

ATCO Electric Yukon (AEY)  
2023-24 General Rate Application

IR Number	Information Request	AEY Response	UCG Motion and Submissions	AEY Response	UCG Reply to AEY	Board Ruling
<b>AEY-UCG-004(a-b)</b>	<p><b>Reference:</b> July 7, 2023 Application, Appendices, pages iii and iv, AEY charts out Business Cases for: 2016-2017 (#1-3); 2018-2022 (#4-21); 2023-2024 Test Years (#22-38); and Significant Expenditures Outside of Test Years (#39-41).</p> <p><b>Requests:</b>                      (a) For the years 2016-2017, provide same chart with the dollar amount for each project #'s 1-3 and explain how each was accounted for in rate base. Explain if these were referenced and accounted for in the 2016-2017 rate base.                      (b) For years 2018-2022 (#'s 4-21) provide same chart with the dollar amount of each project and explain if these were accounted for in the rate base and for which year. If these were added to the rate base for each of those non-test years, explain under which part of the <i>Public Utilities Act</i> this can be done.</p>	<p>(a)-(d) Please refer to AEY-YUB-046(a) Attachment 1 for an itemized list showing which projects have a Business Case for 2016-2024. These projects are added to rate base when they go into service. As stated in AEY- UCG-065(b), the net cost of capital has been included in the 2023-2024 Revenue Requirement on a prospective basis and AEY is not seeking retroactive recovery of returns or depreciation costs incurred for the period since its last GRA. Opening rate base continues to be within scope for the Board’s review and approval as part of this Application.</p>	<p><b>Reference:</b> AEY Application, AEY-UCG-04, businesses cases to now get regulatory approval for capital projects already placed into rate base by AEY from the years 2016-2022. AEY response is to see YUB-46 (a) for answer for parts a. and b. of UCG IR.</p> <p>YUB-46(a) response is a continuity report which needs a forensic accounting to remedy a decision.</p> <p>What has AEY charged for each capital project in these non-test years and then placed into rate base which they claim can be done when they come into service? Do these costs that AEY have placed into rate base for each of these capital projects have overruns or change of scope of original project description? How is this reconciled in this type of regulation?</p> <p><b>Request:</b> That: AEY answer parts (a) and (b) of this UCG request showing changes for each capital project costs (2016-2022) with a column for the preliminary engineers’ report estimated costs, a column for AEY’s final costs already placed into rate base and another showing the difference. That: AEY explain how they perceive that these costs are reconciled in a regulatory process that is some 2 to 7 years after the fact.</p>	<p>The information originally requested in AEY-UCG-004(a) and (b) regarding the dollar amount for the referenced projects and how they are added to and accounted for in rate base is provided in AEY’s response, including with reference to AEY-YUB-046(a) Attachment 1 and AEY-UCG-065(b).</p> <p>UCG’s articulation of its request in its motion differs from its original request and seeks additional information regarding cost estimates from preliminary engineers’ reports. The Rules provide a process for parties to seek to settle an IR Response where they are unsatisfied with the response or with the reasons that a response is not provided (Rule 14(5)). Respectfully, AEY has fully responded to the original IR and there is no basis to allow UCG to request new information which was not the subject of its original IR. For these reasons, AEY submits that it should not be required to provide further information in response to the request and that the request should be denied.</p>	<p>AEY-UCG-004(a) - AEY fails to give an accurate, easy accounting chart to demonstrate the dollar amounts of each of the three capital projects for 2016-2017 that were apparently added to rate base. AEY identifies these projects in this Application and interveners need to be assured that these were not accounted for in the 2016-2017 GRA and now again in this Application. Accordingly, we request they provide the details to prove their actions.</p> <p>AEY-UCG-004(b) - AEY fails to give an accurate, easy accounting chart to demonstrate the dollar amounts of each of the #4-21 of the 2018-2022 capital projects already added to rate base. We ask that this be done now and that the much more complex YUB-046(a) chart is not simply referenced. As well, AEY has not identified the section of the <i>Public Utilities Act</i> that gives them the right to place capital projects into the rate base for non-test years. We request that AEY answer this question now.</p>	<p>In its response to AEY-UCG-04 (a) and (b), AEY provided a reference to AEY-YUB-46(a) attachment 1. In the YUB IR, the Board was asking to have the applicable business case numbers associated with each line item inserted for the capital expenditures being made. The IR asked by UCG was specific to capital additions into rate base (as opposed to capital expenditures) which is information not set out in AEY-YUB-46(a) attachment 1.</p> <p>UCG seeks to compare capital forecasts as identified in the applicable business case and actual capital addition costs as follows: in part (a) the additions to rate base made during the last 2016-17 test period which are found in business cases for: 2016-2017 (#1-3), and in part (b) the additions to rate base made during the years that were not test years, being 2018-2022 which are found in business cases for: 2018-2022 (#4-21).</p>

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						<p>AEY is directed to provide the information requested by UCG using a table with column headings: Project name and Business Case #; Year placed into rate base; Forecast costs in Business Case; Actual costs added to rate base; Variance explanation.</p> <p>AEY is also directed to provide an explanation to UCG of its interpretation of the provisions of the <i>Public Utilities Act</i> which it believes permits AEY to capitalize the non-test years capital expenditures</p>
<p><b>AEY-UCG-041</b></p>	<p><b>Reference:</b> July 7, 2023 Application, pages 7-1 and 7-2; Depreciation and Negative Net Salvage. AEY states “The annual increases in depreciation expense from 2018 to 2022 are due to growth in property, plant, and equipment. The increases from 2022 to 2023 and 2024 are mainly driven by the restart of the Net Salvage collection.”</p>	<p>(a), (b) Please note that the original depreciation expenses included in AEY’s 2023-2024 GRA were placeholder amounts and have been updated per AEY’s Depreciation Study, which was filed with the Board on September 11, 2023. As set out in Board Order 2023-18, information requests related to AEY’s updated</p>	<p><b>Reference:</b> AEY Application, AEY-UCG-041, Depreciation Parameters</p> <p><b>Request:</b> Now that AEY has completed the update on depreciation, they are now able to answer parts a, b, c and d in AEY-UCG-041.</p> <p>For AEY answer to c. of this interrogatory, they state that they do not believe in deferring capital projects to a later date due to reliability constraints, but they fail to explain why and how such large expenses like the ongoing CIS Replacement, Asset Management</p>	<p>(a), (b) and (d) As set out in Board Order 2023-18, IRs related to AEY’s updated depreciation expenses can be submitted by October 10, 2023. UCG has the opportunity to provide IRs on depreciation in accordance with the process established by the Board. AEY will be pleased to respond to appropriate IRs that UCG provides in accordance with that process.</p> <p>(c) AEY submits that it has provided sufficient detail in the Application, and particularly in the relevant business cases, to demonstrate the need for each of the projects that UCG has referenced.</p> <p>In an effort to be helpful, AEY additionally notes that while AEY does not delay capital</p>	<p>AEY-UCG-041 (a), (b) and (d) - UCG agrees that these questions have now been requested in the Depreciation Parameters portion of this process. We are looking forward to disclosure of this information.</p> <p>AEY-UCG-041(c) - UCG was looking for an answer as to why AEY could not defer depreciation for capital projects that are not necessary for reliability and safety, such as the CIS and Asset Management, which are on-going, to a year when large increases in revenue requirement (2024) are</p>	<p>AEY has responded to the question asked in part (c), and no further action is required by AEY.</p> <p>With respect to parts (a), (b) and (d), UCG acknowledges those questions are part of the depreciation parameters. Therefore, no further response is required in this step of the process schedule.</p>

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	<p><b>Requests:</b></p> <p>(a) Give the impact on revenue requirement in a percentage of total increase proposed for depreciation, deferred costs of amortization, long-term debt and ROE.</p> <p>(b) Provide details of the net negative salvage from 2018-2022 (all non-test years) and proposed salvage depreciation for 2023 and 2024. Explain how this affects revenue requirement for each of these test years.</p> <p>(c) Give reasons why a more balanced approach (i.e., deferring some capital projects to a later date to lower depreciation expense) could be used for each test year to provide more stable rates.</p> <p>(d) Provide specific calculations related to assets being added to rate base that result in an increase in total depreciation expense of \$2.047 million in 2023 (2023 forecast vs. 2022</p>	<p>depreciation expenses can be submitted by October 10, 2023.</p> <p>(c) AEY does not believe that deferring capital projects to a later date to provide more stable rates is a viable option, as these delays could put AEY’s ability to provide safe and reliable service at risk. There is increasing strain on the current grid due to load growth from the rapidly increasing population in the Yukon. If these capital projects are not addressed in a timely manner, the reliability of the grid could be compromised.</p> <p>(d) Please refer to the response to parts (a) and (b) above.</p>	<p>Programs and other computer infrastructure (which have no concrete bearing on safety nor reliability of the grid) could be deferred to years when the AEY is applying for a large increase in rates (i.e., 2024).</p>	<p>projects, as this can impact AEY’s ability to provide safe and reliable service, AEY also aims to minimize costs wherever possible, as was the case with the ATCO CIS replacement project. AEY identified issues with its current CIS program and determined the need to replace the system (as described in Business Case #22). ATCO was also in the process of replacing its system, and AEY was able to leverage this implementation. In doing so, AEY was able to lower the costs based on the economies of scale it benefitted from due to being part of a larger overall implementation. These economies of scale would not have been available if the project had been delayed. A delay would have resulted in higher costs for the project as a stand-alone implementation, which would have been required regardless.</p> <p>Please refer to the response to AEY-JM-034 for the reasons why AEY believes the Asset Management Project should not be delayed.</p> <p>For the reasons outlined above, AEY submits that the UCG request should be denied.</p>	<p>being applied for. We apologize for our articulation of this request. Nevertheless, we would like this answered by AEY.</p>	

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	actual) and an additional \$1.829 million in 2024 (2023 forecast vs. 2024 forecast).					
AEY-UCG-047	<p><b>Reference:</b> July 7, 2023 Application, page 8-3: AEY claims transformational change increases risk.</p> <p><b>Request:</b> Compare this concept to other non-regulated Yukon businesses.</p>	<p>AEY does not consider the risks experienced by other non-regulated Yukon businesses to be relevant to the assessment of its business risk as a regulated utility.</p> <p>Accordingly, AEY declines to provide the requested information pursuant to Rule 14(4)(a) of the YUB Rules of Practice.</p>	<p><b>Reference:</b> AEY Application, Risk, AEY-UCG-047</p> <p><b>Request:</b> AEY declares having a transformational risk but will not explain how this will affect them nor how it would compare to other utility companies or other Yukon companies. If they will not answer this, then such a statement should not be made in their companies’ Application process and should be struck from the record.</p>	<p>The Rules provide a process for parties to seek to settle an IR Response where they are unsatisfied with the response or with the reasons that a response is not provided (Rule 14(5)). It is not clear whether UCG is seeking a further and better response to this IR or seeking to have portions of the Application struck. Based on the fact that the motion does not comply with the requirement to provide a clear and concise statement of the relief requested, it should be dismissed.</p> <p>AEY submits that its response was adequate and responsive to the request. AEY has provided significant detail regarding its business risk in the Application, including in the Concentric Report and in various IR Responses, and maintains that the risks experienced by non-regulated Yukon businesses are not relevant to an assessment of its business risk as a regulated utility. This information is not reasonably required in order to test the Application.</p> <p>There is no basis to strike portions of AEY’s Application from the record. It is AEY’s responsibility to bring the Application before the Board and provide adequate support for the approvals requested therein. The entire Application is to be considered following fulsome testing by Interveners and the Board. If UCG considers that aspects of the Application are not sufficiently supported, which AEY</p>	<p>AEY-UCG-047 - UCG is asking for clarification on blanket statements made by AEY without adequate qualified information backing such statements. Here, AEY is claiming to have a greater risk to their return due to transformational changes. Although they have given some examples of these transformations, AEY has not identified how these would negatively impact their return.</p>	<p>The Board finds that AEY has provided its response. Therefore, no further response is required.</p>

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				<p>submits is not the case, then UCG may address those aspects in its submissions through the established hearing process, including in its evidentiary submissions, in cross-examination and in argument.</p> <p>For these reasons, AEY submits that UCG request should be denied.</p>		
<p><b>AEY-UCG-048</b></p>	<p><b>Reference:</b> July 7, 2023 Application, page 8-3.</p> <p>AEY claims: "Operational cost risks due to potential to underestimate various cost items including capital expenditures, financing costs and O&amp;M expenses."</p> <p><b>Request:</b> (a) Explain when and if YEC has ever had negative cost recovery (i.e., underestimated various costs). (b) Explain when and if YEC has had positive cost recovery (i.e., overestimated various costs).</p>	<p>(a)-(b) AEY submits that the requested information is beyond the scope of this Proceeding and declines to provide the same pursuant to Rule 14(4)(a) of the YUB Rules of Practice.</p>	<p><b>Reference:</b> AEY Application, Risk, AEY-UCG-048</p> <p><b>Request:</b> AEY declares that they have a risk of having negative and positive recovery in their risk assessment but will not give any concrete examples of how this has affected them in the past and how it would affect them going forward. If they will not give factual details about negative and positive cost recovery, then such a statement should not have been made in their Application process and should be struck from the record.</p>	<p>The Rules provide a process for parties to seek to settle an IR Response when they are unsatisfied with the response or with the reasons that a response is not provided (Rule 14(5)). It is not clear whether UCG is seeking a further and better response to this IR or seeking to have portions of the Application struck. Based on the fact that the motion does not comply with the requirement to provide a clear and concise statement of the relief requested, it should be dismissed.</p> <p>AEY maintains that information about YEC's past negative or positive cost recovery is not relevant to this proceeding or reasonably required in order to test AEY's Application. However, as it now appears that UCG may have intended to refer to AEY in the IR (not YEC) and in an effort to be helpful, AEY is providing Table 1 below, which shows the variances between 2017 approved costs and 2017-2022 actual costs for operations and maintenance, depreciation and return on rate base. As shown in Table 1, the majority of AEY's costs were underfunded over the 2017-2022 timeframe.</p>	<p>AEY-UCG-048 - UCG is asking for clarification on blanket statements made by AEY without adequate qualified information backing such statements. Here, AEY is claiming to have greater operational cost risks due to the potential to underestimate various costs. Although they have given examples of these possible operational cost items, AEY refuses to give evidence re: when and if this has ever taken place before. UCG argues that this is relevant to demonstrate that economic conditions have changed for AEY to now make this claim of greater risk.</p>	<p>The Board is satisfied with the response from AEY. No further response is required.</p>

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				<p>There is no basis to strike parties' submissions from the record. It is AEY's responsibility to bring the Application before the Board and provide adequate support for the approvals requested therein. The entire Application is to be considered following fulsome testing by Interveners and the Board. If UCG considers that aspects of the Application are not sufficiently supported, which AEY submits is not the case, then UCG may address those aspects in its submissions through the established hearing process, including in its evidentiary submissions, in cross-examination and in argument.</p> <p>For these reasons, AEY submits that the UCG request should be denied.</p>		