

2005-2

**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 <i>A-8</i>		
DAY	ENTERED BY <i>Blenke</i>	DATE <i>Feb 4/05</i>

BOARD ORDER 2005-2

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. A draft issues list and a draft regulatory timetable was prepared by Board staff and circulated to participants at the Workshop. Mr. McMahon, a registered Intervenor, provided written suggestions for the issues list at the Workshop; and

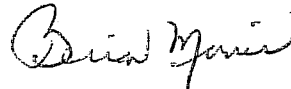
- G. At the Pre-hearing Conference, the Board received comments and submissions on the draft issues list, Mr. McMahon's suggestions for the issues list and a draft regulatory timetable. The Board informed the participants that a regulatory timetable would be issued by way of a future Board Order; and
- H. On January 21, 2005, YEC submitted written comments on which of Mr. McMahon's suggestions for the issues list were within the scope of the proceeding; and
- I. The Board has reviewed the comments and submissions on the draft issues list and draft regulatory timetable and requires that a final issues list and regulatory timetable for the Application be established.

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

- 1. The oral public hearing of the YEC Application is to commence on Monday, April 18, 2005, at a location in Whitehorse, Yukon, to be determined later. The Regulatory Timetable is set out in Appendix B to this Order.
- 2. The final issues list for the oral public hearing of the YEC Application is as set out in Appendix C to this Order.
- 3. YEC is to distribute by February 7, 2005, to the Board and the intervenors, a copy of the Auditor General's Report on the Mayo-Dawson City transmission line project.

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
Revised Statutes of Yukon, 2002, c. 186, as amended**

and

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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 Regulatory Timetable

Board Order 2005-1 dealt with the two Notices of Motions filed by the Utilities Consumer's Group on January 11, 2005, and a Notice of Motion filed by Mr. Percival on January 19, 2005, which motions could have impacted the regulatory timetable. The first UCG motion was resolved at the Pre-hearing Conference and no further action by the Board was required. Board Order 2005-1 denied the second UCG motion and the Percival motion.

The Board has reviewed the draft regulatory timetable that was circulated to the Board, YEC and the intervenors at the Pre-hearing Conference and the Yukon Electrical Company Limited ("YECL") proposed amendments from pages 33 to 35 of the Transcripts. The Board accepts the YECL proposed amendments to the draft regulatory timetable except for a Negotiated Settlement Process, and the scheduling of the oral hearing. Therefore the oral public hearing into the YEC Application is scheduled to commence on Monday, April 18, 2005 in Whitehorse, Yukon at a location to be determined later.

It is the Board's understanding that the Auditor General of Canada will release its report on the Mayo-Dawson City transmission line project ("Auditor General's Report") on Monday February 7, 2005. The Board directs YEC to provide a copy of the Auditor General's Report to the Board and the registered intervenors by February 7, 2005. The deadline for information requests on the Auditor General's Report from the Board and intervenors has been set as Monday, February 14, 2005 and YEC is to respond by Monday March 7, 2005. In the event that the Auditor General's Report is not released by February 7, 2005, the Board will revise the Regulatory Timetable as it relates to the Auditor General's Report accordingly.

3.0 Issues List

The Board has reviewed the draft issues list, Mr. McMahon's written suggestions for the issues list that was circulated at the Pre-hearing Conference and the January 21, 2005 submission from YEC that commented on which of Mr. McMahon's suggestions were within the scope of the proceeding. Mr. McMahon's suggestions for the issues list also include items that were addressed by the Board in Order 2005-1. The Board accepts the comments of YEC regarding the issues that are within the scope of the YEC hearing.

The table below summarizes YEC's comments and the Board's determinations on the McMahon list of issues.

Issue #	Topic	Yukon Energy comments	Board Determination
A1	Need to address YECL revenue requirement	Not within scope - being addressed via UCG motion	Not within scope
A2	Applicability of current OICs	Not within scope - OICs are issued by Yukon Government, not Utilities Board, and go far beyond scope of this Application by one of the two affected utilities	Not within scope
A3	Relations to utility owner – recommendations of changes to utility owner	Not within scope - Issues related to ownership are not part of a revenue or rate application	Not within scope
A4	Yukon Energy Financial Statements	Within scope	Within scope

Issue #	Topic	Yukon Energy comments	Board Determination
A5	Yukon Energy Annual Report 2003	Annual regulatory filing with YUB are within scope	Annual regulatory filing with YUB are within scope
A6	Capital Budgeting and Economic Feasibility tests	Within scope	Within scope
A7	Regulatory oversight of contracts	Yukon Energy does not understand what is meant by this item although contracting procedures are within scope	Contracting procedures are within scope
A8	Contingencies identified in Financial Statements	Within Scope	Within scope
A9	Responses to Board Directives	Within Scope	Within scope
A10	Yukon Energy policies	Policies that relate to matters raised in the Application are within scope	Policies that relate to matters raised in the Application are within scope
B1	Continuity of Rate Base to 1996/97	Issues relating to rate base are within the scope - however, issues were raised by Yukon Energy at the workshop and at the pre-hearing conference re providing added financial information pre-2000	Issues relating to rate base are within the scope - however, issues were raised by Yukon Energy at the workshop and at the pre-hearing conference re providing added financial information pre-2000
B2	Working capital allowance	Within Scope	Within scope
B3	Capital budget and plant additions	Within Scope	Within scope
B4	Contributions in aid of construction	Within Scope	Within scope
B5	System integrity	Within Scope in so far as it related to Yukon Energy assets	Within Scope in so far as it relates to Yukon Energy assets

Issue #	Topic	Yukon Energy comments	Board Determination
C1	Actual and forecast revenues	Within Scope	Within scope
C2	Deferred revenues	Within Scope	Within scope
C3	Related party transactions	Related party transactions relevant to the Application are within Scope	Related party transactions relevant to the Application are within Scope
D1	O&M expenses	Within Scope	Within scope
D2	Depreciation	Within Scope	Within scope
D3	Service Quality indicators	Within Scope	Within scope
E1	Capital Structure	Within Scope	Within scope
E2	Cost of equity	Within Scope	Within scope
E3	Cost of debt	Within Scope	Within scope
E4	Utility/non-utility allocation of capital	Within Scope	Within scope
E5	Cost of short-term debt	Within Scope	Within scope
F1	Formula approaches to setting ROE	Within Scope in so far as it applies to this Application	Within Scope in so far as it applies to this Application
F2	Actual Yukon Energy ROEs	Within Scope	Within scope
F3	Annual ROE adjustment mechanisms	Not within scope – annual adjustment using formulaic approach is typically addressed via “special” hearing to deal with all utilities in a jurisdiction - involve issues beyond this Application by one utility	Not within scope
F4	Determination of fair level of Yukon Energy risk premiums	Within Scope	Within scope

Issue #	Topic	Yukon Energy comments	Board Determination
G1-4, H2, H4, H6	Cost allocation and cost of service methods	Not within scope - given the orders requested in the Application, cost of service is not relevant to this proceeding. Cost of Service in Yukon must be prepared on a consolidated basis with YECL as required by OIC	Not within scope
H1	Reconciliation of revenue deficiency to revenue from proposed rates	Within Scope	Within scope
H3	Compliance with the Board's previous directions	Within Scope	Within scope
H5	Late payment charges	Within Scope	Within scope

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Regulatory Timetable

<u>Action</u>	<u>Date 2005</u>
Yukon Energy Corporation to distribute Auditor General's Report on the Mayo Extension to the Board and Intervenors	February 7
Information Requests on Application to Yukon Energy Corporation	February 11
Information Requests on Auditor General's Report to Yukon Energy Corporation	February 14
Yukon Energy Corporation Responses to Application Information Requests	March 4
Yukon Energy Corporation Responses to Information Requests on Auditor General's Report	March 7
Intervenor Evidence Filed	March 18
Information Requests to Intervenors on their Evidence	March 24
Intervenor Responses to Information Requests	April 8
Oral Hearing commences	April 18

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Issues List**

1. New Income Stabilization Trust Account and confirmation of Existing Firm Rates
2. Proposed Rate Changes
 - Increase in Secondary Energy Retail Rate from 3.3 cents/kW.h to 5.5 cents/kW.h
 - Change Faro mine site from Rate Schedule 34 to a General Service-Government Rate Schedule
 - Establish a new voluntary Green Power Rate
 - Reconciliation of revenue deficiency to revenue from proposed rates
3. Amend Electric Service Regulations to increase General Service Maximum Utility Investments, establish a new Secondary Energy Maximum Utility Investment and update the definition of “interconnected system”
4. Load Forecast
 - Load demand, forecast/actual revenues, deferred revenues, related party transactions related to the Application
5. Operating, Maintenance and Administrative Expenses
6. Adjust diesel fuel prices to reflect current forecasts
7. Reserve for Injuries and Damages
 - Transfer deferred fire insurance gain of \$744,000 to Reserve for Injuries and Damages
 - Increase annual appropriation to Reserve for Injuries and Damages from \$50,000 to \$150,000
8. Depreciation Study and depreciation reduction due to change in service lives, salvage value and group procedure
9. Mid-Year Rate Base
 - Transfer balance in Diesel Contingency Fund and Deferred Rate Schedule 34 Revenues accounts to a non-rate base New Income Stabilization Trust Account
 - Continuity of rate base from 1996/97 to current application, subject to data limitations

- Capital budgeting, plant additions, system integrity of YEC assets, contributions in aid of construction
- Working capital allowance

10. Capital Structure and Rate of Return on Equity of 9.05 percent

11. Other Issues

- Financial statements: continuity, approved versus actual results, contingencies
- YEC Annual Report 2003: comparison, degree of consistency of information with regulatory filings
- Capital budgeting process and economic feasibility tests (including capitalization of operating and maintenance (O&M) expenses), contracting procedures
- YEC responses to Board directives
- YEC policies related to issues in the Application
- Service Quality Indicators
- YEC compliance with previous Board decisions
- Late Payment Charges