

June 21, 2016

Yukon Utilities Board
Box 31728
Whitehorse, YT, Y1A 6L3

Attention: Mr. Robert Laking
Board Chair

Dear Sir:

**RE: 2016-2017 General Rate Application
Response to Utilities Consumers' Group letter dated June 17, 2016**

On May 11, 2016, ATCO Electric Yukon ("AEY") filed its 2016-2017 General Rate Application ("GRA") with the Yukon Utilities Board ("Board"). Included in the GRA was a request for approval to adjust AEY's Rate Adjustment Rider, Rider R, on an interim refundable basis, from 7.20% to 11.62% effective July 1, 2016.

Board Order 2016-01, dated May 27, 2016, invited interested parties to register with the Board and submit comments on the requested interim rider adjustment by June 17, 2016. Five parties submitted their intent to participate: the City of Whitehorse, Mr. John Maissan, the Utilities Consumers' Group ("UCG"), the Yukon Conservation Society ("YCS") and Yukon Energy Corporation ("YEC"). Only the UCG provided comments on the request for interim refundable rates.

UCG's submitted comments are summarized as follows:

- UCG has requested a letter of comfort from the Board in order to use funds to retain a consulting group, Pacific Economics Group ("PEG"), to assist UCG in determining if it is feasible to benchmark the costs and productivity of AEY.
- UCG has also requested an altered schedule in order for PEG to complete its work between "IRs and responses" and "time to analyze and prepare evidence".
- UCG states that the interim refundable rate adjustment is not warranted.

Funds for PEG and an Alternate Schedule

UCG has requested a letter of comfort from the Board that a "new experience" of benchmarking the costs and productivity of AEY be entertained, along with an extended, altered regulatory schedule. UCG fails, however, to provide anything substantiating this request or how it would assist the Board and interveners in testing of the evidence of this Application. In fact, as stated by UCG in its submission, there is no indication that a benchmarking exercise is even feasible in the circumstances.

Furthermore, AEY notes this issue was previously dealt with in Board Order 2014-06, where the Board rejected benchmarking AEY to other utilities in North America for the following reasons:

5.5.1.1 Views of the Board

The Board and interveners test the evidence filed by each utility by way of information requests and questioning at a hearing. Intervenors may also hire technical experts to assist them in preparing their cases and provide evidence during a proceeding. In addition, the Board has the assistance of technical staff in reviewing the evidence filed by a utility. Further, the Board recognizes that Yukon utilities operate in an environment that is unique to the rest of North America and that any results from a benchmarking of other North American utilities is quite unlikely to result in relevant benchmarks. Accordingly, the Board rejects this recommendation.¹

AEY submits that the unique nature of the Yukon utilities and regulatory environment remain unaltered and that the above noted views of the Board in 2014 (Decision 2014-06) continue to apply in 2016. Given the Board has previously ruled on this matter and nothing has changed in the past two years, embarking on an expensive and time-consuming benchmarking exercise is unlikely to result in relevant benchmarks and is neither reasonable nor required.

Accordingly, AEY submits that an undefined, lengthened, alternate schedule to accommodate such an exercise is inappropriate and respectfully requests that the Board deny the requests of the UCG to issue a letter of comfort and alter the established procedural schedule for this GRA. All testing of AEY's application can be undertaken via the process schedule approved in Decision 2016-01.

Interim refundable rates

The UCG's concerns regarding the proposed interim refundable rates include:

- the allegation that AEY has not demonstrated that "the forecast revenue deficiency for the applied for 2016-2017 test period is probable and material nor that the interim rate increase is necessary to ensure ATCO Electric Yukon's financial integrity or to ensure the continued safe operation of its system"; and
- notice has not been provided as per s. 28 of the Yukon *Public Utilities Act* ("PUA").

In response to the first concern identified above, AEY submits that the materials provided in the GRA within and in relation to Section 13 (Interim Refundable Rate Rider) comprehensively explain and support the revenue requirements for 2016-2017 and the respective revenue shortfalls that would be experienced if AEY continued to collect revenue without an adjustment to Rider R. AEY submits that its request for interim rates is consistent with prior Board direction,

¹ YUB Decision 2014-06 Appendix A: Reasons for Decision page 39

promotes rate stability and supports the concept of rate gradualism until the merits of a GRA can be fully tested.

The concerns raised by the UCG in relation to the probable and material nature of the subject deficiency, the financial integrity of AEY and the continued safe operation of its system are repetitive of those submitted by UCG in relation to AEY's 2013-2015 GRA, to which the Board responded in Board Order 2013-05 – Appendix A: "...the Board is not convinced by any of the other reasons set out by UCG to deny the request for interim rates."

The Board elaborated as follows:

The Board considers it important that the interim rates would only be collected for approximately one-half of the applied-for revenue requirement increase for 2013. The Board is of the view that, until the merits of the GRA are determined, these interim refundable rates promote rate stability and are just and reasonable to both the utility and consumers. As a result, the Board finds that it is just and reasonable and in the public interest to approve interim refundable rates for YECL as applied for, for all electrical consumption on or after July 1, 2013.²

Further, the Board is granted authority and jurisdiction to grant interim orders under s. 63 of the PUA. In Board decision 2008-6 - Appendix A (pages 2-3), the Board was clear that its authority to grant interim orders is not predicated on the prevention of "harm" and that it may issue an interim rate order to facilitate the Board's inquiry into a rate application or to otherwise provide the Board with the flexibility necessary to accommodate regulatory lag (i.e. promote rate stability).

In relation to the UCG's concern about notice under s. 28 of the PUA, it is AEY's submission that the requested interim refundable adjustment would be a "rate set by the board pursuant to the [PUB]" and, therefore, is not subject to the notice requirements under s. 28(1). AEY currently has an approved Rate Adjustment, Rider R, which permits the Board to award interim rates pending setting final rates in the GRA. The interim refundable adjustment is not a final rate - interim rates under Rider R are refundable and will be adjusted when the final rates are determined by the Board. In addition, there is ample precedent for the Board to approve adjustments to Rider R, in advance of setting final rates in a GRA, as AEY has requested in this case³.

AEY notes the concern raised by the UCG in relation to s. 28 notice, has previously been raised by the UCG. This was in relation to the YEC 2012-2013 GRA and was a ground on which the UCG urged the Board to dismiss the interim rate application. That ground was referenced and dismissed in the Board's interim rate decisions, 2012-5 and 2012-10, which both granted the YEC's applied for interim rates.

² Board Order Decision 2013-05 Appendix A Section 2.0

³ Board Orders 2013-05, 2012-10, 2012-5, and 2008-6

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AEY submits that the proposed interim refundable rate adjustment, being applied for here, is exactly the same as the previous requests of AEY and the YEC which were approved in past Board Orders 2013-05, 2012-5, and 2012-10. As previously noted, AEY submits that the Application explains and supports the revenue requirements for the 2016 and 2017 timeframe and that the interim rate application is consistent with past practice, promotes rate stability and is reasonable for both the utility and consumers.

As such, AEY respectfully requests the interim refundable rate adjustment be approved as filed.

Yours truly,

Original Signed by:

James Grattan, CA
Director, Regulatory