

UTILITIES CONSUMERS' GROUP
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June 17, 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 – Phase 1 - UCG Registration as Intervenor**

Dear Mr. Laking:

The Utilities Consumers' Group (UCG) hereby registers as an intervenor in the proceeding to review the 2016-2017 General Rates Application submitted by ATCO Electric Yukon / Yukon Electrical Company Limited.

The nature of UCG's participation in this proceeding is to protect the interests of residential and small business consumers of electricity in the Yukon. Of particular concern is the projected 5% cumulative rate increase and the variances between actual and approved sales volumes and capital requirements that require ATCO Electric Yukon to come forward to the Board for higher rates.

UCG is also particularly interested in more fully understanding when and how ratepayers will be impacted by the proposed revisions to rates and the alternatives reviewed before determining the level of costs being proposed for recovery through these rates.

UCG has retained the services of Pat McMahon as a regulatory consultant for this proceeding given his past experience in YUB proceedings including previous general rate applications by both ATCO Electric Yukon and Yukon Energy Corporation. UCG will be submitting a cost claim at the end of these proceedings in accordance with the YUB's Rules of Practice and Scale of Costs Policy. If the Board requires more information on this, UCG will forward our services agreement with Mr. McMahon as well as his qualifications.

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.

UCG will wait for a response from the Board on this and until then cannot state whether intervenor evidence will follow.

All communications related to this application and its review should be copied to myself (rrondeau@northwestel.net) and Pat McMahon (stefsdad99@gmail.com).

Proposed Interim Rates

In its Application, ATCO Electric Yukon has requested approval of an increase of 4.42% over the current Rider R of 7.20% (i.e., an 11.62% interim refundable Rider R applied to electricity consumption on or after July 1, 2016).

ATCO Electric Yukon proposes that by implementing the rate on July 1, 2016, Rider R will recover approximately 50% of its forecast revenue shortfall in 2016¹, which they claim is consistent with prior interim rate requests.

UCG submits that before any rate adjustment is approved, the YUB must be convinced that the identified revenue deficiency is probable and material. UCG submits that it is entirely possible that all or some portion of any contentious items identified during the review process may well be excluded from the amount allowed recovered in rates. Evidence presented suggests that the greatest allotment of this requested rate increase is for capital investments by ATCO. These have yet to be scrutinized! These capital ventures not only add to the cost of capital, but affect increases in the rate base and thus rate of return allocation. Rate of return on rate base has also not yet been determined, so why should this be paid for with interim rates? One case in point is all the money spent and requested to be spent going forward on the Fish Lake property for generation. Yukon does not need this facility at this time as we have extra power to sell to secondary users with the generation now available. So ratepayers are being asked to pay for an unnecessary capital investment!

UCG submits that ATCO Electric Yukon has not established 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. How can paying for a facility we do not need jeopardize the integrity of ATCO finances or its safe operations?

If there was any urgency related to ensuring additional revenue is recovered, or if there were legitimate concerns that ATCO Electric Yukon would not be able to recover its' prudently incurred costs, then ATCO Electric Yukon should have submitted its application in 2015 for 2016 recoveries.

Another difficulty that UCG has with interim rate increases is that ratepayers (both residential and commercial) make ongoing decisions on energy use and related capital investments based in part on the price that they have to pay for that energy. Accordingly, UCG disagrees with the reasoning that interim refundable rates promote rate stability and are just and reasonable to both the utility and consumers. A single rate adjustment related to a test year is a more stable and sensible approach.

While UCG understands that approving interim refundable rates will ultimately result in a true-up once rates are finalized, UCG submits that there is no way to guarantee that those that pay the higher interim rates will be the consumers that will receive the refund should the interim rates be deemed excessive when finalized. For example, UCG questions how ATCO Electric Yukon will be able to track those consumers that may move out of its franchise area prior to the finalization of rates and how interim rates set without this ability can be determined fair and reasonable?

UCG most importantly notes that the legislative requirements demonstrating that AEY has given notice of a proposed rate change to each municipality that it services/and the Minister nor that there is time to provide ratepayers with the 90 day notice of any change in rates being charged by ATCO Electric Yukon.²

To conclude, UCG submits that there is nothing in this application that suggests that ATCO Electric Yukon is in jeopardy of recovering its allowed revenue requirement for the 2016-2017 test period if it does not get an interim rate increase effective July 1, 2016. Given these outstanding issues, an interim rate increase is not warranted.

Yours truly,

Roger Rondeau

¹ Application page 1-3 and Application Section 13.

² Public Utilities Act, Section 28

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