



March 16, 2018

Yukon Utilities Board
Box 31728
Whitehorse, YT Y1A 6L3

Attention: Deana Lemke
Executive Secretary

Dear Ms. Lemke:

**Re: Yukon Energy Corporation Part 1 Application
Regarding the Energy Reconciliation Adjustment (ERA)
Argument**

ATCO Electric Yukon ("AEY") hereby submits its enclosed Argument.

If you have any questions or concerns, please contact me at (780) 420-5449.

Yours truly,

Chris Cullingham
Manager, Regulatory

CC/by
Encl.

FINAL ARGUMENT OF ATCO ELECTRIC YUKON

I. Introduction

1. This argument is submitted on behalf of ATCO Electric Yukon (“AEY”) in support of AEY’s intervention in the Yukon Utilities Board (“YUB” or “Board”) proceeding regarding the Yukon Energy Corporation (“YEC”) Part 1 Energy Reconciliation Adjustment (“ERA”) Application.
2. AEY has attempted to keep the scope of its intervention narrow and base it on the guidance provided by the Yukon Court of Appeal decision¹ that AEY has understood to mean that AEY will be invoiced ERA charges related to YEC’s past DCF costs.
3. The main purpose of AEY’s intervention in this application was to: (1) attempt to gain a better understanding of the ERA and Diesel Contingency Fund (“DCF”) design and interrelation; (2) verify that the ERA amount is accurately calculated; and (3) reiterate AEY’s position that all ERA amounts will be flowed through to all Yukon ratepayers via its purchase power flow through deferral account to ensure all parties to this proceeding, including the Board, are aware of AEY’s intended treatment of such amounts.
4. No part of AEY’s intervention and/or participation in this Part 1 proceeding should be construed as support for or agreement with the reasonableness or design of the DCF or ERA. Rather, AEY is generally of the view that these difficult to understand mechanisms are not easily audited or tested by the Board and interveners. AEY notes there is a concurrent “ERA Part 2 Filing for YECSIM and other new information” where further discussion around these mechanisms may occur. AEY intends to make further submissions in that module.

II. The Record and Outstanding Concerns

5. AEY submits the extensive record in relation to both DCF and ERA is reflective of their complexity and demonstrates that the mechanisms are beyond what is appropriate or necessary for the

¹ Yukon Energy Corporation v. Yukon (Utilities Board), 2017 YKCA 15

Yukon regulatory setting. In AEY's submission, adopting these mechanisms, on a permanent basis, into the Yukon utility framework will result in a continued significant burden on administrative and regulatory resources into the future.

6. While AEY has found this Part 1 process useful in gaining a further understanding of the DCF and ERA, it nonetheless has remaining concerns, which it believes are worthy of further exploration and testing. These concerns are derived, in part, based on YEC's response to YUB-YEC-1-6(a), where it would appear that YEC's thermal cost and net income is not affected by how it operates the system².
7. In AEY's submission this is significant for the following reasons:
 - i. It appears that some diesel-related operational risks may be absorbed by the DCF, and are therefore borne by ratepayers, contrary to the risk profile presented in Table A2.1-1 of the Application. Table A2.1-1 lists diesel-related regulatory risk, related to the operation of the system, as carried by the utilities. It is unclear to AEY how YEC carries this risk if its thermal cost and net income are determined solely based on the DCF Term Sheet and are unaffected by YEC's operation of the system.
 - ii. It appears that the original stated purpose of the DCF, "to smooth customer rate changes driven by changes in actual thermal generation costs caused by variances from LTA levels of hydro and wind generation due **solely** to water and wind availability³", is not achieved because variances due to the operation of the system (and possibly other factors) may also be factored into the DCF. In other words, the DCF does not appear to isolate and attribute variances solely due to water and wind availability.
8. Based on AEY's understanding, the above referenced points (i) and (ii) were used, in part, by YEC to support its non-linear, complex DCF and ERA mechanisms as necessary, and dismiss

² Response to YUB-YEC-1-6(a): "Yukon Energy's actual thermal generation cost and net income are determined each year solely based on the DCF Term Sheet Table [Table 3.4-1] as approved by the Board for determining expected diesel generation for the actual grid load. As YEC's final thermal generation expense for each year is based solely on the DCF Term Sheet Table using the actual generation for the year, there are no impacts due to efficiencies or inefficiencies related to actual YEC operation of its hydro generation facilities."

³ YEC Argument, October 29, 2014, page 5

AEY's original proposal to investigate a more straightforward, linear, deferral account-type mechanism⁴.

9. Therefore, if operational risks are being borne by ratepayers and diesel-cost variances are caused by factors other than water and wind availability, then, in the submission of AEY, further investigation is warranted to consider a more traditional, deferral account-type mechanism.

III. The Revised ERA Calculation

10. As part of YEC's Part 1 Application, YEC revised the 2012 ERA amount it will invoice to AEY from \$439,000 to \$501,000. AEY requested more information from YEC to gain additional clarity with regard to this change.
11. While AEY is satisfied with YEC's responses⁵ regarding the charge adjustment and understands this to be an administrative error, not a change in methodology, it is, in AEY's submission, yet another example of the difficulty all parties, including YEC, have with understanding the ERA and operating within a regulatory context where it is used.

IV. ERA flow through

12. AEY confirmed with YEC its position "that AEY has an approved purchase power flow through deferral account that would be used by AEY to flow these incremental costs through to Yukon ratepayers".⁶ AEY understands that no party to this proceeding has taken issue with this intended treatment.

V. Closing remarks

13. While AEY's concerns with the ERA and DCF mechanisms remain and are significant, based on AEY's understanding of those mechanisms and the costs presented in the Part 1 application, AEY is satisfied that those ERA costs are calculated consistently with those mechanisms. As stated

⁴ "Yukon Energy Corporation Application to Revise the DCF & Related Adjustments to the ERA – Supplementary Filing", dated June 30, 2014

⁵ Responses to AEY-YEC-1-3.

⁶ Response to AEY-YEC-1-2.

previously, if those costs are approved, AEY intends to flow those costs through to all Yukon ratepayers.

14. In addition to the foregoing, AEY submits that the DCF and ERA mechanisms should not be approved for use on a go-forward basis. Should the Board approve YEC's Part 1 Application, AEY submits the proposed DCF and ERA mechanisms should only be accepted in relation to the current Application with direction to YEC to investigate and consider less complex alternatives, such as a deferral-type mechanism.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 16th day of March, 2018.