

Appendix A to Board Order 2018-05 Reasons for Decision

1. Introduction

On December 6, 2017, Yukon Energy Corporation (YEC) filed with the Yukon Utilities Board (Board) a two-part application regarding certain Energy Reconciliation Adjustment (ERA) matters. The application was in response to directions stemming from Board Order 2017-08, issued October 18, 2017 to comply with the direction from the Yukon Court of Appeal and further directions from the Board. In that order, YEC was directed to file a separate two-part application. The first part of the application was to address ERA issues for the year 2012. The second part of the application was to address how YEC proposes to address the Diesel Contingency Fund, ERA, wholesale rates and long-term hydro generation for the period 2017 forward as well as providing an alternative GRA forecast using a short-term hydro-electric forecast for the 2017-18 test period. In the Part 1 of the two-part application (Application) YEC also requested the approval of the ERA amounts for 2013 to 2016, inclusive. This decision pertains to the YEC Application seeking approval of the 2012 ERA amount and ERA determinations for the 2013-2016 period.

The Board issued a letter to parties registered in YEC's 2017-2018 GRA on December 15, 2017 stating that the Board was considering a written process for the Application and asking parties to provide comments. Comments were received from registered interveners on January 16, 2018, and reply comments were received from YEC on January 19, 2018. Noting that all parties agreed to a written process for the Application, Board Order 2018-01 was issued January 29, 2018, outlining the following process schedule for this Application:

Process Step	Date (2018)
Information Requests (IRs) to YEC	February 9
IR responses from YEC	February 23
Intervener Evidence (if necessary)	To be determined
Written Argument	March 16
Written Reply	March 29

Interveners participating in this proceeding were:

ATCO Electric Yukon (AEY)
The City of Whitehorse (CW)
The Utilities Consumers' Group (UCG)

The process steps as prescribed above were followed, but no intervener evidence was submitted. The Board considers the record for this proceeding closed on March 29, 2018.

In reaching the determinations contained within this decision, the Board has considered all relevant materials on record for this proceeding, including the evidence and argument provided by each party. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Board's reasoning related to a particular matter and should not be taken as an indication that the Board did not consider all relevant portions of the record with respect to that matter.

2. Discussion

The YEC Application consisted of YEC's determination¹ of the 2012 ERA charge, other pre-2017 ERA amounts, and an amended Rate Schedule 42.

2012 ERA charge and other pre-2017 years

In its Application, YEC provided a revised amount for its 2012 ERA. YEC revised the 2012 ERA amount from \$439,000 to \$501,000, an increase of \$62,000. Details of YEC's 2012 ERA amount are set out in Table 1-1 of its Application. YEC explained that it calculated the 2012 ERA amount using the approved 2012 GRA forecasts and diesel costs², actual YEC sales and generation (net of secondary sales), final 2012 DCF annual report amounts³ and estimated YEC revenue impacts from changes in wholesale sales (including provision for Rider J and R revenue impacts). YEC further explained that the \$62,000 increase in the 2012 ERA amount submitted in its April 7, 2015 ERA filing was due to refinements in the revenue impact assessments and there were no changes in the thermal cost impact assessments. It added that the increase in the revenue impact assessment for 2012 related to the Rider J estimated revenue amounts per kW.h of wholesale sales in 2012 and revenues assessed for wholesale sales changes due to Fish Lake hydro generation variances from long-term average water flows. YEC provided additional detail on these two impacts on the calculation of the 2012 ERA amounts.⁴

¹ Application, page 1-3, Table 1-1.

² Page 1-3 of the Application referenced Board Orders 2013-01 and 2013-03.

³ Page 1-3 of the Application referenced Board Order 2015-06 (Appendix A, page 10).

⁴ Application, pages 1-5 and 1-6.

YEC also specified the ERA charges for each of the years 2013 to 2016, inclusive.⁵ YEC determined an ERA calculation of \$0 for each of these years. YEC submitted that the 2013 amount was final, but the amounts for 2014-2016, inclusive, were interim, subject to final approvals of DCF amounts for those years.⁶

Views of the Parties

CW submitted that based on its review of the Application and YEC's responses to the following IRs: AEY-YEC-1-3 and YUB-YEC-1-3, it did not object to the approval of the Application as filed by YEC.⁷

AEY, in its submissions, commented on the complexity of the DCF and ERA models, and the administrative and regulatory burden these models placed on the Yukon regulatory framework. Due to these and other concerns identified, AEY submitted that further investigation is warranted to consider a more traditional deferral account-type mechanism.⁸ However, AEY was satisfied that the costs presented in the Application were calculated consistently. It added that AEY was going to flow those costs through to all Yukon ratepayers.⁹ AEY also submitted that the DCF mechanisms should not be approved on a go-forward basis (post 2016).

YEC replied to the AEY comments that the Application pertains solely to ERA charges for the years 2012-2016. YEC pointed out that AEY had not argued for changes to the ERA mechanism for the 2012-2016 period. It submitted that AEY's concerns regarding the 2017-and-forward period could be addressed as part of the ongoing YEC 2017-18 GRA proceeding currently before the Board.

UCG stated that "[A]s was noted in the UCG's submission dated September 28, 2017, the UCG is most concerned with what impact any retroactive change to the 2012 ERA amount will have on ratepayers going forward. This determination should be made before allowing YEC to implement any retroactive changes to rates and charges that end up flowing through to end-users."¹⁰

In reply argument, UCG submitted that "while YEC may not have liked the YUB's determination in August 2015, and in fact appealed to the YUB to change its mind, but the YUB's determination in its Order 2015-06 resulted in final rates being determined. UCG is very concerned that any variation on costs to be recovered from AEY and ultimately Yukon ratepayers means a retroactive change to final rates upon which Yukon ratepayers had been basing their electricity consumption decisions."¹¹

⁵ Application, page 1-11, Table 1-2.

⁶ Application, page 1-1.

⁷ CW Final Argument, page 2.

⁸ AEY Final Argument, pages 2-3.

⁹ AEY Final Argument, pages 3-4.

¹⁰ UCG Final Argument, paragraph 5.

¹¹ UCG Reply Argument, paragraph 6.

UCG further submitted that without a comprehensive review and updated cost of service study, it could not be determined whether the costs being recovered in wholesale charges are fair and reasonable and whether the rates are cost-based. Therefore, UCG submitted that the ERA amounts do not align with principles of rate design that have been established in Yukon and other Canadian jurisdictions.¹²

In response to UCG, YEC submitted that the UCG position was without merit because it was merely seeking finalization for its ERA amounts which did not require a cost of service for the Yukon rate zone. Further, YEC added that the ERA is an unsettled matter from the 2012-13 GRA and the 2014 DCF-ERA Proceeding that has been before the Courts and was not finally determined until September 2017.¹³

Views of the Board

As stated in Board Order 2017-08, the purpose of the Application is to test the quantum of the 2012 ERA. YEC was directed to file evidence as to how the 2012 ERA amount of \$439,000 was derived and whether or not YEC views that there should be any adjustments to the 2012 amount. The Board considers that the Application addresses the Board's direction for the 2012 ERA amount. As noted above, YEC also requested that the Board determine the ERA amounts for the years 2013 to 2016, inclusive.

The Board accepts the calculations of the ERA amount for the year 2012 set out in Table 1-1 of the Application and the ERA amounts for the years 2013-2016 set out in Table 1-2 of the Application. The Board finds that these calculations are supported by the data sources provided, and the responses to the following IRs: AEY-YEC-1-3, CW-YEC-1-1, CW-YEC-1-2, UCG-YEC-1-8, YUB-YEC-1-1 to YUB-YEC-1-4, and YUB-YEC-1-7. The Board also took note of YEC's response to IR YUB-YEC-1-7(b) that, if the Board were to approve the amounts in Table 1-2, all ERA matters for the period 2013-2016 would be closed. Furthermore, no interveners took issue with the calculations of the ERA amounts for the 2012-2016 period.

The Board considers that the submission of UCG on the need for a comprehensive review and updated cost-of-service study before a determination could be made on the applied for ERA amounts was not supported. The finalization for the ERA amounts does not require a cost-of-service study. Further, the Board considers that since the Board's 2012 ERA finding was under appeal, this matter was not final. Accordingly, the Board finds that approving the 2012 ERA amount does not result in retroactive ratemaking.

For the reasons set out above, the Board approves the ERA amounts for the years 2012 to 2016 as submitted by YEC as final and considers all ERA matters for this time period to be closed.

¹² UCG Final Argument, pages 4-5.

¹³ YEC Final Argument, page 3.

Amended Rate Schedule 42

Rate Schedule 42 is applicable only to the Yukon Electrical Company (YECL, also known as “AEY”), and sets the price and terms and conditions for wholesale primary sales to YECL. Contained within Rate Schedule 42 is the ERA, which has been an outstanding issue before this Board for rates effective January 1, 2012. YEC requested approval of an amended Rate Schedule 42 – in particular, the ERA portion of Rate Schedule 42 – and for that rate schedule to be effective January 1, 2012. According to YEC, the amended Rate Schedule 42 would enable YEC to recover all thermal generation costs, net of related changes in wholesale revenues that are attributed to YECL’s above-forecast wholesale purchases of electricity. Conversely, an amended Rate Schedule 42 would also require YEC to rebate all thermal generation cost savings, net of related changes in its wholesale revenues, attributable to YECL’s below-forecast wholesale purchases of electricity in each calendar year. The forecast amounts referenced in Rate Schedule 42 refer to YEC’s most recent Board-approved forecast of wholesale sales. The amended Rate Schedule 42 was provided in Appendix 1.1 of the Application.¹⁴

The existing approved ERA in Rate Schedule 42 is as follows:

Energy Reconciliation Adjustment

Charges to YECL will be adjusted on a monthly basis to reconcile actual wholesale purchases to test year forecast purchases during the months when diesel generation in the Hydro zone is on the margin at long term average water flows. To the extent that actual wholesale purchases fall short or exceed forecast wholesale purchases, an adjustment to YECL bills will be made at a rate equal to the Hydro zone incremental cost of diesel of 32.74 cents per kW.h as approved by the Board in Order 2010-13. Such adjustment for shortfalls in actual wholesale purchases will be limited to minus 10% of the forecast wholesale purchases in any period.

The proposed amended ERA in Rate Schedule 42 is:

Energy Reconciliation Adjustment

YECL’s wholesale primary bill will be adjusted at the end of each calendar year by an amount equal to any increase or reduction in thermal generation costs, net of related changes in wholesale revenues, incurred by Yukon Energy as a direct result of actual wholesale purchases exceeding or falling short of Yukon Energy’s most recent test year forecast wholesale purchases as approved by the Yukon Utilities Board.

Views of the parties

¹⁴ Application, page A1.1-1.

No parties expressed any views regarding the amended Rate Schedule 42.

Views of the Board

The Board has reviewed the proposed amended Rate Schedule 42 set out in Appendix 1.1 of the Application. The wording of the last approved Rate Schedule 42 pertaining to the previous ERA was amended because references to the terms “Hydro zone”, and “on the margin” and the incremental cost of diesel no longer apply. The Board finds that the changes to the wording of Rate Schedule 42 are in keeping with the ERA as determined for the 2012-2016 period. Therefore, the Board approves the amended Rate Schedule 42 submitted by YEC and attached as Appendix B to this Board Order.