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March 16, 2018

Yukon Utilities Board
Box 31728
Whitehorse, Yukon Y1A 6L3

Attention: Mr. Robert Laking, Chair

Dear Sir:

Re: Yukon Energy Corporation (“YEC”) Part 1 Energy Reconciliation Adjustment

This letter is provided on behalf of the City of Whitehorse (the “City”) pursuant to the schedule set out in Order 2018-01 of the Yukon Utilities Board (the “Board”) and comprises the City’s argument on the application referenced above.

On September 12, 2017, the Court of Appeal of Yukon (“Court of Appeal”) issued its decision in the appeal by Yukon Energy Corporation of the Board’s Order 2015-06. The Court of Appeal allowed the Appeal and remitted the matter to the Board “with directions to set a wholesale rate that enables Yukon Energy to recover all of its diesel generation costs, which costs include any net DCF payment made by Yukon Energy attributable to Yukon Electrical’s above-forecast wholesale purchases of electricity.”¹ The Court of Appeal also held that “Yukon Energy was required by a Board-approved mechanism to pay an additional \$439,000 into the DCF ...even though it did pay that \$439,000 in “actual” diesel generation costs. Nevertheless, the additional net DCF payment of \$439,000 in 2012 was real and it was reasonable.”² The Court of Appeal held that the Board’s exclusion of this payment from the definition of YEC’s diesel generation costs was unreasonable.³

The Board’s Order 2017-08 directed YEC to file a separate two-part Energy Reconciliation Adjustment (“ERA”) application (the “ERA Application”) to comply with the direction of the Yukon Court of Appeal and the further directions of the Board. In Order 2017-08 the Board directed as follows:

“The first part of the application is to address 2012 Energy Reconciliation Adjustment (ERA) issues.”

¹ 2017 YKCA 15 Yukon Energy Corporation v. Yukon (Utilities Board) , para 71

² Ibid, para.s 66 and 67

³ Ibid, para.s 68-70
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In “Appendix A: Reasons for Decision” to Board Order 2017-08 the Board further directed, with respect to the first part of the ERA Application that “YEC is to provide evidence as to how the 2012 ERA amount was derived and whether YEC views that there should be any adjustment to the 2012 amount.”⁴

On December 6, 2017 YEC filed Part 1 of the ERA Application in which it requested approval of its amended Rate Schedule 42, the ERA amounts for 2012 and 2013 and the ERA interim amounts for 2014 to 2016. In its Part 1 Application YEC also explained the derivation of the amounts for which approval was requested. The Part 1 Application has been tested through a process involving information requests from the Board and interveners, including the City.

The City has reviewed the Part 1 Application and the responses to information requests provided to the City and other parties, and in particular the responses to AEY-1-3 and YUB-YEC 1-3, in which YEC provides further explanation of the corrected errors leading to an increase in the 2012 amount requested from the \$439,000 referenced in the Court of Appeal decision to the updated amount of \$501,000 as sought in the application. Based on its review and analysis of this evidence, the City does not object to approval of the Part 1 Application as filed.

Yours truly,

BROWNLEE LLP

PER:



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THOMAS D. MARRIOTT, Q.C.

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⁴ Board Order 2017-08, Appendix A: Reasons for Decision. Page 7 of 9
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