

The Yukon Electrical Company Limited (YECL) 2008-2009 GRA

DAY

ENTERED BY

DATE

Maissan

July 16/08

Information Requests of YECL
from
John Maissan, Leading Edge Projects Inc.

Section 1

1. Page (P) 1-3, Line (L) 5: The said 5.9% and 5.1% increases for 2008 and 2009 respectively appear to be inconsistent with the information presented in Schedule 1.1, probably because revenues from Rider F are not shown. Please provide a more complete schedule.
2. P 1-5, L 9: Income Tax rates have changed at various times during the 10 years between the last test years and the current test years, please explain why this deferral account is required now when it was not previously required.
3. P 1-5, L 22: When filing this GRA it appears that YECL was aware that YEC was planning to file a phase I GRA later in 2008, and that a joint Phase II hearing would need to take place soon after that. Given the high fixed costs of hearings, which are ultimately paid by ratepayers, please justify why YECL has chosen a path which appears to anticipate 3 separate hearings instead of one consolidated hearing for joint YECL and YEC Phase I and Phase II proceedings. Please show how the ratepayers would benefit from the apparently more costly process adopted.
4. Organizational Chart: Please provide a similar charts with FTEs for 1997, the last test year examined by the Yukon Utilities Board (the Board), and for 2007.

Section 2

5. P 2-2, L 2: Please provide schedule 2.1 including in each year any additional revenue recoveries such as from Rider F.
6. P 2.2, L 17: Please explain how YECL has dealt with UPC in light of recent significant increases in the price of heating fuel, noting that heating with fuel oil is now more expensive than electric heating at present rates. What is the forecasted increase, if any, in UPC (and more particularly in winter) for residential and general service customers?
7. P 2-4, L 3: If residential UPC is expected to remain flat why does an increase in customers of 1.9% result in only a 1.3% in sales?

Section 3

8. P 3-1, L 4: Given that YEC has in previous proceedings before the Board indicated that they expect rates to go down as a result of power service to the Sherwood Copper's Minto Explorations mine at Minto why has YECL assumed that purchased power costs will remain flat? What work has YECL done to determine if this is a valid assumption?
9. P 3-2, L 13: This paragraph discusses the diesel contingency fund and the fact that diesel generation may be on the margin on the WAF system in some months of the year.

Schedule 3.2 does not indicate a significant change in forecasted diesel generation by YECL on the WAF system. What is the connection to a decrease in forecasted hydro generation from Fish Lake hydro, please explain.

Section 4

10. P 4-1, L 4: This table does not provide the actual diesel costs incurred in 2006 and 2007 as it does not include costs recovered through Rider F. Can YECL confirm that this is the **Fuel Expense** as per line 6 of Schedule 4.1 rather than the diesel **Fuel Costs** as shown in line 4 of Schedule 4.1?
11. P 4-2, L 12: What is the price of oil on a dollars per barrel basis that corresponds to the forecasted diesel fuel prices in each of 2008 and 2009? Has the price of oil increased since the forecasts were prepared? Is a revision to this GRA now required?
12. Schedule 4.2: Please explain how fuel can be purchased for standby purposes at rates far lower than for primary power generation. If these figures are not the fuel purchase costs, please provide the forecasted fuel purchase costs.

From the information presented in Schedule 4.2 for diesel served communities we calculate that the lowest fuel cost per kWh is about \$0.229 (Watson Lake and Beaver Creek) and the highest is \$0.543 (Old Crow) (at the assumed diesel prices). These costs are substantially above the rates being charged to customers. In light of the increased diesel costs we have the following questions:

13. What actions has YECL undertaken to improve the heat rates in each of these communities? Are any actions planned for 2008-2009?
14. What actions has YECL undertaken to investigate other forms of power generation to reduce or to stabilize costs? If no investigations have been undertaken please explain why. Are any actions planned for 2008-2009?
15. Are there any plans to implement any alternative sources of power? Please explain.
16. What demand side management (conservation and efficiency improvement) programs has YECL undertaken to reduce consumption in these communities and therefore costs to all Yukon ratepayers? If no programs have been undertaken please explain why. Are any programs planned for 2008-2009?

Section 5

17. P 5-2, L 17: Please provide labour inflation data for Canada as a whole, Alberta, British Columbia, and Yukon for 2003 to 2007. If similar data for electric utilities is available from the Canadian Electrical Association, or similar organization, please provide that.
18. P 5-2, L 20: Does YECL advertise all available openings locally? Please explain. Over the past two years how many and which YECL positions have been filled from within the ATCO organization and how many and which from outside ATCO? Which positions were filled from within Yukon?

19. P 5-3, L 15: Please provide the annual inflation rates for Canada, Alberta, British Columbia, and Yukon for 1998 to 2007. Please explain why Alberta inflation rates should be applied to Yukon.
20. Schedule 5.1, L 31 & 32: Why are operating costs for meter reading and customer billing increasing substantially at a time when YECL is spending very significant capital on new AMR metering and a decrease in meter reading staff is forecasted?
21. Schedule 5.1, L 33 & 34: Why is a very significant increase in Revenue Collections and Collection of Delinquent Accounts being forecasted?
22. Schedule 5.3: The affiliate costs from 2006 to 2009, a period of 3 years, increase by 31% (more than 9% per year). Please justify why this should be greater than even Alberta's rate of inflation.

Section 7

23. Schedule 7.4, L 24 & 25: Please explain the practical implications of the negative net salvage values of 60% and 70% respectively.

We have the following questions on the Gannet Fleming depreciation study.

24. P 7: On this page it is stated that historical data to 2007 was used in the study. On pages 27 – 30 examples of IOWA survivor curves are presented, and actual YECL statistics are presented on pages 47 to 99 in tabular and graphical format. With few exceptions the actual experience bears no resemblance to the IOWA curves chosen to represent them, so how can they be judged to better represent the service lives of YECL plant compared to the formerly used straight line depreciation method?
25. Much of the YECL plant would appear to be at or approaching the steep portion of the IOWA curves in terms of service life. Does this not mean that the use of the IOWA curves will result in a significant increase in depreciation expense in the years to come compared to the continued use of the straight line method?

Section 8

26. P 8-2, L 12: Foster Associates evidence at page 37, including footnote 34, indicates that for a return on equity of 9.25% (0.5% premium) the applicable cost of debt to be the long-term Canada bonds plus 130 basis points. Please explain how YECL can both expect a premium on its return on rate base *plus* a 70 basis point premium on its debt?
27. P 8-3, L 1: Please explain each of the charges to the reserve for injuries and damages in 2006 and 2007.
28. P 8-3, L 9: The year over year growth rates of 11%, 30.5%, and 36% from 2006 through 2009 is out of line with customer growth rates of under 2%. Why are we suddenly seeing this large wave of capital expenditures in the test years? Why not in previous years or deferrals to subsequent years?

29. Schedules 8.2 and 8.3: Please provide the Canada long-term (30 year) bond yields and the Canadian year over year consumer price index inflation rate for each year in which debt capital was supplied from ATCO to YECL.
30. Schedules 8.2 and 8.3: Please provide a federal government inflation forecast and long-term Canada bond yield forecast for 2008 and 2009.
31. Schedule 8.9, L 7: It would seem likely that O&M lag in 2006 and 2007 must have been substantially lower than the 19 days indicated on the table since a study has shown it was only 5 days now. To who did the benefits of the actual lower working capital requirements flow in 2006 and 2007 (and in prior years)?

We have the following questions on the prepared testimony of Kathleen C. McShane of Foster Associates, Inc.:

32. P 3, L 72: Is ATCO YECL's only shareholder?
33. P 3, L 72: Does YECL have debt with any organization other than ATCO?
34. P 3, L 76-78: Please explain the additional costs associated with increasing debt.
35. P 7, L 184-192: Is inflation rate a business risk? How does it affect the cost of capital?
36. P 8, L 229: Is the interest rate being referred to here the long-term (30 year) Government of Canada bonds?
37. P 10, L 272: What has been the 10-year and 30-year government of Canada bond yields in each year from 1998 to 2007?
38. P 11, L 287: Please explain how adding 0.10% interest rate for each quarter of 2009 (starting on January 1) to a 2008 interest rate of 3.7% will result in an average 10-year bond return of 4.2% in 2009 rather than 3.95%?
39. P 13, L 367: Is it your assertion that YECL would be rated BBB by all bond rating agencies?
40. P 14, L 373: Is it your assertion that ratepayers would be worse off if served by another utility (such as Yukon Energy) rather than YECL?
41. P 19, L 501: YECL's sales forecast in Section 2 of the Application makes no reference to GDP being used. Why is GDP relevant given YECL's forecasting technique is more practical and direct?
42. P 19, L 513: Contrary to the assertion in the discussion the primary sales listed in Schedule 3.1 of YECL's application does not show volatility, but rather steady growth. Can any impact on YECL primary sales from the said variation in GDP be shown?
43. P 20, L 525: YECL has in the past participated in energy conservation programs and the Energy Solutions Centre has been in operation for many years. Other utilities across Canada have aggressive energy efficiency programming too. What evidence is there that YECL cannot take efficiency and conservation adequately into account, based on their experience since 1991, when preparing their forecasts?

44. P 20, L 534: Given the variety of power sources (including multiple diesel generators) in the communities being served what risks are there that are not already covered by the reserve for injuries and damages?
45. P 20, L 541: Please confirm that YECL's Stewart Crossing diesel plant can and does provide back-up power generation to the Mayo – Dawson City grid as opposed to back-up generation for Stewart Crossing only.
46. P 21, L 553: Please describe any unanticipated repairs that are not covered by the reserve for injuries and damages as described in the examples on page 8-3 of YECL's application.
47. P 26, L 689: Are Northwest Territories Power Corporation and Yukon Energy lower risk utilities than YECL?
48. P 33-35, Section VIII: Various references are made to bond rating agency comments (dated 2003 and 2004) about low allowed return on equity for Canadian electric utilities. Please provide Canadian PUB decisions on allowed return on equity for these years. How do YECL's returns for these years compare?
49. P 35, L 928: Is it your view that YECL should be treated differently than other Canadian electrical utilities?

Section 9

50. P 9-16: Will the rebuild of Fish Lake Unit 1 generator result in an increase in generator capacity?
51. P 9-18 to 9-20: When poles are being replaced are taller ones put in their place to increase clearance over the taller trees adjacent to the ROW?
52. P 9-21: (See also question 20) Please describe the operational efficiencies and other benefits of the AMR meters being proposed?
53. P 9-22: Will the new "wheel" (turbine?) proposed for unit 2 increase its capacity?
54. P 9-23 & 24: Will the new PLCs for the Destruction Bay and Old Crow diesel plants improve their heat rates or result in other cost savings?
55. P 9-25: The distribution improvements list seems to suggest that YECL has been deferring upgrades for some time pending an appearance before the Board, please explain.