

UTILITIES CONSUMERS' GROUP
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October 13, 2017

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Mr. Robert Laking, Chair

Re: Yukon Energy Corporation - 2017-2018 General Rates Application
YEC Responses to Information Requests

Dear Mr. Laking:

The Utilities Consumers' Group (UCG) is in receipt of the October 10, 2017 response of Yukon Energy Corporation (YEC) to UCG's Motion requesting more complete responses to specific information requests in this proceeding. UCG still feels that additional information is required for several of these information requests.

1. UCG-YEC-1-4(a)

YEC continues to inappropriately characterize UCG's request as follow up questions to each referenced response seeking further information not specifically sought in the original UCG information request.

UCG's original request was for specific details regarding the actual impact that the Mayo B Promissory Note's flexible debt financing provisions, YDC contributions that reduced project costs to be recovered from ratepayers, adjusted thermal fuel costs related to Diesel Contingency Fund operation, and the implementation of the Whitehorse Diesel-Natural Gas Conversion Project has had on YEC's revenue requirements for 2017 and 2018. UCG is not at fault if YEC did not understand what was meant by "specific details". If YEC was not clear on what was being requested, UCG's IR submission offered YEC the opportunity to contact them to seek clarification. YEC did not attempt to clarify the request but instead chose to interpret the requested information in the broadest terms possible despite the deliberate use of the phrase "specific details".

The intent of the IR process is for parties to seek clarification of the information summarized in an application, what additional information is available to support the proposals in the application, and to seek additional information to better understand what is being proposed and to allow for alternative views / arguments to be developed. It is not enough for a utility to simply provide a broad set of numbers without providing specific details on how those numbers are determined. Without the specific details, it is not possible for proper due diligence reviews to be conducted and fact-based arguments to be developed.

As YEC noted in its response to this motion, the response to John Maissan-YEC-1-23 (a) provides the estimated impact on 2017 and 2018 revenue requirements of a \$22.4 million capital contribution from

YDC in 2015 but there is no specific detail on the calculation of these estimates nor which components of revenue requirement YEC has assumed have been impacted by this capital contribution.

While YEC has identified another \$128.5 million in of government/YDC contributions towards Carmacks-Stewart Transmission Project Stage 2, Mayo B and Aishihik Third Turbine Projects, there is no specific detail provided on the calculation of these estimates. UCG submits that these all-inclusive numbers do not provide the specific detail needed to verify that they include all potential impacts and there is no detail available regarding what is included in these numbers from a revenue requirement component perspective.

Without the specific details of these calculations, there is no way to accurately determine what the revenue requirement components would be without these contributions which would be used to support arguments related to the proposed revenue requirements.

YEC's response to YUB-YEC-5(a) contains references to "lower LNG cost, and higher LNG share of expected generation" and "Hydro and LNG plant increases", but there is no specific detail provided on how these references can be tied to a comprehensive analysis of the impact of the implementation of the Whitehorse Diesel-Natural Gas Conversion Project.

YEC's response to UCG-YEC-1-23(a-e) explains the costs incurred for the LNG plant and refers to the response to John Maissan-YEC-1-27 which identifies "ratepayers savings" of using LNG versus diesel.

UCG requests that YEC provide the requested response to UCG-YEC-1-4(a) in the detail requested to allow for a more comprehensive analysis of YEC's revenue requirements proposals. Since YEC is unclear what "specific details" means, UCG submits that it is looking for:

- calculations of the actual impact that the Mayo B Promissory Note's flexible debt financing provisions has had on the specific components of YEC's proposed revenue requirements for 2017 and 2018;
- the actual impact that an \$18.3 million YDC contribution in 2015 for the LNG Plant project (identified in the Application on page 5-4) has had on the specific components of YEC's proposed revenue requirements for 2017 and 2018;
- the actual impact that the adjusted thermal fuel costs related to Diesel Contingency Fund operation has had on the specific components of YEC's proposed revenue requirements for 2017 and 2018;
- calculations of the actual impact that a \$22.4 million capital contribution from YDC in 2015 has had on the specific components of YEC's proposed revenue requirements for 2017 and 2018;
- calculations of the \$128.5 million in of government/YDC contributions towards Carmacks-Stewart Transmission Project Stage 2, Mayo B and Aishihik Third Turbine Projects has had on the specific components of YEC's proposed revenue requirements for 2017 and 2018; and
- verification from YEC that this is a comprehensive list of the capital contributions by the government / YDC that have been made to offset ratepayers costs.

2. UCG-YEC-1-5

In response to this motion, YEC confirmed that for 2014 through 2016, they continued to use the YUB-approved rates as determined based on the 2013 approved revenue requirements. UCG submits that this means that the approved revenue requirement components for 2014 through 2016 were those approved for 2013 and any comparisons of actual to approved budget would reflect that fact.

Contrary to YEC's claims, they did not provide the information as originally requested and the schedule provided in response to this IR is misleading and needs to be replaced with tables that accurately depict YEC's spending habits to approved budgets on an annual basis.

UCG requests that YEC provide the requested response to UCG-YEC-1-5, parts (b) through (p) such that actual costs incurred in 2014 through 2016 are compared to the 2013 approved revenue requirement components.

3. UCG-YEC-1-13(e)

YEC was asked to provide supporting documentation for the \$962,000 in legal costs incurred by YEC for the appeal process including timing of when these costs have been incurred. In response to this motion, YEC has characterized UCG's "new request" for "supporting documentation" as subject to legal privilege that cannot be provided.

As noted in its motion, UCG is looking for copies of invoices that spell out when the work was undertaken, what work was completed and at what rate of fee. This is the same type of information that YEC provided in Attachment B to its cost claim related to its 2012-2013 GRA so it is not clear how this information has now suddenly become subject to legal privilege and not available to review in order to conduct a robust due diligence review of these expenses.

UCG requests that YEC provide the requested invoices that spell out when the work was undertaken, what work was completed and at what rate of fee in response to UCG-YEC-1-12(e).

4. UCG-YEC-1-14 through UCG-YEC-1-22 and UCG-YEC-1-24

In its response to this motion, YEC has again pleaded ignorance to any understanding of the additional information being requested.

As was noted in UCG's original IR, the YUB outlined in its Order 2009-8 (page 37) what it considers the information required to be provided as part of a business case:

"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."*

This was a specific direction to YEC so they are obligated to provide the requested level of information for the projects in question:

UCG-YEC-1-14:	Aishihik Elevator Shaft Structural Steel Rehabilitations project (\$10 million)
UCG-YEC-1-15:	Aishihik Electrical and Control Upgrades project (\$2.5 million)
UCG-YEC-1-16:	Communications Upgrades project (\$1 million)
UCG-YEC-1-17:	Hydro Unit #WH4 Overhaul project (\$4.3 million)
UCG-YEC-1-18:	Hydro Unit #MH2 Overhaul project (\$1.7 million)
UCG-YEC-1-19:	T&D – Breaker Replacements project (\$1.35 million)
UCG-YEC-1-20:	T&D – Line Replacement project (\$11.5 million)
UCG-YEC-1-21:	Wareham Spillway Gate Hoist Replacement project (\$2.7 million)
UCG-YEC-1-22:	Whistle Bend Supply/Takhini Upgrade project (\$11.4 million)
UCG-YEC-1-24:	LNG Third Engine project (\$6.2 million)

YEC characterizes UCG requests as “fishing expeditions” rather than requests for information reasonably required to assess the prudence of these actual or forecast capital expenditures. In UCG’s view, YEC has failed to provide the detailed information that is reasonably required to properly and thoroughly evaluate these capital projects. In particular, YEC has failed to provide the business case analysis for these projects which contains, at a minimum, details required pursuant to Board Orders 2009-8 and 2013-01. In addition, UCG’s request for (1) the total project cost from conception to completion including an annual breakdown by project component (inclusive of YEC internal costs attributable to these projects); and (2) a chronological history of all the decisions / approvals / consultations related to these project including Board of Director’s decisions, all meetings with various First Nation governments / representatives, stakeholder meetings, etc. are intended to allow UCG (and other parties) to evaluate not only the internal justification and cost control processes for these projects but also to allow UCG to provide informed arguments to the YUB on how to improve the capital planning and execution processes within YEC and whether the incurred costs were prudent.

In UCG’s opinion, it is vital that all YEC internal costs incurred for these projects are identified in specific detail to ensure the prudent amount of O&M costs are capitalized and recovered over the life of these assets rather than immediately recovered from ratepayers as an ongoing O&M expense.

UCG submits that YEC cannot simply ignore YUB directions because it would take considerable time and effort to collect and summarize this information. YEC should have prepared the full business case analysis while it was preparing its GRA application and taken account of the capitalization of all prudent costs.

UCG submits that it is not up to the utility to determine whether the requested information has any relevance to the current review process. UCG submits that this will be up to the YUB to decide after it hears how intervenors use the requested information in their arguments.

UCG requests that YEC provide the requested business case analysis and additional information as requested for the capital projects referenced in UCG-YEC-1-14 through UCG-YEC-1-22 and UCG-YEC-1-24.

5. UCG-YEC-1-23

Again, YEC characterizes UCG request as a “fishing expedition” rather than a request for information reasonably required to assess the prudence of actual or forecast capital expenditures related to the LNG Plant project.

In UCG’s opinion, it is vital that all YEC internal costs incurred for these projects are identified in specific detail to ensure the prudent amount of O&M costs are capitalized and recovered over the life of these assets rather than immediately recovered from ratepayers as an ongoing O&M expense. YEC

cannot be allowed to refuse to provide proof of proper cost accounting because they feel that it would be too much work for them to provide to assist a robust prudency assessment.

YEC continues to stonewall UCG's attempts to put information on the record that provides proof of how costs are incurred and proposed to be recovered in rates. It is common and best industry practice for all costs incurred related to capital projects to be recovered over the life of the asset. It is unfair to ratepayers to have YEC declare that it will ignore accounting practices accepted for all regulated utilities and recover costs as they see fit.

UCG submits that it is impossible to offer a fully informed opinion on YEC's practices without seeing the requested breakdown of costs including consultant names and tender amounts for engineering, management, planning, permitting, demolition and other activities. How can parties be expected to offer input to the YUB's deliberations if YEC decides to keep all relevant information to themselves.

YEC continues to refuse to provide any of the detail requested regarding meetings with various First Nation governments and stakeholders which UCG has requested in order to understand the issues / concerns that were raised and how (if at all) YEC changed the scope of this project and costs incurred in order to address these issues. Again, it is impossible to offer informed input to the YUB without having the basic information provided by the regulated utility.

UCG requests that YEC provide the requested detailed information in response to UCG-YEC-1-23.

6. UCG-YEC-1-25

In response to this motion, YEC has confirmed that there has been no material firm load growth on the grid since 2013, and so no capital projects have been specifically identified as being implemented to meet system load growth. This information was not presented in YEC's application.

This issue can be addressed further during cross-examination at the hearing and in argument so there is no additional information that needs to be provided.

7. UCG-YEC-1-34, UCG-YEC-1-35 and UCG-YEC-1-36

Again, YEC characterizes UCG requests as "fishing expeditions" rather than requests for information reasonably required to assess the prudence of actual or forecast capital expenditures related to the Gladstone Hydro Enhancement Project, the Marsh Lake Storage Project and the Mayo Lake Enhanced Storage Project.

When a conclusion is reached on a project like the Gladstone Hydro Enhancement Project that the utility will not proceed, the requested chronological timeline and communications on this project from start-up to no longer proceeding need to be scrutinized in detail to determine if and how much of the \$4.5 million in costs incurred for this project was prudently incurred. It cannot be assumed that all of YEC's internal decisions were prudent without seeing the details behind decisions.

It is not enough to simply file a list of randomly categorized costs and submit that this level of detail is good enough for a prudency review.

YEC has only provided a broad range of costs for labour, consultants, travel materials, AFDUC, office expenses and "other" and YEC has asked the YUB and other parties to trust them. In UCG's view, YEC has not earned that kind of trust given the lack of detail on its costs that it has been willing to submit to the public record.

UCG requests that YEC provide the requested information in response to UCG-YEC-1-34, UCG-YEC-1-35 and UCG-YEC-1-36.

Yours truly,

Roger Rondeau
Utilities Consumers' Group