

# **Yukon Utilities Board**

Board Order 2023-11

Appendix A: Reasons for Decision

June 20, 2023

## 1 INTRODUCTION

1. On April 13, 2023, Yukon Energy Corporation (YEC) filed correspondence with the Yukon Utilities Board (Board) titled “2022 Low Water Reserve Fund Report and Energy Reconciliation Adjustment Filing”. The submission was pursuant to YEC’s LWRF Term Sheet as approved in Board Order 2022-07.
2. On April 27, 2023, the Board issued Board Order 2023-09 which considered the YEC submission as an application to be decided by way of a written proceeding, pending Ministerial approval for such proceeding. Board Order 2023-09 also provided process steps for interested parties to make Information Requests (IRs), for YEC to provide responses to those IRs, for interested parties to provide comments on the application and for YEC to provide reply comments. For regulatory efficiency, the Board did not require registration from interested parties.
3. IRs were sent to YEC from the Board and the Utilities Consumers’ Group (UCG) by May 9, 2023. IR Responses were received from YEC May 16, 2023, in accordance with the process schedule. The Board issued Board Order 2023-10 on May 17, 2023 directing YEC to provide further and better responses to certain IRs. YEC provided the response to that direction on May 19, 2023. Comments were received from UCG May 23, 2023, and reply comments were provided by YEC on May 26, 2023 (ahead of the May 30, 2023 deadline).
4. UCG provided further submissions to the Board outside of the established process schedule (one dated May 28, 2023 and a second dated June 5, 2023) and after YEC submitted its reply of May 26, 2023. Submissions received by the Board after YEC’s reply of May 26, 2023 were not authorized by the Board’s rules or by the process schedule set out in Board Order 2023-09 and therefore were not considered by the Board.
5. In making its decision, the Board has considered all relevant materials comprising the record of this proceeding, including the submissions provided by each party in accordance with the process schedule. Accordingly, references to specific parts of the record in this Appendix A: Reasons for Decision 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.
6. The Board considers the record of this proceeding closed as of May 26, 2023.

## 2 OVERVIEW OF THE APPLICATION

7. In its application, YEC sought approval of two proposals:
  - (1) Low Water Reserve Fund (LWRF) transfers as well as LWRF balances as provided in Attachment 1 of the filing. The amount calculated by YEC of \$7.151 million to be transferred from YEC into the LWRF providing a closing balance in the LWRF as at December 31, 2022 of \$9.895 million owed to customers; and
  - (2) Energy Reconciliation Adjustment (ERA) calculations and a \$0.170-million ERA payment from ATCO Electric Yukon (AEY) to YEC for 2022.

### **LWRF Calculations and Balance Updates for 2022**

8. YEC provided Attachment 1 containing Table 1-1 LWRF Calculations and Table 1-2 LWRF Continuity Schedule. The schedules were also provided in Excel format. Table 1-1 calculated an incremental YEC Thermal Generation Cost refund which shows that LTA thermal generation exceeds actual thermal generation for the 2022 actual load. Thus, YEC transferred a refund to the LWRF of \$7.151 million for the year 2022. Table 1-2 provides the balance in the LWRF as at December 31, 2022 after all LWRF transactions have been recorded (\$9,895,000).

### **2022 ERA Filing**

9. YEC provided Attachment 2: 2022 ERA Filing containing Table 2-1 ERA Determination for 2022. Table 2-1 calculated a charge to AEY of \$170,000.

### **Views of the Parties**

#### **UCG**

10. UCG provided a summary of its views on how the LWRF should operate. UCG argued that the actual net thermal generation of YEC for 2022 should be subtracted from the expected net thermal generation that was approved in YEC 2021 GRA. UCG submitted that the proper variance for LWRF calculation purposes should be 46,725 MWh, with a total cost refunded to the LWRF of \$8,586,654.<sup>1</sup> UCG also submitted that the GRA thermal fuel mixture of 90% LNG and 10% weighted average diesel should apply for the LWRF calculations.<sup>2</sup>
11. UCG argued that the LWRF Term Sheet (and its YEC SIM model) obfuscates, confuses, and results in inaccurate accounting.<sup>3</sup> UCG then added that the LWRF Term Sheet “should be discontinued for determining the LWRF calculations for this

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<sup>1</sup> UCG Final Submission, paragraphs 9-12 inclusive, PDF page 4.

<sup>2</sup> UCG Final Submission, paragraph 12, PDF page 4.

<sup>3</sup> UCG Final Submission, paragraph 13, PDF page 4.

2022 process and a simple fuel cost reconciliation method like done in table 1.1-1 be used. This should be the case moving forward for the LWRF.”<sup>4</sup>

12. UCG concluded by stating: “Accordingly, the amounts for LWRF should be carefully scrutinized by the Board and modified to observe the facts demonstrated above.”<sup>5</sup>

### **YEC Reply**

13. YEC replied to the UCG comments by reiterating that the application has a specific scope of one specific year — 2022 — and its purpose is to ensure a review that LWRF transfers are in accordance with the LWRF Term Sheet.<sup>6</sup> This proceeding does not pertain to GRA or test year revenue requirements, nor does it revisit or review the LWRF Term Sheet.<sup>7</sup>

14. YEC also noted the following:

- No evidence was provided that the LWRF calculations and transfers are not in accordance with the LWRF Term Sheet.
- UCG’s LWRF transfer calculation using the variance between 2021 GRA-approved LTA thermal at 85.930 GWh and the actual net thermal at 39.205 GWh is not in accordance with the LWRF Term Sheet and it effectively introduces a new methodology for calculating the LWRF transfers.
- The UCG submissions are outside of the scope of this proceeding and do not conform with Order-in-Council (OIC) 2021/16.
- The utilized thermal fuel mix of 90/10 LNG/diesel submitted by UCG in its calculation ignores the constraints noted in the LWRF Term Sheet regarding fuel mix when setting LWRF transfers.
- UCG’s submission regarding using “a simple fuel cost reconciliation method like done in table 1.1-1” introduces a new methodology for calculating LWRF transfers which is outside of the scope of this proceeding.<sup>8</sup>

15. In conclusion, YEC submitted that “UCG’s submission should be rejected and the LWRF and ERA should be approved as filed as it has been completed in accordance with the approved LWRF Term Sheet.”<sup>9</sup>

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<sup>4</sup> UCG Final Submission, paragraph 13, PDF page 4.

<sup>5</sup> UCG Final Submission, Paragraph 14, PDF page 4.

<sup>6</sup> YEC Reply, PDF page 4.

<sup>7</sup> YEC Reply, PDF page 4.

<sup>8</sup> YEC Reply, PDF page 4.

<sup>9</sup> YEC Reply, PDF page 4.

## Views of the Board

### Scope

16. At the outset, it is important to determine the scope of this application. In that regard, the Board notes that the relief requested is for approval of the 2022 LWRF transfers, the 2022 LWRF balance at the end of 2022, and the 2022 ERA charge from YEC to AEY. Further, in Appendix A to Board Order 2022-03, the Board found that “a revised term sheet could not be filed until after OIC 2021/16 was in force and the Board is satisfied that the term sheet complies with the OIC. The Board does not find the use of the 2019 term sheet unfair to customers as it is trued-up to actuals...”<sup>10</sup>

17. The Board also considered the following statements from the LWRF Term Sheet submitted with YEC’s compliance filing to Board Order 2022-03:

YEC thermal generation savings (excess) are calculated on an annual basis for the LWRF based on the variance between actual thermal generation and LTA thermal generation at the actual YIS load. The actual YIS load for this assessment is net of long-term average annual (i.e., expected) availability for all renewable sources other than YEC hydro generation, including Fish Lake hydro, and IPP renewable generation.<sup>11</sup> (Footnote removed; underlining added)

18. The Board also considered the following statement in the decision to the compliance filing to YEC’s 2021 GRA:

YEC’s requested changes to YEC’s rate riders, Rate Schedule 39 Industrial Primary Fixed Charge, RS39 Fixed Charge true-up, and Low Water Reserve Fund (LWRF) Term Sheet are also approved, effective August 1, 2022.<sup>12</sup> (Underlining added)

### LWRF

19. The Board has reviewed the application, the IR Responses and submissions from the parties. The Board has verified the calculations contained in Tables 1-1 and 1-2 of the application and finds that the LWRF calculations are consistent with the term sheet approved in Board Order 2022-07.<sup>13</sup>

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<sup>10</sup> Appendix A to Board Order 2022-03, YEC 2021 GRA – Decision, paragraph 347, PDF page 79.

<sup>11</sup> YEC 2021 GRA Compliance Filing, Appendix 2.1, page 2.1-2, PDF page 43.

<sup>12</sup> Appendix A to Board Order 2022-07, YEC 2021 GRA Compliance Application - Decision, paragraph 18, PDF page 2.

<sup>13</sup> Board Order 2022-07, YEC 2021 GRA Compliance Filing, page 2 of 2, PDF page 2.

20. The Board did not accept the UCG submissions and calculations regarding the 2022 transfers to the LWRF because these calculations are inconsistent with the most recent approved LWRF Term Sheet. Specifically, the use of the 2021 GRA-approved LTA thermal generation quantity is inappropriate as the approved LWRF Term Sheet states that “YEC thermal generation savings (excess) are calculated on an annual basis for the LWRF based on the variance between actual thermal generation and LTA thermal generation at the actual YIS load.”<sup>14</sup> (Underlining added)

21. Accordingly, the Board approves the 2022 LWRF report as filed.

## **ERA**

22. No party has opposed the ERA calculations as submitted by YEC. The Board has reviewed the application, the IR Responses, and the submissions from the parties. The Board has verified the calculations contained in Table 2-1 of the application. The Board finds the ERA calculation appropriate and approves the ERA charge from YEC to AEY as requested.

## **Process**

23. The Board finds it necessary once again to note that parties to a proceeding must adhere to the steps and the timelines set in the process schedule for a proceeding. This is to ensure fairness to all parties. Adhering to the process schedule creates efficiency, maintains proceeding timelines, and avoids unnecessary incremental process costs for participants and the Board, thereby reducing the financial burden on ratepayers. The Board may extend or adjust timelines on a motion of a party, in accordance with the Board’s Rules of Practice. Parties cannot unilaterally alter the process schedule by making submissions which are outside of the process established for a proceeding.

24. In this proceeding, UCG filed submissions in response to the YEC’s reply. Such submissions were not contemplated in the process schedule and UCG did not request by way of motion permission to make such filings. The Board considers that fairness dictates that as stated above these submissions will not be part of the Board’s deliberations on the application.

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<sup>14</sup> YEC 2021 GRA Compliance Filing, Appendix 2.1, page 2.1-2, PDF page 43.