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August 29, 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
AEY Responses to Information Requests**

Dear Mr. Laking:

The Utilities Consumers' Group (UCG) is in receipt of the August 24, 2016 response of ATCO Electric Yukon's (AEY) to UCG's Motion requesting more adequate responses to specific information requests in this proceeding. UCG still feels that additional information is required for several of these IRs.

1. UCG-AEY-1

UCG's submission was that AEY failed to provide details of or documentation related to issues discussed during consultations and a list of all parties involved in the consultations.

While AEY indicates that development of its application required significant consultation to determine all cost and revenues on an actual and forecast basis with respect to various areas, AEY did not provide any details regarding these consultations.

In its August 24th submission, AEY indicated that it does not have any additional material to provide in response to this request and so has confirmed that its customers were not informed about any of the issues addressed in the application prior to its filing with the YUB.

In its August 24th submission, AEY makes a point of noting that "there is no legislation or regulation that mandates that any regulated utility in Yukon must demonstrate that it has "consulted" with its customers before it submits a GRA". This in itself speaks more to AEY's approach to its general rates applications than anything that UCG could put on the record.

2. UCG-AEY-5

UCG's submission was that AEY failed to provide details of labour costs it incurs in the Yukon as a whole for 2014, 2015 and 2016 including any available breakdown of costs affected by a collective agreement saying that AEY "does not have this information readily available".

In its August 24th submission AEY states that they have not used this information in the development of its application but UCG assumes that this information is in fact included in the application as part of the applied for revenue requirement.

UCG does not understand how an organization operating in the Yukon cannot sub-divide the applied-for labour costs

In its 2013-2015 GRA, AEY included \$138,000 for an Oracle HRxcellence Human Resource Management system which was supposed to be a management software that was to improve, standardize and automate HR processes but somehow labour costs cannot be isolated.

UCG submits that this information is important to substantiate total applied-for revenue requirements and AEY should be directed to provide the information that was requested nearly two months ago.

UCG requests that AEY provide the requested response to UCG-AEY-5 (b).

3. UCG-AEY-6

UCG's submission was that AEY failed to provide copies of the referenced Alberta Utilities Commission decisions. Without these documents on the record of these proceeding, UCG does not have an opportunity to cross-examine AEY on their content or question AEY on the specifics of the reasoning used by the AUC in its decisions.

UCG submits that it is the applicant that is required to ensure that all information used to justify their application is on the record. AEY should not be allowed to put that responsibility on to an intervenor. It is AEY that has used this material in its evidence and UCG should not now have to submit evidence to complete the record of this proceeding.

UCG requests that AEY provide the requested response to UCG-AEY-6(a) by submitting the referenced documents to the record.

4. UCG-AEY-15

UCG's submission was that AEY failed to provide details of the wholesale sales forecast provided by Yukon Energy Corporation. In its August 24th submission, AEY states that it is unclear as to what further information the UCG is seeking.

AEY states in its response to UCG-AEY-15 that YEC conformed wholesale forecast assumptions used by AEY. UCG is requesting evidence of YEC's confirmation.

UCG requests that AEY provide the requested response to UCG-AEY-15(a).

5. UCG-AEY-22

UCG's submission was that AEY had not provided background information on the various scenarios identified.

With its August 24th submission, AEY has confirmed that it does not have any information available to allow parties to compare costs per kWh to generate electricity (i) using diesel generators, (ii) using LNG generators only, and (iii) the blended cost of using LNG and diesel generators.

UCG will address AEY's lack of alternative data to justify its ongoing decisions on the fuel source to generate electricity in argument.

6. UCG-AEY-23

UCG's submission was that AEY has not provided non-fuel operating and maintenance costs per customer for 2012 (UCG-AEY-23(a)) nor detail on what expenses are included in the \$441,000 spent in 2013-2015 and the \$295,000 to be spent in 2016 and 2017 under Public Information (UCG-AEY-23(b)).

In its August 24th submission, AEY has provided an amended IR response with respect to UCG-AEY-23(a).

For UCG-AEY-23(b), AEY referred to CW-YECL-14 Attachment 1 but this table only provides general information tagged as "Public Information Administration" and "General Public Information" with no detail on what work was completed for the money spent. In its August 24th submission, AEY now refers to additional details in YUB-YECL-35(b) & (c) and YUB-YECL-43(a) and (b).

YUB-YECL-35(b) and (c) refers to \$28,400 in incremental costs that AEY incurred in 2014 for media related charges and to change the signage and logos on vehicles and work wear.

YUB-YECL-43(a) and (b) refers to inflation adjustments but not detail on the actual costs incurred.

UCG requests that AEY provide the detail requested in UCG-AEY-23(b).

7. UCG-AEY-25

UCG's submission was that AEY has not provided the number of employees compensated more than \$100,000 annually in 2013, 2014, 2015, 2016 (forecast) and 2017 (forecast).

In its August 24th submission, AEY argues that due to small number of individuals involved, a further breakdown of compensation levels is inappropriate and compromises the privacy of staff. AEY also submits that the requested information is not reasonably required in order to test the application and appropriate compensation levels.

UCG submits that the testing of the level of compensation is required to test the revenue requirement that AEY has requested be approved. UCG submits that there is no privacy compromised when no details are provided on the employees or their positions and AEY has not provided any evidence on how privacy could be compromised when providing numbers of employees.

UCG requests that AEY provide the requested response to UCG-AEY-25(a).

8. UCG-AEY-29

UCG's submission was that AEY has not provided an explanation of how it treated the difference between the depreciation expense allowed to be recovered in rates in 2013, 2014 and 2015 and the depreciation expense identified as incurred in 2013, 2014 and 2015 (UCG-AEY-29(c)) nor specific calculations related to assets being added to rate base that result in an increase in depreciation expense of \$380,000 in 2016 (2016 forecast vs. 2015 actual) and an additional \$491,000 in 2017 (2017 forecast vs. 2016 forecast) (UCG-AEY-29(d))

UCG submits that saying "AEY incurred depreciation expenses as per the actuals provided as part of the Application" does not respond to the request in UCG-AEY-29(c). It was expected that AEY would identify if there was a difference in allowed versus actual depreciation expense and how

AEY treats the difference from a revenue vs. cost and accounting perspective. UCG submits that this has not been provided.

UCG submits that providing a formula for how depreciation expense was calculated is not a response to the request in UCG-AEY-29(d). UCG has requested the detail calculations behind the depreciation expense included in the application tied to specific capital additions. With the specific calculations and amounts, UCG will be able to submit fully informed arguments regarding how AEY forecasts its depreciation expense and what the repercussions are when the forecast is inaccurate.

UCG requests that AEY provide the requested response to UCG-AEY-29(c) and (d).

9. UCG-AEY-30

UCG's submission was that AEY has not responded to UCG-AEY-30(d) which requested details on the costs AEY have / will incur for hiring Concentric Energy Advisors to assess the risk of AEY in relation to other electricity and gas distribution utilities and how much of this cost will be recovered from Yukon ratepayers versus AEY's shareholders. AEY referred to other IR responses which indicate that these costs will be addressed in the cost award process.

UCG submits that at this point, AEY must know how much it has cost to hire Concentric to complete the analysis and support the application to date. It is industry practice for consultants to bill clients on a regular basis so the costs incurred to date must be known.

AEY has not responded to UCG-AEY-30(e) which requested confirmation that the current benchmark ROE established by the BCUC was for a utility having a 38% equity ratio with no provision for an add-on risk premium. UCG submits that if AEY knows whether a risk premium is included or not bears directly to what AEY is proposing in their application.

AEY has not responded to UCG-AEY-30(f) which requested confirmation that the current benchmark ROE established by the AUC does not have a provision for an add-on risk premium. UCG submits that if AEY knows whether a risk premium is included or not bears directly to what AEY is proposing in their application.

UCG requests that AEY provide the requested response to UCG-AEY-30(d), (e) and (f).

10. UCG-AEY-33

UCG's submission was that AEY has not responded to UCG-AEY-33(a) which requested details on the costs incurred for any study identified resulting in costs to be recovered from ratepayers. AEY has described the costs incurred but has not identified the actual costs related to the described costs. UCG submits that it is not possible to adequately review cost components of these studies if the costs are not provided.

In its August 24th submission, AEY states that does not possess a further breakdown of the total costs into the specific project work components that were identified in response to UCG-AEY-33 (a). The only information that AEY provided in response to UCG-AEY-33(a) was that costs have not yet been incurred for the Renewables Feasibility or Smart Grid Studies and cost categories for the Watson Lake Bi-Fuel Costs project.

UCG submits that the application indicates that \$300,000 will be incurred for the Renewables Feasibility in 2016. AEY is now testifying that no costs have been incurred and all \$300,000 will miraculously be spent in the last quarter of 2016.

UCG finds it incredibly difficult to believe that of the hundreds of thousands in costs that have been recorded for the Watson Lake LNG study, none of it can be broken down into specific cost categories that were identified in response to UCG-AEY-33(a).

AEY has provided no detail regarding the Kluane Wind Study.

UCG requests that AEY provide the requested costs to each of the study components identified in the response to UCG-AEY-33(a) and any other study for which costs have been or will be incurred through the test period.

11. UCG-AEY-34

UCG's submission was that AEY has not responded to UCG-AEY-34(j), (k) and (l) which asked whether there had been any change in AEY's business, weather and power supply risks since Board Order 2014-06 (dated April 23, 2014) that would materially impact AEY's risk profile. AEY refers to pages in the Concentric report but this does not respond to the question asked.

The references that AEY has provided in the Concentric report provide an opinion on whether the business, weather and power supply risks have materially changed since 2009. This was not UCG's request. UCG specifically asked whether there had been any change in AEY's business, weather and power supply risks since Board Order 2014-06 (dated April 23, 2014).

UCG requests that AEY provide the requested response to UCG-AEY-34(j), (k) and (l).

12. UCG-AEY-35

UCG's submission was that AEY has not responded to UCG-AEY-35(b) which asked for specific distribution system performance improvements and the related impact on revenue requirement that have resulted from capital expenditures since 2010.

In its August 24th submission, AEY has provided an amended IR response with respect to UCG-AEY-35(b).

13. UCG-AEY-36-40, UCG-AEY-42, UCG-AEY-44-61

UCG's submission was that AEY has not responded to the requests within UCG-AEY-36-40, UCG-AEY-42 and UCG-AEY-44-61 pertaining to business cases.

In its August 24th submission, AEY states that the directions that the YUB provided in its Order 2009-8 regarding the information required to be provided as part of a business case does not apply to it. UCG submits that what the YUB outlined in its Order 2009-8 should be assumed to apply to all regulated utilities. There is nothing in AEY's referenced Board Order 2014-06 which describes or counters what the YUB expects to be in a business case.

UCG submits that the same level of business case information should be provided by AEY, the only other regulated utility in the Yukon, to allow for consistent regulation of the utilities.

With respect to Board Order 2014-06, AEY was clearly directed to provide business case details for projects with \$100,000 + cost overruns:

“However, YECL needs to provide information in relation to project costs overruns in its Application. Therefore, the Board directs YECL in future applications to explain more fully the reasons for project overruns. For clarity, for project costs overruns that are (collectively) 100 percent over and \$100,000 greater than the original estimate, YECL is to provide business case type descriptions in the Application, to alert interveners and the Board to the cost overruns, thereby allowing for a more efficient process to examine the cost overruns. Furthermore, YECL, in their explanations, are to explain why the expenditures were not foreseen and actions it takes to ensure that such overruns will not occur in future. Moreover, for projects similar in nature to the Oracle HRxcellence HR management project with expenditures greater than \$100,000, which may arise between GRAs, YECL in future applications is directed to furnish business cases for such projects and the reasons why YECL deemed it necessary and reasonable to proceed with the project.” (Board Order 2014-06, Appendix A: Reasons for Decision, page 64)

UCG submits that AEY has not provided business case-related information in relation to projects that have been or are forecast to be added to rate base in 2013 - 2017 where actual total project costs are forecast to vary by \$100,000 from originally estimated.

Examples listed on Schedule 9.2 include (but are not limited to) the Fish Lake Ditch 3 Diversion Replacement, the Old Crow Unit 4 Addition, the 500 kW Mobile Generator, Crestview to Mayo Road 5L628 Upgrade to 266 MCM, and all the projects that were approved but never completed.

UCG requests that AEY provide the requested responses to UCG-AEY-36-40, UCG-AEY-42 and UCG-AEY-44-61.

In addition, UCG submits that AEY should follow previous directions provided by the YUB. When it is directed to supply additional information in response to UCG’s IRs, and given that AEY has provided additional information in response to some IRs, the YUB should direct AEY to provide an updated set of IR responses that also follows the directions given in Board Order 2012-07:

“... that responses to IRs should be cross-referenced wherever there are references to another IR or there is duplication in a response to more than one IR. The Board directs all Parties, when providing a response to an IR which refers to the answer in another IR, to identify the cross-referenced IR and to include a copy of the response to the cross-referenced IR”.

If the Board or AEY requires any clarification on these submissions, please direct all inquiries to me by email at rondeau@northwestel.net or by phone at 633-5210.

Yours truly,

Roger Rondeau
Utilities Consumers' Group