

October 24, 2023

AEY-UCG-2-001

**ATCO Electric Yukon (AEY)
2023-2024 General Rate Application (GRA)**

**Information Responses Round 2 (Depreciation) to:
The Yukon Utilities Consumers' Group (UCG)
Received: October 11, 2023**

AEY-UCG-2-001

Reference: AEY Application, page 7-1 and accompanying changes from Depreciation Study

AEY states "The annual increases in depreciation expense from 2018-2022 are due to growth in property, plant and equipment. The increases from 2022 to 2023 and 2024 are mainly driven by the restart of Net Salvage collection." "As AEYs current assets continue to age there is an increase forecast of removals (Table Salvage Depreciation). In addition, there are larger projects that will require salvage work, such as Old Crow Project."

Request:

- (a) Define and explain each cost related to salvage work and site restoration costs that are to be included in the depreciation expense for 2018-2022 identified in this Application and Depreciation study.
- (b) Provide details of the accumulated amount for net negative salvage since 2016 including any reductions as salvage costs are incurred.
- (c) Explain how AEY treated the difference between the depreciation expense allowed to be recovered in rates in 2016, 2017, 2018, 2019, 2020, 2021, and 2022 and the depreciation expense actually incurred in the above years.
- (d) Provide specific calculations related to assets being added to rate base that result in an increase in depreciation expense of \$5.835 million in 2016 to \$8.695 million in 2023.
- (e) Explain with a chart how the forecast net salvage will result in changes for the two test years (i.e. changes to depreciation and changes to revenue requirements for each year.)
- (f) Explain how this concentric report changes will affect the depreciation and revenue requirement from the AEY application.

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Response:

- (a) No salvage or site restoration costs will be included in depreciation expense for 2018-2022 as AEY is not currently collecting net salvage expense. Rather, any of these types of costs are coded against AEY's accumulated net salvage reserve. Please refer to AEY's response to AEY-YUB-2-001(c), AEY-YUB-2-015(a-d), and AEY-YUB-2-017(a) for examples of the types of net salvage costs AEY has historically incurred.
- (b) Please refer to the table below. Upon review of this response, it was noted that there was an error in Table 7.3, Section 7 - Updated Depreciation – Clean narrative for the 2024 opening net salvage balance, which has been corrected below.

**Table 1: Negative Net Salvage
(\$000)**

	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Actuals							Test Period	
Opening Net Salvage	(3,692)	(3,469)	(3,286)	(2,846)	(2,158)	(1,661)	(1,351)	(477)	(1,485)
Removals	223	183	440	688	497	310	874	1,000	1,264
Salvage Depreciation	-	-	-	-	-	-	-	(2,008)	(2,103)
Ending Net Salvage	(3,469)	(3,286)	(2,846)	(2,158)	(1,661)	(1,351)	(477)	(1,485)	(2,324)

- (c) Consistent with all cost variances not subject to deferral treatment, differentials in actual depreciation expenses from what was included in approved revenue requirements within rates outside a test period are either an increase or decrease to AEY's earnings. Depreciation expenses have been higher than what was approved in the previously approved revenue requirement since 2018. With regards to net salvage costs, as explained in the response to part (a) above, costs incurred for the periods 2016-2022 were coded against AEY's net salvage reserve, effectively drawing it down from \$3,469,000 in 2016 to \$477,000 in 2022.
- (d) The calculation for depreciation expense is [Opening Asset Balance + ½ Current Year Additions] * Depreciation Rate. Within the Application schedules, AEY has

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detailed the forecast depreciation expense and provided the opening PPE and net capital additions by account in Schedule 7.2. Furthermore, the assets that are being added to rate base for 2016 through 2023 can be found in the GRA Schedules, S9.1, line 34.

- (e) Please refer to the table below, which outlines the impact on net salvage on both depreciation expense and revenue requirement. It is important to note that since the net salvage account is a reserve account, the reserve balance is drawn down as costs are incurred. As outlined in the Application, if AEY does not build up this reserve to address aging assets, the funding will not be available when the work is required and there is a risk of intergenerational inequity where future customers will be funding the salvage of assets from which previous customers benefitted.

**Table 2: Impact of Negative Net Salvage
(\$000)**

	Schedule Reference	2023		2024	
		Including Net Salvage	Excluding Net Salvage	Including Net Salvage	Excluding Net Salvage
Depreciation	S7.1, Lines 1-3	6,687	6,687	8,470	8,470
Salvage Depreciation	S7.1, Lines 4-5	2,008	-	2,103	-
Total Depreciation	S7.1, Line 6	8,695	6,687	10,574	8,470
Net Salvage Impact on Revenue Requirement		2,008	-	2,103	-

- (f) Please refer to the table below, which compares the updated and placeholder revenue requirement Application Schedules. The difference between the two schedules is due to the changes in depreciation recommended in the Concentric Report. Please refer to the response to AEY-JM-2-004(a) for an explanation of why depreciation expense has decreased with the change in depreciation rates recommended in the Concentric Report.

**Table 3: Revenue Requirement
(\$000)**

Description	Updated Schedules		Placeholder Schedules		Difference	
	2023	2024	2023	2024	2023	2024
Purchase Power	29,778	30,961	29,778	30,961	-	-
Fuel	9,181	9,023	9,181	9,023	-	-
Operations and Maintenance	14,609	14,863	14,609	14,863	-	-
Property Taxes	285	292	285	292	-	-
Depreciation	8,695	10,574	9,390	11,219	(694)	(645)
Amortization of Contributions	(2,159)	(2,528)	(2,159)	(2,528)	-	-
Amortization of Deferred Charges & Credits	(234)	(143)	(234)	(143)	-	-
Return on Rate Base	8,283	9,128	8,301	9,102	(17)	27
Income Taxes	(2,618)	901	(2,357)	1,134	(261)	(233)
Total Revenue Requirement	65,821	73,070	66,793	73,922	(973)	(852)

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AEY-UCG-2-002

**AEYATCO Electric Yukon (AEY)
2023-2024 General Rate Application (GRA)**

**Information Responses Round 2 (Depreciation) to:
The Yukon Utilities Consumers' Group (UCG)
Received: October 11, 2023**

AEY-UCG-2-002

Reference: *Assessment of current AEY Assets used in Concentric Study*

Request:

- (a) Provide all AEY assets greater than \$100,000 currently being used to provide ratepayers with a service.
- (b) Provide any AEY assets not currently being used to provide ratepayers with a service that is included in depreciation report.
- (c) If there are some of these assets not currently used or useful, explain rationale of how intergenerational inequities are to be regulated for these.

Response:

- (a) AEY utilizes the mass property approach to group its assets and categorizes investment using the Universal System of Accounts as a guideline. As AEY does not yet have an asset management system the segregation by dollar amount and location within these categories is not readily available. Schedule 7.2 of the application, re-submitted as AEY-UCG-2-002(a) Attachment 1 shows the mass property investment in each account. AEY notes that the assets included in Line 56 include the \$2,550,000 water license, land at book value of \$363,000 and the deferred DSM costs that will be retired upon settlement in 2023. The transformers noted in response to (b-c) below will be retired and reflected into AEY's Compliance Filing.
- (b-c) In responding to AEY-YUB-2-016(a), AEY noticed it inadvertently missed retirements for 15 transformers. The correction for this will be reflected in AEY's

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PPE balances and the rate base in AEY's Compliance Filing. AEY is not aware of any other assets within its rate base not being used to provide utility service.

ATCO Electric Yukon (AEY)
2023 - 2024 General Rate Application (GRA)

Calculation of Depreciation Expense 2023
(\$000)

Line No.	Acct.	Description	Cross Ref.	2023	Depreciation		Net	Depreciation	2023	Depreciation		2023	2023	
				Opening PPE	Life Rate	on Opening Balance	Capital Additions	on Capital Additions	Life Depreciation	Salvage Rate	on Opening Balance	on Capital Additions	Salvage Depreciation	Total Depreciation
1		Production - Hydro												
2	331 00	Structures And Improvements		1,876	1.74%	33	320	3	36	0.09%	2	-	2	38
3	332 00	Reservoirs, Dams And Waterways		8,754	1.14%	100	722	4	104	0.06%	5	-	5	109
4	333 00	Water Wheels, Turbines And Generators		3,262	1.33%	43	393	3	46	0.07%	2	-	2	48
5	334 00	Accessory Electric Equipment		151	2.32%	4	48	1	5	0.00%	-	-	-	5
6	335 00	Miscellaneous Power Plant Equipment		111	2.08%	2	50	1	3	0.10%	-	-	-	3
7		Total Production - Hydro		14,154		182	1,533	12	194		9	-	9	203
8														
9		Production - Diesel												
10	341 20	Int Combust Structures		6,123	2.73%	167	164	2	169	0.27%	17	-	17	186
11	342 20	Int Combust Fuel Holders, Producers And Accessories		3,438	2.57%	88	398	5	93	0.39%	13	1	14	107
12	343 20	Int Combust Generators		20,592	4.08%	839	586	12	851	0.41%	84	1	85	936
13	345 20	Int Combust Accessory		5,155	2.99%	154	555	8	162	0.30%	15	1	16	178
14	346 20	Int Combust Miscellaneous		1,118	2.65%	30	89	1	31	0.13%	1	-	1	32
15	347 20	Renewables Energy Storage		3,532	4.58%	162	-	-	162	0.00%	-	-	-	162
16		Total Production - Diesel		39,958		1,440	1,792	28	1,468		130	3	133	1,601
17														
18		Transmission												
19	353 00	Station Equipment		1,144	1.95%	22	-	-	22	0.00%	-	-	-	22
20		Total Transmission		1,144		22	-	-	22		-	-	-	22
21														
22		Distribution Plant												
23	360 10	Land Rights		2,161	1.48%	32	20	-	32	0.00%	-	-	-	32
24	362 00	Station Equipment		7,546	2.64%	199	850	11	210	0.26%	20	1	21	231
25	362 10	System Communication and Control		1,459	6.67%	97	(412)	(14)	83	0.67%	10	(1)	9	92
26	364 00	Poles, Towers And Fixtures		54,593	2.24%	1,224	5,045	57	1,281	1.12%	612	28	640	1,921
27	365 00	Overhead Conductors And Devices		28,893	2.11%	610	2,479	26	636	0.53%	153	7	160	796
28	365 10	Overhead Services		5,252	2.21%	116	606	7	123	0.22%	12	1	13	136
29	367 00	Underground Conductor And Devices		35,098	2.14%	751	3,036	32	783	0.54%	188	8	196	979
30	367 10	Underground Services		6,291	2.09%	132	492	5	137	0.10%	7	-	7	144
31	368 00	Line Transformers		41,939	2.40%	1,008	3,941	47	1,055	0.24%	101	5	106	1,161
32	370 00	Conventional Meters		2,975	5.64%	168	(65)	(2)	166	0.28%	8	-	8	174
33	371 00	Automated Meters		174	7.03%	12	221	8	20	0.00%	-	-	-	20
34	373 00	Street Lights		13,675	3.29%	450	3,346	55	505	0.33%	45	6	51	556
35	373 10	Sentinel Lights		285	1.82%	5	(1)	-	5	-0.18%	(1)	-	(1)	4
36		Total Distribution Plant		200,342		4,804	19,556	232	5,036		1,155	55	1,210	6,246
37														
38		General Plant												
39	390 00	Structures And Improvements		5,249	2.52%	132	283	4	136	0.25%	13	-	13	149
40	390 01	Structures And Improvements Houses		454	2.60%	12	(3)	-	12	0.26%	1	-	1	13
41	391 00	Office Furniture And Equipment		302	6.43%	19	59	2	21	0.00%	-	-	-	21
42	391 10	Computer Hardware & Voice And Data Network Equipment		76	16.08%	12	158	13	25	0.00%	-	-	-	25
43	391 22	Computer Software And Applications Major (10 Yr.)		939	8.44%	79	7,971	336	415	0.00%	-	-	-	415
44	392 20	Transportation Equipment, Fleet Vehicles Category 2		2,956	8.43%	249	712	30	279	-0.84%	(25)	(3)	(28)	251
45	392 30	Transportation Equipment, Fleet Vehicles Category 3		2,757	6.69%	185	317	11	196	0.00%	-	-	-	196
46	394 00	Tools, Shop, Garage, Stores And Laboratory Equipment		1,787	6.48%	116	290	19	135	0.00%	-	-	-	135
47	392 40	Transportation Equipment, Fleet Vehicles Category 4		232	7.30%	17	-	-	17	0.00%	-	-	-	17
48	303 00	Fish Lake Water Licence		2,313	4.00%	93	-	-	93	0.00%	-	-	-	93
49	303 00	Demand Side Management ¹		923	20.00%	-	(923)	(185)	(185)	0.00%	-	-	-	(185)
50		Total General Plant		17,987		914	8,863	230	1,144		(11)	(3)	(14)	1,130
51														
52		Demand Side Management Depreciation Adjustment ¹							(378)					(378)
53														
54														
55		Plant Studied		270,349		7,362	31,745	502	7,486		1,283	55	1,338	8,824
56		Plant Not Studied - Fish Lake Water License, DSM & Land		3,550										
57		Total Plant	S.8.6 L.10	273,899										

(1) Demand side management costs have been fully depreciated and needs to be retired. Upon review of this asset, AEY notes that demand side management has been over depreciated for 2.3 years. As a result, there will be no depreciation on the opening balance, there will be a credit to depreciation of 185 on the immediate retirement of this asset and an additional credit adjustment of 378. This results in a decrease to depreciation expense and revenue requirement.

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AEY-UCG-2-003

**ATCO Electric Yukon (AEY)
2023-2024 General Rate Application (GRA)**

**Information Responses Round 2 (Depreciation) to:
The Yukon Utilities Consumers' Group (UCG)
Received: October 11, 2023**

AEY-UCG-2-003

Reference: *Depreciation and Net Salvage Expenses as a percentage of Revenue Requirement for 2023 Test Year.*

Request:

- (a) Since depreciation expense will make up a significant portion in the applied for revenue requirement, provide an updated chart demonstrating the net impact on the forecast revenue requirement for the 2023 test year with dollar amounts and percentage amounts for capital costs, depreciation increase, net salvage increase, deferred cost of amortization, increase in working capital, long-term debt cost, and ROE increase.
- (b) Provide same chart for forecast 2024 test year.

Response:

- (a-b) Please refer to the table below.

**Table 1: After Tax Revenue Requirement Proportions
(\$000)**

	2023		2024	
	\$	%	\$	%
Cost of Supply	38,959	59.2%	39,984	54.7%
Net Operating Costs	14,823	22.5%	15,084	20.6%
Depreciation (Life) ¹	2,948	4.5%	6,540	8.9%
Updated Depreciation Parameters	(818)	-1.2%	(870)	-1.2%
Depreciation (Salvage) ²	1,738	2.6%	1,762	2.4%
ROE (2017 Approved) ³	5,126	7.8%	6,787	9.3%
ROE (Incremental Applied) ³	309	0.5%	346	0.5%
Cost of Debt	3,448	5.2%	3,704	5.1%

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	2023		2024	
	\$	%	\$	%
Amortization of Deferred Charges ²	(711)	-1.1%	(265)	-0.4%
Total Revenue Requirement	65,821	100.0%	73,070	100.0%
Total Capital Cost	12,750	19.4%	18,268	27.8%
Change in Working Capital ⁴	137	0.2%	137	0.2%

Notes

1. Based on previously approved parameters, net of tax impact of capital addbacks and deductions.
2. Net of tax impact of relative tax addbacks and deductions.
3. Grossed up for income taxes.
4. Total working capital costs are embedded in Return on Equity & Cost of Debt.

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AEY-UCG-2-004

**ATCO Electric Yukon (AEY)
2023-2024 General Rate Application (GRA)**

**Information Responses Round 2 (Depreciation) to:
The Yukon Utilities Consumers' Group (UCG)
Received: October 11, 2023**

AEY-UCG-2-004

Reference: *Various Depreciation Accounts.*

Request:

- (a) Provide all assets that have been replaced since 2016.
- (b) Have any of these replaced assets been retired? Explain how this has been accounted for.

Response:

(a-b) AEY is unable to provide the requested information as it does not have an asset management system that tracks individual assets. AEY accounts for its property, plant and equipment utilizing a mass/group property accounting process, whereby assets are grouped together by asset type. Please refer to AEY's responses submitted on September 28, 2023, to AEY-YUB-001(a-b) Attachment 1 for the accounting policies related to capitalizations, depreciation and retirements. AEY's retirements since 2016 have been included in the Application and again in AEY-UCG-2-004(a-b) Attachment 1. This schedule shows all retirements since 2016 (including what AEY is forecasting in the Test Period), which represents the original cost for assets that have been and are forecast to be replaced. When an asset is retired, 100 percent of the original cost is removed from both the property, plant and equipment and accumulated depreciation – life accounts.

ATCO Electric Yukon (AEY)
2023 - 2024 General Rate Application (GRA)

Continuity Schedule of Capital Retirements by Function
(\$000)

Line No.	Description	Cross Ref.	Actuals						Test Period		Test Period		
			2016	2017	2018	2019	2020	2021	2022	2023	2024	2016	2017
1	Generation												
2	Internal Combustion		(150)	(721)	(112)	(353)	(1,221)	(472)	(765)	(820)	(820)	(518)	(105)
3	Hydro		-	-	-	(816)	(161)	-	(36)	(66)	(66)	-	-
4	Other Retirements Less Than \$20,000		-	-	-	-	-	-	-	-	-	-	-
5	Total Generation Retirements		(150)	(721)	(112)	(1,169)	(1,382)	(472)	(802)	(885)	(885)	(518)	(105)
6													
7													
8	Distribution												
9	Poles, Towers & Fixtures		(86)	(24)	(52)	(174)	(109)	(77)	(87)	(91)	(91)	(226)	(226)
10	Line Transformers		(215)	(19)	(80)	(2)	-	(0)	-	(0)	(0)	(115)	(115)
11	System Communication and Control		-	-	-	-	-	-	-	(481)	(59)	-	-
12	Meters		(1)	-	(7)	(62)	(66)	(80)	(9)	(52)	(52)	(97)	(97)
13	Overhead Conductor, Devices, and Services		(11)	(2)	(74)	(53)	(31)	(14)	(43)	(29)	(29)	-	-
14	Underground Conductor And Devices		(45)	(27)	(45)	(91)	(23)	(12)	(107)	(48)	(48)	-	-
15	Station Equipment		-	-	(15)	(77)	(102)	-	(40)	(47)	(47)	-	-
16	Street Lights		(53)	(30)	(68)	(86)	(32)	(18)	(44)	(31)	(31)	-	-
17	Other Retirements Less Than \$20,000		-	(0)	(2)	(7)	(15)	(3)	(8)	(9)	(9)	(10)	(10)
18													
19	Total Distribution Retirements		(412)	(103)	(344)	(552)	(378)	(205)	(338)	(788)	(367)	(448)	(448)
20													
21	General Plant												
22	Office Furniture & Equipment		-	(16)	-	-	-	(2)	(6)	(3)	(3)	(9)	(9)
23	Vehicles		(282)	(126)	(279)	(52)	(46)	-	(520)	(189)	(189)	(166)	(166)
24	Tool & Work Equipment		-	(64)	(87)	(24)	(37)	(10)	(56)	(34)	(34)	(11)	(11)
25	Demand Side Management		-	-	-	-	-	-	-	(923)	-	-	-
26	Computer Hardware & Software		-	(280)	(2)	(1,613)	(361)	(10)	(31)	(134)	(134)	-	-
27	Structures & Improvements		-	-	-	(74)	(83)	(10)	-	(31)	(31)	-	-
28	Other Retirements Less Than \$20,000		-	-	-	(11)	-	(5)	(2)	(2)	(2)	(1)	(1)
29	Total General Plant Retirements		(282)	(486)	(369)	(1,774)	(526)	(36)	(615)	(1,315)	(392)	(187)	(187)
30													
31	Miscellaneous Other												
32													
33	Total Capital Retirements		(844)	(1,310)	(825)	(3,495)	(2,287)	(714)	(1,754)	(2,989)	(1,644)	(1,154)	(741)

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AEY-UCG-2-005

**ATCO Electric Yukon (AEY)
2023-2024 General Rate Application (GRA)**

**Information Responses Round 2 (Depreciation) to:
The Yukon Utilities Consumers' Group (UCG)
Received: October 11, 2023**

AEY-UCG-2-005

Request:

How much did this Concentric report cost and explain if and how this will be accounted for in the rate case costs.

Response:

At this time, the total cost associated with the report is unknown because AEY will incur additional costs for Concentric to respond to IRs regarding their Evidence, as well as costs associated with preparation and participation in the scheduled Oral Hearing.

Consistent with prior practices, AEY will submit a cost claim to apply for the recovery of the prudently incurred costs associated with the services Concentric provides throughout this proceeding. At that time, AEY will provide the necessary details and invoices to support its cost claim. In the cost claim, AEY will comply with the Board's Rule on Costs regarding maximum allowed rates for consulting services. Consulting costs above the maximum allowed rate will not be recovered from customers. Amounts approved by the Board through the cost claim process will be included in AEY's rate case reserve.