

Appendix A to Board Order 2021-08

Reasons for Decision

1. In its 2021 GRA, YEC is seeking approval of an interim refundable rate rider (Rider J) for 2021 of 10.08% for retail firm rates and for industrial firm rates for all consumption on or after July 1, 2021.
2. YEC submitted that a new GRA is required to address serious ongoing revenue shortfalls and the proposed approach in the 2021 GRA is to time rate increases to coincide with the reduction and expiration of existing rate riders (Rider F and Rider J1). YEC added that its approach would prevent rate and bill instability.¹ YEC also noted that the July 1, 2021 interim rates would cover approximately two-thirds of the forecast revenue shortfall.
3. The Board confirmed its jurisdiction to set interim rates in Appendix A to Board Order 2017-06². In that Order, the Board stated:

The Board's jurisdiction to make interim orders is set out in section 63 of the Act [*Public Utilities Act*] which states, in part,

The board may, in any matter before it,

(a) make any interim orders on appropriate terms that it may consider necessary to facilitate its inquiry or to prevent serious harm occurring before its decision; ...

4. The Board considers that the purpose of interim rates is two-fold. First, interim rates provide a smooth rate transition for customers to new rates in order to minimize rate shock. Second, they provide additional cash flow to the utility to cover increased costs while its rate case is being tested. The Board assesses an interim rate request with this purpose in mind.
5. In deciding on an interim rate request, the Board considers some or all of the following factors:
 - the quantum of the interim rate increase and need for the increase, including the impact of the proposed interim rates and any shortfall in revenue to the utility;
 - whether the proposed interim rates promote rate stability and erase rate shock, and whether interim rates help maintain intergenerational equity;

¹ Application, PDF page 3.

² Board Order 2017-06, Appendix A, Request by YEC for Approval of Interim Refundable Rates for 2017.

- the need to accommodate regulatory lag to preserve a utility's opportunity to recover the revenues ultimately determined by the Board to be just and reasonable for the year to which the interim rates apply; and
 - the merits of the applied-for revenue requirements have not been tested.
6. YEC's request for a 10.08% Rider J increase represents approximately two-thirds of the total increase requested by YEC in its GRA to set its 2021 revenue requirement, and this percentage increase impacts both YEC and its customers. Upon any final determination of the 2021 rates, any difference between amounts collected under interim refundable rates and those finally approved by the Board will be refunded to or collected from YECs customers.
 7. The Board is of the view that granting an order approving 2021 interim refundable rates will preserve YEC's opportunity to recover the revenues ultimately determined by the Board to be just and reasonable for that year while smoothing the rate impact to customers over the last six months of 2021. To some extent, these considerations support approval of the YEC interim rate request to promote rate stability and erase rate shock to customers.
 8. On the question of the need to accommodate regulatory lag to preserve a utility's opportunity to recover the revenues ultimately determined to be just and reasonable, the Board notes that YEC did not file its GRA until November of 2020. The timing of the filing of an application rests with the applicant and the further the application is filed in advance of the test year the greater regulatory efficiency and predictability with respect to rate increases that a utility is requesting. Given the timing and complexity of the GRA application, the Board's testing of YEC's rates will require a hearing later this year.
 9. Taking all these considerations into account, the Board finds that the 10.08% increase in Rider J for 2021 is just and reasonable and in the public interest and will be effective for all consumption on or after July 1, 2021.