

1992-4

YUKON UTILITIES BOARD

DECISION 1992-4

JANUARY 17, 1992

RE

YUKON ELECTRICAL COMPANY LIMITED

and

YUKON ENERGY CORPORATION

YUKON UTILITIES BOARD

DECISION 1992-4

FRIDAY, THE 17TH DAY OF JANUARY, A.D. 1992

IN THE MATTER OF the "Public Utilities Act",
being Chapter 143 of the Revised Statutes of
Yukon, 1986, as amended;

AND IN THE MATTER OF applications by 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 Yukon Energy Corporation:	P.J. Landry
For the Yukon Electrical Company Limited:	M. D. Romanow
For City of Whitehorse:	E.J. Walter Michael Davies
For Curragh Resources Inc.:	Ian Blue Ms. Robin Adelson
For The Whitehorse Chamber of Commerce:	David Morrison
For Himself:	Peter Percival Gary McRobb
For Himself:	Doug Craig
For Independent Alliance:	Ms. B. Firth A. Nordling

WITNESSES

For Yukon Energy Corporation:

Cam Osler
Michael Sweatman
John Maissan
Fred Berger

For the Yukon Electrical Company Limited:

Grant Lake
Harvey Kerslake
Rory Nugent
Kathleen McShane
Doug Baer
John Carroll
Don Willems
Wayne Wright
Owen Edmondson
Kirk Poteet
Richard Stout
Hector Campbell

Curragh Resources Inc:

David Parcell

1. INTRODUCTION

Yukon Electric Company Limited ("YECL") and Yukon Energy Corporation ("YEC") ("the Companies") filed Applications dated June 6, 1991 with the Yukon Utilities Board ("the Board") for an order or 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 the Companies including terms and conditions of service. The Companies made an Application for the implementation of interim refundable rates representing an over-all increase in retail rates of 14.3% effective July 1, 1991 for all bills issued on and after July 1, 1991.

The Board, following public notice, heard the Companies' Application at a public hearing held in the City of Whitehorse on June 22, 1991. On June 25, 1991 the Board issued Interim Order 1991-1 wherein it approved an over-all increase in retail rates of 13.5% as interim refundable rates effective July 1, 1991. The Board issued its reasons for its Interim Order 1991-1 in its Decision 1991-2.

The Board held pre-hearing conferences on August 8, 1991 and October 22, 1991 to establish the hearing schedule and to resolve other issues relating to the conduct of the hearing. Subsequent to the pre-hearing conferences intervenors were provided with an opportunity to make written information requests to YECL and YEC and these requests elicited written

responses which were made available to all parties prior to the hearing of the Application. Written information requests by the Board together with responses thereto were also made available to all parties prior to the hearing of the main Applications. The hearing of the main Applications was held in Whitehorse November 25-29, 1991. Subsequent to the hearing the applicants and intervenors were provided with the opportunity to submit written argument and reply argument.

In the course of the hearing members of the public who were not registered as intervenors were invited to participate in the proceedings. Dr. Doug Craig, who conducted a study on the wind regime in the neighbourhood of Whitehorse read into the record some brief comments on wind energy and submitted a technical report entitled "Wind Energy Potential". The Independent Alliance made an oral presentation to the Board just prior to the adjournment of the public hearing.

The Board in this Decision will deal with the matter of rates and electric service regulations of both YECL and YEC and will provide reasons with respect to the Board's Decision on these matters.

The Board will deal with the matter of rate base, fair return on rate base and total electric utility revenue requirement for the approved test years for YEC and YECL in Decisions 1992-1 and 1992-2 respectively.

The Board considers it appropriate to deal with rate matters relating to YECL and YEC on a joint basis due to the relationship between the two corporations and the directives contained in Order-in-Council, 1991/62.

With respect to the design of rates for the two companies Mr. Stout made the following statement:

" The OIC 91/62 constrained rate design specifically and specified a number of criteria. They were, the rates had to meet the overall revenue requirements and the same percentage increase had to be applied to all rate classes. Equalized non-government rates had to be maintained for up to 1,000 kilowatt hours per month consumption for residential customers and 2,000 kilowatt hours per month consumption for general service customers.

The runout or last block of the energy charges on the rates were to be moved towards the incremental cost of generation by zone. The government rates would [sic] to be simplified and maintained greater than or equal to non-government rates.

Any remaining rate design freedom overlooked by the OIC was to follow what might be referred to as normal rate design principles.

The only criterion of significance that perhaps we have leeway to consider was that of rate stability through examination of the resulting bill comparisons shown in Section 8." (Tr.1008)

2. PROPOSED CHANGES IN RATES

2.1 General

Base rates were designed by the Companies to recover their 1992 revenue requirement and the shortfall forecast to be realized in 1991. In accordance with Order-in-Council, 1991/62 the over-all percentage increase in rates in 1992 for residential and general service retail classes are equal. The Companies proposed a 5.2% rate increase to these classes for 1992.

The Board does not consider it appropriate to include in the base rates set for 1992 the provision for the recovery of YECL's and YEC's forecast revenue shortfalls for 1991.

The Board directs the Companies to reflect the impact of their aggregate shortfall for 1991 as determined after giving effect to this Decision and Decisions 1992-1 and 1992-2 by way of a temporary rider for a 12 month period.

2.2 Government Rates

With respect to government rates Order-in-Council, 1991/62 states the following:

"Retail rate adjustments

3. The Board must ensure that rate adjustments for retail customers apply equally, when measured as percentages, to all classes of retail customers.

Retail rates: government customers

7.(1) The Board must fix rates for government customers in accordance with the following power rate policy for Yukon

(a) subject to section 3, rates for government customers may be adjusted so as [to] simplify the rate structure and make the rates more consistent throughout Yukon;

(b) the rate for government customers in a community may not be lower than the rate for similar service to non-government retail customers in that community."

In the Companies' Applications it states that:

"In accordance with Order-in-Council 1991/62, government residential and general service classes will receive the same overall percentage increase as other retail customer classes; in addition, government rates will be simplified and made more consistent throughout Yukon." (Page 2-5 YECL Application, Page 2-5 YEC Application)

After reviewing the proposed tariffs the Board notes that the Companies have simplified the government rates by establishing equalized residential rates for the first 1,000 kilowatt hours consumed per month and equalized general service rates for the first 2,000 kilowatt hours consumed per month. For purposes of establishing the runoff rates for government customers, the Companies used the same rate zones as used for the non-government retail customers.

The Board also notes that the rates for residential government service and general government service are greater than the rates established for residential non-government service and general non-government service.

The Board approves the Companies proposed simplified rate structure for government retail rates.

2.3 Industrial Rates

Section 8 of the Order-in-Council, 1991/62 deals with the rates for industrial customers and states as follows:

"Rates - major and isolated industrial customers

8.(1) The Board must ensure that the rates charged to major industrial power customers, whether pursuant to contracts or otherwise, are sufficient to recover the costs of service to that customer class; those costs must be determined by treating the whole Yukon as a single rate zone and the rates charged by both utilities must be the same.

(2) Notwithstanding subsection (1), the Board must ensure that rates charged to Curragh Resources Inc. and United Keno Hill Mines Limited by Yukon Energy Corporation conform with any contract between Yukon Energy Corporation and Curragh Resources Inc. or United Keno Hill Mines Limited.

(3) Rates of isolated industrial customers served by Yukon Energy Corporation or The Yukon Electrical Company Limited must conform with any contract between the customer and Yukon Energy Corporation or The Yukon Electrical Company Limited and the costs and revenues related to those contracts may not be considered by the Board when establishing rates for other customers."

The Board has reviewed the contract between Yukon Energy Corporation and Curragh Resources Inc. and YEC's proposed tariff for Curragh Resources Inc. and has concluded that the tariff is consistent with the amended contract.

The Board notes in reviewing the Cost of Service Study provided by the Companies that the revenue to cost ratio for industrial customers is 85.81%.

The Board recognizes that Curragh Resources Inc. is Yukon Energy Corporation's principal industrial customer and that based on the Cost of Service Study in the current general rate application the revenues generated from Curragh Resources Inc. are not sufficient to cover the costs attributable to Curragh Resources Inc.

The Board considers that with respect to the Order-in-Council's specific directive (that the Board must ensure that rates charged to industrial customers conform with any contract) overrides the general directive (that the rates charged to major industrial customers, whether pursuant to contracts or otherwise, are sufficient to recover the cost of service to that customer class).

The Board approves the proposed industrial tariffs, however, the Board is concerned with the revenue to cost ratio for the industrial customers and will examine this issue in the cost of service review.

2.4 Wholesale Rates

With respect to the wholesale rates Order-in-Council, 1991/62 states:

"Wholesale rates

9. The Board must fix rates of Yukon Energy Corporation for the wholesale power customer in accordance with the following rate policy for Yukon:

(a) Yukon Energy Corporation shall sell electricity to The Yukon Electrical Company Limited at the same demand rate and the same energy rate throughout the Yukon and those rates must be sufficient to enable Yukon Energy Corporation to recover its costs that are not recovered from its other customers;

(b) the wholesale rate to The Yukon Electrical Company Limited shall include appropriate provisions to ensure that Yukon Energy Corporation will recover its costs for retail and major industrial power service with adoption of the rates for retail power customers and major industrial power customers as specified herein."

At page 2-6 of YECL's Application it states:

"The wholesale rate, for the purposes of this Application, has been based on an inter-utility transfer which allows YECL and YEC each to meet their respective revenue requirements based on the retail rates as applied for and the assumptions set out above with respect to Curragh rates."

The Board views the wholesale rate as a method of balancing revenues to costs as between YECL and YEC and, accordingly, approves the Companies' method of determining the wholesale rate and the structure of the proposed wholesale rate.

2.5 Residential and General Service - Non-Government Rates

2.5.1 General

With respect to the retail rates for non-government customers Order-in-Council, 1991/62 states:

"Retail rates: non-government customers

6.(1) The Board must fix rates for retail customers, other than government customers, in accordance with the following rate policy for Yukon

(a) subject to subsection (2), the rates for non-government retail customers must be the same throughout the Yukon and must be sufficient to recover costs that are not to be recovered from government customers or from major industrial customers;

(b) subject to subsection (2), rates for each class of non-government retail customer must be the same throughout Yukon and without variation between Yukon Energy Corporation and The Yukon Electrical Company Limited customers;

(2) Separate runoff rates must be allowed for non-government retail customers to reflect short-term incremental energy costs in communities supplied primarily by generation other than hydro, but

(a) for residential non-government retail customers, the runoff rate may be applied only to consumption in excess of 1,000 kWh per month, and

(b) for general service non-government retail customers, the runoff rate may be applied only to whichever of the following the Board approves:

(i) consumption in excess of 2,000 kWh per month, or

(ii) consumption in excess of a level which would, for an average customer of

that class, be equivalent to 2,000 kWh per month for general service non-government retail power customers."

At page 2-4 of YECL's Application it states:

"In accordance with Order-in-Council, 1991/62, proposed non-government retail rates continue to be equalized throughout the Yukon differing only in the price of the run-out energy block (in excess of 1,000 kW.h/month for residential customers or 2,000 kW.h/month for general service)."

The Board approves the structure of the non-government retail rates for the purposes of this Decision.

2.5.2 Runoff Rates

For purposes of developing runoff rates the Companies divided Yukon into four zones - hydro, large diesel, small diesel and Old Crow.

In response to a Board information request the Companies provided a comparison of the incremental costs with the existing and proposed runoff rates for each zone. In reviewing the comparison the Board notes that there is a significant difference in most cases between the proposed runoff rates and the estimated incremental costs. The Board notes that in some cases the runoff rate has moved away from the incremental costs for that zone.

In response to that same information request the Companies state:

"In many instances, constraints such as meeting the revenue requirement while combining several government rates and ensuring that each customer class received the same over-all percentage increase made it impossible to move some rates towards incremental costs without developing a much more complex and ultimately confusing rate structure which was felt to be undesirable. YECL maintains that under the constraints in place at the time, these proposed rates represent a progression towards rates which will provide a proper price signal to customers."

The Board is concerned with the extent to which the runoff rates reflect the incremental costs and will examine this issue further in the upcoming cost of service review.

During cross-examination it was established by intervenors that Lower Post and Upper Liard are served from the Watson Lake large diesel zone. However, for purposes of charging a runoff rate the Companies have included Lower Post and Upper Liard in the small diesel zone.

A Company witness stated:

"As a rate designer starting with a blank sheet, I would certainly have included Lower Post and Upper Liard in the large diesel zone." (Tr.1035)

Peter Percival submitted in his argument that in the interests of fairness YECL should be ordered to transfer the communities of Lower Post and Upper Liard into the large diesel zone. The Board concurs with Peter Percival and

directs the Company to move Lower Post and Upper Liard into the large diesel zone for purposes of determining the runoff rate.

2.5.3 Fuel Costs

In response to an information request the Companies provided estimated incremental costs of supplying electricity for each rate zone. The Board notes that the forecast cost of fuel varies from 27.24 cents per litre to 66.59 cents per litre depending on the rate zone.

During cross-examination a Company witness indicated that the Companies did not ask suppliers to separate the price for fuel from the transportation costs when they provided the Companies with their bids. The witness also stated:

"Well, I don't know specifically how the supplier determines what his price is going to be in each one of those locations. You would think that one of the larger components would be transportation. Volume may be another factor in that determination." (Tr.834)

The Board also notes that the Companies did not provide details of how the fuel cost per litre was determined for each location for purposes of determining the incremental cost of supplying electricity.

The Board will examine the method of determining the fuel cost per litre for each rate zone during the upcoming cost of service review and directs the Companies to provide a detailed calculation of incremental fuel cost for each rate zone.

3. ELECTRIC SERVICE REGULATIONS

The Companies' evidence included revised Electric Service Regulations ("ESR"). The Companies indicated the ESR were revised to meet the following objectives:

"- to simplify the ESR's to promote better understanding and uniform interpretation by both customers and staff; and

- to ensure that the terms and conditions of service allow the company to meet the expressed needs of its customers."

With respect to Board approval of the future changes to the ESR, Clause 2.1 of the proposed ESR states:

"The Company may amend these regulations by filing a notice of amendment with the Board. Included in the notice to the Board shall be notification of which customer groups are affected by the amendment and an explanation of how affected customers will be notified of the amendments. The amendment will take effect 60 days after such notice is filed unless the Board orders otherwise."

The Board is concerned that the proposed 60 days may not be sufficiently long enough to allow the Board to assess the proposed changes. Accordingly, the Board directs the Companies to revise Clause 2.1 to provide that:

"The amendment will take effect 120 days after such notice is filed unless the Board orders otherwise."

With respect to the Companies' security deposit policy the Companies' evidence stated that the existing ESR policy:

"... limits request for security deposit to customers unable to establish satisfactory credit rating, those who have been disconnected or those where a current-limiting

device has been installed." (Tab 11, Page 5
of YECL's Application)

In their current Applications the Companies proposed that the policy be changed to allow the Companies to request a deposit from any customer.

With respect to the proposed change a Company witness stated:

"Mr. Stephen, I think the thought there was to -- perhaps something that's unusual about the Yukon is in areas where the customer is likely to be transient, moving in and out very quickly, the company felt they wanted to be in the position to be able to take a security deposit without having necessarily to establish a credit rating under those circumstances." (Tr.1073)

A Company witness stated further:

"In the areas that we contemplated charging deposits are places like Faro, and traditionally Dawson City, where we have a lot of seasonal or a lot of short-term people coming in. Everyone in this area would be charged a deposit." (Tr.1073)

The Board considers the Companies' proposed security deposit policy may be discriminatory to certain communities. Accordingly, the Board directs the Companies to revise the proposed ESR with respect to security deposits to reflect the Companies' previous policy as described at Page 15 of this Decision.

4. RELIABILITY OF SERVICE

In Board Decision 1989-3 the Board expressed concern with respect to the reliability of service provided by the Companies.

The evidence adduced during the current general rate application indicates there has not been any significant improvement in the reliability of service.

The Board considers it is vital that the Companies improve the reliability of their services. Accordingly, the Board directs the Companies to provide, on a monthly basis, details of all service interruptions and power surges including the date, time and duration. The information should also include a detailed description of the cause of the interruption or surge, together with a detailed description of remedial action taken by the Companies.

The Board also directs the Companies to file with the Board within 30 days of this Decision details of the Companies' program to minimize future interruptions and surges.

ORDER

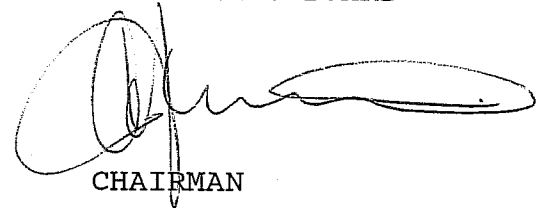
NOW THEREFORE IT IS ORDERED THAT:

Yukon Electrical Company Limited and Yukon Energy Corporation shall prepare and file with the Board within

thirty (30) days a schedule of just and reasonable rates and appropriate riders for the test year 1992 in accordance with this Decision and Decisions 1992-1 and 1992-2.

DATED AT WHITEHORSE, YUKON this 17th of January, 1992

YUKON UTILITIES BOARD

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a series of loops and a long horizontal stroke.

CHAIRMAN