

2005-1

**IN THE MATTER OF the Public Utilities Act
Revised Statutes of Yukon, 2002, c. 186, as amended**

and

**An Application by Yukon Energy Corporation
for Approval of 2005 Revenue Requirements**

BEFORE: B. Morris, Chair) January 27, 2005
 W. Shanks)
 R. Hancock)
 M. Phillips)

YUKON UTILITIES BOARD		
EXHIBIT A-7		
DAY	ENTERED BY <i>Ademke</i>	DATE <i>Feb 4/05</i>

BOARD ORDER 2005-1

WHEREAS:

- A. On December 13, 2004, Yukon Energy Corporation ("YEC", "the Company") filed with the Yukon Utilities Board ("the Board"), pursuant to the *Public Utilities Act* ("the Act"), and *Order-In-Council 1995/90*, an Application requesting an Order granting new rates for Secondary (interruptible) Energy and the Faro Mine site, on an interim refundable basis, effective with consumption January 1, 2005; and

- B. The Application proposes the creation of a new Income Stabilization Trust and does not request any increase in firm rates charged to residential and commercial customers in 2005; and

- C. The Application proposes for Secondary (interruptible) Energy, a new quarterly rate-setting mechanism to maintain the retail rate at 70 percent of the customers' avoided cost of fuel oil. This will result in a retail rate of 5.5 cents per kW.h. as of January 1, 2005; and

- D. The Application also proposes for the Faro mine site, to change the current rate schedule to the normal General Service - Government rate; and

- E. By Order 2004-1, the Board approved an interim refundable increase in rates to Secondary (interruptible) Energy customers and to the Faro mine site as requested in the Application. Board Order 2004-1 further scheduled a Workshop into the Application for January 13, 2005, and a Pre-hearing Conference for January 14, 2005; and

- F. On January 11, 2005, the Utilities Consumer's Group ("UCG") filed two motions. The first UCG motion requested that the Board no longer use the services of certain British Columbia Utilities Commission ("BCUC") staff namely, Mr. W.J. Grant and Mr. B. McKinlay, for any type of facilitation or mediation. The second UCG motion requested that the Board order Yukon Electrical Company Limited ("YECL") to file a rate application as soon as possible to be heard by the Board in conjunction with YEC's Application ("the Companies"); and
- G. At the Pre-hearing Conference, the Board established a deadline for submissions on the second UGC motion; and
- H. On January 19, 2005, the Board received a Notice of Motion from Mr. Percival, a registered intervenor, that the Board require both YEC and YECL to file a General Rate Application. By letter dated January 20, 2005 the Board established a deadline for submissions on the Percival motion; and
- I. The Board has reviewed the Notice of Motions from UGC and Mr. Percival and the related submissions.

NOW THEREFORE the Board orders with Reasons for Decision attached as Appendix A that:

- 1. In regard to the first UCG motion, this has been resolved and no further action by the Board is required.
- 2. The second UCG motion and the Percival motion are denied.
- 3. YEC and YECL are to jointly file a report with the Board by Thursday, September 1, 2005, that provides information on the revenue-to-cost ratios by customer class for both Companies utilizing the most recent cost of service allocation study.

DATED at the City of Whitehorse, in the Yukon Territory, this 4th day of February 2005.

BY ORDER



Brian Morris
Chair

**IN THE MATTER OF the Public Utilities Act
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and

**An Application by Yukon Energy Corporation
for Approval of 2005 Revenue Requirements**

Reasons for Decision

1.0 Background

On December 13, 2004, Yukon Energy Corporation ("YEC", "the Company") filed with the Yukon Utilities Board ("the Board"), pursuant to the *Public Utilities Act* ("the Act"), and *Order-In-Council 1995/90*, an Application requesting an Order granting new rates for Secondary (interruptible) Energy and the Faro Mine site, on an interim refundable basis, effective with consumption January 1, 2005.

By Order 2004-1, the Board approved for YEC the requested interim refundable rate increases and set the current firm rates charged to residential and commercial customers as interim effective January 1, 2005. Order 2004-1 also scheduled a Workshop and a Pre-hearing Conference into the Application for January 13, 2005, and January 14, 2005, respectively.

2.0 Notices of Motion and Timetable for Submissions

On January 11, 2005 the Utilities Consumer's Group ("UCG") filed two motions. The first UCG motion requested that the Board no longer use the services of certain British Columbia Utilities Commission ("BCUC") staff namely, Mr. W.J. Grant and Mr. B. McKinlay for any type of facilitation or mediation. At the Pre-hearing Conference, Board Counsel informed the Board and the parties in attendance that Mr. McKinlay is no longer with the BCUC and Mr. Grant does not intend to take any further involvement in the proceedings (Transcript pp. 7-8). Accordingly, the Board finds that this UCG motion has been resolved and no further action by the Board is required.

The second UCG motion requested that the Board order Yukon Electrical Company Limited ("YECL") to file a rate application as soon as possible to be heard by the Board in conjunction with YEC's Application. At the Pre-hearing Conference, the Board instructed the parties that submissions on the UCG motion were to be filed with the Board and other intervenors by January 21, 2005, and the UCG was to file a response to the submissions by January 26, 2005 (Transcript p. 47).

Also at the Pre-hearing Conference the Board received a request from Mr. Percival, a registered intervenor, that the Board require both YEC and YECL to file a General Rate Application. The Board directed that if Mr. Percival chose to make a formal request, it be in the form of a Notice of Motion (Transcript p. 49). On January 18, 2005, Mr. Percival filed a Notice of Motion requesting that the Board require both YEC and YECL to file a General Rate

Application. By letter dated January 20, 2005, the Board instructed YEC and all registered intervenors ("the parties") that submissions on Mr. Percival's motion were to be filed with the Board and the parties by January 25, 2005 and Mr. Percival was to file a response to the submissions by January 27, 2005.

3.0 Reasons for Motions, Submissions and Reply on the Notices of Motion

3.1 Second UCG Notice of Motion and Percival Notice of Motion

The second UCG motion requested that the Board order YECL to file a rate application as soon as possible to be heard by the Board in conjunction with YEC's Application. UCG's reasons in support of the motion are that YECL's last application was in 1996, YECL's allowed rate of return on equity of 11.5 percent has not been reviewed since 1996 and that it would be convenient and less costly to hold a YECL assembly at the same time as a YEC hearing.

The Percival motion is similar to the second UCG motion. The Percival motion requests that the Board issue an order that suspends the YEC proceeding until YEC files a revised and complete General Rate Application ("GRA") with an accompanying fully distributed cost of service study. The Percival motion also requests that the Board order YECL to file a similar GRA with a fully distributed cost of service study. This motion also requests that YEC and YECL should be required to consult and cooperate in the filing of their GRAs when it comes to rates, rate setting procedures and service regulations (consistent with previous Board Orders and Yukon Government Orders in Council as may apply).

The main reasons for the Percival motion are that:

- It has been almost ten years since the last full public review of YEC and YECL ("the Companies"),
- Board Order 1996-7 required the Companies to adjust rates for all customer classes over a ten year period to reflect a cost of service in the range of 90 percent to 110 percent,
- The Companies could include any effects that might occur with the termination, extension or expansion of the Yukon Government's Rate Stabilization Fund which is scheduled to expire in March 31, 2005.
- If the Board does not agree to YEC's proposed method of recovering its revenue requirements then the Board would need to consider other options than an across-the-board rate increase to all customers including the Wholesale Power Rate to YECL.

Submissions in support of the second UCG motion and the Percival motion were received from Mr. Gary McRobb, MLA, Kluane, and Mr. P. McMahon. These submissions made similar points as are contained in the motions and their reasons. These submissions disagreed with YEC's argument for an expeditious hearing or YECL's estimate of time to prepare a rate application.

Submissions opposed to the second UCG motion and the Percival motion were received from YEC, YECL and the Yukon Chamber of Commerce. YEC argued that there is an insufficient basis to the second UCG motion and the Percival motion and they should be dismissed as:

- There is no requirement under the Act for a joint review of YEC and YECL,
- The passage of time is an insufficient reason to delay the review of the YEC Application,
- The YEC Application provides an orderly process to set YEC and YECL rates for the next few years,
- If YEC's proposed Income Stabilization Trust is not approved then the revenue requirements increase could be recovered by an adjustment to Rider J,
- The Board has never directed a utility to file a rate application involuntarily,
- Revenue requirements is separate from rate and rate class cost of service, and
- It is not feasible to review revenue to cost ratios until YECL revenues have been reviewed.

YECL argued that the second UCG motion and the Percival motion should be dismissed as it is not reasonable or practical for the Board to require a rate application to be filed in the circumstances requested, that if a direction to file an application is made it should require the filing to occur in advance of the test year and it is more appropriate to await the YECL Annual Report filing then evaluate if a YECL GRA should be filed for 2006. YECL also argued that the 2005 YEC hearing should proceed and there could be two separate 2006 Phase I Revenue Requirements Applications for YEC and YECL then a joint Phase II Application to allocate the Board's approved revenue requirements to the applicable rate zones then to rate class.

Replies were received from UCG and from Mr. McRobb on Mr. Percival's behalf on the submissions made by the parties to their motions.

4.0 Board Conclusions

YEC and YECL are now two separate companies and the Board finds that a combined GRA is no longer necessary for the Board to review the revenue requirements of YEC. The Board also considers that it is able to review the revenue requirements of YEC without a concurrent examination of the revenue to cost ratios by customer class. Accordingly, the second motion of the UCG and the Percival motion are denied.

The Board will review the YECL's Annual Report that is filed by March 31, 2005, and determine in due course whether a YECL rate application should be filed in accordance with Sections 50 and 51 of the Act.

The Board requires the Companies to jointly file a report by Thursday September 1, 2005, that provides information on the revenue to cost ratios by customer class for both Companies utilizing the most recent cost of service allocation study. If the report indicates that the revenue to cost ratios by customer class are outside the range of 90 percent to 110 percent, then the Companies are to provide their views on whether an updated cost of service allocation study should be undertaken or if a rate shift proposal can be made based on the most recent cost of service allocation study.