

**Yukon Electrical Company Limited (“YECL”)
2016-2017 General Rate Application (“GRA”) Phase I**

**Information Request No. 1 from the City of Whitehorse (“CW”) to
Yukon Electric Company Limited (“YECL”)
July 11, 2016**

CW-YECL-01

Issue: Capital Expenditures

Reference: YECL Application, Schedule 9.2

Preamble: In Schedule 9.2, YECL provides actual and forecast capital expenditures. CW notes that there is a pattern of over forecasting. For 2013, total capital expenditures were over forecast by \$3.9 million (20%). For 2014, capital expenditures were over forecast by \$2.9 million (14%) and for 2015 capital expenditures were over forecast by \$3.8 million (26%). This results in a total over forecast of \$10.5 million (20%) over the three year period. CW notes that the majority of the variances are in new extensions,

Request:

- (a) Please provide a detailed explanation of the reasons for over forecasting. In particular, please focus on the reasons why, not just which projects were the cause of the forecast error.

CW-YECL-02

Issue: **Capital Expenditures**

Reference: YECL Application, Appendices 1-11

Preamble: In Appendices 1-11 YECL provides business cases for a series of projects. CW requires information to understand the nature of the YECL internal capital approval processes.

Request:

- (a) For each of the listed business cases, please confirm that the internal documentation or business cases used for approval of capital expenditures is identical to the business cases provided in the referenced appendices. If not confirmed, please provide copies of the internal documents or business cases used by management to approve each project, including signatures and dates of signatures.
- (b) For each of the business cases listed, please confirm that YECL has received internal approval for the execution of the respective capital project. If not confirmed, please fully explain. In the response, please clearly identify which projects included in the GRA forecast have internal management and executive approval and which do not.
- (c) Please fully discuss the YECL internal planning process for capital projects. In the response, please fully explain if any projects are rejected internally, and how any capital rationing or constraints on the availability of capital is imposed on YECL.

CW-YECL-03

Issue: **Capital Expenditures**

Reference: YECL Application Appendix 3, Watson Lake Bi-Fuel Project

Preamble: In Board Order 2014-06, the YUB rejected a Watson Lake bi fuel project. CW requires information to assess the business case.

Request:

- (a) Please confirm that the requested Watson Lake project in Appendix 3 to this application is the same project that was requested in the proceeding leading to Board Order 2014-06. If not confirmed, please fully explain.
- (b) Please provide the business case from the proceeding leading to Board Order 2014-06 for the Watson Lake Bi-Fuel Project.
- (c) Please clearly identify all changes between the business case referred to in Board Order 2014-06 and the business case in Appendix 3 of this application.
- (d) Please fully explain how the new business case addresses each deficiency addressed in Board Order 2014-06.
- (e) On page 2 of the Business Case, YECL states “Following Board approval, the project will be separated into the following components and each component will be competitively tendered” Please fully explain whether YECL will proceed with the project if the YUB does not approve inclusion of this project in rates, with reasons for the YECL position.
- (f) Please fully discuss the nature of approval by the YUB. As an example, does the YUB approval determine which work should be done, or is the YUB approval just to set rates?
- (g) Please confirm that this project is part of a larger term project to convert diesel generation to Bi-Fuel generation. If not confirmed, please fully explain. If confirmed, please provide the long term plan for conversion of diesel generation to Bi-Fuel generation.
- (h) Please provide a schedule of operating times for LNG compared to diesel should the LNG proposal be approved.
- (i) Please provide an analysis that provides the reduction in carbon produced by the introduction of LNG.

CW-YECL-04

Issue: **Capital Expenditures**

Reference: YECL Application, Appendix 4, Watson Lake Unit 2 replacement

Preamble: YECL provides a business case for the Watson Lake replacement

Request:

- (a) In the business case, YECL refers to a project in the 2013-2015 General Rate Application. Please provide specific reference to where this project was addressed in the decision related to the 2013-2015 General Rate Application. In the response, please fully explain why the project was not completed in the 2013-2015 time frame. In the response, please provide the forecast and approved cost per year for this project.
- (b) Please explain how YECL was able to maintain safe and reliable service if the project was deferred.
- (c) Please provide the business case from the 2013-2015 General Rate Application related to the Watson Lake Unit 2 replacement. Further, please clearly identify all changes between the 2013-2015 business case and the current business case.
- (d) YECL provides a list of units 1-6. Please provide the overall lifecycle strategy for each unit, and the overall plan for the replacement of each unit.
- (e) On page 2 of the business case, in the background section, YECL discusses the AC Generator. Please fully explain how each of the diesel engine and the AC Generator have reached end of life.
- (f) In Figure 1, YECL provides the capacity of each unit. The installed capacity is 5,500 kW and the firm capacity is 4,050 kW. On page 2 of the business case, YECL asserts that there is a need for increased capacity based on recent peaks of 3,205 kW. YECL indicates that major overhauls take 4-6 weeks. Please fully explain why major overhauls are not scheduled for periods of low demand. In the response, please provide a graph that shows the monthly peak demand for each of the last 5 years.

CW-YECL-05

Issue: **Capital Expenditures**

Reference: YECL Application, Appendix 5, Old Crow Unit 3 Replacement

Preamble: CW requires information to assess the business case.

Request:

- (a) In the business case, YECL refers to a project in the 2013-2015 General Rate Application. Please provide specific reference to where this project was addressed in the decision related to the 2013-2015 General Rate Application. In the response, please fully explain why the project was not completed in the 2013-2015 time frame. In the response, please provide the forecast and approved cost per year for this project.
- (b) Please explain how YECL was able to maintain safe and reliable service if the project was deferred.
- (c) Please provide the business case from the 2013-2015 General Rate Application related to the Old Crow Unit 3 replacement. Further, please clearly identify all changes between the 2013-2015 business case and the current business case.
- (d) Please provide the 2016 peak load, to the end of July 2016.
- (e) Under the heading "Load Growth," YECL discusses increased load. Please fully discuss changes in the Old Crow economy, and impacts on the peak load, since the forecast was prepared.

CW-YECL-06

Issue: **Capital Expenditures**

Reference: YECL Application, Appendix 6, Destruction Bay Unit 2 Replacement

Preamble: CW requires information to assess the business case.

Request:

- (a) In the business case, YECL refers to a project in the 2013-2015 General Rate Application. Please provide specific reference to where this project was addressed in the decision related to the 2013-2015 General Rate Application. In the response, please fully explain why the project was not completed in the 2013-2015 time frame. In the response, please provide the forecast and approved cost per year for this project.
- (b) Please explain how YECL was able to maintain safe and reliable service if the project was deferred.
- (c) Please fully explain any YECL strategy to manage generation units, or other assets, over their life cycle.
- (d) Please provide the business case from the 2013-2015 General Rate Application related to the Destruction Bay Unit 2 replacement. Further, please clearly identify all changes between the 2013-2015 business case and the current business case.
- (e) Please provide the 2016 peak load, to the end of July 2016.

CW-YECL-07

Issue: **Capital Expenditures**

Reference: YECL Application, Appendix 7, Whistle Bend Subdivision Stage 3c

Preamble: CW requires information to assess the reasonableness of the YECL forecast.

Request:

- (a) Please provide a detailed cost breakdown that identifies the costs between High Voltage cable Low Voltage Cable, Duct Systems for cables, Transformers, Pad-mounted Switching devices, Low Voltage pedestals, Streetlights, related labour or installation for each item, overheads, number of services installed,
- (b) Please provide data similar to the data provided in response to (a) above, for each of Stage 1 and 2.
- (c) Please confirm that the streetlights being installed are LED street lights. If not confirmed, please fully explain.

CW-YECL-08

Issue: **Capital Expenditures**

Reference: YECL Application, Appendix 8, McIntyre Substation Replacement

Preamble: CW requires information to assess the reasonableness of the forecasts.

Request:

- (a) Please provide the business case from the 2013-2015 GRA that was approved in Board Order 2014-06.
- (b) Please clearly indicate any changes to the business case, including changes in scope, schedule, or costs.
- (c) Please provide a reconciliation of the costs for each of 2016 and 2017 included in this GRA to the forecast costs from the business case.
- (d) Please confirm that the streetlights to be installed are LED street lights. If not confirmed, please fully explain.

CW-YECL-09

Issue: **Capital Expenditures**

Reference: YECL Application, Appendix 9, Downtown Whitehorse Capacity Improvements.

Preamble: CW requires information to assess the business case.

Request:

- (a) YECL indicates that the driver for the project is load growth in downtown Whitehorse. Please provide total load, number of customers, and peak demand, by month for each of the last five years, for downtown Whitehorse.
- (b) Please confirm that YECL is planning to replace like for like, such as overhead for overhead, an underground for underground. If not confirmed, please fully explain.
- (c) Please confirm that, after completion of this project, YECL will be in compliance with all municipal bylaws and regulations. If not confirmed, please fully explain.
- (d) Please provide an estimate of the incremental cost if all overhead was replaced with underground in the downtown Whitehorse area.

CW-YECL-10

Issue: **Capital Expenditures**

Reference: YECL Application, Appendix 10, Paint Mountain Cable Replacement.

Preamble: CW requires information to assess the business case.

Request:

- (a) Please provide a detailed cost estimate for each of the three alternatives.
- (b) Please provide any analysis or reports that demonstrate that the cable is at end of life.

CW-YECL-11

Issue: **Capital Expenditures**

Reference: YECL Application, Appendix 11, Destruction Bay Unit 3 Replacement

Preamble: CW requires information to assess the business case.

Request:

- (a) In the business case, YECL refers to a project in the 2013-2015 General Rate Application. Please provide specific reference to where this project was addressed in the decision related to the 2013-2015 General Rate Application. In the response, please fully explain why the project was not completed in the 2013-2015 time frame. In the response, please provide the forecast and approved cost per year for this project.
- (b) Please explain how YECL was able to maintain safe and reliable service if the project was deferred.
- (c) Please fully explain any YECL strategy to manage generation units, or other assets, over their life cycle.
- (d) Please provide the business case from the 2013-2015 General Rate Application related to the Destruction Bay Unit 2 replacement. Further, please clearly identify all changes between the 2013-2015 business case and the current business case.
- (e) Please provide the 2016 peak load, to the end of July 2016.

CW-YECL-12

Issue: **Operation and Maintenance**

Reference: N/A

Preamble: In proceedings in Alberta, ATCO utilities are charged a license fee. CW requires information to understand if YECL customers are being asked to pay a license fee to ATCO.

Request:

- (a) Please fully explain if YECL is including any forecast for a license fee, name fee, signature rights or any other charge paid to any parent or affiliate. If such a fee, or charges in lieu of such a fee, is included in forecast costs, please fully explain why such a fee should be paid by customers.

CW-YECL-13

Issue: **Operation and Maintenance**

Reference: YECL Application, Section 5

Preamble: In the table on page 5-1, actual total Operation and Maintenance is \$11,718,000 in 2013, \$11,698,000 in 2014, and \$11,616,000 in 2015. This is a downward trajectory. In 2016 and 2017 forecast total O&M increases each year.

Request:

- (a) Please fully explain why actual O&M is on a downward trend, yet forecast O&M increases each year.

- (b) Please provide a table, in Excel format, similar to the table on page 5-1, which indicates cost per kWh, and cost per customer for each line in the table. In the response, please provide the supporting calculations as well as customers and sales.

CW-YECL-14

Issue: **Operation and Maintenance**

Reference: YECL Application, page 5-2, Labour costs. Schedule 5.1

Preamble: CW requires information to assess forecast O&M costs.

Request:

- (a) Please provide a table similar to Schedule 5.1 that shows labour, benefits and non-labour separately.
- (b) Please provide a table similar to Schedule 5.1 that includes FTEs. In the response, please add a line at the bottom to include capital FTEs, and reconciles to total FTEs.
- (c) Please provide a table similar to Schedule 5.1 that includes cost per FTE.
- (d) Please fully explain the change in cost per FTE each year.

CW-YECL-15

Issue: **Operation and Maintenance**

Reference: YECL Application, page 5-3

Preamble: On page 5-3, YECL discusses pension costs. YECL refers to the Alberta Pension filings. CW understands that, in Alberta, ATCO Utilities only recover 50% of special funding related to plan deficiencies. CW requires information to assess the requested funding.

Request:

- (a) Please fully explain what costs YECL has included in its application for pension costs. In particular, please fully explain how YECL has treated special payment that would be disallowed in Alberta. Please include an analysis that clearly demonstrates total pension costs, and reconciles to the amounts that are included in this Application.
- (b) Please confirm that, in referring to the Alberta 2016 pension application, YECL will exclude any amounts that the AUC does not approve for inclusion in utility rates. Please fully explain the response.

CW-YECL-16

Issue: **Operation and Maintenance**

Reference: YECL Application, page 5-3

Preamble: CW requires information to assess affiliate costs. As AE Distribution in Alberta is under PBR, there is an incentive to allocate costs to other entities. As such, CW requires a detailed understanding of the cost allocation methodology and all changes in the methodology.

Request:

- (a) Please provide the working papers in support of the calculation of the “fully allocated cost methodology” referred to in the application. Please provide the analysis in excel format with formulae and links intact. Please provide the analysis for 2013-2015 actual results as well as 2016-2017 forecasts.
- (b) Please identify and fully explain all changes in methods, assumptions or calculations used to calculate affiliate costs in each of 2013, 2014, 2015, 2016, or proposed for 2017.

CW-YECL-17

Issue: **Operation and Maintenance**

Reference: Schedule 5.2

Preamble: CW requires additional information to assess the forecast costs.

Request:

- (a) For Account 64600, YECL indicates the increase in 2016 is in part due to an addition of an engineering technologist position. Please fully explain why the position is required.
- (b) For account 84600, YECL indicates that 2014 is lower due to less top end maintenance than 2015. Please fully explain why a three year average of actual maintenance is not an appropriate base for forecast maintenance.
- (c) In account 87400, the explanation refers to account 87300, but there is no account 87300 in the schedule. Please provide account 87300 for Schedule 5.2.
- (d) For account 87800 please explain whether the forecasts include LED lighting or standard lighting.
- (e) For Account 88900, there is an unexplained decrease in 2015 followed by an increase in 2016. Please fully explain why costs decrease in 2015. Also fully explain why an average of three years actual results is not an appropriate forecast.
- (f) For Account 70200, please fully explain why customers should pay for the cost of changing the name of the company from Yukon Electrical Company Limited to ATCO Electric Yukon.
- (g) For account 72100 please fully explain why there is a need for an additional operational accountant.
- (h) For account 72100, please fully explain why an average of three years actual costs is not an acceptable forecast.
- (i) For account 72500, please fully explain why an average of three years actual costs is not an acceptable forecast.
- (j) For account 72700, please fully explain why an average of three years actual costs is not an acceptable forecast.

CW-YECL-18

Issue: **Operation and Maintenance**

Reference: YECL Application Schedule 5.3

Preamble: In accounts 72100 and 71300, YECL indicates that ATCO I-Tek and ITBS are no longer providing services.

Request:

- (a) Please indicate which entity is providing Information technology services. In the response, please indicate where in the application these costs are forecast, and provide an analysis of the amount of information technology costs for 2015, and forecast for 2016 and 2017.

- (b) Please confirm that the CC&B services provided by ATCO Electric are identical to that provided by ITBS. If not confirmed, please fully explain. If confirmed, please fully explain why the costs under ITBS are so much higher than that of AE, and why the ITBS costs should be considered prudent.

CW-YECL-19

Issue: **Depreciation**

Reference: YECL Application, page 7-1

Preamble: In its Application, YECL states:

The depreciation rates used to calculate actual 2013 through 2015 and to forecast 2016-2017 depreciation expense were developed using the Board-approved depreciation parameters determined by the Depreciation Study conducted by Gannett Fleming and filed as part for 2013-2015 General Rate Application.

CW requires information to understand the YECL forecast.

Request:

- (a) YECL states that the depreciation rates “were developed using the Board-approved depreciation parameters”. Please confirm that the actual depreciation rates are identical to those approved in the last General Rate Application. If not confirmed, please provide working papers that include the approved depreciation parameters, and how they were used in the calculation of depreciation rates. In the response, please provide a comparison of all parameters, comparing the amount included in this application to the amount include in the 2013-2015 application.

CW-YECL-20

Issue: Return on Rate Base

Reference: YECL Application, Attachment 8.1, Concentric Report

Preamble: YECL has provided a report from Concentric Energy Advisors (Concentric) to justify the premium over the BCUC approved ROE. CW requires information to assess the Concentric Report.

Request:

- (a) Please provide the cost of the Concentric Report.
- (b) Please provide the dollar value of the incremental ROE arising from the Concentric Report.
- (c) In Figure 1, Concentric provides a list of comparators. Please fully explain why a smaller utility such as AltaGas Utilities Inc. was not used. Please provide data for AltaGas Utilities Inc.
- (d) In Figure 2, Concentric compares the Yukon to Canada. Please fully explain why a comparison to the Northwest Territories, Alberta, or British Columbia is not more relevant. Please provide an updated Figure 2 including the Northwest Territories, Alberta, and British Columbia.
- (e) Please provide an updated Figure 3 including April, May, June, and July 2016. Also please provide the underlying data for the chart.
- (f) Please provide an updated Figure 4 including April, May, June, and July 2016. Also please provide the underlying data for the chart.
- (g) Please provide an updated Figure 5 including April, May, June, and July 2016. Also please provide the underlying data for the chart.
- (h) On page 17, Concentric lists comparators, including ATCO Electric Distribution. Please fully explain why the use of YECL's parent is an appropriate comparator.
- (i) On page 20, Concentric indicates that size is an important consideration for investors. Please fully explain how investors may consider the fact that YECL is a part of a larger group, such as ATCO, Canadian Utilities Ltd, or CU Inc.
- (j) Starting on page 21, Concentric discusses a number of risks. For each risk:

- i. Please fully explain if there is a current deferral account for the risk. If there is a deferral account, please fully explain how the deferral account works, and how the presence of the deferral account impacts risk, and the Concentric conclusion.
- ii. For each risk that has no deferral account, please fully explain the impact that implementing a deferral account would have on the Concentric recommendation.
- iii. Please provide a detailed quantification and calculation of the impact of each risk on return.
- iv. Please comment on how a different rate design, such as a daily fixed charge, and no volume charge, would impact the Concentric recommendation.

CW-YECL-21

Issue: **Cost of Debt**

Reference: YECL Application, Schedules 8.2 and 8.3

Preamble: CW notes that for 2014 and 2015, the actual cost of debt issues in each year is lower than the forecast.

Request:

- (a) For each of 2014 and 2015, please fully explain why the actual cost of the debt issue in the respective year is lower than forecast.
- (b) For 2013, the actual and forecast cost of new debt is the same. Please confirm that, for 2013, the actual cost of new debt was known prior to the close of the proceeding, and was incorporated into the GRA.
- (c) Please provide the YECL initial forecast of new debt for 2013 that was included in the initial application for 2013.

CW-YECL-22

Issue: **RID**

Reference: YECL Application, Attachment 8.2, Beaver Creek RID Claim

Preamble: CW requires information to assess the RID claim.

Request:

- (a) Please fully explain when the leak started.
- (b) Please fully explain the YECL inspection and maintenance protocol for the tank in question.
- (c) Please fully explain what YECL could have done to prevent the leak, or detect it earlier and minimize any spillage.

CW-YECL-23

Issue: **RID**

Reference: YECL Application, Attachment 8.3, Fish Lake Claim

Preamble: CW requires information to assess the RID claim.

Request:

- (a) Please fully explain when the issue started.
- (b) Please fully explain the YECL inspection and maintenance protocol for the ditch.
- (c) Please fully explain what YECL could have done to prevent the issue.

CW-YECL-24

Issue: **Sales Forecasts**

Reference: YECL Application, Table 2

Preamble: In Table 2, YECL provides Actual (Normalized) sales. CW requires an understanding of how the actual results were normalized.

Request:

- (a) For each of 2008-2015, please fully explain how the actual sales were normalized. In the response please provide the normal and actual heating degree days used, the period that was used to determine normal heating degree days, and the working papers in support of the normalization.

CW-YECL-25

Issue: **Sales Forecasts**

Reference: YECL Application, starting on page 2-5 (PDF 19)

Preamble: YECL indicates that it has revised its forecast methodology to use a 3 year

Request:

- (a) Please provide the working papers used in the YECL analysis in Excel format with formulae and links intact.

- (b) Please provide a revised set of analysis similar to the analysis in the application, in Excel format with formulae and links intact, using the old methodology for regression and normalization.

CW-YECL-26

Issue: Energy Efficiency

Reference: N/A

Preamble: CW is interested in understanding what programs YECL is engaged in, or interested in pursuing to minimize the use of diesel fuel.

Request:

- (a) Please fully explain any and all programs or plans to implement green generation or make micro generation available, such as wind turbines or photo electric panels, and where the costs are included in the application. If no costs are included, please fully explain YECL's position on such programs.
- (b) CW understands that YECL is involved in Photo Voltaic (PV) installations and is aware of PV installations in Old Crow and in the Kluane First Nation. Please fully explain the PV program in each of the communities, including the YECL involvement. Please provide an analysis that clearly demonstrates the cost of PV generation on a kWh basis to the cost of diesel generation. In the response, please provide all supporting working papers and assumptions.
- (c) Please fully explain the role of PV generation as a tool to reduce carbon emissions, reduce O&M costs, and possibly reduce noise levels.
- (d) Please provide YECL's views on the potential for and viability of expanded PV use in the Yukon and the role YECL should play in this endeavour.

CW-YECL-27

Issue: LED Street Lights

Reference: YECL Application, page 9-3

Preamble: On page 9-3, YECL provides a discussion of its program to convert existing street lights to LED lights. CW requires information to assess the YECL Application.

Request:

- (a) YECL indicates that it has two options, one with a customer contribution and one without. Please provide an analysis for each that:
 - a. Includes the incremental capital cost of LED lights.
 - b. Includes any change in asset lives, and depreciation.
 - c. Includes the change in energy use and cost
 - d. Includes changes in maintenance costs
 - e. Includes any other changes in costs or energy.
- (b) Please fully explain any communication between YECL and any customer group, including the City of Whitehorse related to LED lights.
- (c) Please fully explain YECL's preference for street lights.
- (d) Please fully explain what rate is used to charge for LED lights. Please provide the detailed calculation of the Street Light component of Schedule 2.1, including number of lights, and rate, and any differences in rates between the rate used for standard street lights, and for LED street lights.
- (e) If YECL uses a separate LED rate for LED street lights, please provide the reference to where the YUB approved a separate street light rate for LED lights.
- (f) Please provide the calculation of the rate used for conventional street lights and LED street lights.
- (g) Please confirm that all new street lights installed will be LED street lights. If not confirmed, please fully explain.
- (h) Please fully explain the YECL plan, if any, for replacement of existing street lights. Will YECL replace existing street lights with LED lights as the existing lights fail, or will YECL do a wholesale replacement of existing street lights. Please provide the rationale for the YECL position.