



**YUKON
ENERGY**

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July 28, 2017

Mr. Robert Laking, Chair
Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Dear Mr. Laking:

Re: Yukon Energy 2017 Interim Rates

On June 22, 2017, Yukon Energy Corporation (YEC or Company) filed with the Yukon Utilities Board (Board) an Application requesting (among other orders) an interim refundable rate rider (Rider J) for 2017 of 20.05% for retail firm rates and 16.40% for industrial firm rates, which represents an increase of 9.04% for retail and industrial customers, effective September 1, 2017.

Order 2017-4 invited Intervenors to submit comments with respect to YEC's request for interim refundable rates. Comments were provided by John Maissan, the City of Whitehorse (CW) and the Utilities Consumers' Group (UCG). John Maissan provided no opinion with respect to the interim refundable rate rider. CW and UCG each argued that the interim refundable rate rider should be reduced or denied.

- In its submission **CW** notes that the 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. CW notes "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 notes "considerable uncertainty" regarding whether the identified revenue deficiency is probable and material and whether financial hardship may ensue if the application for interim rates is not granted.
- In its submission, **UCG** notes that "an interim rate increase is not warranted at this time" and raises a number of concerns that it has raised in prior proceedings, while acknowledging "the YUB's consistent rulings allowing interim rates as proposed by the utilities". In summary, UCG submits that "YEC has not established that the forecast revenue deficiency for the applied for 2017-2018 test period is probable and material nor that the interim rate increase is necessary to ensure YEC's financial integrity or to ensure the continued safe operation of its system." UCG also "questions whether there is enough time to satisfy legislative requirements to provide ratepayers with 90 days notice of any change in rates being charged by YEC" per section 28 of the *Public Utilities Act*.

Yukon Energy's response addresses the submissions provided by UCG and CW.

Prior Board Direction regarding Interim Rates

The Board in Board Order 2008-6 set out in detail the principles to be applied in an interim rate application. These principles have been reiterated in subsequent Orders of the Board in relation to interim rates applied to both Yukon Energy and ATCO Electric Yukon (AEY). This includes directions provided in the following Board Orders: 2012-05; 2013-05 and 2016-02.

In summary, the following are noted regarding the established principles for determining interim rates:

- **Jurisdiction to make interim Orders under the *Public Utilities Act*:** In Appendix A to Order 2008-06 the Board confirmed its jurisdiction to make interim orders under Section 63 of the *Public Utilities Act* stating it is not practically limited to circumstances in which the utility can demonstrate that its financial integrity will suffer or that the safety of its operations will be compromised.
- **Interim refundable rates provide flexibility to address regulatory lag:** The Board noted in Appendix A to Order 2008-04 that “interim refundable rate orders provide the Board with the flexibility necessary to accommodate regulatory lag, which might otherwise deprive a utility of a reasonable opportunity to recover its prudent costs”. The Board noted that there is no requirement for a full hearing on the merits because such an approach “could contribute to greater regulatory lag and defeat the purpose of the interim refundable rates.”
- **Determining quantum of interim refundable rates:** With regard to the quantum of interim refundable rates, in Appendix A to Order 2008-04 the Board noted that it should “be careful not to deny interim rates altogether if doing so could jeopardize the ability of the utility to implement and recover the final revenues determined by the Board to be just and reasonable.” However, the Board also noted that “most jurisdictions do not grant interim orders for recovery of 100% of forecast revenues requirement increases, but grant some percentage to minimize the turbulence of rate changes over short periods”.

Subsequent orders have reinforced the above principles. In particular, Appendix A to Order 2012-05 approving interim refundable rates for 2012 (with regard to Yukon Energy’s 2012/13 General Rate Application) noted as an important consideration the fact that the applied for interim rates “would only be collected for approximately one-half of the applied for revenue requirement increase for 2012”. In this case, YEC sought to implement on an interim refundable basis the applied for full increase of 6.4% for retail customers and 2.9% for industrial customers through implementation of Rider J effective July 1, 2012. The Board approved this interim rate application, which would recover one-half of the sought for revenue requirement increase in 2012 (with collection of revenues over only 6 months). The Board noted its view that “until the merits of the General Rate Application are determined, these interim refundable rates promote rate stability and are just and reasonable to both the utility and consumers.” Board Order 2013-05 also approved an interim rate increase of 6.5% for the 2013-15 GRA of Yukon Electrical Company Limited (YECL) on a similar basis (i.e., the full rate increase was approved to be applied for six months of the 2013 test year).

Yukon Energy submits that Board Order 2008-6, as reviewed above, provides the Board’s considered views on interim rates and fully refutes most of the points advanced by CW and UCG on this matter. Further, the current interim refundable rate request is fully in line with interim refundable rate requests made by YEC or AEY (and approved by the Board) during the 2012/13 GRA, AEY’s 2013-15 GRA and the recent AEY 2016/17 GRA.

Yukon Energy specifically notes that Board Order 2016-02 approved AEY's application for an interim rate increase effective July 1, 2016 for the full 2016 applied for rate increase, notwithstanding UCG's submission that the interim rate increase should be denied for reasons similar to what UCG has submitted to support denial of YEC's currently applied for interim refundable rate increase. The Board in Appendix A to Order 2016-02 noted that the interim rates will only be collected for approximately half of the applied for revenue requirement increase for 2016, that "...these interim refundable rates promote rate stability", and that "...granting half of the applied-for revenue requirement increase for 2016 results in interim rates that are just and reasonable to both the utility and the consumers".

Implementing the applied for interim rate increase effective September 1, 2017 means that Yukon Energy would only be collecting the increased rate revenues for four months of 2017, and would therefore only receive approximately one-third of the revenue shortfall of \$5.348 million forecast for 2017.

Yukon Energy notes that the Board in Appendix A of Order 2016-02 addressed UCG's submissions opposing an interim refundable rate increase for AEY that was implemented for six months rather than only four months of a test year. Yukon Energy's Application comprehensively supports and explains the revenue shortfalls that Yukon Energy would experience without the interim refundable rate increase. With respect to UCG's repeated concern about notice, Yukon Energy notes (as AEY previously noted) that a requested interim refundable adjustment is not a final rate and therefore is not subject to the 90-day notice requirements.

In summary, based on the findings of the Board in Appendix A of Order 2016-02, Yukon Energy submits that approving the full increase for four months of 2017 will promote rate stability, and result in interim refundable rates that are just and reasonable to both the utility and the consumers. Further, the approach has built in ample cushion (as discussed in Board Order 2008-6) to take into account the fact that the applicant may not receive the entire applied for increases.

If you have any questions regarding the above please call.

Yours truly,

A handwritten signature in black ink, appearing to read "Ed Mollard", written in a cursive style.

Ed Mollard
Chief Financial Officer