

1994-5

YUKON UTILITIES BOARD

DECISION 1994-5

MAY 24, 1994

RE

YUKON ENERGY CORPORATION AND
THE YUKON ELECTRICAL COMPANY LIMITED

YUKON UTILITIES BOARD

DECISION 1994-5

TUESDAY, THE 24TH DAY OF MAY, 1994.

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 a joint application by
Yukon Energy Corporation and The Yukon
Electrical Company Limited to the Yukon
Utilities Board for Review and Variance of
Yukon Utilities Board Decision 1993-8.

BEFORE:

THE YUKON UTILITIES BOARD

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1. INTRODUCTION AND BACKGROUND

1.1 THE APPLICATIONS

Yukon Energy Corporation ("**YEC**") and The Yukon Electrical Company Limited ("**YECL**") ("**the Companies**") filed joint Applications for Review and Variance of Decision 1993-8 dated November 23, 1993. The Applications were made pursuant to Section 62 of the *Public Utilities Act* (the "**Act**") and Rule 27 of the Yukon Utilities Board ("**the Board**") *Rules of Practice* ("**Rules**") for an Order varying:

- (a) the Board's ruling, pursuant to Paragraph 1.4 of its reasons, that the Board is not mandated by Order-in-Council ("**OIC**") 1991/62 to follow Canadian precedent for similar utilities when reviewing and approving rates, and further that there are "no similar utilities that the Board can look to as a basis for comparison";
- (b) the Board's ruling, pursuant to Paragraph 5.3.2 of its reasons, that a gain of \$300,000 relating to the Fish Lake Properties be deferred and amortized over a period of five years commencing in 1993;
- (c) the Board's ruling, pursuant to Paragraph 5.3.1 of its reasons, that the gain on the sale of the Warehouse Land and Company House #1 be deferred and amortized over five years;

- (d) the Board's ruling, pursuant to Paragraph 4.3 of its reasons, that an 8.13% interest rate is the appropriate interest rate for the YEC debt owed to Yukon Development Corporation ("YDC");
- (e) the Board's ruling, pursuant to Paragraph 5.1.8 of its reasons, that there is a potential overlap between YEC head office staff and YECL employees and, therefore, YEC's revenue requirements should be reduced by \$70,000 for 1994;
- (f) the Board's ruling, pursuant to Paragraph 5.1.7 of its reasons, that the appropriate inflation factor for "other" O&M costs is 1.75% for each of 1993 and 1994 ("the Test Years") and the appropriate reductions to the other O&M expenses;
- (g) the Board's ruling, pursuant to Paragraph 5.1.11 of its reasons, that the Companies are not entitled to a return on the unamortized balance of the deferred pre-1993 DSM costs;
- (h) the Board's ruling, pursuant to Paragraph 5.1.12 of its reasons, that the total DSM O&M and capital expenditures should be reduced to \$200,000 in 1993;
- (i) the Board's ruling, pursuant to Paragraph 5.1.5 of its reasons, that YECL's insurance expense be reduced by \$20,000 for each Test Year;

- (j) the Board's ruling, pursuant to Paragraph 5.1.14 of its reasons, that there is no need for the "Supervisor of Human Resources" and, therefore, YECL's operating expenses should be reduced by \$50,000;
- (k) the Board's ruling, pursuant to Paragraph 3.10.1.3 of its reasons and the attached Schedules, that YEC's forecast depreciation expense for 1993 is \$3,499,000 and for 1994 is \$3,391,000;
- (l) the Board's ruling, pursuant to Paragraph 5.4.2 of its reasons, that YEC's interest income should not be treated as non-utility income and, therefore, YEC's revenue requirement should be reduced by \$45,000 for 1993 and \$326,000 for 1994;
- (m) the Board's ruling, pursuant to Paragraph 5.1.4.3 of its reasons, that the reduction in the Low Water Reserve of \$1.4 million in 1994 be applied as a reduction to YEC's 1994 revenue requirement; and
- (n) the Board's Order relating to the final revenue requirement to include provision for:
 - (i) \$87,878.99 of costs awarded by the Board to the intervenors for the Capital Hearing in Board Orders 1993-4 and 1993-9; and
 - (ii) the amount of costs awarded by the Board to the intervenors for the 1993 and 1994 GRA.

1.2 THE PROCESS

In a letter dated January 26, 1994 (Exhibit 264) the Minister indicated that he was not prepared to authorize expenses for continuation or a public hearing on the Review and Variance Applications. However, he indicated that he was prepared to authorize, under Section 50 of the Act, reasonable expenses for the Board to review all information obtained during the public hearing into the 1993/94 General Rate Application ("**the GRA**"), to solicit and review additional written submissions from interested parties, and to reconsider its Order.

In Decision 1994-1 dated January 31, 1994, the Board stated that a public hearing would not be held to deal with the Review and Variance Applications and that the parties to the Review and Variance Applications shall proceed as follows:

- "1. February 14, 1994 information requests by the Board and all intervenors shall be provided to the Yukon Electrical Company Limited and the Yukon Energy Corporation (the 'Applicants');
2. February 21, 1994 the Applicants shall respond to any information requests;
3. February 28, 1994 written submissions by all parties;
4. March 7, 1994 rebuttal by all parties;
5. March 14, 1994 Board Meeting to consider material and submissions filed."

The Companies responded to Information Requests issued by the City of Whitehorse ("**the City**"), Peat Marwick Thorne Inc. ("**PMT**"), interim receiver of certain of the assets and property of Curragh Inc. ("**Curragh**"), and the Board.

Arguments were presented by the Companies, the City, PMT and Superior Indoor Climate Engineering ("**SICE**"). Reply Arguments were presented by the Companies, the City, SICE and Friends of Aishihik ("**FOA**"). The Board met on March 14, 15 and 31, 1994 for the purpose of reconsidering Decision 1993-8.

1.3 GOVERNING LEGISLATION

The Applications were brought pursuant to Section 62 of the Act and Section 27 of the Rules.

Section 62 of the Act states:

"The board may review, change or cancel any decision or order made by it, and may re-hear any application or complaint before deciding it."

By use of the word "may", the Board is given the discretion whether or not to review, change or cancel a Decision or Order. Subsections 27(1) and 27(2) of the Rules also govern the Board's actions in dealing with an application for Review and Variance.

Subsection 27.(1) states that:

"Applications for re-opening an application after final submission, or for rehearing after final order, must state the grounds upon which the application be based; if the application is to re-open the matter to receive further evidence, the nature and purpose of the evidence must be stated; if the application is for a rehearing or argument the applicant must state the findings of the fact or of law claimed to be erroneous and a brief statement of the alleged error."

Subsection 27.(2) of the Rules states that:

"When any decision or order of the Board is sought to be reversed, changed, or modified by reason of facts and circumstances arising subsequent to the hearing, or to the order, or by reason of consequences resulting from compliance with such decision, order or requirement which are claimed to justify or entitle a reversal, change or modification thereof, such facts and circumstances or consequences must be fully set forth in the application."

The Board examined each matter contained in the Applications. The Board determined whether it should exercise its discretion to review and vary the matter. If the Board determined that it should exercise its discretion, it examined the merits to determine whether the matter should be varied as requested by the Companies or in some other way.

The Board considers that the onus of establishing that a matter should be reconsidered by the Board is entirely on the Applicants.

In determining whether the Board should exercise its discretion to reconsider a matter, pursuant to Subsections 27.(1) and 27.(2) of the Rules, the Board has considered whether it is satisfied on the balance of probabilities that:

1. An error in fact or law has occurred; or
2. Circumstances have arisen after the hearing that justify a reversal, change or modification of the Decision.

The positions of the parties respecting the matters in the Companies' Applications are contained in their respective Arguments and Reply Arguments. The Companies took the position that all of the matters contained in their Applications were errors of law or errors of fact or errors of law and fact. The Companies did not submit any argument to support this position with respect to each of the matters.

The City divided its Argument on each of the matters into two sections and separately addressed whether the Board should exercise its discretion to review and vary each matter and, if the Board chose to so exercise its discretion, the City provided its position respecting the merits of the Applications.

The positions of the Companies and intervenors respecting each of the issues in the Companies' Applications are contained in separate sections of this Decision.

1.4 STATUS OF PMT

In response to PMT Information Request #1 dated February 14, 1994, the Companies questioned the present status of the receiver of certain of the assets of Curragh. The Companies stated:

"It is to be noted, firstly, that Peat Marwick Thorne does not purport to act generally for Curragh. Secondly, they act only for the creditors relative to certain assets of Curragh by way of protecting those assets for future sales to another."

Without acknowledging that PMT has or should have status in the ongoing proceedings, and solely in the interest of time and scheduling, the Companies responded to their Information Requests.

The Board notes that the Companies did not question the status of PMT in Argument and the Companies responded to PMT's Argument in their Reply.

In a letter dated January 20, 1994 Ian Blue, special counsel for PMT, stated:

"I act as special counsel for Peat Marwick Thorne Inc. ('PMT'), the interim receiver of certain of the assets and property of Curragh Inc. My mandate is with respect to electricity rates in the Yukon as they relate to the FARO mine property and assets, which are part of the assets and property for which PMT is interim receiver."

The Board is satisfied that PMT, as interim receiver of the assets located at Faro, continues Curragh's involvement as an intervenor in the GRA.

2. CANADIAN PRECEDENT

2.1 COMPANIES' APPLICATIONS AND ARGUMENT

In their Applications and Argument the Companies submitted that the Board, in Paragraph 1.4 of Decision 1993-8, erred in law or fact when it determined that, under Section 4 of OIC 1991/62, the Board is not mandated to follow Canadian precedents when reviewing and approving rates, and further that there are "no similar utilities that the Board can look to as a basis for comparison".

The Companies noted that Section 4 of OIC 1991/62 states:

"Normal principles to apply

4. Except to the extent otherwise stated by this Directive or the Act, the Board must review and approve rates in accordance with normal principles applicable in Canada for similar utilities."

The Companies submitted that the only reasonable interpretation of Section 4 is that the Board is mandated to apply principles established in other jurisdictions in Canada for electric utilities, and that the term "similar utilities" does not mean utilities of similar size but rather utilities which deal with the same types of service, i.e., the provision of electricity, numerous of which exist in Canada. The Companies also noted that in previous matters before the Board it reviewed and followed principles established for other Canadian electric utilities.

The Companies submitted that it is unreasonable for the Board to conclude that it is only bound to follow the Yukon Territory Court of Appeal and the Supreme Court of Canada precedents.

The Companies requested that the Board order that its Decision be varied to acknowledge that it is required to follow Canadian regulatory precedent for similar utilities, and further that "similar utilities", as envisioned by Section 4 of OIC 1991/62, do exist in Canada.

2.2 CITY ARGUMENT

In its Argument the City submitted that the Board's ruling in Paragraph 1.4 of the Decision did not result in an error in law or fact.

The City submitted that:

"One should distinguish between 'normal principles applicable in Canada' and 'Canadian precedents'. A 'Canadian precedent' is a specific decision resulting from the use of regulatory principles as applied to an [sic] unique set of circumstances. What the City understands from the Board's decision is that the Board must review rates in accordance with normal regulatory principles. However, the Board thought that it was important to point out that the Companies are facing unique and unusual circumstances to those being faced by other utilities in Canada. Consequently, other Canadian utility decisions would have a limited application to the Yukon scene. The Board appears to be concerned with the approach taken by the Companies in their Written Argument that the Board's decision powers were restricted to following other Canadian utility decisions which may have

involved different circumstances than those faced by the Companies in the Yukon. In effect, these differences are more semantical in nature than real due to the fact that a utility decision made in a different set of circumstances is not really a precedent. A precedent necessarily involves a similar set of circumstances calling for application of a common set of regulatory principles." (Written Submission of The City of Whitehorse, Page 3)

This issue was also addressed by the City in its Reply Argument in the GRA on Pages 1 and 2 where the City stated:

"The City submits that Section 4 of OIC 1992/62 [sic: 1991/62] was not intended to limit the Board in the exercise of its legislative mandate. Section 4 of OIC 1992/62 [sic] simply directs the Board to work within acceptable regulatory principles. Utilizing those regulatory principles, the Board has the discretion to make appropriate decisions. The Utilities are suggesting that the Board cannot arrive at a particular decision unless some previous regulatory board in Canada has already reached a similar decision. This would mean that the Board would not be permitted to reach a decision which was appropriate to the Yukon's unique problems because no previous regulatory board in Canada has been faced with a similar circumstance. To the contrary, the City submits that a reasonable interpretation to be reached for Section 4 of OIC 1992/62 [sic] is that the Board ought to apply acceptable regulatory principles (such as 'fair and reasonable' rates or the principles of prudence reviews) and within these principles reach decisions which are appropriate to the circumstances of the Yukon electrical system. The City submits further that the Board is entitled to consider and may be persuaded by precedents of other jurisdictions both to determine acceptable regulatory principles applicable in Canada and to determine how those principles should be applied in the present case."

The City further stated that it was unable to locate, within the Written Argument and the Reply Argument of the Companies, any mention of a specific Decision which is alleged to be Canadian precedent and which the Board failed to follow. Therefore, the City submitted that the issue raised by the Companies is a moot point and should be ignored by the Board.

2.3 PMT ARGUMENT

PMT in its Argument noted that the Board is always required to review precedents against the facts adduced in the hearing before it. PMT submitted that it was for the Companies to draw to the Board's attention those precedents which it felt were applicable to the facts of the hearing, how the precedents are relevant and where the Board erred in its Decision.

2.4 SICE ARGUMENT

In its Argument SICE stated that the Companies appear to be relying on "normal principles applicable in Canada" referred to in Order-In-Council 1991/62 being interpreted as "Canadian precedents", whereas the two are quite different. SICE further noted that, when requested by PMT, the Companies failed to reference the applicable precedents.

SICE concluded that normal principles have been followed in arriving at Decision 1993-8 and that a variance is not justified.

2.5 BOARD FINDINGS

It is first necessary to distinguish between a "principle" and a "precedent". "Black's Law Dictionary" defines these two terms as follows:

Principle: "A fundamental truth or doctrine, as of law; a comprehensive rule or doctrine which furnishes a basis or origin for others; a settled rule of action, procedure, or legal determination. A truth or proposition so clear that it cannot be proved or contradicted unless by a proposition which is still clearer. That which constitutes the essence of a body or its constituent parts. That which pertains to the theoretical part of a science."

Precedent: "An adjudged case or decision of a court, considered as furnishing an example or authority for an identical or similar case afterwards arising or a similar question of law. Courts attempt to decide cases on the basis of principles established in prior cases. Prior cases which are close in facts or legal principles to the case under consideration are called precedents. A rule of law established for the first time by a court for a particular type of case and thereafter referred to in deciding similar cases.

A course of conduct once followed which may serve as a guide for future conduct."

The Board notes that the Companies have used the terms "principle" and "precedent" interchangeably. The Board considers that the word "precedent" has a much narrower meaning than that given to the word "principle". The Board has, in this case and in others, as noted by the Companies, followed the principles which are generally used in Canada for the regulation of public utilities.

The Board acknowledges, as it did in Decision 1993-8, that it is required to approve rates in accordance with normal principles applicable in Canada for similar utilities. However, the Board notes the fundamental principle of administrative law that a board is not bound by its earlier decisions or those of any other board.

The Board notes that the term "similar utilities" is not defined in either Order-In-Council 1991/62 nor in the *Public Utilities Act* R.S.Y.T. 1986, as amended. The applicants, during the hearing, did not file any cases or precedents dealing with the definition of the term "similar utilities", nor have they done so in their applications for a Review and Variance of the Board Decision.

Since no evidence was filed dealing with similar utilities and no Canadian precedents were cited during the GRA hearing, the Board essentially is being asked to deal with a moot point. The Board finds, after considering all the material filed by the applicants and intervenors, that the applicants have failed to establish there was an error in law or in fact.

The Board is not persuaded to exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

3. GAIN ON SALE OF FISH LAKE PROPERTIES

3.1 COMPANIES' APPLICATIONS AND ARGUMENT

In their Argument the Companies submitted that the Board erred in law and in fact when it made a finding pursuant to Paragraph 5.3.2 of Decision 1993-8 (Page 96) that the Fish Lake Properties had a value of \$300,000. The Companies submitted that the Board rejected an appraisal without evidence that there were relevant allowances that the appraisal omitted and that the valuation of \$300,000 was founded on advice less considered than the appraisal.

The Companies further submitted that the Board was in error in having made a finding that the value of the whole of the Fish Lake Properties was \$300,000 and in making no deduction for the value of that portion of the property which was or could be retained by the utilities.

The Companies also submitted that the Board was further in error, having made a finding of a gain of \$300,000, by failing to determine and make a proper allowance for the effect of income taxes on that gain.

In their Argument the Companies submitted that there is no basis for determining any gain on sale at this time inasmuch as the transaction has not provided any cash to either YECL or CU Power Canada Limited ("CUPCAN"). The Companies argued that there has been no investment by the customers in the properties by way of depreciation and, therefore, established regulatory precedent would dictate that if any gains had been realized on these properties, the gains would go to the shareholder.

The Companies requested that Decision 1993-8 be varied to delete any attribution of value to the Fish Lake Properties for the purpose of ratemaking or, in the alternative, that the Fish Lake Properties be transferred back into the name of YECL and that there be no attribution or allocation of any gain to YECL as a result of the transaction.

3.2 CITY ARGUMENT

In its Argument the City submitted that there was no error in law or fact as the Board very clearly based its Decision on the value of the property transferred on an affidavit of sworn value. The City also submitted that, if there is an error in the Board's Decision, it could be attributed to the calculation of income taxes related to the gain recognized and the suggestion that not all of the property was transferred as a portion was retained for utility use. The City noted that these two possible clerical errors were ambiguous at best.

The City submitted that there are no grounds which should persuade the Board to exercise its discretion to review and vary its Decision.

3.3 PMT ARGUMENT

PMT submitted in Argument that no new evidence was submitted by the Companies which would lead the Board to another Decision.

3.4 SICE ARGUMENT

SICE submitted that the question of the value of any retained portion of the lands can be adjusted at a future date inasmuch as the matter has been adjourned *sine die*.

SICE also argued that the Board correctly exercised its right and performed its duty in permitting a fair reward for the shareholder and protecting the ratepayer by denying the windfall gain to the shareholder.

3.5 FOA ARGUMENT

FOA supported the submissions of the other intervenors on this matter.

3.6 BOARD FINDINGS

The Board concurs with the City that there is no new evidence available at this time on this issue that was not available to the Board at the time it made Decision 1993-8.

The Board finds that the Companies have failed to establish that there was an error in law or fact when the Board made a finding in Paragraph 5.3.2 that the Fish Lake Properties had a value of \$300,000.

The Board's calculation of income taxes payable by YECL with respect to the gain on sale of the Fish Lake Properties was based on the Companies' evidence that income taxes payable with respect to the gain on the sale of the Fish Lake Properties was based on a selling price of \$100,000.

The Board is not persuaded to exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

4. GAIN ON SALE OF WAREHOUSE PROPERTY

4.1 COMPANIES' APPLICATIONS AND ARGUMENT

The Companies submitted (Paragraph 21 to 26) that the Board erred in fact and in law in finding that the gain on sale of the Warehouse Land and Company House #1 be deferred and amortized over five years. The Companies stated that the Board failed to apply the normal regulatory principle, that the customer does not own the asset and assumes no risks for the value of the asset, when it made its determination.

4.2 CITY ARGUMENT

In its Argument the City submitted that there was no new evidence or clerical error related to this issue, but rather the issue is a matter of fact. The City submitted that:

"... the Board did not err in fact in its decision on this issue. While the Companies complained that they were receiving a return of capital in 1992 dollars after having spent 1969 dollars, they acknowledged that they were compensated for inflation through the rate of return on capital which ratepayers paid on these assets. (WHSE-YEC/YECL-3) Furthermore, they could not distinguish the case of land (where they want stockholders to receive the gain) for [sic: from] depreciable assets (where they acknowledge that ratepayers receive the gain). The Companies agreed that the return of capital on depreciable assets also does not have the inflation component that they stated was appropriate for land. (WHSE-YEC/YECL-3)."

"In the City's view this matter does not meet the threshold test and should not be reviewed and varied."

(Written Submission of the City of Whitehorse,
Page 7)

The City's Argument was supported by PMT, SICE and FOA in their Arguments.

4.3 BOARD FINDINGS

The Board concurs with the position taken by the City that the Companies have failed to provide any new evidence on this issue and have failed to establish that there was an error in law or fact when the Board determined that the gain on sale of the Warehouse Land and Company House #1 be deferred and amortized over five years.

The Board is of the opinion that the Companies have failed to establish an error of fact or law and on this basis the Board will not exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

5. YEC DEBT OWED TO YDC

5.1 COMPANIES' APPLICATIONS AND ARGUMENT

The Companies submitted that in Paragraph 4.3.3 of Decision 1993-8 the Board erred in fact or in law when it determined that the interest rate on YEC long term debt outstanding to YDC was not locked in to a long term rate and was to be redetermined every two years.

The Companies requested that the Board order that its Decision be varied to direct that the interest rate be fixed at 9.79% per annum, that the difference between 9.79% and 8.13% be used to increase the embedded cost of YEC debt, and that YEC be directed to recalculate the 1993 and 1994 revenue requirement on the basis of this increased embedded cost of YEC debt.

5.2 CITY ARGUMENT

In its Argument the City stated:

"There is no new evidence that has arisen, which was not available at the hearing and which would have been a determining factor at the hearing. The City further submits that there is no clerical error or ambiguity that needs clarification. The issue is simply one of interpretation of the evidence." (Written Submission of the City of Whitehorse, Page 8)

The City submitted that there are no grounds for the Board to review and vary its Decision.

PMT, SICE and FOA all submitted that the Board should not exercise its discretion to review and vary Decision 1993-8.

5.3 BOARD FINDINGS

The Board concurs with the City that there is no new evidence that has arisen which was not available at the hearing and which would have supported the position taken by the Companies. The Board notes that in response to an Information Request issued in connection with the Review and Variance process, the Companies provided a copy of the promissory notes payable by YEC to YDC. The notes are payable 367 days after demand by YDC and bear interest at the rate of 9.79% per annum. The amounts due by YEC may be paid on whole or in part at any time without notice, bonus or penalty.

The Board does not consider that the proposed interest rate of 9.79% reflects the terms and conditions of the loans. The Board does not consider that a loan repayable at any time at the option of YEC without notice, bonus or penalty should be established in relation to interest rates applicable to long term Government of Canada debt.

The Board finds that there was no error of fact shown and the Board will not exercise its discretion to review or vary Decision 1993-8 with respect to this matter.

6. YEC SALARY ALLOCATIONS AND CORPORATE POSITIONS

6.1 COMPANIES' APPLICATIONS AND ARGUMENT

The Companies submitted that in Paragraph 5.1.8.4 of Decision 1993-8 the Board erred in fact or law when it found a potential overlap of duties and functions between YEC head office staff and employees of YECL, and therefore YEC's revenue requirements should be reduced by \$70,000. They also submitted that there was no evidence that there was, in fact, duplication.

The Companies submitted that the Board ignored evidence that Mr. Byers had not gone into the overlap issue in any great depth, that elimination of the Vice-President position would only occur if YECL could perform the functions pursuant to the management agreement, as to details of minimum staffing requirements for YEC, as to historical timesheet information, and as to the fact that the management agreement between YEC and YECL was never intended to supplant the need for a senior financial officer of YEC.

6.2 CITY ARGUMENT

In its Argument the City submitted that there is no new evidence or clerical error or ambiguity needing clarification. The City expressed the view that there was duplication of function that the Board recognized in making its Decision.

6.3 OTHER INTERVENOR ARGUMENTS

PMT in its Argument stated that the testimony of Mr. Byers during the proceeding supports the Board's Decision.

SICE and FOA both submitted that the Board should not exercise its discretion to review and vary Decision 1993-8.

6.4 BOARD FINDINGS

The Board concurs with the views expressed by the intervenors and finds that the Companies have failed to establish that there was an error in law or fact when it found a potential overlap of duties and functions between YEC head office staff and employees of YECL.

The Board is not persuaded to exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

7. INFLATION

7.1 COMPANIES' APPLICATIONS AND ARGUMENT

In their Argument the Companies submitted that in Paragraph 5.1.7.3 of Decision 1993-8 the Board erred in fact or in law when it stated that an appropriate inflation factor for forecasting Other O&M expenses is 1.75% for each of the Test Years and directed that O&M expenses be reduced for YEC by \$78,000 in 1993 and by \$39,000 in 1994 and for YECL by \$50,000 in 1993 and by \$79,000 in 1994. The Companies submitted that there was no evidence before the Board to support its finding for a forecast inflation rate of 1.75% applicable to the Companies' Other O&M expenses, and that the reductions directed by the Board for each of the Companies in 1993 were not consistent with the evidence and the impact of adjustments to Other O&M expenses which result from other parts of Decision 1993-8.

The Companies also submitted that the Board did not consider evidence which indicated that Other O&M expenses relevant for the Companies' inflation factors of 3% in 1993 and 2.5% in 1994 must be calculated to exclude labour, fuel, insurance, property tax, the Curragh bad debt expense, and any hearing or other amortization costs.

7.2 CITY ARGUMENT

In its Argument the City submitted that no new evidence had been provided by the Companies on the rate of inflation, although actual experience tends to confirm that the Board's approved rate of 1.75% is reasonable and on the high side relative to recent experience.

The City further stated that it believes that there is no error in law or fact in the case of the Board's interpretation of the evidence. The Board's order is very clear in referencing the evidence being relied on in determining that an inflation rate of 1.75% be utilized for 1993 and 1994. The City submitted that the Board ought not to review this part of its Decision given that inflation forecasts can vary significantly and that the Board had evidence before it that the CPI for Yukon averaged just slightly over 1% for the first four months of 1993. The City submitted that this is an issue of judgment and that the Board applied its judgment to determine an appropriate inflation rate that is supportable, reasonable and currently being confirmed by actual levels of inflation.

The City further submitted that there is possibly an error in the computation of the inflation adjustment as described by the Companies, and it may be determined that this adjustment is material and, therefore, the matter of the computation should be reviewed and varied.

7.3 OTHER INTERVENOR ARGUMENTS

PMT and SICE submitted that the Board's findings with respect to inflation were based on evidence and that there should be no variance of Decision 1993-8. FOA also submitted that there is no basis to alter that Decision.

7.4 BOARD FINDINGS

With respect to the rate of inflation of 1.75% determined by the Board to be applicable for the years 1993 and 1994, the Board concurs with the arguments advanced by the City that there is no new evidence, that the Board's determination of a rate of inflation is an issue of judgment and that the Board applied its judgment to determine an appropriate inflation rate that is supportable and reasonable.

With respect to the computation of the inflation adjustment, the Board based its findings on the evidence before it and fully considered the Companies' assertion that the adjustment must be calculated to exclude labour, fuel, insurance, property tax, the Curragh bad debt expense, and any hearing or other amortization costs. Although the Board attempted to obtain additional clarification to prior Information Responses submitted by the Companies during the Review and Variance process, the Board is not satisfied that this additional information was of assistance to it.

The Board finds that the Companies have failed to establish that there was an error in law or fact when the Board determined a forecast inflation factor of 1.75% and made certain adjustments to the forecast of Other O&M expenses for 1993 and 1994. The Board is not persuaded to exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

8. AMORTIZATION OF PRE-1993 DSM COSTS

8.1 COMPANIES' APPLICATIONS AND ARGUMENT

The Companies submitted that in Paragraph 5.1.11.3 of Decision 1993-8 the Board erred in fact or in law when it stated that it was not persuaded that all pre-1993 DSM expenditures were prudently incurred and, accordingly, it did not allow a return on the unamortized balance of the deferred pre-1993 DSM expenditures. The Companies submitted that, given the evidence on this issue and the Board's previous Decisions, the Board's ruling is patently unreasonable. In particular, the Companies noted that, pursuant to OIC 1991/62, the Companies are entitled to a return on these pre-1993 DSM expenditures that were prudently incurred, that the Decision fails to identify any DSM expenditures that were not prudently incurred, that the Decision does not identify any evidence or arguments by intervenors to support a finding that any of the

expenditures were imprudent, and that the Decision does not consider the fact that the Companies' Application fully reflected the Board's December 7, 1992 Report reviewing the Capital Plans of the Companies.

8.2 CITY ARGUMENT

In its Argument the City submitted that there is no new evidence, clerical error or ambiguity needing clarification. The whole issue relates to the Board's determination of the prudence, or lack thereof, of the incurrence of the DSM expenditures.

8.3 OTHER INTERVENOR ARGUMENTS

PMT, SICE and FOA all submitted that the findings in Decision 1993-8 with respect to amortization of pre-1993 DSM costs should not be altered.

8.4 BOARD FINDINGS

The Board considers that the historical perspective of the issue of pre-1993 DSM expenditures is relevant. In Decision 1992-1 at Pages 45 and 46, the Board noted its concern about the reasonableness of forecast costs included in the 1991/92 General Rate Application, and in particular it noted that the Companies implemented several DSM programs in

1991 prior to the finalization of the Companies' DSM study. It was further noted that the Companies relied primarily on programs that had been implemented in other jurisdictions, and when asked for evaluations from other jurisdictions on the DSM programs implemented by the Companies they were unable to provide any studies or evaluations until subsequent to the public hearing.

The Board concluded in Decision 1992-1 that it would be inappropriate to include any costs relating to DSM expenditures in the Companies' 1991 and 1992 revenue requirements, and directed the Companies to provide detailed support for the 1991 programs and planned 1992 programs in the upcoming Capital Hearing.

The Board's concern continued through the Capital Hearing and is referred to in a number of places in the Board's Report to Commissioner in Executive Council dated December 7, 1992. For example, at Page 108 the Board stated:

"It is clear from the above exchanges with respect to the Commercial Lighting Program, the Hot Water Saver Program and the Power Saver Program, that the Company witnesses did not have a complete understanding of how the programs should work. The Board is very concerned that this lack of understanding may have led to significant errors in the estimates of the savings in demand and energy to be expected from the DSM programs."

In Recommendation #23 of that Report the Board recommended that the Companies develop a full understanding of each of their DSM programs so that they can provide for the estimated savings in demand and energy to be expected from each program.

Further, in Recommendation #24 the Board recommended that the Companies provide to the Board, at the next general rate application, an outline of the ex post evaluation steps to be performed on its existing and proposed DSM programs.

At Page 115 of the above referenced Report the Board stated:

"The Board considers it imperative to implement DSM programs only when it can be established that their implementation will be cost effective. The Board considers that the Companies should be able to support the proposed expenditures in DSM to the same extent that would be appropriate for supply options."

Also at Page 115 the Board stated:

"The Board also has significant concerns that there is a lack of policy direction on DSM issues being provided by YEC's Board of Directors, and that there is a lack of supervision by senior management on DSM issues."

In Recommendation #26 the Board stated:

"The Board recommends that \$24,000 of the 1991 DSM expenditures be disallowed and that the remaining Phase I expenditures made by the Companies for DSM programs be included in the Companies' future revenue requirements. The Board recommends that the YEC Board of Directors provide policy direction on DSM issues, and that senior management take an active role in supervising DSM activities."

At Page 118 of the Report the Board stated that it was its view that the Companies have not demonstrated the need for commissions being paid to retailers to encourage the purchase of energy efficient refrigerators. The Board stated that it considered it appropriate for the Companies to discontinue paying commissions to refrigerator salespersons at that time. Further, the Board did not support payment of direct customer rebates.

The Board finds that the Companies failed in Section 8 of the 1993/94 General Rate Application to adequately address concerns raised by the Board in the 1991/92 General Rate Application and the Capital Hearing. For the reasons stated above, the Board finds that the Companies have failed to establish that there was an error in law or fact when it determined that all pre-1993 DSM expenditures were not prudently incurred and, accordingly, it did not allow a return on the unamortized balance of the deferred pre-1993 DSM expenditures.

The Board is not persuaded to exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

9. REDUCTION OF 1993 DSM EXPENDITURES

9.1 COMPANIES' APPLICATIONS AND ARGUMENT

The Companies submitted that in Paragraph 5.1.12.3 of Decision 1993-8 the Board erred in fact or in law when it stated that total O&M and capital expenditures on DSM in excess of \$200,000 in 1993 would not be cost effective and, therefore, directed that total O&M and capital expenditures on DSM be reduced to \$200,000 in 1993, involving reductions of \$502,000.

The Companies submitted that the Board did not properly consider that over \$200,000 had already been spent on 1993 DSM expenditures at the time of the hearing, that there were limitations to any further cuts in these expenditures, and that the Companies had in their Reply Argument in the GRA indicated maximum reasonable reductions ranging from \$117,000 to \$147,000. The Companies further submitted that Decision 1993-8 does not reference any evidence or intervenor arguments to support a finding that any 1993 DSM expenditures incurred to date were imprudent or should be disallowed, and that the Decision erred in stating that the City recommended that "the capital DSM should be reduced to \$40,000" whereas, in fact, the City's Argument concurred with the position of the Companies that 1993 DSM capital expenditures should be reduced by only \$40,000.

Based on these reasons, the Companies requested that the Board allow O&M expenditures on DSM in 1993 of \$280,000 and total capital expenditures on DSM in 1993 of \$303,000.

9.2 CITY ARGUMENT

In its Argument the City submitted that there was no new evidence, clerical error or ambiguity needing clarification, and that the whole issue related to the Board's interpretation of the evidence before it. The City suggested that the issue appeared to merit review and variance.

9.3 PMT ARGUMENT

In its Argument, PMT stated that at the time of the hearing Mr. Kerslake indicated that the total expenditures for 1993 were then in the neighbourhood of \$200,000 and that the matter should not be varied.

9.4 SICE ARGUMENT

SICE in its Argument stated that the evidence showed that the probability of losing Curragh grew during the latter half of 1992 so that the Companies' "business as usual" approach to DSM in early 1993 was not appropriate, and accordingly the Board should not vary its findings.

9.5 BOARD FINDINGS

During the hearing Mr. Kerslake, when asked what the consequence would be if the Companies were required to reduce their DSM budget to \$200,000 in 1993, stated:

"I dare say we have surpassed that already.
So it would be difficult in '93 to go back to
that level." (Tr.1314, L.1-3)

In response to Information Request BD-YEC/YECL-8 dated February 14, 1994 the Companies provided a schedule showing actual 1993 DSM expenditures on O&M and capital as of July 31, 1993. The total expenditures shown on this schedule amounted to \$290,995 for O&M and \$147,548 for capital, a total of \$438,543.

The Board considers that the Companies had ample opportunity during the course of the hearing or prior to filing its Argument in the GRA to provide the Board with accurate evidence respecting its actual 1993 DSM expenditures as of July 31, 1993.

The Board has difficulty comprehending why the Companies did not, during the course of the July 1993 GRA hearing, produce proper evidence to show their DSM expenditures to July 31, 1993. The Board clearly was led to believe that \$200,000 was an approximate figure of expenditures to July 31, 1993. The Companies did not seek to call evidence at the time of the hearing in July 1993, nor did the Companies seek to reopen the hearing or seek leave to file further

evidence with respect to their actual expenditures for DSM. Now, in 1994, the Companies are producing evidence as to their actual DSM expenditures. This evidence ought to have been produced by the Companies in July 1993. Further, the Companies have not sought to reopen the matter to receive further evidence.

The Board finds that the Companies have failed to establish that there was an error in law or in fact when the Board determined that the total O&M and capital expenditures on DSM in excess of \$200,000 in 1993 would not be cost effective and, therefore, directed that the total O&M capital expenditures on DSM be reduced to \$200,000 in 1993.

The Board is not persuaded to exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

10. RESERVE FOR INJURIES AND DAMAGES

10.1 COMPANIES' APPLICATIONS AND ARGUMENT

In their Argument the Companies submitted that in Paragraph 5.1.5.3 of Decision 1993-8 the Board erred in fact or in law by directing that YECL's insurance expense be reduced by \$20,000 for each Test Year, given that there was no evidence before the Board to justify such a reduction.

10.2 CITY ARGUMENT

In its Argument the City agreed with the Companies that there appears to be an error on this issue.

10.3 BOARD FINDINGS

The Board finds that there has been a clerical error with respect to this matter which falls under the category of an error of fact. The Board will exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

The Board accepts the explanation submitted by the Companies in Argument and will adjust Decision 1993-8 to reflect the variance requested by increasing YECL's O&M expense by \$20,000 for each Test Year.

11. HUMAN RESOURCES SUPERVISOR

11.1 COMPANIES' APPLICATIONS AND ARGUMENT

In their Argument the Companies submitted that the Board was in error in finding in Paragraph 5.1.14 of Decision 1993-8 that there is less need for the Supervisor of Human Resources than previously and in making no allowance for any cost of having the services performed by the parent or associated company once the Yukon staff is reduced as directed by the Board.

11.2 CITY ARGUMENT

The City submitted in its Argument that there is no new evidence, clerical error or ambiguity needing clarification. The City submitted that this issue does not fall within any of the tests that would qualify it for review. The City states that the Board's order is very clear that in the 1991/92 General Rate Application, Decision 1992-2, the Board found that a new position of Human Resources Manager at a cost of \$50,000 was not required and the Board continues to hold that view.

11.3 PMT ARGUMENT

In its Argument, PMT stated that the Board in Decision 1992-2 determined that an additional person was not then necessary and the Companies did not call any evidence at the current hearing to justify their need for this position.

11.4 SICE ARGUMENT

SICE in its Argument noted that the Companies did not seek a review of Decision 1992-2 where a similar deduction was made by the Board.

11.5 BOARD FINDINGS

The Board concurs with the arguments advanced by the intervenors and finds that the Companies have failed to establish that there was an error in law or fact when the Board determined that there is less need for the Supervisor of Human Resources than previously and when the Board did not make an allowance for any cost of having the services performed by the parent or associated company once the costs associated with Yukon staff were reduced as directed by the Board.

The Board is not persuaded to exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

12. DEPRECIATION EXPENSE

12.1 COMPANIES' APPLICATIONS AND ARGUMENT

The Companies submitted that in Paragraph 3.10.1.3 of Decision 1993-8, and in the attached Schedules, the Board erred in fact or in law when it determined that the depreciation expense for YEC was \$3,499,000 for 1993 and \$3,931,000 for 1994.

The Companies noted that in Decision 1993-8 the Board provides direction that WAF diesel unit depreciation is to be reduced by 50% and no other direction was provided by the Board with respect to the calculation of YEC's depreciation expense.

The Companies requested that the Board vary its Decision by increasing YEC's depreciation expense by \$68,000 in each of the years 1993 and 1994, and further that YEC be directed to recalculate the 1993 and 1994 revenue requirements on the basis of this increased depreciation expense.

12.2 CITY ARGUMENT

In its Argument the City indicated that the matter should be reviewed by the Board.

12.3 BOARD FINDINGS

In response to an Information Request the Companies provided a detailed calculation of 1993 and 1994 depreciation expense at each location on the WAF system for each of YEC and YECL.

The Board continues to hold the view that depreciation expense for diesel units on the WAF system should be reduced by 50% for the 1993 and 1994 Test Years.

The Board has determined that there was a double-counting of the depreciation expense for the Faro peaking unit of \$68,000 in each of the years 1993 and 1994. The Board notes that, based on the calculations provided in the response to the Information Request, no adjustment was made for depreciation on YECL's WAF units except for the Teslin peaking unit. The calculations provided by the Companies also indicated the need for further changes to the depreciation adjustment relating to the date on which certain items of plant were placed in service, and thus when depreciation expense commenced.

The Board finds that the appropriate adjustment for diesel depreciation in Decision 1993-8 should be as follows:

	<u>1993</u>	<u>1994</u>	<u>TOTAL</u>
YEC			
WAF DIESEL UNITS (EXCLUDING FARO PEAKING UNIT)	\$220,560	\$222,765	\$443,325
FARO PEAKING UNIT	<u>22,728</u>	<u>46,133</u>	<u>68,861</u>
	<u>243,288</u>	<u>268,898</u>	<u>512,186</u>
YECL			
WAF DIESEL UNIT (EXCLUDING TESLIN PEAKING UNIT)	27,658	27,658	55,316
TESLIN PEAKING UNIT	<u>14,505</u>	<u>16,252</u>	<u>30,757</u>
	<u>42,163</u>	<u>43,910</u>	<u>86,073</u>
TOTAL	<u>\$285,451</u>	<u>\$312,808</u>	<u>\$598,259</u>

The Board will vary Decision 1993-8 to reflect the amended adjustment to depreciation which results in a reduction to the depreciation adjustment of \$93,741. The Board has adjusted return and income tax expense relating to the above-noted adjustments and has reflected all adjustments in the schedules attached to this Decision.

13. SHORT TERM INTEREST INCOME

13.1 COMPANIES' APPLICATIONS AND ARGUMENT

The Companies submitted that in Paragraph 5.4.2 of Decision 1993-8 the Board erred in fact or in law when it determined that YEC's interest income should not be treated as non-utility income and, therefore, YEC's revenue requirement should be reduced by \$45,000 for 1993 and \$326,000 for 1994.

The Companies submitted that the Board either misinterpreted or ignored evidence that the Companies' Application was prepared on the basis that neither short term interest income nor short term interest expense be treated as utility related income or expense, that YECL had short term interest expense and YEC had short term interest income in both Test Years, and that the Companies were not treated consistently in that the issue relating to YECL was adjourned *sine die* whereas the Board made an adjustment to revenue requirement for the net interest income of YEC. The Companies

also submitted that their treatment reflected the Board's ruling in the 1991/92 General Rate Application wherein the Board treated the short term interest income as non-utility income.

The Companies requested that the Decision be varied to exclude short term interest income or expense from the determination of the revenue requirement, and in the alternative that the issue relating to the calculation of YEC's interest income or expense be adjourned *sine die*.

13.2 CITY ARGUMENT

In its Argument the City submitted that there is no evidence, clerical error or ambiguity requiring clarification. The City further submitted that the issue of including the short term cash position in the capital structure of the utility is a complex one which was never canvassed to any great extent at the hearing. The City considered that the issue may merit review and variance at this time, although it further stated that the matter may be best adjourned to a future time.

13.3 FOA ARGUMENT

FOA agreed with the City that this matter should be adjourned to a future time should the Board decide to exercise its discretion.

13.4 BOARD FINDINGS

The Board finds that, as a result of information provided by the Companies in conjunction with the Review and Variance process, it is appropriate for the Board to exercise its discretion to review and vary Decision 1993-8 with respect to this matter.

In response to a Board Information Request in the Review and Variance process, the Companies provided a calculation of the impact of Decision 1993-8 on YEC's interest income. They indicated that YEC's cash flows have been negatively impacted as a result of Decision 1993-8 and that this would result in a reduction in interest income of \$81,000 in 1993 and \$194,000 in 1994. Of these amounts, \$10,000 in 1993 and \$31,000 in 1994 relate to financing costs associated with unrecovered interest expense on the YDC debt and the remaining amounts of \$71,000 in 1993 and \$163,000 in 1994 reflect the impact on YEC's forecast investment income as a result of other findings by the Board in Decision 1993-8. In addition to these amounts, the Companies submitted that other interest income will be reduced by \$310,000 in 1993 and \$364,000 in 1994 due to a change by the Board to the rate of interest on long term debt from 9.79% to 8.13%.

The Board recognizes that Decision 1993-8 will have a negative impact on YEC's cash flow, resulting in a reduction in interest income of \$71,000 in 1993 and \$163,000 in 1994. The Board also recognizes that Decision 1993-8 will have a negative impact on YEC's cash flow associated with the financing of unrecovered interest expense on the YDC debt. The Board has calculated the impact of unrecovered interest expense to be \$10,000 and \$12,000 for 1993 and 1994, respectively.

The Board is not persuaded that short term interest income should be reduced by the impact of the Board's finding respecting the appropriate rate of interest on long term debt payable to YDC. The Board considers that the effect of the Companies' submission is to fully offset the impact of the Board's adjustment respecting the appropriate interest rate on long term debt.

The Board will vary Decision 1993-8 to reflect an increase in YEC's total utility expenses and return of \$81,000 for the 1993 Test Year and \$175,000 for the 1994 Test Year.

14. LOW WATER RESERVE

14.1 COMPANIES' APPLICATIONS AND ARGUMENT

In their Applications the Companies submitted that in Paragraph 5.1.4.3 of Decision 1993-8 the Board erred in fact or law when it determined that the reduction in the Low Water Reserve of \$1.4 million in 1994 be applied as a reduction to YEC's 1994 revenue requirement and that the appropriate way to implement the reduction is by use of a rider.

14.2 CITY ARGUMENT

In its Argument the City stated that the Board may wish to adopt the alternative treatment proposed by the Companies.

14.3 BOARD FINDINGS

The Board continues to hold the view that a selective rate rider, as proposed by the Companies in the GRA, is inappropriate.

The Board considers this matter to be a rate design issue and notes that the Board has not yet issued a Decision approving final rates for the Companies relative to the 1993 and 1994 Test Years. The Board concurs with the Companies' position that a one-time refund, such as the \$1.4 million relating to 1994, can be best accomplished by way of a general rider rather than through an adjustment to base rates.

15. INTERVENORS' HEARING COSTS

15.1 COMPANIES' APPLICATIONS AND ARGUMENT

In their Argument the Companies submitted that the final revenue requirement for 1993 and 1994 should include a provision for \$87,829 of costs awarded to the intervenors at the Capital Hearing by Decisions 1993-4 and 1993-9 and the amount of costs awarded to the intervenors for the 1993/94 General Rate Application.

15.2 CITY ARGUMENT

In its Argument the City stated:

"The Board was clear in its decision that the matter of hearing costs was to be reviewed at a later date (page 32), so it would appear that at this point in time there has not been any decision made on this matter." (Written Submission of the City of Whitehorse, Page 16)

15.3 SICE ARGUMENT

SICE in its Argument asked the Board not to permit the Companies to collect further revenues to cover hearing costs, even those relating to intervenors, until the Board receives reasonable disclosure respecting the Companies' hearing costs.

15.4 FOA ARGUMENT

FOA supported the submissions contained in SICE's Argument.

15.5 BOARD FINDINGS

As noted by the City, the Board at Page 32 of its Decision stated:

"The Board will address the reasonableness of hearing costs incurred by the Companies and intervenors at a later date."

At Page 103 of Decision 1993-8 the Board stated:

"The Board directs the Companies to file with the Board a summary of their external expenses including those of consultants hired to prepare for and attend the hearings, all transportation, hotel and meal costs for participants in the hearing process, and other costs outside of the Companies' day-to-day overhead costs within twenty (20) days of the date of this Decision. All intervenors requesting costs must submit, within twenty (20) days of the date of this Decision, an application for intervenor costs if those intervenors are seeking costs in accordance with the Board's policy and forms."

The Board does not consider the Companies' application in this matter to be an appropriate Application for Review and Variance inasmuch as the Board has not ruled on the subject of company or intervenor costs. The Board will vary Decision 1993-8 to reflect \$87,829 of costs awarded to intervenors with respect to the Capital Hearing under Decisions 1993-4 and 1993-9 and \$155,593 of costs awarded to intervenors for costs with respect to the 1993/94 General Rate Application under Decision 1994-3.

16. COMPANIES' HEARING COSTS

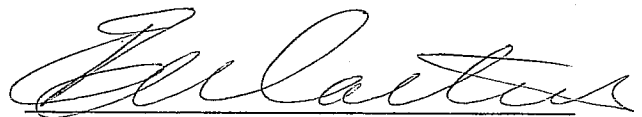
The Board has reflected its findings respecting the Companies' hearing costs in the Schedules attached to this Decision. The reasons for the Board's findings with respect to the Companies' hearing costs will be issued at a later date.

ORDER

THE BOARD HEREBY ORDERS THAT Yukon Energy Corporation and The Yukon Electrical Company Limited shall prepare and file with the Board within fourteen (14) days of the date of this Order:

1. A revised calculation of revenue requirement of each of the Companies for the Test Years 1993 and 1994 in accordance with the Board's findings in this Decision.
2. A schedule of just and reasonable rates and/or riders to be effective for billings on and after July 1, 1994 to reflect the findings in this Decision and its impact, if any, on inter-company sales and growth in unbilled revenue.

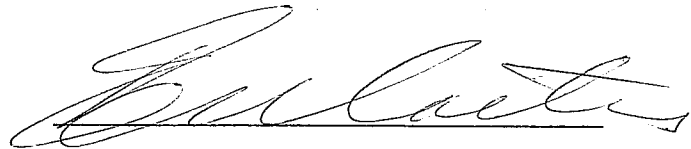
DATED at the City of Whitehorse, in the Yukon Territory this 24th day of May, 1994.

A handwritten signature in dark ink, appearing to read 'Edith Walters', written over a horizontal line.

Edith Walters, Chair
Yukon Utilities Board

YUKON UTILITIES BOARD
DECISION 1994-5

THE FOLLOWING ARE
SCHEDULES "A", "B", "C" AND "D"
FOR EACH OF
YUKON ENERGY CORPORATION AND
THE YUKON ELECTRICAL COMPANY LIMITED
(Consisting of 16 Pages)
ATTACHED TO AND FORMING PART OF
YUKON UTILITIES BOARD
DECISION 1994-5
DATED MAY 24, 1994

A handwritten signature in dark ink, appearing to read 'Edith Walters', is written over a horizontal line.

Edith Walters, Chair
Yukon Utilities Board

YUKON ENERGY CORPORATION

1993

RATE BASE

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENTS	AS AMENDED BY BOARD
PROPERTY, PLANT AND EQUIPMENT			
Year-end balance	<u>132,744</u>		<u>132,744</u>
Deduct:			
Accumulated depreciation	17,895	91	17,986
Construction-in-progress	742		742
Disallowed assets	200		200
Miscellaneous reserves	216		216
Low water reserve	<u>1,905</u>		<u>1,905</u>
	<u>20,958</u>	<u>91</u>	<u>21,049</u>
Add:			
Deferred study costs	1,647		1,647
Other deferred costs	478		478
Accumulated disallowed depreciation	<u>11</u>		<u>11</u>
	<u>2,136</u>		<u>2,136</u>
NET PLANT IN SERVICE			
Current year end balance	113,923	(91)	113,832
Previous year end balance	<u>110,544</u>		<u>110,544</u>
Total	<u>224,467</u>	<u>(91)</u>	<u>224,376</u>
Mid-year balance	112,233	(46)	112,188
Mid year deferred rate case expense	699		699
Unamortized deferred hearing costs		42	42
Unamortized deferred bad debt expense	326		326
Unamortized pre '93 DSM	234		234
Unamortized deferred overhaul costs	219		219
Add: Working Capital	<u>1,189</u>		<u>1,189</u>
	<u>114,899</u>	<u>(4)</u>	<u>114,895</u>
Deduct:			
Contributions in aid of construction			
Current year end balance	1,153		1,153
Previous year end balance	<u>730</u>		<u>730</u>
Total	<u>1,883</u>		<u>1,883</u>
Mid-year balance	<u>942</u>		<u>942</u>
Rate base	<u><u>113,958</u></u>	<u><u>(4)</u></u>	<u><u>113,954</u></u>

YUKON ENERGY CORPORATION

1994

RATE BASE

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENTS	AS AMENDED BY BOARD
PROPERTY, PLANT AND EQUIPMENT			
Year-end balance	<u>136,966</u>		<u>136,966</u>
Deduct:			
Accumulated depreciation	21,723	158	21,880
Construction-in-progress	897		897
Disallowed assets	200		200
Miscellaneous reserves	216		216
Low water reserve	<u>505</u>		<u>505</u>
	<u>23,541</u>	<u>158</u>	<u>23,698</u>
Add:			
Deferred study costs	1,875		1,875
Other deferred costs	434		434
Accumulated disallowed depreciation	<u>15</u>		<u>15</u>
	<u>2,324</u>		<u>2,324</u>
NET PLANT IN SERVICE			
Current year end balance	115,749	(158)	115,592
Previous year end balance	<u>113,923</u>	<u>(91)</u>	<u>113,832</u>
Total	<u>229,672</u>	<u>(249)</u>	<u>229,423</u>
Mid-year balance	114,836	(124)	114,712
Mid year rate case expense	597		597
Unamortized deferred hearing costs		42	42
Unamortized deferred bad expense	571		571
Unamortized pre '93 DSM	409		409
Unamortized deferred overhaul costs	384		384
Working Capital	<u>1,136</u>		<u>1,136</u>
GROSS RATE BASE	<u>117,932</u>	<u>(83)</u>	<u>117,850</u>
Deduct:			
Contributions in aid of construction			
Current year end balance	1,161		1,161
Previous year end balance	<u>1,153</u>		<u>1,153</u>
Total	<u>2,314</u>		<u>2,314</u>
Mid-year balance	<u>1,157</u>		<u>1,157</u>
Rate base	<u><u>116,775</u></u>	<u><u>(83)</u></u>	<u><u>116,693</u></u>

YUKON ENERGY CORPORATION

1993

WORKING CAPITAL ALLOWANCE

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENTS	AS AMENDED BY BOARD
Operating and maintenance	9,518		9,518
Taxes — other than income	<u>255</u>		<u>255</u>
Cash operating expenses	9,773		9,773
15/365 thereof	402		402
Inventory (three year average)	835		835
GST impact on working capital	<u>(48)</u>	<u></u>	<u>(48)</u>
Working capital	<u><u>1,189</u></u>	<u><u>nil</u></u>	<u><u>1,189</u></u>

YUKON ENERGY CORPORATION

1994

WORKING CAPITAL ALLOWANCE

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENTS	AS AMENDED BY BOARD
Operating and maintenance	8,352		8,352
Taxes - other than income	<u>265</u>		<u>265</u>
Cash operating expenses	8,617		8,617
15/365 thereof	354		354
Inventory (three year average)	844		844
GST impact on working capital	<u>(62)</u>		<u>(62)</u>
Working capital	<u><u>1,136</u></u>	<u><u>nil</u></u>	<u><u>1,136</u></u>

YUKON ENERGY CORPORATION

1993

CAPITAL STRUCTURE AND COST OF CAPITAL

(\$,000)

**AS ALLOWED
IN DECISION
1993-8**

	MID YEAR BALANCE	CAPITAL RATIOS %	MID-YEAR RATE BASE	COST RATE %	RETURN
Long term debt	68,378	60.004	68,379	7.467	5,106
Common equity	45,578	39.996	45,579	10.500	4,786
No cost capital	0	0.000	0	0.000	0
	113,956	100.000	113,958	8.680	9,891

AS AMENDED BY BOARD

	MID YEAR BALANCE	CAPITAL RATIOS %	MID-YEAR RATE BASE	COST RATE %	RETURN
Long term debt	68,378	60.004	68,377	7.467	5,105
Common equity	45,578	39.996	45,577	10.500	4,786
No cost capital	0	0.000	0	0.000	0
	113,956	100.000	113,954	8.680	9,891

YUKON ENERGY CORPORATION

1994

CAPITAL STRUCTURE AND COST OF CAPITAL

(\$,000)

**AS ALLOWED
IN DECISION
1993-8**

	MID YEAR BALANCE	CAPITAL RATIOS %	MID-YEAR RATE BASE	COST RATE %	RETURN
Long term debt	69,213	59.900	69,949	5.999	4,196
Common equity	46,334	40.100	46,827	10.500	4,917
No cost capital	0	0.000	0	0.000	0
	115,547	100.000	116,775	7.804	9,113

AS AMENDED BY BOARD

	MID YEAR BALANCE	CAPITAL RATIOS %	MID-YEAR RATE BASE	COST RATE %	RETURN
Long term debt	69,213	59.900	69,899	5.999	4,193
Common equity	46,334	40.100	46,793	10.500	4,913
No cost capital	0	0.000	0	0.000	0
	115,547	100.000	116,693	7.804	9,107

YUKON ENERGY CORPORATION

1993

UTILITY EXPENSES AND RETURN

(\$,000)

	AS ALLOWED IN DECISION 1993--8	BOARD AMENDMENTS	AS AMENDED BY BOARD
Production	3,032		3,032
Transmission and distribution	931		931
General	136		136
Public information	94		94
Commercial	270		270
Administration and general	739		739
Insurance	569		569
Subtotal	5,771		5,771
YEC corporate expenses	678		678
Support services	766		766
Board expenses	45		45
Subtotal	1,489		1,489
O&M not including fuel and purchased power	7,260		7,260
Fuel expense	2,249		2,249
Total operation and maintenance expense *	9,509		9,509
Interest income	(45)	81	36
Adjustment for inflation	(78)		(78)
Property taxes	255		255
Depreciation	3,499	91	3,590
Low water reserve	(400)		(400)
Amortization of deferred hearing costs		83	83
Amortization of deferred planning & study costs	250		250
Amortization of deferred regulatory and downsizing	329		329
Amortization of deferred bad debt expense	163		163
Amortization of pre '93 DSM	117		117
Remove amortization of disallowed '93 & '94 rate base DSM	(19)		(19)
Amortization of deferred overhaul costs	110		110
Remove return on mid year deferred pre '93 DSM	(20)		(20)
Amortization of contributions	(31)		(31)
Total utility expenses	13,639	255	13,894
Return	9,891	(0)	9,891
Total utility expenses and return	23,530	255	23,785

* Purchased power is excluded

YUKON ENERGY CORPORATION

1994

UTILITY EXPENSES AND RETURN

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENTS	AS AMENDED BY BOARD
Production	2,843		2,843
Transmission and distribution	970		970
General	124		124
Public information	90		90
Commercial	299		299
Administration and general	714		714
Insurance	628		628
Subtotal	5,668		5,668
YEC corporate expenses	540		540
Support services	771		771
Board expenses	52		52
Subtotal	1,363		1,363
O&M not including fuel and purchased power	7,031		7,031
Fuel expense	1,312		1,312
Total operating and maintenance expense *	8,343		8,343
Interest income	(326)	175	(151)
Adjustment for inflation	(39)		(39)
Taxes - other than income	265		265
Low water reserve	(1,400)		(1,400)
Depreciation	3,931	67	3,997
Disallowed depreciation	(4)		(4)
Amortization of deferred hearing costs		83	83
Amortization of deferred study costs	159		159
Amortization of regulatory and downsizing costs	334		334
Amortization of deferred bad debt expense	163		163
Amortization of pre '93 DSM	117		117
Remove amortization of disallowed '93 & '94 rate base DSM	(57)		(57)
Amortization of deferred overhaul costs	110		110
Remove return on mid year deferred pre '93 DSM	(32)		(32)
Amortization of contributions	(48)		(48)
Total utility expenses	11,514	325	11,839
Return	9,113	(6)	9,107
Total utility expenses and return	20,627	319	20,946

* Purchased power excluded

YUKON ELECTRICAL COMPANY LIMITED

1993

RATE BASE

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENTS	AS AMENDED BY BOARD
PROPERTY, PLANT AND EQUIPMENT			
Year--end balance	<u>53,718</u>		<u>53,718</u>
Deduct:			
Accumulated depreciation	16,764	(34)	16,730
Construction--in--progress	<u>0</u>		<u>0</u>
	<u>16,764</u>	<u>(34)</u>	<u>16,730</u>
Add:			
Deferred study costs	252		252
Deferred retirement costs	114		114
Deferred severance costs	<u>56</u>		<u>56</u>
	<u>422</u>		<u>422</u>
NET PLANT IN SERVICE			
Current year end balance	37,376	34	37,410
Previous year end balance	<u>31,635</u>		<u>31,635</u>
otal	<u>69,011</u>	<u>34</u>	<u>69,045</u>
Mid--year balance	34,506	17	34,523
Mid--year rate case expense	89		89
Unamortized deferred hearing costs		19	19
Unamortized deferred gain on land sales	(259)		(259)
Unamortized deferred pre '93 DSM costs	78		78
Working Capital	<u>2,661</u>	<u>12</u>	<u>2,673</u>
	<u>37,074</u>	<u>48</u>	<u>37,123</u>
Deduct:			
Contributions in aid of construction			
Current year end balance	10,250		10,250
Previous year end balance	<u>8,596</u>		<u>8,596</u>
Total	<u>18,846</u>		<u>18,846</u>
Mid--year balance	<u>9,423</u>		<u>9,423</u>
Rate base	<u><u>27,651</u></u>	<u><u>48</u></u>	<u><u>27,700</u></u>

YUKON ELECTRICAL COMPANY LIMITED

1994

RATE BASE

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENT	AS AMENDED BY BOARD
PROPERTY, PLANT AND EQUIPMENT			
Year-end balance	<u>58,894</u>		<u>58,894</u>
Deduct:			
Accumulated depreciation	18,928	(62)	18,866
Construction-in-progress	<u>0</u>		<u>0</u>
	<u>18,928</u>	<u>(62)</u>	<u>18,866</u>
Add:			
Deferred study costs	192		192
Deferred retirement costs	106		106
Deferred severance costs	<u>47</u>		<u>47</u>
	<u>345</u>		<u>345</u>
NET PLANT IN SERVICE			
Current year end balance	40,311	62	40,373
Previous year end balance	<u>37,376</u>	<u>34</u>	<u>37,410</u>
Total	<u>77,687</u>	<u>96</u>	<u>77,784</u>
Mid-year balance	<u>38,844</u>	<u>48</u>	<u>38,892</u>
Mid-year rate case expense	72		72
Unamortized deferred hearing costs		19	19
Unamortized gain on land sales	(454)		(454)
Unamortized deferred pre '93 DSM costs	137		137
Working Capital	<u>2,642</u>	<u>9</u>	<u>2,651</u>
	<u>41,239</u>	<u>76</u>	<u>41,316</u>
Deduct:			
Contributions in aid of construction			
Current year end balance	11,132		11,132
Previous year end balance	<u>10,250</u>		<u>10,250</u>
Total	<u>21,382</u>		<u>21,382</u>
Mid year contributions	<u>10,691</u>		<u>10,691</u>
Rate base	<u><u>30,548</u></u>	<u><u>76</u></u>	<u><u>30,625</u></u>

YUKON ELECTRICAL COMPANY LIMITED

1993

WORKING CAPITAL ALLOWANCE

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENTS	AS AMENDED BY BOARD
Operating and maintenance	26,489	20	26,509
Taxes – other than income	<u>218</u>	<u> </u>	<u>218</u>
Cash operating expenses	<u>26,707</u>	<u>20</u>	<u>26,727</u>
21/365 thereof	<u>1,537</u>	<u>1</u>	<u>1,538</u>
Prior year income tax provision	<u>790</u>		<u>790</u>
33/365 thereof	<u>71</u>		<u>71</u>
Final income tax payment	<u>542</u>	<u>(20)</u>	<u>521</u>
– 193/365 thereof	<u>(286)</u>	<u>11</u>	<u>(276)</u>
Inventory (three year average)	1,268		1,268
ST impact on working capital	<u>72</u>		<u>72</u>
Working capital	<u><u>2,661</u></u>	<u><u>12</u></u>	<u><u>2,673</u></u>

YUKON ELECTRICAL COMPANY LIMITED

1994

WORKING CAPITAL ALLOWANCE

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENTS	AS AMENDED BY BOARD
Operating and maintenance	26,400	20	26,420
Taxes -- other than income	<u>228</u>	<u></u>	<u>228</u>
Cash operating expenses	<u>26,628</u>	<u>20</u>	<u>26,648</u>
21/365 thereof	<u>1,532</u>	<u>1</u>	<u>1,533</u>
Prior year income tax provision	<u>1,332</u>		<u>1,332</u>
33/365 thereof	<u>119</u>		<u>119</u>
Final income tax payment	<u>505</u>	<u>(15)</u>	<u>490</u>
193/365 thereof	<u>(267)</u>	<u>8</u>	<u>(259)</u>
Inventory (three year average)	1,197		1,197
ST Impact on working capital	<u>60</u>		<u>60</u>
Working capital	<u><u>2,642</u></u>	<u><u>9</u></u>	<u><u>2,651</u></u>

YUKON ELECTRICAL COMPANY LIMITED

1993

CAPITAL STRUCTURE AND COST OF CAPITAL

(\$,000)

**AS ALLOWED
IN DECISION
1993-8**

	MID YEAR BALANCE	CAPITAL RATIOS %	MID-YEAR RATE BASE	COST RATE %	RETURN
Long term debt	12,011	40.132	11,097	11.006	1,221
Preferred shares	7,190	24.024	6,643	8.345	554
Common equity	10,517	35.140	9,717	11.000	1,069
No cost capital	211	0.705	195		
	29,929	100.000	27,651	10.287	2,845

AS AMENDED BY BOARD

	MID YEAR BALANCE	CAPITAL RATIOS %	MID-YEAR RATE BASE	COST RATE %	RETURN
Long term debt	12,011	40.132	11,116	11.006	1,223
Preferred shares	7,190	24.024	6,654	8.345	555
Common equity	10,517	35.140	9,734	11.000	1,071
No cost capital	211	0.705	195		
	29,929	100.000	27,700	10.287	2,849

YUKON ELECTRICAL COMPANY LIMITED

1994

CAPITAL STRUCTURE AND COST OF CAPITAL

(\$,000)

**AS ALLOWED
IN DECISION
1993-8**

	MID YEAR BALANCE	CAPITAL RATIOS %	MID-YEAR RATE BASE	COST RATE %	RETURN
Long term debt	13,261	40.392	12,339	10.853	1,339
Preferred shares	7,940	24.184	7,388	8.212	607
Common equity	11,344	34.553	10,555	11.000	1,161
No cost capital	286	0.871	266		
	32,831	100.000	30,548	10.171	3,107

AS AMENDED BY BOARD

	MID YEAR BALANCE	CAPITAL RATIOS %	MID-YEAR RATE BASE	COST RATE %	RETURN
Long term debt	13,261	40.392	12,370	10.853	1,343
Preferred shares	7,940	24.184	7,406	8.212	608
Common equity	11,344	34.553	10,582	11.000	1,164
No cost capital	286	0.871	267		
	32,831	100.000	30,625	10.171	3,115

YUKON ELECTRICAL COMPANY LIMITED

1993

UTILITY EXPENSES AND RETURN

(\$,000)

	AS ALLOWED IN DECISION 1993--8	BOARD AMENDMENTS	AS AMENDED BY BOARD
Production	931		931
Transmission and distribution	1,272		1,272
General	162		162
Public information	123		123
Commercial	705		705
Administration and general	711		711
Parent allocations	385		385
Insurance	58	20	78
O&M not including fuel and purchased power	4,347	20	4,367
Fuel expense	1,705		1,705
Total operation and maintenance expense *	6,052	20	6,072
Adjustment for inflation	(50)		(50)
Property tax	218		218
Depreciation, net	1,722	(34)	1,688
Amortization of deferred hearing costs		39	39
Amortization of deferred gains on land sales (net of tax)	(130)		(130)
mortization of deferred regulatory and downsizing	121		121
mortization of deferred pre '93 DSM	39		39
Remove amortization of disallowed Rate Base DSM	(6)		(6)
Remove return on mid year deferred pre '93 DSM	(8)		(8)
Income taxes	1,332	(20)	1,311
Total utility expenses	9,289	4	9,294
Return	2,845	5	2,849
Total utility expenses and return	12,134	9	12,143

* Purchased power is excluded

YUKON ELECTRICAL COMPANY LIMITED

1994

UTILITY EXPENSES AND RETURN

(\$,000)

	AS ALLOWED IN DECISION 1993-8	BOARD AMENDMENTS	AS AMENDED BY BOARD
Production	1,037		1,037
Transmission and distribution	1,281		1,281
General	172		172
Public information	122		122
Commercial	718		718
Administration and general	666		666
Parent allocations	399		399
Insurance	66	20	86
O&M not incl'g fuel and purchased power	4,461	20	4,481
Fuel expense	1,710		1,710
Total operation and maintenance expense *	6,171	20	6,191
Taxes - other than income	228		228
Adjustment for inflation	(79)		(79)
Depreciation, net	2,006	(28)	1,978
Amortization of deferred hearing costs		39	39
Amortization of deferred gain on land sales	(130)		(130)
Amortization of deferred regulatory and downsizing	122		122
Amortization of deferred pre '93 DSM costs	39		39
Remove amortization of disallowed Rate Base DSM	(19)		(19)
Remove return on mid year deferred pre '93 DSM	(14)		(14)
Income taxes	1,837	(15)	1,822
Total utility expenses	10,160	16	10,176
Return	3,107	8	3,115
Total utility expenses and return	13,267	24	13,291

* Purchased power is excluded