

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
 Submitted: July 28, 2014

YEC-AEY-1

Reference:

Line		Approved Forecast		Approved Forecast Adjusted for Actual Wholesale Sales		Δ	
		MWh	\$000s	MWh	\$000s	MWh	\$000s
1	Wholesale	296,000	24,562	310,264	25,746	14,264	1,184
2	Untested Forecast Incremental Expected Actual Diesel Due to Wholesale	6,288	1,805	12,136	3,484	5,848	1,679
3 = 2 - 1	Additional Revenue Requirement for Wholesale Variance only						495
4	Consolidated Revenues of Non-Industrial		51,188		52,372		1,184
5	Consolidated Revenues of Industrial		4,955		4,955		-
6 = 4 + 5	Total Consolidated Revenues		56,143		57,327		1,184
7	Revenue Requirement		59,815		61,494		1,679
8 = 7 - 6	Shortfall		3,672		4,167		495
Formula	Rider J - Non-Industrial		6.85%		7.57%		0.72%
Formula	Rider J - Industrial		3.34%		4.04%		0.70%
9 = 4 * Rider J	Recovery of Shortfall from Non-Industrial		3,507		3,967		461
10 = 5 * Rider J	Recovery of Shortfall from Industrial		165		200		35
11	Total Shortfall Recovery		3,672		4,167		495
Conclusion: If Wholesale Sales forecast had been equal to actuals, 100% of the cost would be recovered from Ratepayers							

Preamble: The above table was included in ATCO Electric Yukon (AEY)'s original submission and demonstrates the following:

- i) If YEC's GRA forecasts had been equal to actuals, then
- ii) There would be no ERA charge from YEC to AEY.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

Information Requests No. 1 To: Yukon Energy Corporation (YEC) Submitted: July 28, 2014

Request:

- (a) Please confirm that there would have been no ERA charge to AEY in either 2012 or 2013 if YEC's GRA forecast wholesale sales to AEY had been equal to YEC's actual wholesale sales to AEY in 2012 and 2013, respectively. If not confirmed, please fully explain.
- (b) Please complete the table below which compares Yukon Energy's approved 2012 and 2013 shortfalls and % rate increases over existing (pre-2012/13 GRA) rates to what they would have been if YEC's GRA forecast wholesale sales to AEY had been equal to actual wholesale sales to AEY for 2012 and 2013. Please include back-up calculations for all numbers in Excel.

	2012		2013	
	Shortfall	% Rate Increase Over Existing Rates	Shortfall	% Rate Increase Over Existing Rates
As approved in Board Order 2013-04				
If YEC's GRA forecast wholesale sales to AEY had been equal to YEC's actual wholesale sales to AEY				

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014

YEC-AEY-2

Reference: “Charges to YECL will be adjusted on a monthly basis to reconcile actual wholesale purchases to Yukon Energy’s most recent test year forecast purchases during the months when Yukon Energy diesel generation is modified by such variances in wholesale purchases. To the extent that actual wholesale purchases fall short or exceed Yukon Energy’s most recent test year forecast wholesale purchases, an adjustment to the YECL bills will be made based on the variance in diesel generation costs incurred by Yukon Energy as a direct result of actual wholesale purchases falling short or exceeding forecast wholesale purchases.”

(YEC January 31, 2014 DCF/ERA Submission, Attachment 2-1 – Proposed Rate Schedule 42)

“The DCF account will be managed on a monthly basis to permit financial reporting through use of a simple pre-determined monthly percentage distribution. However, due to imprecision in forecast long-term average hydro monthly distributions it is possible that inappropriate values may arise during monthly estimating but these will not be part of final annual DCF calculations. Monthly calculations will be a placeholder with ultimate final calculations performed only on the annual calendar year values.”

(YEC January 31, 2014 DCF/ERA Submission, Appendix 1, p. 1-5.)

Request:

- (a) Please fully explain the “imprecision in forecast long-term average hydro monthly distributions”.
- (b) Please confirm that YEC intends on calculating a monthly ERA invoice to AEY based on “imprecise” monthly forecast long-term average hydro distributions. If not confirmed, please fully explain.
- (c) Please confirm that, absent a YEC GRA in 2014 or 2015, YEC will use its 2013 GRA-approved forecasts for its ERA & DCF calculations in 2014 and 2015. If not confirmed, please fully explain.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

**Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014**

- (d) Absent a YEC filing a GRA for 2014 or 2015, please provide the calculations for what YEC's ERA charge to AEY will be in 2014 and 2015 if AEY Wholesale purchases from YEC are 314,125 MWh in 2014 and 320,965 MWh in 2015. Please keep all other variables constant at YEC GRA-approved forecast levels for 2013.
- (e) Please confirm the ERA charge can vary depending on other factors besides wholesale sales variance. In particular, please confirm whether YEC retail and industrial sales variance and YEC's system losses have influence on the ERA calculation. If not confirmed, please fully explain.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014

YEC-AEY-3

Reference: Table 1: Revised DCF Calculation for Actual 2012 and Preliminary Actual 2013 (YEC January 31, 2014 DCF/ERA Submission, p.8)

Table 2: Option A: Revised ERA Calculation for Actual 2012 and Preliminary Actual 2013

(YEC January 31, 2014 DCF/ERA Submission, p.9)

Request:

- (a) Please provide complete DCF and ERA calculations in the same format as Tables 1 and 2 referenced above for 2012 based on the following scenarios. Apart from the factors as shown in the table below, please hold all other variables (such as the impact of Fish Lake and system losses) at the levels in Table 2.

	Scenario 1 – Actual Data	Scenario 2 – Losses higher than expected
YEC Retail and Industrial Sales (MWh)	79,861	79,861
Wholesale Sales (MWh)	310,264	310,264
Losses	8.8217%	12.00%

- (b) Please provide YEC's approved system loss percentages for the years 2008, 2009, 2012, and 2013.
- (c) Please provide YEC's actual system loss percentages for the years 2008-2013.
- (d) Please fully explain all factors that impact YEC system losses.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014

YEC-AEY-4

Reference: Table 1: Revised DCF Calculation for Actual 2012 and Preliminary Actual 2013

(YEC January 31, 2014 DCF/ERA Submission, p.8)

Table 2: Option A: Revised ERA Calculation for Actual 2012 and Preliminary Actual 2013

(YEC January 31, 2014 DCF/ERA Submission, p.9)

Request

- (a) Please provide full calculations (in Excel) in the same format as Table 1 and Table 2 referenced above for 2012 to show what the ERA charge from YEC to AEY would be for each of the scenarios below. Other than the changes in YEC industrial sales and/or YEC wholesale sales noted below, please hold all other variables (such as the impact of Fish Lake and system losses) at the levels in Table 1 and Table 2.

Scenario	YEC Retail (Change in GWh from 2012 GRA Forecast)	YEC Industrial (Change in GWh from 2012 GRA Forecast)	YEC Wholesale Sales (Change in GWh from 2012 GRA Forecast)
i)	No change	No change	No change
ii)	No change	No change	+15
iii)	No change	+5	+15
iv)	No change	-5	+15
v)	No change	+5	No change
vi)	No change	-5	No change
vii)	No change	No change	-15
viii)	No change	5	-15
ix)	No change	-5	-15

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014

YEC-AEY-5

Reference: “actual diesel costs” are reflected in its accounts are currently determined in any year based on long-term average hydro generation (not actual hydro generation) requirements at the actual grid generation level in that year, i.e., under the proposed DCF in YEC’s filing, the difference in diesel generation costs between actual and long-term average requirements is the amount that goes into (or comes out of) the DCF such that in 2012 and subsequent years YEC’s “actual diesel costs” are based on long-term average hydro generation.”

(YEC June 30, 2014 Supplemental filing, p. 1-2)

“The YECSIM model is a planning model that is designed to provide an accurate representation of the YEC power system under a variety of hydrologic conditions. It has been custom made to accommodate all significant factors that affect the operation of the YEC power system, including the complex rules of operation and the regulatory demands on YEC. It is not designed to forecast actual diesel expected to be incurred in a particular year. It is designed to provide what the diesel requirement would be under long-term average water conditions at a particular load level and under assumed licence and generation installation conditions.”

(YEC June 30, 2014 Supplemental Filing, p. 2-3)

Preamble: AEY wishes to test the data and assumptions underlying the YECSIM model that is being used to calculate the DCF and ERA.

Request:

- (a) Please confirm that YEC’s “Actual Diesel Costs” as referenced above are, in fact, derived from the YECSIM model.
- (b) Please confirm that YEC has not applied for and obtained Board approval of the YECSIM. If not confirmed, please explain in what Board decision and for what purposes the YECSIM was approved.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

**Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014**

- (c) Please fully explain how YEC's YECSIM model "accommodate[s] all significant factors that affect the operation of the YEC power system, including the complex rules of operation and the regulatory demands on YEC." Are the assumptions regarding YEC's operation of its power system incorporated in YECSIM based on YEC's historical operation of the system?
- (d) Please provide a copy of all data, calculations and assumptions used to derive the YECSIM model(s) used to calculate the DCF/ERA amounts for 2012 and 2013 as filed by YEC in its January 31, 2014 submission.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
 Submitted: July 28, 2014

YEC-AEY-6

Reference:

Table 2: Option A: Revised ERA Calculation for Actual 2012 and Preliminary Actual 2013

ERA forecast for 2012 and 2013	2012	2013	
		Preliminary	
GRA approved wholesales	296,000	307,147 MW.h	A
Actual wholesales	310,264	307,927 MW.h	B
Incremental	14,264	780 MW.h	C=B-A
Less: Fish Lake Impact	992	693 MW.h	D
Incremental net of Fish Lake	13,272	86 MW.h	E=C-D
Total YEC's actual generation net of secondary	424,541	419,249 MW.h	F
GRA approved load forecast	405,553	416,387 MW.h	G
Total YEC incremental generation relative to GRA approved	18,987	2,862 MW.h	H=F-G
Expected diesel generation at actual load	15,622	13,326 MW.h	I
Expected diesel generation at GRA load (approved)	7,926	11,006 MW.h	J
Total YEC expected incremental diesel generation	7,696	2,320 MW.h	K=I-J
Incremental Diesel in Base Rates (see Note 6)	40.5%	81.1%	L=K/H
Generation Variance Charged for Diesel Cost	5,853	76 MW.h	M=E*L*Losses
Impacts on YEC	ERA Based on All Incremental Wholesale (100%)		
Added Revenue	1,242	9 \$000	N=E*(8.298+average rider)
Added Cost	1,680	22 \$000	O=M*28.71
Net Impact on YEC	- 439 -	13 \$000	P=N-O
ERA charge to YECL	439	13 \$000	Q=(-P)
Impacts on YECL			
Added Revenue	1,672	11 \$000	R=E/1.062*average energy rate
Added Cost	1,540	20 \$000	S=E*8.298 +Q
Impact on YECL	132 -	9 \$000	T=R-S
YECL Deferral Account - Rider charge (Rebate)	-	9 \$000	U=If T>0 then 0; otherwise (-T)
Net Impact on YECL after Deferral Charge (Rebate)	132	- \$000	V=T+U

“Change in expected diesel generation reflects no WHCT load in 2013, and resulting need to retain updated Table 4.1-1 for GRA Compliance Filing Proposal (2012 DCF), which has higher expected diesel for load without WHCT than forecast in Table 4.1-2 (2013 GRA with WHCT load).”

(YEC January 31, 2014 DCF/ERA Submission, Table 2, p. 9, Footnote 6)

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

Information Requests No. 1 To: Yukon Energy Corporation (YEC) Submitted: July 28, 2014

“In YEC’s 2012/13 GRA, the YUB approved YEC forecast diesel generation (GW.h) and diesel generation costs (\$000) based on long-term average (LTA) hydro generation determined using the YECSIM model⁶. Based on Order 2013-04, diesel generation was included in rates for 2012 at 7.926 GW.h and for 2013 at 11.006 GW.h (reflecting the total YEC generation as then forecast). These are the diesel costs actually included in rates.”

(YEC June 30, 2014 Supplemental Filing, Attachment 1, p 1-3)

Requests:

- (a) Please confirm that “Table 4.1-1” in Footnote 6 referenced above is actually referring to Table 1.1-1 from page A1.1-8 of YEC’s January 31, 2014 DCF/ERA Submission. If not confirmed, please fully explain.
- (b) Please confirm that “Table 4.1-2” in Footnote 6 referenced above is actually referring to Table 1.1-2 from page A1.1-9 of YEC’s January 31, 2014 DCF/ERA Submission. If not confirmed, please fully explain.
- (c) Please confirm that Table 1.1-1, which assumed only Minto & Alexco mine loads, was used to calculate the “Expected diesel generation at actual load” for 2012 on line I of Table 2 above. If not confirmed, please fully explain.
- (d) Please confirm that Table 1.1-2, which assumed WHCT and other industrial loads for 2013, was used to calculate the “Expected diesel generation at GRA load (approved)” in line J of Table 2 above. If not confirmed, please fully explain.
- (e) Please detail under what circumstances and how frequently YEC proposes to update the YECSIM model in the future.
- (f) Please confirm that YEC’s proposed incremental diesel included in base rates in 2013 on line L of Table 2 above (81.1%) is higher than incremental diesel in rates at the highest grid loads included in both Tables 1.1-1 and 1.1-2 (78%). If confirmed, please justify how the calculation of 81.1% can be correct. If not confirmed, please fully explain.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014

YEC-AEY-7

Reference: “It is readily apparent that there is a very big difference in 2012 between the proposed DCF and YECL's proposal as regards 2012 funds going into the DCF to protect ratepayers against future drought impacts, i.e., the YECL proposal results in payments into the DCF in 2012 related to increased grid generation (above GRA forecast) at less than 10% of what is proposed in the YEC filing based on actual generation requirements in that year.”

(YEC June 30, 2014 Supplemental Filing, p. 1-4)

“2012 – YEC [proposal] to refund DCF \$3.715 million”

(YEC June 30, 2014 Supplemental Filing, Appendix 1-B, P. B-1)

“2012 – [Under AEY's proposal] YEC to refund new Diesel Deferral Account \$1.609 million;”

(YEC June 30, 2014 Supplemental Filing, Appendix 1-B, P. B-1)

Request:

- (a) Please provide YEC's calculation which shows that AEY's proposal results in payments into the DCF in 2012 “at less than 10%” of YEC's contribution.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

**Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014**

YEC-AEY-8

Reference: “The question assumes that each new mine is “responsible” for the incremental diesel generation that is expected, on a long term average basis, to be required from overall growth of the integrated grid. The question ignores any similar suggestion regarding any other source of growth on this grid, e.g., Whistle Bend or other major new subdivisions to accommodate strong and ongoing non-industrial growth.

Attempts to assign responsibility for new “incremental” diesel generation to specific customers or customer classes are fraught with serious issues of principle.

In principle, each customer and each customer class contributes to load on the grid, and to the current “incremental” load at any time of day or season of the year. Every kW.h consumed is a part of the load that must be served from existing and new resources, regardless as to the length of time that customer has been on the system (e.g., old house versus new house, old industry versus new industry).”

(YEC 2012-2013 GRA proceeding, YEC IR response to LE-YEC-1-38)

Preamble: AEY is seeking further understanding about the above statement.

Requests:

- (a) Please confirm that YEC believes diesel costs should not be attributable to specific customers. If not confirmed, please fully explain.
- (b) Please confirm that the ERA calculation attributes specific diesel costs to a specific customer, i.e. AEY. If not confirmed, please fully explain.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

**Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014**

YEC-AEY-9

Reference: “However, since diesel is now forecast to be on the margin in the test years these mechanisms once again become relevant and important.”
(YEC 2012-2013 GRA Application, p. 2-12)

“The Fund does not currently deal with secondary sales conditions or revenues, since the Fund only is active when diesel is on the margin (i.e., when secondary sales are not allowed).

UPDATE: Secondary revenues remain highly variable component of YEC’s income structure and fundamentally are made feasible from time to time based on water flows. For this reason a logical connection exists to the updated DCF and the overall objective of facilitating rate stability. In order to have stability in GRA rate revenues it is proposed that YEC will forecast 0 GWh of secondary sales in any GRA for the purposes of setting rates whenever annual long-term average hydro forecasts indicate the need for forecast baseload diesel/gas generation costs to be included in rates. In the event secondary sales arise secondary revenues will then be credited directly to the DCF (without any Rider F related adjustment or impact for price changes), thereby helping to fund the long-term risks related to hydro generation water condition fluctuation.”

(YEC 2012-2013 GRA Application, Attachment 3.2, Page 6)

“Secondary energy is available from time to time to General Service or Industrial customers in parts of the WAF and Mayo-Dawson systems as determined by Yukon Energy based on the availability of surplus hydro.”

(Rate Schedule 32)

	For Standard metered Secondary Service Customers	
Year	Secondary Sales ‘ON’	Secondary Sales ‘OFF’
2012	July 10, 2012	October 21, 2012
2013	July 31, 2013	October 31, 2013
2014	June 19, 2014	

Preamble: AEY is seeking further understanding about the concept of “diesel on the margin.”

**Application to Revise the Diesel Contingency Fund (DCF) and Related
Amendments to the Energy Reconciliation Adjustment (ERA)**

**Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014**

Request:

- (a) Please provide the dates and times of YEC's activation of secondary sales for its SCADA customers from 2012 to today.
- (b) Please explain why diesel should be considered "on-the-margin" all of the time in 2012 and 2013 when secondary sales were "on" for a substantial part of the year.
- (c) Please list any new customers engaged by YEC in 2012, 2013 or 2014 that have been offered secondary sales.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

**Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014**

YEC-AEY-10

Reference: “253. The Board is concerned that the DCF masks market signals and that, in times of a drought, consumers will be removed from the signal to reduce consumption. The problem with smoothing rates is that it mutes market signals and hence consumer behavior.

254. In addition, the Board notes that the use of the fund in the past has been sporadic as evidenced by the fact that the fund has not been active since 1999. Such periods of infrequent use raise issues of intergenerational inequity in that a consumer contributing to a fund today may benefit another consumer several years later.”

(Appendix A to Board Order 2013-01, p. 54)

Request

- (a) Please explain how YEC’s proposed DCF/ERA mechanism addresses the Board’s concerns regarding masked market signals.
- (b) Please explain how YEC’s proposed DCF/ERA mechanism addresses the Board’s concerns regarding intergenerational inequity.

Application to Revise the Diesel Contingency Fund (DCF) and Related Amendments to the Energy Reconciliation Adjustment (ERA)

**Information Requests No. 1 To:
Yukon Energy Corporation (YEC)
Submitted: July 28, 2014**

YEC-AEY-11

Reference: “Yukon Energy notes that in fact the relevant forecasts for ERA purposes in the past, and today, are the forecasts as approved by the Board - and that the ERA is required and appropriate, in the past and today, to comply with OIC 1995/90, which provides that wholesale rates approved for YEC “must be sufficient to recover its costs that are not recovered from its other customers”.

(YEC January 31, 2014 DCF/ERA Submission, Attachment 2, p. 2-5)

“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).”

(YEC January 31, 2014 DCF/ERA Submission, p. 4)

Request:

- (a) Please outline how YEC has modified its DCF/ERA proposal from that filed in its 2012/13 GRA proceeding in an effort to arrive at a joint utility proposal.
- (b) Please confirm that Option B as described in YEC's January 31, 2014 submission complies with the requirements of OIC 1995/90. If not confirmed, please fully explain.
- (c) Please confirm whether or not YEC is proposing Option B as an alternative solution in this proceeding.
- (d) Please confirm that YEC did not propose Option B to AEY during the utilities' discussions prior to the January 31, 2014 submissions.