

1996-6

YUKON UTILITIES BOARD

DECISION 1996 -6

APRIL 18, 1996

RE:

**YUKON ENERGY CORPORATION AND
THE YUKON ELECTRICAL COMPANY LIMITED**

**AN ORDER IN THE MATTER of the *Public Utilities Act*
Revised Statutes, 1986, c. 143, as amended**

and

**A Joint Application by Yukon Energy Corporation and
The Yukon Electrical Company Limited**

BEFORE: B. Morris, Chair; and)
 G. Duncan, Acting Vice-Chair) April 18, 1996

ORDER 1996 - 6

WHEREAS:

- A. On November 17, 1995 Yukon Energy Corporation and Yukon Electrical Company Limited ("YEC/YECL, the Companies") filed with the Board, pursuant to the *Public Utilities Act* ("the Act") and Order-In-Council 1995/90, an Application requesting an Order granting new rates, effective with consumption January 1, 1996 with a further increase on January 1, 1997.
- B. The Board reviewed the Application and the written submissions of the parties to the matter and heard the evidence and oral submissions of the parties at a public hearing on March 18 and 19, 1996.
- C. The issues on which all parties could agree were enclosed in a Negotiated Settlement Package and submitted for the Board's consideration as an attachment to Exhibit Number 142.
- D. The Companies submitted, in Exhibit Number 148, a revised calculation of the revenue requirement based on the settlement package.
- E. With the exception of hearing costs, the Board approved the settlement package as accepted by the parties to the process.

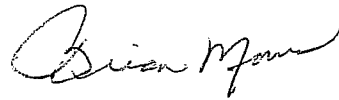
NOW THEREFORE the Board orders as follows:

- 1. The revenue requirement of the Companies as set out in Exhibit 148 is hereby approved save and except for regulatory hearing costs.

2. For the purposes of calculating revenue requirements, the Board hereby awards estimated hearing costs in the amount of \$600,000.
3. Actual hearing costs will be the subject of a further Board Order. Any difference between actual hearing costs and estimated hearing costs will be adjusted in the next General Rate Application by the Companies.
4. Written reasons for this Order will follow.

DATED at the City of Whitehorse, in the Yukon Territory, this 18 day of April, 1996.

BY ORDER

A handwritten signature in cursive script, appearing to read "Brian Morris".

Brian Morris
Chair

THE YUKON ELECTRICAL COMPANY LIMITED

An **ATCO** Company

P.O. BOX 4190, WHITEHORSE, YUKON Y1A 3T4 • TELEPHONE (403) 633-7000 • FAX (403) 658-3955

March 15, 1996

Yukon Utilities Board
P.O. Box 6070
19 - 1114 First Avenue
Whitehorse, Yukon Y1A 5L7

Attention: Mr. B. Morris, Chair

Dear Sir:

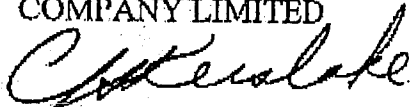
Re: YEC/YECL 1996/97 GRA

We have enclosed the schedules required to calculate the revised revenue requirement based on the negotiated settlement package. These schedules only reflect the reduction in revenue requirement. Due to the substantial decrease in sales to Anvil Range Mining Corporation (1996 4.0 Gwh, 1997 16.0 Gwh) there will be revenue losses which offset a portion of these savings.

The Companies propose to recalculate the 1996 and 1997 Cost of Service studies once the Boards decision is available with respect to cost allocations and revenue to cost ratios. This will ensure that the major industrial class pays its cost of service and that the Board's wishes are honoured with respect to the rate design.

Yours truly,

THE YUKON ELECTRICAL
COMPANY LIMITED



C.H. Kerslake, P.Eng.
Vice President and General Manager

YUKON ENERGY CORPORATION



For William E. Byers, Q.C.
President

BM:mp

cc: All Interested Parties

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Yukon Energy Corporation
The Yukon Electrical Company Limited
Negotiated Settlement
Combined Revenue Requirement
(\$000s)

3/15/96

Revenue Component	1996 Revised	1997 Revised
YEC		
Fuel expense	7,706	7,828
Intercompany transfer (purchased power)	11	11
Other operating and maintenance expenses	9,077	9,538
Depreciation expenses, net	5,305	5,501
Return on rate base	10,642	10,423
Revenue requirement	<u>32,741</u>	<u>33,301</u>
YECL		
Fuel expense	1,918	2,189
Intercompany transfer (purchased power)	15,598	15,800
Other operating and maintenance expenses	5,007	5,326
Income tax expense	1,574	1,957
Depreciation expenses, net	2,185	2,342
Return on rate base	3,078	3,215
Revenue requirement	<u>29,360</u>	<u>30,829</u>
Total Yukon		
Fuel expense	9,624	10,017
Other operating and maintenance expenses	14,084	14,864
Income tax expense	1,574	1,957
Depreciation expenses, net	7,490	7,843
Return on rate base	13,720	13,638
Revenue requirement	<u>46,492</u>	<u>48,319</u>
As filed	<u>48,640</u>	<u>51,551</u>
Revenue Requirement Reduction	<u>2,148</u>	<u>3,232</u>

**Yukon Energy Corporation
The Yukon Electrical Company Limited
Negotiated Settlement
Revenue Requirement Changes**

	<u>1996</u>	<u>1997</u>
Yukon Energy Corporation		
Remove Diesel Contingency Fund from rate base		
1996 - $3,500 \times 50\% \times 9.95\%$	174	
1997 - $3,500 \times 100\% \times 9.74\%$		341
Lower working capital requirement due to lower fuel expense		
1996 - $58 \times 9.95\%$	(6)	
1997 - $125 \times 9.74\%$		(12)
Lower return		
1996 - $45,736 \times (12.75\% - 10.75\%)$	(909)	
1997 - $45,176 \times (12.75\% - 10.75\%)$		(904)
Lower fuel expense		
Lower Anvil sales		
1996 - $4,000,000 / 3.71 \times 110\% \times 28.36$	(336)	
1997 - $16,000,000 / 3.71 \times 110\% \times 28.36$		(1,345)
Lower Line Losses		
1996 - see note	(689)	
1997 - see note		(823)
Total YEC	<u>(1,766)</u>	<u>(2,743)</u>
The Yukon Electrical Company Limited		
Remove AMR from rate base		
1996 - $15 \times 50\% \times 10.68\%$	(1)	
1997 - $(500 \times 50\% \times 10.76\%) + (15 \times 10.76\%)$		(29)
Higher working capital requirement due to tax changes		
1996 - $96 \times 10.68\%$	10	
1997 - $10 \times 10.76\%$		1
Lower return		
1996 - $11,002 \times (13.25\% - 11.25\%)$	(221)	
1997 - $11,932 \times (13.25\% - 11.25\%)$		(240)
Lower Income Taxes - Related to Lower Return		
1996 - $(212 / (1 - 44.5\%)) - 212$	(170)	
1997 - $(268 / (1 - 45.2\%)) - 268$		(221)
Total YECL	<u>(382)</u>	<u>(489)</u>
Total Yukon	<u>(2,148)</u>	<u>(3,232)</u>

Note: the line loss calculation consisted of reducing the YEC portion of the WAF line losses by 2.5%. The reduction was based on a study which reviewed the impact of moving a greater portion of the WAF diesel generation to the Faro diesel plant. The savings produced by the lower line losses (and hence lower diesel generation) were partially offset by the higher price of fuel in Faro. The price is higher in Faro due to the additional transportation charges.

Yukon Energy Corporation
Computation of Rate Base
Revised Schedules - Negotiated Settlement
(\\$000s)

Schedule 1
3/15/96

Line No.	Description	Filed 1996	Adjustment 1996	Revised 1996	Filed 1997	Adjustment 1997	Revised 1997
1	Property, Plant and Equipment						
2	Year end balance	143,080	0	143,080	145,874	0	145,874
3	Deduct:						
4	Accumulated depreciation	29,173	0	29,173	33,228	0	33,228
5	Construction-in-progress	207	0	207	36	0	36
6	Disallowed assets	200	0	200	200	0	200
7	Miscellaneous reserves	44	0	44	44	0	44
8	Low water reserve	3,500	(3,500) 1	0	3,500	(3,500) 1	0
9	Total deductions	33,124	(3,500)	29,624	37,008	(3,500)	33,508
10	Add:						
11	Deferred study costs	3,137	0	3,137	4,268	0	4,268
12	Other deferred costs	360	0	360	51	0	51
13	Accum. disallowed depreciation	24	0	24	28	0	28
14	Total additions	3,521	0	3,521	4,347	0	4,347
15	Net plant in Service						
16	Current year-end balance	113,477	3,500	116,977	113,213	3,500	116,713
17	Previous year-end balance	114,918	0	114,918	113,477	3,500	116,977
18	Total	228,395	3,500	231,895	226,690	7,000	233,690
19	Mid-year balance	114,198	1,750	115,948	113,345	3,500	116,845
20	Mid-year rate case expense	451	0	451	326	0	326
21	Working capital	1,619	(58) 2	1,561	1,746	(126) 2	1,621
22	Gross Rate Base	116,268	1,692	117,960	116,417	3,375	118,792
23	Deduct:						
24	Contributions for extensions		0			0	
25	Current year-end balance	2,460	0	2,460	2,481	0	2,481
26	Previous year-end balance	1,384	0	1,384	2,460	0	2,460
27	Total	3,844	0	3,844	4,941	0	4,941
28	Mid-year balance	1,922	0	1,922	2,471	0	2,471
29	Net Rate Base	114,346	1,692	116,038	112,946	3,375	116,321

Adjustment 1: remove diesel contingency fund from rate base.
Adjustment 2: adjust working capital for lower fuel expense.

Yukon Energy Corporation
Computation of Allowance for Working Capital
Revised Schedules - Negotiated Settlement
(\$000s)

Schedule 2
3/15/96

Line No.	Description	Filed 1996	Adjustment 1996	Revised 1996	Filed 1997	Adjustment 1997	Revised 1997
1	Operating and maintenance	17,807	(1,025)	16,782	19,327	(2,168)	17,159
2	Taxes other than income	212	0	212	218	0	218
3	Non-allowable expenses	0	0	0	0	0	0
4	Disallowed expenses	0	0	0	0	0	0
5	Cash operating expenses	17,819	(1,025)	16,794	19,545	(2,168)	17,377
6	15/365, 21/365 thereof	1,028	(59)	969	1,126	(125)	1,000
7	Inventory (Three year average)	754	0	754	786	0	786
8	GST impact on working capital	(161)	1	(160)	(165)	0	(165)
9	Working capital	1,619	(58)	1,561	1,746	(125)	1,621

Adjustment 1: adjust O&M for lower fuel expense.

Yukon Energy Corporation
Cost of Capital Calculation
Revised Schedules - Negotiated Settlement
1996 Forecast
(\$000s)

Schedule 4A
3/15/96

Line No.	Description	Mid Year Balance	Ratio	Mid Year Rate Base	Mid Year Cost Rate	Return
1	Forecast for 1996 - Filed 12.75% return					
2	Long-term debt	68,818	60.00%	68,610	8.09%	5,551
3	Common stock	45,875	40.00%	45,736	12.75%	5,832
4	No cost capital	0	0.00%	0	0.00%	0
5	Total	114,693	100.00%	114,346	9.95%	11,383
6	Forecast for 1996 - Negotiated 10.75% return					
7	Long-term debt	68,585	60.00%	69,624	8.12%	5,652
8	Common stock	45,722	40.00%	46,414	10.75%	4,990
9	No cost capital	0	0.00%	0	0.00%	0
10	Total	114,307	100.00%	116,038	9.17%	10,642

Yukon Energy Corporation
Cost of Capital Calculation
Revised Schedules - Negotiated Settlement
1997 Forecast
(\$000s)

Schedule 4B
3/15/96

Line No.	Description	Mid Year Balance	Ratio	Mid Year Rate Base	Mid Year Cost Rate	Return
1	Forecast for 1997 - Filed 12.75% return					
2	Long-term debt	68,869	60.00%	67,770	7.73%	5,237
3	Common stock	45,909	40.00%	45,176	12.75%	5,761
4	No cost capital	0	0.00%	0	0.00%	0
5	Total	114,778	100.00%	112,946	9.74%	10,998
6	Forecast for 1997 - Negotiated 10.75% return					
7	Long-term debt	68,224	60.00%	69,791	7.77%	5,421
8	Common stock	45,486	40.00%	46,530	10.75%	5,002
9	No cost capital	0	0.00%	0	0.00%	0
10	Total	113,710	100.00%	116,321	8.96%	10,423

Yukon Energy Corporation
Utility Revenue Requirement
Revised Schedules - Negotiated Settlement
(\$000s)

Schedule 5
3/15/96

Line No.	Description	Filed 1996	Adjustment 1996	Revised 1996	Filed 1997	Adjustment 1997	Revised 1997
1	Net rate base	114,346	1,692	116,038	112,948	3,375	116,321
2	Rate of return	9.95%		9.17%	9.74%		8.96%
3	Utility income	11,383	(741)	10,642	10,998	(575)	10,423
4	Utility expenses						
5	Operating and maintenance	17,807	(1,025)	16,582	19,327	(2,168)	17,159
6	Taxes other than income	212	0	212	218	0	218
7	Amortization of deferred costs	1,417	0	1,417	1,437	0	1,437
8	Depreciation	3,964	0	3,964	4,152	0	4,152
9	Amortization of contributions	(72)	0	(72)	(84)	0	(84)
10	Income taxes	0	0	0	0	0	0
11	Non-allowables and disallowed	0	0	0	0	0	0
12	Disallowed depreciation	(4)	0	(4)	(4)	0	(4)
13	Total utility expenses	23,124	(1,025)	22,099	25,046	(2,168)	22,878
14	Revenue requirement	34,507	(1,766)	32,741	36,044	(2,743)	33,301

The Yukon Electrical Company Limited
Computation of Rate Base
Revised Schedules - Negotiated Settlement
(\$000s)

Schedule 1
3/15/96

Line No.	Description	Filed 1996	Adjustment	Revised 1996	Filed 1997	Adjustment	Revised 1997
1	Property, Plant and Equipment						
2	Year end balance	65,961	(15) 1	65,946	70,247	(515) 1	69,732
3	Deduct:						
4	Accumulated depreciation	23,940	0	23,940	26,414	0	26,414
5	Construction-in-progress	72	0	72	60	0	60
6	Non-regulated assets	6	0	6	0	0	0
7	Unamortized land gain - note 1	77	0	77	0	0	0
8	Total deductions	24,095	0	24,095	26,474	0	26,474
9	Add:						
10	Deferred study costs	350	0	350	212	0	212
11	Net plant in Service						
12	Current year-end balance	42,216	(15)	42,201	43,985	(515)	43,470
13	Previous year-end balance	39,788	0	39,788	42,216	0	42,201
14	Total	82,004	(15)	81,989	86,201	(515)	85,671
15	Mid-year balance	41,002	(8)	40,995	43,101	(258)	42,836
16	Mid-year rate case expense	89	0	89	83	0	83
17	Working capital	2,579	96 2	2,675	2,426	10 2	2,436
18	Gross Rate Base	43,670	89	43,759	45,610	(248)	45,355
19	Deduct:						
20	Contributions for extensions						
21	Current year-end balance	13,032	0	13,032	13,431	0	13,431
22	Previous year-end balance	12,696	0	12,696	13,032	0	13,032
23	Total	25,728	0	25,728	26,463	0	26,463
24	Mid-year balance	12,864	0	12,864	13,232	0	13,232
25	Net Rate Base	30,806	89	30,895	32,378	(248)	32,123

Adjustment 1: Removal of AMR project from capital expenditures.

Adjustment 2: Working capital adjustment due to change in income tax payments due to lower negotiated return.

The Yukon Electrical Company Limited
Computation of Allowance for Working Capital
Revised Schedules - Negotiated Settlement
(\$000s)

Schedule 2
3/15/96

Line No.	Description	Filed 1996	Adjustment	Revised 1996	Filed 1997	Adjustment	Revised 1997
1	Operating and maintenance	24,789	0	24,789	25,381	0	25,381
2	Taxes other than income	236	0	236	244	0	244
3	Non-allowable expenses	(9)	0	(9)	(9)	0	(9)
4	Disallowed expenses	0	0	0	0	0	0
5	Cash operating expenses	25,016	0	25,016	25,616	0	25,616
6	20/365, 19/365 thereof	1,305	0	1,305	1,336	0	1,336
7	Previous year utility income taxes	1,725	0	1,725	1,744	(170) 2	1,574
8	33/365, 30/365 thereof	142	0	142	143	(14)	129
9	Income taxes payable	(12)	179 1	167	(443)	47 1	(396)
10	194/365, 196/365 thereof	(6)	96	90	(237)	25	(213)
11	Inventory (Three year average)	1,239	0	1,239	1,293	0	1,293
12	GST Impact on working capital	(101)	0	(101)	(109)	0	(109)
13	Working capital	2,579	96	2,675	2,426	10	2,436

Adjustment 1: final tax payment changes due to lower return.

Adjustment 2: previous years utility tax changes due to reduction in return.

The Yukon Electrical Company Limited
Cost of Capital Calculation
Revised Schedules - Negotiated Settlement
1996 Forecast
(\$000s)

Schedule 4A
3/15/96

Line No.	Description	Mid Year Balance	Ratio	Mid Year Rate Base	Mid Year Cost Rate	Return
1	Forecast for 1996 - Filed 13.25% return					
2	Long-term debt	13,700	43.65%	13,447	9.61%	1,292
3	Preferred shares	6,440	20.52%	6,321	8.55%	540
4	Common stock	11,209	35.71%	11,002	13.25%	1,458
5	No cost capital	37	0.12%	36	0.00%	0
6	Total	31,386	100.00%	30,806	10.68%	3,290
7	Forecast for 1996 - Negotiated 11.25% return					
8	Long-term debt	13,700	43.80%	13,533	9.61%	1,300
9	Preferred shares	6,440	20.59%	6,362	8.55%	544
10	Common stock	11,098	35.49%	10,963	11.25%	1,234
11	No cost capital	37	0.12%	37	0.00%	0
12	Total	31,275	100.00%	30,895	9.96%	3,078

The Yukon Electrical Company Limited
Cost of Capital Calculation
Revised Schedules - Negotiated Settlement
1997 Forecast
(\$000s)

Schedule 4B
3/15/96

Line No.	Description	Mid Year Balance	Ratio	Mid Year Rate Base	Mid Year Cost Rate	Return
1	Forecast for 1997 - Filed 13.25% return					
2	Long-term debt	15,700	48.07%	15,563	9.52%	1,481
3	Preferred shares	4,940	15.12%	4,897	8.60%	421
4	Common stock	12,037	36.85%	11,932	13.25%	1,581
5	No cost capital	(14)	-0.04%	(14)	0.00%	0
6	Total	32,663	100.00%	32,378	10.76%	3,483
7	Forecast for 1997 - Negotiated 11.25% return					
8	Long-term debt	15,700	48.62%	15,618	9.52%	1,488
9	Preferred shares	4,940	15.30%	4,914	8.60%	423
10	Common stock	11,666	36.13%	11,605	11.25%	1,308
11	No cost capital	(14)	-0.04%	(14)	0.00%	0
12	Total	32,292	100.00%	32,123	10.01%	3,215

The Yukon Electrical Company Limited
Utility Revenue Requirement
Revised Schedules - Negotiated Settlement
(\$000s)

Schedule 5
3/15/96

Line No.	Description	Filed 1996	Adjusted 1996	Revised 1996	Filed 1997	Adjusted	Revised 1997
1	Net rate base	30,806	89	30,895	32,378	(248)	32,123
2	Rate of return	10.68%		9.96%	10.76%		10.01%
3	Utility income	3,290	(212)	3,078	3,483	(268)	3,215
4	Utility expenses						
5	Operating and maintenance	22,296	0	22,296	23,080	0	23,080
6	Taxes other than income	236	0	236	244	0	244
7	Amortization of deferred costs/credits	260	0	260	269	0	269
8	Depreciation	2,543	0	2,543	2,740	0	2,740
9	Amortization of contributions	(611)	0	(611)	(651)	0	(651)
10	Income taxes	1,759	(170)	1,589	2,192	(221)	1,971
11	Less:						
12	Non-utility income taxes	(15)	0	(15)	(14)	0	(14)
13	Donations	(9)	0	(9)	(9)	0	(9)
14	Non-regulated depreciation	(7)	0	(7)	(6)	0	(6)
15	Total utility expenses	26,452	(170)	26,282	27,835	(221)	27,614
16	Utility revenue requirement	29,742	(382)	29,360	31,318	(489)	30,829