

**YUKON ELECTRICAL COMPANY LTD. (“YECL”)  
2016 - 2017 GENERAL RATE APPLICATION  
PHASE I**

**REPLY ARGUMENT OF  
THE CITY OF WHITEHORSE**

**December 15, 2016**

## **Introduction**

1. This reply argument is filed on behalf of the City of Whitehorse (“CW” or the “City”) which participates in this proceeding on behalf of the City and its residents, and is guided by what it considers to be in the best interests of the City as a corporation as well as what is in the best interests of its citizens.
2. The City has reviewed the arguments filed by ATCO Electric Yukon (“AEY”), Yukon Energy Corporation (“YEC”), Utilities Consumer Group (“UCG”), Yukon Conservation Society (“YCS”) and John Maissan. Failure to comment on any issue should not necessarily be taken to connote agreement with another party’s position on that issue. The City relies on its earlier filed Argument.

## **Rate Of Return and Risk Premium**

3. The City submits that it fully canvassed and explained its position on these issues in argument, and it stands by and reiterates the same.<sup>1</sup> No further reply is required.

## **Mr. Bell’s Evidence - Forecast Accuracy**

4. Mr. Bell’s evidence highlighted YECL’s historical pattern of over-forecasting in three areas: cost of new debt; capital additions; and production costs.<sup>2</sup>

## **New Debt**

5. With respect to the cost of new debt, AEY is critical of Mr. Bell for relying on three years of data.<sup>3</sup> CW notes that in his argument, Mr. Maissan demonstrates that the historical pattern noted by Mr. Bell holds true over the whole of the period 2008-2015.<sup>4</sup>

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<sup>1</sup> CW argument, paragraphs 6-26

<sup>2</sup> Exhibit C3-3, Evidence of Russ bell, A6

<sup>3</sup> AEY argument, paragraph 98

**Production Costs**

6. With respect to production costs, AEY does not deny Mr. Bell’s assertion that there has been a consistent pattern of over-forecasting of production costs. Rather it urges the Board to ignore this fact, and to focus instead on the total level of O & M costs.<sup>5</sup>
7. CW submits that in assessing the likely accuracy of any forecast in the application, the Board can and should take into account a pattern of over-forecasting in areas where that can be demonstrated, such as Mr. Bell has done with respect to production costs.

**Net New Extensions**

8. The statement made above holds true for the net new extensions forecast as well, where historical over-forecasting has been at the level of 47.7%.<sup>6</sup> CW acknowledges that AEY has argued that its 2016 forecast is 41% lower than the 2015 approved forecast, which CW submits amounts to a recognition that the previous forecast was seriously flawed.
9. The Board can weigh AEY’s evidence on improvements to its forecasting against the historical pattern of over-forecasting, and in CW’s submission, reasonably find that there is still a reasonable basis for a reduction. It does not appear to CW that AEY has fully addressed the problem.

**Forecast Trends**

10. In argument, CW supported Mr. Bell’s recommendation that, based on his historical analysis, AEY’s forecast for distribution and general O & M should be reduced by \$272,000 in 2016 and \$369,000 in 2017.<sup>7</sup> CW continues to support Mr. Bell’s recommendation.

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<sup>4</sup> Maissan Argument, page 4, under heading “Cost of debt”; Exhibit B-5, JM-AEY-14

<sup>5</sup> AEY argument, para. 55

<sup>6</sup> Exhibit C-3-3, A.8

<sup>7</sup> CW Argument, para. 40

### **LED Street Lighting**

11. In its Argument, AEY reiterates its request for a Board direction as to the appropriate method of accounting for the capital costs associated with customers requesting conversions of existing streetlights to LED lamps.<sup>8</sup> AEY suggests that such direction “would provide the Yukon utilities with a better understanding of the rate implications and provide all parties involved with the information necessary to make informed decisions on the matter.”<sup>9</sup>

12. CW was hopeful that in argument, AEY would finally provide a recommendation, to which CW could respond. However, AEY put forward no proposal or recommendation as to the appropriate method of accounting for capital costs associated with streetlight conversion, although in its evidence AEY identified two options:

- 1) A full customer contribution required for all associated capital costs; or
- 2) All capital costs associated with requested conversions would be a system cost, not subject to a customer contribution.<sup>10</sup>

13. AEY does not indicate if it considers one option to be more appropriate than the other and, if so, why. In YUB-YECL-10(c), AEY was asked to provide the rationale or justification for the streetlight conversion project being a system cost, and provided the following response:

The rationale for a system cost would be that the initial light asset cost was contributed by the customer when the light was originally installed in accordance with the approved Terms and Conditions of Service of the time. At the end of useful life when the asset needs replacement, the customer is not required to contribute again and the cost becomes a system cost.<sup>11</sup>

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<sup>8</sup> AEY argument, para. 140

<sup>9</sup> AEY argument, para. 140

<sup>10</sup> Exhibit BB-1, YECL 2016-17 GRA – Phase I Application, pdf page 167

<sup>11</sup> Exhibit B-9, YUB-YECL-10(c)

14. AEY has not offered its view on the rationale or justification for having a full customer contribution for the streetlight conversion project. As indicated in its Argument, the City does not consider it appropriate for AEY to request the Commission to issue a direction as to the appropriate method of accounting for the associated capital costs in the absence of a fully-supported proposal by AEY on that issue.
  
15. The City would suggest that direct discussions between it and AEY could produce an agreement on a common position that could then be placed before the Board for approval. While the Board may not be in a position to direct AEY to conduct such discussions, it could comment on whether it would find the described approach to be useful.



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