

UTILITIES CONSUMERS' GROUP
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June 27, 2016

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Mr. Robert Laking, Chair

**Re: ATCO Electric Yukon / Yukon Electrical Company Limited
2016-2017 General Rates Application – UCG Reply**

Dear Mr. Laking:

As per letter of June 21 from the YUB, the Utilities Consumers' Group (UCG) replies to the submission by ATCO Electric Yukon as they are the only party to provide input. As quoted by the Board, this was our original comments:

"UCG has also contacted the Pacific Economics Group (PEG) requesting the possibility to retain them to help us determine if it is feasible to benchmark the costs and productivity of ATCO Electric Yukon/Yukon Electric Company Limited. PEG has given us a preliminary review from the data available for the ATCO Electric Yukon/Yukon Electric Company Limited available from the Yukon Utilities Board website and the present application. They contend that the annual report, financial statements, and the key performance indicators provide a good amount of data, but fall short in several areas. Therefore a series of interrogatories and past history data would be necessary to first determine if a benchmarking is possible, comparing AEY with similar sized companies in Canada.

The problem here is that UCG does not have sufficient funds to retain this consultant group which has vast experience in benchmarking electrical utilities throughout North America. We request a letter of comfort that the YUB will entertain this new experience and forward regulatory thinking offered to most other jurisdictions. We would also request the need to alter the schedule in order for this to take place, specifically in the time span between IRs and responses and time to analyze and prepare evidence on this very important aspect of scrutiny."

First, AEY's response wrongly claims the UCG is requesting an extended regulatory schedule. Plainly, UCG is simply requesting a re-jigging of the existing schedule, something the Utilities have done many times before.

Second, AEY incorrectly asserts that "UCG states there is no indication that a benchmarking exercise is even feasible in the circumstances." What UCG submitted was that more information is needed to formulate if PEG can determine the benchmark feasibility of AEY compared to similar utilities in Canada. What PEG has been able to access "falls short in several areas", particularly the breakdown of O&M expenses by generation, distribution, and corporate as there is for the plant data. Without this PEG could only evaluate the generation and distribution functions of the company versus much larger U.S. companies. With more in depth information PEG would be able to isolate the distribution function which could use the Ontario benchmarking model which has a large number of smaller Canadian distributors.

The other missing benchmarking link mentioned in our submission was the lack of historical data. The earliest year of plant data available is 2008. PEG results would become more accurate to the extent that they are able to incorporate a much longer series of historical plant data. For example Ontario work used plant data starting in 1989.

Here are some other questions that PEG needs answers to before a proper evaluation can take place:

1. The company appears to only have a small amount of transmission plant in the form of substations. Has the company ever operated any transmission lines? Does the company's generating assets deliver power directly to its distribution system or does it connect to transmission system owned by another party?
2. What is AEY km. and circuit-km. of distribution line? What are the typical voltages of the system? Do they ever get over 100 kV?
3. Is the AEY system contiguous in that all of its customers are connected to a single transmission/distribution system owned by the company?

Due to the fact that the Board rejected benchmarking in 2014, does not mean that this decision is relevant today. The Board did say in 2014-06 that: **"Intervenors may also hire technical experts to assist them in preparing their cases and provide evidence during a proceeding."** This is exactly what UCG is attempting to do in this process. Our above argument clearly identifies this request is not only reasonable, but required.

Other jurisdictions across Canada and the U.S. have used statistical benchmarking for a number of years to determine if companies are being efficient and cost-effective in their provision of electricity to their ratepayers. It is now time for Yukon consumers to enjoy these same benefits. The Utilities in the Yukon consider it relevant to benchmark their rate of return, cost of capital, depreciation and pension expense to other jurisdictions even though they continually argue that they are different and unique when circumstances benefit their cause.

As a famous 19th century mathematician and philosopher William Kingdon Clifford observed: *"It is wrong always, everywhere, and for anyone to believe anything upon insufficient evidence."*

Accordingly, UCG submits our request for a letter of comfort as well as an altered procedural schedule should prevail.

Regards,

Roger Rondeau
Utilities Consumers' Group