

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

and

**Yukon Energy Corporation
General Rate Application for 2008 and 2009**

BEFORE: W. Shanks, Chair) January 20, 2009
 R. Laking, Vice-Chair)
 J. Woodland)
 K. Avery)
 R. Hancock)

BOARD ORDER 2009-1

WHEREAS:

- A. On October 6, 2008, Yukon Energy Corporation (YEC) filed with the Yukon Utilities Board (Board) an Application, pursuant to the *Public Utilities Act* (Act) and Order-In-Council 1995/90, requesting an Order approving forecast revenue requirements for the 2008 and 2009 test years of \$29.217 million for 2008 and \$31.599 million for 2009 (General Rate Application or Application).
- B. The Application also requested approval of an Interim Refundable Rate for retail rate reductions (Rider U) commencing November 1, 2008, which was subsequently amended to December 1, 2008, applicable only to first block rates where feasible, without any rate rebalancing between customer classes. YEC also requested that an increase in residential runoff rates be approved as part of an Interim Refundable Rates Order (Interim Application).
- C. On October 30, 2008, the Board issued Board Order 2008-15 providing Notice of Application, setting a Pre-Hearing Conference for January 7, 2009, and proposing a proceeding schedule for the Application, including a proposed public hearing commencing on May 5, 2009.
- D. On December 19, 2008, the Minister of Justice authorized the Board to incur the expenses necessary to conduct a public hearing into the Application pursuant to Section 50 of the Act.
- E. On January 2, 2009, the Board circulated an agenda for the Pre-Hearing Conference, a Preliminary Issues List, and the requests for party status received by the Board.

- F. The Pre-Hearing Conference was held on January 7, 2009 in Whitehorse, at which time the Board heard submissions from parties on the following matters:
- a) Issues List
 - b) Intervenor and Observer Status
 - c) Hearing Cost Process
 - d) Proceeding Schedule
 - e) Hearing Process

NOW THEREFORE, the Board orders as follows, for the Reasons set out in Appendix A:

1. Intervenor status is granted to the following parties for this proceeding:

Yukon Electrical Company Limited
City of Whitehorse
Utilities Consumers' Group
John Maissan
Peter Percival
Erin Giesbrecht
Laura Cathers

2. Observer status is granted to the following parties for this proceeding:

Department of Energy, Mines and Resources, Government of Yukon
Paul Kishchuk
Carcross/Tagish Development Corporation

3. All parties intending to retain legal counsel and/or consultants shall submit to the Board signed retainer letters on or before **February 9, 2009**.
4. The Proceeding Schedule remains as shown in Board Order 2008-15.
5. The Final Issues List for the Application is attached as Appendix B to this Order.

DATED at the City of Whitehorse, in the Yukon Territory, this 20th day of January 2009.

BY ORDER



Wendy Shanks
Chair

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

and

**Yukon Energy Corporation
General Rate Application for 2008 and 2009**

Reasons for Decision

1.0 Intervenor Status

The Board received written requests for Intervenor status in this Application from the following parties:

Yukon Electrical Company Limited (YECL)
City of Whitehorse
Utilities Consumers' Group (UCG)
John Maissan (Leading Edge Projects)
Peter Percival
Erin Giesbrecht
Laura Cathers

The Board received written request for Observer status from:

Paul Kishchuk (Vector Research)
Dept. of Energy, Mines and Resources, Government of Yukon
Carcross/Tagish Development Corporation

All parties other than Erin Giesbrecht and Laura Cathers appeared at the Pre-Hearing Conference. No concerns were raised with the requests for Intervenor or Observer status at the Pre-Hearing Conference.

As there were no other concerns raised with the requests by interested parties, the Board has granted Intervenor status to the following parties for this proceeding:

YECL
City of Whitehorse
UCG
John Maissan
Peter Percival
Erin Giesbrecht
Laura Cathers

The Board has granted Observer status for this proceeding to:

Paul Kishchuk.
Dept. of Energy, Mines and Resources, Government of Yukon
Carcross/Tagish Development Corporation

2.0 Issues List

On January 2, 2009, the Board circulated a Preliminary Issues List to parties for discussion at the Pre-Hearing Conference. Written comments or suggestions to the Preliminary Issues List were supplied by UCG and YECL at the Pre-Hearing Conference.

Mr. Maissan, the City of Whitehorse and Mr. Percival suggested some additional issues at the Pre-Hearing Conference. With the exception to the point noted below (Cost Allocation and Rates), YEC did not object to the inclusion of the additional issues. The Board is of the view that the additional issues are relevant to this proceeding; therefore, the Board has revised the Issues List and included all suggestions from the parties.

Regarding cost allocation and rates, YECL argued that it was a Phase II issue and should be removed from this proceeding. YECL stated that it was their expectation that while both companies filed separate Phase I filings, they were going to provide a joint Phase II filing. YECL submitted that it is directly impacted by the rate design of YEC as the rate schedules are shared by both companies and YECL was never consulted by YEC with respect to rate-design changes. UCG did not support the removal of cost allocation and rates from this proceeding.

YEC stated that its Application was filed in accordance with legislation and latest government directions though the latest Order in Council. Further, YEC stated that the terms "Phase I" and "Phase II" are terms from other jurisdictions and historically, the revenue requirement and rate-design matters were covered in one hearing. YEC later added that due to cost considerations and efficiency, YEC has tried to consolidate all matters in one proceeding.

With regard to the issue of a Phase II hearing to deal with cost allocation and rate design, the Board notes that in its July 20, 2007, correspondence to YECL and YEC, it quoted from page 53 of the Report to the Commissioner in Executive Council on the Application by YEC for review of its 20-Year Resource Plan: 2006-2025, as follows:

Now is an appropriate time for YEC and YECL to have a complete review of all GRA Phase I and Phase II matters. The Board recommends that YEC and YECL file a full GRA application before October 31, 2007. The application should include a full cost of service, rate design and an update of the Electric Service Regulations. The

Board also suggests that YEC and YECL consider a performance-based regulation mechanism. As well, the Board recommends that evidence be provided as to what other utilities provide for Maximum Company Investment and model theirs accordingly.

The YECL response of August 17, 2007, stated:

- Our current work-plan is to file a Phase I General Rate Application by March 31, 2008.
- Similar to recent practice with ATCO Electric and its regulator, the Alberta Energy and Utilities Board, we will file a Phase II General Rate Application shortly thereafter.

The YEC response of August 17, 2007 (the actual correspondence had a typographical error using 2006 as the year) stated:

As reviewed by the Board when approving Yukon Energy's 2005 Revenue Requirement and Related Matters, a "full GRA" in Yukon which addresses cost of service, rate design and other related matters, as well as revenue requirements, requires filings by both YEC and YECL in order to comply with the Rate Directive OIC 1995-90. Initial discussion with YECL suggests that this might best be addressed as follows:

- Phase I – Revenue Requirements: Separate revenue requirement filings (Phase I filings) from YEC and YECL as a first step ...
- Phase II – Cost of Service and Rate Design: A joint YEC/YECL cost of service and rate-design filing (Phase II filings) would appear the most effective way to comply with OIC 1995/90 directives...

Further in its correspondence dated December 17, 2007, YEC stated:

Based on the above considerations, YEC now plans to file its next revenue requirement application in August/September 2008. Further, based on this timing, YEC and YECL have committed to work together to file a consolidated Phase II cost of service and rate-design filing concurrently with YEC's revenue requirement filing so that these matters can be reviewed at the same hearing.

The Board finds that the terms "Phase I" and "Phase II" are not foreign to this jurisdiction as they have been referenced by both YEC and YECL. The Board finds that it made its expectations clear on Phase II matters through its decision on YEC's 2005 Revenue Requirement and Related Matters Application and its recommendations in YEC's 20 Year Resource Plan: 2006-2025. The Board also notes the above commitments from YEC and YECL for a joint Phase II filing. Therefore, the Board is of the view that a joint Phase II will be held to deal with

cost allocation and rates. For this reason, any issues in this Application relating to cost allocation, rates and Electric Service Regulations (Terms and Conditions of Service) are given a low ranking as such issues would be addressed in a future Phase II proceeding. Further, the Board has given similar items that have been canvassed in previous proceedings a low ranking.

3.0 Hearing Cost Process

After summarizing the Hearing Cost Process at the Pre-Hearing Conference, the Board canvassed parties present as to whether they are considering retaining legal counsel and/or technical consultants.

For purposes of the Hearing Cost Process, all parties intending to retain professionals are required to file with the Board the retainer letters for these professionals on or before **February 9, 2009**.

December 22, 2008, correspondence received from Public Interest Advocacy Centre (PIAC) pertaining to costs was addressed at the Pre-Hearing Conference where the Board said it will follow its Intervenor Cost Award Policy and Hearing Cost Process.

4.0 Proceeding Schedule

The Board confirms the availability of the court reporter and therefore will maintain the Schedule of Proceeding as originally set out in Order 2008-15.

5.0 Hearing Process

UCG brought forward concerns regarding process scheduling as a result of

- i) The filing of 2008 Actuals by YEC in early April; and
- ii) The possibility that YEC may need to file reply evidence.

The concerns expressed by UCG were about the opportunity to submit written Information Requests on any reply evidence before the hearing to obtain any clarifications and to conserve hearing time.

YEC responded that existing processes were sufficient and these matters have in the past been dealt with through cross-examination at the hearing. YEC added that if a party believes insufficient information is being provided, motions can be made to the Board, as has been past practice.

YECL supported the YEC view that sufficient processes were in place.

Mr. Percival suggested that based on the timing of any update provided by YEC, the date for Intervenor evidence could change.

The Board has determined that the Schedule of Proceeding as shown in Order 2008-15 is sufficient and existing processes can deal with matters as they arise.

YUKON UTILITIES BOARD

THE YUKON ENERGY CORPORATION (YEC) 2008-09 GENERAL RATE APPLICATION

ISSUES LIST

<u>Issue</u>	<u>Ranking</u>
1. Introduction	
a. Timing of Rate Application	Medium
b. YUB Review of Yukon Energy Matters Since 1996/97 GRA	Low-Medium
c. Bulk Power System Resource Planning & Development Challenges and Impact on Capital Projects	High
d. Yukon Energy Costs & Financial Performance	Medium
e. Yukon Energy Rates & Bills	Low
2. System Sales and Generation	
a. Overview	
b. Sales Forecast and Forecasting Methodology	Medium
i. Wholesale Sales to YECL	
ii. Major Industrial	
iii. Firm Retail Sales	
iv. Secondary Sales	
c. Power Generation and Dispatch	Medium
d. Peak Demand Forecast and Forecasting Methodology	Low-Medium
e. Use of Available Hydro Surplus and Impact of Base Load Requirements	High
f. Impact of Minto Mine and Other Possible Mine Customers	Medium
g. Demand Side Management Programs and their impact	Medium
3. Revenue Requirement	
a. Overview	
b. Fuel and Purchased Power	Medium-High
c. Non-Fuel Operating & Maintenance Expenses	Medium-High
d. Rate Base,	Medium
i. Depreciation & Amortization	High
ii. Depreciation Method used by YEC	High
e. Return on Rate Base	Medium-High
f. Stabilization Mechanisms	Medium
g. Insurance	Medium
h. Rate Case Costs	High
i. Service Quality Indicators and the need for performance monitoring	Low

<u>Issue</u>	<u>Ranking</u>
4. Cost Allocation and Rates	Low
a. Overview	
b. Cost Allocation and Revenue-to-Cost Ratios	Low
i. Secondary Sales Rate Design	
ii. Major Industrial Firm Rates	
iii. Non-Industrial Firm Retail Rate Design	
iv. Wholesale Rates	
c. Secondary Sales Rate Design	Low
d. Major Industrial Firm Rates	Low
e. Non-Industrial Firm Retail Rate Design	Low
f. Wholesale Rates	Low
g. Bill Impacts	Low
h. Terms and Conditions	Low
5. Capital Projects	High
a. Capital Works	
i. Major Projects Over \$1 Million	High
ii. Projects \$100,000 to \$1 Million	Medium-High
b. Deferred Costs	High
6. Board Recommendations and Directives	
a. Order 2005-12; YEC 2005 Revenue Requirement	Low
b. Order 2007-5, -6; Minto Power Purchase Agreement	Low
c. Board Orders 2007-7, -8, -9, and 2008-1	Low
d. YUB Report; YEC 20-Year Resource Plan (January 15, 2007)	Low-Medium
e. YUB Report; CSTP Part 3 Review (May 31, 2007)	Low-Medium
f. Recommendations of the Auditor General (Mayo-Dawson Line; Feb 05)	Low
7. Financial Schedules	
a. 2008 Actuals	Medium
8. Return on Equity	
a. Background	
b. Yukon Energy Fair ROE for 2008 and 2009	Medium-High
c. Cost of Capital including:	High
i. Capital Structure and Cost of Capital	
ii. Cost of Debt	
iii. No-Cost Capital	
iv. Return on Equity including Formulaic Approaches to Setting of ROE	
v. Utility/non-Utility Allocation of Capital	
9. Audited Financial Statements	
a. Corporate Governance and Organization	Medium
10. Orders in Council	Medium