Board requesting approval for their
23 2013-2015 general rate application.

24 In this application, YECL is seeking approval
25 for revenue requirements of \$53.679 million for 2013, 57.458

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1 million for 2014, and 59.912 million for 2015. It should be
2 noted that these requested amounts are before other revenues
3 are considered.

4 YECL is also requesting approval for the
5 following deferral accounts: Whitehorse copper tailing,
6 purchase power flow-through costs, fuel price flow-through
7 costs, diesel contingency fund, depreciation parameters, rate
8 of return on common equity, and defined benefit pension plan.

9 The application also sought approval of
10 interim refundable rate effective July 1st, 2013, through
11 YECL rate adjustment rider, Rider R. This rider proposed
12 increased rates for all YECL and YEC retail customer bills
13 excluding Secondary Energy Rate 32. Board Order 2013-05
14 issued on June 25th, 2013, dealt with the matter of interim
15 refundable rate riders.

16 With respect to this application, a notice of
17 application was issued with Board Order 2013-02 dated June 6,
18 2013. Within Board Order 2013-2, the Board ordered YECL to
19 public the notice of application no later than June 12th,
20 2013, in such appropriate local news publication in YECL's
21 service area.

22 YECL was also ordered to make the application
23 and supporting materials available for inspection at its
24 Whitehorse office at 100-1100 - 1st Avenue, and to provide a
25 copy of the application and any supplemental information on

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1 request.

2 A process schedule for this application
3 pending ministerial approval was proposed with Board Order
4 2013-02. The Minister of Justice authorized the Board to
5 incur expenses necessary to conduct a public hearing into the
6 application pursuant to Section 50 of the Public Utilities

7 Act on June 20th, 2013. The schedule was revised through
8 Board Order 2013-06 which was issued on August 6th, 2013,
9 when YECL requested more time to provide responses to
10 information requests, given the large volume of information
11 requests received.

12 On October 31st, 2013, YECL submitted an
13 update to their application to ensure that the Board and
14 interveners have the most current information available on
15 the record. This submission changes the Yukon Electrical's
16 applied-for 2013-2015 revenue requirements.

17 The identified changes and how they are
18 individually and collectively -- and how they individually
19 and collectively impact the revenue requirements are
20 presented in this submission. As a consequence of this
21 submission, the revised identified revenue requirements are
22 now 52.69 million for 2013, 56.25 million -- 257 million for
23 2014, and 58.918 million for 2015.

24 Assisting the Board today are board counsel,
25 Giuseppa Bentivegna, Board staff, Dwayne Ward, Bob Clarke and

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1 Cuong Pham. Assisting the Board in an administrative
2 capacity during the hearing are Deana Lemke and Colleen
3 Henry. Now, Deana will only be available for this morning's
4 meeting owing to prior commitments, but Colleen will be here
5 throughout the hearing.

6 So if anybody has any questions with respect
7 to the process or procedural matters during this oral
8 hearing, they should speak to Board staff. To facilitate the

9 marking of exhibits, a list of exhibits to date has already
10 been circulated.

11 The Board intends to hear the application as
12 follows: The Board will first hear from witnesses for YECL,
13 then the interveners may cross-examine the YECL witness in
14 the order that the interveners are registered. Board staff
15 and the panel will then ask can their questions of the YECL
16 witnesses. Then YECL will have an opportunity to redirect
17 its witnesses to clarify or complete answers that were given
18 during cross-examination or to questions from the Board or
19 Board staff.

20 Also YECL, as the applicant, will have an
21 opportunity -- an opportunity to present rebuttal evidence.
22 Rebuttal evidence is a limited opportunity for the applicant
23 to address any new issues that have come forward in the
24 course of the hearing. Rebuttal evidence is not an
25 opportunity for the applicant to introduce new evidence or to

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1 shore up the evidence it has already presented.

2 At the end of the evidentiary portion of the
3 hearing, the Board will proceed to written argument and reply
4 as indicated in Board Order 2013-06.

5 Now, before we go on, I just want to clarify a
6 few procedural matters for the parties, and that is the issue
7 of aids to cross in a hearing.

8 The purpose of an aid to cross is to assist
9 the party questioning a witness about the evidence of that
10 witness.

11 An aid to cross should only be used if it

12 assists the questioning of a witness. Questions that can be
13 put to a witness directly should be asked without the use of
14 an aid to cross.

15 The party proposing to question the witness
16 should submit a copy of the aid to cross to the witness
17 counsel at least 24 hours prior to using the aid to cross.

18 Providing the aid to cross to the counsel
19 before the witness testifies allows the witness an
20 opportunity to familiarize themselves with the document and
21 results in a more efficient hearing.

22 The party questioning a witness does not
23 submit the aid to cross to the Board at the time it sends it
24 to the counsel for a witness.

25 If a party brings forward its aid to cross

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1 during its questioning of a witness, the party must
2 distribute sufficient hard copies to the Board and Board
3 staff immediately prior to asking questions in relation to
4 the aid to cross.

5 The party, after questioning the witness, asks
6 the Board to give the aid to cross the exhibit number. The
7 Board will decide whether the aid to cross will be filed and
8 given an exhibit number, which is obviously for the purpose
9 of keeping track of the document.

10 If the Board gives the document an exhibit
11 number, then it also needs to be provided to the Board's
12 secretary in an electronic format at this time.

13 The Board will follow the following schedule

14 for this hearing. The Board will sit from 9 a.m. to 5 p.m.
15 each day. A 15-minute morning break will occur at
16 approximately 10:30 each morning. Lunch is planned for 12 to
17 1:30 p.m. each day and an afternoon break will occur about
18 3:30 p.m.

19 This hearing is being transcribed by a court
20 reporter. If any party requires a copy of the transcript of
21 this hearing, they should deal directly with the court
22 reporter.

23 If any person has a cell phone, I would ask
24 that they be turned off during this hearing.

25 So I now would ask that all the parties

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1 involved in this hearing register.

2 Board counsel, Ms. Bentivegna, if you could
3 now register the parties.

4 MS. BENTIVEGNA: Thank you, Mr. Chair. We'll
5 start with the applicant, YECL.

6 MS. SEARS: Thank you, Ms. Bentivegna.
7 Good morning, Mr. Chairman, and Panel members. My name is
8 Allison M. Sears, counsel appearing on behalf of the Yukon
9 Electrical Company Ltd.

10 MS. BENTIVEGNA: And then YEC?

11 Now, Mr. Chairman, I don't see a
12 representative from YEC, but I did get an email from
13 Mr. Landry on Friday, November 1st, and he informed me that
14 YEC would not be cross-examining; however, Mr. Landry will be
15 here on Thursday, I believe, when the joint panel is sitting
16 on the demand side management.

17 City of Whitehorse?

18 MS. KELLGREN: Good morning, Mr. Chair, Panel
19 members. Kristjana Kellgren for the City of Whitehorse. I
20 am joined by Mr. Russ Bell who is a consultant for the City.

21 MS. BENTIVEGNA: Utilities Consumers' Group?

22 MR. JANIGAN: Good morning, Mr. Chair, Panel.
23 Michael Janigan for UCG. I'll also expect to be joined by
24 Roger Rondeau during the course of the hearing.

25 MS. BENTIVEGNA: Mr. John Maissan?

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1 MR. MAISSAN: Good morning, Mr. Chair. My
2 name is John Maissan, and I'll be appearing during the course
3 of the hearing.

4 MS. BENTIVEGNA: The Town of Watson Lake?
5 Mr. Chair, the Board received an email this
6 morning from the Town saying that they wouldn't be
7 cross-examining and that they will be reading the transcript
8 and preparing -- to prepare argument in reply.

9 THE CHAIR: Thank you.

10 MS. BENTIVEGNA: So we'll move on to Yukon
11 Conservation Society.

12 MS. MIDDLEL: Good morning. My name is Anne
13 Middler, and I'm here representing the Yukon Conservation
14 Society with my colleague Jay P. Pinard. Thank you.

15 THE CHAIR: Thank you.

16 MS. BENTIVEGNA: Now, is there anyone else who
17 wants to register at this time?

18 Those are all the parties, Mr. Chair.

19 THE CHAIR: Thank you, Ms. Benti vegna. So
20 are there any preliminary matters before we begin? Hearing
21 none, I'll ask Ms. Sears if you would please proceed with the
22 YECL witnesses.

23 Now, I understand that you're going to be
24 presenting three panels over the course of this hearing, so
25 I'll turn that over to you. Thank you very much.

11

1 MS. SEARS: Thank you, Mr. Chairman, Panel
2 members. Yukon Electrical Company Limited -- and we'll refer
3 to the company as just Yukon Electrical throughout the
4 proceeding -- is very pleased to be here before you to
5 present its 2013 to 2015 Phase 1 General Rate Application.

6 As you just noted, sir, we will be presenting
7 our witnesses to speak to the application in three witness
8 panels. The first panel will be Yukon Electrical's
9 depreciation panel, and they will speak to all matters
10 relating to Section 7 of the application.

11 The second panel will be Yukon Electrical's
12 general panel. They'll address all -- the balance of all
13 issues with the exception of depreciation and demand side
14 management.

15 And then, finally, we're very happy to be
16 presenting a joint utility demand side management panel to
17 speak to the DSM plan that has been filed as part of this
18 application.

19 So, the first thing early on Monday morning we
20 wanted to make sure we had everybody awake and something
21 fiery to start off with, so we decided to proceed with our

22 depreciation panel, sir, obviously. And that panel is seated
23 before you now. I'm happy to introduce them to you, sir.

24 First of all, seated closest to the Panel is
25 Mr. James Grattan. He's the director of regulatory for ATCO

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1 Electric. But, of course, this is a homecoming for
2 Mr. Grattan, having held the position of manager of customer
3 service for YECL from 1997 through 2007.

4 Seated beside him is Mr. Larry Kennedy, an
5 independent expert consultant from Gannett Fleming. Just to
6 his right is Mr. Jerry Janow, who is manager of regulatory at
7 ATCO Electric. And to his right is Mr. Jay Massie, manager
8 of Yukon Electrical.

9 Now, just to facilitate the three-panel
10 process, I've also snuck up Mr. Dwight Redden with the panel
11 for purposes of adopting the evidence before we get underway.
12 And, also, we have a brief opening statement to make, which
13 we filed earlier, I guess at the end of last week.

14 Sir, the curriculum vitae for each of these
15 witnesses was prefiled and can be found as part of Exhibit
16 B-9 with the exception of Mr. Kennedy's CV, which was
17 actually filed as part of the application proper. And it can
18 be found at Section 7, Attachment 2, page 27 of the
19 application.

20 And I'll be asking Mr. Kennedy to speak
21 briefly to his qualifications before the panel gets underway,
22 but, at this time, I would ask that the witnesses be sworn,
23 sir.

24 THE CHAIR: I'll have the court reporter
25 swear the witnesses.

1
2 D. REDDEN, J. MASSIE, J. JANOW, K. KENNEDY, J. GRATTAN (For
3 YECL), sworn:

4 MS. SEARS EXAMINES THE PANEL:

5 THE CHAIR: Ms. Sears, you can proceed
6 whenever you're ready.

7 MS. SEARS: Thank you, sir.

8 Q. I'll now turn to Mr. Redden for the purposes of adopting
9 the evidence on behalf of Yukon Electrical.

10 Mr. Redden, the written evidence filed in this
11 proceeding on behalf of Yukon Electrical consists of the
12 application, filed on May 27th, which was entered as Exhibits
13 B-1 and B-2; responses to information requests filed on
14 August 8th, which was entered at Exhibit B-5; August 29th,
15 which was entered as Exhibit B-7; and on September 5th, which
16 was entered as Exhibit B-8.

17 Additionally, there was an updates filing made
18 on October 31st, which has been entered as Exhibit B-11; and,
19 sir, your opening statement which I will be filing shortly.

20 Sir, do you have those materials before you?

21 A. MR. REDDEN: Yes, I do have them.

22 Q. Mr. Redden, was this evidence prepared by you or under
23 your direction or control?

24 A. MR. REDDEN: Yes, it was.

25 Q. Are there any corrections to the evidence that you would

1 I like to make at this time?

2 A. MR. REDDEN: No, there are not.

3 Q. And, sir, bearing in mind the updates and corrections
4 made in the updates filing, are these materials accurate to
5 the best of your knowledge and belief?

6 A. MR. REDDEN: Yes, they are.

7 Q. And do you adopt these materials as the evidence of the
8 Yukon Electrical Company Limited in this proceeding?

9 A. MR. REDDEN: I do.

10 Q. Thank you, Mr. Redden.

11 MS. SEARS: Mr. Chairman, at that time,
12 Mr. Redden has prepared a brief opening statement. I did
13 circulate it. I do have some extra copies if you don't have
14 copies up there.

15 THE CHAIR: I'd take a copy. I don't have
16 my copy with me.

17 MS. SEARS: Sure, certainly. I'll bring
18 some up.

19 I've also placed some copies at the back of
20 the room for anyone who would like a written copy to follow
21 along with, and the opening statement is also available
22 electronically.

23 THE CHAIR: Thank you.

24 MS. SEARS: And, sir, I'm in your hands if
25 you'd like that entered as an exhibit or not.

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1 THE CHAIR: I don't believe it needs to be
2 entered in as an exhibit. It will be read into the
3 transcript.

4 MS. SEARS: Perfect.

5 THE CHAIR: Thank you.

6 MS. SEARS: Thank you.

7 Q. Mr. Redden, please proceed when you're ready.

8 A. MR. REDDEN: Good morning, Mr. Chairman,
9 Panel members, staff of the Yukon Utilities Board, registered
10 interveners.

11 My fellow panel members and I are pleased to
12 be with you today to begin the oral hearing stage of Yukon
13 Electrical's 2013-2015 general rate application which seeks
14 approval, in part, for rate increases of 6.6 percent for
15 2013, 2.9 percent for 2014, and 2.4 percent for 2015.

16 It has been five years since Yukon Electrical
17 was last before this Board seeking a rate increase as part of
18 a general rate application. Since that time, changes in the
19 amount paid by Yukoners for electricity have been limited to
20 Yukon Electrical flowing through the impact of changes in
21 diesel fuel prices and the impact of Yukon Energy's 2012-2013
22 general rate application.

23 Since Yukon Electrical's 2008-2009 general
24 rate application, a number of key changes have occurred that
25 have precipitated Yukon Electrical's need to seek the rate

1 increases contemplated in the current application. I'd like
2 to take a moment to highlight four of those key changes.

3 First, there has been a significant growth
4 over the past years, including a 9 percent increase in
5 customers, as well as increased use of electric heat.
6 Through our update filing submitted on October 31st, details
7 that actual residential and commercial sales in 2013 have not
8 been as high as originally forecast, customer load growth
9 continue to be key drivers in the need for Yukon Electrical
10 to increase its staffing complement as well as the electrical
11 infrastructure required to continue to deliver safe and
12 reliable service.

13 Second, for the first time since the 1990s,
14 diesel was on the margin on the Yukon Interconnected System
15 in 2012. This reality has been a key driver in the need for
16 Yukon Electrical to work jointly with the Yukon Energy
17 Corporation to develop a demand side management plan that
18 will assist in reducing consumption of electricity thereby
19 displacing increasing reliance on diesel generation.

20 Third, an independently-prepared depreciation
21 study has identified a material and growing deficiency in
22 Yukon Electrical's net negative salvage reserve. This
23 growing deficiency, together with the need to send the
24 correct price signals to today's consumers, as opposed to a
25 distorted price signal, to tomorrow's customers has led Yukon

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1 Electrical to request an end to the pause in Yukon
2 Electrical's historical practice of including net negative
3 salvage in its depreciation rates. Reactivation of the net
4 salvage account ensures that future ratepayers are not

5 burdened with the cost related to decommissioning electrical
6 infrastructure that is being used by today's customers.

7 Finally, in May, 2013, the British Columbia
8 Utilities Commission rendered its decision on the generic
9 cost of capital for British Columbia utilities for the years
10 2013 to 2015. For reasons of regulatory efficiency, as well
11 as following past practice, and precedent in the Yukon, Yukon
12 Electrical has incorporated the impact of this decision into
13 its requested capital structure and return on equity for the
14 years 2013, 2014, and 2015.

15 Before addressing a number of specific
16 projects and initiatives that are included in this
17 application, I want to highlight that the record of this
18 proceeding to date includes a 1,881-page application as well
19 as approximately 5,000 pages of responses associated with
20 1,126 interrogatories. This volume of written evidentiary
21 material is unprecedented for a Yukon Electrical general rate
22 application and speaks to the effort Yukon Electrical has put
23 into providing supporting evidence to allow the Board to make
24 an informed decision on the matters that are now before it.

25 Yukon Electrical's 2013-2015 general rate

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1 application addresses its forecast cost to maintain, as well
2 as enhance, service to customers by ensuring the safe and
3 reliable supply of electricity providing, energy
4 alternatives, and promoting conservation measures.

5 With respect to capital projects, Yukon
6 Electrical is requesting approval of forecast capital
7 additions of \$21.6 million in 2013, \$23.3 million in 2014,

8 and \$20.7 million in 2015.

9 These projects include: 1, the completion of
10 the reconstruction of Fish Lake Hydro Unit 1 turbine and
11 building; 2, automated meter reading in the Whitehorse and
12 Southern Lakes areas; 3, Yukon Electrical's costs associated
13 with the development and implementation of the joint utility
14 demand side management plan; 4, a standby generating Unit for
15 the communities of Carcross and Tagish, as well as various
16 other replacements and improvements in isolated diesel
17 generation communities served by Yukon Electrical.

18 Yukon Electrical's Fish Lake Hydro Facility
19 has been providing clean, renewable electricity to Yukoners
20 for over 60 years. When Unit 1 failed in March 2010, a full
21 examination of the unit and its aged surrounding
22 infrastructure was completed in order to develop a plan that
23 considered not only the replacement of Unit 1, but also the
24 modernization of the facility as a whole to bring it up to
25 current standards.

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1 Once construction is completed later this
2 year, Fish Lake Hydro Unit 1 will rejoin Unit No. 2 in
3 continuing to provide clean, renewable, affordable, and
4 reliable electricity to the Yukon Interconnected System.

5 In addition to the replacement of Unit 1,
6 Yukon Electrical has completed an application that has
7 resulted in its Fish Lake Hydro water license being renewed
8 for a further 25 years. This long-term license renewal helps
9 to ensure that Fish Lake Hydro will be continue to be

10 available for the benefit of Yukon ratepayers for many years
11 to come.

12 As part of its 2008-2009 general rate
13 application decisions, the Board directed both Yukon
14 Electrical and Yukon Energy to jointly prepare a demand side
15 management plan. With the growing pressures on the Yukon
16 Interconnected System and the ever increasing use of diesel,
17 the utilities jointly engaged with experts and the public to
18 examine the feasibility of a demand side management
19 electricity conservation program. After completing a
20 comprehensive study of the conservation potential in the
21 Yukon Territory, the utilities have determined that there are
22 several areas of opportunity for customers to reduce their
23 consumption of electricity and their electricity bills in a
24 meaningful way.

25 For over two years, Yukon Electrical and

1 Yukon Energy have worked diligently with various stakeholders
2 including the retail and commercial sectors, as well as the
3 communities throughout the territory, to bring forward a
4 comprehensive five-year demand side management plan. We have
5 excited to be presenting a joint Yukon Electrical and Yukon
6 Energy panel later this week to present the plan which the
7 utilities are ready to implement commencing in 2014.

8 As already noted, Yukon Electrical has had to
9 respond to increasing electricity demand with infrastructure
10 maintenance, improvements, and new extensions. Examples
11 include: 1, the Whistle Bend subdivision; 2, the
12 Takhini-Marwell upgrade; and 3, a targeted and measured

13 conversion of downtown Whitehorse from 12.5 kV to 25 kV.
14 Yukon Electrical has also identified areas of aging
15 infrastructure that require placement such as the Hillcrest
16 and McIntyre subdivisions in Whitehorse.

17 In the isolated diesel generation communities
18 served by Yukon Electrical, end-of-generation life
19 -- end-of-life generation replacements and upgrades are
20 required to continue providing reliable electricity service.
21 These proposed capital additions include: 1, a new diesel
22 unit and the replacement of a unit in Old Crow; expansion of
23 the Old Crow plant building; and, 2, the replacement of
24 end-of-life diesel units in Beaver Creek, Watson Lake, and
25 Destruction Bay.

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1 While Yukon Electrical has pursued and
2 continues to pursue new renewable energy opportunities such
3 as wind, hydro and solar, it has also explored alternative
4 energy options to reduce its environmental footprint in
5 diesel communities and to provide ratepayers with fuel cost
6 savings.

7 The Watson Lake Bi-Fuel Project outlined in
8 this application contemplates the modification of existing
9 generating equipment so that it can be run on both diesel and
10 natural gas. Yukon Electrical anticipates that this project
11 will benefit ratepayers by displacing the consumption of
12 diesel fuel, reducing emissions associated with the operation
13 of these existing generating units, and reducing the cost of
14 power production.

15 In response to the comments from the Board in
16 Yukon Electrical's 2008-2009 General Rate Application, Yukon
17 Electrical has undertaken further analysis in respect of the
18 need for a dedicated standby generating unit in the
19 communities of Carcross and Tagish and the benefits of
20 converting existing meters in the Whitehorse area and
21 Southern Lakes region to automated meter reading, or AMR,
22 technology. Yukon Electrical has determined that both of
23 these projects are beneficial to customers and has brought
24 both projects forward again for the Board's consideration in
25 this application.

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1 As regards the standby generating unit for the
2 communities of Carcross and Tagish, Yukon Electrical notes
3 that the 2 megawatt unit will support the communities'
4 electrical needs in the event of a loss of electricity
5 supply. Letters in support of this project have been filed
6 by the Carcross Area Property Owners Association, Exhibit
7 D-1; the South Klondike Local Advisory Council, Exhibit D-2;
8 and the Museum of Yukon Natural History, Exhibit D-3.

9 The AMR project will provide improved customer
10 service by reading meters using powerline frequency carrier
11 technology identical to the proven technology that was
12 recently successfully implemented on time and on budget in
13 the City of Yellowknife by Yukon Electrical's sister company,
14 Northland Utilities Yellowknife. Along with providing
15 improved customer meter reading capabilities, additional
16 gains will include improved safety for employees, reduced
17 vehicle emissions, and a long-term savings of approximately

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A. MR. KENNEDY: Thank you.
Good morning, Mr. Chair, Panel members, staff.
My name is Larry Kennedy, I'm the Vice-President of Gannett
Fleming Canada. Gannett Fleming Canada is a wholly-owned
subsidiary of Gannett Fleming Inc., an East Coast based U.S.
engineering firm with approximately 2100 employees who have

1 been doing things like depreciation studies and engineering
2 studies since in 1915, so we get to celebrate our 100
3 anniversary in a couple of years. I haven't been there quite
4 that long.

5 Personally, I've been my position since
6 January 1st, 1999. I was brought in to head up the Canadian
7 AMR of Gannett Fleming. I have presented studies and
8 completed depreciation studies and done client work in every
9 province and territory of this fine country. I have now
10 appeared before many regulatory jurisdictions in this
11 country, and I'm not going to go through all of them.
12 Suffice to it say they're attached to my CV.

13 I've been very active in the last few years on
14 both depreciation studies and implementation of the
15 International Financial Reporting Standards, which has driven
16 a very significant piece of my work since probably I last sat
17 up here.

18 I was before this Board in 2008, as I have
19 been before many boards. I currently hold a designation of
20 Certified Depreciation Professional which is awarded by a
21 group called the Society of Depreciation Professionals. That
22 society, I'm proud to say that I've served as president for

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23 one term or have been on the board of directors or have
24 served many terms on the board of directors of that group and
25 I'm on the teaching faculty of the Society of Depreciation

25

1 Professionals. I could go on, but I think that -- hopefully
2 suffices.

3 Q. Please don't.

4 A. MR. KENNEDY: I don't want to put the room to
5 sleep this early on a Monday morning.

6 THE CHAIR: Thank you, Mr. Kennedy.

7 Q. MS. SEARS: Thank you, Mr. Kennedy. And,
8 sir, you prepared both a depreciation study, which is
9 Attachment 1 to Section 7 of the application, and additional
10 evidence regarding the use of net salvage estimates in the
11 calculation of depreciation rates, which is Attachment 2 to
12 Section 7 of the application; correct?

13 A. MR. KENNEDY: That's correct.

14 Q. Sir, are there any corrections to that evidence that you
15 would like to make at this time?

16 A. MR. KENNEDY: I do not have any.

17 Q. And, sir, are these materials accurate to the best of
18 your knowledge and belief?

19 A. MR. KENNEDY: Yes.

20 Q. And do you adopt these materials as your evidence in
21 this proceeding?

22 A. MR. KENNEDY: I do.

23 Q. Thank you, Mr. Kennedy.

24 MS. SEARS: Mr. Chairman, the depreciation

YECL_2013-15, _Vol_1, _November_4, _2013
25 panel is now available for cross-examination.

26

1 THE CHAIR: Thank you very much, Ms. Sears.

2 So I would call upon Ms. Kellgren who represents the City of
3 Whitehorse, if she has any questions for the panel.

4 MS. KELLGREN: Very few. It will be brief.

5 MS. KELLGREN CROSS-EXAMINES THE PANEL:

6 Q. Good morning, gentlemen. I have a few questions
7 actually on the AMR business case, but they touch on
8 depreciation, so I'm going to put them to this panel in hopes
9 that, Mr. Kennedy, you have some expertise to weigh in on.
10 To the extent they should be properly before the general
11 panel, please advise, and I will then put the questions to
12 the next panel.

13 So with that in mind, Mr. Kennedy and the rest
14 of the panel, please, if you would turn up pdf page 230 of
15 the YECL application. I believe that's page 90 of the
16 application, but it's pdf page 230. And that's Mr. Kennedy's
17 depreciation study, Section 7, Attachment 1. Do you have it?

18 A. MR. KENNEDY: I do.

19 Q. Thank you. Now, sir, this is a survivor curve for AMR
20 meters; is that right?

21 A. MR. KENNEDY: I'm at a disadvantage with not
22 having pdf numbers on my material. Can I get you to take me
23 to the page of the study?

24 Q. Absolutely. It's page 90 of 208 of your study. Those
25 are the numbers along the side.

27

- 1 A. MR. KENNEDY: I have that.
- 2 Q. Thank you, and, sir, this is a survivor curve for AMR
3 meters; is that right?
- 4 A. MR. KENNEDY: That is correct.
- 5 Q. Now, I note four dots up in the left-hand corner. And
6 are those four years of actual data?
- 7 A. MR. KENNEDY: That would represent the four
8 years of data for which we had data to study in the case of
9 this account.
- 10 Q. So you only had four years to study?
- 11 A. MR. KENNEDY: Yes.
- 12 Q. And you based your survivor curve on those four years?
- 13 A. MR. KENNEDY: Yes, to the extent that we have
14 a survivor curve plotted on this page, I mean, obviously with
15 four years of data the review of historic retirement activity
16 is very limited and we rely on other tools in our tool box,
17 if you will, for the development of average service lives.
- 18 Q. And, sir, perhaps you would expand upon what tools you
19 relied upon in this case to derive this curve.
- 20 A. MR. KENNEDY: In the circumstances of this
21 account we relied predominantly on the reviews we've made
22 with other electric peers that have gone through AMR programs
23 and installed. AMR is a very wide program throughout both
24 Canada and North America generally. So we have a fair amount
25 of experience of estimating survivor curves for AMR

1 technology and installations. We also had conversations with
2 the internal staff and operational staff of the Yukon
3 Electrical.

4 So we kind of looked at the peer experience in
5 relation to the comments that we had and the practices of
6 this company in terms of the installations they were making
7 and based on our broader North American experience.

8 Q. So your experience with other utilities, this is a
9 common curve for AMR?

10 A. MR. KENNEDY: Would I say it's probably the
11 most commonly used curve for AMR throughout North America.

12 Q. Thank you. And sticking with this curve, and this is
13 just eyeballing, but would you agree with me that at year 10
14 it appears as though approximately 85 percent of the assets
15 are surviving? Does that seem about right?

16 A. MR. KENNEDY: Approximate. I think it's
17 about 84 1/2 actually.

18 Q. Thank you. And at 20 years, does it appear as though
19 approximately 15 percent of the assets are surviving?

20 A. MR. KENNEDY: That's correct.

21 Q. Thank you. And that's 15 percent.

22 Now, I'm wondering, while keeping that
23 reference, if we can open a new screen and pull up YECL's
24 response to YUB-YECL 48(m) Attachment 1.

25 A. MR. KENNEDY: You've hit on one that's not in

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1 my binder, so I'm depending on my colleagues that use
2 electronic technology.

3 THE CHAIR: Ms. Kellgren, would you repeat

4 that?

5 MS. KELLGREN: Absolutely. The response is
6 YUB-YECL 48(m) Attachment 1.

7 THE CHAIR: Thank you.

8 Q. I have consolidated IR responses from August 29th, and
9 the pdf page in those consolidated responses is 3226, if that
10 assists anyone.

11 A. MR. KENNEDY: Mr. Grattan tells me that he
12 has them.

13 Q. Thank you. Now, do you have it in the Excel form or in
14 the pdf form? Just so I can be more helpful in directing my
15 questions.

16 A. MR. KENNEDY: We can apparently get either,
17 but the one --

18 MS. KELLGREN: Fantastic.

19 A. MR. KENNEDY: -- we have in front of us is
20 the pdf one.

21 Q. Okay. So on the pdf form there is a line item called
22 "Number of Residential Meters to Be Installed." It's
23 approximately one-third of the way down the page, right under
24 "Meters" as a heading.

25 A. MR. KENNEDY: We see that.

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1 Q. Thank you. And are these estimates of new meters to be
2 added every year, or are they replacements? Can you expand
3 upon what these numbers are. And, gentlemen, I'm referring
4 specifically to years 2 through 26.

5 A. MR. MASSIE: I'll try to be of some

6 assistance, but I'm just trying to catch up where you are at.

7 Q. Hmm, hmm.

8 A. MR. MASSIE: So, again, meters?

9 Q. The line item is "Number of Residential Meters to Be
10 Installed."

11 A. MR. MASSIE: Okay, yeah.

12 Q. Do you have that?

13 A. MR. MASSIE: I do.

14 Q. Thank you. And with respect to years 2 through 26, can
15 you tell me if these are replacements or if they are
16 additions of new services?

17 A. MR. MASSIE: I believe they'd be a
18 combination of both, new additions, customer adds, as well as
19 replacements.

20 Q. Thank you. Now, I have this in an Excel number, but I
21 realize we're working from pdf now, so I'm going to find it
22 in pdf. I believe it's total capital, about halfway down the
23 page, the line item.

24 A. MR. MASSIE: I'm there.

25 Q. Thank you. And the assets to be installed between 2014

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1 and 2015 amount to \$3,638,579. Would you accept that subject
2 to check?

3 A. MR. MASSIE: That would be adding which two
4 years together?

5 Q. Year 0 and year 1, which is 2014 and 2015.

6 A. MR. MASSIE: Sure, I'll accept that subject
7 to check.

8 Q. Thank you. Now, looking at the rest of the years, which
Page 28

9 I believe we're calling year 2, which is 2016 on, those years
10 you're telling me, this is a combination of replacements and
11 capital additions; is that right?

12 A. MR. MASSIE: Yes, I can confirm that.

13 MS. KELLGREN: Okay.

14 Those are my questions for this panel,

15 Mr. Chair.

16 THE CHAIR: Thank you very much,

17 Ms. Kellgren.

18 MS. KELLGREN: Thank you, Mr. Kennedy.

19 THE CHAIR: So I will now call upon

20 Utilities Consumers' Group, Mr. Janigan. Whenever you're
21 ready, you can proceed.

22 MR. JANIGAN CROSS-EXAMINES THE PANEL:

23 MR. JANIGAN: Thank you, Mr. Chair, Board
24 members.

25 Q. MR. JANIGAN: Good morning, panel. I have a

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1 number of brief questions in relation to the evidence.

2 I wonder if you could turn up first UCG --
3 interrogatory UCG-YECL 23(e), please. And I believe that
4 this -- in this interrogatory YECL lays out the impact of the
5 proposed changes to depreciation rates and the addition of a
6 negative salvage. Is that correct?

7 A. MR. GRATTAN: That is correct.

8 Q. Okay. First of all, can you explain to me, just so I
9 make sure that I understand it correctly, what addition of a
10 negative salvage means in relation to a depreciation policy?

11 A. MR. KENNEDY: Sure, I'll take that.

12 The depreciation rate is meant to align with
13 the consumption of service value of an asset. And a service
14 value of an asset has two main components to it. It's got
15 the original cost of installation of an asset, and it's also
16 got the estimated cost of removing that asset at the end of
17 its life.

18 So when we say we are including a net
19 negligent salvage provision inside the depreciation rate, we
20 are adding in an estimate for the eventual cost to remove
21 that asset. And we put that in now such that the tolls of
22 today properly reflect the service value of that asset.

23 Now, that's been a long-held concept. It came
24 out in very early days of the Federal Energy Regulatory
25 Commission in their Part 101. And they viewed at that time

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1 that the net negative salvage component is a key component in
2 the determination of the service value of an asset in service
3 and ought to be collected over the life of that asset.

4 Q. Okay. Now, can you confirm that the depreciation
5 proposal will add just over \$2 million to the revenue
6 requirements of each of the 2013 to 2015 test years?

7 MR. JANIGAN: Yes, that's approximately
8 right.

9 Q. Thank you. Would it be safe to assume that the annual
10 revenue requirement beyond 2015 would be at least \$2 million
11 higher?

12 A. MR. KENNEDY: Sir, it's a series of
13 offsetting issues. The depreciation expense, obviously, is a

14 revenue requirement inclusion or a component of the revenue
15 requirement. To the extent that the inclusion of the net
16 negative salvage is in the rates, that actually has a rate
17 base reducing impact, and the return will go down long term.
18 So it's a bid of a modeling exercise to determine where that
19 crossover point is in terms of the reduction in revenue
20 requirement versus the inclusion of the depreciation expense
21 component. But it does happen relatively quickly, so long
22 term, there is an actual toll-reducing impact due to the
23 reduction of rate base.

24 Q. I guess it depends on the capital additions that are
25 made after 2015.

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1 A. MR. KENNEDY: Absolutely. Like I say,
2 there's a number of moving parts in those calculations, yeah.

3 Q. Now, what impact does a \$2 million increase in revenue
4 requirement have on the bill paid by the typical residential
5 customer?

6 A. MR. GRATTAN: I can answer that question.
7 The impact in 2013 is approximately 4.7 percent of the rate
8 increase.

9 Q. In dollar terms, that would be...?

10 A. MR. GRATTAN: I don't have that math in front
11 of me. I can share that it's 4.7 percent.

12 Q. Could you undertake to provide that, if possible?

13 A. MR. GRATTAN: I can.

14 Q. Okay. Thank you.

15 Would you undertake to provide the dollar

16 amount of the percentage increase of 4.7 percent that the
17 depreciation proposal will add to a residential customer
18 bill?

19 THE CHAIR: Yes, that undertaking is noted.

20 UNDERTAKING - TO PROVIDE THE DOLLAR
21 AMOUNT OF THE PERCENTAGE INCREASE OF
22 4.7 PERCENT THAT THE DEPRECIATION
23 PROPOSAL WILL ADD TO A RESIDENTIAL
24 CUSTOMER BILL

25 Q. In UCG, the interrogatory UCG-YECL-24(a), in response to

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1 a request to identify utilities comparable to YECL but have
2 been allowed to include net salvage estimates within their
3 current depreciation rates, YECL identified ENMAX Power
4 Corporation, FortisAlberta, ATCO Electric, Manitoba Hydro,
5 Nova Scotia Power, Newfoundland Power Inc., Northland
6 Utilities Limited, and Northland Utilities Yellowknife
7 Limited. Now, what attributes of these utilities make them
8 comparable to YECL?

9 A. MR. KENNEDY: In responding to that
10 interrogatory, I was -- or the company was very careful to
11 break the response into two components.

12 As you listed the number of utilities listed,
13 those are the ones that we handed to you on the first
14 grouping of utilities that we felt were quite directly
15 comparable. Firstly, all these utilities have a very
16 dedicated electric distribution system. Secondly, they are
17 all regulated investor-owned utilities. That's not quite
18 right. Manitoba Hydro is not quite right. They are all

19 regulated utilities, I'm sorry. They evolved relatively
20 recently -- relatively being in the last five years,
21 undertaken extensive rate applications in which the question
22 on that negative salvage has, quite frankly, come -- been
23 part of the debate. -- other than being
24 electric -- regulated electric distribution companies, and
25 I'm not sure how much more comparable you could be in the

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1 Canadian jurisdiction.

2 We also listed as part of that information
3 request response a number of other regulated Canadian
4 utilities that have had an inclusion of net negative salvage
5 allowed into their depreciation rate calculations. We
6 separated those out in that the second grouping were not
7 electric utilities.

8 Q. In response to UCG-YECL-25, YECL provides a list of
9 Canadian utilities that use an alternative mechanism for the
10 recovery of costs of retirement.

11 Mr. Kennedy, do you consider any of the
12 alternative mechanisms viable for YECL?

13 A. MR. KENNEDY: I think the most viable method
14 for YECL is, as you proposed, if you use an inclusion on that
15 negative salvage in the depreciation rates. Most of these
16 cases are cases in which I have presented evidence. And in
17 most of those cases, I've accepted the rulings of the Boards,
18 that there's an alternative method available.

19 So there is alternative methods. I don't
20 agree that they are the correct -- or the most correct

21 methods, but one has to look at the facts and circumstances
22 of each company. And at the time that we are in now with
23 this utility, I definitely believe that there really is not a
24 good alternative to the inclusion of net negative salvage in
25 the depreciation rates.

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1 This utility is a little bit unique from some
2 of the other ones that have had other methods, but I want to
3 be clear that -- I mean, this is an issue that has been
4 debated amongst regulators across the country. And you'll
5 see in most of these case that have accepted alternative
6 methods, they are Crown corporations.

7 And as I stated in my evidence, there seems to
8 be a different level of risk tolerance in terms of not
9 including net negative salvage in the rates amongst Crown
10 utility as compared to an investor-owned utility. So I think
11 that makes them quite different.

12 So I think one needs to recognize the facts
13 and circumstances of all these comparables or all these
14 utilities as compared to the circumstances we're facing in
15 this jurisdiction with this utility.

16 A. MR. GRATTAN: As if I may add to that.
17 Mr. Kennedy has brought up the perspective of the Canadian
18 jurisdiction compared to what's proposed by Yukon Electrical.
19 But in addition to that, since we were last before the Board
20 and the pause was ordered as part of Decision 2009-02, things
21 have changed in the Yukon. They've changed quite
22 dramatically.

23 As we've noted in our response to the Board in
Page 34

24 YUB-80, we believe sending the right price signal to today's
25 customers has taken on added importance as a result of diesel

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1 generation once again being on the margin in the Yukon.

2 Secondly, Yukon Electrical and Yukon Energy
3 are proposing a demand side management plan.

4 It's our position, Yukon's Electrical's
5 position, that it's counterintuitive to be investing in a DSM
6 plan while, at the same time, not sending the right price
7 signal by not fully charging customers for the cost to
8 provide electric service which, namely, is the cost
9 associated with net negative salvage.

10 And the third thing that has changed in the
11 Yukon since the pause began was that the future removal and
12 site restoration deficiency has grown to a balance of over 12
13 million bucks -- \$12 million, sorry. These three factors, in
14 our opinion, in Yukon Electrical's opinion, are significant
15 changes that we're putting forth before the Board to consider
16 that were not there as part of our last regulatory
17 application.

18 Q. Let me just return to the reasons why a Board may opt
19 for an alternative mechanism. And I believe, Mr. Kennedy,
20 you've indicated in circumstances of Crown corporations,
21 there's greater risk tolerance effectively, I guess, that the
22 Crown has unlimited resources which it can apply to these
23 sort of things as it comes up.

24 Was there any other factors that tilted Boards
25 in favour of the alternative model?

1 A. MR. KENNEDY: And I'm taking a few minutes
2 just to think about that because these were all very
3 complicated proceedings.

4 Generally, I would suggest that the -- all but
5 one of these, the applicants had chosen to remove net
6 negative salvage prior to going to the Board, but that was
7 also based on a number of signals that they had received.
8 Obviously the utility is pretty cognizant of the practices
9 and desires of their Boards before they go in.

10 I would suggest one is a tolerance to not
11 include net negative salvage. Secondly, I would suggest that
12 Crown corps for some reason, and I won't even try to
13 speculate as to why, are less willing to have differences
14 between the regulatory ledgers and their financial reporting
15 ledgers. In other words, most of the Crowns have looked at
16 the standard 16 of the IFRS and said "That does not allow
17 inclusion of the net salvage in the rate calculation;
18 therefore, we're not going to even apply for it," whereas
19 most investor-owned utilities have a larger concern with the
20 appropriate recovery of the total service value of assets.

21 I can't speculate as to the thinking of the
22 Boardrooms in behind that, sir, but that is my experience
23 across this country.

24 Q. Thank you. Finally, would YECL's implementation of IFR
25 standards mean that net salvage should be recovered in the

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1 year of occurrence?

2 A. MR. KENNEDY: I'm going to start on this
3 answer and then maybe Mr. Grattan is more on the financial
4 side of this particular company. The IFRS standard says that
5 you should not recover in the depreciation rates, rather you
6 should recover in the year of occurrence for financial
7 reporting purposes.

8 As I've stated in a couple -- at least one
9 information request response, there's a number of utilities,
10 predominantly investor-owned utilities again, that are
11 willing to track that revenue requirement component
12 associated with net negative salvage separately and reconcile
13 their financial reporting statements for IFRS purposes.

14 In other words, they try to minimize the
15 number of exceptions between regulatory reporting and
16 financial reporting, but they recognize the need -- at least
17 with regard to net negative salvage, to track through the use
18 of perhaps a regulatory account or some such mechanism to
19 both include it in revenue requirement but accurately deal
20 with Standard 16 of the International Financial Reporting
21 Standards.

22 A. MR. GRATTAN: I will just add to that. Our
23 parent company, with which we share financial systems with,
24 records net negative salvage as part of its depreciation
25 rates in Alberta. All of our financial systems have and

1 continue to be set up to handle it. So it is no issue for

2 Yukon Electrical to, on a go-forward basis should the pause
3 come to an end, be able to account for it for regulatory
4 purposes versus IFRS purposes.

5 Q. If IFRS is implemented, would you have to go to the
6 mechanism that Mr. Kennedy suggested in order to --

7 A. MR. GRATTAN: To be clear, Yukon Electrical
8 implemented IFRS effective January -- well, January 2011 with
9 compared going back to January 1st, 2010. So we are on IFRS
10 as we speak.

11 Q. Okay. And you're in compliance with IFRS following the
12 practices associated with your parent company in Alberta?

13 A. MR. GRATTAN: Yes.

14 Q. Okay.

15 MR. JANIGAN: Thank you. Those are all my
16 questions for this panel.

17 Mr. Chair, I want to bring up another
18 conundrum that I had with respect to my brief of
19 cross-examination materials that I have for the general
20 panel, which happens to be -- because it includes decisions,
21 and I'm referring to past decisions, happens to be about 550
22 pages long.

23 I haven't made more than one copy of that,
24 but, as I understand from your directive this morning, that
25 there should be multiple copies made of that for circulation

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1 prior to the brief. I'm not certain whether or not that's
2 going to be anymore user friendly than access to the
3 electronic copy which was circulated late last week, but I'm
4 in your hands as to whether or not...

5 THE CHAIR: Well, I guess the concern we
6 had, and it came up at the last hearing, it becomes difficult
7 to know, because you don't necessarily refer to all those
8 aids to cross. So it did create some confusion at the last
9 hearing. So our preference is certainly if you can sever off
10 the ones that you're using at that particular time, I think
11 we can probably try to -- if you talk to Colleen or Deana, we
12 can maybe try to help you in terms of the distribution.

13 But if you talk to them first or talk to
14 Giuseppa, we'll see what we can sort out before we get into
15 the general panel, and maybe going the copies or segregating
16 them out, and then try to deal with it in that way. And if
17 it doesn't work, we'll revisit that issue.

18 MR. JANIGAN: Okay. Thank you very much,
19 Mr. Chair.

20 THE CHAIR: Thank you, Mr. Janigan.

21 So going from my list, it would be
22 Mr. John Maissan who would be up next to question the panel.

23 Are you ready, Mr. Maissan?

24 MR. MAISSAN: I'll do my best.

25 THE CHAIR: Thank you.

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1 MR. MAISSAN CROSS-EXAMINES THE PANEL:

2 MR. MAISSAN: Thank you, Mr. Chair. I have
3 only a few questions. This is an area, although it's
4 obviously very exciting it sometimes goes above my head. So
5 I will keep my questions to what I understand.

6 Q. I would like the panel to refer to Schedule 7.2. It's

7 the calculation of depreciation expense 2013 that is in the
8 application.

9 A. MR. KENNEDY: We have that.

10 Q. You have that. Right. About midway through the page
11 under "Distribution Plant," there is the indication that I
12 count 473, line 24, poles, towers and fixtures. The
13 depreciation rate is listed at 4.2 percent.

14 That calculates roughly to 24 years, if I
15 understand that correctly. So is it the case that you expect
16 poles, towers, and fixtures to last 24 years?

17 A. MR. KENNEDY: Sir, I'm going to take an
18 initial crack at that.

19 You're right, the role of depreciation, as
20 exciting as it may be, is not quite as linear as being able
21 to determine on life by taking one divided by the rate. Two
22 reasons for that. One is this particular account has a
23 fairly large provision for net negative salvage in the
24 account. So that, of course -- you're taking more than one
25 divided by; you're taking one plus the salvage rate divided

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1 by the rate.

2 Secondly, I'm hesitating in terms of how much
3 I want to venture into the theory of Iowa curves. But the
4 anticipation is that not all poles would last from day one to
5 the end of life. There's an anticipation that, for
6 example -- and I use the analogy of my son when he was
7 learning to drive and had some freedom. When he decided to
8 hit the pole, he didn't hit one that was exactly 35 years
9 old. He hit the one that was in front of him. And

10 unfortunately, that pole may have been new, it may have been
11 50 years old or may have been 30 years old.

12 The point of my analogy is that there is an
13 instance or an expectation of retirement of poles at
14 virtually all ages. It's the distribution or the amount of
15 those poles that may retire at each age that varies. So
16 obviously we assume fewer retire in their early years, but
17 the fact is there are some retire in early years. There are
18 some that get to generally the average age estimate, and
19 there are some that live far beyond that.

20 So when we design the depreciation rate, we
21 take into account the express instance or the circumstances
22 hat there may be some what we call interim retirement
23 activity -- in other words, retirement activity prior to the
24 average age -- for a number of instances. So, the rate,
25 unfortunately, isn't quite as equal to one divided by the

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1 years.

2 We did provide the rate calculations in
3 Section VI or 6 of my depreciation report. And I think
4 Mr. Janow responded an information request where we actually
5 identified the specific calculations for a number of
6 accounts.

7 So there's an expectation. You have to the
8 look at both the age of plant, you have to look at the
9 expectation of interim retirement activity, and you also have
10 to recognize the expectation of net salvage or the cost to
11 remove that plant in the future.

12 Our overall expectation for plant -- and I'm
13 just looking at -- unfortunately, I don't have Schedule 7.
14 I'm cheating off my colleagues here.

15 The expectation of life of poles that we have
16 is a 45-year life following a retirement dispersion based on
17 what's called an R3 Iowa curve. And so overall, our
18 expectation is that poles live on average 45 years, but then
19 there's that distribution of early retirement and assets that
20 live longer than the average service life.

21 Q. And what is the net salvage value for that line item,
22 those towers and fixtures?

23 A. MR. KENNEDY: 75 percent, sir.

24 Q. 75 percent. So if a pole cost -- let's use round
25 numbers -- a thousand dollars to install, you would have to

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1 recover \$1,750 over the life of that pole to take into
2 account the cost to remove it and replace it when it comes to
3 the end of its life; is that correct?

4 A. MR. KENNEDY: You're real close. It's the
5 cost to remove it. The replacement cost of the new pole
6 would be capitalized separately. So we could recover \$1,750
7 in your example, recognizing the \$1,000 of original cost and
8 is the \$750 to remove that pole.

9 Q. Yeah. So since it's a very high percentage compared to
10 the cost of a new pole, that drives down that number from 45
11 to something smaller, approaching 24 or whatever?

12 A. MR. KENNEDY: In very large part, that's
13 correct, sir.

14 Q. Right. Now, I just want to, for my personal

15 clarification, go back to the example of the unfortunate
16 incident with your son and the pole.

17 A. MR. KENNEDY: It was unfortunate, yes.

18 Q. Yes. When there is such an accident, is it not true
19 that the insurance -- the car insurance covers the
20 replacement of that pole, what that wouldn't be part of the
21 salvage requirement here?

22 A. MR. KENNEDY: It's not quite that easy, but
23 real close. So that an unfortunate accident if that pole
24 happened to be, say, five years old. That would mean that
25 there's two components to it. One is that we would have an

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1 instance of retirement of a pole at five years. Now we have
2 some poles are -- an instance of a pole retiring at age five.

3 You are correct that the -- my insurance bill,
4 unfortunately, recognized the payment to the utility for that
5 pole. But that would be recorded as salvage proceeds by the
6 utility which would be used and expected to offset, to some
7 extent, that cost of removal. So that minus 75 percent is a
8 net of the expected gross proceeds that we may see from poles
9 or from, you know, third-party strikes and to the cost to
10 remove.

11 So that 750 or that 75 percent is a net -- and
12 that's why we refer to it as a net neg -- thus, we refer to
13 it as net negative salvage. It's the net of the cost of
14 removal exceeding the gross salvage expectations.

15 Q. Thank you.

16 MR. MAISSAN: I have no further questions,

17 Mr. Chair.

18 THE CHAIR: Thank you very much.

19 So the next group that we have on the list is
20 the Yukon Conservation Society.

21 Ms. Middler, do you have any questions for the
22 panel?

23 MS. MIDDLEL: No.

24 THE CHAIR: No questions for the panel? So
25 I would then turn it over to -- I'm just going to check the

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1 time here.

2 Ms. Bentivegna, do you want to proceed with
3 questioning or do you want to take a break now? It's 10:19,
4 it's a little early.

5 MS. BENTIVEGNA: Maybe, Mr. Chair, if we can
6 take a break so that way, then, my questions won't be
7 interrupted.

8 THE CHAIR: If we can take a break for 15
9 minutes and then return, thanks very much.

10 (ADJOURNMENT)

11 THE CHAIR: Thank you. You may be seated.

12 So, Ms. Bentivegna, are there any preliminary
13 matters or return of undertakings at this point?

14 MS. SEARS: Well, I don't think we're that
15 fast.

16 THE CHAIR: Just being hopeful.

17 So I'll turn it over to Ms. Bentivegna on
18 behalf of the Yukon Utilities Board to pose any questions to
19 the panel.

20 MS. BENTIVEGNA: Thank you, Mr. Chairman.

21 MS. BENTIVEGNA QUESTIONS THE PANEL:

22 Q. MS. BENTIVEGNA: I've got some questions to
23 start with on life span analysis. And I would refer the panel
24 to the response in YUB-YECL 81(a).

25 A. MR. KENNEDY: We have that.

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1 Q. All right. And I want to refer you to the quote that
2 reads -- the sentence that reads: (as read)

3 "As such, the depreciation rates did
4 not specifically consider economic
5 factors on the facility as a whole that
6 are now considered as part of the
7 lifespan analysis."

8 And my first question is: Can you explain -- further explain
9 what economic factors are now considered, and quantify the
10 impacts on depreciation rates?

11 A. MR. KENNEDY: Certainly. The use of a
12 lifespan analysis says we look at both the life of each
13 account, or the asset groupings, on the basis of a physical
14 or life estimation of that asset. Well, there is some
15 economic factors in there; for example, technological
16 obsolescence of specific equipment would be considered in the
17 general life estimation of an asset -- that Iowa curve, if
18 you will.

19 The use of a lifespan says: Well, overriding
20 the physical life and things we look at for each asset group,
21 we look at the economic factors of the facility as a whole.

22 In other words, maybe to take one at random; Haines Junction.
23 We may look at the -- on the individual asset basis, the
24 technology used on the transformers and the fencing and on
25 the generating units themselves as part of the life analysis.

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1 But then overall we look at the long-term planning, is
2 Haines Junction as a facility as a whole economic. Is it
3 economic where it's at? Is it economic perhaps in a
4 different location that may cause some retirement of that
5 location.

6 And, by the way, I'm using Haines Junction
7 just because it's the first location that popped up -- not
8 that anything.

9 So we look at things like that. We look at,
10 is there a change in the economics of diesel generation
11 period? Is there an alternative source?

12 So we look at the overriding, if you will,
13 macro-economic kind of factors of that plant at each
14 location. So we say: Well, the life estimation of any given
15 asset is the lesser of the physical life of the asset or the
16 life as it may be constrained by other more macro-economic
17 factors.

18 But, generally, the introduction of a lifespan
19 is, as you suggested, that it constrains the life of a group
20 of assets or a location of assets in addition to, or for
21 assets that may have a longer life estimate.

22 Q. Just because you were discussing it before about the
23 poles. We've talked about the generating plant or the diesel
24 unit. Now, when one hears 24 years for a pole, it seems on

25 the short side.

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1 So, again, can you explain -- and I realize
2 it's an average, for example, generally for transmission
3 lines, poles on average 40, 50 years seem to be from
4 experience when there is more maintenance and more
5 replacement. So if you can please give us some more detail
6 on that.

7 A. MR. KENNEDY: I think as I was describing
8 with Mr. Maissan this morning, the 24 years isn't the life
9 estimate. The life estimate of the poles is 45 years. Then
10 when you introduce that into a depreciation of rate and you
11 combine that rate, which is also influenced by the net
12 negative salvage provision, through arithmetic you end up
13 with a rate of, I can't remember what the number was, 4 point
14 something indicating -- if you did the arithmetic, you would
15 say 1 divided by that rate would give you 24 years, but
16 that's not correct.

17 The life estimate used in that arithmetic is,
18 in fact, 45 years. And then there's other factors such as
19 the average age of the plant, the historic gains and losses
20 that are embedded into that accum account.

21 So in other words, there's a number of other
22 factors, but the largest one being also the inclusion of the
23 net negative salvage that produces the arithmetic that comes
24 out to a rate of 4 point something. But the life estimate
25 used in that is 45 years.

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1 And that 45-year life estimate proposed is in
2 the range that we would normally expect to see for electric
3 distribution companies.

4 Q. Okay, thank you. Now, if I can take you to
5 CW-YECL-33(c), the response to that?

6 A. MR. KENNEDY: I have that, ma'am.

7 Q. All right. The statement -- the following statement:
8 (as read)

9 "In total, the inclusion of the
10 lifespan approach has a less than
11 \$50,000 impact on depreciation expense
12 applied to the recovery of original
13 cost."

14 A. MR. KENNEDY: That's correct.

15 Q. Now, relative to an applied for a depreciation expense
16 of 6.57 million for 2013, is the change to lifespan analysis
17 considered material?

18 A. MR. KENNEDY: I think you're asking is a
19 \$50,000 change caused by the move to lifespan material in the
20 scheme of revenue requirement inclusion in excess of five or
21 \$6 million? I would view that to be not material, but that's
22 my own opinion. Obviously every dollar counts when it's
23 included in revenue requirement, but I think you do the right
24 thing and take the right approach, an impact of \$50,000 on
25 the overall depreciation expense is relatively minor.

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1 Q. Now, in response to YEC-YECL-12(a), this is now in
2 regards to the price signal to customers as opposed to
3 lifespan.

4 A. MR. KENNEDY: We have that.

5 Q. All right. The statement that reads: (as read)
6 "The first issue that has changed since
7 Board Order 2009-02 is that sending the
8 right price signal to customers has
9 taken on added importance as a result
10 of diesel generation once again being
11 on the margin in the Yukon."

12 Is the right price signal better accomplished by implementing
13 a Board-approved cost of service and rate design where the
14 revenue to cost ratio for each rate class approaches unity?

15 A. MR. GRATTAN: That's one of those -- I
16 believe, to be fair, that's a hypothetical question right now
17 in the Yukon because we have been unable to do that as a
18 result of the latest order in council associated with rate
19 rebalancing.

20 But Yukon Electrical would agree that being
21 able to have revenue to cost ratios, in your words,
22 approaching unity or 100 percent, is a -- is the reasonable
23 way to go in other jurisdictions, and it would be the way to
24 go here in the Yukon, subject to, as Yukon Electrical and I
25 think Yukon Energy would point out, you've got to be mindful

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1 of rate shock impacts. Did that answer your question?

2 Q. It does. But I'm wondering what the view of the panel

3 is if a better price signal would be a depreciation deferral
4 account. Let me rephrase that. Would a depreciation
5 deferral account mitigate the price signal?

6 A. MR. GRATTAN: Would a depreciation deferral
7 account mitigate the price signal? So any time that your
8 -- depreciation deferral account? So hypothetical question
9 again. I've got to be careful. I'm not quite sure I
10 understand the question, to be fair.

11 Q. If my understanding is correct, a deferral account
12 -- there's an applied-for deferral account for depreciation
13 so my question is, what does that do to the price signal?

14 A. MR. GRATTAN: Okay. So that's a bit of a
15 different issue, but I'll try to explain it as best I can.

16 Yukon Electrical has requested a deferral
17 account to flow through any -- flow through and obviously
18 have Board approval -- I think that was clarified in one of
19 the IRs -- any changes in depreciation parameters that arise
20 prior to the next time that we are before this Board due to
21 IFRS consideration but prior to us coming before this Board
22 and seeking changes in depreciation rates.

23 So the answer to your question is that we
24 would be seeking to flow approved changes in depreciation and
25 parameters as soon as possible after they arise due to IFRS

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1 considerations. And if that request should be granted,
2 customer rates would be reflective of those changes sooner
3 rather than later.

4 So it would be Yukon Electrical's position
5 that the price signal is best facilitated by, in fact, that

6 requested deferral being granted.

7 Q. All right. Thank you.

8 A. MR. GRATTAN: I just wanted to add one more
9 thing. We were in the cost of service and revenue-to-cost
10 ratios. So I just want to be very clear that Yukon
11 Electrical subscribes to revenue-to-cost ratios that are
12 approaching unity; that's number one, but we can't do that
13 right now. And number two, even if we were allowed to do
14 that, Yukon Electrical would still be seeking an end to the
15 pause because of the reasons that we've already highlighted
16 -- or I've already highlighted this morning with regards to
17 the changing circumstances in the Yukon, diesel being on the
18 margin, the large deficiency with regard to net negative
19 salvage. Those things would be being proposed by Yukon
20 Electrical regardless of whether we had the opportunity to do
21 rate rebalancing.

22 Q. That you. Now, if I can take you to the application,
23 Section 7, Attachment 1, page 1-3.

24 A. MR. KENNEDY: I have that, ma'am.

25 Q. Now, there's a statement that the general understanding

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1 of the function of the plant and information with respect to
2 the reasons for past retirements and the expected future
3 causes of retirement was obtained through contact with
4 company personnel and through physical site tours.

5 Now, Mr. Kennedy, can you provide the dates of
6 the physical site tours undertaken by, if not yourself, other
7 members of Gannett Fleming?

8 A. MR. KENNEDY: Certainly. Off the top of my
9 head, I can't remember the precise date. I can tell you it
10 was the first week of January. I remember it very well. It
11 was awfully cold. But it was immediately following the
12 meteors of 2013.

13 I had an opportunity to come up and do a
14 physical site tour of Fish Lake and of Haines Junction, and
15 we had approximately two days of meetings here in Whitehorse
16 with the company and management and operating staff. I could
17 get a more precise date if you need to, but it definitely was
18 the first week of January.

19 Q. And you were just saying it was the Fish Lake and Haines
20 Junction.

21 A. MR. KENNEDY: Those were the two we went to.
22 We planned to see more, but quite frankly, the weather
23 conditions and et cetera were not making it real conducive to
24 walking around the facilities.

25 Q. All right. And with regards to the net salvage

1 estimates, I understand that they were based on judgment that
2 incorporated analysis of historical data, review of policies
3 and outlook with company management, a general knowledge of
4 the electric utility industry and comparisons of the
5 negative salvage estimates from studies of other electric
6 utilities.

7 Again, you just mentioned that you met with
8 company officials. Can you further explain how these
9 judgments were arrived at?

10 A. MR. KENNEDY: Absolutely. So maybe it might

11 be best to, say, bear the indulgence of the Board to kind of
12 take a minute or two to talk about the process that we used
13 for that.

14 The first thing that we did is late in the
15 year 2012, Yukon Electrical sent to me a fairly extensive
16 data set. Included in that data set was the actual
17 retirement activity from 1983 to December 2011. And as part
18 of that data set, it included the actual costs of removal,
19 the actual gross salvage proceeds and the retirement dollars
20 for each transaction year.

21 So we undertook a study as presented in
22 Section V of the Gannett Fleming report that is an
23 account-by-account analysis showing that empirical data and
24 the analysis of empirical data.

25 In many cases, those net salvage indications

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1 were in excess of 100 percent of the original cost. And
2 while that may, at first blush, seem really high, one has to
3 remember that, in many cases, we are retiring plants of
4 original cost dollars from 1950 or '60 and you're removing
5 them with labour dollars in 2010 and '11. In other words,
6 there's a very large period of inflation that goes on.

7 So using the example this morning with
8 Mr. Maissan, a thousand dollar pole, for example, where we
9 may be seeing a net 75 percent or a \$750 cost on a \$1,000
10 pole, one has to remember that \$750 of cost of removal is in
11 today's dollars, and that thousand dollars of installing the
12 pole may have been in 1950 dollars.

13 In other words, that pole today is probably
14 more like 5 or \$6,000 rather than a thousand. So when we
15 look at those ratios, and those ratios look really high, one
16 has to remember that you're embedding many, many years of
17 inflationary impacts in those estimates.

18 I bring that to the forefront only because in
19 a lot of cases we had net salvage ratios based on the empiric
20 data of in excess or near to minus 100 percent. In other
21 words, the cost to remove was equalling or nearly equalling
22 the cost of installation. But again, we have that timing
23 difference.

24 So we start with that analysis of the actual
25 data. We then look at that, and we look at a group of

1 comparable peers, and we try to make them as comparable as
2 possible. We, in the cases of Yukon Electrical, would
3 specifically look at YEC, we would specifically look at the
4 other two northern ATCO companies, we would look at NWTPC.
5 We would look at those group of peers, and we'd say: What
6 are their net salvage rates? What are they actually
7 expanding, and what do they -- have they got approved? Well,
8 what we find is that, well, maybe the salvage rate that we
9 have based on empiric data falls right in that band of what
10 the peers are using, so we look at that band of peers.

11 Then we would have done all that work prior to
12 us coming up in January. We came up and sat down with the
13 company representatives and said, "Okay. Do these costs look
14 right to you guys? Does it match what you're doing, what you
15 have to do? Is it fair to --" Again, I'm using a

16 hypothetical; \$750 to remove a thousand dollar pole. We
17 start looking at it and thinking of the timing differences,
18 the things they have to do to go remove that pole, things
19 they have to, you know, do get the pole out, change their
20 drawings, etcetera, in some cases. Yeah. And we determine
21 that from an operational standpoint, that cost is a
22 reasonable cost.

23 We then further look at some of the actual
24 budget items that occurred over the last couple of years, and
25 perhaps in the forecasts. And do those estimates match to

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1 what we've seen in the budgets?

2 So what we do is we take all that
3 information -- and it's all very factual, hard empiric
4 evidence -- and we say: What's the best estimate? Maybe the
5 peers have something lower. Well, recognizing who the peers
6 are, and the process, maybe they've had some constraints
7 applied to that, for whatever reason, or maybe the peers are
8 higher. And again, I tend to like to use a peer analysis of
9 companies I've done studies for simply so I know the facts
10 and circumstances of those peers.

11 So we take that actual empiric data analysis,
12 we combine that with what we've seen from our peer analysis,
13 and then we combine that with what we hear from the
14 operations panel.

15 Then we actually do one other step, and we
16 look at Gannett Fleming's larger database throughout
17 North America and say: Is this falling in that range? In

18 other words, if I go something way out of scope from any
19 other study we've done in North America, we'd come back and
20 circle back and say: Whoa. What's going on here?

21 But generally, that's such a wide base of
22 statistics that it's no difficult too difficult to get
23 something in the middle. But again, it's a check of
24 reasonableness.

25 So just to kind of summarize, we do a very

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1 empiric data analysis, we do a very empiric site visit, and
2 discussion with operations, we compare it to budgets, and
3 then we compare it to peers. And then through that, we use
4 our professional judgment with all that actually information
5 in front of us to come up with a net negative salvage
6 recommendation.

7 It's a long answer to kind of a short
8 question, but I think it's important to understand the
9 process.

10 Q. Now, when you're doing all these different comparisons
11 and that, did you find that the numbers come up within a
12 reasonable range? So what I'm talking about is you first did
13 the empirical, then you compared it to other peers, and then
14 you applied judgment.

15 So how did the numbers change, and how do you
16 determine that they're reasonable?

17 A. MR. KENNEDY: Any time you do a peer
18 analysis, it's always difficult because it's nice to pick a
19 wide band of peers or a bigger population of peers. But the
20 more you do that, the more diversity you get in the

21 practices, and you end up with a wider band.

22 So what we try to do in part, as I suggest, I
23 like using peers that I know. And so if we see a variance,
24 we can usually understand the reason that maybe one of the
25 peers is quite different. What you usually find that if

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1 you're to look at a group of five or six peers, there may be
2 one or two estimates in that group, and the other three are
3 fairly tightly arranged.

4 So, of course, we tend to try to understand
5 the reason of the two, maybe, outliers or the two extremes,
6 but focus maybe on the moto (phonetic) average, if you will,
7 more than anything, and the fact that there's, you know, many
8 in that same band.

9 So it really varies by company and by account.
10 In some accounts, the peer analysis is much more valuable
11 than others. In other accounts, it's the operational
12 experience and recent budget items. We often get asked in
13 hearings for weighting of all those factors, and it's really
14 difficult because it's -- and some accounts you may place
15 more relevance on, say, the peer analysis, and other ones you
16 may place more relevance on the empirical data analysis. But
17 to say I placed 89 percent on empirical and, you know, 11
18 percent peer, it's almost impossible because it's really an
19 exercise of professional judgment.

20 But normally we do find and we cancel that net
21 salvage rates that are relatively reasonable to the band of
22 peers.

23 Q. And when you did the empirical analysis to what you
24 ended up as being the net salvage, if not -- not the
25 difference, but how reasonable was it, or how different was

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1 one, when you first started out with the data, to then what
2 you ended with?

3 A. MR. KENNEDY: And I'm going to use the
4 example of -- that we talked about this morning with
5 Mr. Maissan with regard to poles, account 473.

6 Our empiric data suggested a net salvage
7 percentage requirement of minus 93 percent, and then if we
8 did a bit different banding of that data, in other words,
9 looked at some rolling bands and averages, we would have got
10 that down into the high 70s, minus 77 percent. What we had
11 noticed, definitely, is the net salvage percentages were
12 trending higher. And again, that makes sense, given the
13 impacts of inflation.

14 So in essence, the empiric data was suggesting
15 somewhere in the low 80s to high 90s. In my view, that was
16 maybe a little higher than we had seen with peers, which are
17 typically between -- I haven't got the numbers in front of
18 me, but if memory serves me correctly in that account, it was
19 in the 60s to 70s.

20 So we moderated that recommendation to be more
21 in line both with the empiric data on the low side. It
22 definitely was lower than what the data would have been
23 suggested. But you know, to reflect at least something close
24 to what the peers were recognizing.

25 Q. All right. And were there accounts which went the other

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1 way?

2 A. MR. KENNEDY: Yes, there would have been. I
3 would suggest the largest accounts typically we went the way
4 we did with poles; in other words, moderated that net salvage
5 increase. For example, the largest accounts being 473, had
6 an indication of minus in about the high 80s. Account 477
7 had an indications of the high 90s to 115 percent. So we,
8 again, moderated that account.

9 So some of the largest accounts we did
10 moderate lower to a less net negative salvage. But to your
11 point, there are some accounts that we thought -- the
12 empirical data, in some cases there wasn't an awful lot of
13 retirement experience to date. So we based on peers, many
14 have them selected rates slightly higher than the data have
15 suggested.

16 Q. All right. Thank you.

17 A. MR. KENNEDY: And I guess what I will point
18 out, we did respond to an information request where we did
19 provide a relative weighting of the net salvage weighting
20 that we apply to peer analysis empiric data. I think it was
21 '87. If you could bear with me, I could -- yeah, we provided
22 a relative weighting of the factors in response to City of
23 Whitehorse Information Request 34(i).

24 So just for reference, that would be a little
25 bit of indication on what we placed more or less relevance on

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1 in our selection.

2 Q. Thank you. Now, if I can take you back to
3 YUB-YECL 81(b).

4 A. MR. KENNEDY: I do have that.

5 Q. All right. Now, it refers to: (as read)
6 "The long life assets, such as
7 electrical generation plants, are
8 restricted not only by physical forces
9 of retirement, such as wear and tear
10 and physical deterioration, but also,
11 and to a much greater extent, by
12 economic forces, as we were discussing
13 earlier, of retirement, such as changes
14 in demand and capacity, environmental
15 factors and alternative sources of
16 generation.

17 Generally, environmental forces of
18 retirement will be the dominant
19 retirement force than physical forces
20 of retirement.

21 In Yukon Electrical's situation, it's
22 expected that economical forces of
23 retirement will be the dominant force
24 of retirement. As such, Gannett
25 Fleming recommends the use of lifespan

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2 for electric generation plant."

3 And then it ends with: (as read)

4 "The use of lifespan in the calculation
5 of depreciation rates introduces the
6 concept of terminal or final retirement
7 into the calculation to represent those
8 retirements described by the truncation
9 of the interim survivor curve at the
10 truncation date."

11 Now, can you explain how the truncation of the interim
12 survivor curve is determined?

13 A. MR. KENNEDY: The actual date itself was
14 determined predominantly by the company. We suggested to the
15 company -- I recommended to the company or to Yukon
16 Electrical that we ought to consider the use of lifespan
17 analysis for a diesel generation plant. We talked with the
18 company, the company representatives largely at that meeting
19 -- those meetings in early January.

20 We had the company go back to each of the
21 diesel generating plants and look at the economic factors,
22 the environmental factors, the macro-economic factors, if you
23 will, and came back with some generalized -- some criteria
24 and then some specific criteria for other diesel generating
25 plants.

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1 So, overall, it was a function that came to us
2 from the operating experts within their company based on
3 input from us, obviously, in terms of the types of things to

4 I look for.

5 Q. Thank you. Now, I'll take you to YUB-YECL-84(a), the
6 response after Point 4.

7 A. MR. KENNEDY: I have that.

8 Q. And the statements: (as read)

9 "While this process begins with the
10 determination of a best fit curve
11 determined through the calculation of
12 the residual measures, the statistical
13 fitting process does not provide any
14 weighting of the observed life table
15 data points. Therefore, the
16 statistical best fits are only used as
17 a starting point for the remainder of
18 the curve fitting process in order that
19 the analyst can place appropriate
20 weighting on the various segments of
21 the observed life table."

22 Now, can you explain why the statistical fitting process
23 doesn't provide any weighting of the observed life table data
24 points?

25 A. MR. KENNEDY: I definitely will, but if you

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1 can bear with me for one minute, I would like to try and find
2 a good example in the evidence. Perhaps I can ask that you
3 turn in our report to -- it's page 103 of 208 of Attachment 1
4 in Section 7.

5 Q. I believe you said 103 of 208?

6 A. MR. KENNEDY: Yes. That would be an Iowa

7 curve chart for account 482. So on that chart, what you see
8 plotted as the black dot is the actual retirement activity or
9 the actual percent surviving at each of the average ages of
10 plant. We'll get into depreciation 201. It's -- in essence,
11 it's a plot of the actual retirement experience.

12 If you notice that plot, there's a number of
13 dots that the line -- the smooth Iowa curve doesn't fit
14 through exactly. The statistical date rating, what it does
15 is it would go through each of those dots and take a squared
16 differences of every possible Iowa curve to those -- to each
17 one of the dots. And then it says, "Based on that, we take
18 the square root of that, being the residual measure to each
19 of the curves, and the statistically best fit curve is the
20 one with the least differences to each of the dots. But it
21 does it for each and every dot."

22 So if you notice there at about age 25,
23 there's a dot with a very large drop. Well, that dot gets
24 its one year -- that's experience from one year, but it gets
25 an equal weighting, as do all the dots, for example, at age

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1 8, 9, 10, or all the way through there.

2 But when we go to fit the curve, what we want
3 to do is try to fit to as many of the dots as we can. A
4 statistically fit -- or a mathematically fit curve would have
5 placed lesser relevance to that instance of retirement than
6 we chose to place to it because it's only one dot out of all
7 the dots on that page.

8 So when we actually fit this curve, we looked

9 at two areas of relevance. We looked at the area of
10 relevance from about age 20 to about age 25, in other words
11 where we started seeing some significant retirement activity,
12 and we also looked again at the relevance at between age 30
13 and age 35.

14 We visually tried to fit curves that would fit
15 to those areas of relevance more than we did to the
16 mathematical fits based on the sums of the squares'
17 differences. That's kind of a lot of stuff in there.

18 That's a curve I think shows that we ended up
19 with a good fit visually but mathematically we ended up with
20 probably a worst fit because it would have placed too much
21 relevance on one or two of the points.

22 Q. All right. Thank you.

23 Now, still in keeping with the curves, in
24 YUB-YECL-84(b), Attachment 1, again, can you explain why in
25 some instances the previously recommended curve would only

1 have a medium relative weighting?

2 A. MR. KENNEDY: Again, this is meant to be an
3 indication of -- it's always tough to say what got the most
4 influence in our thought process. And this is an effort of
5 trying to do that.

6 Medium weightings would have been -- usually
7 you'll see a medium weighting where it's pretty much a medium
8 rating right across the board. In other words, we got a
9 pretty good and consistent indication from all the factors we
10 looked at. In other words, there wasn't a predominant
11 instance. Maybe it was the life analysis or the retirement

12 rate analysis that gave a good indication, but it also was
13 really consistent with peer analysis. It was also consistent
14 with prior curves.

15 In all cases, generally we assigned the medium
16 rating right across the board. It wasn't a predominant
17 factor, nor was it totally ignored.

18 Q. Now, going back to the generation units, are generation
19 units located in communities not connected to the Yukon
20 Interconnected Grid or system versus those generation units
21 located in communities connected to the Yukon Interconnected
22 System in the same equal life group and as a result of
23 using -- are they in the same life group and, as a result,
24 using the same depreciation curve?

25 A. MR. KENNEDY: There's a couple of things in

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1 there.

2 I think -- all the assets associated with the
3 same account; these units would be applicable or would have
4 been analyzed together as one big group, and would have one
5 rate and life -- I'm sorry, would have one life attached to
6 it.

7 So those that are connected versus those that
8 are unconnected, from a physical life standpoint the actual
9 connection is less material because at that point we're
10 talking physical life characteristics. But it's in part for
11 that exact reason we introduced this concept of lifespan, the
12 connectability -- excuse me -- the connectability of some of
13 the plants result in different economic life factors that has

14 an impact on the selection of the appropriate lifespan. So
15 they may have the same physical life attributes within the
16 account.

17 You used the wording there of "the equal life
18 group." I think you mean to say "the account," if I may, and
19 would be depreciated and established on that basis. But
20 definitely, the lifespans for those stations or those
21 locations would have separate indications or separate
22 considerations.

23 Q. I'm not clear. Correct me if I'm wrong. You're saying
24 that you consider them as one group, so you don't make the
25 distinction as far as the physical asset goes, between

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1 whether they're connected to the system or interconnected or
2 not? Is that correct?

3 A. MR. KENNEDY: Generally, that's correct. And
4 I say generally because we look at the investment in that
5 group as a whole, and there's both connected and unconnected
6 in there. But that's, in part, why we think the use of a
7 lifespan criterion is important to delineate the connected
8 versus the unconnected. And the connected location may have
9 a different lifespan than the unconnected.

10 So if we have a unit that has a life of 25 or
11 26 years, for example, on a physical life basis --

12 Q. Hmm, hmm.

13 A. MR. KENNEDY: -- we would suggest that those
14 units themselves, the actual generators, would have a similar
15 physical life characteristic. But the economic life
16 characteristic that is used to drive the lifespan analysis

17 could be different.

18 And so when we actually go -- and this is why
19 our schedules identify a separate depreciation rate for each
20 of the generating sites, the diesel generating sites, is if
21 you look at that, the life estimates are the same, but the
22 lifespan dates that are selected are different. And so the
23 connect -- the fact that one is connected to the grid and one
24 isn't would be recognized in that lifespan date, not the
25 physical life estimate.

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1 Q. Right. And so that would then affect -- you're saying
2 that would affect the depreciation curve? It wouldn't have
3 the same depreciation curve.

4 A. It would have the same curve, but a different rate.

5 Q. All right. Thank you.

6 MS. BENTIVEGNA: Thank you, panel. Those are my
7 questions.

8 A. MR. KENNEDY: Thank you.

9 THE CHAIR: Thank you very much,

10 Ms. Bentivegna.

11 So, Ms. Sears, do you want to proceed to your
12 next panel at this stage? Is that appropriate in terms of...

13 MS. SEARS: If the Panel -- if you have no
14 questions for this panel --

15 THE CHAIR: Sorry, I should have --

16 MS. SEARS: Assuming you don't, then I
17 think we do still have a half an hour, and we can get well
18 underway with the next panel if you're ready for that.

19 THE CHAIR: Okay. Thanks very much. I
20 will check. Thank you for reminding me to check with my own
21 Panel.
22 Does anybody have any questions that they want
23 to ask? No?
24 So you can proceed. So I won't recess --
25 sorry.

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1 (PANEL STANDS DOWN)
2 MS. SEARS: Maybe just take us five minutes
3 to sort of shift people around.
4 THE CHAIR: Sure. I'll just let...
5 MS. SEARS: If you don't mind staying here
6 while we muck around that, that's no problem with us.
7 THE CHAIR: We'll just stay here and wait
8 for you.
9 MS. SEARS: Perfect. Thank you, sir.
10 THE CHAIR: Ms. Sears, is it all right to
11 swear the witnesses now, or do you?
12 MS. SEARS: Yes, sir.
13 The only witness we have joining us now is
14 Ken Koenig who is seated closest to you. He's the supervisor
15 product support for ATCO Electric, and his CV was also
16 provided as part of Exhibit B-9.
17 THE CHAIR: Thank you.
18 MS. SEARS: The other members have already
19 been sworn. So if we could proceed with Mr. Koenig.
20
21 J. MASSIE, J. GRATTAN, D. REDDEN, K. KOENIG (For YECL),

22 previously sworn/sworn:

23 MS. SEARS EXAMINES THE PANEL:

24 MS. SEARS: Thank you for your patience,
25 sir. So we're happy to have our general panel seated before

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1 you now. The general panel will speak to all matters, with
2 the exception of depreciation, which we took care of this
3 morning, and the DSM matters which we will have our separate
4 panel for that.

5 Just before I turn the panel over to
6 cross-examination, Mr. Grattan is just going to speak
7 briefly, with respect to B-11, which was the updates filing
8 that we filed on October 31st.

9 THE CHAIR: Okay. Thank you very much.
10 You can proceed whenever you're ready, Mr. Grattan.

11 A. MR. GRATTAN: Thank you, Ms. Sears.

12 As detailed in our update in preparing for
13 this hearing, Yukon Electrical uncovered certain areas in its
14 application that required updating to ensure that the Board
15 has the best and most recent information available to it on
16 the record.

17 A number of the updated items including the
18 timing of FTE additions, demand side management, O&M expenses
19 and working capital were identified and acknowledged by Yukon
20 Electrical during the IR process, interrogatory process.

21 Yukon Electrical has updated its revenue
22 requirements accordingly and summarized the impact of these
23 corrections as part of its update. There are, however, two

24 significant areas for which Yukon Electrical needs to bring
25 forward updated information. And those two areas are:

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1 Number one, reduced residential and commercial sales as of
2 September 2013 year to date due to lower than forecast use
3 per customer; and, two, reduced O&M expenditures and delay in
4 the timing of capital related to a delay in the
5 implementation of the Watson Lake Bi-Fuel Project from 2013
6 to 2014.

7 This update has been done to allow all parties
8 to assess the appropriate forecasting methodology for sales
9 and to provide the latest available information on the timing
10 of the Watson Lake Bi-Fuel Project.

11 The update fully explains what has happened in
12 2013 in these two areas and the approach that Yukon
13 Electrical has taken to update its forecast for 2013, 2014
14 and 2015. Thank you.

15 THE CHAIR: Thank you very much.

16 MS. SEARS: Thank you, Mr. Grattan. With
17 that, the panel is ready for cross-examination, sir.

18 THE CHAIR: Thank you. I'll start again at
19 the top of the list and start with the City of Whitehorse and
20 Ms. Kellgren.

21 MS. KELLGREN: Yes. Thank you, Mr. Chair.

22 Hello again, Panel, and welcome Mr. Koenig.
23 It seems like I was just here, and I was very excited to deal
24 with depreciation.

25 Q. I have a few questions on pensions. And I do have an

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1 aid to cross in this regard, which I provided to the
2 secretary. I trust that you all have copies?

3 THE CHAIR: I have not seen that yet, I
4 don't think. You can distribute them now.

5 Q. Now, by way of background, there is one larger document
6 that I propose we mark as an exhibit after I question on it.
7 This was circulated on Friday electronically. I've provided
8 the larger document to my friend. However, my questions are
9 going to be only on one subsection within this larger
10 document and that was on page 38, which is what I've provided
11 to everyone. I have circulated copies, I believe, to all,
12 but there are additional copies at the back table for
13 everyone's reference should further copies be required.

14 So again, I'm proposing to mark the entire
15 document as an exhibit but, to save a few trees, I've
16 provided the Board with only one full copy and the rest just
17 excerpts that I seek to rely on.

18 THE CHAIR: That's acceptable to the Board.
19 And I should clarify that page 38, the way I read it is the
20 page on the right-hand side of the upper --

21 MS. KELLGREN: That's right, sir. Thank you.

22 MS. BENTIVEGNA: Mr. Chairman, just for purposes
23 of the record, I would suggest that it only be excerpts that
24 be marked if there's no issues with them as opposed to the
25 whole decision, as the questions are focused on the excerpt.

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1 Q. MS. KELLGREN: And if I may, sir. In
2 contemplating both of those options, it was my preference
3 that the entire document be marked as an exhibit simply
4 because I don't know that we have the full context of what
5 this page means without -- it's one plan. So I don't know --
6 and I am asking the panel to confirm that it is the plan in
7 question because it's not on the record of this proceeding.

8 So I think for the sake of a complete record,
9 I would be inclined to put the full plan as the exhibit, but
10 I'm in your hands.

11 THE CHAIR: No, I think in this case,
12 that's acceptable, given your explanation.

13 MS. KELLGREN: Thank you, sir.

14 Q. Panel, if I could have you turn up CW-YECL-7, the
15 response to that request.

16 A. MR. GRATTAN: I have it.

17 Q. In that we asked: (as read)

18 "Please confirm that YECL employees
19 participate in the same DB pension plan
20 as the employees of YECL's parent, ATCO
21 Electric. If not confirmed, please
22 fully explain and provide all plan
23 documents related to the YECL DB plan."

24 And in response, and this is lengthy, but I'm going to read
25 it. The response is: (as read)

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1 "Not confirmed. Canadian Utilities
2 Ltd., CU, sponsors two pension plans:

3 Plan 1, DB and DC; and plan 2, DB only.

4 Employees of Yukon Electrical's
5 parent company, ATCO Electric,
6 participate in Plan 1 for both DB and
7 DC.

8 Yukon Electrical employees who are
9 members of the DC plan participate in
10 Plan 1 while Yukon Electrical employees
11 who are members of the DB plan
12 participate in Plan 2, along with
13 employees of other CU subsidiary
14 companies.

15 The only difference between Plan 1
16 and Plan 2 is related to the regulation
17 of the two plans. Plan 1 is registered
18 in Alberta and, accordingly, is
19 governed by the Alberta Employment
20 Pensions Plan Act and administered and
21 enforced by the Office of the Alberta
22 Superintendent of Pensions in the
23 Employment Pensions Branch in Alberta
24 Treasury Board and Finance.

25 Plan 2 is registered federally and,

1 accordingly, is governed by Pension
2 Benefits Standards Act, 1985, and
3 administered and enforced by the Office
4 of the Superintendent of Financial

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For purposes of Plan 2, an actuarial report must be prepared annually except for when the solvency ratio is greater than 1.20.

Given Plan 2 is the most recent actuarial report as of December 31, 2012, details of solvency ratio less than 1.20, the next actuarial valuation will be required as of December 31, 2013. "

Now, I don't believe that the plan documents were provided as requested. So my first question is: Was the plan document provided? I just want to confirm that it's not already on the record.

A. MR. GRATTAN: No.

Q. Thank you. Now, my aid to cross, as I believe your counsel has shared with you, is what I understand to be a copy of ATCO's Plan 1, which was filed with the Alberta Utilities Commission in an ATCO Utilities pension proceeding in 2009.

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Is this the Plan 1 that Yukon Electrical employees who are members of the DC plan participate in?

A. MR. GRATTAN: Yes.

Q. Is this the most current Plan 1 document?

A. MR. GRATTAN: I wouldn't be able to say 100 percent, so I better undertake to do that.

Q. If you could do that, I would appreciate it. Thank you.

8 A. MR. GRATTAN: Just to confirm the
9 undertaking, I'll undertake to confirm the aid to cross is
10 the most recent or current Plan 1 document.

11 Q. That's right, for YECL.

12 A. MR. GRATTAN: For YECL DC?

13 Q. That's right.

14 A. MR. GRATTAN: Defined contribution.

15 Q. Yes.

16 UNDERTAKING - TO CONFIRM THE AID TO
17 CROSS IS THE MOST RECENT OR CURRENT
18 PLAN 1 DOCUMENT FOR YECL DC

19 MS. KELLGREN: And perhaps, Mr. Chair, we can
20 mark this as an exhibit now.

21 THE CHAIR: Yes, you can proceed and we can
22 mark that as an exhibit. I believe the number would be C-2.4
23 if I'm not mistaken.

24 So yes, that's being verified. So I can
25 confirm that number.

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1 MS. KELLGREN: Thank you, sir.

2 EXHIBIT C-2.4 - AID TO CROSS

3 Q. MS. KELLGREN: Mr. Grattan, is the only
4 difference between Plan 1 and Plan 2 where the plans are
5 regulated? Is that my understanding of the response that we
6 just went through?

7 A. MR. GRATTAN: That would be my understanding;
8 correct.

9 Q. If we could turn to page 38 of the plan text, which is

10 the third page of the smaller aid that I've circulated.

11 A. MR. GRATTAN: I'm there.

12 Q. Thank you. And sub (a) says: (as read)

13 "The annual adjustment will be as
14 determined by the company but will not
15 exceed 3 percent per annum. In
16 calculating the annual adjustment, the
17 company will take into consideration
18 annual percentage changes in the
19 consumer price index for Canada and any
20 previous annual adjustments paid."

21 I'm wondering, sir, if you could undertake to provide an
22 estimate of the level of special funding if 50 percent of
23 CPI -- up to 3 percent is used as an assumption in special
24 funding requirements?

25 A. MR. GRATTAN: Yes, I can undertake to do

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1 that.

2 Q. Thank you.

3 UNDERTAKING - TO PROVIDE AN ESTIMATE OF
4 THE LEVEL OF SPECIAL FUNDING IF 50
5 PERCENT OF CPI, UP TO 3 PERCENT IS USED
6 AS AN ASSUMPTION IN SPECIAL FUNDING
7 REQUIREMENTS (SEE TEXT)

8 Q. MS. KELLGREN: Now, I would like to move to a
9 different topic and that's O&M, the lease of the LNG from
10 ATCO Gas. I'm wondering if you could turn up CW- YECL-8, the
11 response to sub (b).

12 A. MR. REDDEN: I've got that.

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13 Q. There YECL states that leasing may not be less expensive
14 than owning, and I'm wondering if you could undertake, sir,
15 to provide an analysis of the cost of lease versus own that
16 identifies the costs of leasing and owning. Was any sort of
17 assessment done between the costs of leasing and costs of
18 owning?

19 A. MR. REDDEN: There was an evaluation
20 to -- with respect to that package for that equipment which
21 the LNG facilities comprise of storage and vapourization
22 equipment, what Yukon Electrical was looking for was
23 packaging of not just the equipment but the ability to have
24 operations, maintenance and safety services with respect to
25 that piece of equipment.

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1 Q. Sir, perhaps, then, would you undertake to provide that
2 package that you're referring to?

3 A. MR. REDDEN: So, Ms. Kellgren, the question
4 is to provide comparison of the equipment costs, then, that
5 within the lease versus the lease cost itself?

6 Q. Hmm, hmm?

7 A. MR. REDDEN: Yeah, we've got those
8 components within our lease arrangement, and we can provide
9 the numbers on the capital component versus what the lease
10 cost is that we've stated.

11 Q. Thank you.

12 MS. KELLGREN: Do we need a restatement of
13 that undertaking just for clarity?

14 Q. MS. KELLGREN: Perhaps, sir, if you could

15 restate what you're prepared to produce in that regard.

16 A. MR. REDDEN: Okay. If my understanding is
17 correct, what you're looking for is us to produce the details
18 that make up the lease arrangement with respect to the LNG
19 facility equipment.

20 Q. As compared to any assessment of buying the assets.

21 A. MR. REDDEN: The assessment of the component
22 costs within it?

23 Q. Right.

24 A. MR. REDDEN: Right.

25 Q. I think we understand one another.

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1 MS. SEARS: I'm not sure we do, actually.

2 MS. KELLGREN: Okay.

3 MS. BENTIVEGNA: So let's try that one again.

4 MS. KELLGREN: Okay.

5 A. MR. REDDEN: So we've got --

6 MS. SEARS: Why don't we just ask

7 Ms. Kellgren to repeat what her question was, what she would
8 like to see provided, and then we can figure out if we're on
9 the same page.

10 MS. KELLGREN: That's fine.

11 Q. MS. KELLGREN: Really, from a very simple
12 perspective, I'm just looking for an assessment of owning
13 versus leasing, because the response was; leasing may not be
14 cheaper. And so we're saying: Okay. Well, where is that
15 analysis, and can you provide it? And I believe -- and I
16 don't want to put words in your mouth, sir -- but I believe
17 thus far your response has been that that's contained within

18 a greater assessment.

19 A. MR. REDDEN: The equipment costs are
20 contained within the lease.

21 Q. Hmm, hmm.

22 A. MR. REDDEN: Right? And that was the
23 decision is; do you just purchase the equipment, or is it
24 part of a bundled service?

25 Q. I see.

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1 A. MR. REDDEN: Right? So I can certainly
2 provide the visibility into the details of the lease that
3 then will outline what the equipment costs are.

4 Q. Thank you.

5 A. MR. REDDEN: Maybe if I can just add to that
6 decision process on leasing versus buying. I mean, this is a
7 first-of-its-kind project, a pilot project that we're doing
8 in a phased approach to prove on one unit at Watson Lake over
9 a one-year period. And then the successful completion of
10 that first phase, then we would convert the rest, the
11 remaining five units at Watson Lake to have bi-fuel
12 operational capability.

13 So Yukon Electrical is obtaining the LNG
14 delivery that there is now a market starting to establish for
15 supply of LNG that we will bring to site, use it in our
16 equipment. The evaluation on the LNG facility itself is an
17 emerging market. So we're seeing that there is other
18 projects that are starting to be looked at. But Yukon
19 Electrical's desire was to have a bundled approach to all of

20 the equipment and services within that that gave flexibility
21 for proving and then transitioning into the larger project.

22 So saying that leasing, depending how the
23 project goes, can be the attractive way to go. If something
24 needs to be changed, it offers that flexibility. So one has
25 to keep that in mind when we're taking a look at what are

1 just pure equipment costs, what are Yukon Electrical's
2 capabilities, and to try and look after managing and
3 operating that equipment or having a service provider for
4 this. So the lease has not just the dollar values, but it
5 has all the bundled services that are within it, and that was
6 our approach is to have a prudent manner in looking after
7 that specialized equipment in this new project.

8 Q. Thank you. How long is the lease for the equipment?

9 A. MR. REDDEN: The lease period is a 20-year
10 lease.

11 Q. So if the one-year pilot is unsuccessful, what are your
12 options of terminating the lease early?

13 A. MR. REDDEN: So then that's what would
14 happen; if Phase 1 was not desired to proceed with, then we
15 would undertake to get out of the lease arrangement.

16 Q. But are there provisions in the lease for that?

17 A. MR. REDDEN: There is, and -- bear with me
18 as I'm calling up the lease here.

19 So, Ms. Kellgren, I'm referring to UCG-YECL
20 21(g), Attachment 15, which is the Liquefied Natural Gas
21 Agreement No. 5.

22 So within the term of the contract, it's

23 outlined that: (as read)

24 "Either party may terminate this
25 agreement by providing written notice

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1 at least 12 months in advance of the
2 termination date." The cost to remove
3 the ATCO Gas-owned equipment from the
4 Yukon Electrical site at Watson Lake
5 and restore the state to an
6 unencumbered state will be borne by the
7 terminating party."

8 Q. So if the pilot were not successful, in YECL's
9 estimation, and YECL sought to terminate the lease with its
10 affiliate, they would have costs, then, of the following 12
11 months, after providing notice of termination, I'm assuming,
12 and costs of removing the facilities. Is that accurate?

13 A. MR. REDDEN: That's correct. If Yukon
14 Electrical is triggering the termination, then it's Yukon
15 Electrical's cost related to the removal, as well as 12
16 months from when the notification is --

17 Q. Okay. And if ATCO Gas terminated, would Yukon
18 Electrical still be responsible for 12 months of costs under
19 the lease following the notification received from ATCO Gas?

20 MS. SEARS: Ms. Kellgren, he read the
21 provision onto the record. I think at this point we can
22 discuss in argument what it may mean. I'm not sure that he's
23 going to provide you any additional legal interpretation of
24 what that clause means.

25 MS. KELLGREN: Fair enough. I wasn't seeking

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1 for a legal interpretation, simply only YECL's understanding,
2 but I'm prepared to move on.

3 Q. MS. KELLGREN: I'm wondering, sir, if you can
4 explain how the lease price was derived.

5 A. MR. REDDEN: Yes. The lease price was
6 derived through a -- for the equipment, through a competitive
7 process for the storage vapourization equipment that makes up
8 the LNG facility. Yukon Electrical had full visibility into
9 that process and are working with ATCO Gas under the
10 conditions of a fair market value arrangement then with what
11 we'll provide with respect to the pricing components that are
12 within that various components for the equipment and for the
13 services that are being provided and for a return on the
14 project.

15 Q. What is the return on the project?

16 A. MR. REDDEN: The return targeted would be in
17 the area of 10 percent.

18 Q. And is that a moving -- and I'm just not familiar with
19 this, so I'm wondering; is that a moving target, or is there
20 a definite number in the arrangement? You said in or around
21 the vicinity of 10 percent. Is there an actual number?

22 A. MR. REDDEN: They would have targeted a
23 specific return. However, what the project turns out at then
24 will determine what the actual return is for ATCO Gas.

25 Q. What was the specific return targeted? Are you aware?

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1 A. MR. REDDEN: Ten percent.

2 Q. Ten percent.

3 A. MR. REDDEN: And Mr. Grattan had mentioned
4 earlier the timing revision to the project then not occurring
5 for construction this year but instead implementing in 2014.

6 So, you know, right there from Yukon
7 Electrical's perspective then, this lease arrangement is
8 attractive in that that equipment is not under our control
9 and it's not under our responsibility until it's actually
10 being utilized at the site. So the lease arrangement right
11 there for Yukon Electrical is showing its flexibility.

12 A. MR. GRATTAN: Just to add to that. The risk
13 with respect to this lease is being borne by ATCO Gas.
14 They've given us a lease rate, as detailed in the Liquified
15 Natural Gas Services agreement and they've gone off and
16 bought the equipment. Services are not going to be provided
17 until 2014. So they're having to deal with whatever costs
18 they've incurred.

19 And while I do not have visibility into their
20 books, it is not going to be helpful to that 10 percent
21 target that Mr. Redden just talked about.

22 Q. Sir, in response to CW-YECL-8(d), YECL indicates
23 -- sorry, do you have that?

24 A. MR. REDDEN: I do.

25 Q. YECL indicates that it has continued to monitor pricing

1 related to other services. And I'm wondering what pricing
2 has YECL monitored?

3 A. MR. REDDEN: So, as I mentioned before, as
4 this market is developing for those sorts of services, we're
5 aware of areas where -- such as an oil and gas field, there
6 are these types of systems being offered, smaller than what
7 it is that we're looking at for Watson Lake. We don't have
8 revised pricing, and that's the reason that we've gone into
9 this lease arrangement in the first place.

10 But we just want to say abreast as we see
11 other projects coming into play and how those are being put
12 together and a market establishes. Then we'll be maintaining
13 visibility on seeing if there are new developments or
14 difference in prices that Yukon Electrical could utilize.

15 A. MR. GRATTAN: And one -- from our
16 perspective, the benefits of the lease agreement is obviously
17 if the project ultimately does not proceed past the pilot
18 stage, we've got the opportunity to end the relationship and
19 not have incurred the capital costs associated with the
20 liquefaction facility.

21 The other, from our perspective, very good
22 aspect of the lease arrangement is that we will be able to,
23 as the market matures, should it mature, to take a look at,
24 as Mr. Redden has pointed out, what market rates are
25 prevailing on a go-forward basis. And whenever we come

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1 before this Board in future regulatory applications, it will
2 be our responsibility to demonstrate that the price that we
3 are paying for this LNG facility is fair and reasonable and

4 prudent and recovered in rates.

5 So the lease arrangement facilitates that,
6 allows that, and does give Yukon Electrical some very good
7 flexibility going forward.

8 THE CHAIR: Ms. Kellgren, I did notice that
9 it is just a little bit after noon. So what I suggest is
10 that you continue on this topic, maybe continue, and then you
11 make a decision as to the best time to make a break before
12 you move on to the next subject matter.

13 MS. KELLGREN: Mr. Chair, this is quite
14 timely, in fact. I think I am done with this section, so
15 this might be an appropriate time to take a break.

16 THE CHAIR: I suggest we recess for about
17 an hour and a half and return about 1:30. Thanks so much.

18 (Proceedings adjourned at 12:03 p.m.)

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20 PROCEEDINGS ADJOURNED TO 1:30 P.M.

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1 (Proceedings recommenced at 1:30 p.m.)

2 THE CHAIR: Welcome back. So before we get
3 underway again, is there any preliminary matters?

4 MS. SEARS: No, sir.

5 THE CHAIR: Okay, thank you.

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So I'll turn it back to the City of

Whitehorse.

MS. KELLGREN: Thank you, Mr. Chair.

Q. MS. KELLGREN: Good afternoon, gentlemen. I wonder if the you could turn up for me schedule 5.2 of the application.

A. MR. REDDEN: I'm there.

Q. Thank you. And on lines 150 to 152 specifically of that schedule, YECL discusses the classification of one temporary FTE to full time. In response then to an IR we didn't follow up, which is CW-YECL 10(b), YECL discusses a term employee. And I'm wondering if you can explain to me how the reclassification of a temporary employee to full time is related to a term position.

A. MR. MASSIE: So a -- in regard to these meter readers, the term position became -- basically was a full-time designation for the position. A temporary -- meter readers at the time were not -- they were outside of our collective agreement. We had run that way for quite some time in anticipation, quite frankly, for the last application

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of AMR.

When AMR was disallowed and we continued to use meter readers, there really was a want and a concern to get those meter readers, those temporary employees, more into the collective agreement. So they came in as term employees. So they became -- they were able to get all the provisions of the collective agreement accorded a full-time employee, but just for a set term. So their term ends at the end of next

9 year.

10 Q. The end of 2014.

11 A. Yes.

12 Q. Thank you.

13 A. MR. MASSIE: Actually, sorry, just for the
14 one meter reader.

15 Q. That one position.

16 A. MR. MASSIE: Yeah, the one meter reader
17 position.

18 Q. Thank you. Now, sir, I'm wondering if you can pull up
19 YUB-YECL 8, Attachment 1. And we're staying with the
20 operations and maintenance topic, but moving to hydro from
21 AMR.

22 A. MR. MASSIE: YUB-YECL 8, 1 -- or
23 Attachment 1.

24 Q. Yes. Now, there YECL explains the increases in costs in
25 this category, and then there's a note which states that:

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1 (as read)

2 "100 percent of the costs of a
3 technician are being charged to account
4 62600, but that 50 percent is to be
5 allocated to 64600 (thermal)."

6 A. MR. MASSIE: Diesel, diesel generation.

7 Q. Okay.

8 A. MR. MASSIE: So basically it was the
9 environmental tech, we noticed our mistake in allocating
10 their costs, full costs to hydro permitting when we also have

11 diesel --

12 Q. So is something that will be fixed in the compliance
13 filing?

14 A. MR. MASSIE: Yes.

15 Q. The reallocation?

16 A. MR. MASSIE: Yes.

17 Q. Thank you. Now, turning to the increases for 2013, 2014
18 and 2015 in this category. YECL indicates costs related to
19 First Nations, land tenure, access, and monitoring are
20 included in 2013, 2014, and 2015. But reviewing that
21 schedule, it doesn't appear that there are any actuals for
22 2011 or 2012, and I'm wondering if you can explain that.

23 A. MR. MASSIE: So just to clarify, the
24 question is why they're not included in '11 and '12. Is
25 that --

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1 Q. Right. It doesn't appear from that schedule as though
2 there are any costs for '11 and '12, and we're wondering why
3 that is.

4 A. MR. MASSIE: The First Nation land tenure
5 agreements were really a result of our new long-term water
6 use license for the Fish Lake Hydro system that came into
7 effect on May 31st of '13. So as it was part of the new
8 water license starting in '13, they weren't required in '11
9 and '12, so that's why the costs aren't there.

10 Q. Okay. And I'm wondering if you can explain why there
11 are no contractor service costs related to this category.

12 A. MR. MASSIE: I'm sorry. Are we still
13 looking at the attachment, Attachment 1?

14 Q. Yes, but the line item is first...

15 A. MR. MASSIE: Sorry, you'll have to narrow
16 that down for me. You lost me a little bit on contractor
17 services.

18 Q. Maybe I can just get some clarification on that
19 question.

20 I'm going to move on from that and ask a
21 different question.

22 Which of the costs related to this category of
23 costs being the First Nations land tenure, access and
24 monitoring can be attributed to the City of Whitehorse? Are
25 they the costs associated with the City of Whitehorse? Can

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1 they be attributed to the customers within the City of
2 Whitehorse, is what I'm saying?

3 A. MR. MASSIE: Oh, okay, I wasn't really
4 understanding.

5 Q. Sorry.

6 A. MR. GRATTAN: I just want to make sure we're
7 clear. You asked which of these costs would be attributable
8 to the customers of the City of Whitehorse or are
9 attributable to the customers of the City of Whitehorse?

10 Q. I think "would be" is probably --

11 A. MR. GRATTAN: Would be?

12 Q. Yes.

13 A. MR. GRATTAN: Okay, would be.

14 A. MR. MASSIE: I apologize. We're just trying
15 to ensure that we understand the question.

16 So these First Nations land tenure and access
17 monitoring down below on this operations account, this is
18 really for ongoing operating costs that are required to keep
19 us in compliance with our water use license. So it does make
20 up part of our operating costs for hydro generation.

21 So they're definitely rolled into the cost of
22 operating Fish Lake.

23 Q. Sir, I think I heard you reference other costs as well.
24 And that was my next question, the other line just below the
25 category we were discussing. And there I see 28,000, 26,000,

98

1 and 25,000 for the test years respectively.

2 Am I to understand that those are also
3 included in the costs you were just discussing in terms of
4 maintaining that water license?

5 A. MR. MASSIE: Yes. The other line is rolled
6 up in the overall costs of operating Fish Lake.

7 Q. Okay. And I'm wondering if you can explain why these
8 other costs are so much higher than the 2011 and 2012
9 actuals. There seems to be a significant jump there.

10 A. MR. MASSIE: Just so I'm clear, we're
11 looking at the "other" down at the bottom; right? Because
12 there's just an "other" at the top under "contractor
13 services," and then there's the "other" down below.

14 I guess we're talking about the other that's
15 rolled out of contractor services?

16 Q. That's right.

17 A. MR. MASSIE: I think it's just small work
18 that is done by contractors that just really wasn't

19 worthwhile to piece out, so they were rolled up in the
20 28,000, 26,000 and 25,000 that are -- make up part of the
21 entire contract services cost. Did that answer -- was the
22 bottom --

23 Q. I think that's fine, thank you. And I'm actually going
24 to switch gears now and move on to residential sales.

25 I'm not sure who I can direct my questions to

99

1 on that score so I will just --

2 A. MR. KOENIG: Hopefully me.

3 Q. Thank you, sir. I wonder if you could turn up YECL's
4 response to CW-YECL-2(a)?

5 A. MR. KOENIG: Yes, I have that.

6 Q. Thank you. And there we requested: (as read)

7 "Please provide a schedule similar to
8 Schedule 2.1 containing 2008, 2009,
9 2010, '11, '12 actuals and 2013 through
10 2015 forecast actual and normalized
11 sales, average customers, and actual
12 and normalized average use per customer
13 for the City of Whitehorse, separating
14 customers that use electricity for
15 space heating and those that do not use
16 electricity for space heating."

17 And I don't see that in the response anywhere, and I'm
18 wondering is that anywhere on the record where YECL has
19 managed to separate out those that use electricity for space
20 heating and those that do not?

21 A. MR. KOENIG: No, we have not been able to do
22 that.

23 As indicated in the response, we are unable to
24 break out which customers are space heating -- which
25 customers have space heating and which ones do not. We don't

100

1 have records of that, so we are unable to provide that
2 breakdown.

3 A. MR. GRATTAN: And just to provide some
4 perspective, having lived in the Yukon for a year or two or
5 ten, I think it's reasonable to conclude that almost every
6 Yukon customer uses electric space heating at some point in
7 time during the year if the particular room that they're in
8 is cold. They'll often plug in something. It's just a
9 question of what the quantum of electric space heating they
10 might be using.

11 So we, unfortunately, don't have the
12 visibility as to what each and every electric customer is
13 doing in the residential sector with regards to electric
14 heat.

15 Q. But there is a general trend in YECL's submission in
16 this application that there's been more of that; is that
17 correct? And by that, I mean the use --

18 A. MR. GRATTAN: Correct.

19 Q. Okay. For new subdivisions and new residences being
20 constructed, does YECL have any understanding of how many of
21 those are using electricity for heating?

22 A. MR. MASSIE: I could take that one. As
23 we've seen this general trend in electric heat grow,

24 especially in the downtown core, when we engage customers now
25 and hook them up to the system, we do ask about their

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1 requirements and if they are specifically on electric heat or
2 not.

3 The number of reasons to do that for all the
4 infrastructure we put in, and so forth like that as well as
5 the developers in the downtown core, they specifically let us
6 know, just because of the size of the transformers we need to
7 put in to serve these condominiums that are exclusively
8 electric heat is substantial. So we have started just in the
9 past, I would say, year or two to try and track that a little
10 bit better.

11 Q. Okay, thank you.

12 In the update filed October 31st, I believe,
13 YECL shows updated use per customer which my understanding is
14 lower than had originally been forecast. Is that right?

15 A. MR. REDDEN: Yes, that is correct.

16 Q. I wonder, can you confirm that you applied this decrease
17 for 2014 and 2015 rather than retrending the experience? I
18 mean, we were looking at the graph that was provided in the
19 update and it seemed to us as though the decrease experienced
20 in recent past, that you just took that decrease and
21 essentially took it off of the forecast for 14 and 15; is
22 that accurate?

23 A. MR. KOENIG: Yes, it is. We're continuing
24 in the assumption that DSM will fine-line the UPC for '14 and
25 '15.

1 Q. Just a few questions on other revenue. In CW-YECL-4 --
2 and I can give you an opportunity to pull that up.

3 A. MR. KOENIG: Sorry.

4 Q. No, not at all. I just want to make sure. I don't want
5 to rush anybody.

6 And in that response, YECL indicates that:

7 (as read)

8 "There is a reduction in rental income
9 due to the Yukon government moving out
10 and YECL requiring that space."

11 I'm wondering if you can confirm that the Yukon government
12 has moved out of that space?

13 A. MR. MASSIE: Yes, they have.

14 Q. When did they move out?

15 A. MR. MASSIE: August 31st.

16 Q. How much space were they leasing?

17 A. MR. MASSIE: I don't have that number off
18 the top of my head. Generally I would say probably
19 three-quarters of our upstairs floor -- two-thirds to
20 three-quarters.

21 Q. Would you undertake to provide a copy of that lease?

22 A. MR. MASSIE: Yes.

23 Q. Thank you.

24 UNDERTAKING - TO PROVIDE A COPY OF THE
25 LEASE BETWEEN YECL AND THE YUKON

1 GOVERNMENT

2 Q. So that space is now being used by YECL?

3 A. MR. MASSIE: Yes. Yes, it is.

4 Q. Okay. And, specifically, what FTEs are using that
5 space? Is it dedicated to a certain group?

6 A. MR. MASSIE: It isn't -- it's not quite
7 being utilized just yet. There's some renos that are going
8 on to make the space useable at the moment, anyway. We're
9 hoping to be in there in the next month.

10 Q. And will YECL be using all of the space?

11 A. MR. MASSIE: Yes, YECL will be using all of
12 that space.

13 Q. Okay. Now, if we could move on to capital.

14 MS. KELLGREN: Mr. Chair, we appear to be
15 having some technical difficulties here, so if I run over
16 when it would be an appropriate time to take a break, please
17 interject.

18 THE CHAIR: Okay. No, you've got
19 another -- it's only 1:49 --

20 MS. KELLGREN: I thought I had some time.

21 THE CHAIR: You've got lots of time.

22 MS. KELLGREN: But I wanted to alert the
23 Board to the fact that I might not have a reliable clock.

24 MS. SEARS: Let the record reflect that
25 even a stopped clock is correct twice a day.

♀

1 MS. KELLGREN: I think that we can agree on,

2 Ms. Sears.

3 Q. MS. KELLGREN: Gentlemen, if you could turn up
4 your response to CW-YECL 12(a).

5 A. MR. MASSIE: I am there.

6 Q. Thank you. And in the preamble of that request, we
7 stated: (as read)

8 "YECL provides miscellaneous overhead
9 services - various subdivisions of
10 \$3,625,000 for 2015, a 2014 forecast of
11 2.9 million and a 2015 forecast of 4.3
12 million."

13 In sub (i) that question we asked YECL to fully explain how
14 the forecasts were determined. In part, we were referred to
15 YUB-YECL 65, which is a table, and I'm wondering -- I don't
16 know if you have the capacity to sort of pull up two
17 attachments at the same.

18 A. MR. MASSIE: I will do my guess.

19 Q. And I don't mean you personally, obviously -- your
20 computer. That last one was YUB-YECL 65.

21 A. MR. MASSIE: 65. I am at 65, yeah.

22 Q. Thank you. So am I correct that response to the
23 YUB-YECL 65 does not just address the miscellaneous overhead
24 services - various subdivisions, but addresses new extensions
25 in total? So said another way, the various subdivisions'

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1 expenses are a subset of the new extensions charge; is that
2 fair?

3 A. MR. MASSIE: Sorry. So you are
4 asking -- can you repeat that, please?

5 Q. Of course. So there's a chart at YUB-YECL 65.

6 A. MR. MASSIE: Hmm, hmm.

7 Q. And that deals with new extensions. It says "New
8 Extensions" and then "Customer Contributions." Are you
9 following? Are you seeing that?

10 A. MR. MASSIE: Yes, I absolutely am.

11 Q. Okay. And my question is: The costs that I had just
12 referred to you that were discussed in CW-YECL 12, which is
13 miscellaneous overhead services - various subdivisions -- I
14 believe that's what the category is called -- that those are
15 included within these new extension costs.

16 A. MR. MASSIE: Okay. I fully understand.

17 Yeah, I believe they are, yes.

18 Q. Thank you. Now, if we could turn up YUB-YECL 61,
19 Attachment 1, this should be a chart specifically with
20 respect to miscellaneous overhead services - various
21 subdivisions?

22 A. MR. MASSIE: Okay.

23 Q. Do you have that, sir?

24 A. MR. MASSIE: Yes, I do.

25 Q. Thank you. How was this forecast prepared?

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1 A. MR. MASSIE: So the forecast for the
2 miscellaneous overhead services - various subdivisions,
3 really, we base them on one part of historical tracking,
4 looking in the rear-view mirror, and looking to see what the
5 costs have been historically. And then we factor in our
6 discussions with City of Whitehorse and the government and

7 other developers to see what new developments or what
8 subdivisions will be available coming forth to try and come
9 up with that number.

10 Q. Okay. Sir, I'm going to put a couple of numbers to you,
11 and I'm hoping you'll either be prepared to do the math on a
12 sheet or that you'll accept them subject to check just
13 looking at the numbers that we follow on this chart. So I'm
14 wondering if you'll accept, subject to check, that this
15 three-year average of actuals for this category of costs,
16 being miscellaneous overhead services - various subdivisions,
17 the average for 2010, 2011, 2012 is 1,096,000?

18 A. MR. MASSIE: Sure, subject to check.

19 Q. Thank you. And the four-year average from 2009 to 2012
20 is \$1,064,250?

21 A. MR. MASSIE: Sure, subject to check.

22 Q. And the five-year average of actuals from 2006 through
23 2012 is 1,112,200.

24 A. MR. MASSIE: Sure, I'll accept that, subject
25 to check.

♀

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1 Q. Thank you. So is it fair to say that history may not
2 have played a great deal into this particular forecast? I
3 know you said that that was one of the components, but I
4 think here we have averages of approximately a million
5 dollars and then forecasts through the test period of 3.6,
6 2.9, and 4.3.

7 A. MR. MASSIE: Hmm, hmm.

8 Q. So I'm wondering what of those additional factors you've
9 discussed led to the conclusion of these rather significant

10 increases in this category.

11 A. MR. MASSIE: So, absolutely, it
12 looks -- it's greater than what we've seen in the past. But
13 we also have been looking at the available lots that were
14 coming forth in the coming years, talking to developers and
15 to, again, the City of Whitehorse in regards to the
16 Whistle Bend subdivision, how many lots are expected to be
17 available at a certain time, and their location, and as best
18 we can come up with, this forecast for a category of new
19 extensions that, really, we have very little control over.

20 Q. Okay. Now, sir, staying with YUB-YECL 61, Attachment 1,
21 just moving further down that graph to miscellaneous new
22 underground services.

23 A. MR. MASSIE: I am there.

24 Q. Thank you. And I'm wondering if you can explain how
25 this forecast was prepared.

♀

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1 A. MR. MASSIE: Again, it would be the same
2 factors that we look at for both underground and overhead new
3 services. They're new services --

4 Q. Okay.

5 A. MR. MASSIE: -- and the same factors are
6 looked at.

7 Q. Okay. And again, I'm going to take you through a bit of
8 a mathematical exercise. And I'm wondering if you will
9 accept, subject to check, that the three-year average of
10 actuals for this category from 2010 through 2012 is \$148,667?

11 A. MR. MASSIE: Sure, subject to check.

- 12 Q. Thank you. The four-year average of actuals from 2009
13 through 2012 is \$120,500?
- 14 A. MR. MASSIE: Sure, subject to check.
- 15 Q. Okay. And the five-year average of actuals through 2008
16 through 2012 is \$115,400?
- 17 A. MR. MASSIE: Yes, subject to check.
- 18 Q. Okay. Just so I'm understanding these costs that we've
19 been discussing, these are included within the greater
20 category of new extensions?
- 21 A. MR. MASSIE: Yes, that's correct.
- 22 Q. Okay. So a significant portion of these costs would be
23 offset by customer contributions. Is that accurate?
- 24 A. MR. MASSIE: Yes, I believe in the IR we
25 look at historically, it's 75 to 85 percent. It really

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- 1 depends on the location and the customer requirements of what
2 it's going to take to serve them.
- 3 Q. Okay. So I'm wondering if you would be prepared, by way
4 of undertaking, to provide us with a schedule like
5 YUB-YECL 65, which shows the forecast costs, the forecast
6 customer contributions, and the Yukon Electrical net
7 investment specifically for each of miscellaneous overhead
8 services - various subdivisions and for the underground
9 services. Can you do that?
- 10 A. MR. MASSIE: I'm sure we can. I just need
11 some clarity on exactly what you want me to provide. So
12 for -- I'm looking at YUB 65.
- 13 Q. Hmm, hmm.
- 14 A. MR. MASSIE: -- and so you need the same

15 format as below?

16 Q. I would like you to undertake to provide the same format
17 of YUB-YECL-65 but specific to the miscellaneous overhead
18 services costs for various subdivisions and the underground
19 costs.

20 A. MR. MASSIE: Yes, I'll undertake to provide
21 that.

22 Q. Thank you.

23 UNDERTAKING - TO PROVIDE A DOCUMENT
24 THAT IS THE SAME FORMAT AS YUB-YECL-65
25 BUT SPECIFIC TO THE MISCELLANEOUS

110

1 OVERHEAD SERVICES COSTS FOR VARIOUS
2 SUBDIVISIONS AND THE UNDERGROUND COSTS

3 Q. MS. KELLGREN: So if we can -- hopefully we
4 still have YUB-YECL-61, Attachment 1 up, but if we don't
5 still have it, I'd ask that you bring it back up again. And
6 I think we still have a few questions left on this particular
7 attachment. So for ease of reference you may want to keep
8 that up.

9 A. MR. MASSIE: Fair enough.

10 Q. Sorry, you have it, sir?

11 A. MR. MASSIE: Yes, I do, sorry.

12 Q. No, no, not at all. Once again, it's a bit of the
13 mathematical exercise, but this is with respect to
14 miscellaneous distribution pole replacements. And I'm
15 wondering if you'll accept, subject to check, that the
16 three-year average of actuals from 2010 through 2012 is

17 52,000?

18 A. MR. MASSIE: Subject to check.

19 Q. The four-year average of actuals from 2009 through 2012
20 is 44,500?

21 A. MR. MASSIE: Subject to check.

22 Q. And the five-year average of actuals from 2008 through
23 2012 is 54,000?

24 A. MR. MASSIE: Yes, subject to check.

25 Q. Thank you. I'm wondering, sir, when YECL looks at past

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1 history to inform its forecast, what period of actuals is
2 most relevant for forecasting?

3 A. MR. MASSIE: I guess I would -- it depends
4 on what we're forecasting, I suppose.

5 Q. For this particular category, then.

6 A. MR. MASSIE: Again, the historicals are
7 looked at in that category. And I would add for that
8 category, at those totals and those averages that you've
9 rhymed off at 52,000, 44,5 and 54,000, really the
10 miscellaneous pole category we start with -- and I don't know
11 the number off the top of my head -- considerably higher
12 values as you could see with the forward-looking budgets for
13 it.

14 But what we do is there are projects that are
15 done under the miscellaneous pole replacement category, but
16 when there is a project that is using the excess of \$5,000
17 -- so if we have to change out two poles, enhance the area
18 around it and the costs tend to exceed the \$5,000 mark,
19 instead of keeping them in just as a miscellaneous pole, we

20 make a separate project for it. That would be one of the
21 projects that's already listed in here.

22 Q. Okay, thank you.

23 A. MR. MASSIE: I could give you an example if
24 you like. Like down below in 2008, \$28,000 for a Carmacks
25 plant pole replacement. That would -- for \$28,000. That

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1 would have originated out of our miscellaneous pole change
2 budget. But because it becomes a separate project in its own
3 area that we're improving a part of the distribution system,
4 we make a separate project, give it its name and take it out
5 of that budget.

6 Q. Sir, I'm wondering for the years that we have actuals,
7 I'm wondering is there somewhere on the record that I could
8 find that information and find out, you know, what was spent
9 in this miscellaneous pole replacement category and then
10 these additional breakout categories where those additional
11 costs have been spent? Is there a place in the application
12 where all of that information is synthesized?

13 A. MR. MASSIE: I wouldn't say specifically.
14 Like directly above the miscellaneous pole replacements, the
15 Echo Lake road upgrade, Birch Alley upgrades, those are all
16 projects that originated with that original budget in the
17 miscellaneous pole replacements.

18 We don't identify them, though, in this list
19 as coming out of that budget. And we can provide that -- we
20 can highlight the projects on this spreadsheet that are under
21 system improvements that originated as miscellaneous pole

YECL_2013-15, _Vol _1, _November_4, _2013
22 replacements.

23 Q. I think that would be helpful, sir. Thank you.

24 THE CHAIR: So that's an undertaking.

25 Q. Yes, if you would undertake to do that.

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1 A. MR. MASSIE: Just to be clear, that would be
2 from 2008 to 2012.

3 Q. That's right.

4 UNDERTAKING - TO HIGHLIGHT THE PROJECTS
5 ON THE SPREADSHEET THAT ARE UNDER
6 SYSTEM IMPROVEMENTS THAT ORIGINATED AS
7 MISCELLANEOUS POLE REPLACEMENTS FOR THE
8 YEARS 2008 TO 2012

9 Q. MS. KELLGREN: Sir, would you have that
10 information for 2013 as well, what's been spent to date?

11 A. MR. MASSIE: Yes, absolutely, year to date
12 for 2013.

13 Q. If you would undertake to provide that as well?

14 A. MR. MASSIE: Yes. For the -- I'm just
15 trying to think to the end of September.

16 Q. That would be fine, thank you.

17 UNDERTAKING - TO HIGHLIGHT THE PROJECTS
18 ON THE SPREADSHEET THAT ARE UNDER
19 SYSTEM IMPROVEMENTS THAT ORIGINATED AS
20 MISCELLANEOUS POLE REPLACEMENTS FOR
21 2012 YEAR TO DATE

22 Q. MS. KELLGREN: And I'd like to move to another
23 category within the same schedule, and that's the test and
24 treat pole program, if you could find that line item.

25 A. MR. MASSIE: I am there.

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1 Q. Thank you. In that schedule, it has blanks for both
2 2009 and 2011, and I'm wondering if you can explain why
3 there's no number in those cells.

4 A. MR. MASSIE: So following the 2008 program
5 for test and treat, we really -- there wasn't any big
6 concerns coming out of the program at that point where we had
7 a big concern for the poles and the condition of the poles.
8 So we did not continue it in '9. We restarted it in '10 in a
9 smaller area, very similar result, so we paused it again in
10 '11.

11 Q. But you don't forecast pausing it again?

12 A. MR. MASSIE: Well, we're moving into
13 different areas. Those areas were done in '8 and '10. So
14 we're moving on to new areas where our poles are.

15 Q. Let's get into the mathematical exercise once again.
16 I'm wondering if you'll accept, subject to check, that the
17 three-year average of actuals from 2010 through 2012 is
18 70,000?

19 A. MR. MASSIE: Sorry, which period?

20 Q. 2010 through 2012?

21 A. MR. MASSIE: Okay.

22 Q. And the average for this particular category of cost of
23 \$70,000 for those years?

24 A. MR. MASSIE: Subject to check.

25 Q. The four-year average of actuals from 2009 through 2012

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1 is 52,500?

2 A. MR. MASSIE: Subject to check.

3 Q. And the five-year average of actuals from 2008 through

4 2012 is 56,400.

5 A. MR. MASSIE: Subject to check, yes.

6 Q. Just for clarity of the record, when you say "subject to

7 check" without prefacing "yes," that means yes, subject to

8 check; correct?

9 A. MR. MASSIE: Sure, yeah, subject to check.

10 Q. You're not the most definitive fellow.

11 I'd like you to turn up CW-YECL-12, YECL's

12 response to that, particularly sub (h)?

13 A. MR. MASSIE: CW-12?

14 Q. Sub (h).

15 A. MR. MASSIE: I am there.

16 Q. Thank you. And, there, YECL indicates that the criteria

17 for replacement is that the equipment be assessed at 170,000

18 kilometres and seven years of age. I'm wondering if you can

19 describe what that assessment is.

20 A. MR. MASSIE: We're at CW-12(h).

21 Q. Sub (h), that's right.

22 A. MR. MASSIE: I have miscellaneous pole

23 replacement.

24 Q. Sorry, maybe I have the wrong reference. Let me confirm

25 that. I thought it was with respect to transportation

♀

1 equipment.

2 Pardon me, it's sub (k). That's my fault.

3 A. MR. MASSIE: That's all right. So I'm at
4 12(k).

5 Q. Right. And, there, YECL discusses the criteria for
6 replacement of transportation equipment, and there's
7 reference to an assessment at 170,000 kilometres. And I'm
8 wondering if you can describe that assessment?

9 A. MR. MASSIE: Yeah, sure. At 170,000
10 kilometres, our service vehicles -- basically we just take
11 them in to the garage, local mechanic's shop. They give us
12 the overall assessment, the mechanical assessment, of the
13 vehicle to see what serviceable life that is left in the
14 vehicle.

15 Q. And unless their answer in that assessment is zero, I'm
16 assuming that if it passes this assessment it's kept in
17 service; is that right?

18 A. MR. MASSIE: Yeah. As long -- we
19 have -- they come back, and sometimes they need repairs to
20 get them back into a safe, reliable operating standard for
21 the vehicle; and based on the cost to keep it serviceable, it
22 will go back in service, yes.

23 Q. Thank you. Sorry, I'm just going to take a moment to
24 pull up our response so that I don't misguide any further.

25 Staying with (k), but (ii) of that response,

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1 there are numerous units identified by number only. So in
2 certain instances you tell us what the unit is, the stringing

3 trailer, the hydro -- hydraulic cable/wire puller; and then
4 there's Unit 674 replacement. I'm wondering; are you able to
5 tell me what 674 is?

6 A. MR. MASSIE: Yes, it's a three-quarter-ton
7 service truck.

8 Q. And 675?

9 A. MR. MASSIE: It is also a three quarter ton
10 service truck. However, it's -- a three-quarter-ton truck is
11 no longer needed for it, so it's being replaced with a
12 half-ton vehicle. That's why it's \$30,000.

13 Q. Okay. Unit 161?

14 A. MR. MASSIE: That is a meter reader truck,
15 so a small unit. I believe it's a Ford Ranger.

16 Q. And 163?

17 A. MR. MASSIE: That would be a service truck,
18 163, from Watson Lake. A three-quarter-ton service truck.

19 Q. 372?

20 A. MR. MASSIE: 372 is a one-ton -- a one-ton
21 service truck that our maintenance man uses, so it comes with
22 a little boom on it to lift oil and glycol barrels out of the
23 back of it.

24 Q. Unit 777?

25 A. MR. MASSIE: That is a -- Unit 77 (verbatim)

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1 is a replacement vehicle or -- sorry, a service vehicle based
2 in Haines Junction.

3 Q. It's a service vehicle?

4 A. MR. MASSIE: Just give me one second here.

5 Q. I don't mean to interpret your thought process, but if

6 it's easier, we could do this by way of undertaking and just
7 have a list identifying what each of these unit numbers is.

8 A. MR. MASSIE: Actually, I just found the
9 reference at YUB 72, and the various attachments have a
10 business case for each one of those vehicles, so in that, it
11 speaks to what that vehicle is and what it's being replaced
12 with; and specifically Unit 777 is a 2007 Dodge
13 three-quarter-ton. I'm looking at YUB-YECL 72(b)
14 Attachment 11 right now. And we are replacing it with a 5500
15 quad cab with a service body and bucket.

16 I knew it was somewhere.

17 Q. Now, are the rest of the units that I was going to go
18 through -- are those all within those business cases?

19 A. MR. MASSIE: I believe they are. If you
20 rhyme them off -- 887 is the next one.

21 Q. Hmm, hmm.

22 A. MR. MASSIE: Attachment 12. It is also a
23 service truck being replaced with a similar unit. The 5500
24 quad cab comes with a TL 38 service body and bucket.

25 Q. Okay. No, and that's fine. I'm happy to go through the

1 business cases. I'm just wondering if you know whether the
2 rest of the 2014 list and all of the 2015 list -- whether I
3 would be able to find what a given unit number is in those
4 business cases.

5 A. MR. MASSIE: In the rest of these business
6 cases? I don't know if I can -- I can match those together
7 right now. I'm just having a look at the Board's request on

8 72. So (b) is, "Please provide any business cases for
9 purchase of new vehicles." So I would assume they are all in
10 there.

11 Q. Okay.

12 A. MR. MASSIE: There's 19 attachments.
13 Yes, Mr. Grattan tells me they're all in
14 there.

15 Q. Thank you.

16 A. MR. GRATTAN: They're there.

17 Q. And I'm wondering if we could once again turn up
18 YUB-YECL 61, Attachment 1.

19 A. MR. MASSIE: I am there.

20 Q. This is with respect to transportation equipment, which
21 I believe is line 369.

22 A. MR. MASSIE: Just one second.

23 Transportation equipment. Okay.

24 Q. That's right. Thank you. I'm wondering if you can
25 explain the rather significant jump in actual costs that

1 happened in 2012.

2 A. MR. MASSIE: So with the transportation
3 equipment, it really -- it really relies on when different
4 units and different pieces of equipment come to the end of
5 their life. So not all our equipment in service is of the
6 same vintage, obviously, and that's why there's quite a bit
7 of variance throughout the years that we see there.

8 Specifically for '12, there are regular
9 replacements, that I recall, at end of life other
10 than -- yeah, other than that, I would say that's the

11 variable in there is that there's just a lot of equipment out
12 there at differing points of their lives.

13 Q. So how did you forecast for the test period?

14 A. MR. MASSIE: Well, for the -- we looked at
15 the age of those vehicles that are coming up, the equipment
16 is needed, and that's really what we're expecting
17 them -- we're expecting them to come to the end of life at
18 those periods.

19 Q. Okay. So why the jump in costs? Pardon me.

20 A. MR. MASSIE: I apologize. Mr. Grattan was
21 pointing out to me on page 942, just the one description
22 under transportation equipment is the purchase of a new cargo
23 trailer for underground electrical testing equipment. And,
24 really, this was a new addition to the fleet, so that would
25 be one of the increases there.

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1 Q. Okay.

2 A. MR. MASSIE: In '12.

3 Q. If we could then move to the category land rights within
4 that YUB-YECL 61, Attachment 1. I believe that's line 104.

5 A. MR. MASSIE: Sorry, I'm just struggling to
6 find it. All right. Land rights. Got there.

7 Q. Thank you. And how was the forecast for the test years
8 derived in this category?

9 A. MR. MASSIE: Just give me one second here.
10 So the forecast for land rights really -- we had a look at
11 the amount of power lines out there and distribution lines we
12 have that are without easements and we don't have the land

13 tenure for those. So with the reorganization of the
14 engineering department and, looking at a focus of securing
15 those rights, we forecast this cost needed to get those lines
16 secured, I guess.

17 Q. Why was there zero spent in 2012?

18 A. MR. MASSIE: Actually, I don't know the
19 exact answer, why there was zero in 2012 spent with land
20 rights.

21 Q. Okay. Will you accept, subject to check, that the
22 three-year average of actuals from 2010 through 2012 is
23 \$46,000?

24 A. MR. MASSIE: I'm sorry, do I say "yes" first
25 or "subject to check"? I got confused where we're at. Yes,

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1 subject to check. Is that good?

2 Q. That's perfect. Thank you.

3 And the four-year average of actuals from 2009
4 through 2012 is \$48,500?

5 A. MR. MASSIE: Yes, subject to check.

6 Q. And the five-year average of actuals from 2008 through
7 2012 is \$58,800?

8 A. MR. MASSIE: Yes, subject to check.

9 Q. I would like to move on to several of YECL's business
10 cases with respect to replacing older diesel generators with
11 new diesel generators. I'm wondering if you can turn up
12 CW-YECL-16.

13 A. MR. MASSIE: 1-6?

14 Q. That's right.

15 A. MR. MASSIE: I'm there.

16 Q. And there we asked YECL to provide an analysis that
17 compares the efficiency of the old and new units. In
18 response, YECL indicated that it did not have the requested
19 information and does not know if the new units are more
20 efficient.

21 I'm wondering can you tell me how old the
22 existing units are? And this information may be somewhere on
23 the record, sir. I'm just not --

24 A. MR. MASSIE: It absolutely is. I just have
25 to recall where it is. And I think we'll take you to

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1 YUB-YECL-60, Attachment 1. No, that's just hours. That's
2 just the operating hours, I apologize.

3 Q. If it's easier for you, I'm happy to take that as an
4 undertaking?

5 A. MR. MASSIE: I have it at CW-YECL-29. We're
6 looking at Beaver Creek Unit 2. It looks to be a 1993 unit.

7 Q. I see. Thank you.

8 Is it YECL's understanding that this newer
9 technology, by "this newer technology," I mean all the new
10 units that will be replacing these old units, should produce
11 a lower environmental impact? Lower emissions, what have
12 you?

13 A. MR. MASSIE: Yes, it is absolutely our view
14 that there should be lower emissions.

15 Q. Without getting too technical, I'm wondering if you
16 would be able to explain how those lower emissions are
17 achieved with the newer units?

18 A. MR. MASSIE: That is technical. So what
19 we've been seeing in chatting with suppliers, just the
20 industry trend really to look at emissions and lowering
21 emissions. And they do it by a variety of technologies. I
22 know it's still emerging -- some are emerging. But the one
23 that we were familiar with that was being explained to us
24 really is -- and again, I'm not the technical expert on it,
25 but the exhaust from the engine goes into a reburning chamber

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1 and they reburn the exhaust so it will come out a little
2 cleaner.

3 And so when they reburn that, it's just more
4 energy that is taking that unit to produce the same kilowatt
5 power. So it's using some of its power to get better
6 emissions, I guess is one way of putting it.

7 Q. And that would be the reason that you're not sure
8 then -- by "you," I mean YECL -- that YECL is not sure that
9 the units will necessarily be more energy efficient. Is that
10 how I understand that?

11 A. MR. REDDEN: I can maybe jump in here, too,
12 Mr. Massie. Some of the initiatives that the original
13 equipment manufacturer was putting in related to the
14 combustion technology temperatures of combustion that are
15 occurring at lower temperatures than -- where you wouldn't
16 get as much emissions such as NOx formation. Hence, by
17 making those sorts of adjustments, some of the reburn
18 technology that Mr. Massie talked about or intercooling
19 technology, then, to take the turbo-charged air and cool it
20 and allow a higher density or more air to come into the unit

21 and improve the output.

22 But a number of these that are assisting with,
23 say, a lower fuel emissions result we're saying they're not
24 necessarily associated with an improvement in the heat rate
25 performance. So sometimes there is an efficiency penalty or

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1 offset that comes with the better emissions performance.

2 Q. Thank you. Now, I'd like to move on to AMR and CMR.

3 And I'm wondering if you can turn up two documents for me,
4 the first being the response to CW-YECL-25, and that should
5 be a table of manual meter reading costs.

6 A. MR. MASSIE: I am at 25, which? There's two
7 attachments, 25(e) Attachment 1 or Attachment 2.

8 Q. (D). It's the chart of the manual meter reading costs.

9 A. MR. MASSIE: There we go.

10 Q. And, secondly, if you could turn up YUB-YECL-48(m),
11 Attachment 1. And the Tab CMR "Assumptions."

12 A. MR. MASSIE: I'm at YUB-48(m). Sorry, where
13 was I going?

14 Q. Attachment 1 in the CMR assumptions. And I don't know
15 if you have the Excel version in front of you, but it's Excel
16 Row 74. It's the O&M costs.

17 A. MR. MASSIE: I do not have Excel. The
18 conventional meter cost sheet, is that what I'm looking at?

19 Q. Yes, conventional O&M costs.

20 A. MR. MASSIE: Okay.

21 A. MR. REDDEN: We've got that here in pdf so
22 it's got other numbers beside --

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23 A. MR. MASSIE: All right.

24 Q. You have it, though?

25 A. MR. MASSIE: I believe I do.

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1 Q. So manual meter reading costs, which we see in the
2 actuals in the first reference I gave you, which is
3 CW-YECL-25 were 530,000, 543,000, 532,000, and all within a
4 fairly small range.

5 And then in the second chart, the reference
6 that I provided for you, the forecast meter reading costs for
7 2014 appear to be significantly lower. And I'm wondering if
8 you can explain why that would be?

9 A. MR. MASSIE: So the difference -- the
10 difference in the two models -- so in the pdf I'm looking at
11 for 48(m), that model was for conventional meter reading
12 costs just in the location where AMR will be implemented.
13 AMR will only be implemented -- it will only take care of
14 about 80 percent of our meters. So the difference -- that
15 delta between that and the costs in the other spreadsheet
16 would be to read the meters in Old Crow, Beaver Creek, Watson
17 Lake, et cetera.

18 Q. That makes sense. Thank you. And, sir, we had begun
19 discussing this when I had a few questions somewhat related
20 to depreciation, and I would like to continue that on. And I
21 had referred you to YUB-YECL 48(m), Attachment 1, and we
22 were looking at the line item saying "number of residential
23 meters."

24 A. MR. MASSIE: Hmm.

25 Q. And you had advised me earlier that that line item

1 included both new additions and replacements. Is that
2 accurate?

3 A. MR. MASSIE: In looking at it, I really
4 think the number was more for the new additions. You know,
5 when we compared it -- or when I looked at it from there,
6 compared down to the conventional meter reading costs, yeah,
7 it's more the new meters or growth area, I guess.

8 Q. That's what it seemed to us which is why I wanted to
9 circle back to it.

10 A. MR. MASSIE: Yeah.

11 Q. And so I'm wondering: Was there any inclusion of
12 replacements in the business case? This does, in our view,
13 seem to only contemplate new additions. So I'm wondering
14 where the cost of replacements would be included.

15 A. MR. MASSIE: So I'm trying to reach back in
16 my memory to see if we had or not, but I'll have to undertake
17 to provide that. I cannot recall, as I sit here, the
18 assumptions that we plugged in.

19 Q. Okay. Just to clarify that undertaking, I'm wondering
20 if you would undertake to identify where in the business case
21 or elsewhere in the application the replacement of AMR is
22 factored in.

23 A. MR. MASSIE: Placement of AMR meters.

24 Q. That's right, the AMR meters at the end of their life.

25 A. MR. MASSIE: Yes, I will.

1 Q. Thank you.

2 UNDERTAKING - TO IDENTIFY WHERE IN THE
3 BUSINESS CASE OR ELSEWHERE IN THE
4 APPLICATION THE REPLACEMENT OF AMR IS
5 FACTORED IN

6 Q. On the topic of AMR, is the technology that YECL
7 proposes, would that accommodate time of use should the Yukon
8 move in that direction?

9 A. MR. MASSIE: So the time of use -- it would
10 not accommodate time-of-use rates. The time of usability of
11 the meters and the technology that we are proposing really is
12 only for load studies. It's not Measurement Canada-approved
13 to exchange money, I guess, to be revenue-based.

14 To it wouldn't -- the technology wouldn't be
15 able to aid in establishing time-of-use rates at this time.

16 Q. You say "at this time." Does that mean that the meters
17 would have an ability to be retrofit to accommodate time of
18 use, or if the government went there, would we be talking
19 taking out these meters and putting in something else?

20 A. MR. MASSIE: Yeah. So I just mean the
21 time-of-use ability of these meters is just -- the way that
22 it is registered within the meters and within this technology
23 does not -- isn't Measurement Canada-approved. So I'm not
24 sure if it ever will be or not.

25 Q. Is YECL aware of any movement towards time-of-use rates

1 in the Yukon?

2 A. MR. MASSIE: We've been part of preliminary
3 discussions, I guess, on it, looking at it and studying it to
4 see how useful it is or how good of a fit, I guess, it would
5 be for the Yukon, but nothing more than, I guess, preliminary
6 discussions.

7 Q. So what happens if these preliminary discussions turn
8 into a direction that the government does want to move in the
9 direction of time-of-use rates? What happens to all of the
10 AMR meters if the business case is approved?

11 A. MR. MASSIE: I guess one of the other
12 considerations, like, with this technology -- one of the main
13 reasons we're looking at it is that it's an established
14 technology in use with -- in both Yellowknife and
15 ATCO Electric. So it's been in use in ATCO Electric for
16 about 20 years, and so there would be no incremental cost for
17 us to engage in the technology. It fits with our billing
18 system.

19 So to have a new technology, a time of -- an
20 AMI or time-of-use capable technology would really need to
21 be -- well, it would be a new technology that would have to
22 mate with our billing system and our whole meter data
23 management system, and it really would be in the millions of
24 dollars to get there for that, just for the technology to
25 communicate with our billing system.

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1 So...

2 A. MR. REDDEN: Maybe we can just -- I can add
3 a little bit about the technology that the two-way automated

4 communication over the powerline carrier system and how these
5 meters are essentially "pinged," they call it, when you want
6 to get a reading from them. So you can get these readings at
7 quite precise times, not at the -- necessarily the exact
8 instant that would be acceptable to Revenue Canada if you
9 were going to do custody transfer on that basis. But you can
10 get as much data as you like ping these meters, use a
11 historian, then, that stores the data and do more load
12 studying and understanding of load profiles.

13 When we've been looking at our load profile of
14 our customers, we're quite a residentially focused peaks in
15 the mornings and in the evenings. So I guess those could be
16 areas of interest to, you know, look at. If you wanted to
17 get the exact data around that, we'll get more understanding
18 of that.

19 The issue with being as precise as a Revenue
20 Canada to go to time of use would mean a different system
21 such as radio frequency-based type of so-called smart meters
22 then that would be different and, as Mr. Massie pointed out,
23 wouldn't be compatible with our billing system and would just
24 take us into a different price league with respect to the
25 cost of the project.

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1 Q. Thank you. I have a couple of questions on the downtown
2 office building. I'm wondering if you can turn up CW-YECL
3 26(a), Attachment 1.

4 A. MR. MASSIE: We've got that.

5 Q. Thank you. And there it appears as though the 2012
6 actual costs are \$147,000 -- are \$147,000 which is \$32,000

7 higher than the 2011 actuals of \$115,000. Is that right?

8 A. MR. MASSIE: That's correct.

9 Q. And the primary reason appears to be what's categorized
10 as repairs and maintenance which increases from 30,000 in
11 2011 to 54,000 in 2012?

12 A. MR. MASSIE: That's correct.

13 Q. And I'm wondering if you can account for that increase?
14 What happened in 2012?

15 A. MR. MASSIE: I can talk to it. Really, this
16 is the operating costs to keep our office and complex open.
17 And, really, in '12, there isn't one specific item that drove
18 up the cost for repairs and maintenance, but there was
19 definitely a focus on our part to increase the snow clearing
20 and sanding of the parking lot after we had a loss time
21 incident on the park with one of our employees really.

22 Q. So isn't snow removal a different category?

23 A. MR. MASSIE: Yeah, I see that down below.

24 Q. So what falls within repairs and maintenance?

25 A. MR. MASSIE: So it would be the regular

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1 repairs and maintenance I guess would be the standard stuff
2 that it takes to keep a building going, fixing lights
3 -- lights, plumbing issues -- the ongoing little regular
4 maintenance and repairs that happen in office buildings. And
5 between the two, it definitely would be a fair amount that
6 goes on.

7 Q. But nothing coming to mind in terms of why there would
8 be that jump in costs for those years?

9 A. MR. MASSIE: No, nothing comes to mind for
10 the extra \$24,000 from '11 to '12.

11 Q. Okay. CW-YECL-26(b)?

12 A. MR. MASSIE: 26(b)?

13 Q. That's right.

14 A. MR. MASSIE: I'm there.

15 Q. YECL states: (as read)

16 "Yukon Electrical based its forecast of
17 the operating cost for both facilities
18 on historical three-year average less
19 the forecast cost reduction related to
20 improve energy efficiency as a result
21 of upgrades to the downtown office
22 building.

23 Yukon Electrical's forecast savings
24 on build energy for the office complex
25 are 1,500 per year based on the 2010 to

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1 2012 period."

2 Sorry, I just need to clarify this. So these upgrades to the
3 downtown office building, where would I find that category of
4 cost? If you could just identify that for me?

5 A. MR. MASSIE: So Mr. Grattan has pointed out,
6 the account is 88900 and you'll find it on Schedule 5.1 of
7 line 22.

8 A. MR. GRATTAN: So that particular account for
9 maintenance, warehouse and office which covers all of Yukon
10 Electrical's facilities is detailed on that particular line.

11 So varying from 122,000 in 2010 going up to
Page 122

12 147 in 2012, dropping down to 129,000 in 2013, 132,000 in
13 2014 and 135,000 in 2015, if I've read that correct.

14 Q. Thank you.

15 MS. KELLGREN: Mr. Chair, I just have a few
16 questions left, but I'm wondering if we could take a break
17 now. And, like I say, I just have a couple of questions
18 after the break, and then I'd be done.

19 THE CHAIR: Sure. If you'd like to take a
20 break now we can accommodate that.

21 MS. KELLGREN: I would. Thank you.

22 THE CHAIR: So it's 2:55 now, so a
23 15-minute break.

24 (ADJOURNMENT)

25 THE CHAIR: Thank you. And you can start

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1 where you left off?

2 MS. KELLGREN: Thank you, Mr. Chair.

3 Q. I just have a couple of questions on debt. And I'd
4 refer you to CW-YECL 11(c).

5 A. MR. GRATTAN: This will be for me, and just
6 let me dial everything up here.

7 Q. Yes.

8 A. MR. GRATTAN: Okay, I'm ready.

9 Q. You have CW-YECL 11(c)?

10 A. MR. GRATTAN: Yes.

11 Q. Thank you. And so in this response, my understanding is
12 YECL was explaining why the actual debt rates were lower than
13 forecast for the 2010 through 2012 period. And in the

14 response, YECL states: (as read)
15 "The reason actual rates were lower
16 than forecast rates for the 2010
17 through 2012 period was the impact of
18 central bank stimulus activity since
19 the 2008-2009 global financial crisis.
20 As a result of these activities and
21 general market uncertainty, Government
22 of Canada bond rates unexpectedly
23 dropped to historic lows. The
24 forecasts used for the 2010 through
25 2012 period did not reflect this

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1 unexpected move in Government of Canada
2 bond rates. The external forecast
3 relied upon for the 2013 through 2015
4 period take into consideration central
5 bank stimulus activities and
6 expectations for how those activities
7 will gradually recede over time which
8 will result in interest rates
9 increasing to more 'normal levels'."
10 And, sir, I'm just wondering if you could advise, if you're
11 aware, of the Bank of Canada signalling any changes in
12 interest rates at this point.
13 A. MR. GRATTAN: I am not aware of the Bank of
14 Canada signalling any change in short-term interest rates. I
15 am aware that in May of this year the chairman of the Federal
16 Reserve made comments about a tapering going on with regards

17 to the United States government stimulus program, and that
18 immediately resulted in increases to long-term paper in the
19 United States which, in turn, made its way very quickly to
20 Canada.

21 So I am aware that we forecasted 2013
22 long-term debt at 4.35 percent, and we actually issued, in
23 September -- specifically on September 9th -- and we came in
24 at 4.761.

25 So the reality is that, as a result of that

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1 specific announcement, long-term interest rates jumped in
2 Canada, and we have issued paper in 2013 at 4.761 percent as
3 opposed to what was originally forecast at 4.35.

4 Q. And your expectation is it's only going to increase from
5 there for 2014 and 2015?

6 A. MR. GRATTAN: Yes.

7 Q. Switching gears, I'm hoping someone can explain to me
8 the deferral account that YECL is seeking approval for, and
9 that is, as described in the application: (as read)

10 "The ability of the flow-through
11 dollar-for-dollar to the tariff any
12 costs related to Board Orders or
13 legislative provisions resulting in
14 changes to the rules or parameters that
15 YECL operates under or that bear on the
16 nature and extent of Yukon Electrical's
17 obligations as a regulated utility and
18 which impact its 2013 through 2015

19

20 A. MR. GRATTAN: That would be me again.

21 Q. Okay. I'm wondering if you can give me a more detailed
22 explanation. That seems like a fairly broad category.

23 A. MR. GRATTAN: Sure.

24 Q. And I'm wondering if you can kind of narrow that down
25 for me in terms of YECL's specific expectations of what would

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1 be caught by that.

2 A. MR. GRATTAN: Sure. This deferral very
3 closely mirrors what we had approved for the Northland
4 companies in 2011. We detailed that on YUB-YECL 3.

5 And in that particular jurisdiction, the
6 deferral related to and it provided examples for situations
7 where the Board, should it choose to do so, changed rate
8 structures, required changes to the billing system, changes
9 to our billing collection practices, changes to the frequency
10 of meter reading, legislated changes to environmental or
11 safety regulations.

12 Anything like that that has an impact, any of
13 those changes that would be driven by a third party other
14 than Yukon Electrical we would seek to put into a deferral
15 account and collect the cost -- additional costs if they're
16 incurred or, conversely, to go the other way. If billing
17 practices were such that the Board says: You know what? You
18 don't need to read meters on a monthly basis. You should
19 read them once every four months. Not that I think the Board
20 is going to do that, but it can go both ways.

21 We would gather those additional costs or cost

22 savings and seek to address them as part of a future
23 application.

24 Q. Is YECL aware of any costs, whether incurred in the 2013
25 period or to be incurred in the future that would fall into

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1 this category?

2 A. MR. GRATTAN: The one thing that -- so the
3 answer would be, "Possibly."

4 And the one thing that causes me a little bit
5 of concern -- or Yukon Electrical a little bit of concern --
6 is that, I believe, if the world unfolds as it is potentially
7 going to unfold, that we're going to have a Phase 2 next
8 year; cost of service, rate design, et cetera.

9 There was a large amount of debate with
10 regards to rate design and rate structures and blocks that
11 various utilities had differing opinions on as part of the
12 most recent Phase 2. I would expect that we may have more of
13 that type of interesting and hopefully constructive debate
14 going forward. And at the end of the day, we could find
15 ourselves in a situation with a very different rate design
16 during this three-year test period.

17 If there was to be a change in rate structure
18 and we were, as a result of that, need to incur costs to
19 address that change in rate structure, that would be one area
20 that this deferral would seek to recover. If we had to make
21 changes to our billing engine as a result of whatever was
22 agreed to and ordered upon by the Board, that would be a type
23 of cost, incremental cost, that we would seek to be able to

24 recover from ratepayers on a go-forward basis.

25 So that's one example that, in the back of my

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1 mind, is certainly out there that could come to pass.

2 Q. Okay. And no costs have been incurred to date that YECL
3 would be seeking to incur in this deferral account.

4 A. MR. GRATTAN: Correct.

5 Q. And I just want to circle back to AMR. Either I didn't
6 hear the answer, or perhaps -- I'm not sure I got one -- and
7 that was, if the Yukon does move to time-of-use rates and
8 supposing this Board approves the AMR meters, would they all
9 need to be ripped out three years from now, hypothetically,
10 if time-of-use rates are all of a sudden required?

11 A. MR. MASSIE: So one of the reasons for, I
12 guess, moving forward with our AMR project and the Tlach
13 (phonetic) technology, you know, we were fully cognizant that
14 time of use was not Measurement Canada-approved. And
15 basically we looked at it. We sat down, and we looked at
16 time of use, and we looked at our system, and we looked at
17 our loading. And it really just wasn't a good fit.

18 We didn't see -- we didn't see time of use as
19 being significantly beneficial to push forward with the
20 significant costs that it would take to implement it. And by
21 that, you know, we're -- AMR really is only being implemented
22 for 80 percent of our customers, and that's just the
23 Whitehorse and Southern Lakes area because the system is a
24 powerline carrier-based system.

25 We haven't included the communities because

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1 each community would need its own separate substation setup,
2 which is an extra, according to our numbers here, about
3 \$95,000, so per community, and this is just for our
4 technology. Time of use -- really, that technology would be
5 significantly more in the Whitehorse, let alone in the
6 communities. I'm not really sure how we would be able to do
7 that.

8 So, really, that was the reason why we didn't
9 look at time of use as being beneficial at this time. We do
10 see AMR as beneficial for our customers right now.

11 Q. And I think I understand that. What I'm trying to get
12 at is; what benefit are the AMR meters if, say, a third
13 party, such as the government, comes in and says: Thou shalt
14 accommodate time-of-use reading?

15 A. MR. GRATTAN: Yes, I know what you're asking.
16 And the reality is you're trying to really be clear as to
17 whether there is a sunk cost with regards to moving forward
18 with AMR technology today and if some future series of events
19 should come to pass, that time of use is -- somebody waves
20 their magic wand and time of use is required in the Yukon,
21 would we have to yank out those meters?

22 Q. That's right.

23 A. MR. GRATTAN: I think the answer is there is,
24 in our opinion -- in Yukon Electrical's opinion, a very low
25 probability that that would ever come to pass, that sequence

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1 of events. As Mr. Massie has said, they currently are not
2 Measurement Canada certified. That could change. That's not
3 written in stone.

4 These particular meters are used in northern
5 Canada. They're used in Alberta.

6 Mr. Massie, I'm not sure whether they're used
7 elsewhere, but I have to believe they are.

8 A. MR. MASSIE: Yeah, yes. The manufacturer is
9 a United States-based company that has its product out quite
10 substantially.

11 A. MR. GRATTAN: Just to keep along with this
12 line. Certainly there is, under a low probability scenario,
13 in our opinion, the chance that you might have to yank out
14 these meters. But Yukon Electrical -- and Mr. Massie has
15 touched on it briefly here -- and this is the irony of all of
16 this because if we were seeking to build rate base and we
17 were seeking to spend huge amounts of money to implement time
18 of use for 17 or 18,000 customers north of 60 in a relatively
19 small jurisdiction where much larger jurisdictions haven't
20 been able to make it work, from an economic point of view, we
21 would be spending money -- sure, we're your company to spend
22 that large amount of money because maybe we'll have an
23 opportunity to earn a return on it, build rate base, gold
24 plate, as we're often accused of doing. And it's the exact
25 opposite this time around.

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1 We're actually proposing proven technology.
2 We're piggybacking on a technology that has been proven, not

3 only in Alberta but in the Northwest Territories, and it is
4 benefitting ratepayers in both those jurisdictions.

5 And the business base here does show clear
6 benefits with regards to time of use over the 20-year life
7 span of the program.

8 Now, Mr. Massie also touched on the issue of
9 whether time-of-use meters are going to solve the problem of
10 encouraging people to be more efficient in their use of
11 electricity. And as a result of that, we would burn less
12 diesel in theory in the Yukon.

13 And it is Yukon Electrical's position that
14 given the load profile where -- and we all know it, those
15 that live in Riverdale, I did years ago -- when those diesel
16 units are on, they're on 24/7 in the winter. And whether
17 there's a time-of-use signal sent to -- oh, the price of
18 electricity at 5 o'clock is expensive because that's our
19 peak, we're still going to be burning diesel at 5 o'clock.
20 Oh, well, maybe we'll do our dishes at 7 o'clock or 8 o'clock
21 or 9 o'clock, turn on the washing machine.

22 But there is no difference with regards to
23 diesel being burned in the Yukon when diesel is on the
24 system.

25 So it is Yukon Electrical's position, and I

1 suspect we're going to be challenged on that as the
2 proceeding proceeds, but it's Yukon Electrical's position
3 that time of use would be inappropriate, given the dynamics
4 and the parameters of our system, diesel on/diesel off,

5 Riverdale diesel's on, Riverdale diesel's off. It's not
6 overly complicated.

7 In time-of-use situations elsewhere in other
8 jurisdictions where you've got a stacking order of plants
9 from your lowest cost per kilowatt hour to your most
10 expensive cost per kilowatt hour, and if you can get rid of
11 those high-cost generators by reducing your peaks - old
12 natural gas plants, whatever it happens to be, yeah, time of
13 use makes a lot of sense. But in the Yukon, it just doesn't.

14 So, yes, there is a small probability that
15 some day in the future, we would have to yank out these
16 meters if they were subsequently determined to be Weights and
17 Measurement Canada not certified for us to bill on time of
18 use, because they can do it, they're just not certified
19 -- but in the meantime, we strongly believe there are
20 terrific benefits associated with this AMR project. And
21 should it come to pass in 10 or 15 or 20 years or 30 years,
22 okay, I guess we'll go to time of use even though at this
23 point in time, it just doesn't make sense to us.

24 But in that passage of time, there's going to
25 be significant savings to ratepayers with regards to the

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1 technology that we're proposing here.

2 I know I've gone on a bit of a speech here,
3 but I'm hopeful that by doing so maybe we'll spur some more
4 good discussion on this and just not leave it at the
5 possibility of a stranded asset.

6 MS. KELLGREN: Thank you. Mr. Chair those are
7 my questions.

8 THE CHAIR: Thank you very much,
9 Ms. Kellgren.
10 MS. KELLGREN: Thank you, sir. Thank you
11 panel.
12 THE CHAIR: So I will call upon Mr. Janigan
13 to represent UCG and we'll just make a little bit of a
14 changing of the guard here and take a few-minute breather.
15 Thank you.
16 MR. JANIGAN: Thank you, Mr. Chair, Board
17 members. Good afternoon, Panel.
18 Mr. Chair, as I indicated at the break, I have
19 managed to perform the magical feat of shrinking my
20 cross-examination materials down from about 550 pages down to
21 78, and I believe that compilation has now been circulated
22 and it represents the key pages from the initial brief. And
23 the initial brief is on --
24 MS. SEARS: Sorry, it wasn't circulated to
25 us or the Panel.

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1 MR. JANIGAN: Sorry, here it is.
2 THE CHAIR: Do we know for sure you're
3 going to refer to all these documents?
4 MR. JANIGAN: I'm hopeful, yes.
5 THE CHAIR: They're all in one package?
6 You'll be giving them each one an exhibit number; is that the
7 plan?
8 MR. JANIGAN: If that's the most satisfactory
9 way to deal with it, I'm happy to do it.

10 THE CHAIR: I'm not sure the nature of your
11 questioning, so I guess -- my thoughts is that you would try
12 to give the exhibit number to a question or an area of
13 relevance. You may have multiple -- if you're dealing with
14 one area, you may have five or six documents that cover one
15 -- that you would give one exhibit number, I would assume,
16 but if you're able to manage that in some form, that would
17 help us out.

18 MR. JANIGAN: Okay.

19 THE CHAIR: So you would like these
20 circulated then?

21 MR. JANIGAN: If you could, Mr. Chair.

22 THE CHAIR: We'll do that.

23 MR. JANIGAN: I would appreciate that, and as
24 I've indicated, the full version has been electronically
25 circulated in case somebody wants to make sure that the

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1 passage I've quoted is representative.

2 THE CHAIR: So what we'll do anyhow, we'll
3 wait until you go through them and we'll decide how you want
4 to number the exhibits or when the appropriate time is when
5 you're finished with a section.

6 MR. JANIGAN: Okay.

7 THE CHAIR: So you can proceed any time
8 you'd like.

9 Or sorry, I'll just wait until all the
10 documents are circulated.

11 MR. JANIGAN CROSS-EXAMINES THE PANEL:

12 Q. Thank you. Panel, I would like to begin with a question

13 to Mr. Grattan. And I remember from your conversation this
14 morning in relation to depreciation policy, you indicated
15 that it was in your opinion of some great importance that the
16 proper pricing signals are sent to the customers of YECL.
17 And I take it that's a policy that should be applied across
18 the board to --

19 A. MR. GRATTAN: What do you mean by "across the
20 board"?

21 Q. Well, with respect to issues associated with rates, that
22 the customer should get price signals and be able to adjust
23 their behaviour in accordance with the same?

24 A. MR. GRATTAN: I think that would be a fair
25 comment, that Yukon Electrical subscribes to the concepts of

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1 cost causation and that customers that are responsible for
2 the costs would be responsible for paying for those costs.

3 Q. Okay. Now, in this particular circumstance, this rate
4 application was filed on May 27th, 2013, and we presume that
5 any rates that eventuate from the application will not come
6 into effect until 2014.

7 Would you say that is going to help ratepayers
8 get price signals from rates that they're charged or increase
9 rates that they may have to pay?

10 A. MR. GRATTAN: The rates -- the interim rates
11 that were approved beginning July 1st, I believe, are in fact
12 beginning to send the price signal associated with the
13 revenue requirement that Yukon Electrical sought to recover
14 as part of this general rate application. So I believe

15 customers are seeing that price signal as we speak.

16 Q. Well, if -- that price signal, however, is considerably
17 less than the total amount being sought by the company, is it
18 not?

19 A. MR. GRATTAN: And that would be, in my
20 experience, very normal. I do not know of many, if any,
21 regulatory boards approving 100 percent of what an utility
22 has applied for as part of interim rates. Typically, it's
23 somewhere around 50 percent.

24 Q. Be that as it may, however, sometime in 2014, ratepayers
25 will wake up to the fact that in 2013 there was a substantial

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1 increase, of which they have only received half of that.

2 They can't very well adjust their behaviour from 2013 in
3 2014. You'd agree?

4 A. MR. GRATTAN: Yes. That's a normal process
5 with respect to the regulatory -- the nature of regulatory
6 lag of cost-of-service applications. That would be very
7 typical with respect to, I think, every application that I've
8 been involved with as a professional with ATCO.

9 Q. You just cited regulatory lag.

10 A. MR. GRATTAN: Hmm, hmm.

11 Q. Do you believe that this is an expected feature of
12 cost-of-service regulation?

13 A. MR. GRATTAN: I think it's a feature of many
14 types of regulation, including performance-based regulation,
15 because, as I suspect we may get into at some point when we
16 talk about performance-based regulation, there's significant
17 regulatory lag going on in Alberta associated with that as

18 well. So under both a cost-of-service regulatory model and a
19 performance-based regulatory model, regulatory lag can and
20 does occur.

21 Q. What responsibility does the company feel towards
22 ensuring that the rate applications are filed in time?

23 A. MR. GRATTAN: "In time" is a relative term.
24 Obviously, Yukon Electrical, if it is forecasting a
25 shortfall, would attempt to get its application in as quickly

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1 as possible. In this particular case, as we detailed, there
2 were some very good reasons from a regulatory efficiency
3 point of view as to why this particular application was filed
4 in May of this year.

5 Q. When do you believe this application should be filed to
6 be on time?

7 A. MR. GRATTAN: Well, that's a very good
8 question, and I'm going to try to give you an answer with
9 regards to that. And there's been some interesting
10 discussions about this particular issue in the Northwest
11 Territories of late as well, as to, from a regulatory
12 efficiency point of view, what is a good timing, at least
13 with regards to the small northern utilities?

14 And we believe that a reasonable approach for
15 regulatory efficiency purposes should be that the application
16 should always include the most immediate -- the most
17 immediate year prior to the test period's actuals being
18 incorporated into the application.

19 So in this particular case, we believe that

20 regulatory efficiency is served if we file knowing exactly
21 what happened in 2012, the latest, best information that we
22 knew at that time. And based on our experience, if those
23 actuals are not filed as part of the application, we can
24 expect to be filing them as part of an undertaking. So we
25 would be going through the whole process again looking at

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1 2012, because the Board and interested parties want to know
2 exactly what happened in the year preceding the test period.

3 So to first answer your question, we believe
4 that 2000 -- or the year immediately prior to the test
5 period's actuals should be known. This avoids a duplication
6 of work with regards to having the forecast -- say, 2012 --
7 we just go forward with regards to having it.

8 The other thing that it affords us is the
9 opportunity to consider a three-year test period, which we
10 also believe supports regulatory efficiency. If we didn't
11 know 2012 and we're forecasting out to 2015, it gets very
12 difficult for the utility to be comfortable that it in fact
13 should be going that far out with regards to its forecasts,
14 from our perspective, knowing that 2012 actuals allow Yukon
15 Electrical, in part, to bring forth a three-year regulatory
16 application as opposed to what has traditionally taken place
17 in the Yukon which is a two-year test period.

18 So, when is a regulatory application on time?
19 Sometime three to five months after the year end, which has
20 been the typical time frame that both Yukon Electrical and
21 Yukon Energy have filed their regulatory applications in this
22 jurisdiction for many years in the past.

23 Q. Are you aware of the regulatory process that effectively
24 did away with historical regulating and went to a test year?

25 A. MR. GRATTAN: I'm not sure I understand your

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1 question, sorry.

2 Q. Well, 40, 50 years ago, many jurisdictions had
3 historical rate year accounting. Effectively, you spent the
4 money, and you went and tried to show it was prudent. And
5 effectively, almost all jurisdictions abandoned that and went
6 to a test year for a whole variety of reasons.

7 What you're saying to me now is that the
8 historical record of the previous year is more important to
9 establish than it is to establish a test year or to have your
10 rates in place for the test year. Isn't that what you're
11 saying to me?

12 A. MR. GRATTAN: I am saying in this
13 jurisdiction it is Yukon Electrical's position that that is
14 the most efficient way of going about it. Yes, that's
15 exactly what I'm saying.

16 Q. Now, I note in your response to WL-YECL 1 --

17 A. MR. GRATTAN: Just one moment, please.

18 Q. Sure.

19 A. MR. GRATTAN: I'm there. Thank you.

20 Q. That indicated some of the efficiencies that you've
21 gained from that process of delaying your application to
22 almost five months and delaying the result to beyond the test
23 year is to, first of all, obtain the full actuals from 2012,
24 and secondly, to obtain the decision in the BCUC generic

25 utility cost-of-capital decision. Are those the two

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1 efficiencies that you gleaned from that process?

2 A. MR. GRATTAN: Yes, and as I already stated,
3 the efficiencies of not having to redo a pile of IR responses
4 relating to explaining why we were up or why we were down in
5 2012 as compared to what was forecast for 2012.

6 Q. Well, what was that -- sorry, go ahead.

7 A. MR. GRATTAN: But, yes, I think you've got
8 the overall context that we're referencing.

9 Q. Now, what separates you from the entire global range of
10 utilities that the operate in test year -- in a test-year
11 circumstance that have to forecast the year before they go
12 to -- before a hearing?

13 MS. SEARS: Mr. Chairman, I'm going to
14 object at this point because I'm just not sure that
15 Mr. Janigan is actually pointing to any evidence on the
16 record that supports the propositions for the questions he is
17 asking.

18 Q. MR. JANIGAN: Okay. Well, we can take a look
19 at some of the decisions from the Ontario Energy Board --

20 MS. SEARS: We sure can, sir, and they
21 relate to legal argument issues. And, you know, I certainly
22 hope we're not going down the same road we down in YEC's
23 general rate application where we got into a discussion about
24 what decisions say about rate making and retroactive rate
25 making. And I thought we all came to the conclusion in that

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1 proceeding that that was more properly addressed in argument,
2 sir.

3 MR. JANIGAN: Well, there are two aspects to
4 this. One is the legal aspect of whether or not what YECL is
5 doing conforms to the provisions of its own statutory
6 enabling act. the second is what the practice is in the
7 different jurisdictions and whether or not it in fact --

8 MS. SEARS: Sir, what I'm noting on the
9 record is that you haven't put forward any evidence of what
10 the practice is in any other jurisdiction.

11 MR. JANIGAN: Let's turn up in my book of
12 materials on page 1, and this is a decision of the Ontario
13 Energy Board concerning Peterborough Distribution Inc. And
14 if you note --

15 A. MR. GRATTAN: Sorry, we've got your
16 electronic copy. We don't have your updated copy so we just
17 need to know what page that you're going to for EB 2008-0241,
18 please.

19 Q. I'm on the first page, the very front cover, and then
20 I'm going to be dealing in that particular decision on page
21 -- my pagination No. 4 at the bottom.

22 THE CHAIR: Mr. Grattan, would you like a
23 copy because we can share at this table if that would make
24 things easier.

25 A. MR. GRATTAN: I do have electronic, so if

1 i t' s page 4 of the deci sion --

2 MR. JANIGAN: I t' s page 24.

3 THE CHAIR: We can give you this copy and
4 you can give i t back when you' re done wi th i t.

5 MR. MAISSAN: Excuse me, Mr. Chair. There
6 are other interveners who would like to follow along. We
7 don' t have the short version ei ther, so i f Mr. Janigan can
8 refer us to the electronic paging on the pdf, that would be
9 helpful. Otherwise we' d like the copies of the short
10 version, too, please.

11 THE CHAIR: I' ll give Mr. Janigan the
12 option of taking a few-minute recess and seeing i f we can get
13 copies of thi s, or i f you can make reference to the speci fic
14 page on the one that was circulated electronically, that
15 would be appreciated.

16 MR. JANIGAN: I can make reference to the
17 electronic page.

18 THE CHAIR: That would be perfect, thank
19 you. And I will allow this discussion to go on until
20 -- well, we' ll just see where i t' s going.

21 Q. MR. JANIGAN: And I' ve turned to page 24 of
22 the electronic version, page 4 of my version, shortened
23 version, and i t notes the circumstances associated wi th PDI' s
24 application. And i t notes that: (as read)

25 "PDI' s application was for the new

1 rates to be effective on May 1st, 2009.
2 The Board had declared rates interim
3 effective May 1st, 2009. PDI filed its

4 application almost two months after the
5 Board's established filing date of
6 August 15th, 2008. Given the date of
7 this decision instituted on May 1st,
8 2009 effective date would cause rate
9 retroactivity which would be
10 particularly problematic in this case
11 where there is a harmonization of rates
12 resulting in additional rate impacts to
13 some customers."

14 You would agree with me in that circumstance that the Ontario
15 Tribunal, using its authority under the OEB Act decided that
16 granting the Peterborough's application would not be -- would
17 be a situation of retroactivity.

18 MS. SEARS: Well, sir, again I'm going to
19 pipe up already because, in that question, is embedded the
20 notion that we're talking about the OEB's statutory
21 framework. And I'm not sure my witnesses are in any position
22 to know or speak to what underlies that statutory framework
23 that allows for such a decision. That's the problem I see
24 with this line of questioning.

25 MR. JANIGAN: I didn't ask that. I was very

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1 careful in terms of noting that, that under the statutory
2 authority of the Ontario Energy Board, this particular Board
3 determined that granting the requests of Peterborough would
4 constitute rate retroactivity. It's just a simple fact on
5 its face.

6 MS. SEARS: If it's a simple fact on its
7 face, sir, then you can rely on it in your argument. If
8 you're simply going to read to the witnesses what it says and
9 say "does it say that," I'm not sure we're really getting
10 anywhere too fast.

11 MR. JANIGAN: The witness has indicated
12 that -- in fact, his view of what an appropriate time frame
13 is for the bringing of an application. What I'm doing with
14 his evidence is showing that in other jurisdictions, another
15 approach is taken.

16 THE CHAIR: Ms. Bentivegna, did you want to
17 speak to this on behalf of the Board?

18 MS. BENTIVEGNA: Mr. Chairman, just to advise
19 the Board, it's not a fact if a witness is being asked for an
20 opinion whether something is retroactive or not on different
21 facts which are not part of the application before the Board.

22 So in that case, it's -- the question becomes
23 a question of opinion, legal opinion of whether something is
24 retroactive or not as opposed to something that's on the
25 record in regards to this application and the witness being

1 asked questions about when something occurred so that then
2 argument can be established as to whether it's retroactive or
3 not.

4 It's seems to be going the other way where
5 some other jurisdiction there -- there was a set of facts and
6 that Board came to a conclusion and now the witnesses are
7 being asked about it, but they may not have any knowledge
8 about it.

9 THE CHAIR: So really what you're saying or
10 recommending the Board or suggesting to the Board is that the
11 line of questioning is probably not appropriate given the
12 approach?

13 MS. BENTIVEGNA: From what I hear from the
14 parties, it leads to the witnesses being asked for an
15 interpretation of what happened in another jurisdiction, if I
16 can put it simply like that.

17 MR. JANIGAN: Well, I don't think I'm asking
18 for an interpretation. I'm asking whether or not in the
19 circumstances before the Ontario Energy Board in this
20 particular case, whether or not the Board determined that a
21 late filed application constituted rate retroactivity or not.
22 It's a simple fact. It's not an interpretation I'm asking
23 for.

24 THE CHAIR: Well, I guess the question is:
25 I don't know if these witnesses are all that familiar with

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1 the facts of this particular rate case. So that's a concern,
2 and I guess the advice you're getting. You're asking them
3 for an opinion, not a fact-based response.

4 So my tendency, I confer with the rest of the
5 Board is to suggest that line of questioning isn't in line
6 with where I think you should be going on this.

7 MR. JANIGAN: Okay.

8 MS. SEARS: Mr. Chairman, if I can just add
9 one comment. I guess the point I'm trying to make is that
10 Mr. Janigan can refer to all of these materials in his

11 argument and say "The OEB did this in this case and I think
12 you should do the same," and we can argue about it in
13 argument. But I just don't understand what these witnesses
14 are going to be able to contribute, having no specific
15 knowledge of these particular cases.

16 MR. JANIGAN: Well, the problem is that in
17 answer to our interrogatory associated with whether or not
18 this application is requesting or endorsing rate
19 retroactivity, in UCG-YCL-1, there was specific reference to
20 the Yukon Territories Public Utilities Act and the principles
21 under this Act, in which the Board can approve revenue
22 requirement for a whole year on which a proceeding is
23 initiated.

24 Effectively, we've got a legal argument
25 associated with rate retroactivity on the one hand; and then

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1 on the other hand when we point out jurisdictions where rate
2 retroactivity is a reason for rejecting the application,
3 we're met with the explanation, well, you know, you're asking
4 for an interpretation, which is what, effectively, we got in
5 answer to the interrogatory in the first place.

6 MS. SEARS: Well, sir, I think we're going
7 to get into a lengthy debate at this point if you want to be
8 suggesting that somehow these witnesses aren't aware of what
9 the legislation is in their home jurisdiction as opposed to
10 in other jurisdictions.

11 And, frankly, if you have a problem with them
12 having tried to have been of assistance to you in
13 interrogatories in order to avoid any further request for

14 further answers, I'm not sure what the controversy is.

15 Q. MR. JANIGAN: Let me take up my friend's
16 suggestion with respect to the Yukon Territories Public
17 Utilities Act and refer to the interrogatory in question.

18 And, Mr. Grattan, that interrogatory notes
19 that Section 29 of the Public Utilities Act expressly permits
20 the Board to approve a revenue requirement for the whole year
21 in which a proceeding is initiated?

22 Do you view that there are any particular
23 restraints on the company bringing forward an application and
24 requesting retroactive treatment, as it were?

25 MS. SEARS: Retroactive treatment, as it

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1 were. You're suggesting already on the face of your question
2 that it's a request for retroactive treatment.

3 Q. Is there any difficulty in bringing forward an
4 application well after the date in which the test year
5 commences?

6 A. MR. GRATTAN: Based on Yukon Electrical's
7 experience in the Yukon, Yukon Energy's experience in the
8 Yukon, I do not believe this issue has come up prior to Yukon
9 Energy's most recent regulatory application. It's come up
10 again as are part of our regulatory application. But in the
11 past, the two utilities, Yukon Electrical included,
12 diligently went about their business to effectively and
13 efficiently file an application that incorporated the
14 immediate preceding year to the test year's actuals and filed
15 thereafter.

16 Q. Mr. Grattan, I note that in the paragraph that you cite
17 here, in 29(b), that there seems to be a just and reasonable
18 test associated with whether or not the Board will grant your
19 request.

20 A. MR. GRATTAN: Fair.

21 Q. What's the company's interpretation of what is just and
22 reasonable?

23 MS. SEARS: Okay. That's a legal question
24 plain on its face.

25 MR. JANIGAN: Well, it is a legal question.

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1 But the company is guided by these particular provisions in
2 relation to when it submits its application. The test of
3 just and reasonableness associated with the submission of the
4 application is what I'm getting at and what the company
5 believes to be just and reasonable in those circumstances. I
6 think it's a perfectly legitimate question.

7 THE CHAIR: Well, I'll let you try and
8 answer the question. You can take guidance from your legal
9 counsel.

10 MS. SEARS: What was the question at the
11 end? Because it was rephrased a second time.

12 Q. MR. JANIGAN: What does the company can
13 believe is just and reasonable with respect to the submission
14 of applications after the commencement of the test year?

15 A. MR. GRATTAN: Yukon Electrical believes that
16 the timing of this application for reasons aforementioned is
17 just and reasonable for purposes of a revenue requirement and
18 seeking recovery of that revenue requirement of the full

19 calendar year of 2013.

20 Q. Can you expand that beyond this current application?

21 A. MR. GRATTAN: As I said already -- and I
22 don't want to bore everybody to death by rehashing it -- it
23 is Yukon Electrical's opinion that its practice of filing
24 based on the considerations of efficiency and practicality on
25 a go-forward basis would continue, as it has in the past, to

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1 be a reasonable approach for purposes of this jurisdiction.

2 Q. In relation to -- I just want to cover off a question I
3 commenced but didn't finish some time ago. Would you not
4 agree that every utility would find it easier to file after
5 it gets the actuals for the historical year, prior to the
6 test year, and file late?

7 A. MR. GRATTAN: I'm not sure what you mean by
8 "easier." What do you mean by "easier"?

9 Q. Well, certainly, you believe that -- you had just
10 indicated that having access to the actual figures from 2012
11 made the filing of the test year application for 2013 more
12 efficient.

13 A. MR. GRATTAN: I'll agree with you on that,
14 yes. More efficient, yeah.

15 Q. Couldn't every utility say the same thing?

16 A. MR. GRATTAN: I can't speak for every
17 utility.

18 Q. Thank you. Now, does YECL believe that being
19 consistently late with rate applications is fair from a
20 ratepayer perspective? When I say "late," I mean filing

21 after the test year commenced.

22 A. MR. GRATTAN: I was going to disagree. I
23 don't think we filed late.

24 Q. Okay.

25 A. MR. GRATTAN: So I don't think we've -- so

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1 first of all, I don't believe that we have filed consistently
2 late, and I believe the timing of our applications is fair,
3 given the circumstances of the Yukon.

4 Q. And those special circumstances that are associated with
5 the need to the file after the test year are...?

6 A. MR. GRATTAN: I think I've explained that
7 already with regards to the efficiencies that I've already
8 talked about.

9 Q. That, in fact, it's a small utility, that there are
10 facts that are not known that would be known in other
11 jurisdictions before the commencement of the test year?

12 A. MR. GRATTAN: I don't know what goes on in
13 other jurisdictions, so I can't speak to that. I can just
14 speak to the situation here in the Yukon and why we have and
15 continue to propose what we have done.

16 Q. Well, the only reason I got from you was that
17 effectively it's more efficient to have those numbers before
18 you file for the test year. Is there some other particular
19 reason that qualifies the Yukon utilities as --

20 A. MR. GRATTAN: Yeah. I'm baffled by you
21 discounting efficiency, because everything that we try to do,
22 not only for our own sanity, but for the benefits of our
23 customers, is to be as efficient as possible. So I do take

24 some offence that you are discounting the importance of
25 efficiency and why we would do anything other than try to be

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1 efficient here in the Yukon.

2 Q. I don't think I discounted efficiency. I was looking
3 for special reasons why Yukon -- and I believe you alluded to
4 this fact -- that why your company, among others in the
5 Yukon, require the ability to file after the test year
6 commences. Is there anything different than anything else
7 that you have mentioned to me?

8 A. MR. GRATTAN: No.

9 Q. Okay. Does deferring the recovery of allowed 2013
10 revenue requirement until 2014 result in YECL paying less tax
11 on lower revenues in 2013?

12 A. MR. GRATTAN: The tax rate is set at 30
13 percent of taxable income. So if our revenues are lower than
14 they would otherwise be, yes, we would pay less taxes in 2013
15 than otherwise.

16 Q. In terms of so-called generational treatment of
17 customers, does deferring the revenue of the allowed 2013
18 revenue requirement in 2014 result in YECL recovering costs
19 incurred in 2013 from customers in 2014 that didn't incur
20 those costs?

21 A. MR. GRATTAN: Could you repeat that again? I
22 just want to make sure that I --

23 Q. Sure.

24 A. MR. GRATTAN: -- understood what you just
25 said.

1 Q. Is deferring the recovery of the allowed 2013 revenue
2 requirement until 2014 -- does it result in YECL recovering
3 costs incurred in 2013 from customers in 2014 that didn't
4 incur those costs?

5 A. MR. GRATTAN: What's a good way to explain
6 this? Maybe I'll come at it from this direction, is, should
7 it come to pass that we -- Yukon Electrical is going to
8 collect in 2014 an extra dollar of tariff revenue than
9 otherwise -- or collecting a dollar of extra tariff revenue
10 in 2014 versus 2013, you would pay -- you'd pay taxes on that
11 extra dollar of revenue which is at 30 percent in the Yukon.
12 So the net impact -- the net impact would be 70 cents.

13 Tax follows the earnings of the utility, so if
14 there's a shift in cash flows and revenues between 2013 and
15 2014, tax would follow along with that. So I think the
16 answer, if I'm understanding your question --

17 Q. No, you're answering my previous question.

18 A. MR. GRATTAN: Oh.

19 Q. This one concerns the customers, effectively, 2014
20 customers --

21 A. MR. GRATTAN: Yes.

22 Q. -- new customers. Effectively they, from a
23 generational -- from generational equity --

24 A. MR. GRATTAN: Yes.

25 Q. -- they're going to be paying for costs incurred in

1 2013 --

2 A. MR. GRATTAN: Yes.

3 Q. -- which they're not responsible for? Correct?

4 A. MR. GRATTAN: That is correct, yeah.

5 Q. Now, if I might move to another area. In response to
6 UCG-YECL 2(a), YECL describes the areas in which it conducted
7 significant consultation to determine all costs and revenues
8 on a historic, actual and forecast basis. Have you turned up
9 that interrogatory?

10 A. MR. REDDEN: Yes, we have that.

11 Q. YECL states, under the second bullet in the response to
12 UCG-YECL 2(a) that: (as read)

13 "The determination of customer accounts
14 and electricity useage as determined by
15 discussion with customers, consultants,
16 suppliers communities and local
17 developers."

18 Can you provide more detail on when the discussions with
19 customers took place, which customers participated in these
20 discussions and what those discussions entailed?

21 A. MR. REDDEN: So with respect to the
22 determination of sales and revenues within preparing general
23 rate application or in the regular course of Yukon
24 Electrical's business, we're dealing with customers -- new
25 and existing customers that are looking for services. We're

1 talking with the consultants, suppliers, communities, local

2 developers, not just within the major municipal area but also
3 within the Territory, also within First Nations communities,
4 discussions with the builders for new projects.

5 The new customers, for example, that are
6 coming in new subdivisions, there is the developer, the Yukon
7 Energy itself that's got a view on customer requirements. I
8 think in this general rate application where we've included a
9 joint submission from the utilities for a demand side
10 management program, there was a significant number of
11 opportunities where we did dialogue with specific customers,
12 interest groups and stakeholders that assisted with the
13 collection of the data necessary for the conservation
14 potential review. That was a part of what we'll talk about
15 in our final panel in the dialogue that happened with respect
16 to looking at what customers' issues are, what their
17 interests are, ways of reducing their costs, their
18 electricity consumption. So it was quite a positive
19 interaction on many fronts, workshop groups.

20 So in addition to the customers that we have
21 existing that are coming into our office for additional
22 services, moves, calling our customer service advisors,
23 dealing with our construction teams, talking with our
24 engineering groups, those are all pieces that go into our
25 consultation as we're putting together the understanding of

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1 what is required from an electrical load, a view on the
2 customer accounts, what are the useages for customers, what
3 are the capital projects, system additions or improvements
4 that are going to be necessary to meet the customer

5 requirements, and some of the additional areas where we look
6 at our costs to obtain that data through discussion with the
7 City of Whitehorse, for example, the infrastructure and
8 development groups that we've met with.

9 We talked with Yukon Energy Corporation. They
10 have their set of customers. We've worked with them as well
11 on the DSM initiative. We work with Yukon Energy to
12 understand what purchase power costs are going to be forecast
13 for our operating periods.

14 And then for an example of consultation on
15 projects and initiatives such as our alternative fuel project
16 for Watson Lake, we've had fairly extensive public
17 consultation through the approvals process, through open
18 houses, through site tours, discussions with the Local First
19 Nations, presentations to the Association of Yukon
20 Communities, participation in the Yukon environmental
21 socio-economic assessment process, had a significant number
22 of opportunities for comment on the initiatives that Yukon
23 Electrical was working on.

24 Q. Sorry, I'm going to interrupt. You're sort of
25 describing a blend of contacts that arise I guess out of the

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1 ordinary course of business of YECL, and as well I'll take it
2 there were special meetings or discussions that were convened
3 for the purpose of discussing particular items with
4 stakeholders or other groups? Would that be a correct
5 summation of that?

6 A. MR. REDDEN: Yes. As well Yukon Electrical,

7 you know, attends development review committee meetings on a
8 monthly basis. So there's numerous participants in that
9 process; so again, with the City, for example, the Kwanlin
10 Dun and the Ta'an Kwach'an Council, Northwest Tel is involved
11 and the Yukon government as well as other stakeholders. So
12 that's done on a monthly basis as a consultation process.

13 Q. You note on the vv YECL states under the fifth bullet in
14 response to UCG-YECL 2(a) that it conducted consultations
15 related to the production costs and capital costs for hydro
16 generation, including consultation related to Fish Lake Hydro
17 water license involving the Yukon government, the Yukon Water
18 Board, First Nations, environmental consultants, lawyers,
19 stakeholders, landowners, contractors, suppliers, designers,
20 equipment providers and contractors.

21 Can you provide more detail on when these
22 discussions with the Yukon government took place?

23 A. MR. REDDEN: Are you referring to the water
24 licensing or the hydro --

25 Q. The Fish Lake Hydro water license.

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1 A. MR. REDDEN: I can certainly get you those
2 dates.

3 Q. And as well --

4 THE CHAIR: I just want to clarify that,
5 that's an undertaking then?

6 MR. JANIGAN: Yes, please.

7 A. MR. REDDEN: Can you just clarify for me
8 exactly what you're --

9 Q. I'd like to know when -- more detail on when the

10 discussions took place, who they were with and what the
11 discussions involved.

12 A. MR. REDDEN: Which are the discussions
13 you're referring to again, just to clarify?

14 Q. The Fish Lake Hydro water license.

15 A. MR. MASSIE: You know, if I can just step in
16 and add in there, so in consultation for the Fish Lake Hydro
17 water license, it's important to know that we just got our
18 first or renewal of a long-term water use license. Prior to
19 that, we had two interim water licenses.

20 So we were working with all these individuals
21 for that four- to five-year span consistently and constantly
22 to ensure that when we applied for our long-term water
23 license their concerns were addressed.

24 So, you know, it was a span of four years. It
25 would be very difficult to come up with individual dates.

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1 Q. This is the Yukon government I'm talking about.

2 A. MR. MASSIE: And that's who I'm also talking
3 about. Everybody on there, including the Yukon government,
4 we engaged.

5 Q. Can you separate it out, the Yukon government out from
6 the others?

7 A. MR. MASSIE: We will give it a go.

8 A. MR. REDDEN: Mr. Massie is talking about the
9 four years of licensing and all of those points and steps
10 including hearings that the Yukon government was involved
11 with, so certainly from that level and we'll see how granular

12 we can get on it.

13 A. MR. GRATTAN: I'm just wondering if we can
14 ask -- and I'm not sure we're allowed to, to provide some
15 context here the need -- like, there's so many discussions,
16 as Mr. Massie has pointed out.

17 Is there anything that you can point us to
18 that we should be focusing on or discussions with regards to
19 Fish Lake Hydro and the Yukon government?

20 Q. That particular issue is what I'm concerned with in
21 relation to this question.

22 A. MR. GRATTAN: The government of Yukon and the
23 water relicensing.

24 Q. And the Yukon Water Board as well, if that's possible.

25 MS. SEARS: Sorry, I think Mr. Massie

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1 already answered the question of how long the water board
2 process was, and so that was the board making the
3 determination on the issue. So it was a four-year period.

4 MR. JANIGAN: That's fine. Let's confine
5 that to the Yukon government.

6 UNDERTAKING - TO ADVISE WHEN THE
7 DISCUSSIONS WITH THE YUKON GOVERNMENT
8 TOOK PLACE WITH RESPECT TO THE FISH
9 LAKE HYDRO WATER LICENSE AND WHAT THE
10 DISCUSSIONS INVOLVED

11 Q. MR. JANIGAN: YECL states under the seventh
12 bullet in response to UCG-YECL 2(a) that it reviewed its plan
13 for the Carcross standby generator with Yukon Energy and
14 provided an update on the project to the Yukon government.

15 My question is: Do the costs of the
16 consultations related to capital projects end up being part
17 of the capital costs recovered in rates?

18 A. MR. GRATTAN: Sorry, I was having a side
19 discussion with Mr. Massie. Could you can repeat the
20 question, please?

21 Q. Sure. Did the costs of the consultations related to the
22 capital projects -- and I was referring to the project
23 associated with the Carcross standby generator -- end up
24 being part of the capital costs recovered in rates?

25 A. MR. REDDEN: If I understand your question

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1 right, Mr. Janigan, the consultation and discussion around
2 the Carcross standby unit as business dialogue, there hasn't
3 been consultant costs or anything other than our normal
4 discussion on projects, then, that there's nothing associated
5 with that project to be capitalized.

6 Q. In general terms, do the costs of consultations related
7 to capital projects end up being part of the capital costs
8 for government rates?

9 A. MR. REDDEN: Costs related to permitting of
10 projects would be, for example, are licensing, and those
11 required aspects would be considered component costs of the
12 capital related to projects.

13 Q. Okay. Now, did YECL have any discussions with the
14 members of the Carcross Area Property Owners Association and
15 is South Klondike Local Advisory Council on the proposed
16 \$3 million standby generator project?

17 A. MR. REDDEN: With respect to the Carcross
18 standby generating project, there was the petition that was
19 filed in the Legislature last year calling again for the
20 project and, in addition, to Board requirement to bring the
21 project back, there were no direct dialogues on what the
22 status of the project was.

23 Q. Okay. Did YECL have any involvement with soliciting
24 letters of comment that were submitted in this proceeding by
25 Carcross Area Property Owners Association or the South

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1 Klondike Local Advisory Council?

2 A. MR. REDDEN: No, we did not.

3 Q. Okay. In the seventh bullet of the UCG-YECL 2(a) it
4 notes that meetings were held with the Watson Lake town
5 council and public open houses on the proposed \$1 million
6 Watson Lake Bi-Fuel Project. And can you provide any more
7 detail on those meetings, and in relation to the public open
8 houses, were there members of the public that actually showed
9 up?

10 A. MR. REDDEN: So we did have meetings with
11 the council in Watson Lake. We did hold public open house at
12 the recreation centre, and there was attendance by the public
13 at that, as well as public that attended the site tours to
14 look at the Watson Lake generating facility.

15 Q. In UCG-YECL 2(b), UCG requested documentation related to
16 issues discussed during the consultations conducted by YECL
17 during development of this application and a list of all
18 parties involved. Has that been provided?

19 A. MR. REDDEN: What was provided, Mr. Janigan,

20 was a description of all of the multiple aspects of
21 discussion and consultation that goes on with respect to
22 determining the requirements for Yukon Electrical to provide
23 its service. That's what was provided.

24 Q. Were any consultations related to this application
25 undertaken at the AGM of the Association of Yukon Communities

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1 meetings?

2 A. MR. REDDEN: So that's correct that Yukon
3 Electrical participated in the AOIC's annual general meeting,
4 and provided participants there with an update of initiatives
5 that Yukon Electrical's involved in.

6 Q. When did this occur?

7 A. MR. REDDEN: Those discussions occurred over
8 May 2nd and May 3rd of 2013 -- would have been the last
9 meeting that was attended, and Yukon Electrical has attended
10 in previous years.

11 Q. Were there any specific meetings that were associated
12 with ratepayers only?

13 A. MR. REDDEN: Maybe just to clarify the
14 question, Mr. Janigan; is that to say, is there any meetings
15 that would have had non-ratepayers at them? I think the
16 lion's share of our meetings do include our customers or
17 customers of Yukon Energy. So if you're considering those
18 ratepayers, then, yes, there would be many with a majority of
19 ratepayers.

20 Q. I'd like to move to a slightly different area here. In
21 UCG-YECL 5(b) which you updated on September 5th, 2013, YECL

22 provided detailed bill calculations for January 2008 through
23 January 2016. Do you have that before you?

24 A. MR. MASSIE: Yes, I do.

25 Q. Could YECL confirm that, assuming that the interim

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1 electrical rebate ends as scheduled, the monthly bill in
2 January 2015 for a residential customer using 1,000 kilowatt
3 hours would be \$186.30, which would be \$177.43 plus GST or 43
4 percent higher than the bill in January 2013, which was
5 \$130.35 after rebate, and 28 percent higher than the bill in
6 January 2014, \$146.03 after rebate? Would you accept that
7 subject to check?

8 A. MR. KOENIG: I can accept, subject to check,
9 yes, but the rate impacts that you're comparing are
10 year-over-year impacts. It's not the instantaneous times;
11 it's when rates actually change.

12 Q. And the interim electrical rebate is scheduled to end
13 March 31st, 2014. Do you have any other information on that?

14 A. MR. REDDEN: We don't have any indication
15 that that is the case that the rebate is going to be ending
16 on that date.

17 Q. Okay.

18 A. MR. GRATTAN: Yeah, that's all speculation.
19 And the reality of the situation, given that we just
20 discussed a large amount of time and effort on sending the
21 right price signal, the irony of what you're suggesting is
22 that, well, then customers would see the right price signal.
23 So I'm not quite sure where you're going with that.

24 Q. Are you saying that if the Interim Electric Rebate is

25 not ended, customers will not get the right price signal? Is

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1 that what you're suggesting?

2 A. MR. GRATTAN: You're suggesting that if the
3 rate -- if the Interim Electric Rebate is eliminated --

4 Q. Yes.

5 A. MR. GRATTAN: -- customers are going to see a
6 significant rate increase, and that doesn't jibe with regards
7 to the discussion that we just had with regards to the
8 importance of sending customers the right price signal 2013
9 to 2014. So I'm just asking -- I'm asking you to clarify;
10 which way are you trying to -- which side of the logic are
11 you coming from here, sir?

12 Q. All I'm trying to do is establish a potential fact. If
13 the Interim Electric Rebate is discontinued, that will mean
14 effectively a residential customer using a thousand kilowatts
15 of electricity will be receiving a bill that's 43 percent
16 higher in January '15 than received in January 2013.

17 A. MR. GRATTAN: So I --

18 MS. SEARS: Sir, I'm not sure I understand
19 how you're going to establish a fact based on a hypothetical
20 without any evidence to support it.

21 Q. MR. JANIGAN: Well, the hypothetical is based
22 on whether or not the Interim Electric Rebate ends on
23 March 31st, 2014. As I understand it now, the life of that
24 particular rebate ends as of that date. It can be extended.
25 But as I understand it, that particular instrument has a

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1 shelf life of March 31st, 2014.

2 A. MR. GRATTAN: So I'm just going to jump in
3 and let Mr. Massie and Mr. Redden update, as I haven't lived
4 in the Yukon in the last five or six years.

5 But in all instances that I was involved with
6 dating back to the mid 1990s with regards to the Rate
7 Stabilization Fund or its successor, the Interim Electric
8 Rebate, I do not believe the government went cold turkey at
9 any point in time with respect to fully eliminating it and
10 potentially having to deal with rate shock.

11 So, yes, while I will grant you the
12 hypothetical outcome that the government might -- might --
13 fully eliminate the hypothetical -- sorry, might eliminate
14 the electric rebate base in those numbers that you rattled
15 off to Mr. Koenig, I'm sure are correct, subject to him
16 checking them. But I think the probability of that outcome
17 is pretty low, based on my experience in the Yukon.

18 And, Mr. Massie, I don't know whether --
19 Mr. Redden -- you can add to that.

20 A. MR. REDDEN: No, there's certainly been no
21 indication from the Yukon government about any particular
22 date of the ending of the Interim Electric Rebate.

23 Q. Thank you very much. In response to UCG-YECL 5(d), YECL
24 states that its position has been and continues to be that if
25 a bill increase at a point in time month over month exceeds

1 10 percent mitigation methods can be employed to address rate
2 shock. Do you have that?

3 A. MR. KOENIG: Yes.

4 Q. Can you explain what mitigation methods YECL has
5 introduced given the illustrative bill increases to
6 residential customers of 10.9 percent and 12 percent for 2013
7 and 2014 shown on Attachment No. 1?

8 A. MR. KOENIG: Could you repeat that?

9 Q. I'm looking at Attachment 1 of UCG-YECL 5(d)

10 A. MR. KOENIG: 5(d)?

11 Q. UCG-YECL 5(d), Attachment 1.

12 A. MR. KOENIG: I've got it, and you're seeing
13 a rate impact of what, sorry?

14 Q. You're seeing illustrative bill increases to residential
15 customers of 10.9 percent and 12 percent for 2013 and 2014.

16 A. MR. KOENIG: I'm sorry, I do not see those
17 rate impacts that you're referring to.

18 Q. In Attachment No. 1?

19 A. MR. KOENIG: In Attachment 1, see about a
20 little less than ten in July of 2013, and then I see another
21 rate increase in July of 2014 of about around 5 percent.

22 Q. Okay. And can you explain to me what mitigation methods
23 YECL has introduced with respect to those?

24 A. MR. GRATTAN: None.

25 Q. Okay. Can you explain how Attachment No. 1 to UCG-YECL

1 5(d) is related to the illustrative bills shown in Attachment
2 No. 1 of UCG-YECL 5(b)? How does Attachment 1 relate to the

3 illustrative bills in 5(b)?

4 A. MR. KOENIG: Well, the rate impacts
5 mentioned in -- are stated in UCG-YECL 5(b), Attachment 1,
6 page 1 for 1,000 kilowatt hours consumption are
7 year-over-year rate impacts whereas the graph provided in
8 UCG-YECL 5(d), Attachment 1 are the instantaneous rate
9 impacts.

10 Q. Can you provide the bills used to create the graph in
11 Attachment 1 of 5(d)?

12 A. MR. KOENIG: Yes, we could.

13 Q. Could I have an undertaking on that?

14 UNDERTAKING - TO PROVIDE THE BILLS USED
15 TO CREATE THE GRAPH IN ATTACHMENT 1 OF
16 UCG-YECL 5(D)

17 A. MR. GRATTAN: I just want to the chime in
18 here with regards to this historical graph January 1995
19 through to 2015, month-over-month rate increases. And Yukon
20 Electrical is on the record that an instantaneous rate
21 increase of 10 percent, i.e. on September 30th of any given
22 year, on October 1st, your bill goes up 10 percent, that is,
23 from our perspective, deemed as, if not at rate shock,
24 getting very close to the rate shock.

25 And the purpose of this graph that we pulled

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1 together in UCG-YECL 5(d), Attachment 1 is to show that there
2 have been very few instances over the years where Yukon
3 ratepayers have experienced anything -- anything close to
4 that. So I think it's very important to get that message
5 across to all stakeholders.

6 Yes, there have been recent rate increases,
7 and as we've extrapolated out, through to 2015, there will be
8 some additional rate increases, 5 percent or less, in the
9 coming years. But when it comes to the rate shock and
10 mitigation -- the need for mitigation efforts, there just
11 hasn't been a need in the Yukon to address that.

12 Q. Thank you for that. In response to UCG-YECL 6(a), YECL
13 states: (as read)

14 "That YECL and YEC will work together
15 to submit a joint Phase 2 general rate
16 application based on the total 2013
17 revenue requirement of the two
18 utilities and that the joint
19 cost-of-service study and rate design
20 will commence in late 2013 utilizing
21 YECL's proposed 2013 revenue
22 requirement and YECL's approved 2013
23 revenue requirement."

24 The question is: Given YECL's estimate that it will take
25 four to six months to prepare a joint Phase 2 application,

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1 could YECL explain what work has been completed to date in
2 order to meet the June 2014 filing date?

3 A. MR. GRATTAN: So no work has been completed
4 to date. The forecast that we included in this application
5 was to have this work completed in 2013, and I'm just going
6 to double check that statement before I move on. One moment,
7 please.

8 Yes, I've confirmed. So on Schedule 8.9 of
9 the application -- and I don't know whether you want to turn
10 to that -- but the Phase 2 application and the costs
11 associated with that have been forecasted to occur in 2014
12 with the goal of both Yukon Electrical and Yukon Energy
13 filing by June 30th in accordance with a previous Board
14 direction.

15 Q. Are you likely to be on time on that one?

16 A. MR. GRATTAN: Well, we've got a Board
17 direction to file within six months. So we're going to do
18 our darndest to meet that Board direction, and if we run into
19 problems or challenges, obviously we'll be in touch with the
20 Board as to whether that deadline can be moved if need be,
21 but I've got nothing to suggest at this point in time that we
22 won't be able to achieve that 2014 -- June 2014 deadline.

23 Q. Can you provide an estimate when YECL's Leadership group
24 will be seeing the Phase 2 application for preliminary and
25 final approvals?

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1 A. MR. GRATTAN: No, I can't.

2 Q. In response to UCG-YECL 7(c) YECL states that -- and I
3 believe you confirmed it today -- that it has already adopted
4 in International Financial Reporting Standards despite
5 announced deferrals to the adoption of IFRS.

6 When did -- and I believe you told me this
7 earlier and I'm afraid the date has slipped my mind, but when
8 did YECL adopt IFRS and why did it not defer adoption until
9 issues associated with rate regulating accounting under IFRS
10 could be resolved?

11 A. MR. GRATTAN: One moment, please. Okay. So
12 the first thing that needs to be understood is that Yukon
13 Electrical's parent company, ATCO, Canadian Utilities and
14 then down in through ATCO Electric, beginning in 2011 adopted
15 IFRS based on the statements back in February of 2008 where
16 the Canadian Accounting Standards Board confirmed that IFRS
17 will replace Canadian Generally Accepted Principles for
18 financial statements relating to fiscal years beginning on or
19 after January 1st, 2011.

20 So the clock was ticking -- ticking for ATCO
21 and vis-à-vis Yukon Electrical beginning in February of 2008.
22 ATCO moved forward with regards to adoption. ATCO is a
23 publicly traded company. Canadian Utilities is a publicly
24 traded company. It moved forward with regards to the
25 implementation of IFRS beginning in 2011.

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1 As Yukon Electrical is a subsidiary of these
2 publicly traded companies, it was required to adopt IFRS as
3 well because Yukon Electrical's results are consolidated
4 within the overall corporate group.

5 Subsequent to that point in time, there have
6 been a number of delays where companies have been given the
7 opportunity to delay implementation, but the go/no go
8 decision was made by ATCO back in -- prior to the start of
9 2011.

10 Q. Could YECL confirm that it anticipates spending
11 approximately 138,000 on IFRS transition-related work during
12 the 2013-2015 test period?

13 A. MR. GRATTAN: Where did you get that number
14 from and where are you getting that quote from, please?

15 Q. I'd have to give an undertaking where that's found. I
16 can raise this with you tomorrow.

17 A. MR. GRATTAN: Okay, please.

18 Q. Now, just briefly, given the delay to the startup of
19 Whitehorse Copper, can you provide an update to the
20 attachment to UCG-YECL 8(e) which shows the new expectation
21 of demand and consumption for 2014 and 2015?

22 A. MR. REDDEN: The update for Whitehorse
23 Copper Tailings in-service date, the latest update on that is
24 that it's unlikely to be starting up this year and is looking
25 more like the beginning of next year for a requirement for

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1 construction power with a need for full site power two or
2 three months later, which could be April of 2014, though no
3 date has been set.

4 Q. So in terms of expectations of demand and consumption,
5 it's premature to be able to provide that?

6 A. MR. REDDEN: Those are still accurate
7 values. It's just the timing that is going to shift.

8 Q. Okay.

9 A. MR. GRATTAN: I think that speaks to the
10 challenge that we've got with regards to forecasting this
11 particular customer and the requests that we've made as part
12 of the application, that this be part of a deferral.

13 THE CHAIR: You don't need the undertaking
14 anymore? I understand that, you've accepted the forecasting
15 based on the change in timing; is that correct?

16 MR. JANIGAN: If that's the information
17 that's provided by the panel, that's fine.

18 Q. Can you confirm what rate Whitehorse Copper will pay for
19 construction power before qualifying for the industrial rate?

20 A. MR. REDDEN: So while Whitehorse Copper
21 Tailings is under development or construction, they'll be
22 connected and billed under a general service rate which would
23 then transition to an industrial rate once they're at their
24 full operating load.

25 Q. Okay. Can YECL provide an updated industrial revenue

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1 forecast taking into account Riders J, R and R1 that came
2 into effect on July 1st, 2013?

3 A. MR. REDDEN: Mr. Janigan, are you referring
4 to an industrial rate for the new industrial customer, or
5 which industrials are you talking about, please?

6 Q. My understanding it was for the new industrial
7 customers, but I may be incorrect on that assumption.

8 A. MR. GRATTAN: We've only got one industrial
9 customer that's forecast for the test period which is
10 Whitehorse Copper Tailings. So you might be -- just one
11 moment, please.

12 Just to clarify, are you -- we might be
13 getting Yukon Electrical and Yukon Energy's industrial
14 customers mixed and matched here.

15 Q. Why don't we leave this for tomorrow morning and I'll
16 clarify the question.

17 A. MR. GRATTAN: I think that would be a good

18 i dea.

19 MR. JANIGAN: Mr. Chairman, I think this
20 would be an opportune time to break.

21 THE CHAIR: Yes, that's fine, if that works
22 for you. We'll call for an adjournment for tonight, and
23 we'll begin tomorrow at 9 a.m. Thanks very much.

24 MR. JANIGAN: Thank you very much.

25 (Proceedings adjourned at 4.55 p.m.)

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1 _____
2 PROCEEDINGS ADJOURNED TO NOVEMBER 5, 2013 AT 9:00 A.M.
3 _____

4 Certificate of Transcript

5
6 We, the undersigned, hereby certify that the foregoing pages
7 1 to 187 are a complete and accurate transcript of the
8 proceedings taken down by us in shorthand and transcribed
9 from our shorthand notes to the best of our skill and
10 ability.

11 Dated at the City of Whitehorse, Yukon
12 Territory, on November 4, 2013.

13
14 "Adele Jones"
15 Adele Jones, CSR(A)
16 Official Court Reporter

17
18 "S.J. Lea Dormer"
19 S.J. Lea Dormer, CSR(A)
20 Official Court Reporter

21
22
23
24
25

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1

UNDERTAKINGS GIVEN

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UNDERTAKING - TO PROVIDE THE DOLLAR AMOUNT OF THE 34
PERCENTAGE INCREASE OF 4.7 PERCENT THAT THE
DEPRECIATION PROPOSAL WILL ADD TO A RESIDENTIAL
CUSTOMER BILL

7

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UNDERTAKING - TO CONFIRM THE AID TO CROSS IS THE 81
MOST RECENT OR CURRENT PLAN 1 DOCUMENT FOR YECL DC

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UNDERTAKING - TO PROVIDE AN ESTIMATE OF THE LEVEL 83
OF SPECIAL FUNDING IF 50 PERCENT OF CPI, UP TO 3
PERCENT IS USED AS AN ASSUMPTION IN SPECIAL
FUNDING REQUIREMENTS (SEE TEXT)

15

16

UNDERTAKING - TO PROVIDE A COPY OF THE LEASE 102
BETWEEN YECL AND THE YUKON GOVERNMENT

18

19

UNDERTAKING - TO PROVIDE A DOCUMENT THAT IS THE 109
SAME FORMAT AS YUB-YECL-65 BUT SPECIFIC TO THE
MISCELLANEOUS OVERHEAD SERVICES COSTS FOR VARIOUS
SUBDIVISIONS AND THE UNDERGROUND COSTS

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1	UNDERTAKING - TO HIGHLIGHT THE PROJECTS ON THE	113
2	SPREADSHEET THAT ARE UNDER SYSTEM IMPROVEMENTS	
3	THAT ORIGINATED AS MISCELLANEOUS POLE REPLACEMENTS	
4	FOR THE YEARS 2008 TO 2012	
5		
6	UNDERTAKING - TO HIGHLIGHT THE PROJECTS ON THE	113
7	SPREADSHEET THAT ARE UNDER SYSTEM IMPROVEMENTS	
8	THAT ORIGINATED AS MISCELLANEOUS POLE REPLACEMENTS	
9	FOR 2012 YEAR TO DATE	
10		
11	UNDERTAKING - TO IDENTIFY WHERE IN THE BUSINESS	128
12	CASE OR ELSEWHERE IN THE APPLICATION THE	
13	REPLACEMENT OF AMR IS FACTORED IN	
14		
15	UNDERTAKING - TO ADVISE WHEN THE DISCUSSIONS WITH	172
16	THE YUKON GOVERNMENT TOOK PLACE WITH RESPECT TO	
17	THE FISH LAKE HYDRO WATER LICENSE AND WHAT THE	
18	DISCUSSIONS INVOLVED	
19		
20	UNDERTAKING - TO PROVIDE THE BILLS USED TO CREATE	180
21	THE GRAPH IN ATTACHMENT 1 OF UCG-YECL 5(D)	
22		
23		
24		
25		