

**IN THE MATTER OF the *Public Utilities Act***

**and**

**Yukon Energy Corporation**

**Application to Revise the**

**Diesel Contingency Fund and Related Amendments to the**

**Energy Reconciliation Adjustment**

**Notice of Written Proceeding**

**BEFORE:**      B. McLennan, Chair                  )      April 25, 2014  
                    R. Laking, Vice-Chair                  )  
                    A. Fortin                                  )  
                    R. Boisvert                                  )  
                    N. Prasad                                  )

**BOARD ORDER 2014-07**

**WHEREAS:**

- A. In Appendix A to Board Order 2013-01, the Yukon Utilities Board (Board) directed Yukon Energy Corporation (YEC) to provide a revised Diesel Contingency Fund (DCF) proposal. In the revised DCF proposal, YEC was to incorporate other non-diesel generation facilities (Fish Lake hydro, wind) forecasts into its model. In addition, YEC was to incorporate in the revised DCF proposal the suggestions of the City of Whitehorse and Utilities Consumers' Group as to how DCF transactions are to be reported. Further, YEC was directed to provide an example of approximately five years of transactions that will show how the balance in the DCF will change and how those changes will be reported. Finally, YEC was to work with Yukon Electrical Company Limited (YECL), and the two utilities were to provide a joint recommendation on how the DCF will affect the Energy Reconciliation Account (ERA) in Rate Schedule 42 and any proposed wording changes to that rate schedule. The Board did not prescribe a date for the filing of the revised DCF proposal.
- B. In its compliance filing application dated May 1, 2013, YEC requested approval of a revised DCF proposal which incorporated other non-diesel generation facilities (Fish Lake hydro, wind) forecasts in its model. It also responded to suggestions on how DCF transactions are to be reported and provided an example of five years of transactions to show how the balance in the DCF would change and how those changes will be reported. In Board Order 2013-03, the Board did not approve YEC's revised DCF because

YEC had not filed a joint recommendation as directed in Paragraph 255 of Appendix A to Board order 2013-01 and the revised DCF proposal submitted in the compliance filing had not been tested in a proceeding. The Board further stated:

YEC may file a future revised DCF proposal and ERA application. The Board prefers a joint filing from YEC and YECL. However, if agreement cannot be reached, a filing in which the companies state which aspects of the revised DCF proposal and ERA amendment they agree upon, the aspects they disagree upon, and the position of each company on those aspects they disagree upon is acceptable. The filing must also address the concerns raised in Board Order 2013-01 Attachment A: Reasons for Decision. This future revised DCF proposal and ERA application will be separate from the compliance filing directed in this order.

- C. Subsequently, in correspondence dated July 16, 2013, the Board directed YEC to file the revised DCF application by no later than September 30, 2013. YEC and YECL requested an extension of this filing deadline on September 23, 2013, which the Board granted, and a new filing deadline of November 15, 2013 was set. YEC and YECL requested a further extension to continue to meet and discuss the various aspects of the issue. The Board granted another extension of the filing deadline to January 31, 2014.
- D. On January 31, 2014, YEC filed the revised DCF and related ERA amendments application. YEC also informed the Board that YEC and YECL were not able to agree on a joint filing and each utility would be filing its position separately. On the same day, YECL filed its proposals regarding the DCF and the ERA.
- E. In the revised DCF application, YEC puts forward the following options:  
Option A provides for the DCF as proposed (with adjustments essentially as outlined in the May 1 Compliance Filing), but modifies the ERA (as proposed in the 2012/13 GRA and May 1, 2013 Compliance Filing) to reflect net cost to YEC after all added revenues related to wholesales variances, and provides as well for YECL recovery through its deferral account (and related rate rider) of any net added cost after full consideration of added revenues due to increased sales.

Option B provides for the Revised DCF as proposed in the 2012/13 GRA (with adjustments essentially as outlined in the May 1, 2013 Compliance Filing), but amends Rate Schedule 42 as requested by YECL to remove reference to an ERA mechanism; in place of an ERA, a new YEC Diesel Deferral Account (DDA) would be administered to address YEC's net thermal generation cost changes at LTA related to variances in firm YEC sales from GRA approved forecasts (after consideration of all revenue changes related to such variances in firm YEC sales).

F. YEC recommended Option A and requested the following approvals from the Board:

1. Approval, effective January 1, 2012, of Yukon Energy's Revised DCF proposal as described in the Revised DCF Term Sheet in Appendix 1, Attachment 1.1 to YEC's filing.
2. Approval to implement Option A to address the updated ERA, including the following specific approvals related to this option:
  - Approval to trigger the ERA provision of Rate Schedule 42 on an ongoing basis effective January 1, 2012, based on the Revised ERA as described in Appendix 2, Attachment 2.1 to YEC's filing.
  - Confirmation that all ERA charges or rebates to YECL will go directly to YECL's Purchase Power Flow Through deferral account, net of any related YECL revenue changes associated with the same purchase power variances addressed by the ERA charges or rebates, to flow through to ratepayers at such times and terms as approved by the Board.
3. Approval of final DCF and ERA amounts for 2012 and, if final numbers are available, for 2013.

G. YECL submitted that YEC's proposed changes would fundamentally alter the design of the DCF and ERA from what was originally agreed upon and approved by the Board. It added that YEC's proposed changes rely on a complicated, opaque model with questionable accuracy and assumptions that are not consistent with current or reasonably anticipated circumstances. It asserted that, if adopted, YEC's proposals would result in greater regulatory inefficiency and would increase regulatory costs to ratepayers. As a result, YECL has proposed using a deferral account instead of the DCF, as explained in section 4 of its submission. Finally, YECL proposed that this matter be resolved by way of a Board-initiated mediated dispute resolution process similar to the process used by the parties in 1999 to resolve earlier disputes with the DCF and ERA.

- H. The Board has determined that the revised DCF application may proceed by way of a written hearing because the application pertains to a specific issue and that a Board-facilitated dispute resolution process may not be useful in this matter seeing that YEC and YECL held discussions for about six months but could not arrive at a joint recommendation.
- I. Due to a heavy regulatory schedule, the Board is unable to hear the revised DCF application within 120 days of the receipt of the application; therefore, the Board extends the time for hearing the application to September 30, 2014.

**NOW THEREFORE** the Board orders as follows:

1. The Board, pending Ministerial approval, will hold a written proceeding on the revised DCF application in accordance with the following process schedule:

Applications for intervener status	May 21, 2014
Information Requests to YEC and YECL	July 7, 2014
Information Responses from YEC and YECL	July 28, 2014
Intervener evidence	August 11, 2014
Information Requests on intervener evidence	September 2, 2014
Argument	September 16, 2014
Reply	September 30, 2014

2. The Board will issue this Board Order to the parties that participated in the YEC 2012-13 GRA proceeding and in the YECL 2013-15 GRA proceeding.

**DATED** at the City of Whitehorse, Yukon, this 25<sup>th</sup> day of April 2014.

BY ORDER



Bruce McLennan  
Chair