

**Yukon Utilities Board**

Board Order 2023-23

Appendix A: Reasons for Decision

October 10, 2023

## INTERIM RATE REQUEST

1. In its 2023-24 General Rate Application (Application), YEC is seeking approval of an interim refundable increase to Rider J on October 1, 2023 of 4.80%, approval for an additional interim refundable increase to Rider J of 12.02% on January 1, 2024, and a further incremental 3.38% interim refundable increase to Rider J on August 1, 2024.
2. YEC stated that the interim refundable rates proposed are aimed at providing a smooth rate transition for customers in order to minimize rate shock and provide greater bill stability.<sup>1</sup>

## INTERVENER SUBMISSIONS

3. The Utilities Consumers' Group (UCG) commented that YEC and AEY are using interim rates as a go-to for filing late applications. As AEY's 2023 rate decrease was denied by the Board, UCG questioned how YEC's proposed October 1, 2023 interim rate increase provides greater stability and predictability for Yukon ratepayers. As the increase for January 1, 2024 was to coincide with the removal of Rider F charges, UCG questioned what the effect would be on rates if Rider F changes do not occur as forecast. UCG requested that the Board deny the interim rate proposals by YEC and order YEC to return with clearer proposals. UCG further commented that the lateness of the YEC and AEY filings have negative impacts on the regulation process and the Board should set out clear guidelines for when and how an application is to be processed and that the Board should mandate two-year filings and timelines for utility General Rate Applications.
4. John Maissan commented that further clarity was required to understand the Rider J interim refundable increases requested by YEC. Mr. Maissan recommended Rider J be increased by 3.40% on November 1, 2023 and further increased by 6.00% on March 1, 2024, stating that the March 1, 2024 increase would decrease the adverse impacts of the rate increases at the coldest and most expensive time of year for residential customers.
5. Nathaniel Yee questioned whether the utility-claimed bill stability and predictability from interim rate adjustments really provide a service to customers. Mr. Yee added that when specific rate adjustments expire, they are performing as designed and that interim rate increases that replace those expired charges have no justification. Mr. Yee concluded by stating that claiming that bill stability is more important to customers than rates is disingenuous.

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<sup>1</sup> YEC interim rates reply comments, PDF page 1.

## YEC REPLY COMMENTS

6. YEC responded to the intervener comments by referring to the determinations of the Board in Appendix A to Board Order 2021-08 and listing some of the factors the Board considered when making determinations on requests for interim rates. YEC then added "... the objective of bill stability is enhanced when required interim rate increases can be timed to coincide with the reduction or expiration of existing rate riders."<sup>2</sup>
7. YEC stated that a 4.80% Rider J increase on November 1, 2023 only recovers \$0.7 million of the \$6.7 million expected revenue shortfall for the 2023 test year. A further Rider J increase of 12.02% effective January 1, 2024 will only recover 83% of the 2024 forecast revenue shortfall. YEC added that the requested interim rate increases do not cover 100% of the forecast revenue shortfall for the test years, they allow for rate stability when coordinated with the Rider F reduction, reduce the quantum of the future true-up to final rates, accommodate regulatory lag, and provide for intergenerational equity.
8. In its reply, YEC clarified the Rider J interim refundable rate increase, provided directions as to where the Rider F information is located in the Application for Mr. Maissan and UCG, and added that the forecast reduction of Rider F to zero as of January 1, 2024 is consistent with past practice. Based on the above, YEC requested that Mr. Maissan's Rider J recommendations be rejected and asserted that the above confirms YEC's need for interim rates.

## FINDINGS OF THE BOARD

9. The Board does not agree with YEC that its interim rate proposals promote rate stability. Requesting three rate increases over a 10-month period does not represent rate stability, even if some of the increases are timed with the removal of other rate riders. As noted in Appendix A to Board Order 2021-08:

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.<sup>3</sup>

10. Without making determinations on the merits of YEC's Application, the Board agrees with the concepts for interim rate considerations as espoused in Appendix A to Board Order 2021-08 above. The Board is persuaded by YEC's submission that a 4.80% interim rate increase effective November 1, 2023 would only recover \$0.7 million of the \$6.7 million forecast revenue requirement shortfall for 2023. In circumstances where there are few expected material contested issues with an application, the interim rate request awards would

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<sup>2</sup> YEC interim rates reply comments, PDF page 3.

<sup>3</sup> Appendix A to Board Order 2021-08, YEC 2021 GRA Interim Rate Request Decision, paragraph 4.

cover more than 10.45%<sup>4</sup> of the forecast revenue shortfall as is the case for the first test year (2023). The timing of the Application (submitted August 31, 2023 for the current test year) is one aspect that presents difficulties in awarding a higher interim rate due to potential rate shock. Further, in the Board's view, to have one interim rate decrease on October 1, 2023 followed by an increase in interim rates on November 1, 2023 and a second increase on January 1, 2024 is not indicative of rate stability. An increase of 12.02% for interim rates as proposed by YEC for interim refundable rates effective January 1, 2024 can lead to rate shock to certain customers. The Board, however, notes that the impact of the proposed interim rate increase is mitigated by the change in Rider F charges on that same effective date. The Board also notes the YEC submission that a 12.02% interim rate increase (January 1, 2024) would cover 83% for the forecast revenue shortfall for 2024. However, there are issues with aspects of this Application that may have a material impact on the final approved revenue requirement increases. Therefore, for rate stability and to avoid rate shock, the Board approves a January 1, 2024 interim refundable rate (Rider J) at a lower amount than requested by YEC.

11. In making this determination the Board considered:

- the quantum of the interim rate increase and the need for the increase, including the impact of the proposed interim rates and any shortfall in revenue to the utility; and
- that the merits of the applied-for revenue requirements have not been tested.

12. The merits of YEC's requested revenue requirements for 2023 and 2024 will be fully tested in the process outlined in Board Order 2023-19. Any difference between amounts collected according to interim refundable rates and those finally approved by the Board will be refunded to, or recovered from, Yukon customers, as the case may be. Upon initial review by the Board, YEC's proposals regarding the LWRF, diesel generation unit rentals, return on equity, capital expenditures, and other issues may be controversial and are likely to be contested. However, the Board considers that there is a possibility of a rate increase following the hearing into the Application. The Board is of the view that granting interim refundable rates will preserve YEC's opportunity to recover the revenues ultimately determined by the Board to be just and reasonable for both test years of the Application. Therefore, the Board approves an interim refundable rate increase to Rider J effective January 1, 2024 of 10%. This determination is in keeping with the findings from Board Order 2021-08 discussed earlier.

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<sup>4</sup> \$0.7 million/\$6.7 million = 10.45%.

13. Parties did not provide any comments regarding the YEC proposal for the implementation of an interim refundable Fixed Charge for VGC Group and for Hecla Yukon. The Board notes that, as this is an interim refundable request, the Board approves YECs request to implement an interim refundable Fixed Charge for VGC Group of \$46,554.84 per month and for Hecla Yukon (previously Alexco) of \$21,295.74 per month effective January 1, 2024.