

August 24, 2016

Via Electronic Filing

Yukon Public Utilities Board
Box 31728
Whitehorse, YK Y1A 6L3

Attention: Mr. Robert Laking, Chair

Dear Mr. Chair:

**Re: ATCO Electric Yukon 2016-2017 General Rate Application
Reply to UCG Motion for More Complete Responses to Information Requests ("IRs")**

I. INTRODUCTION

AEY has had an opportunity to review the UCG's motion dated August 14, 2016 seeking to compel "more complete" responses from AEY to certain of the UCG's IRs (the "Motion"). AEY provides the following submissions in reply to the Motion in accordance with the process set out in the Board's letter dated August 18, 2016.

As outlined in further detail below, AEY submits that it has provided comprehensive responses with appropriate detail to relevant and reasonable requests received by the UCG. Accordingly, AEY respectfully requests that the UCG motion be denied and that AEY not be compelled to provide any further information in respect of the disputed IRs.

AEY's submissions in reply to each of the IRs disputed by UCG are set out below.

II. REPLY TO DISPUTED RESPONSES TO IRs

UCG-AEY-1 - Please provide details of or all documentation related to issues discussed during consultations and a list of all parties involved in the consultations.

In the Motion, the UCG states that the intent of this information request is to get a better understanding of what is discussed with stakeholders and to better understand how this consultation is used to develop the application. The UCG goes further to provide unsubstantiated claims that AEY has a practice of ignoring the need and impact on its customers.

AEY does not track or have a log documenting conversations, discussions or "consultations" with the various customers, governments, First Nations, suppliers, local developers and consultants. These discussions and consultations occur on an ongoing basis, as a regular course of business. AEY uses the information obtained through these discussions to inform various aspects of its business as well as the need for a GRA as provided in the response to UCG-AEY-1. AEY has provided sufficient information in the Application as well as through information responses to demonstrate the basis of the information used in the development of its Application. As noted above, AEY does not have any additional material to provide in response to this request. Further, 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. Therefore, AEY submits that the Board deny the UCG request for additional information.

UCG-AEY -5(b) - Please provide 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.

The UCG states that AEY has not provided the information to part (b) and goes onto further state that this is basic information that should be readily available.

In response, AEY submits that it has in fact provided the very information that the UCG requested in part (a) of the referenced response. In the UCG motion, it refers to part (b) of the question which asks for “labour costs for Yukon as a whole”. AEY has not used this information in the development of its application and further is unaware of where this data would be obtained. If the UCG considers it relevant information, they have the opportunity to provide and present evidence and argument on such information at the appropriate time. Considering AEY has in fact provided the information that the UCG motion is seeking, AEY requests the Board deny the UCG request.

UCG-AEY -6 (a) - Please provide copies of the referenced Alberta Utilities Commission decisions.

The UCG takes issue with AEY not producing copies of the Alberta Utilities Commission decisions and state that without these documents, the 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.

In response, AEY provided the referenced decision numbers and is of the view that these decisions are public information and can be viewed and downloaded from the Alberta Utilities Commission website at any time. These documents are publicly available and can be accessed by the UCG should it wish to better understand the regulators' decisions. AEY submits that the UCG is in no way hindered in their ability to use these documents or, if the UCG believes necessary, to place full copies of them on the record of this proceeding.

For these reasons, AEY submits that the UCG request be denied.

UCG-AEY -15 (a) - Please provide details of the wholesale sales forecast provided by Yukon Energy Corporation.

In their motion, the UCG state that AEY failed to provide details of the wholesale sales forecast provided by Yukon Energy Corporation in UCG-AEY-15(a).

As stated in response to UCG-AEY-15, AEY based its wholesale sales forecast on historical data. As such, considering there is no such wholesale sales forecast provided by Yukon Energy Corporation, there are no further details to provide. AEY has provided historical annual data from the 2013-2016 time period in the Application at Schedule 2.1 as well as in response to UCG-AEY-14(c). AEY is unclear as to what further information the UCG is seeking.

For these reasons, AEY submits that the UCG request be denied.

UCG-AEY -22(b) - Please provide a breakdown for the last 4 years of the cost per kWh to generate electricity (i) using diesel generators, (ii) using LNG generators, and (iii) the blended cost of using LNG and diesel generators.

In the Motion, UCG assumes that AEY has misunderstood the request and that the “intent” of the request is to have a comparative chart of what costs would have been under different scenarios.

Contrary to the UCG’s assumption, AEY did not misunderstand the request. AEY provided the information that it has available for the last four years as requested. AEY submits that it does not have the further information being requested.

For these reasons, AEY submits that the UCG request be denied.

UCG-AEY-23(a-b) – (a) Please provide a table showing non-fuel operating and maintenance costs per customer for 2012, 2013, 2014, 2015, 2016 (forecast) and 2017 (forecast). (b) Please provide 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.

In review of the UCG motion, AEY confirms that the 2012 numbers were not provided. Therefore, AEY is providing UCG-AEY-23 Attachment 1 which has been updated to include the requested 2012 data.

The UCG motion states that AEY has refused to provide the requested detail. In response, AEY has provided, CW-YECL-14 Attachment 1 which does in fact provide further details of these costs broken out by Labour, Fringe, and Other. Further, AEY has provided additional details in YUB-YECL-35(b) & (c) and YUB-YECL-43(a) and (b). The UCG is now asking for a variation to their original stated question. In any event, AEY has appropriately responded to the original request for information.

For these reasons, AEY submits that the UCG request be denied.

UCG-AEY-25(a) - Please provide the number of employees compensated more than \$100,000 annually in 2013, 2014, 2015, 2016 (forecast) and 2017 (forecast).

In the Motion, UCG states that AEY has not provided the requested information.

AEY has provided considerable details and support throughout the application and in responses to various information requests¹ as to the number of FTE’s, labour costs, inflation increases. Due to small number of individuals involved, AEY considers that a further breakdown of compensation levels is inappropriate and compromises the privacy of staff. AEY submits that the requested information is not reasonably required in order to test the Application and appropriate compensation levels. Accordingly, AEY respectfully submits that it should not be required to provide the additional information requested.

For these reasons, AEY submits that the UCG request be denied.

¹ YUB-YECL-27, YUB-YECL-31, CW-YECL-14, UCG-AEY-5, UCG-AEY-6

UCG-AEY-29(c-d) – (c) Please explain how AEY treated the difference between the depreciation expense allowed to be recovered in rates 2013, 2014, 2015 and the depreciation expense identified as incurred in 2013, 2014 and 2015. (d) Please provide 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).

In the Motion, UCG states that AEY has not provided an explanation between the depreciation expense allowed to be recovered in rates, and the depreciation expense incurred, nor the specific calculations related to the assets being added to rate base.

Contrary to the UCG's assertions, AEY has responded fully to the UCG requests. As stated in response to part (c), AEY has incurred depreciation expense as per the actuals reported in Section 7 of the Application. AEY notes that during the 2013-2015 test periods, no depreciation deferral account was in place and therefore, any differences (positive or negative) between actual and forecast depreciation expense was to the account of the shareholder. Further, in response to part (d), AEY has provided the calculation as to how depreciation expense is calculated for the forecast period. AEY has detailed the forecast depreciation expense and provided the opening PPE and net capital adds by account in Schedule 7.2. AEY submits that it has provided the requested information on the record.

For these reasons, AEY submits that the UCG request be denied.

UCG-AEY-30(d,e,f)- (d) What costs have/will AEY incur for hiring Concentric Energy Advisors to assess the risk of AEY in relation to other electricity and gas distribution utilities? How much of this costs will be recovered from Yukon ratepayers versus AEY's shareholders? (e) Please confirm that the current benchmark ROE of 8.75% established by the BCUC was for a utility having a 38% equity ratio with no provision for an add-on risk premium. (f) Please confirm that the current benchmark ROE of 8.75% established by the Alberta Utilities Commission does not allow for an add-on risk premium.

In The Motion, UCG has requested AEY to provide the requested responses to parts (d,e and f). With respect to part (d), AEY has provided on the record, the engagement letter from Concentric (UCG-AEY-34(a)) which provides an estimate of the costs, and has stated that it will submit costs with respect to this proceeding as part of the Board established cost claim process (CW-AEY-20). AEY is not in the position to speculate as to the outcome of any future cost claim decision and therefore it is not yet known what costs will be recovered from ratepayers vs shareholders.

Responses to part (e) and (f) were not confirmed and qualified as appropriate. AEY submits that the responses provided are complete responses and AEY should not be compelled to provide any further information as requested. While the UCG may not like or agree with AEY's responses, that is not a valid basis upon which to request additional information. The UCG will have an opportunity to present evidence and argument on its views on the issue at the appropriate time.

For these reasons, AEY submits that the UCG request be denied.

UCG-AEY-33(a) – In order to test the prudence of all costs incurred, please provide details on the costs incurred for any study identified resulting in costs to be recovered from rate payers.

In the Motion, UCG has requested details to each of the study components. AEY has provided total study costs in Section 8 of the Application and 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).

For these reasons, AEY submits that the UCG request be denied.

UCG-AEY-34 (j,k,l) – (j) Has there been any change in AEY’s business risk since Board Order 2014-06 that would materially impact AEY’s risk profile? (k) Has there been any change in AEY’s weather risk since Board Order 2014-06 that would materially impact AEY’s risk profile? (l) Has there been any change in AEY’s supply risk since Board Order 2014-06 that would materially impact AEY’s risk profile?

In the Motion, UCG states that AEY has not responded to these requests.

AEY’s responses to these questions provide the appropriate reference (page 29-31) of the Concentric report where the UCG can find the requested answer. In an effort to assist the UCG, the referenced discussion on business risk, weather risk and supply risk is provided on the following pages and line references of the Concentric report; Business Risk: page 31 lines 4-11, Weather Risk: page 29, lines 8-18, Supply Risk: page 29, line 20 to page 30 line 6. As such, AEY submits it has already provided its response to these questions.

For these reasons, AEY submits that the UCG request be denied.

UCG-AEY-35(b) – Please identify the specific distribution system performance improvements and the related impact on revenue requirement that have resulted from capital expenditures since 2010.

In the Motion, UCG states AEY has not provided the impact on return on rate base, depreciation, and income taxes associated with these projects. AEY has reviewed its response and notes that while it provided the capital expenditures it inadvertently did not provide the impact on the revenue requirements. Please refer to the below for the requested information.

An approximate cumulative impact to revenue requirement for distribution system improvements since 2010 is as follows:

	2010	2011	2012	2013	2014	2015
Distribution Improvements Additions	2,251	4,626	4,018	4,002	4,008	3,399
Cumulative Additions	2,251	6,877	10,895	14,897	18,905	22,304
Approx Cumulative Impact to Revenue Requirement	73	303	661	986	1,013	1,012

It should be noted that this analysis excludes any reduction to line losses (which is not specifically measurable), any related operating costs and has been derived using an average depreciation rate for distribution assets.

UCG-AEY-36-40, 42, 44-61 – The Please provide business case type information in relation to projects forecast to be added to rate base in 2016 and 2017.

In its Motion, the UCG states that AEY has not responded with the request and has not provided business case related information for all projects where actual expenditures are over \$100,000. Within the request and motion for these related IRs, the UCG provides an excerpt from Board Order 2009-8 page 37. The UCG goes on to assert that AEY should be required to comply with such direction.

In response, AEY provides the following comments:

First and foremost, the UCG has at the outset, inappropriately taken the excerpt from Board Order 2009-8 out of context. Without providing the full context of the quote, the UCG has relied on a misguided understanding of what the Board actually ordered in Decision 2009-8. AEY submits that in order to understand the requirements discussed in paragraph 196 of Decision 2009-08, one must look also at paragraph 177.

AEY has provided both paragraphs below.

177. YEC divided its capital works into two sections. The first being **major capital works projects over \$1 million**; and the second being ongoing capital projects costing between \$100,000 and \$1 million.

...

196. To alleviate existing concerns regarding YEC's ability to estimate, the Board directs YEC, in future, to file any Part 3 applications before this Board only when preliminary engineering estimates are available and included as part of the application. Further, in future GRA applications, the Board directs YEC to include **business cases for major capital items**, including electronic models. Business cases will include:

- descriptions of the project
- economic analysis including preliminary engineering estimates
- discussion of alternatives and how the chosen option was determined
- discussion of the risks of proceeding with the chosen alternative
- discussion of risks of not proceeding with the chosen alternative; and
- discussion of assumptions included in the business case including escalation factors, loading, financial measures, term of project and associated ancillary costs.

It is clear from the above paragraphs that this specific section of the Order references **major projects**, and **major projects are defined as projects in excess of \$1,000,000**. Second, this Board Order is not applicable to AEY. AEY is subject to its own directions contained in Board Order 2014-06 which was issued subsequent to 2009-8. AEY has complied with the directions contained in Board Order 2014-06 and has provided the business cases where appropriate.

Business cases have been provided in Section 14 of the Application for all projects proposed in 2016 and 2017 which exceed \$500,000. This threshold is consistent with its past applications

where AEY has defined its major capital projects to be those projects that are over \$500,000² not \$100,000 as requested by the UCG. As stated in part (e) to UCG-AEY-36, AEY believes its business case threshold of \$500,000 for a major project is reasonable and strikes an appropriate balance between regulatory efficiency and adequate detail with which to test its forecast and is consistent with the YECL 2013-2015 GRA. Further, information related to projects completed in the 2013-2015 timeframe has been provided in Section 11 of the Application.

AEY has provided the appropriate level of detail and support, consistent with previous applications and has complied with all relevant orders of the Board. The business cases provided in the Application, provide the appropriate level of detail and include project descriptions, economic analysis or project cost detail, alternatives considered, and recommended alternatives. It is important to note that many of the projects proposed are for end of life replacement and third party driven where AEY does not have discretion as to whether or not to proceed considering its obligation to provide service to its customers.

It is for these reasons, that AEY submits that it has adequately responded to the UCG requests, providing the appropriate references as to where the information can be found within the Application, and therefore, the Board should dismiss the UCG request for further information to be provided for the following requests UCG-AEY-36-40, 42, 44-61.

III. CONCLUSION AND RELIEF SOUGHT

As described in the response to the UCG motion above, and in the interest of providing as much information as is reasonably available that will be relevant and of assistance to the Board and the Interveners, AEY has provided additional information in respect of the two following IRs:

UCG-AEY-23(a)

UCG-AEY-35(b)

With respect to the remaining IRs outlined in the UCG's Motion, AEY submits that it has already provided comprehensive responses with appropriate detail to all relevant and reasonable requests received by the UCG. Further, AEY considers that the additional information the UCG seeks is not relevant or reasonably necessary in order to test the Application before the Board. Accordingly, AEY respectfully requests that the UCG's Motion be denied and that AEY not be compelled to provide any further information in respect of the remaining disputed IRs.

We trust the foregoing is satisfactory. Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

Original Signed by James Grattan

James Grattan, CA
Director, Regulatory

² YECL 2013-2015 GRA, Board Order 2014-06 page 73.

The Yukon Electrical Company Limited
 2016 - 2017 General Rate Application
 Operations and Maintenance Expenses per Customer
 (\$ per Customer)

Line No.	Description	Cross Ref.	Actual 2012	Actual 2013	Approved 2013	Actual 2014	Approved 2014	Actual 2015	Approved 2015	Test Period	
										2016	2017
1	Number of Customers	S.2.1 L.45		17,116	17,116	17,351	17,306	17,624	17,597	17,854	18,082
2											
3	Production per Customer										
4	62600 - Hydro Generation per Customer	S.5.1 L.2 / L.1	9.21	11.62	18.11	13.59	20.02	15.23	24.63	15.96	15.47
5	64000 - Supervision and Engineering Diesel per Customer	S.5.1 L.3 / L.1	4.13	3.73	3.51	3.79	3.62	3.85	3.73	4.19	4.30
6	64600 - Diesel Generation per Customer	S.5.1 L.4 / L.1	27.34	21.24	23.93	24.13	24.52	25.97	25.17	28.88	29.55
7	82600 - Hydro Maintenance per Customer	S.5.1 L.5 / L.1	6.28	3.48	2.78	3.48	2.84	3.63	2.91	3.99	4.97
8	84600 - Diesel Maintenance per Customer	S.5.1 L.6 / L.1	71.45	59.60	69.49	52.98	70.79	67.09	72.18	69.41	64.94
9			118.41	99.68	117.82	97.98	121.80	115.78	128.61	122.44	119.22
10	Distribution per Customer per Customer										
11	87000 - Supervision per Customer	S.5.1 L.9 / L.1	15.76	16.43	16.31	17.82	16.81	19.00	17.35	19.43	19.97
12	87100 - Brushing per Customer	S.5.1 L.10 / L.1	32.49	24.54	23.33	15.63	23.82	25.54	24.32	24.19	24.74
13	87200 - Vehicle Depreciation per Customer	S.5.1 L.11 / L.1	(10.18)	(12.88)	(10.73)	(12.06)	(10.94)	(12.13)	(11.16)	(12.33)	(12.60)
14	87300 - Maintenance per Customer	S.5.1 L.12 / L.1	116.06	110.41	109.42	116.19	113.04	112.61	115.89	121.74	124.89
15	87310 - Service to Outside Parties per Customer	S.5.1 L.13 / L.1	6.06	6.73	6.03	6.28	6.15	8.03	6.27	7.01	7.17
16	87400 - Underground Line Maintenance per Customer	S.5.1 L.14 / L.1	12.26	9.14	9.46	6.50	9.75	8.35	9.94	8.79	9.07
17	87500 - Meter and Meter Testing per Customer	S.5.1 L.15 / L.1	6.48	11.06	5.05	5.50	5.21	5.33	5.38	5.47	5.64
18	87700 - Transformer Repair and Replacement per Customer	S.5.1 L.16 / L.1	6.70	4.37	4.33	2.73	4.50	2.43	4.60	3.10	3.17
19	87800 - Street Light Maintenance per Customer	S.5.1 L.17 / L.1	10.83	13.93	10.75	14.72	11.10	11.87	11.35	14.55	14.96
20			196.47	183.74	173.96	173.31	179.45	181.01	183.94	191.94	197.00
21	General per Customer per Customer										
22	88400 - Communication per Customer	S.5.1 L.20 / L.1	0.92	1.12	0.73	1.47	0.75	1.39	0.77	1.44	1.47
23	88800 - Maintenance Company-Owned Houses per Customer	S.5.1 L.21 / L.1	0.94	1.03	0.99	1.59	1.01	2.70	1.03	3.58	3.44
24	88900 - Maintenance Warehouse and Office per Customer	S.5.1 L.22 / L.1	8.82	8.29	7.54	9.47	7.69	8.47	7.85	9.45	9.66
25			10.68	10.44	9.26	12.52	9.45	12.56	9.64	14.48	14.57
26	Public Information per Customer										
27	70100 - Public Information Administration per Customer	S.5.1 L.25 / L.1	1.67	1.22	1.51	0.78	1.55	0.52	1.58	0.85	0.87
28	70200 - General Public Information per Customer	S.5.1 L.26 / L.1	6.54	7.10	6.85	9.85	7.03	6.31	7.22	7.21	8.30
29			8.21	8.32	8.36	10.63	8.58	6.83	8.81	8.06	9.17
30	Customer Accounting per Customer										
31	71000 - Supervision per Customer	S.5.1 L.29 / L.1	3.14	2.81	2.88	2.55	2.97	2.56	3.06	2.69	2.74
32	71100 - Customer Applications and Service Orders per Customer	S.5.1 L.30 / L.1	26.56	24.96	25.54	25.23	26.61	27.34	27.31	28.69	29.58
33	71200 - Meter Reading per Customer	S.5.1 L.31 / L.1	28.96	32.68	30.75	32.62	31.78	34.99	33.01	36.60	37.67
34	71300 - Customer Billing and Accounting per Customer	S.5.1 L.32 / L.1	41.63	42.14	42.29	45.21	43.84	35.05	45.27	36.01	36.82
35	71400 - Revenue Collections per Customer	S.5.1 L.33 / L.1	10.88	10.76	11.14	11.51	12.63	9.72	13.00	10.15	10.43
36	71500 - Collection of Delinquent Accounts per Customer	S.5.1 L.34 / L.1	7.39	7.94	7.12	7.60	7.78	7.32	8.01	7.58	7.80
37	71800 - Provision for Uncollectible Accounts per Customer	S.5.1 L.35 / L.1	2.17	4.41	2.10	6.98	2.10	3.79	2.10	5.06	5.17
38			120.72	125.69	121.83	131.70	127.72	120.77	131.76	126.78	130.21
39	Administration and General per Customer										
40	72100 - Administrative per Customer	S.5.1 L.38 / L.1	121.42	132.19	129.10	133.35	130.31	114.66	121.42	134.88	137.68
41	72200 - Administrative Corporate per Customer	S.5.1 L.39 / L.1	11.71	6.25	7.86	8.92	8.02	7.63	8.18	8.34	8.53
42	72300 - Insurance per Customer	S.5.1 L.40 / L.1	14.69	13.75	15.32	8.92	11.80	5.24	8.06	5.85	5.98
43	72400 - Injuries & Damages per Customer	S.5.1 L.41 / L.1	5.15	36.11	36.09	36.11	36.11	36.13	36.11	6.51	6.51
44	72500 - Employee Expenses per Customer	S.5.1 L.42 / L.1	14.84	15.97	15.79	21.25	16.11	17.47	16.49	19.70	20.01
45	72600 - Training and Safety per Customer	S.5.1 L.43 / L.1	27.30	26.28	25.56	27.37	26.35	27.13	27.11	29.46	30.31
46	72700 - Relocation per Customer	S.5.1 L.44 / L.1	3.95	14.07	9.28	9.88	9.47	25.33	9.65	21.40	21.42
47	72800 - Miscellaneous General per Customer	S.5.1 L.45 / L.1	0.01	0.29	0.02	-	0.02	-	0.02	0.10	0.10
48	72900 - Audit/Legal Fees & Special Studies per Customer	S.5.1 L.46 / L.1	8.57	11.84	7.71	11.49	9.04	8.14	8.04	10.74	10.94
49			207.65	256.75	246.74	257.30	247.23	241.72	235.08	236.99	241.49
50											
51	Total Operations and Maintenance Expenses per Customer		662.13	684.62	677.98	683.44	694.22	678.67	697.84	700.69	711.68