



April 18, 2019

Yukon Utilities Board
Box 31728
Whitehorse, YT Y1A 6L3

Attention: Deana Lemke
Executive Secretary

Dear Ms. Lemke:

**Re: Yukon Energy Corporation ("YEC")
2017-2018 General Rate Application – Compliance Filing
Argument**

ATCO Electric Yukon ("AEY") hereby submits the enclosed argument.

If you have any questions or concerns, please contact me at (780) 420-5449 or chris.cullingham@atco.com.

Yours truly,

Chris Cullingham
Manager, Regulatory

CC/by
Encl.

1. This argument is submitted on behalf of ATCO Electric Yukon (“AEY”) in support of AEY’s intervention in the Yukon Utilities Board (“YUB” or “Board”) proceeding regarding the Yukon Energy Corporation’s (“YEC”) 2017-18 General Rate Application Compliance Filing (“Application”).
2. AEY’s main concern regarding the Application is with the Low Water Reserve Fund (“LWRF”) and the Energy Reconciliation Adjustment (“ERA”) because these mechanisms:
 - i. remain overly complex, thus increasing regulatory burden;
 - ii. are based on forecasts from an untestable YECSIM model; and
 - iii. are unpredictable, retroactive rate adjustments that could be material.

Particularly, AEY submits that the concerns it raised about these mechanisms in its final argument for the General Rate Application have not been addressed by YEC’s compliance filing, and AEY does not believe YEC has adequately complied with Board Order 2018-10.

The new mechanisms remain overly complex, thus increasing regulatory burden

3. The proposed mechanism has not been simplified and remains overly complex for the Yukon regulatory setting process which, AEY submits, creates additional regulatory burden and will require further scrutiny in future proceedings. When asked by AEY to identify the simplifications and/or efforts to reduce the complexity of the proposed LWRF mechanism, YEC responded by stating that the key simplification introduced is the Fixed Change Factor¹. YEC then directs AEY to YUB-YEC-1-13 for further explanation.
4. However, the response to YUB-YEC-1-13 also does not elaborate on what simplifications were made, why they were made, or how they simplified the mechanism. AEY submits this response

¹ AEY-YEC-1-2 – **Request:** “Please identify and list out the simplifications and/or efforts to reduce the complexity of the proposed LWRF mechanism. Please explain the simplifications and how they work to reduce the complexity of the LWRF (compared to the formerly proposed DCF).” **Response:** “The key simplification introduced into the LWRF mechanism is the Fixed Change Factor. For further information on the recommended approach to the LWRF see YUB-YEC-1-13.”

is another intricate explanation of the steps taken to calculate the difference in thermal generation, which do not appear to be significantly different from the previous mechanism.

5. Based on YEC's lack of clarity around the simplification of these mechanisms, AEY submits the Application does not comply with the requirement for a simpler mechanism found in paragraph 320 of Board Order 2018-10². AEY respectfully requests that the Board direct YEC to outline simplifications of the model as well as identify other mechanisms that were evaluated in determining the proposed LWRP and how these alternatives may promote regulatory efficiency and simplify the determination of the LWRP.

Forecasts are based from an untestable YECSIM model

6. As stated by YEC, the functionality of the LWRP and ERA is premised on YEC's requested approval of multiple thermal generation forecasts at different load levels, which are determined by the untestable³ YECSIM model⁴, as shown in Table 2.1-4⁵. Because the model is untestable, no proof has ever been offered that YECSIM is accurate enough to reasonably determine forecast thermal generation at any single load, let alone at multiple different loads to be used for parsing thermal generation variance into generation caused by "water availability" or generation caused by "load changes". It remains unclear to AEY as to how YEC can establish its forecasts are reasonable enough for billing purposes like the LWRP or the ERA, and how parties can gain comfort that the deferral account will not see dramatic swings in the future.
7. Further, AEY submits it is unclear whether the proposed approach by YEC complies with the direction of the Board, specifically "the Board directs YEC to create a deferral account that records

² Appendix A to Board Order 2018-10: "320. However, the Board is of the view that the current DCF mechanism is complex and does not show the hydro generation and thermal generation in a given year when actuals are determined because the actuals are based on modelled results. The Board finds that a simpler mechanism for adjusting for variances between the approved forecast for hydro generation and thermal generation and actual hydro generation and thermal generation in a test year is needed. A deferral account is a rate adjustment mechanism aimed at reconciling forecasts with actuals for matters that are not in the control of the utility."

³ AEY-YEC-1-6(j) – "LTA hydro model estimates using any water model (including YECSIM) are not structured in a way that lends to retrospective verification per se."

⁴ AEY-YEC-1-6(i) – "LTA hydro and thermal generation forecasts included in Table 2.1-4 and included in the Compliance Filing were developed using the YECSIM model."

⁵ AEY-YEC-1-6(h) – "Yukon Energy is seeking approval of Table. 2.1-4 to the extent required to approve the 2018 GRA thermal generation forecast and the Fixed Change Factor."

the variance between actual generation fuel costs and the GRA forecast thermal general fuel costs”, because it appears the Board is discussing a single Thermal forecast and YEC is proposing multiple different Thermal forecasts at multiple grid loads. For similar reasons, it is unclear whether the proposed mechanisms comply with paragraph 322 which requires “variances between approved forecast and actual, not modelled, results”. AEY submits that a single Thermal forecast at a single grid load would reduce the complexity and would promote better, more straightforward variance explanations of the deferral account.

The LWRF and ERA are unpredictable, retroactive rate adjustments which could be material

8. AEY is concerned that the forecast fuel in rates changes retroactively from an embedded 3.9% to 45.3%⁶ for variances from grid load which is influenced by many factors⁷, in accordance with the modelled results submitted in Table 2.1-4. Further, AEY is concerned that these amounts could be material in the future, and depending on some factor’s under YEC’s management’s control (like its applied-for fuel mix and the YECSIM model). AEY submits that the many factors that influence the LWRF and ERA will continue to require significant regulatory oversight into the future.

Conclusion

9. AEY continues to be concerned over the complexity of the model and accuracy of both the forecast and the amounts that will be trued-up in customer rates, and the increased regulatory burden these mechanisms will continue to impose into the future. AEY respectfully requests that (1) YEC be directed to revisit how the LWRF and ERA models can be simplified, (2) identify the alternative models that were looked at, and (3) forecast thermal amounts be based on a single thermal generation forecasts at a single load level.

⁶ AEY-YUB-1-6(d)

⁷ AEY-YUB-1-6(k)