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Our File No.: 71310-0023

July 21, 2017

Yukon Utilities Board
Box 31728
Whitehorse, YT Y1A 6L3

Attention: **Ms. Deana Lemke**
Executive Secretary

Dear Madam:

Re: YEC 2017-2018 GRA ("YEC")
Registration of the City of Whitehorse and Comments on Interim Refundable Rate Rider

Further to Board Order 2017-04 dated July 4, 2017, we wish to advise that the City of Whitehorse (the "City") intends to participate in YEC's 2017-18 GRA Application filed on June 22, 2017 before the Yukon Utilities Board (the "Board").

The City is represented in this proceeding by its regulatory counsel, Mr. Thomas Marriott, Q.C., of Brownlee LLP and its technical and regulatory analyst, Mr. Russ Bell of Russ Bell & Associates Inc. for the purpose of undertaking all necessary examination and analyses of the application, preparation of all required regulatory submissions and attendance at the oral hearing.

The City represents the interests of its residents which include all classes of electric power consumer within the City and it intends to take the steps necessary to analyze the impact on the interests of those consumers and to advocate appropriately on their behalf. The City is itself a consumer of electricity and thus is interested in ensuring that forecasts of both costs and revenues are reasonable. City considers that both it and its residents have an interest in ensuring that rates that are approved are the lowest possible consistent with good quality and reliable service.

We would ask that the following individuals be provided with all information and notices with respect to this matter:

<p>Thomas D. Marriott, Q.C. Brownlee LLP Suite 2200 Commerce Place 10155 – 102 Street Edmonton, Alberta T5J 4G8 Telephone: (780) 497-4868 Fax: (780) 424-3254 Email: tmarriott@brownleelaw.com</p>	<p>Rebecca Daw Brownlee LLP Suite 2200 Commerce Place 10155 – 102 Street Edmonton, Alberta T5J 4G8 Telephone: (780) 497-4872 Fax: (780) 424-3254 Email: rdaw@brownleelaw.com</p>
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<p>Peter O'Blenes, Director, Infrastructure & Operations City of Whitehorse 2121 Second Avenue Whitehorse, Yukon Y1A 1C2 Telephone : (867) 689-2970 Email: Peter.O'Blenes@whitehorse.ca</p>	<p>Wayne Tuck, City Engineer (Department Manager) City of Whitehorse 2121 Second Avenue Whitehorse, Yukon Y1A 1C2 Telephone : (867) 668-8305 Email : Wayne.Tuck@whitehorse.ca</p>

Based on the review of the application, the City understands that the approval of this application as filed would lead to substantially increased rates. The City considers it is prudent to conduct considerable further due diligence in evaluating the application and any forecasted increases in specific costs or rates to ensure that they are reasonable and warranted. If specific issues are identified, the City intends to proceed through the various processes in an attempt to ensure that its interests and those of its residents are protected with respect to those issues.

Request for Interim Refundable Rate Rider

Pursuant to Board Order 2017-04 parties were invited to provide comments on YEC's request for interim refundable rate rider.

In its cover letter of June 22, 2017, YEC applied for interim refundable rates as follows:

Rates arising from the final order in this GRA are not expected to be approved and in place until early 2018. Interim refundable rate orders provide necessary flexibility to accommodate regulatory lag between the GRA filing date and the date of the final Board order in the matter. This effectively helps keep both ratepayers and Yukon Energy whole.

The Application includes a request to implement an interim refundable Rider J increase of 9.04% applicable to firm retail customers and industrial customers, effective September 1, 2017. This will ensure that Yukon Energy has a reasonable ability to recover its prudent costs for 2017 (as may be finally approved by the Board after a full hearing). Any required "true up" between the utility and ratepayers for 2017 will be part of the Board's final order setting out rates arising from this Application.

At page 7 of the Application (PDF 8), YEC further describes its request for interim rate relief. YEC states that it is seeking Board approval: "to implement the above noted 2017 Rider J rate increase of 9.04 percentage points for retail and industrial customers via an interim rate rider (Rider J) of **20.05 %** for retail firm rates and **16.4 %** for industrial firm rates effective on an interim refundable basis as at September 1 2017 (see Tab 4, Appendix 4.1 for proposed interim Rider J schedule)." (emphasis added). The cited percentages for Rider J are the result of adding the requested 9.04 % to the

existing 11.01 % for non-industrial firm rates and 7.36 % for industrial firm rates¹ as approved in Board Order 2013-04.

In Alberta, the predecessor to the present Alberta Utilities Commission, which was the Alberta Energy and Utilities Board (AEUB) held that interim rate applications should be evaluated on these criteria:

- The identified revenue deficiency should be probable and material
- All or some portion of any contentious items may be excluded from the amount collected
- Is the increase required to preserve the financial integrity of the applicant or to avoid financial hardship to the applicant?
- Can the applicant continue safe utility operations without the interim adjustment?

If all or a portion of the suggested rate increase appears appropriate after a consideration of the quantum and need factors, the Board must assess certain general public interest factors to see if a rate increase is justified, these include:

- Interim rates should promote rate stability and ease rate shock
- Interim adjustments should help to maintain intergenerational equity....²

The Yukon Utilities Board has considered the same or similar factors in assessing applications for interim rates in the past.³ In particular, the Board has, in these decisions carefully considered the question of whether some portions of the application are contentious and unlikely to be approved in full. To approve the setting of interim refundable rates at a level above what is likely to be ultimately approved, puts rate stability at further risk, and is in no-one's interest. In the present case, with respect to the questions regarding whether the identified revenue deficiency is probable and material, and whether financial hardship may ensue if the application is not granted, the City notes that there is a considerable amount of uncertainty.

Obviously all of the increased costs outlined in the application and shown in Table 3-1 at page 3-2 (PDF 50) of the YEC application in support of the proposed rate increases are untested. Non-fuel O & M costs are forecast to increase from a 2016 actual of \$20.470 million to \$22.06 million in 2017. This substantial increase in forecast costs is likely to be contentious. Depreciation and Amortization expense are forecast to increase from a 2016 actual of \$8.816 million to \$10.814 million on 2017. The City respectfully asks the Board to take into account the fact that this forecast increase in depreciation and amortization expense does not amount to a cash outlay by the company. This increase as well, is likely to be contentious.

With respect to the need factor referred to by the AEUB as cited above, the City notes that the YEC 2016 Regulatory Schedules (June 14, 2017) as found on the YUB website indicate that YEC earned a return on equity (ROE) of 8.69%. This is also cited in Table 1.1 at page 1-2 (PDF 18) of the application. This compares to the level of 8.25 % approved for the 2012/13 test years.⁴ Part of YEC's forecast revenue deficiency and forecast cost increase for return for

¹ YEC Application, page 4-1 (PDF 150)

² Alberta Energy and Utilities Boards Decision 2005-0099, at pages 7-8

³ YUB Decisions 2008-6, 2012-5, and 2012-10 are examples

⁴ YEC Application, page 8-3 (PDF 296)

the 2017-18 test years shown in Table 3.1 is driven by its proposal for an increase in ROE to 8.82%.⁵

Taking all of the above into account, in the City's submission, this application for interim rate relief should be denied or, alternatively, YEC should only be allowed to collect a portion of the proposed 9.04% increase for 2017.

We trust that the above is satisfactory. Should you have any questions or concerns, please do not hesitate to contact the writer.

Yours truly,

BROWNLEE LLP

PER:

A handwritten signature in black ink, appearing to read 'T. Marriott', with a long horizontal flourish extending to the right.

THOMAS D. MARRIOTT, Q.C.

⁵ Ibid, page 8-4 (PDF 297)
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