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Our File No.: 12276-98

November 24, 2016

VIA EMAIL

Yukon Utilities Board
Box 31728
Whitehorse, YK
Y1A 6L3

Att: Mr. Robert Laking
Board Chair

Dear Mr. Laking:

Re: **ATCO Electric Yukon 2016-2017 General Rate Application**
Final Argument

Please find attached the Final Argument of ATCO Electric Yukon in the above-referenced matter.

We trust the foregoing is satisfactory. Should you have any questions or concerns do not hesitate to contact the undersigned.

Yours truly,

BENNETT JONES LLP



Blake Williams

cc: Interested Parties

YUKON UTILITIES BOARD

IN THE MATTER OF the Public Utilities Act, R.S.Y. 2002, c. 186;

AND IN THE MATTER OF an application by ATCO Electric Yukon seeking approval of its 2016-2017 General Rate Application.

FINAL ARGUMENT OF ATCO ELECTRIC YUKON

I. INTRODUCTION

1. This General Rate Application ("GRA" or "Application"), filed on May 11, 2016, has been made by the Yukon Electrical Company Limited, carrying on business as ATCO Electric Yukon ("AEY"). AEY was last before this Board for the test years 2013-2015. Since that time, AEY has continued to provide safe, reliable and cost effective service to its customers. As detailed in the Application materials, however, there are variances between actual and approved sales volumes, capital requirements, and cost pressures that have required AEY to come forward to the Board, at this time, to ensure that it has the resources needed to continue to deliver the same safe and reliable service to customers at just and reasonable rates.

2. As such, AEY is requesting the following approvals from the Yukon Utilities Board ("Board"):

- (a) Approval of AEY's revenue requirement for the two-year test period of 2016-2017;
- (b) Continuation of the currently approved deferral accounts, including Purchase Power Flow Through, Fuel Price Flow Through, and Defined Benefit Pension Costs, during the test period; and
- (c) Approval of new deferral accounts to flow-through costs related to liquefied natural gas ("LNG") fuel price changes, statutory tax rate change, feasibility studies and costs arising from Board orders or legislative provisions not yet in force or effect.

3. In support of the requested approvals, AEY has placed significant evidence on the record of this proceeding, which evidence consists of extensive responses to information requests ("IR Responses"), October 24, 2016 correspondence regarding corrections, updates, and clarifications ("Update Filing"), oral testimony, and Responses to Undertakings given during the public hearing. AEY's evidence also included the independent expert testimony of Mr. James Coyne, on behalf of Concentric Energy Advisors, Inc. ("Concentric"). While the City of Whitehorse also presented evidence in this proceeding, it was limited in scope, and was the only other evidence tendered in this proceeding. As such, the evidence of AEY, while it was subject to cross-examination, otherwise went uncontroverted.

4. The Update Filing ensured that the Board has the most recent and best information available to it on the record of this proceeding.¹ The Update Filing included updated schedules for the GRA, which replace those provided with the original filing and should be used by the Board in making its decision. As a result of the corrections, updates, and clarifications made in the Update Filing and as set out on page 2 of the Update Filing, the updated revenue requirements and rate impacts being applied for are ("Revenue Requirement"):

	2016	2017
	(\$000s)	
ATCO Electric Yukon Retail Revenues	53,653	56,377
Cumulative Increase over Existing Rates	2,199	4,280
Cumulative Rate Increase %	4.0%	7.9%
Year Over Year Rate Increase %	4.0%	3.9%
Net Cumulative Rate Increases % (including fuel reduction)	1.6%	5.4%

5. In this argument AEY will generally follow the format outlined in the Table of Contents of its GRA and will focus upon matters which have attracted the greatest attention throughout the course of the proceeding, particularly during the Information Request process and cross-examination. Out of practical necessity, AEY will not be able to comment on every issue that could potentially arise from the totality of the evidence that has been placed on the record. As such, AEY will focus on issues which have been the subject of controversy or debate, while assuming that matters which have not been pursued during the hearing process have been adequately addressed by AEY's evidentiary record.

6. In summary, and as outlined in further detail below, AEY submits that it has provided comprehensive support for, and justification of, all approvals requested as part of its GRA. Accordingly, AEY respectfully requests that its GRA be approved as filed, including all updates thereto as set out in its Update Filing or otherwise on the record.

II. DEFERRAL ACCOUNTS

A. Overview

7. AEY is seeking approval to use the following deferral accounts during the 2016-2017 test period:

- (a) Board Orders or Legislative Provisions (Exhibit BB-1, Section 1);
- (b) Purchased Power Flow Through (Exhibit BB-1, Section 3);
- (c) Diesel Deferral Account (Exhibit BB-1, Section 4);
- (d) LNG Fuel Deferral Account (Exhibit BB-1, Section 4);

¹ Exhibit B-13

- (e) Defined Benefit Pension Plan (Exhibit BB-1, Section 8);
- (f) Statutory Tax Rates (Exhibit BB-1, Section 10); and
- (g) Feasibility Studies (Exhibit BB-1, Section 12).

8. In AEY's submission, each deferral account meets the standard criteria for the establishment of a deferral account, as recognized by the Board:²

- (a) Costs are not under the control of the company and are not reasonably forecastable;
or
- (b) A variance in forecasting could produce a loss or gain of a substantial magnitude.

9. Each requested deferral account will be addressed with the relevant subject matter below, with the exception of the requested deferral account for Board Orders or Legislative Provisions, which will be addressed directly below.

B. Board Orders and Legislative Provisions

10. AEY is seeking the ability to flow through (dollar for dollar) costs related to Board orders or legislative provisions resulting in changes to the rules or parameters that AEY operates under, or that bear on the nature and extent of AEY's obligations as a regulated utility and which impact its 2016-2017 revenues or revenue requirement.

11. As stated in response to YUB-YECL-2(c-d), the Independent Power Production Policy is one example where there is significant uncertainty with respect to how the final policy will be implemented and what the resultant impact may be on AEY. Other examples of Board orders or legislative changes that have historically impacted AEY, include: the Micro Generation Policy and the Commercial Energy Incentive. While in some cases, there has been stakeholder input and lead time, there is no guarantee that, in the future, stakeholder input and the appropriate lead time will be provided. For example, AEY would not expect stakeholder input or significant lead time if the Territorial or Federal Government were to decide to impose a carbon tax or levy.

12. Programs such as the ones identified above, can impact AEY either through a variance related to sales or costs. AEY generally has no control over these policies or programs, has no way to forecast with certainty the impact related to these programs, and, therefore, considers it appropriate to seek a deferral account to ensure the impact is flowed through to customers. On this basis, AEY requests the Board approve the subject deferral account.

² YUB Decision 2014-06, page 11

III. SALES AND REVENUE

A. Overview

13. As set out in Table 1 of the GRA, AEY is forecasting total retail primary sales of 303,735 MWh in 2016³ and 309,433 MWh in 2017. Including secondary and wholesale sales, the total company sales are forecast to be 313,592 MWh for 2016 and 319,289 MWh for 2017.

14. As stated on page 2-1 of the GRA, the forecast is based on AEY's detailed analysis of historical data by community and customer class and takes into account information gathered through AEY staff's work in the community as well as consultation with the City of Whitehorse, Yukon Government officials and local developers. This consultation was elaborated on by Mr. Tenney and Mr. Massie in their oral testimony, when it was explained that AEY's membership on the Development Review Committee provides it with an additional venue in which to understand planned commercial development.⁴

B. Forecast Methodology

1. Accuracy of Forecast

15. As described in Section 5 of the GRA, the methodology used to develop AEY's sales forecast has been updated to ensure that a more accurate forecast is being put forward than has been both applied for and approved in the past.

16. As demonstrated in Table 2 of the GRA, since 2012, AEY's sales forecast varied as compared to actuals by -1.1%, 1.9%, and 2.2%. The approved forecast over that same period has represented a variance of -1.1%, 4.3%, and 4.7%.

17. Furthermore, in response to JM-AEY-4(a), Table 2 of the GRA was restated to show sales variances compared to actuals, not weather normalized as originally shown in Table 2. In this response, the variance of sales compared to actuals increased to 5.4% for 2014 and 6.6% for 2015.

18. AEY has assessed these historical forecasts and has identified certain trends that it believes have contributed to these variances. In response, AEY has updated its forecast methodology to incorporate and take into account these trends. This, in turn, in AEY's submission, has allowed it to develop a more accurate forecast for the 2016-2017 test years.

2. Declining UPC

19. Overall, the update to the forecast methodology is the result of AEY's energy use per customer ("UPC") for residential and commercial customers having significantly decreased since 2012. Historically, UPC was gradually trending upward over time and reached a peak in 2012. Thereafter, UPC has continued to decline each year as shown in the graph provided in IR Response YUB-YECL-6(c).

³ Includes 3 months of actuals for January, February, and March 2016

⁴ 1T153-154, lines 16-25 and 1-11 and 1T158-159, lines 25 and 1-10; and Exhibit BB-1, page 9-2

20. In AEY's submission, there are three main factors that have contributed to this declining trend in residential and commercial UPC and that support the updated forecast methodology.

21. First, the economy has slowed down significantly as shown in the Canadian Mortgage and Housing Corporation, Yukon Bureau of Statistics and Yukon Economic Development reports provided in IR Response UCG-AEY-12(a) Attachment 1. After experiencing strong growth from 2004 to 2012, the Yukon economy began declining due to depressed mineral and commodity prices⁵ as well as slower population growth.⁶

22. Second, warmer weather has contributed to declining UPC. Starting in 2013, the Yukon service area has experienced a continuous warming trend with 2015 being one of the warmest years recorded since 1992 when AEY first began tracking heating degree days ("HDD"). This trend is shown in the table provided as IR Response CW-YECL-24(a) Attachment 1. As provided in that table, total HDD's for the years 2012-2015 have been in continuous decline year-over-year. Moreover, as stated by Mr. Martino in oral testimony, for 2016 year-to-date, the HDD data demonstrates that 2016 has been even warmer than 2015.⁷ Taken as a whole, the Yukon has experienced four consecutive years of warming. As demonstrated in CW-YECL-24(a) Attachment 1, this is an unprecedented trend, which, in AEY's submission, supports the updated forecast methodology that has been used in the GRA.

23. The third factor that AEY submits has contributed to the declining trend in UPC is related to the various energy conservation initiatives that have been implemented across the Yukon Territory in recent years. These initiatives include such programs as Demand Side Management ("DSM"), Micro-generation, and the Commercial Energy Incentive Program.⁸ In the submission of AEY, these initiatives have contributed to the overall decline in UPC.⁹

24. In light of these factors and in order to minimize the risk of over-forecasting sales, AEY has updated its forecast methodology to utilize a shorter timeframe (3 years versus 15 years) with regard to running its regression model for UPC and HDD's. In the submission of AEY, this change in timeframe results in a more accurate portrayal of the current context in which AEY operates and is necessary in order to appropriately account for the factors that have led to the change in UPC behavior, since 2012.

3. Accuracy of Updated Forecast Methodology

25. In response to Information Request UCG-AEY-11, AEY provided an updated sales forecast that included actual sales up to June 2016. This IR Response demonstrated the accuracy of AEY's updated methodology, as energy sales were within 0.5% of actuals.

26. During the oral hearing AEY undertook to update its response to UCG-AEY-11 by providing updated sales forecasts that incorporate 9 months of actuals as of September 2016.¹⁰ The table provided in response to the undertaking further validates the accuracy of the updated

⁵ UCG-AEY-12(a) Attachment 1, CMHC Report, page 1 of 42

⁶ UCG-AEY-12(a) Attachment 1, Yukon Economic Outlook, page 26 of 42

⁷ 2T354, lines 3-8

⁸ YUB-YECL-6 and Exhibit B-14

⁹ 2T349-351, lines 24-16

¹⁰ 2T226, lines 18-20

methodology, as energy sales were demonstrated to be within 0.3% of actuals.¹¹ Had AEY not revised its methodology and maintained the previously approved methodology, AEY's sales would have varied by more than 1.1% when compared to actuals, as of September 2016.¹²

27. In summary, AEY's updated forecast methodology results in a forecast that is highly accurate compared to actual sales and is superior to the previous Board-approved methodology that would continue to result in material variances when comparing forecast energy sales to actuals. For these reasons, AEY requests that the Board approve AEY's sales forecast as filed.

IV. PURCHASE POWER

A. Overview

28. As discussed in Section 3 of the GRA, AEY's primary and secondary purchase power costs are forecast to remain relatively flat over the test period with a slight increase from 2016 to 2017. This increase is reflective of the increased purchases resulting from sales load growth over the same period as discussed in Section 2 of the GRA.

29. This purchase power forecast takes into account the forecast Fish Lake hydro generation output, which is provided for in Schedule 3.2 of the GRA. The forecast output was questioned in JM-AEY-7, YEC-AEY-13, and YUB-YECL-9, as it is lower than the approved output for 2014 and 2015. As explained in response to those information requests, and on page 3-2 of the GRA, the net forecast generation for the Fish Lake hydro system is lower in 2016 and 2017 due to the capital builds forecast during the test years. As stated in response to YEC-AEY-13(b) and YUB-YECL-9(a), the capital projects, which are forecast to impact the Fish Lake hydro generation capacity, are, in 2016, the replacement of Ditch 1 due to the spillway failure and the Fish Lake Ditch 3 Diversion Replacement; and, in 2017, the Fish Lake #2 Head Pond Spillway Replacement and the construction of the Fish Lake Unit 1 Spillway Diversion Structure.

30. Were it not for these capital builds in 2016 and 2017, the Fish Lake hydro generation capacity would be estimated to be 9,576 MWh for each test year.

31. Consistent with the approach approved in Board Order 2014-06, line losses are calculated on a five-year average and total 6.2%.¹³

B. Deferral Account – Power Purchase Flow Through

32. AEY is requesting a continuation of its previously approved deferral account with respect to the cost of purchase power with no proposed changes. The cost of purchase power in this Application is based on Yukon Energy Corporation's ("YEC") rates that are currently in place for primary energy and secondary sales and are outlined in Schedule 3.1, lines 6 and 7, of the GRA. These rates do not include any adjustment to the rates associated with YEC's Energy Reconciliation Adjustment ("ERA"). Any increases or decreases to these rates, including any ERA amounts charged by YEC, are proposed to be flowed through to customers.

¹¹ Exhibit B-20 and 2T347, lines 1-8

¹² 2T347, lines 1-8

¹³ Exhibit BB-1, pages 3-3 and 4-2

33. The importance of this deferral account to AEY was emphasized by Mr. Coyne in his oral testimony, as he responded to a question from Board Counsel:

Q: In terms of setting a risk premium, you're aware that ATCO Electric Yukon has applied for some deferral accounts for its regulatory costs and some other costs. How does that factor in -- if we approved more deferral accounts for ATCO Electric Yukon, how does that change the risk and the risk premium?

A: Well, I suppose it depends on the deferral account itself. From my knowledge of the company's application, the two important ones would be its fuel costs variance account and its purchase power variance account. Those are key. Every electric utility that I'm aware of has a variance associated with those because those are ones that can break the bank if you have an unforeseen change in those costs. So those would be the most important, and if they were not approved, I think those would have a risk impact on the company.¹⁴

34. In YUB-YECL-47, the Board sought information on the mechanics of the deferral as well as whether AEY would be guaranteed a fixed margin (the margin would be incremental sales revenues less purchase power costs as set in YEC's last GRA; ERA costs would be part of the PPFTDA) on sales in excess of forecast amounts. In oral testimony, Mr. Grattan confirmed sales forecast risk is mirrored with respect to volumes; namely, if actual sales volumes are higher than AEY's approved forecast, it will result in additional margin for AEY. In a similar way, if actual sales volumes are lower than AEY's approved forecast, it will result in less margin for AEY. Mr. Grattan also explained that given there are different rate blocks that exist for residential and commercial customers and there can be differences between actuals and forecast, you could have "margins bouncing around" and, therefore, no guaranteed margins.¹⁵

35. In YUB-YECL-47(b), the Board inquired as to whether there is any application before the Board in which YEC has requested a change to its wholesale energy rates for 2016 or 2017. AEY submits that awareness of a YEC application to change the wholesale rate would not preclude the requirement for this deferral account. For example, a process and hearing would need to be held for a YEC application, and applied-for rates might not be what is finally approved by the Board (as was the case with the DCF and ERA from YEC's last proceeding). AEY submits that this deferral account is much more efficient than speculating on potential changes in its wholesale costs resulting from changes to YEC's wholesale rate.

36. In YUB-YECL-47(c), the Board inquired about how an ERA should be calculated. In its response, AEY did not provide specific recommendations as this was the subject of a separate proceeding involving AEY and YEC. AEY, however, did provide comments on the realities of the ERA in the context of this Application; namely, that AEY is unable to accurately and reasonably forecast the ERA expense that it will incur. AEY also noted that YEC's proposed ERA calculation is based on a complex and unclear simulation model of "diesel costs" based on a number of inputs, including YEC's forecasting variances, YEC's industrial loads and YEC's operation of the system. These inputs are outside the control and visibility of AEY. Given these

¹⁴ 1T80, lines 7-24

¹⁵ 3T517-520, lines 24-23

realities, AEY submits inclusion of the ERA within this deferral account is reasonable and appropriate.

37. In YUB-YECL-47(f), the Board inquired as to whether AEY and YEC were able to provide a consensus forecast of wholesale quantities for energy for any given period. While AEY submits the two utilities work together where possible and provide high level assistance to each other for their respective Phase I forecasts, the two companies forecasts are not consistent because each company's Phase I general rate application is not scheduled simultaneously. This occurs because the two utilities have different capital plans, business cycles and stakeholder obligations. The reality of not having simultaneous general rate applications means each utility will incorporate the most current available sales forecast information when they come before the Board for a particular test period.

38. As discussed on page 3-2 of the GRA, AEY respectfully submits that the Purchase Power Flow Through Deferral Account continues to meet the criteria for a deferral account set out in Board Order 2014-06 and should be approved by the Board. This is only further evidenced by YEC's pending appeal of Board Order 2015-06, which serves to demonstrate the continued uncertainty surrounding these charges for 2016 or 2017.

V. FUEL COSTS

A. Overview

39. The forecast fuel costs included in this GRA are outlined in Schedule 4.1 and consist of \$5,225,000 for 2016 and \$5,268,000 for 2017. The forecast fuel cost decrease from \$6,621,000 in 2015 to \$5,225,000 in 2016 is mainly due to lower fuel prices than previously approved, which are currently used as the base fuel prices in Rider F. As detailed in the GRA, AEY purchases fuel on an ongoing basis for each of the five isolated diesel plants that it operates. AEY conducts a diesel fuel tendering process in which a vendor is selected to be the provider of diesel fuel to AEY. AEY also has modest generation and fuel requirements associated with standby units at Carmacks, Teslin, Haines Junction, Ross River, Pelly Crossing, and Stewart Crossing. These units generate power in the event of an interruption of power from the Yukon Interconnected System. Additionally, as discussed in further detail below, it is anticipated that a supply of LNG for the Watson Lake power plant will be competitively sourced beginning in 2017.

B. Forecasting Fuel Costs

40. The process in which AEY has forecast fuel costs is described on page 4-2 of the GRA. This process is consistent with the approach approved in Board Order 2014-06. The forecast fuel prices used in forecasting fuel costs, and found in Schedule 4.2, were based on the 2015 actual prices for diesel fuel.

C. Deferral Account – Diesel Fuel

41. As detailed on page 4-2 of the GRA, AEY is requesting a continuation of its previously approved Fuel Price Flow Through Deferral Account, which allows for the variance between actual and forecast fuel prices, as outlined in Schedule 4.2, to be refunded to, or recovered from, customers through the associated Rider F.

42. The previously approved methodology for this deferral account uses GRA-approved community-based plant efficiencies (or ‘heat rate’, kWh/Litre) and the plant’s monthly gross generation to determine the quantum of litres for the monthly fuel deferral calculation. The difference between the actual and GRA-approved price per litre is then applied to this number of litres to arrive at the fuel deferral amount for the month.

43. As with the Purchase Power Flow Through Deferral Account, Mr. Coyne also stressed the importance of a fuel deferral account to AEY in his oral testimony, where he stated that every electric utility that he is aware of has such an account. Mr. Coyne further stated that if the Diesel Fuel Deferral Account is not approved, it would have a risk impact on AEY.¹⁶

D. Deferral Account – LNG Fuel

44. As a result of the conversion of the diesel units in Watson Lake to Bi-Fuel (diesel and LNG), it is anticipated that, beginning in the fall of 2017, generation will be based on a variable fuel mix of diesel and LNG. AEY requires a deferral account to track and subsequently refund or recover changes in costs due to the differential in actual LNG fuel prices and the price included in rates. In the submission of AEY, Mr. Coyne's statement regarding the import of fuel deferral accounts to electric utilities is equally applicable to this request for an LNG Fuel Deferral Account. AEY submits that by not approving such an account in association with the Watson Lake Bi-Fuel Project, the Board would be imposing an unaccounted for risk.

45. Similar to the Diesel Fuel Deferral Account, the LNG Fuel Deferral Account will use the GRA-approved community-based plant efficiency for Watson Lake and the plant’s monthly gross generation to determine the volume of litres of diesel equivalent for the monthly fuel deferral calculation. Actual diesel volumes used for the diesel fuel deferral account calculation will be subtracted from this volume, with remaining allowable litres of diesel equivalent for use in the calculation of the LNG fuel deferral.

46. As stated in response to YUB-YECL-48(a), a litre of diesel equivalent of LNG contains the same energy content as a litre of diesel; therefore, the only variance between the two fuel sources will be their price per litre of diesel equivalent.

47. The difference between the actual and GRA-approved price per litre of diesel equivalent is then multiplied by the remaining allowable litres of diesel equivalent to arrive at the LNG fuel deferral amount for the month.

48. To this end, as set out in response to YEC-AEY-9(a-c), AEY is proposing to include LNG price variance within the existing Rider F. It is requested that the inclusion of LNG price variances will be treated the same as diesel price variances.

49. The Utilities Consumers’ Group has questioned how AEY may refund or recover variances in LNG fuel prices given that Rate Policy Directive Order in Council 1995/90 (“Rate Policy Directive”) only addresses variances in diesel fuel. In response, and as set out in UCG-AEY-22, AEY is proposing to include the LNG price variances in the Rider F deferral account. AEY believes this is justified as the principles supporting a diesel price variance deferral are the same

¹⁶ 1T80, lines 14-24

as those supporting a LNG price variance deferral or a fuel price variance deferral in general, namely:

- (a) Commodity prices are subject to material fluctuations outside the control of AEY (or YEC); and
- (b) It is not in ratepayers', the Board's, or the utilities' interest to speculate on these price fluctuations.

50. In the alternative, AEY submits it is well within the Board's authority, granted pursuant to Section 27 of the Yukon *Public Utilities Act* ("PUA"), or otherwise, to approve deferral accounts in general. As such, should the Board determine that the wording of the Rate Policy Directive does not allow for the inclusion of the LNG price variances to be included in the existing Rider F, AEY requests that the Board approve a new deferral account and subsequent Rider for LNG price variances that operates in the same manner as Rider F.

VI. OPERATIONS AND MAINTENANCE EXPENSES

A. Overview

51. As detailed at page 5-1 of the GRA, AEY is seeking operations and maintenance ("O&M") expenses to be included in the Revenue Requirement that are relatively flat when compared to the previous test period. In support of this, AEY has provided detailed information of each specific requested increase in Section 5 of the GRA, including Schedules 5.1, 5.2, and 5.3. In particular, Schedule 5.2 provides, in detail, on a sub-category by sub-category basis, the reasons why additional dollars are required for the test years in order for AEY to continue to provide safe and reliable electricity service to its customers. Additional detail was provided on numerous specific items during the Information Request process as well as during AEY's oral testimony.¹⁷

52. As previously noted, the only evidence tendered by an intervener in this proceeding was that prepared by Mr. Russ Bell and filed on behalf of the City of Whitehorse ("Bell Evidence"). In part, the Bell Evidence asserted that the GRA demonstrates a "consistent pattern of over-forecasting of production costs". This assertion is based on a three year comparison of AEY's 2013, 2014, and 2015 actual costs set out in the GRA compared to that approved by the Board for the 2013-2015 test period. Mr. Bell concludes that the average percentage of AEY's "over-forecasting" of production costs in 2013, 2014, and 2015 is 14.9%. He further cites the cost per MWh, or cost per customer over this same time period and states that the "same pattern is revealed" and "clearly, there is a historical bias to over-forecast the cost of production". Mr. Bell recommends that AEY's 2016 and 2017 forecast production costs be reduced by 15% and then further requests a limiting of the distribution and general O&M to the three year average cost per customer.

53. In AEY's submission, Mr. Bell's position put forth in Q/A 6-7 of the Bell Evidence is oversimplistic, does not take into account the evidence on the record and either purposefully ignores or fails to recognize other O&M components where reductions are evident.

¹⁷ YUB-YECL-40-45, CW-YECL-13-14, and 3T411-421, lines 12-20

54. Furthermore, the Bell Evidence does not take into account the oral testimony provided by Mr. Massie where he described a forecasting process that continuously informs the process with the best available information.¹⁸ Adjustments to the process are made based on historical costs and known costs looking forward. As noted by Mr. Massie, adjustments have been made to accounts going forward and these changes are reflected in the 2016-2017 test year forecasts.¹⁹

55. Regardless, in order to assess forecast accuracy, AEY submits that it is more appropriate to look at the total level of O&M costs and not isolate only those functions that are experiencing increases. Explanations of variances by function have been provided throughout the GRA and in various IR Responses.²⁰

56. The actual variance across all O&M costs is provided in the below table, which is derived from the O&M expenses included in Schedule 5.1. This table clearly demonstrates that, despite Mr. Bell’s claims, a “consistent pattern of over-forecasting” does not exist. In fact, as the table shows, over the preceding three year test period, the actual O&M to approved O&M variance is 1.1%. Furthermore, the below table shows that the variance between the average \$ of O&M/Customer during the applied for test period and the approved \$ of O&M/Customer over the 2013-2015 test period is -1.2%, while the variance when the average is compared to actual \$ of O&M/Customer over the 2013-2015 test period is 0.0%.

	2013-2015 (\$000)			2016-2017
	Actual	Approved	% Variance	Proposed
Production	\$ 5,365	\$ 6,303	14.9%	\$ 4,136
Distribution	\$ 9,209	\$ 9,197	-0.1%	\$ 6,657
General	\$ 608	\$ 485	-25.3%	\$ 497
Public Information	\$ 441	\$ 441	-0.1%	\$ 295
Customer Accounting	\$ 6,473	\$ 6,527	0.8%	\$ 4,399
Administration and General	\$ 12,936	\$ 12,478	-3.7%	\$ 8,190
Total Operations and Maintenance Expenses	\$ 35,032	\$ 35,431	1.1%	\$ 24,174
Annual Average O&M	\$ 11,677	\$ 11,810		\$ 12,087
Average Number of Customers	17,364	17,340		17,968
Average \$ of O&M/Customer	\$ 0.673	\$ 0.681		\$ 0.673
Variance to 2013-2015 Actual \$ of O&M / Customer				0.0%
Variance to 2013-2015 Approved \$ of O&M / Customer				-1.2%

57. To further support his claim, Mr. Bell makes use of the \$/MWh and \$/customer numbers provided in CW-YECL-13(b) Attachments 1 and 2 to arrive at the conclusion that the distribution and general O&M categories forecast costs are materially higher than the actual of average costs. Mr. Bell recommends that these categories be limited to the three year average cost per customer and makes the argument that one would expect that there would be “economies of scale” with growth in the system.

58. Contrary to Mr. Bell’s assertion that there is growth on the system, it is clear from Section 2 of the GRA, that while there is a small increase in the numbers of customers, retail MWh are

¹⁸ 3T444, lines 2-25

¹⁹ 3T410, lines 5-12

²⁰ Exhibit BB-1, Section 5, Schedule 5.2; YUB-YECL-40-45

actually decreasing by 1.5%.²¹ Considering this reduction in sales, an analysis based on \$/MWh is simply misplaced and inappropriate in these circumstances. Further, as previously noted and demonstrated in the table, above, the 2016-2017 forecast average annual \$ of O&M/Customer is flat with the historical actuals and represents a reduction of 1.2% over the approved \$ of O&M/Customer.

59. Schedule 5.1 provides the 2016 forecast costs and the approved 2015 costs. A comparison of these numbers shows a slight increase of 0.41% (11,993/11,944), further demonstrating the reasonableness of AEY's forecast O&M. Additionally, the Yukon Economic Outlook, is projecting inflation for the City of Whitehorse to be a 2.0% increase for 2016.²² Therefore, holding only certain costs to a historical three year average cost per customer as suggested by the Bell Evidence is, in AEY's submission, not appropriate considering general inflationary pressures on labour and other costs.

60. In order to assess forecast accuracy, AEY submits that it is appropriate to look at the total level of O&M costs rather than look to only those areas with cost variances. Ironically, in response to YUB-CW-2 and 3, Mr. Bell acknowledges the inappropriate nature of "cherry picking" line items, particularly for a utility the size of AEY. In the submission of AEY, by making such an admission, Mr. Bell has himself discredited his evidence.

61. Given the foregoing, AEY submits that the Bell Evidence is not relevant to assessing the forecast O&M expenses put forward in the GRA and that such evidence ought to be dismissed by the Board in its entirety.

B. Labour Costs and Staff Additions

62. As stated in the GRA on page 5-2, the total labour costs are calculated by multiplying the number of staff per job class by the rate of pay for each job class. These labour costs are then distributed to O&M accounts or capital accounts depending on the nature of work being performed by the staff in that job class.

63. At page 1-6 of the GRA, AEY provided a table detailing the 2015 approved ending complement (70.39), the 2015 actual ending complement (69.13), and the 2017 forecast ending complement (70.38). The increase from the 2015 actual ending complement of 69.13 to the 2017 ending complement of 70.38 is the result of the addition of the Engineering Technologist (1.0) and Supervisor, Business Support Services (0.25) positions, which are described on page 1-6.

64. Of the 69.13 FTEs within the 2015 actual ending complement of AEY, 1.0 FTE is related to additional head office support for customer care and billing. This FTE is not additional head office cost to AEY, as these services were previously provided under the services provided by ATCO ITBS.²³ Overall, despite the additional head office FTE, the cost of customer care and billing services has decreased and customers will see the benefit of the change in service providers.²⁴

²¹ Exhibit BB-1, page 2-1, lines 6 and 7

²² YUB-YECL-30(b)

²³ 3T418, lines 16-24

²⁴ 2T211, lines 18-25

65. AEY is forecasting a lower FTE complement than was approved in the 2015 test year and, given the 4.0% vacancy rate, is forecasting lower FTE's, net of vacancies, than were actually incurred in 2015. In support of this aspect of the GRA, AEY's organizational chart was provided as Attachment 1.1 to Section 1 of the GRA and it was provided for the 2015 test year as YUB-YECL-29 Attachment 1. In addition, AEY provided numerous IR Responses²⁵ and oral testimony, including a significant amount of testimony in response to questions from Board Counsel, relating to existing positions, the proposed staff additions, and the allocation of positions within AEY's organizational chart.

66. In respect of labour inflation rates, for the 2016 test period, in-scope (subject to a collective agreement) and out-of-scope (not subject to a collective agreement) labour has been escalated by 3.25%. This escalation is based on AEY's existing collective agreement that expires on December 31, 2016. Consistent with past practice, AEY has applied the same inflation increase to both the in-scope and out-of-scope labour costs. For the 2017 test period, in-scope and out-of-scope labour has been escalated by 3.0%. This escalation rate is consistent with the inflationary increases being applied for and approved in the following Alberta decisions:

- (a) Decision 3539-D01-2015 (EPCOR Transmission 2015-2017 Tariff)
- (b) Decision 3577-D01-2016 (ATCO Pipelines 2015-2016 GTA)
- (c) Decision 20407-D01-2016 (EPCOR 2014 True-Up and 2016-2017 Forecast Capital Tracker)
- (d) Decision 20555-D01-2016 (ATCO Electric Distribution 2014 True-Up and 2016-2017 Forecast Capital Tracker)

67. As noted in response to JM-AEY-1, labour inflation is consistently above general inflation in order for AEY to attract and retain the skilled employees necessary. Salaries and wages are only one component of total compensation. AEY, with support from the ATCO Electric Human Resources Group, works to ensure that the total compensation offered to employees remains competitive with other employers, not only in the Yukon, but also in other areas, such as Alberta, in which AEY competes for skilled labour.

68. During the oral hearing, AEY was questioned as to what impact the economic downturn in Alberta and the ATCO Group reorganization had on AEY. In response, Mr. Tenney stated that it did not impact AEY. While AEY reviewed its workforce as a result of the ATCO Group reorganization, it was determined that AEY is appropriately staffed to provide safe, reliable service to its customers and that no changes were needed.²⁶ It should be noted that, in part, this is because AEY was not experiencing the same "tremendous growth" as ATCO Electric leading up to 2015 and, therefore, was not impacted by the downturn to the extent of ATCO Electric.²⁷

²⁵ YUB-YECL-29, 31-34

²⁶ 3T399, lines

²⁷ 3T398, lines 17-24

C. Pension Benefit and Defined Contribution Pension Plan

1. Overview

69. As set out on pages 5-2 and 5-3 of the GRA, and consistent with AEY's 2013-2015 general rate application, forecast pension expense is based on the cash basis for the test period.

2. Defined Benefit Plan

70. As detailed on page 5-2 of the GRA, AEY included a defined benefit pension plan placeholder amount of \$578,000 for each of 2016 and 2017. This placeholder was based on actual 2015 funding requirements. As part of its response to YUB-YECL-36(f), AEY advised the Board that 2016 benefit pension funding requirements, assuming COLA of 100% of CPI, had decreased to \$505,000. The impact of this change was included in the updated 2016-2017 schedules filed by AEY in the Update Filing. AEY has included 100% of the COLA in the placeholder amounts subject to a pending decision by the Alberta Utilities Commission ("AUC") on the 2016 ATCO Utilities pension application. If the AUC should approve an amount less than 100% of COLA, AEY will reflect this amount as part of a future defined benefit pension plan deferral true-up process.

71. AEY's proposal to include a defined benefit pension plan placeholder that incorporates 100% of COLA as opposed to the 50% of COLA is based on changed circumstances since Board Decision 2014-06. These changed circumstances are detailed in UCG-AEY-26(b)(c) where AEY notes the AUC will consider increasing the percentage of CPI included in the annual COLA amount included in pension expense, should the current DB Plan unfunded liability significantly decrease. As explained by AEY, the AUC is currently considering the aforementioned changed circumstances based on latest actuarial valuation as of December 31, 2015. This valuation is provided in YUB-YECL-36(f) Attachment 4 at page 1. With the unfunded liability now being a funding excess of \$14,824,700 and special payments no longer being required, AEY submits the setting of the placeholder at 100% of COLA is reasonable.

3. Deferral Account – Defined Benefit Pension

72. As part of this GRA, AEY is requesting a continuation of the deferral account approved in Board Decision 2014-06 that flows through increases or decreases to required cash contributions to the company's defined benefit pension plan as a result of any updated actuarial evaluations. AEY respectfully submits that this deferral is required as defined benefit funding requirements are not under the control of AEY and are not reasonably forecastable. Further, a difference between forecast and actual amounts could produce a gain or loss of a substantial magnitude. AEY submits the requested deferral, as well as the linking of the quantum of COLA to the pending AUC decision, is a reasonable approach that achieves regulatory efficiency for AEY's customers.

4. Defined Contribution Plan

73. AEY also continues to have a defined contribution pension plan that applies to employees that were hired after January 1, 1997. The company's contribution to the defined contribution plan is 6%. No changes to this previously approved contribution rate are forecast to occur during the Test Period.

D. Non-Labour Costs

74. As set out on page 1-5 of the GRA, for non-labour costs, an inflation rate of 2.2% has been applied for 2016 and 2017 based on the Yukon Economic Outlook issued by Yukon Economic Development in October 2015. However, as indicated in response to YUB-YECL-30, the most recent publication of the Yukon Economic Outlook issued by Yukon Economic Development in May 2016 provides for inflation rates of 2.0% in 2016 and 1.9% in 2017.

E. Affiliate Costs

75. As detailed on page 5-4 of the GRA, AEY outsources certain major administrative functions to affiliate companies, such as ATCO Electric, to take advantage of the economies associated with the scope and scale of services available from a larger utility. The costs of these services are detailed in Schedule 5.3 and are based on a fully allocated cost methodology that does not contain any element of profit or return. As noted in response to CW-YECL-16(a), the costs allocated to AEY are labour costs, fringe costs, and overhead costs for employees who have time allocated to AEY, as well as flow through of system use charges. If the services were to be procured from a third party, the costs would include an element of profit to the provider, increasing the costs to AEY.

76. As such, AEY submits that such costs are prudent and in the best interests of customers.

VII. TAXES OTHER THAN INCOME

77. In Section 6 of the GRA, AEY is forecasting property tax amounts of \$262,000 in 2016 and \$267,000 in 2017. This 2016-2017 forecast only assumes inflationary increases. As stated in response to YUB-YECL-18, this is consistent with actual property tax increases in the 2013-2015 test period, which were due primarily to inflation.

78. As confirmed in response to UCG-AEY-28(c), AEY does not foresee any of the planned capital work in 2016 or 2017 increasing property taxes beyond these proposed inflationary increases. Therefore, AEY requests the property tax amounts be approved using the relevant 2016 and 2017 inflation rates.

VIII. DEPRECIATION

79. Depreciation expenses are addressed in Section 7 of the GRA and further detailed in Schedules 7.1, 7.2, 7.3, and 7.4. The applied for depreciation expense for 2016 is \$5,792,000 and, for 2017, it is \$6,283,000. As stated on page 7-1 of the GRA, this increase from 2016 to 2017 is due to growth in property, plant, and equipment.

80. The depreciation rates used to calculate actual 2013 through 2015 and to forecast 2016-2017 depreciation expenses were developed using the Board-approved depreciation parameters determined by the independent depreciation study conducted by Gannett Fleming and filed as part of the 2013-2015 General Rate Application (“Depreciation Study”). In the submission of AEY, this is an appropriate method given the limited time since the approval of the Depreciation Study’s recommended parameters.

81. Consistent with past regulatory practice, in support of this GRA, AEY has completed an internal technical update to update depreciation rates using the Board-approved depreciation parameters from the 2013-2015 General Rate Application. The technical update process is utilized by AEY to ensure that accurate depreciation rates are applied to its plant in service for each successive year.

82. For the technical update, AEY uses a Board-approved Equal Life Group ("ELG") procedure in the depreciation rate calculations. The distinguishing characteristic of the ELG procedure is decreasing vintage depreciation rates as vintage ages. The most current vintage in a fixed asset account typically has the highest vintage depreciation rate. As the vintage ages, the vintage depreciation rate decreases. This decreasing characteristic applies to each separate vintage. Thus, the changing investment mix of a fixed asset account from year to year due to additions, retirements and adjustment will result in changing annual composite depreciation rates (given unchanged depreciation life and net salvage parameters). As such, AEY submits, it is important to perform such technical updates on a fixed asset account every year to ensure accurate depreciation rates.

83. The calculation of the depreciation rates used in this GRA were provided in CW-YECL-19 Attachment 1. As explained in the foregoing, these rates are not identical to the rates in the 2013-2015 General Rate Application due to a changing investment mix; however, as shown in the attachment the approved depreciation parameters were used in calculation of the depreciation rates.

84. As described by Mr. Grattan in oral testimony, the result of the technical update is a decrease in depreciation expense of \$36,000 in 2016's forecast and of \$35,000 in 2017's forecast, as compared to what it would have been if AEY had not done the technical update.²⁸

85. In accordance with Board Decision 2014-06, AEY has not included net negative salvage in its forecast depreciation expense.²⁹

86. Given that there is no updated depreciation study, AEY has fixed the annual amount of amortization of accumulated depreciation differences at the levels approved in the 2013-2015 general rate application. This is consistent with past practice, where the amortization of accumulated depreciation differences will only be updated upon the completion of a depreciation study.³⁰

IX. RETURN ON RATE BASE

A. Overview

87. As outlined in further detail below and in the GRA, consistent with prior Board direction, AEY is requesting that its Return on Equity ("ROE") over the 2016-2017 test period continue to be linked to the British Columbia Utilities Commission ("BCUC") Generic Cost of Capital ("GCOC") benchmark rate. This rate was recently set at 8.75% in the BCUC Decision and Order G-129-16, which is on the record of this proceeding as YUB-YECL-50(a) Attachment 2. In addition, AEY is also seeking a 60 basis point risk premium, in accordance with the

²⁸ 1T148, lines 7-12

²⁹ 2T251, lines 6-11

³⁰ 3T424, lines 13-19

recommendation made in the assessment of AEY risk prepared by Mr. Jim Coyne, of Concentric, and included in the GRA as Attachment 8.1 ("Risk Assessment"). As such, AEY is requesting a total ROE of 9.35%.

88. AEY is also seeking a continuation of its currently approved common equity ratio of 40% for each of 2016 and 2017.

B. Return on Equity

1. Benchmark Rate

89. In Board Decision 2014-06, the Board affirmed that it has been its precedent and practice to use a benchmark from British Columbia to determine the ROE.³¹ In AEY's submission, the BCUC GCOC benchmark rate remains the most appropriate benchmark as it has been recently reviewed and is generally accepted by the parties. Therefore, 8.75% should be used as the starting point for a determination of AEY's ROE.

2. Risk Premium

90. As noted above, AEY is requesting a risk premium of 60 basis points be added to the BCUC GCOC benchmark rate.

91. In Decision 2014-06, the Board directed AEY to provide justification for a risk premium relative to the BCUC GCOC standard in this GRA filing.³² In adherence to this direction, AEY retained Concentric to carry-out an assessment of the risk of AEY in relation to other relevant electric and gas utilities, to determine whether AEY's business and financial risks justify a risk premium, and, if so, to quantify an appropriate risk premium for AEY.

92. Having considered the relevant risk of AEY in relation to six Canadian comparator utilities, Concentric concluded, in the Risk Assessment, that a ROE risk premium between 40 and 75 basis points is appropriate for AEY as compared to the BCUC benchmark utility.³³ As stated in the risk Assessment, this 40 to 75 basis point range is framed by FortisBC (Electric) on the lower end and by Pacific Northern Gas-West on the upper end in relation to the benchmark, FortisBC Energy (Gas). From within that range, Concentric determined a ROE risk premium for AEY of 60 basis points is reasonable, as it would be consistent with the recent 9.35% authorized ROE for Maritime Electric, a company with similar business risk as AEY and a deemed equity ratio of 40.9%. In his analysis, Mr. Coyne emphasized the importance of the small size of AEY in relation to the comparator utilities. Figures 6 and 7 of the Risk Assessment illustrate this point and Mr. Coyne points out that investment risk is increased due to the lack of operating and financial scale enjoyed by larger operating companies.³⁴ The range used by Concentric and the recommendation of a 60 basis point risk premium were further explained by Mr. Coyne in his oral testimony:

So to get to the thrust of your question, where within the range did I deem the appropriate risk premium, I settled on 60 basis points as being near the middle of

³¹ YUB Decision 2014-06, page 50

³² YUB Decision 2014-06, page 51

³³ Exhibit BB-1, Attachment 8.1, page 6

³⁴ Exhibit BB-1, Attachment 8.1, pages 19-21

the range...but I look to Maritime Electric as being the utility that's most like ATCO Electric Yukon in terms of its risk profile. Even though it's a much larger utility, it's four times its customer size, it's also four times its rate base, but I felt as though from a conservative risk premium perspective it also has a 40.9 percent equity ratio, so I don't have to make that adjustment. So I thought the combination of those two, the middle of the range, and the risk profiles of the two utilities suggested to me that 60 basis points would be appropriate, if not conservative.³⁵

93. Concentric and Mr. Coyne are well respected, independent experts in the field of ROE and, corresponding risk analysis. Mr. Coyne's curriculum vitae demonstrates his wealth of experience in providing evidence on these matters³⁶ and, in his oral testimony, he noted his experience includes working on behalf of regulatory Boards themselves to provide them with relevant analysis on these matters.³⁷ In the submission of AEY, Mr. Coyne's expertise and independence is uncontroverted and should be a significant consideration of the Board in considering the evidence presented by AEY in relation to the requested risk premium.

94. In the submission of AEY, as directed by the Board in Decision 2014-06, it has provided appropriate justification for the requested risk premium relative to the BCUC GCOC benchmark and requests that the Board approve the requested risk premium of 60 basis points, resulting in a ROE of 9.35%, as applied for.

C. Equity Ratio

95. As stated above, AEY is seeking a continuation of its currently approved common equity ratio of 40% for each of 2016 and 2017. Given the Board's ruling in relation to equity ratio in Decision 2014-06, AEY believes a 40% common equity ratio continues to be appropriate.

D. Debt Rates

96. As stated on page 8-4 of the GRA, AEY is forecasting to issue long term debt in the 2016-2017 test period. The table provided on page 8-5 of the GRA provides AEY's forecast debenture rates; however, these rates were updated in response to YUB-YECL-73(c) and applied to the revised GRA scheduled provided in the Update Filing.³⁸

97. In the Bell Evidence, Mr. Bell states his concerns with respect to the cost of debt and claims there is a systematic over-forecast for the costs of new debt. He recommends that the cost of new debt for 2016 and 2017 be reduced by 0.5% to reflect this perceived historical over-forecasting.

98. AEY notes that Mr. Bell has arrived at his conclusion that "systematic" over-forecasting exists by looking at the previous three years; however, in one of those years, as conceded by Mr. Bell, AEY under-forecast the cost of debt. In AEY's submission, this fact alone discredits Mr. Bell's entire argument. Regardless, AEY disagrees with an historical look-back at debt rates as a basis for a reduction to debt. The capital markets are volatile and the underlying Government of Canada bond yield and credit spreads have experienced many ups and downs. This in no way

³⁵ 1T84, lines 5-20

³⁶ Exhibit BB-1, Attachment 8.1, Attachment JMC-1

³⁷ 1T55, lines 18-24

³⁸ Exhibit B-13

suggests or is evidence that systematic over-forecasting is occurring. As stated in CW-YECL-21, AEY uses the best information available at the time it prepares its debt rate forecasts.

99. In any event, as noted above, AEY has provided updated debt rates in response to YUB-YECL-73(c). As shown in that response, the updated debt rates are 0.58% lower in 2016 and 0.78% lower for 2017, than previously forecast. In AEY's submission, providing any further reductions, as suggested by Mr. Bell based on an historical look-back basis, is entirely unreasonable, inappropriate, and unwarranted.

E. Reserve for Injuries and Damages

100. The Reserve for Injuries and Damages ("RID") is discussed on pages 8-5 and 8-6 of the GRA. As stated on those pages, the RID is used for uninsured and uninsurable losses and the deductible portion of insurance claims. Maintaining the reserve mitigates rate fluctuations by smoothing out the changes to O&M with respect to these types of losses. The establishment of the reserve provides financial advantages over paying significantly higher insurance premiums in order to reduce deductibles or to insure items which carry prohibitively high premiums. The two incidents that AEY has included in the RID over the 2013-2015 period are described in Attachments 8.2 and 8.3 of the GRA.

101. In particular, the incident described in Attachment 8.2, the heating fuel leak at the Beaver Creek company-owned house, received attention during the oral hearing.³⁹ In response to questions regarding the incident, Mr. Massie described the nature of the leak as a pinhole on the underside of the tank and confirmed that it did not develop on one of the probable areas of failure, such as a coupling or fuel filter, which are inspected regularly.⁴⁰ As such, given the fact that incident did not result from a lack of due diligence on the part of AEY, AEY submits the inclusion of the cost of the remediation of the incident should be approved for inclusion in the RID as applied for.

102. In addition, AEY wishes to reiterate that it has reacted appropriately to this incident and has changed the other two company-owned houses from fuel oil to propane heating to remove any future risk of a fuel oil leak.⁴¹

F. Deferred Charges and Credits

1. Overview

103. AEY's deferred charges and credit amount include its: (a) Rate Case Reserve; (b) Watson Lake Study Costs; (c) Renewables Feasibility Studies; (d) Approved DSM Costs; (e) Smart Grid Study; and (f) Defined Benefit Pension Deferral.

2. Rate Case Reserve

104. AEY does not believe these costs to be contentious; however, it does note the questions raised by the City of Whitehorse, regarding the costs associated with the work undertaken by

³⁹ 1T141-145 and 2T265-268

⁴⁰ 2T266, lines 23-25 and 2T267, lines 11-13

⁴¹ 1T143, lines 14-18

Concentric. As provided in response to an undertaking given by Mr. Grattan to Mr. Marriott, it was confirmed that the best estimate to date for the entirety of Concentric's work is \$122,250 USD.⁴² While this is more than the \$113,000 provided in line 3 of Schedule 8.9, AEY submits such expenses have been prudently incurred and have been incurred as a result of the direction from the Board in Decision 2014-06 to provide justification for a risk premium.

3. Watson Lake Study Costs

105. As noted on page 8-7 of the GRA, AEY has incurred \$493,000 of study and development costs with respect to the Watson Lake Bi-Fuel Project and has included these costs in its deferred charges accounts for recovery over the 2016-2017 test period. These costs have been incurred prudently and in the submission of AEY ought to be recovered regardless of whether or not the capital costs associated with the Watson Lake Bi-Fuel Project are approved.

106. At paragraph 375 of Decision 2013-01, the Board acknowledged the need to explore alternatives to diesel generation. AEY submits that the Watson Lake Study Costs are precisely costs of this nature. The Watson Lake Study Costs were incurred through 2013-2015 and have remained in WIP as per Board direction in Decision 2014-06.⁴³ Within that same decision, the Board stated:

Despite the Board having rejected YECL's proposed Watson Lake bi-fuel project in Section 10.8.2 of this decision, the Board finds that this project has potential to be viable in the future.⁴⁴

107. As the Board has acknowledged the viability of the Project, AEY submits that the costs of an exploratory nature are prudent and should be recovered from customers irrespective of the decision regarding the capital costs of the proposed Project.

108. The requested mechanism for recovery is through the amortization of deferred charges similar to the treatment of the Kluane Wind Study and the proposed Renewable and Alternative Energy Feasibility and Smart Grid Studies; however, AEY is not opposed to capitalization of the costs, should the project be approved, and recovery of costs over the lifetime of the related assets.

4. Renewable and Alternative Energy Feasibility Study

109. AEY is proposing to include \$300,000 in 2016 and \$200,000 in 2017 in its deferred charges account for work it has planned regarding renewable and alternative energy feasibility studies ("Renewable Feasibility Studies") over the 2016-2017 test period.

110. As confirmed in response to JM-AEY-22(a), the Renewable Feasibility Studies are not intended to be one single study covering all communities, rather, AEY plans to assess each individual community and will retain third party expertise to carry-out the studies based on the skills and experience required through a combination of competitive processes and sole-sourcing.

⁴² Exhibit B-18

⁴³ YUB Decision 2014-06, page 61

⁴⁴ Ibid.

111. The Renewable Feasibility Studies are discussed in detail on page 8-8 and Section 12 of the GRA. As stated therein, the purpose of these Studies is to identify the potential, optimal size and configuration of company built, owned and operated renewable and alternative energy generation in each of the five isolated communities served by AEY and that currently rely on diesel power generation. The Renewable Feasibility Studies will also assess energy storage systems and possible energy efficiency improvement through waste heat recovery opportunities in each community.

112. Once the Renewable Energy Studies are complete, AEY proposes that any projects identified that are technically and economically feasible will be brought forward in business cases in a stand-alone proceeding for approval by the Board, in order to ensure customers receive the benefit of these Studies and any resulting projects, as soon as practical without the need to wait for a subsequent general rate application.

113. In the submission of AEY, the proposed costs for the Renewable Feasibility Studies are consistent with the Board's statement on page 77 of Board Decision 2013-01, where it acknowledged the need to explore alternatives to diesel generation. Moreover, AEY submits that the proposed costs are reasonable and prudent, particularly given the significant scope of the Renewable Feasibility Studies. Given the foregoing, AEY requests that these costs are approved by the Board as applied for and as set out in Schedule 8.8.

114. Furthermore, as confirmed by Mr. Tenney in his oral testimony, subject to any confidentiality issues, AEY plans to make the Renewable Feasibility Studies public in connection with the next relevant Board application.⁴⁵

5. Approved DSM Costs

115. AEY is proposing to move the costs related to the approved Demand Side Management program ("DSM Program") out of the deferred account and into capital to recover these costs over a five year term. As noted on page 8-8 of the application and in response to the undertaking provided by Mr. Grattan to Board Counsel, this treatment is consistent with the direction of the Board in Section 12.1 of Board Decision 2014-06, which approved the collection of previous DSM Program costs over the 2014-2018 timeframe.⁴⁶

116. In order to demonstrate the prudence of these DSM costs, AEY has filed the Interim Evaluation Report: Demand Side Management Program Portfolio for the Yukon (31 July, 2015), at YUB-YECL-6(c) Attachment 1, as well as the 2015-2016 Interim Evaluation Report: Demand Side Management Program Portfolio for the Yukon (31 October, 2016), in its October 31, 2016 correspondence to the Board (the "2015-2016 Evaluation Report" and together, the "Interim Evaluation Reports").⁴⁷ In addition, AEY commented on how the DSM program has impacted AEY's load in response to YUB-YECL-6(c). To this end, Table 2 of the 2015-2016 Evaluation Report shows the reported and anticipated energy savings of the DSM program over its five year

⁴⁵ 2T329, lines 4-20

⁴⁶ YUB Decision 2014-06, page 101 and 3T508-509, lines 5-25 and 1-2

⁴⁷ Exhibit B-14

life-span, with reported savings of 5,625 MWh, 6,207 MWh, and 10,173 MWh, respectively, during the 2014-2016 period.

117. These Interim Evaluation Reports are prepared by AEY and YEC staff with guidance and review by an independent evaluation advisor. Overall, the conclusion of the 2015-2016 Evaluation Report was that that DSM programs have been well received by Yukoners, that participation met or exceeded most key performance indicators, and that they were cost effective.⁴⁸

118. On this basis, AEY submits its request to capitalize those DSM Program costs set out in Schedule 8.8 and to recover them over a five year term ought to be granted by the Board.

6. Smart Grid Study

119. As stated on page 8-8 and Schedule 8.8 of the GRA, AEY is seeking approval of costs related to a joint Smart Grid study with YEC ("Smart Grid Study"), which is expected to be undertaken in 2017 for \$100,000.

120. As stated in response to YUB-YECL-76(a), the Smart Grid Study is intended to assess the potential fit and viability of a smart grid in the Yukon. As there is no universal definition of a smart grid, the study is intended to review aspects of a smart grid that would be advantageous and beneficial for the Yukon utilities and ratepayers. The anticipated scope and further discussion about the Smart Grid Study was provided in response to YUB-YECL-76.

121. In response to questions from Mr. Maissan, Mr. Tenney confirmed that it is AEY's preference to have the completed Smart Grid Study to be filed with the Board and made public.⁴⁹

122. AEY submits the Smart Grid Study is in the best interests of the Yukon ratepayers, in order to assess the potential benefits that may be derived from a smart grid, as well as their associated costs. In AEY's submission, the requested costs are reasonable and ought to be approved by the Board as applied for and as set out in Schedule 8.8.

X. CAPITAL ADDITIONS

A. Overview

123. AEY's GRA addresses its forecast costs to maintain, as well as enhance, service to customers by ensuring the safe and reliable supply of electricity at a reasonable price, providing energy alternatives, and promoting conservation measures. With respect to capital projects, AEY is requesting approval of forecast capital additions of \$14,234,000 in 2016 and \$14,907,000 in 2017 and total capital expenditures of \$15,048,000 in 2016 and \$15,318,000 in 2017.⁵⁰ In support of this, AEY has provided the following:

⁴⁸ Exhibit B-14, page 29

⁴⁹ 2T307, lines 13-15

⁵⁰ Exhibit BB-1, page 9-1 and Schedule 9.2

- (a) A listing of the capital expenditures for 2016-2017, provided in Attachments 9.1 and 9.2 of the GRA, which include a project description for those projects greater than \$100,000;
- (b) Full business cases for major capital projects (\$500,000 or greater) at Appendices 1-11 of the GRA;
- (c) Project completion summaries for all projects that were forecast in the 2013-2015 general rate application where actual costs were 100% and \$100,000 greater than the original forecast, which are found at Attachments 11.1 to 11.6 of the GRA⁵¹; and
- (d) Business cases have also been provided for completed projects where the actual costs were in excess of \$100,000 and for which no business case was provided in the 2013-2015 general rate application.

124. While AEY is seeking approval of significant forecast capital additions, AEY submits that it has provided comprehensive support detailing the need for, and benefits of, its capital projects, many of which are required in response to infrastructure at end-of-life, as well as in response to increasing peak electricity demand in certain areas. AEY does not propose to address each of its capital projects, but, rather, will focus on those projects that attracted the most attention in information requests and at the oral hearing.

125. In AEY's submission, all such expenditures and proposed expenditures are prudent given AEY's mandate to provide customers with a safe and reliable supply of electricity at a reasonable price. AEY provided extensive information in its GRA in accordance with prior Board directions and has provided further information by way of information requests and the oral hearing. On the basis of such evidence, AEY submits that the expenses for all proposed capital additions are prudent and reasonable.

B. Generation

126. For the 2016-2017 test period, as set out in Schedule 9.1, AEY is forecasting amounts of \$6,630,000 in 2016 and \$5,316,000 in 2017. As detailed at page 9-1 of the GRA, AEY's generation assets are continually monitored through power plant inspections and monitoring. Components are repaired or replaced due to obsolescence, performance and electrical system requirements, or in accordance with manufacturer specifications, on planned replacement intervals or at the end of their useful life. The reliability and integrity of the power generation system is a key consideration when critical replacement decisions are being contemplated. Of the major capital projects under the generation appropriation, the vast majority are projects to replace generation units that have failed, are at their end of life, are upgrading generation facilities to meet regulatory requirements, or for economic reasons. Such projects include: Fish Lake Ditch 3 Diversion Replacement (see Appendix 1), Fish Lake #2 Head Pond Spillway Replacement (see Appendix 2); Watson Lake Bi-Fuel (see Appendix 3); Watson Lake Unit 2 Replacement (see Appendix 4), Old Crow Unit 3 Replacement (see Appendix 5), Destruction Bay Unit 2

⁵¹ NOTE: AEY has also included a project completion summary for the Fish Lake Dyke Upgrade to explain the variance in actual costs to forecast for that project.

Replacement (see Appendix 6); as well as various other generation-related projects, as set out in Attachments 9.1 and 9.2.

127. AEY submits that each of these capital projects is necessary in order for it to be able to continue to provide safe and reliable electricity service at a reasonable price and should be approved by the Board.

C. New Extensions

128. AEY develops its new extension capital forecast in accordance with the process outlined on page 9-2 of the GRA and further discussed by Mr. Massie in his oral testimony.⁵² For the 2016-2017 test period, as set out in Schedule 9.1, AEY is forecasting amounts of \$2,160,000⁵³ in 2016 and \$3,388,000⁵⁴ in 2017. Detailed project listings and descriptions for each test year are found at Attachment 9.1, page 2, and Attachment 9.2, page 3, respectively. Included in the 2017 test year is the Whistle Bend Stage 3 Project (see Appendix 7)

129. In the Bell Evidence, Mr. Bell stated that AEY has over-forecast its capital additions related to new extensions. As a result, the Bell Evidence recommends that the forecast net new extensions be reduced by 47.7% to account for the "systematic over-forecasting".⁵⁵

130. In response to the Bell Evidence on this point, AEY wishes to reiterate that it uses the best information available when preparing any forecast, which includes any lessons learned from past test periods. In any event, it would appear as though Mr. Bell has misunderstood AEY's evidence, as AEY has not based its forecast on the historical forecast, but rather has based it on the historical actual experience and incorporated information from the Yukon Government, the City of Whitehorse, and First Nation Governments to develop the new extension forecast. Therefore, there is no systemic forecast error and furthermore, the 2016-2017 forecast has no relation to, or correlation with, the 2013-2015 forecast.

131. As shown in the below table, the 2016 forecast new extensions is 3% higher than the 2015 actual levels and the 2017 forecast represents a 2.2% increase over the 2016 forecast, once the Whistle Bend Stage 3 project is accounted for.

	2013	2014	2015	2016	2017
	Actual	Actual	Actual	Forecast	Forecast
New Extensions (\$000)	\$ 2,350.0	\$ 1,693.0	\$ 2,098.0	\$ 2,160.0	\$ 3,387.9
Whistle Bend Stage 3 (\$000)					\$ 1,180.0
New Extensions without Whistle Bend (\$000)					\$ 2,207.9
Year over Year Change (%)				3.0%	2.2%

132. Furthermore, as an indication of the lessons learned of which Mr. Massie discussed in his oral testimony⁵⁶, the 2016 forecast represents a 41% reduction over the 2015 approved forecast.⁵⁷

⁵² T1111-113

⁵³ Exhibit BB-1, Attachment 9.1, page 2

⁵⁴ Exhibit BB-1, Attachment 9.2, page 3

⁵⁵ Exhibit C3-3, Q/A 8

⁵⁶ T1180-181, lines 20-25 and 1-21

⁵⁷ See CW-YECL-1(a) for 2015 approved forecast.

In the submission of AEY, any further reduction, as suggested by Mr. Bell, would simply be arbitrary and entirely baseless.

133. Finally, as a further demonstration that the Bell Evidence is unfounded, as stated by Mr. Massie in oral testimony, the 2016 costs for new extensions, as of October 31, 2016, are \$2,116,000, or 98% of the 2016 forecast.⁵⁸

134. In summary, AEY submits that the forecast new extensions, and associated contributions, included in its GRA are reasonable, based on the best available information, and should be approved by the Board as filed.

D. Distribution Improvements

135. As explained at page 9-2 of the GRA, distribution improvement projects generally fall into four categories;

- (a) System Performance Projects;
- (b) Life Extension Projects;
- (c) System Replacement Projects; and
- (d) Forced Projects.

136. In addition, AEY tracks distribution system performance on an ongoing basis and the performance is reviewed when preparing the capital forecast. To this end, AEY reviews unplanned outages that may be attributed to system deficiencies, prepares a report for each, and implements corrective action.⁵⁹ Costs for distribution improvements are forecast based on preliminary engineering design work and considers historical project costs for comparable projects.

137. As set out in Schedule 9.1 and Attachment 9.1, distribution improvements are forecast to be \$4,346,000 in 2016 and include the McIntyre Subdivision Rebuild (see Appendix 8) and the Downtown Whitehorse Capacity Upgrade (see Appendix 9). Similarly, as set out in Schedule 9.1 and Attachment 9.2, distribution improvements are forecast for the 2017 test year to be \$4,178,000, including the Paint Mountain Conductor Replacement (see Appendix 10) and additional work on the McIntyre Subdivision Rebuild.

138. AEY submits that the forecast distribution improvements for the 2016-2017 test period are being proposed at a reasonable cost and are prudent in that they ensure the continued supply of safe and reliable electricity to AEY's customers at a reasonable price. Therefore, AEY submits the forecast costs of the 2016-2017 distribution improvements ought to be approved by the Board as applied for and set out in Schedule 9.1 of the GRA.

⁵⁸ 3T509-510, lines 25 and 1-2

⁵⁹ 1T167-168, lines 22-25 and 1-17

E. Conversion of Existing LED Streetlights

139. As stated at page 9-3 of the GRA, AEY has been in discussions with its customers/municipalities regarding the conversion of existing streetlights to Light-Emitting diode ("LED") lamps.

140. To be clear, at this point, AEY is merely seeking Board direction as to the appropriate method of accounting for the capital costs associated with customers requesting conversions of existing streetlights to LED lamps. Given the significant capital outlay associated with such a conversion, AEY submits that such a direction would provide the Yukon utilities with a better understanding of the rate implications and provide all parties involved with the information necessary to make informed decisions on the matter.

141. AEY has provided additional information and commentary on this issue in response to CW-YECL-27 and YUB-YECL-10.

F. Watson Lake Bi-Fuel Project

1. Project Benefits

142. AEY wishes to specifically address the Watson Lake Bi-Fuel Project ("Bi-Fuel Project") due to the attention it received both in the information request process, and also during the oral hearing. The Bi-Fuel Project is discussed in detail in Appendix 3 of the GRA.

143. To be clear, AEY is proposing the Bi-Fuel Project as it believes the fuel cost savings will benefit ratepayers by providing an alternative fuel option and reducing their dependence on diesel fuel. While AEY believes there are also environmental benefits to the project, which it has previously discussed and that have been the subject of a review pursuant to the *Yukon Environmental and Socio-Economic Assessment Act* and a Decision Document issued in August 2013 supporting the project, AEY is not putting these forward as its rationale for the Bi-Fuel Project.

2. Project Changes Since 2013-2015 GRA

144. As the Board is aware, AEY originally proposed this project in the 2013-2015 general rate application where the Board rejected AEY's proposal to include the Bi-Fuel Project costs in rate base. At page 82 of Board Decision 2014-06, the Board stated its concerns with the project, namely, as they related to the lease and service agreement between ATCO Gas and AEY for the ATCO Gas-owned LNG storage tank and vaporization skid ("LNG Facilities") to be used for the purposes of the Bi-Fuel Project and the lack of a competitive tender for, or fair market value determination of, the lease and service agreement. The Board stated at page 82:

In the Board's view, fair market value is best determined through a competitive tender process. In this case, the lack of such a process leads the Board to question the costs of the proposed project. The Board considers the markup in determining the lease price appears high.

145. Despite these concerns and the Board's rejection of AEY's Bi-Fuel Project proposal, it did not dismiss the project outright and in fact acknowledged the viability of the project at page 61 of Board Decision 2014-06, stating:

Despite the Board having rejected YECL's proposed Watson Lake bi-fuel project in Section 10.8.2 of this decision, the Board finds that this project has potential to be viable in the future. Accordingly, the Board directs that all Watson Lake bi-fuel project study costs to date be held in WIP until such time as the project may be completed.

146. As a result, AEY is again proposing the Bi-Fuel Project for inclusion in rate base, but has taken the views of the Board into account in preparing this revised proposal and bringing it forward for consideration. In order to address the Board's concerns, AEY is no longer proposing to lease the LNG Facilities and, instead, is proposing to purchase the LNG Facilities from ATCO Gas at cost and contract directly with third parties for any necessary services, eliminating any ongoing involvement of ATCO affiliates.

147. As stated in response to YUB-YECL-13(b), AEY is proposing to purchase the LNG Facilities from ATCO Gas, at net book value with no markup, for the price of \$1,194,000 without a further competitive tender for the equipment being purchased. AEY submits a further tender is not warranted and is not a reasonable expenditure given the two competitive processes that have already been carried out in relation to the LNG Facilities.

148. First, as explained in response to YUB-YECL-13(b), the LNG Facilities being purchased were originally designed and built specifically for this project for ATCO Gas using a competitive tendering process that is detailed in YUB-YECL-13(b) Attachment 1. Second, as explained in AEY's Application for Review and Variance of Board Order 2014-06⁶⁰, subsequent to Board Decision 2014-06, AEY put the LNG Facilities, installation, and ten-year maintenance out to a competitive tender process, which was developed and managed by Jenmar Concepts, an independent expert engineering firm. A request for proposals was issued to fourteen potential bidders and three compliant proposals were received. As evidenced from the bid summaries provided in Table 1 on page 8 of 43 in CW-YECL-3(b) Attachment 2, the bid received from ATCO Gas is the lowest cost bid.

3. Project Summary

149. As now proposed, the Bi-Fuel Project is a two-phased, three-year project to convert each of AEY's six diesel generation engines in Watson Lake to bi-fuel, beginning in the 2016-2017 test period. AEY has provided a detailed outline of the project in Appendix 3 of the GRA and provides an outline of the two phases here:

- (a) Phase 1 – 2016-2017: Source LNG Facilities from ATCO Gas; upgrade Watson Lake plant to meet the safety standard for LNG equipment; source and install bi-fuel technology to one of the six engines; and, conduct environmental assessment

⁶⁰ CW-YECL-3(b) Attachment 2, pages 7 of 43 to 9 of 43

of the engines as directed by the Yukon Environmental and Socio-Economic Assessment Board (“YESAB”).

- (b) Phase 2 – 2018: Source and install bi-fuel technology for the remaining five diesel engines at the Watson Lake plant and increase the volume of LNG stored on site.

150. If Board approval of the project is received in Q1 of 2017, then Phase 1 could be completed as early as Q3 of 2017. Phase 2 is proposed to be completed following YESAB approval of Phase 1.

4. Project Costs and Economics

151. AEY has provided an explanation of the Bi-Fuel Project costs and benefits to customers, including varied financial performance scenarios in Appendix 3 of the GRA. Tables 1, 2, and 3 of Appendix 3 have been updated in response to YUB-YECL-13(b) and further data supporting the financial viability of the project have been provided in response to JM-AEY-24, as well as in response to the undertaking given by Mr. Tenney to Mr. Maissan⁶¹ and in response to JM-AEY-2-1.

152. Overall, as demonstrated in the revised Tables 2 and 3 provided in response to YUB-YECL-13(b), under almost all natural gas and oil price escalation scenarios, the Bi-Fuel Project results in cost savings to customers over the life of the Project:

153. AEY also discussed the required breakeven price ratio between delivered LNG and delivered diesel in JM-AEY-24(c) and JM-AEY-2-1. In JM-AEY-24(c), the break-even price ratio was determined to be 75.6%. As demonstrated in JM-AEY-2-1, the AltaGas option overcame this ratio for 67 out of the last 69 months, while the Fortis option overcame this ratio for 53 of the last 69 months.

5. Approval Sought

154. As there appeared to be some uncertainty as to what exactly AEY is seeking approval for as part of this GRA, AEY wishes to clarify that with respect to the 2016-2017 test period, the Phase 1 expenditures are the only costs to be incurred within the test period and AEY is seeking to recover those as part of this GRA. Phase 2 of the Bi-Fuel Project is necessary to provide all of the benefits to ratepayers and reduce costs over the long-term by increasing consumption of LNG over the life of the Project. It is AEY’s objective in this GRA to obtain Board approval to complete both phases of this Project and AEY will bring forth Phase 2 costs for a prudence determination as part of a future general rate application.

155. For all of the above reasons, AEY submits that the Bi-Fuel Project will benefit ratepayers and ought to be approved by the Board.

⁶¹ AEY November 9, 2016 correspondence to parties, page 2

G. McIntyre Subdivision Rebuild

156. As provided in Attachment 11.4 and Appendix 8 of the GRA, the McIntyre Subdivision Rebuild ("McIntyre Rebuild") is the replacement of the underground electrical system in the McIntyre Subdivision. The existing infrastructure was built in the late 1970's and was deemed to have reached end of life. The end of life assessment was based on the degradation of cables and electrical equipment as well as inoperability at many locations within the subdivision due to safety concerns.

157. The McIntyre Rebuild was originally planned to consist of two phases, with the first phase including two years of field work, in 2013 and 2014, and then a project review to determine how best to complete the project in a second phase.⁶² The original scope of the McIntyre Rebuild was to install a new 25kV underground electrical system in close proximity to the existing 35kV system. The two separate underground systems would continue to operate in parallel as various streets and areas of the subdivision were converted to the new system. As streets throughout the subdivision were converted to the new system, the old system would be decommissioned and abandoned in place.

158. As the original project proceeded, it became apparent that the location and installation of the existing underground system would be in constant conflict with the installation of the new system. This made the field construction more time consuming due to difficult digging conditions and safety concerns.⁶³ These issues, coupled with time constraints imposed on construction permits from Kwanlin Dun First Nation, required a new project scope to be developed to complete the project in an acceptable timeframe and budget. The new scope for the McIntyre Rebuild involved the installation of a temporary overhead shadow electrical system which would allow construction crews to install the new underground system with the old underground system safely de-energized. This would allow the construction crews to work safely and at a similar pace to a greenfield project.

159. In addition, the new scope of work being proposed in this GRA includes the installation of a new main underground feed to the subdivision. This is not associated with the change in scope resulting in the addition of the temporary overhead shadow electrical system, but was a need identified by the project team as project planning proceeded, as it was determined that the original design of the 25kV feed would not have sufficient capacity for the area's long-term system plan.⁶⁴ Therefore, a higher capacity feed (larger conductor and equipment ratings) on a new and longer alignment was required.⁶⁵

160. These changes in scope have resulted in the actual and forecast costs, as set out in Table 1 of Appendix 8, being put forward for the Board's approval.

⁶² 1T126, lines 4-9

⁶³ 1T127, lines 18-22

⁶⁴ 1T129-130, lines 5-25 and 1-24

⁶⁵ YUB-YECL-16(a) and 1T130-134

XI. INCOME TAX

A. Overview

161. As described in Section 10 of the GRA, AEY continues to use the flow through method in calculating the income tax expense outlined in Schedule 10.1. This method was approved by the Board in Board Order 2014-06 and its use was not questioned by interveners during the information request process or during the oral hearing. As such, AEY submits its continued use be approved by the Board.

B. Deferral Account – Income Tax

162. AEY has requested an Income Tax Deferral Account on the enacted Federal and Territorial Statutory Rates, which are currently both at 15%. AEY is proposing that any changes to these rates be used to determine an updated revenue requirement and that this updated revenue requirement then be compared to the final Board approved revenue requirement for the year in question and any difference refunded to or collected from customers.

163. AEY first requested such a deferral account in the 2008-2009 General Rate Application proceeding. In Board Order 2009-2 the Board did not accept the request; however, AEY submits that recent changes in the Federal Government, the recent Territorial election, as well as the shifting global economic and political landscape increase the possibility of significant tax rate changes between general rate applications.

164. As stated by AEY in response to YUB-YECL-21(b), should changes, increases or decreases, arise in the tax rates during the test period, a deferral account would be appropriate to flow through any difference to customers for the following reasons:

- (a) Changes in statutory tax rates can be material;
- (b) Given that the statutory rates are set by the Territorial and Federal Governments and these rates are not published in advance of annual budgets, there is uncertainty regarding forecast accuracy;
- (c) The statutory rates are determined by the Territorial and Federal Governments, and are therefore beyond AEY's control; and
- (d) AEY is not typically at risk with respect to items that are beyond its control and that are material.

165. In AEY's submission the foregoing supports a finding by the Board that the requested deferral account is appropriate when considered in the context of the standard criteria for the establishment of a deferral account.

XII. PRIOR BOARD DIRECTIVES

166. AEY submits that it has responded comprehensively to all prior Board Directions. AEY notes that, but for the Utilities Consumers' Group information requests seeking confirmation of

project description and business case thresholds, which AEY has responded to, no parties appear to have suggested otherwise. Should parties raise any concerns in their arguments, AEY will provide submissions in response thereto.

XIII. CONCLUSIONS AND REMEDY SOUGHT

167. In summary, AEY submits that it has provided comprehensive support for, and justification of, all approvals requested as part of its GRA. Accordingly, AEY respectfully requests that its GRA be approved as filed, including all updates thereto as set out in the Update Filing or otherwise on the record. In particular, AEY respectfully requests the following approvals from the Board:

- (a) Approval of AEY's revenue requirement for the 2016-2017 test period;
- (b) Approval to use the following deferral accounts during the test period:
 - (i) Board Orders or Legislative Provisions (Exhibit BB-1, Section 1)
 - (ii) Purchased Power Flow Through (Exhibit BB-1, Section 3)
 - (iii) Diesel Deferral Account (Exhibit BB-1, Section 4)
 - (iv) LNG Fuel Deferral Account (Exhibit BB-1, Section 4)
 - (v) Defined Benefit Pension Plan (Exhibit BB-1, Section 8)
 - (vi) Statutory Tax Rates (Exhibit BB-1, Section 10)
 - (vii) Feasibility Studies (Exhibit BB-1, Section 12)

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 24th day of November, 2016

BENNETT JONES LLP

Per: 
Blake Williams, Counsel for ATCO Electric
Yukon