

YUKON UTILITIES BOARD

BOARD ORDER 2022-07

ATCO Electric Yukon and Yukon Energy Corporation

Joint Submission in response to YUB Order 2022-07 Directive on Rate Rebasing

January 9, 2023

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ATCO Electric Yukon and Yukon Energy Joint Submission

1.0 INTRODUCTION

In this submission, ATCO Electric Yukon (“AEY”) and Yukon Energy Corporation (“YEC”) (collectively “the Utilities”) outline various options and provide a recommendation regarding Yukon Utilities Board (“YUB” or “Board”) directive provided in Order 2022-07, Appendix A, paragraph 19 as follows:

The Board is concerned that customers may find the application of YEC’s and AEY’s riders to be confusing. Therefore, the Board directs YEC and AEY to provide, within 180 days of issuance of this Order, a proposal to the Board on incorporating these riders into existing base rates.

2.0 THE CURRENT BILLING SYSTEM, RATES AND RIDERS

The utility rates in Yukon are applied on a postage-stamp basis, i.e., the Utilities share common rate schedules which are applicable to all ratepayers in Yukon, regardless of the Utility providing service. The Utilities also share a common billing system for non-industrial customer classes. The current billing system is beyond its useful life and any customization to the legacy billing system requires specialized knowledge and dedicated testing at significant financial expense. The Utilities can advise that a new billing system is expected to be in service in 2023, which has more flexibility to accommodate changes. Accordingly, to avoid unnecessary expense, the Utilities are advising to implement changes after the new system is in service.

Currently, there are four categories of charges in customer bills:

- 1) **Base Rates** - Base Rates include monthly fixed customer charges, energy and demand rates based on usage.¹ The Base Rates were last approved in Board Order 2011-05 based on a joint Phase 2 General Rate Application (GRA) application by the Utilities.
- 2) **Base Rate adjustment riders (AEY Rider R and YEC Rider J)** – Rider R and Rider J apply on Base Rates as percentages in accordance with OIC 1995/90. These riders are charged to customers based on YUB’s approval following the review of Phase 1 GRAs.
- 3) **Stabilization mechanisms and other riders** – these include the Fuel Adjustment Rider (Rider F), the Purchase Power Adjustment Rider (Rider S), the LWRF Rider (Rider E), other temporary riders such as true-up Rider J1 and Rider R1.

¹ There are also monthly fixed charges, which are applicable to specific industrial customers under Rate Schedule 39.

- 4) **Government subsidies** - there are also bill adjustments for government subsidies, such as the Interim Electrical Rebate and the Yukon Government Inflation Relief Rebate, which fluctuate in accordance with Government directions.

Table 1 illustrates the current rates and riders for the residential customer class. The riders in the table are also applicable for general service customers and industrial customers [except, Rider J for industrial customers at 30.43%].

Table 1: The Existing Rates and Riders for the Residential Customer Class

Residential		Existing Rates	Units	Status
<u>Base Rates</u>				
A	Customer Charge	14.65	\$/month	Active
B	Energy Block 1 (kWh)	12.14	cents/kWh	Active
C	Energy Block 2 (kWh)	12.82	cents/kWh	Active
D	Energy Block 3 (kWh)	13.99	cents/kWh	Active
<u>Base Rate Adjustment Riders</u>				
Applies to A-D	YEC Rider J	34.08%	% of Base Bill	Active
Applies to A-D	AEY Rider R	8.30%	% of Base Bill	Active
<u>Stabilization mechanisms</u>				
Applies to energy	YEC & AEY Rider F	1.6350	cents/kWh	Active
Applies to energy	AEY Purchase Power			
Applies to energy	Adjustment Rider (Rider S)	0.0000	cents/kWh	Inactive
Applies to energy	YEC LWRF Rider (Rider E)	0.0000	cents/kWh	Inactive
<u>Temporary Riders</u>				
Applies to A-D	YEC Rider J1 - true-up	1.85%	% of Base Bill	Active
Applies to A-D	AEY Rate Relief Rider R1	-4.57%	% of Base Bill	Active

3.0 REVIEWED OPTIONS

The YUB and utilities must follow the Yukon Government rate policy requirements in potential rate rebasing, including:

- OIC 1995/090 Section 2.1(1) requires that any rate adjustments must apply equally, when measured as percentages, to all classes of retail customers and the class of major industrial customers.
- OIC 1995/090 Section 7.1 states that YEC's wholesale rate "must be sufficient to enable Yukon Energy Corporation to recover its costs that are not recovered from its other customers."

Based on OIC 1995/090 Section 2.1(1) requirement, rate rebalancing between rate classes is not permitted, therefore, any rebasing should use the same percentage increase to the base rates for all retail and industrial customers.

The following four options are reviewed by the Utilities:

1. Maintaining the status quo
2. Roll Base Rate adjustment riders (Riders J and R) into Base Rates
3. Roll Base Rate adjustment riders (Riders J and R) into Base Rates through a limited scope Phase 2 GRA
4. Roll Base Rate adjustment riders (Riders J and R) into Base Rates on the billing statements

3.1 OPTION 1: MAINTAINING THE STATUS QUO

Under this option, the existing rates and riders remain unchanged. Although this option avoids the additional regulatory burden and costs, it will not address the YUB's directive and the bill statement complexity remains.

BENEFITS	DRAWBACKS
- No new costs to adjust the billing system	- Bill statement complexity remains
- Maximum transparency of costs' sources	
- No additional regulatory burden	

This option is not recommended as it does not address the YUB's concerns.

3.2 OPTION 2: ROLL BASE RATE ADJUSTMENT RIDERS (RIDERS J AND R) INTO BASE RATES

Under this option, the Base Rate adjustment riders Rider J and Rider R would be incorporated into Base Rates without adjusting the wholesale rate. The remaining riders are not included in rate rebasing because, by definition, they are not part of base rates (i.e. they address specific regulatory issues outside of revenue requirement, therefore, will continue to display on their own billing lines.

Currently, Rider R and Rider J are separately tracked to their own respective general ledger accounts which allows for straightforward, clean, automatic revenue transfers between the Utilities. If Riders R and Rider J are incorporated directly into Base Rates, the Utilities would need to perform manual calculations to 'unwind' these amounts out of Base Rates in order to accurately determine necessary intercompany transfers. These calculations would significantly increase in complexity with bill adjustments that span multiple periods, particularly when the riders have been adjusted. The manual calculations would reasonably be expected to significantly increase the likelihood of errors. This also results in added costs for the utilities.

BENEFITS	DRAWBACKS
- Addresses YUB's concern	- Significant ongoing reconciliation complexity for the Utilities which will increase cost and the risk of error.

This option is not recommended because it would add significant ongoing complexity and manual effort to properly parse revenue between the Utilities, in accordance with approved rider amounts.

3.3 OPTION 3: ROLL BASE RATE ADJUSTMENT RIDERS (RIDERS J AND R) INTO BASE RATES THROUGH A LIMITED SCOPE PHASE 2 GRA

Under this option, the Base Rate adjustment riders Rider J and Rider R would be incorporated into Base Rates through a limited scope Phase 2 GRA. The remaining riders are not included in rate rebasing because, by definition, they are not part of base rates (i.e. they address specific regulatory issues outside of revenue requirement, therefore, will still display on their own lines.

Unlike Option 2, under this option, the Utilities must have approved revenue requirements with a common test year and also must file a limited scope Phase 2 GRA where the Base Rate adjustment riders Rider J and Rider R would be incorporated into Base Rates and the wholesale rate would be adjusted to recover YEC’s revenue shortfall resulting from the Base Rate adjustments [i.e., the Utilities do not track Rider R or Rider J and do not transfer the collections between utilities, but recover the costs through the base rates, including revised wholesale rate to compensate for lost Rider J revenues from AEY sales as OIC 1995/090 Section 7.1 requires that the wholesale rate “must be sufficient to enable Yukon Energy Corporation to recover its costs that are not recovered from its other customers.”].

This option results in an extra regulatory burden to complete revenue requirement proceedings with a common test year as well as the described narrow-scope phase 2 proceeding. Further, this option would likely strain the capacity to manage three regulatory proceedings in a relatively short period of time. Additionally, this option would only temporarily simplify customer billing until such time as either of the Utilities files another phase one proceeding as this process generally results in a rider (Rider J (YEC); Rider R (AEY)), assuming another limited-scope phase 2 proceeding is not feasible.

BENEFITS	DRAWBACKS
<ul style="list-style-type: none"> - Temporarily addresses YUB’s concern [the temporary fix is also a drawback] 	<ul style="list-style-type: none"> - Additional and ongoing regulatory complexity, regulatory cost and burden

This option is not recommended because it would add significant ongoing regulatory complexity and added regulatory cost; it would also only address the YUB’s concern temporarily until a separate GRA is filed by YEC or AEY.

3.4 OPTION 4: ROLL BASE RATE ADJUSTMENT RIDERS (RIDERS J AND R) INTO BASE RATES ON THE BILL STATEMENTS ONLY

Under this option, the Base Rate adjustment riders, Rider J and Rider R, would be incorporated into Base Rates only for bill statements. The Utilities would continue to track Rider R and Rider J separately on their own respective general ledger accounts which allows for straightforward, clean, automatic revenue transfers between the Utilities. The customer bill statements, however, would not show the Rider R or Rider J. The remaining more temporary riders, which are adjusted regularly, will still display on their own lines.

Table 2 illustrates the rates and riders under Option 4 for the residential customer class with rate riders incorporated into the base rates when compared to Table 1 with existing rates and riders.

Table 2: The Rates and Riders for the Residential Customer Class under Option 4

		Option 1 - Status Quo	Option 4	Units
Residential				
<u>Base Rates</u>				
A	Customer Charge	14.65	20.86	\$/month
B	Energy Block 1 (kWh)	12.14	17.28	cents/kWh
C	Energy Block 2 (kWh)	12.82	18.25	cents/kWh
D	Energy Block 3 (kWh)	13.99	19.92	cents/kWh
<u>Base Rate Adjustment Riders</u>				
Applies to A-D	YEC Rider J	34.08%	N/A	% of Base Bill
Applies to A-D	AEY Rider R	8.30%	N/A	% of Base Bill
<u>Stabilization mechanisms</u>				
Applies to energy	YEC & AEY Rider F	1.6350	1.6350	cents/kWh
Applies to energy	AEY Purchase Power			
Applies to energy	Adjustment Rider (Rider S)	0.0000	0.0000	cents/kWh
Applies to energy	YEC LWRF Rider (Rider E)	0.0000	0.0000	cents/kWh
<u>Temporary Riders</u>				
Applies to A-D	YEC Rider J1 - true-up	1.85%	1.85%	% of Base Bill
Applies to A-D	AEY Rate Relief Rider R1	-4.57%	-4.57%	% of Base Bill

As mentioned above, the current billing system is beyond its useful life and a new billing system is expected to be in service in 2023. Therefore, this option should not be pursued for the existing billing system but incorporated with the new billing system when it is in service. With the required implementation and testing period, a project to change to customers' statements would not be initiated until the new billing system is in-service. There will be a one-time capital cost associated with making this adjustment in the billing system [estimated to be less than \$25,000].

BENEFITS	DRAWBACKS
- Addresses YUB's concern on an ongoing basis	- Added cost
- Bill statement is less complex for ratepayers	- Implementation date later in 2023

3.5 RECOMMENDATION

Based on reviewed options, the Utilities recommend Option 4 where the Base Rate adjustment riders Rider J and Rider R would be incorporated into Base Rates on bill statements only. The work would be completed after the new billing system is in service.