

UTILITIES CONSUMERS' GROUP
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September 28, 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 responses to information requests submitted by Yukon Energy Corporation (YEC) on September 22, 2017. In reviewing YEC's responses to UCG's multi-part information requests, it is apparent that appropriate and adequate responses have not been provided in all cases.

In particular, UCG is concerned with the lack of business case analysis provided for many of YEC's capital projects which continue to be a significant rate driver. UCG submits that in order to complete a robust analysis of YEC's proposed revenue requirement, it is necessary to have the requested information and detailed calculations that underpin YEC's Application. UCG submits that given the YUB's previous direction to ensure full business case analysis is provided for all major projects, YEC must be held accountable to provide the required detailed information.

UCG respectfully requests that the Yukon Utilities Board consider and provide a ruling on the following, presumably after providing YEC some time to review our requests and provide further answers.

NOTICE OF MOTION

The Utilities Consumers' Group requests that the Yukon Utilities Board issue an Order to the effect that:

Yukon Energy Corporation shall be required to provide more complete responses to questions submitted by the Utilities Consumers' Group that YEC has not provided to the Board's satisfaction.

In support of this Notice of Motion, the Utilities Consumers' Group provides for consideration by the Board (and all other parties to the proceeding) the following facts, information, comments, opinions, arguments and questions:

- On September 22, 2017, YEC submitted responses to the information requests submitted by parties related to its 2017-2018 General Rates Application.

- The general principle that proceedings before the Board should be transparent and open to the public requires that all relevant materials be available on the public record, especially when the utility has been given specific direction by the YUB to provide a specific level of detail in its applications. The need for transparency is especially important where the material is directly relevant to setting rates and revenue requirement recovery policy for regulated monopolies such as YEC.
- The requested evidence is relevant to the consideration of the issues and, unless the most compelling reasons can be advanced by YEC, an overarching public interest in disclosure should prevail.
- There has been no identification of any perceived harm from the disclosure of this information to the public record. YEC has not indicated that additional information related to the responses submitted on September 22, 2017 is forthcoming other than tables in Excel format as required.
- The regulation of public utilities must be carried out in as transparent a process as possible. Only very exceptional circumstances should justify the exclusion from the public record of material that is used in rate-setting. UCG respectfully submits that YEC has not demonstrated exceptional circumstances.
- With respect to specific responses to information requests, the UCG submits the following:

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

YEC failed to provide the requested 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.

In its IR response, YEC refers to responses to John Maissan-YEC-1-23 (a), YUB-YEC-5(a) and UCG-YEC-1-23(a-e).

YEC's 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.

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 additional 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.

Besides the lack of detail noted above, UCG submits that YEC has not provided specific details regarding:

- the actual impact that the Mayo B Promissory Note's flexible debt financing provisions have had on 2017 and 2018 revenue requirements;

- an \$18.3 million YDC contribution in 2015 for the LNG Plant project (identified in the Application on page 5-4); and
- adjusted thermal fuel costs related to Diesel Contingency Fund operation.

It is also unclear whether the capital contributions mentioned above are a comprehensive list of the government / YDC contributions that have been made to offset ratepayers costs.

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.

2. UCG-YEC-1-5

In this question, UCG requested a comparison of various revenue requirement components between YUB-approved and actual costs 2012 through 2016 including percentage changes.

While YEC provided YUB-approved numbers for 2012 and 2013, they have not provided a comparison to what was assumed to have been approved by the YUB for 2014 through 2016.

The intent of this request was to compare actual costs incurred to YUB-approved budgets. If YEC does not apply to the YUB to adjust its revenue requirement, it is assumed that YEC has determined that it can operate within the last revenue requirements approved by the YUB. In this instance, the YUB last approved a YEC revenue requirement for 2013 (as confirmed in response to UCG-YEC-1-5(a)).

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. All YEC has done is provide a listing of what is assumed to be amounts (in millions of dollars) of costs incurred in various years.

When "supporting documentation" is requested, UCG assumes that the utility would understand that this is a request for copies of invoices that spell out when the work was undertaken, what work was completed and at what rate of fee.

UCG requests that YEC provide the requested supporting documentation in response to UCG-YEC-1-12(e) by submitting the referenced documents to the record.

4. UCG-YEC-1-14

YEC has not responded to the request within UCG-YEC-1-14(a) to provide the business case analysis related to the Aishihik Elevator Shaft Structural Steel Rehabilitations project.

In its Order 2009-8, page 37, the YUB outlines 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.”*

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for a \$10 million project. 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.

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 in response to UCG-YEC-1-14(a) and the detail requested in UCG-YEC-1-14(c).

5. UCG-YEC-1-15

YEC has not responded to the request within UCG-YEC-1-15(a) to provide the business case analysis related to the Aishihik Electrical and Control Upgrades project.

In its Order 2009-8, page 37, the YUB outlines 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.”*

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for a \$2.5 million project. 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.

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 in response to UCG-YEC-1-15(a) and the detail requested in UCG-YEC-1-15(c).

6. UCG-YEC-1-16

YEC has not responded to the request within UCG-YEC-1-16(a) to provide the business case analysis related to the Communications Upgrades project.

In its Order 2009-8, page 37, the YUB outlines 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.”*

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for a \$1 million project. 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.

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 in response to UCG-YEC-1-16(a) and the detail requested in UCG-YEC-1-16(c).

7. UCG-YEC-1-17

YEC has not responded to the request within UCG-YEC-1-17(a) to provide the business case analysis related to the Hydro Unit #WH4 Overhaul project.

In its Order 2009-8, page 37, the YUB outlines 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.”*

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for a \$4.3 million project. 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.

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 in response to UCG-YEC-1-17(a) and the detail requested in UCG-YEC-1-17(c).

8. UCG-YEC-1-18

YEC has not responded to the request within UCG-YEC-1-18(a) to provide the business case analysis related to the Hydro Unit #MH2 Overhaul project.

In its Order 2009-8, page 37, the YUB outlines 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.”*

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for a \$1.7 million project. 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.

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 in response to UCG-YEC-1-18(a) and the detail requested in UCG-YEC-1-18(c).

9. UCG-YEC-1-19

YEC has not responded to the request within UCG-YEC-1-19(a) to provide the business case analysis related to the T&D – Breaker Replacements project.

In its Order 2009-8, page 37, the YUB outlines 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.*”

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for a \$1.35 million project. 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.

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 in response to UCG-YEC-1-19(a) and the detail requested in UCG-YEC-1-19(c).

10. UCG-YEC-1-20

YEC has not responded to the request within UCG-YEC-1-20(a) to provide the business case analysis related to the T&D – Line Replacement project.

In its Order 2009-8, page 37, the YUB outlines 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.*”

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for an \$11.5 million project. 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.

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 in response to UCG-YEC-1-20(a) and the detail requested in UCG-YEC-1-20(c).

11. UCG-YEC-1-21

YEC has not responded to the request within UCG-YEC-1-21(a) to provide the business case analysis related to the Wareham Spillway Gate Hoist Replacement project.

In its Order 2009-8, page 37, the YUB outlines 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.”*

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for a \$2.7 million project. 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.

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 in response to UCG-YEC-1-21(a) and the detail requested in UCG-YEC-1-21(c).

12. UCG-YEC-1-22

YEC has not responded to the request within UCG-YEC-1-22(a) to provide the business case analysis related to the Whistle Bend Supply/Takhini Upgrade project.

In its Order 2009-8, page 37, the YUB outlines 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.”*

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for an \$11.4 million project. 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.

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 in response to UCG-YEC-1-22(a) and the detail requested in UCG-YEC-1-22(c).

13. UCG-YEC-1-23

YEC has not responded to the request within UCG-YEC-1-23(a) to provide details on all YEC internal costs (labour, O&M, supplies, etc.) attributable to the LNG Plant project.

YEC has determined on UCG's behalf that providing details of the internal costs that should be capitalized over several years as part of this project (and not recovered as O&M expense) would be too much work for them to do with low probability that the information gathered will affect the prudency assessment. UCG submits that it should be up to intervenors to argue whether the information should influence the YUB's decision on prudency but we can't argue about it if the utility refuses to provide it.

YEC has not provided the requested breakdown of costs including consultant names and tender amounts for engineering, management, planning, permitting, demolition and other activities.

YEC has also refused 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.

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

14. UCG-YEC-1-24

YEC has not responded to the request within UCG-YEC-1-24(a) to provide the business case analysis related to the LNG Third Engine project.

In its Order 2009-8, page 37, the YUB outlines 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.”*

Since this was a specific direction to YEC, UCG submits that YEC is obligated to provide the requested level of information for a \$6.2 million project. 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.

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 in response to UCG-YEC-1-24(a) and the detail requested in UCG-YEC-1-24(c).

15. UCG-YEC-1-25

YEC has not responded to the request within UCG-YEC-1-25(b) for a table of capital projects that have been undertaken since 2013 that have been required to meet system growth including descriptions of projects, justifications for the projects due to system growth, total actual / estimated costs and dates of completion.

While YEC refers back to evidence in its application, UCG submits that the referenced evidence does not provide a comprehensive and easily understood table of the requested information which is needed to better understand capital projects that ratepayers are being asked to pay for in the name of system growth.

UCG requests that YEC provide the requested table in response to UCG-YEC-1-25(b).

16. UCG-YEC-1-34

YEC has not responded to the request within UCG-YEC-1-34(a), (b) or (c) for a detailed chronological list of costs incurred and go / no go decision points related to the Gladstone Hydro Enhancement Project including a requested breakdown of the costs incurred for feasibility studies, engineering, internal and external labour costs and tenders awarded (including names of consultant tenders and amounts) related to this project. This was not simply an investigation on determining feasibility, which would be a concise cost, but a \$4.5 million exploration into a project that was controversial from the onset.

The costs provided by YEC include a broad range of costs for labour, consultants, travel materials, AFDUC, office expenses and other. These each need breakdown details to determine which costs for each category were prudently incurred. The YEC also needs to identify which costs are external or internal.

Since this project was concluded as a project “not proceeding”, it will never be used or useful. The chronological timeline and communications on this project from start-up to no longer proceeding need to be scrutinized for the most involved details to determine if and how much of the costs for this project were perhaps not judiciously incurred.

Accordingly, UCG submits that these details are required to be able to determine if all of the costs were prudently incurred. It is not enough to simply submit a list of randomly categorized costs and submit that this level of detail is good enough.

UCG requests that YEC provide the requested information in response to UCG-YEC-1-34(a), (b) and (c).

17. UCG-YEC-1-35

YEC has not responded to the request within UCG-YEC-1-35(a) and (b) for a detailed chronological list of costs incurred and chronological history of go / no go decision points related to the Marsh Lake Storage Project including a requested breakdown of the costs incurred for feasibility studies, engineering, internal and external labour costs and tenders awarded related to this project.

UCG submits that details are required to be able to determine if all of the costs were prudently incurred and if the project has any chance of going forward. YEC has a history of referring back to when projects were mentioned in applications in order to say that they had been thoroughly reviewed. UCG submits that these costs need to be provided in detail and then thoroughly reviewed since YEC will ultimately seek to recover them from ratepayers and we don't want to skip over costs that are presented in their current application.

UCG requests that YEC provide the requested table in response to UCG-YEC-1-35(a) and (b).

18. UCG-YEC-1-36

YEC has not responded to the request within UCG-YEC-1-36(a) for a detailed chronological list of costs incurred and go / no go decision points related to the Mayo Lake Enhanced Storage Project including a requested breakdown of the costs incurred for feasibility studies, engineering, internal and external labour costs and tenders awarded related to this project.

UCG submits that details are required to be able to determine if all of the costs were prudently incurred. YEC has a history of referring back to when projects were mentioned in applications in order to say that they had been thoroughly reviewed. UCG submits that these costs need to be thoroughly reviewed since YEC will ultimately seek to recover them from ratepayers and we don't want to skip over costs that are presented in their current application.

UCG requests that YEC provide the requested table in response to UCG-YEC-1-36(a).

The above Notice of Motion and supporting arguments are respectfully submitted for the Board's review and consideration prior to the filing deadline for intervenor evidence.

If the Board or YEC requires any clarification with respect to UCG's Notice of Motion, please direct all inquiries to me by email at rroudeau@northwestel.net or by phone at 633-5210.

Yours truly,

Roger Rondeau
Utilities Consumers' Group