

# Yukon Utilities Board

Board Order 2026-10

Appendix A: Reasons for Decision

April 28, 2026

# 1 INTRODUCTION

1. On February 26, 2026, Yukon Energy Corporation (YEC) filed correspondence with the Yukon Utilities Board (Board) titled “2025 Low Water Reserve Fund Report and Energy Reconciliation Adjustment Filing”. The submission was filed pursuant to YEC’s LWRF Term Sheet as approved in Board Order 2024-13. As YEC is seeking approval of the filing, the Board considers this correspondence to be an application, 2025 LWRF Application.
2. On March 6, 2026, the Board issued Board Order 2026-07 stating that the 2025 LWRF Application would be decided by way of a written proceeding, although Ministerial approval of the proceeding was pending. Board Order 2026-07 also provided process steps for interested parties to provide comments on the Application and YEC to provide reply comments. For regulatory efficiency, the Board did not require registration from interested parties.
3. The Board received comments from the UCG by March 17, 2026, in accordance with the process schedule. The UCG at that time also filed a motion requesting the Board to review the process YEC and AEY use to purchase their fuel supply before making any decisions on the LWRF (for YEC) and Fuel Rider F (for AEY and YEC). YEC provided reply comments and a response to the UCG motion on March 23, 2026.
4. On March 23, 2026, YEC submitted a revision to its 2025 LWRF Application. YEC stated the previously reported diesel rental generation numbers were inaccurate due to the metering module replacement in one of the diesel rental units. Using corrected numbers, the LWRF calculations were revised resulting in about \$0.131 million reduction in the LWRF transfers and determined a net transfer from the LWRF for 2025 of \$22.418 million.
5. On March 24, 2026, the UCG made a request to the Board to allow it to reply to the YEC response to the UCG motion. The Board approved the UCG request through a letter issued that same day. The UCG provided its reply on March 30, 2026, and the Board issued its ruling dismissing the UCG motion on April 2, 2026.
6. The Board notes that the UCG ignored the Board’s caution and the UCG response submitted on March 30, 2026 contained comments beyond what YEC stated in regard to the UCG motion. In this decision, the Board did not attribute any weight to March 30, 2026 UCG comments that went beyond those that directly pertained to the YEC response to the UCG motion.
7. The Board received approval from the Minister of Justice for this proceeding on March 26, 2026.

8. In making its decision, the Board has considered all relevant materials comprising the record of this proceeding. 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.

9. The Board considers the record of this proceeding closed as of April 2, 2026.

## 2 OVERVIEW OF THE APPLICATION

10. In its revised application, YEC sought approval of the following two proposals:

- approval of the 2025 Low Water Reserve Fund (LWRF) transfers as well as LWRF balances as provided in Attachment 1 of the revised filing. The transfer amount calculated by YEC to be removed from the LWRF for 2025 is \$22.418 million. The interest calculated on the balance of the LWRF for 2025 is \$0.594 million. These two transactions (the 2025 LWRF transfer and the interest) plus the adjustment for balances outside fund caps of -\$225,000 provide a closing balance in the LWRF as at December 31, 2025 of \$-7.878 million (in favour of YEC). As the balance in the LWRF at the end of 2025 does not exceed the +/- \$16 million threshold, YEC has stated that there is no excess to be refunded to customers, nor is there a deficit to be collected from customers via a Rider E rebate or collection. YEC noted that, through Board Order 2024-15, the Board approved a Rider E rebate of 0.128 cents/kWh for the period November 1, 2024 to March 31, 2025. That rebate was set to 0 cents/kWh April 1, 2025. YEC noted that as the LWRF ending balance is within the +/- \$16 million threshold, Rider E should remain set at 0 cents/kWh.
- YEC stated that actual wholesale sales to AEY were higher than forecast wholesale sales<sup>1</sup> to AEY resulting in incremental thermal costs for YEC. However, YEC stated that incremental revenues from the higher wholesales to AEY offset YEC's incremental thermal costs. The result of this situation is that no ERA payments are required for 2025.

### 2.1 LWRF Calculations and Balance updates for 2025

11. YEC provided Attachment 1: LWRF Calculations and Balance as of December 31, 2025, containing Table 1-1 LWRF Calculations and Table 1-2 LWRF Continuity Schedule.

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<sup>1</sup> YEC approved 2025 forecast wholesale sales to AEY of 373.662 GW.h. Actual 2025 wholesales from YEC to AEY were 383.768 GW.h and the Fish Lake adjustment was at 3.082 GW.h.

The schedules were also provided in Excel format. Table 1-1 calculated an incremental YEC Thermal Generation Cost which shows that actual thermal generation exceeds LTA thermal generation for the 2025 actual load. The amounts YEC transferred from the LWRF (\$22.418 million) exceeds the 2024 LWRF yearend balance (\$14.181 million) causing the 2025 LWRF yearend balance to be in a deficit position (\$7.878 million). Table 1-2 provides the balance in the LWRF as at December 31, 2025 after all LWRF transactions have been recorded, including earned interest (the earned interest was \$594,000) on the 2024 LWRF balance (\$14,181,000).

## 2.2 2025 ERA Filing

12. YEC provided Attachment 2: 2025 ERA Filing containing Table 2-1 ERA Determination for 2025. Table 2-1 calculated an ERA charge to AEY of \$0.

## 3 VIEWS OF THE INTERVENOR

13. The UCG was the only intervenor to provide comments on YEC's 2025 LWRF Application. In its March 17, 2026 submission, the UCG commented on two issues: the LWRF term sheet and diesel fuel costs. In addition, the UCG submitted a Notice of Motion.

### 3.1 LWRF Term Sheet

14. The UCG stated that the LWRF term sheet evaluation favours YEC and is therefore disadvantageous to customers. It was further submitted by the UCG that the current method of determining the LWRF does not serve the public interest and UCG questioned how shifting back and forth from forecast to actual data accurately reflects what is taking place. The UCG requested answers from both YEC and the Board on this question.<sup>2</sup>

### 3.2 Diesel Fuel Costs

15. The UCG proffered the following regarding diesel fuel costs:

- YEC uses diesel costs as a buffer to compensate for inconsistencies and potential mismanagement.
- YEC relies on the LWRF and Rider E to justify collecting sufficient funds to meet each year's revenue requirement.

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<sup>2</sup> UCG comments, March 17, 2026 points 1-3.

- YEC has little incentive to operate efficiently or maintain lowest possible rates for customers.<sup>3</sup>
- In terms of YEC’s fuel spending:
  - YEC bases calculations for the LWRF using 2025-2027 GRA approved average fuel costs of 32.19 cents/kWh.
  - It is unclear whether the average fuel costs represent actual costs or forecast costs.
  - No flow chart has been provided of actual daily costs per litre of diesel or LNG throughout each test year.
  - There is a lack of clarity in the calculation of average fuel costs for the LWRF term sheet.
  - There is no accountability mechanism in place to address volatile diesel supply chain costs.
  - The current fuel supplier for YEC procures from Alaska. If supply is unavailable from Alaska, the secondary procurement process introduces multiple markups of the price per litre from the refinery to the contractor and ultimately to YEC. This results in price spikes to YEC diesel fuel costs.
  - There is no incentive for YEC to address the inefficiencies in secondary fuel supply procurement process as all related costs are recovered through the LWRF and DCF.<sup>4</sup>

## 4 YEC REPLY

16. YEC provided its reply to the UCG comments on March 23, 2026. General comments were provided before YEC responded to each of UCG’s issues.

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<sup>3</sup> UCG comments, March 17, 2026 points 5-7.

<sup>4</sup> UCG comments, March 17, 2026, point 8, subpoints I to viii.

## 4.1 General comments

17. YEC stated that the UCG comments do not address the subject matter of this proceeding (the 2025 LWRF calculations and transfers (their concordance with the LWRF Term Sheet) and the ERA). YEC considered the UCG's comments to be of no assistance to the Board.
18. YEC questioned UCG's understanding of the requirements of the Rate Policy Directive (1995), OIC 1995/90. YEC further added that it is required to follow the Rate Policy Directive.<sup>5</sup>

## 4.2 LWRF Term Sheet

19. YEC replied that the purpose of the LWRF is to smooth rate impacts resulting from changes in water conditions from year to year. This is required by section 9 of the Rate Policy Directive.
20. YEC noted the low water conditions for the years 2024 and 2025. YEC submitted that the use of the LWRF avoided immediate rate impacts that would have been passed on directly to customers.
21. YEC noted that approximately \$24.3 million was transferred into the LWRF between the years 2012 and 2023 when favourable water conditions existed and YEC was able to draw down from the LWRF balance when water conditions were unfavorable.
22. In YEC's view, the UCG assertion that the LWRF does not serve the public interest and that YEC relies on the LWRF to justify collecting sufficient funds to meet its revenue requirements for each year was false. YEC added that the UCG assertion is contrary to section 9 of the Rate Policy Directive (1995) that the Board is required to implement.
23. The UCG comments regarding Rider F, according to YEC, are also false and outside the scope of this proceeding. Thermal fuel is a commodity that is globally traded, and the prices are subject to market driven fluctuations driven by global market conditions. YEC does not control such pricing. In addition, the Rider F mechanism is required by section 8 of the Rate Policy Directive (1995) (as amended by OIC 218/220).
24. YEC added that the UCG comment that there is back and forth from forecast to actual is also without basis. The LWRF Term Sheet was subject to Board review and

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<sup>5</sup> YEC Reply, March 23, 2026, PDF page 1.

approval. The UCG participated in the related proceedings and the transfers are based on the LWRP Term Sheet.<sup>6</sup>

### 4.3 Diesel Fuel Costs

25. YEC confirmed that the diesel fuel cost of \$0.3219/kWh is the fuel cost approved by the Board in YEC's 2025-2027 GRA.

26. YEC submitted that all of the UCG's arguments regarding diesel fuel prices are outside of the scope of this proceeding. YEC added that the UCG allegation that YEC does not provide information on how unit costs of diesel and LNG fuels are determined is false. YEC provided a reference from its 2025-2027 GRA in support of its position.

27. YEC also responded that there is no requirement from the Board to provide daily costs per litre of diesel or LNG throughout each test year as such comparisons would provide no value and would add to regulatory inefficiencies and costs. In addition, YEC noted that quarterly FPVA<sup>7</sup>/Rider F reports provide monthly fuel price variance calculations, actual thermal generation, and actual fuel prices, all in comparison to forecast/approved fuel prices. Quarterly diesel price information is provided by YEC in accordance with Board Order 1993-8.

28. YEC continued that UCG allegations with respect to supply chain issues are without basis. YEC named several fuel suppliers and added that the supply agreements include structured pricing mechanisms that provide stability and predictability in distribution costs and ensure reliable fuel delivery to all YEC generation sites. YEC added that its main distributor sources fuel from approximately six refineries concluding that this sourcing strategy provides resiliency to the supply chain, reducing disruption risk and ensuring continuity of fuel supply.<sup>8</sup>

## 5 Board Findings

### 5.1 Scope

29. In considering the scope of this application, the Board notes that the relief requested is for approval of the 2025 LWRP transfers (including interest), the 2025 LWRP balance at the end of 2025, and the 2025 ERA charge from YEC to AEY of \$0.00.

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<sup>6</sup> YEC Reply, March 23, 2026, PDF pages 2-3.

<sup>7</sup> Fuel Price Variance Account (FPVA).

<sup>8</sup> YEC Reply, March 23, 2026, PDF pages 4-5.

## 5.2 LWRF Term Sheet

30. The Board finds that the UCG comments that the LWRF Term Sheet favours YEC and is disadvantageous to customers are without merit.

31. Likewise, the Board finds that the UCG submission that the current LWRF method does not serve the public interest is without basis. Further, the UCG assertion regarding the shifting back and forth from forecast to actual data is unsubstantiated.

32. The UCG did not provide any evidence that YEC's calculations regarding the 2025 LWRF calculations and transfers were not in accordance with the last Board approved LWRF Term Sheet.

33. The Board has reviewed the 2025 LWRF Application and the revised Application and has verified the calculations contained in Tables 1-1 and 1-2 of the application. With the exception of the finding in the following paragraph, the Board finds that the 2025 LWRF calculations are consistent with the approved LWRF term sheet.

34. The Board finds that for Table 1-2, the column headed "Adjustment for balances outside fund caps (Note 5)" and the associated note 5 does not provide a satisfactory explanation of the requested adjustment of -\$225,000. Therefore, the Board directs YEC to restate the 2025 ending balance for the LWRF to be -\$7.653 million<sup>9</sup> as YEC has not justified the -\$225,000 adjustment. YEC can reapply for the requested adjustment at the time of its 2026 Low Water Reserve Fund Report and Energy Reconciliation Adjustment Filing, and can provide more detailed explanation in support of that adjustment.

35. Accordingly, other than the one change noted above, the Board approves the 2025 LWRF report as filed by YEC.

36. The UCG did not provide any comments regarding the ERA calculations as submitted by YEC. YEC stated that since no comments were received on the ERA, it should be approved as submitted. The Board has reviewed the application and verified the calculations contained in Table 2-1 of the application. The Board finds the ERA calculations appropriate and approves the 2025 ERA charge of \$0.00 from YEC to AEY as requested.

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<sup>9</sup> -\$7.878 million plus \$0.225 million = \$7.653 million.

### 5.3 Diesel Fuel Costs

37. The Board is of the view that issues regarding diesel fuel and diesel fuel prices are outside of the scope of this 2025 LWRF Application.

38. The Board recently completed YEC's 2025-2027 GRA proceeding. That proceeding included information requests and responses, a public oral hearing, and written final argument and written reply argument. Fuel forecasts and fuel prices were a part of that proceeding. The UCG was a registered intervener for that proceeding and participated by filing information requests, written final argument, and written reply argument, but did not address fuel forecast or fuel price issues. The Board issued its decision for that proceeding through Board Orders 2026-01, issued January 29, 2026, and 2026-08 (YEC's compliance filing to Board Order 2026-01), issued March 12, 2026. The UCG did not provide any comments with respect to YEC's 2025-2027 GRA Compliance Filing.

39. In the Board's ruling on the UCG motion (April 2, 2026) the Board considered that the points raised by the UCG in support of its motion were GRA issues which the UCG had the opportunity to raise during the YEC 2025-2027 GRA proceeding. The UCG chose not to raise these issues during that GRA. The Board finds that those issues now raised by the UCG to be out of scope of the YEC 2025 LWRF Application; the purpose of the YEC 2025 LWRF Application is not to relitigate fuel prices and fuel purchases.