

1991-2

Interim Order

YUKON UTILITIES BOARD

INTERIM DECISION 1991-2

AUGUST 9, 1991

RE

THE YUKON ELECTRICAL COMPANY LIMITED

AND

YUKON ENERGY CORPORATION

YUKON UTILITIES BOARD
INTERIM DECISION 1991-2

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FRIDAY, THE 9TH DAY OF AUGUST, A.D. 1991

IN THE MATTER OF the "Public Utilities Act",
being Chapter 143 of the Revised Statutes of
Yukon, 186, as amended;

AND IN THE MATTER OF applications by The Yukon
Electrical Company Limited and Yukon Energy
Corporation to the Yukon Utilities Board for
Orders approving changes in existing rates,
tolls or charges for electric light, power or
energy and related services supplied to its
customers within Yukon.

BEFORE:

THE YUKON UTILITIES BOARD

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APPEARANCES

For the Yukon Electrical Company Limited:

M.D. Romanow

For Yukon Energy Corporation:

John Landry

For The Whitehorse Chamber of Commerce:

Pat Duncan

For Himself:

Peter Percival

WITNESSES

For the Yukon Electrical Company Limited:

Grant Lake

For Yukon Energy Corporation:

Michael Sweatman

INTERIM DECISION

1. INTRODUCTION AND BACKGROUND

The Yukon Electrical Company Limited ("YECL") and Yukon Energy Corporation ("YEC") ("the Companies") filed General Rate Applications (GRA's) dated June 6, 1991 with the Yukon Utilities Board ("the Board") for Orders of the Board fixing and approving just and reasonable rates, charges or schedules thereof for electric light, power or energy and related services to be supplied by YECL and YEC, including terms and conditions of service with respect to the test years 1991 and 1992.

The GRA's contained an application for the implementation of interim refundable rates (Interim Applications) representing an overall increase in retail rates of 14.3% effective July 1, 1991 for all bills issued on or after July 1, 1991.

The Board, following public notice, heard the Companies' Interim Applications at a public hearing held in the City of Whitehorse on June 22, 1991. At the public hearing the Companies' witnesses were examined by the Intervenors in attendance and by the Board. The Board heard oral argument from the Companies and the Intervenors in attendance.

On June 25, 1991 the Board issued Interim Order 1991-1 wherein it approved interim rates, tolls or charges effective July 1, 1991 for all billings on and after July 1, 1991 for consumption on and after June 1, 1991. This Interim Order is to remain in effect until final rates arising from the GRA's of the Companies are set.

This Decision outlines the Interim Applications, the positions of the parties and provides the written reasons for the Board's findings with respect to the Interim Applications.

2. POSITION OF THE COMPANIES

Company witnesses explained that the Companies are experiencing substantial increases in operating costs principally due to increased energy consumption, reduced hydraulic generating capability due to the depletion of surpluses previously available from the Aishihik Lake storage, and general increases in operating expenses. The Companies indicated that these increases were expected to continue throughout the test years 1991 and 1992.

The witnesses also indicated that the forecast revenue requirements for 1991 and 1992 did not reflect the impact of any major capital additions. Furthermore, it was noted that YEC was not at this time seeking to recover costs of \$544,000 arising from 1990 expenditures on diesel fuel in excess of the amount budgeted. YEC has elected to defer the recovery of these costs until after 1992. Similarly no attempt is currently being made to recover 1991 fuel over expenditures of some \$300,000.

In argument counsel for the Companies stated that due to the change in timing of the requested rate increase from May 1, 1991 to July 1, 1991 the requested interim increase was only expected to recover approximately 76% of the Companies' forecast 1991 shortfall.

Counsel for the Companies submitted that the Board had the jurisdiction under the provisions of Section 63 of the

Public Utilities Act to grant interim rates when the Board deemed them necessary.

It was further submitted that the concept of fairness to both customers and the Companies must be considered. From the perspective of the customer, fairness incorporates the notion that rate increases should be moderate in order to avoid rate shock, that major changes in rate structures should not be introduced by way of interim rates and that, to the greatest extent possible, those customers who consume the higher cost electricity in 1991 should pay the increased price.

It was submitted that, from the perspective of the Companies, gradual rate increases are preferable and the denial of an interim refundable increase could have a negative impact on the Companies.

Counsel for the Companies emphasized the nature of interim refundable rates noting that only 76% of the applied for increase is being sought on an interim basis and that the final amount of the increase will be determined by the Board only after a full hearing of the general rate applications.

3. POSITIONS OF THE INTERVENORS

a) City of Whitehorse

Although the City of Whitehorse was not represented at the hearing the Board received a letter from its counsel urging the Board to follow the recent practice in Alberta respecting two utilities in which cases the Board allowed interim increases which were significantly less than required.

b) PETER PERCIVAL

Mr. Percival submitted that it might be in the best interests of energy conservation to have rate shock.

He further submitted that due to the provisions of Section 28 of the Public Utilities Act no new rates could come into effect until 90 days after the official filing date.

With respect to the interpretation of Section 28 Counsel for the Companies submitted that

"...the way we read Section 28, it does refer to rates, but the interpretation we place on that is that this 90-day notice requirement is required when a utility intends to charge a rate other than one approved by the Board. If you're dealing with a rate which is approved by the Board, that 90-day rule or notice period does not apply, and the continuation of that section, I think, bears out our interpretation of it when it specifically refers to things such as "new rates" which I suggest is completely consistent with our interpretation. If the utility is intending

to implement a new service offering, this 90-day notice period applies, and that's the manner in which we've interpreted Section 28.

When one views Section 63; and I might also point out Section 28(1) doesn't specifically refer to interim rates in any way. It's strictly rates. Other sections of the Act do specifically mention "interim rate", and I suggest that's also a point to consider. When you look at Section 63, this is an interim rate provision which allows when you deem it necessary. We believe those facts have been brought to your attention today, we believe it's necessary; and if you deem it's also necessary, we believe that an interim rate order may be given at any time after an application. So, that's, how we see those two sections, as opposed to Mr. Percival's interpretation." (Transcript page 78)

c) Whitehorse Chamber of Commerce

The Whitehorse Chamber Commerce ("WCC") expressed concern respecting the rapid pace of the hearing and the lack of notice to businesses and the public. The representative of the WCC explained that its board of directors had not had sufficient time to discuss the issues relating to the GRA's and Interim Applications.

d) Lorne Mountain Electrical Services

Lorne Mountain Electrical Services also expressed concerns respecting the lack of time to research the issues to be addressed at the hearing.

4. BOARD FINDINGS

The Board considers that the granting of interim rates is in keeping with normal regulatory practice and is within the jurisdiction vested with the Board under the provisions of the Public Utilities Act. Interim refundable rates are generally granted in special circumstances where there will be a delay in hearing the utility's application for final rates and where failure to grant interim rate relief could result in rate shock and affect the utility's financial integrity.

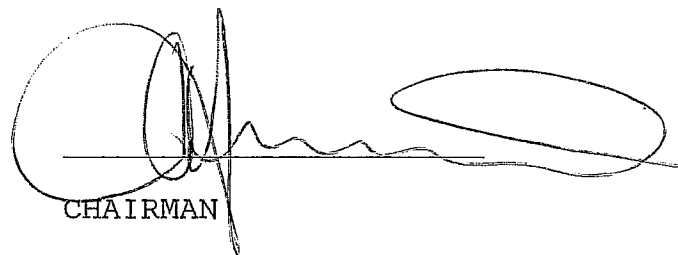
After reviewing the evidence and arguments presented at the hearing the Board is satisfied that the granting of rate increases to the Companies on an interim refundable basis is fair to both consumers and the Companies. The Board considers that the Companies have demonstrated that an interim increase is appropriate in the current circumstances in order to prevent serious harm occurring prior to its final decision on the GRA's.

The Board wishes to emphasize that the rates have been approved on an interim refundable basis. Final rates will not be set by the Board until the completion of the full hearing process during which all intervenors will be given an opportunity to examine the issues in which they are interested and to express their concerns to the Board.

Nothing in this Decision shall bind, affect or prejudice the Board in any way in its consideration of any other matter or question relating to the Companies.

DATED AT WHITEHORSE, YUKON this 28th day of August 1991.

YUKON UTILITIES BOARD



CHAIRMAN